

# Global Marketing

**Contemporary theory, practice and cases**

By Ilan Alon, Eugene Jaffe, Christiane Prange & Donata Vianelli

# Chapter 10

Developing Global Products and Brands

# Learning objectives

After reading this chapter you should be able to:

- Define **global products and services**.
- Understand what is meant by “**international product life cycle**.”
- Discuss the **standardization versus adaptation** alternative.
- Describe **product features** and **perception** in a global context.
- Discuss why many **differences in product attributes** are found in **emerging markets**.
- Explain the **key approaches to branding decisions** in global markets.
- Identify and discuss the main **international product strategies**.

# Product Management in Foreign Markets

- The way a product is marketed is **dependent on the environment** that it is in.
- **Variables to consider** while in foreign markets
  - Differences in product use and expected benefits
  - Product and brand perception
  - Preferences in style, color, and design
- **Adaptations are not enough** to be successful abroad: the company has to develop a **completely different marketing approach**.

# Starbucks' Marketing Strategy in China



@ author

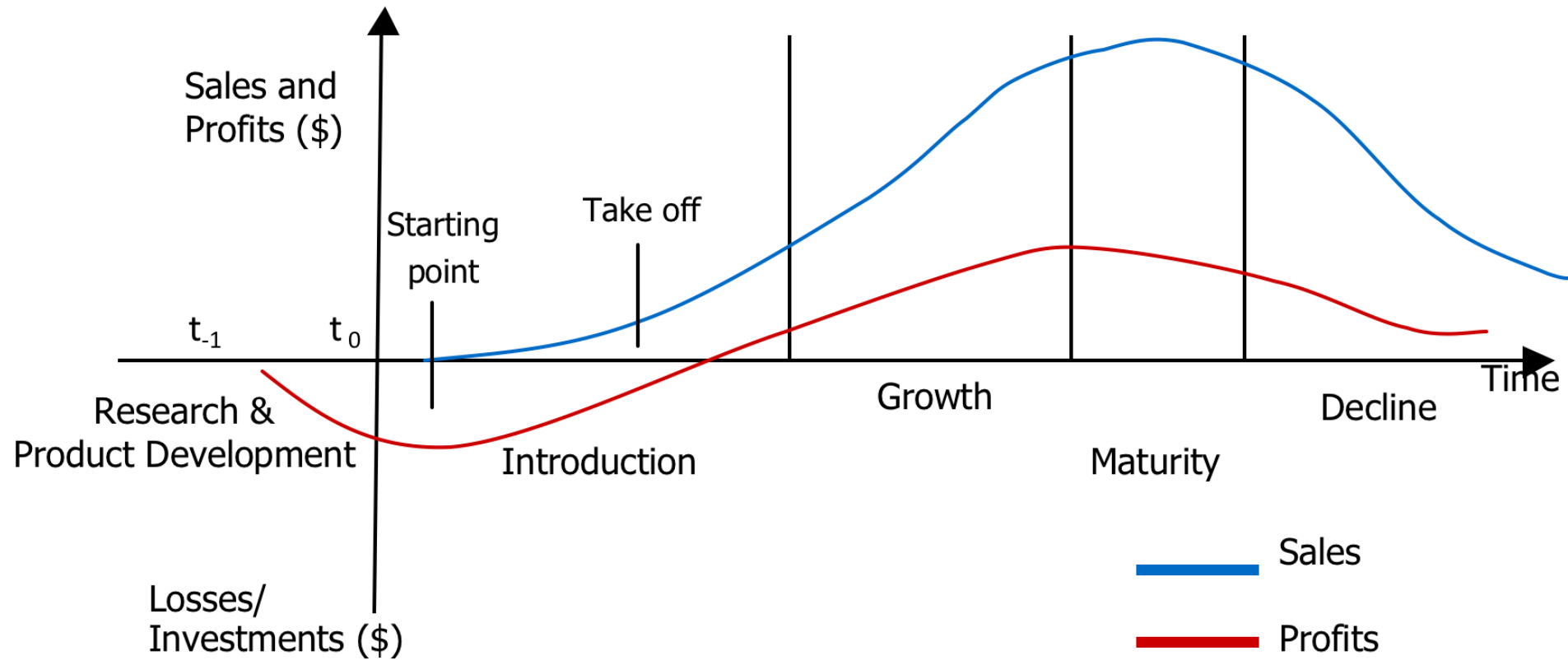
- China is now Starbucks' second largest market
  - First targeted largest Chinese cities and are now expanding to second-tier cities.
- Starbucks' strategy includes changing China's preference of tea to coffee
  - To do this, Starbucks targets the young professional class who are open to Western culture.
  - Fill stores with educational brochures, have frequent tasting sessions.
- Starbucks has also adopted to Asian preferences
  - Added more seating, offers traditional Chinese cakes during mid-autumn festival.
  - Developed fruity drinks for consumers that do not prefer coffee's bitter taste.

