

International Marketing

Brand and Product Decisions in Global Marketing

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Basic Product Concepts

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- The product of the marketing mix is at the heart of the challenges and opportunities facing global companies today
- Management must develop product and brand policies and strategies that are sensitive to market needs, competition, and the company's ambitions and resources on a global scale.
- Effective global marketing often entails finding a balance between the payoff from extensively adapting products and brands to local market preferences and the benefits that come from concentrating company resources on relatively standardized global products and brands.

- A product is a good, service, or idea with both tangible and intangible attributes that collectively create value for a buyer or user. A product's tangible attributes can be assessed in physical terms, such as weight, dimensions, or materials used.
- Consider, for example, a flat-panel TV with an LCD screen that measures 42 inches across. The unit weighs 50 pounds, is 5 inches deep, is equipped with four high-definition media interface (HDMI) connections, has a built-in tuner capable of receiving high-definition TV signals over the air, and delivers a screen resolution of 1080p. These tangible, physical features translate into benefits that enhance the enjoyment of watching HDTV broadcasts and DVD movies. Accessories such as wall mounts and floor stands enhance the value offering by enabling great flexibility in placing the set in a living room or home theatre. Intangible product attributes, including the status associated with product ownership, a manufacturer's service commitment, and a brand's overall reputation or mystique are also important. When shopping for a new TV, for example, many people want "the best": They want a TV loaded with features (tangible product elements), as well as one that is "cool" and makes a status statement (intangible product element).



Product Types

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- A frequently used framework for classifying products distinguishes between consumer and industrial goods.
- For example, Sharp offers goods and services to both consumers and businesses worldwide. Consumer and industrial goods, in turn, can be further classified on the basis of criteria such as buyer orientation. Buyer orientation is a composite measure of the amount of effort a customer expends, the level of risk associated with a purchase, and buyer involvement in the purchase. The buyer orientation framework includes such categories as convenience, preference, shopping, and specialty goods. Electronics products are often high-involvement purchases, and many shoppers will compare several brands before making a decision. Products can also be categorized in terms of their life span (durable, nondurable, and disposable). Sharp and other electronics companies market products that are meant to last for many years; in other words, they are durable goods.
- As these examples from the electronics industry suggest, traditional product classification frameworks are fully applicable to global marketing.



Product Warranties

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- A warranty can be an important element of a product's value proposition. An express warranty is a written guarantee that assures the buyer that he or she is getting what he or she has paid for or that provides recourse in case a product's performance falls short of expectations. In global marketing, warranties can be used as a competitive tool to position a company in a positive way.
- For example, in the late 1990s Hyundai Motor America chief executive Finbarr O'Neill realized that many American car buyers perceived Korean cars as "cheap" and were sceptical about the Hyundai nameplate's reliability. The company had made significant improvements in the quality and reliability of its vehicles, but consumer perceptions of the brand had not kept pace with the changes. O'Neill instituted a 10-year, 100,000-mile warranty program that represents the most comprehensive coverage in the auto industry. Concurrently, Hyundai launched several new vehicles and increased expenditures for advertising. The results are impressive: Hyundai's U.S. sales jumped from about 90,000 vehicles in 1998 to more than 500,000 vehicles in 2010. Hyundai has also overtaken Toyota as Europe's best-selling Asian car brand.



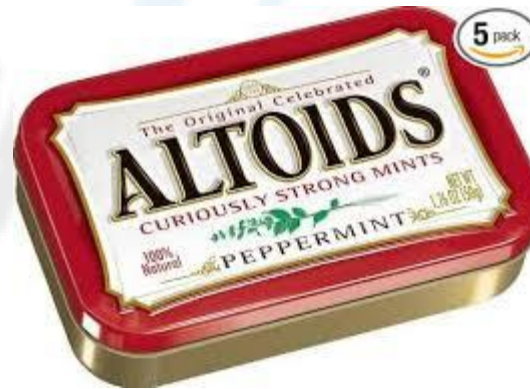
Packaging

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- Packaging is an integral element of product-related decisions. Packaging is an important consideration for products that are shipped to markets in far-flung corners of the world.
- The term consumer packaged goods applies to a wide variety of products whose packaging is designed to protect or contain the product during shipping, at retail locations, and at the point of use or consumption.
- “Eco-packaging” is a key issue today, and package designers must address environmental issues such as recycling, biodegradability, and sustainable forestry. In Germany, for example, product packaging must conform to Green Dot regulations.



- Packages and labels attached to them offer communication cues that provide consumers with a basis for making a purchase decision. Packaging must engage the senses, make an emotional connection, and enhance a consumer's brand experience. According to Bernd Schmitt, director of Columbia University's Center on Global Brand Leadership, *“Packages are creating an experience for the customer that goes beyond the functional benefits of displaying and protecting the object.”*
- Absolut Vodka, Altoids breath mints, and Godiva chocolates are a few examples of brands whose value proposition includes “experiential packaging.”



- Brewers, soft drink marketers, distillers, and other beverage firms typically devote considerable thought to ensuring that packages speak to consumers or provide some kind of benefit beyond simply holding liquid.
- For example, a critical element in the success of Corona Extra beer in export markets was management’s decision to retain the traditional package design that consisted of a tall transparent bottle with “Made in Mexico” etched directly on the glass. At the time, the conventional wisdom in the brewing industry was that export beer bottles should be short, green or brown in colour, and have paper labels. In other words, the bottle should resemble Heineken’s! The fact that consumers could see the beer inside the Corona Extra bottle made it seem more pure and natural. Today, Corona is the top-selling imported beer brand in the United States, Australia, Belgium, the Czech Republic, and several other countries.