# Reevaluating Marketing Strategies

Strategy must take into account the product's distinctive characteristics and how the characteristics of people and competitive forces affect how a product is perceived.

- A product must be treated in relation to its **classification** based on the category it belongs to (industrial vs. consumer, durable vs. non-durable, convenience / preference / shopping / specialty, etc.)
- Significant **differences in competition** can force the need for a product to be modified
  - Product adaptation is required to get closer to the market when local competitors are very strong
- **Consumer characteristics and behavior** can change how the product is used over time.

# Product Life Cycle (PLC)



# International Differences within PLC

**The PLC can significantly vary across different countries.** We can find differences in:

- The shape of the PLC curve
- The product phase in the life cycle

In relation to the shape of the PLC curve, there are **three differences in the diffusion process of innovation among various countries:**

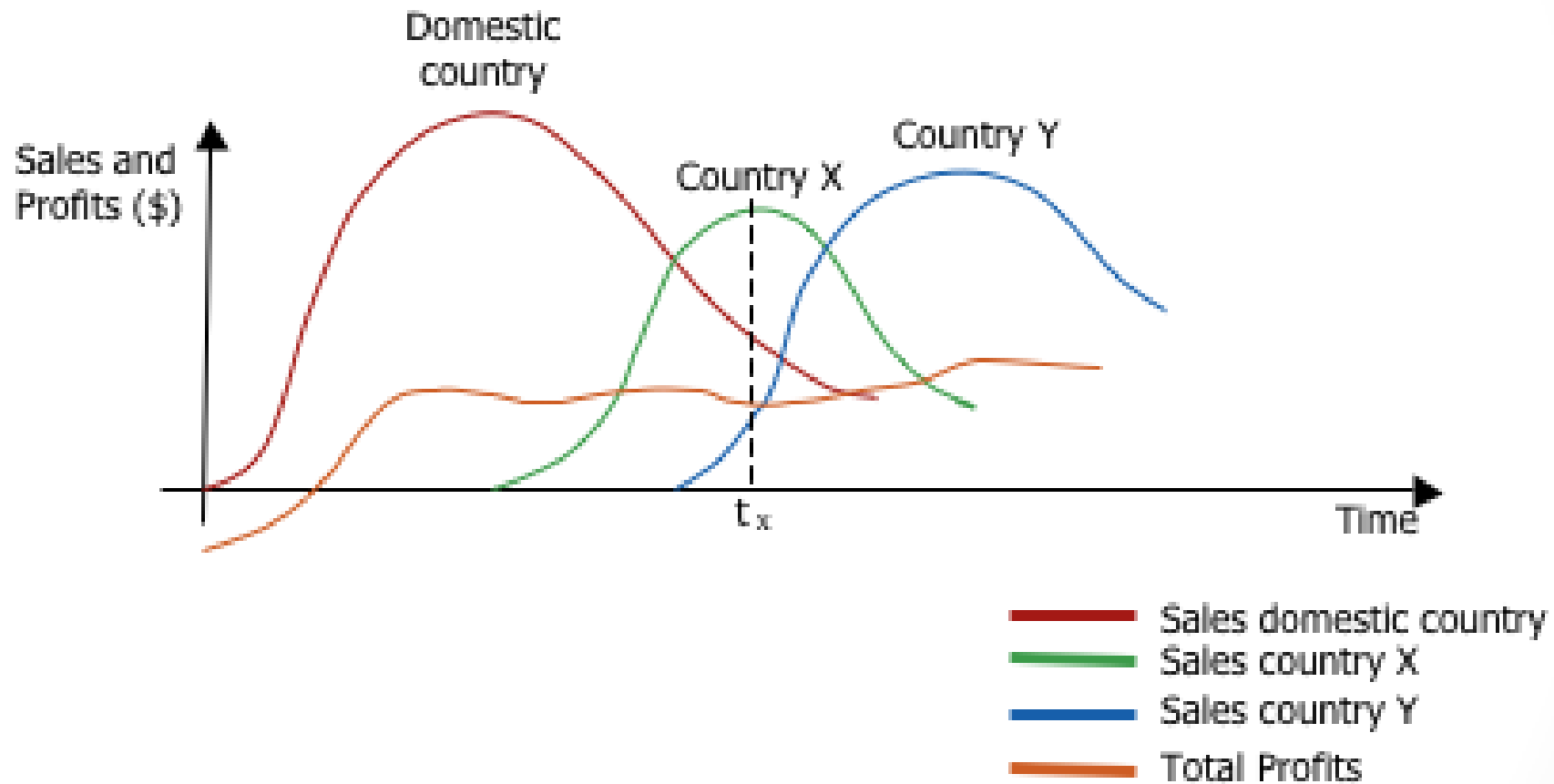
- The starting point
- The take-off point
- The rate at which acceptance occurs

The **life cycle phase that the product goes through can also be different** in a given country.

- Managing the PLC across different countries can guarantee to the company the maintenance of a constant level of profits.



# PLCs Across Different Countries for a Specific Product



# PLC Cultural Differences



- In Western countries, disposable diapers are a **commodity (maturity stage)**
- In China, diapers were only introduced a few years ago (**growth stage**)
- Many Chinese mothers still use open pants called **kaidangku**

# Different Perspectives of PLC

- The PLC can be related to the **whole product category** or a **specific brand**
- A good indicator for the potential of a product in a low-saturation level market is the existence of **wide disparities in the demand for a product or brand from one market to the next.**
- Examples: Ready Meals, Nivea
  - Ready Meals has reached the maturity phase in Europe but continues to grow in other markets
  - Nivea occupies the mature phase of the PLC in Western Europe and the introductory or growth phase in emerging markets.

# Illy Coffee in Different Markets



- The potential difference in the product or brand life cycle requires **differentiation in the company's marketing choices.**

# Standardization vs. Adaptation Dilemma

The choice between **standardization and adaptation** of marketing strategies is responsible for the company's chances to successfully enter a market.

- There are **five alternatives** to the dilemma:
  - The domestic product is exported abroad without modifications (**standardization**)
  - The domestic product is exported abroad with **some adaptations**
  - A **global standardized product** is created to target a **transnational segment**
  - A **global standardized product** is created to target a transnational segment across different foreign markets, but **some adaptations** are required
  - A **new product** is created to target a foreign market
- The dilemma has to take into consideration the relationship among **market, industry, and company factors**.
- To evaluate the **ideal combination** of standardization and adaptation, we have to take into consideration when **standardization is favorable** and when **adaptation is favorable**.

# Factors to Consider (1)

- **Environmental Factors**

- **Physical characteristics** of the country, **socioeconomic and demographic** differences, **religion, political aspects, language**, and **culture** can influence marketing decisions.
  - E.g. Nutella

- **Cost Reduction**

- **A standardized international marketing program strategy favors cost reduction** because of economies of scale in R&D, production, marketing, and managerial and organizational processes.

- **Global Image**

- A strategy when a company communicates **one message that is recognizable all over the world** in order to strengthen the company's **corporate image**.
  - E.g. Nike, Coca Cola

- **Easier Planning and Control**

- A company with a **standardized approach** can benefit the company **with greater control over the development and implementation of strategies and marketing mix policies** more easily than a company with an adaptation strategy.

- **Diffusion of Innovation**

- The possibility to obtain a **quick return on investment with standardization** favors the spread of product innovations

# Factors to Consider (2)

- **Motivation of Local Managers**
  - Opting for **adaptation** can create **stronger staff commitment**
- **Benefits for local consumers**
  - **Adapted products are more attractive** to consumers and more competitive in **foreign markets**
    - E.g. Gibson
- **Legal issues and differences in technical standards**
  - A standardized product strategy cannot be adopted when individual country requirements are different in terms of **technology, standards, and approval procedures**.
    - E.g. Video game industry
- **Costs of distribution, coordination and personal clients' services**
  - Standardization obtained with **centralized production, operating on a global scale, involves production cost reduction**

The target market must be analyzed in order to find the right balance between standardization and adaptation

# Product Use & Perception

Product use in a foreign market considers:

- The use **function**
- The use **situation**
- The use **conditions**
- The **product utilization level**

The **culture and environment** of the consumer can greatly influence consumer needs, and consequently **product perception** and **expectations**

- Standardization is prevalent with industrial goods that satisfy homogenous needs
- Consumer goods require adaptation in many cases
  - E.g. Heineken
- Differences in the evaluation of product characteristics depend on the **way in which the product is perceived across cultures**
  - E.g. Passenger transport modes



# Product Attributes

One of the main issues defining the international product offer is to **determine which product attributes can be standardized and which have to be adapted.**

Attributes to be analyzed:

- Regulations and standards
- Physical characteristics
- Style and design, color, and product quality
- Packaging
- Branding
- Country of origin
- Service attributes

A company must take into consideration **not only differences between countries but also diversities within a specific country itself.**

# Regulations & Standards

The **process of standards harmonization** will reduce the need to modify the product characteristics, thus favoring economies of scale in the production process.

- Country laws and standards for various products strongly influence company policies
  - The increasing number of local standards is often the result of the reduction of tariff barriers
- Companies wanting to enter a market in a given country must fulfill specific requirements concerning **quality, safety, size, and ingredients composition**.
- European Union countries are interested in international harmonization of product standards to encourage **internal trade** through the **elimination of technical barriers, increase market access**, and **promote** and **disseminate technologies**.
- The definition of **different standards** is often also linked to **competitive targets**
  - E.g. Soft at Home

# Physical Characteristics

Mandatory adaptations are often less frequent in comparison to **physical adaptations** that are required to meet **differences in consumer behavior** and **national marketing environments**.

- E.g. Japanese soft drink company Ito En, United Arab Emirates dairy market

**Adaptation of physical characteristics** is **not an exception** even with products that are already considered **global** and that are commercialized all over the world.

- E.g. Nestlé

# Style and Design, Color and Product Quality

**Design** allows the creation of a link between technological and market innovation

- The challenge for the company is **how to successfully adapt a product to local needs and technology requirements while at the same time minimizing developmental costs.**
  - Design differences are often necessary in order to reduce the product's final price
    - E.g. iPhone 5c
- **Color** is another key element, which may be interpreted differently by consumers in various countries
- The same product **quality** can be considered high in one country, medium or low in another one
  - E.g. Italian goods being sold in France

**National culture** influences the evaluation of **service quality**

- E.g. Czech Republic and Slovenian hotels

# Packaging

Packaging is central to both how products are used, how they communicate benefits to consumers, how they are able to create a sensory appeal.

- There are **four** elements to packaging analysis:
  - Labeling
  - Packaging style and design
  - Packaging dimensions
  - Functional characteristics
- Different product usage in different cultures can influence packaging
  - E.g. Hershey Chocolate
- Other factors to consider: education level, transportation and channel length

# Branding

The role of branding is affected by the increasing awareness of the **centrality of brands in the global context**.

- A company must take into account:
  - Brand strategy
  - Brand name and logo selection

In some cases, the **brand value** of a company is greater than its revenue

- Companies with a strong brand value can exploit this advantage through **global branding**
  - A global branding approach allows the possibility to **standardize other marketing activities, such as communication**, because of the brand's uniqueness
  - When using a global branding strategy, it can be **difficult for a company to guarantee uniform product quality**

Market leadership is obtained through the development of a **portfolio of products characterized by both global and local brands**

## AB-InBev Example

Region		Market position	Global brands	International brands	Local brands
North America	USA	1	Budweiser, Stella Artois	Beck's, Hoegaarden, Leffe	Bass, Brahma, Bud Light, Busch, Michelob, Natural light
	Canada	1	Budweiser, Corona, Stella Artois	Beck's, Hoegaarden, Leffe	Alexander Keith's, Bass, Bud Light, Kokanee, Labatt, Lucky, Lakeport, Oland
Europe	Belgium	1	Budweiser, Stella Artois	Beck's, Hoegaarden, Leffe	Belle-Vue, Jupiler, Vieux Temps
	Germany	2		Beck's, Hoegaarden, Leffe	Diebels, Franziskaner, Haake-Beck, Hasseröder, Löwenbräu, Spaten, Gilde
	UK	1	Budweiser, Corona, Stella Artois	Beck's, Hoegaarden, Leffe	Bass, Boddingtons, Brahma, Whitbread, Mackeson
	Russia	2	Budweiser, Stella Artois	Beck's, Hoegaarden, Leffe	Bagbier, Brahma, Klinskoye, Löwenbräu, Sibirskaya Korona, T, Tolstiak

Source: Adapted from [http://www.ab-inbev.com/content/dam/universaltemplate/abinbev/pdf/media/press-kit/AB\\_InBev\\_AR\\_OurTopTenMarkets.pdf](http://www.ab-inbev.com/content/dam/universaltemplate/abinbev/pdf/media/press-kit/AB_InBev_AR_OurTopTenMarkets.pdf)

# Types of Brands

- Manufacturer's own brand
  - Occurs when a **brand is owned by a producer** of a product or service
    - E.g. Dove, San Pellegrino, Bulgari
- Private brand
  - The **brand owner is the retailer**
    - E.g. H&M, Zara, Amazon.com
- Co-branding or ingredient branding
  - The established **brand names of two different companies** are used on the **same product**
    - E.g. Martini Gold
- Licensed brand
  - Occurs when a company uses a **brand name offered by the brand owner for an agreed fee or royalty**
    - E.g. Benetton and Sisley



@ author



# Brand Name and Logo Selection

Brand name and logo selection are part of the **communication strategy created for target clientele.**

Choices to consider in reference to brand name and logo:

- Entering the market with the **original brand name**
  - E.g. fashion labels
- Opting for a **translated brand**
  - E.g. Coca-Cola
- Using a **completely different brand name**
  - Used by multinationals that enter a foreign market by acquiring local brands
    - E.g. Unilever

# Louis Vuitton in the United States



@ author

## Hearthbrand ice creams in Unilever: a unique logo for different brand names

Brand name	Country
<b>Algida</b>	Serbia, Greece, Italy, Poland, Slovak Republic, Turkey, Hungary, Czech Republic, Romania
<b>Bresler</b>	Chile, Bolivia
<b>Eskimo</b>	Croatia, Austria, Slovenia
<b>Friigo</b>	Spain
<b>Frisko</b>	Denmark
<b>GB Glace</b>	Finland e Sweden
<b>Good Humor</b>	United States
<b>Holanda</b>	Mexico
<b>Kibon</b>	Brazil
<b>Kwality Wall's</b>	India, China
<b>Langnese</b>	Germany
<b>Pierrot Lusso</b>	Switzerland
<b>Miko</b>	France
<b>Ola</b>	Belgium, South Africa, Netherlands
<b>Olá</b>	Portugal
<b>Pinguino</b>	Ecuador, Colombia
<b>Selecta</b>	Philippines
<b>Streets</b>	Australia, New Zealand
<b>Tio Rico</b>	Venezuela
<b>Walls</b>	Ireland, UK

# Country of Origin and Place Branding

Country of origin represents the **extension of the perception of a specific country to its products or brands**

**Place branding:** a nation is like a brand whose winning characteristics can be communicated with the aim to build a strong national image and reputation.

- An method based on **six dimensions** that is applied to **measure brand value of a place** is the Anholt-GfK Nation Brands Index<sup>SM</sup> (NBI)
  - Exports
  - Governance
  - Culture and Heritage
  - People
  - Tourism
  - Investment and Immigration
- Other factors that must be considered are ethnocentricity and animosity toward countries

# Hybrid Country-of-Origin

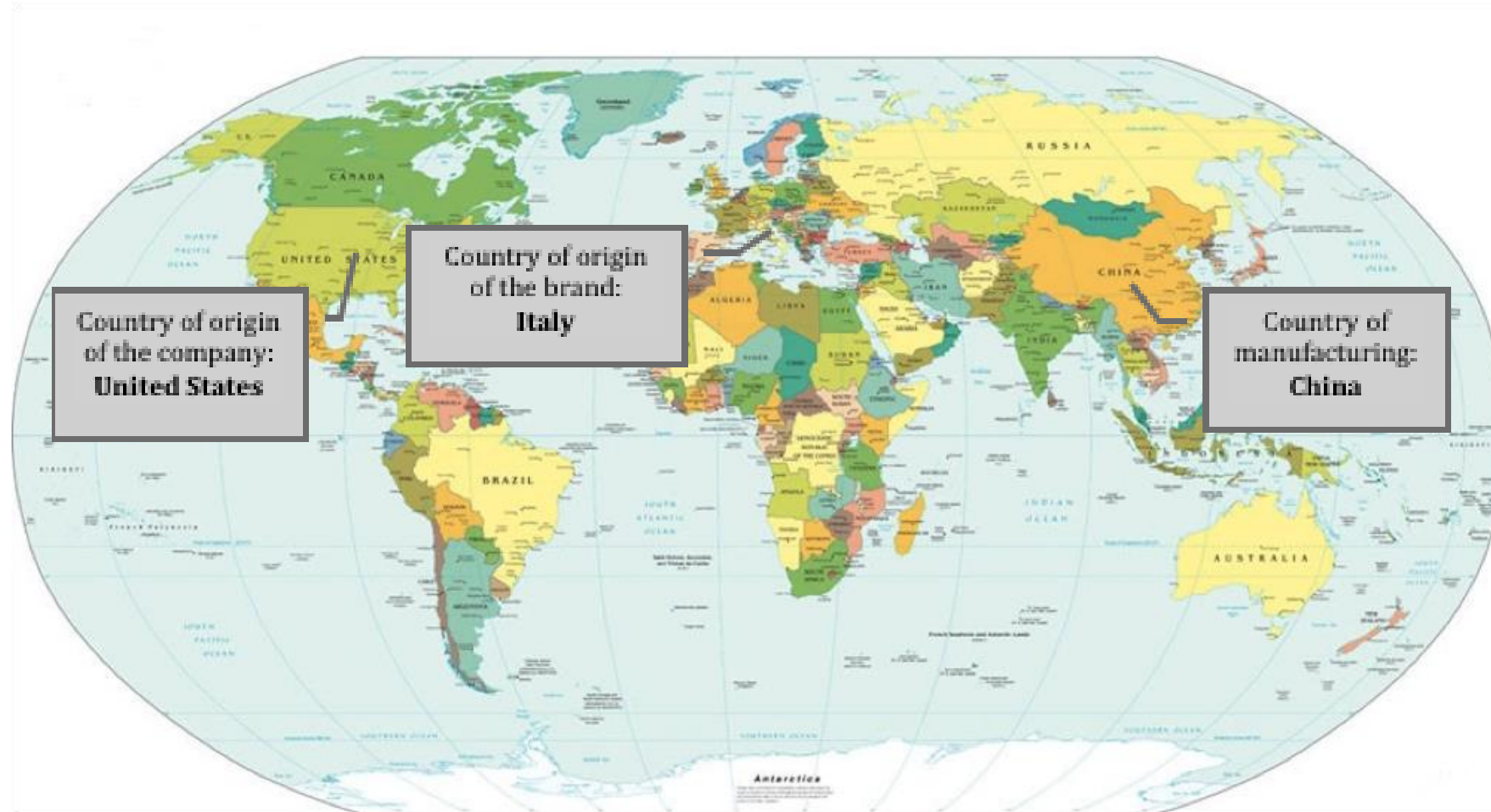


Figure 10.8 – An example of hybrid Country-of-Origin

Adapted from CIA – The World Fact Book: Regional and World Maps (2014)

# Gucci Example



© author

Gucci has Italy as a country of manufacturing and country of brand, France as the country of origin of the company, and a product-country of origin fit that can be Italy or France.

# Service Attributes

Services can include **installation, after-sales services, warranties, repair and maintenance, spare parts, returns, and instruction manuals.**

- The guarantee of an after-sale service can **reduce potential customer reticence toward a foreign product.**
  - E.g. Fiat
- In countries lacking a consumer culture, warranty standardization is not always possible

Client companies prefer a **standardized post-sale assistance and warranty policy**

- if the client company has different subsidiaries, they would end up using the same product but they would benefit from different types of warranties and post-sale services depending on the location.
- if the product is purchased by a subsidiary in a country and then moves to another subsidiary abroad, the lack of service standardization risks to make the product assistance service confusing and difficult.

# Product Strategies in International Markets

The most critical decisions are those relative to **the product and its communication.**

- A company has five strategic alternatives:
  - Strategy 1: Product–Communication Extension (Dual Extension)
  - Strategy 2: Product Extension–Communication Adaptation
  - Strategy 3: Product Adaptation–Communication Extension
  - Strategy 4: Product–Communication Adaptation (Dual Adaptation)
  - Strategy 5: Product Invention
- Dual extension: when a company is selling the same product with the **same communication strategy across different countries**
- Product extension–communication adaptation: used when faced with consumers who **perceive a product's value differently**, or who are using it for a **different purpose and are looking for different benefits** to satisfy different needs
  - E.g. De'Longhi



# Product Strategies in International Markets

- Product adaptation–communication extension: targets a market that can be **similar in the communication approach** but **needs product adaptation** to meet the needs of the local context.
  - E.g. McDonald's
- Product and communication adaptation: a **mandatory choice** for companies that need to **enter markets that are totally different**
  - E.g. Whirlpool in India
- Product invention: linked to **satisfying existing needs** with **products accessibly priced to mass markets**
  - E.g. Colgate-Palmolive

# Management Orientation

Management orientation (ethnocentric or globally oriented) is an aspect that can make the **difference in the choice between standardization or adaptation**.

- For example, the Chinese company Lenovo is a global/local company with no fixed headquarters.
  - “We don’t go anywhere with the idea that we are a Chinese company, but more that we are a global company”- Lenovo’s director of global media relations

With a **global culture**, managers are aware of the **cost advantages of standardization**, but are **also open to adaptation** and understanding the local needs.

Uniqueness of a product due to the country of origin is good, but failure to adapt certain differences can lead to failure.

# Discussion questions

1. How can you define a global product or service? Discuss and give some examples of local products and global products.
2. List and briefly describe the main product features. Considering a product that is representative of your country and is marketed abroad, define the stage of the product life cycle in your country and in other countries and discuss the standardization/adaptation alternative. Which features are standardized? Which are adapted?
3. What are the most important branding decisions managers have to take in international markets?
4. How can a company manage a negative country-of-origin perception? What are the opportunities associated with a positive country of origin? Discuss some examples of negative and positive countries of origin in your country.
5. What are the advantages and disadvantages of different product expansion strategies?