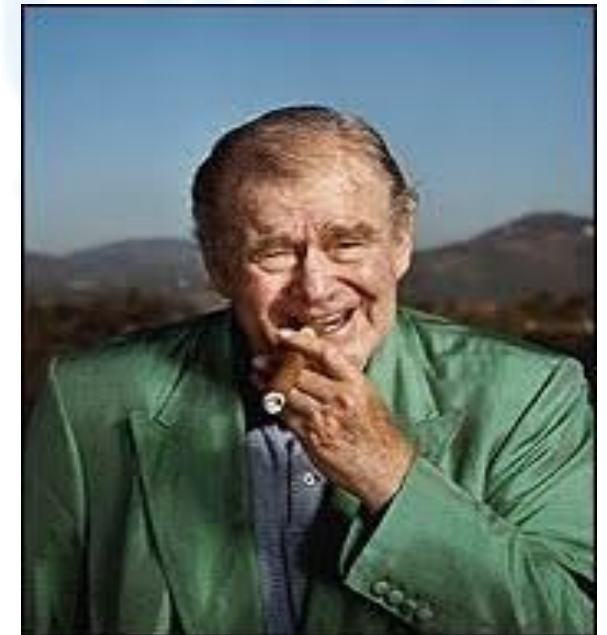
- Coca-Cola's distinctive (and trademarked) contour bottle comes in both glass and plastic versions and helps consumers seek out the "real thing."
- The Coke example also illustrates the point that packaging strategies can vary by country and region.



- In North America, where large refrigerators are found in many households, Coca-Cola's latest packaging innovation is the Fridge Pack, a long, slender carton that holds the equivalent of 12 cans of soda. The Fridge Pack fits on a refrigerator's lower shelf and includes a tab for easy dispensing.



- Grey Goose, the world's top-selling super premium vodka brand, is the brainchild of the late Sidney Frank. The owner of an importing business in New Rochelle, New York, Frank first devised the bottle design and name. Only then did he approach a distiller in Cognac, France, to create the actual vodka.



- Nestlé's worldwide network of packaging teams contribute packaging improvement suggestions on a quarterly basis such as:

- A new plastic lid to make ice cream containers easier to open
- Slightly deeper indentations in the flat end of candy wrappers in Brazil that make them easier to rip open
- Deeper notches on single-serve packets of Nescafé in China.



- Nestlé also asked suppliers to find a type of glue to make the clicking sound louder when consumers snap open a tube of Smarties brand chocolate candies.



- When GlaxoSmithKline launched Aquafresh Ultimate in Europe, the marketing and design team wanted to differentiate the brand from category leader Colgate Total. Most tube toothpaste is sold in cardboard cartons that are stocked horizontally on store shelves. The team designed the Aquafresh Ultimate tube to stand vertically; the tubes are distributed to stores in shelf-ready trays. The box-free packaging saves hundreds of tons of paper each year.





Labelling

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- One hallmark of the modern global marketplace is the abundance of multi-language labelling that appears on many products. In today's self-service retail environments, product labels may be designed to attract attention, to support a product's positioning, and to help persuade consumers to buy. Labels can also provide consumers with various types of information. Obviously, care must be taken that all ingredient information and use and care instructions are properly translated. The content of product labels may also be dictated by country- or region-specific regulations.
- Regulations regarding mandatory label content vary in different parts of the world; for example, the EU now requires mandatory labelling for some foods containing genetically modified ingredients.
- Regulators in Australia, New Zealand, Japan, Russia, and several other countries have also proposed similar legislation.

- In the United States, the Nutrition Education and Labeling Act that went into effect in the early 1990s was intended to make food labels more informative and easier to understand. Today, virtually all food products sold in the United States must present information regarding nutrition (e.g., calories and fat content) and serving size in a standard format. The use of certain terms such as light and natural is also restricted.
- The American Automobile Labeling Act effective since October 1, 1994 clarifies the country of origin, the final assembly point, and percentages of the major sources of foreign content of every car, truck, and minivan sold in the United States.
- Mandatory health warnings on tobacco products are required in most countries.

- Responding to pressure from consumer groups, in 2006 McDonald's began posting nutrition information on all food packaging and wrappers in approximately 20,000 restaurants in key markets worldwide. Executives indicated that issues pertaining to language and nutritional testing would delay labelling in 10,000 additional restaurants in smaller country markets.



- In 2008, the United States enacted a country-of-origin labelling (COOL) law. The law requires supermarkets and other food retailers to display information that identifies the country that meat, poultry, and certain other food products come from.



- Nestlé introduced Nan, an infant-formula brand that is popular in Latin America, in the American market. Targeted at Hispanic mothers, Nestlé Nan's instructions are printed in Spanish on the front of the can. Other brands have English-language labelling on the outside; Spanish-language instructions are printed on the reverse side.





Aesthetics

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- Global marketers must understand the importance of visual aesthetics embodied in the colour or shape of a product, label, or package. Likewise, aesthetic styles, such as the degree of complexity found on a label, are perceived differently in different parts of the world.
- For example, it has been said that German wines would be more appealing in export markets if the labels were simplified. Aesthetic elements that are deemed appropriate, attractive, and appealing in one's home country may be perceived differently elsewhere.



- In some cases, a standardized colour can be used in all countries; examples include the distinctive yellow colour on Caterpillar's earthmoving equipment and its licensed outdoor gear, the red Marlboro chevron, and John Deere's signature green.
- In other instances, colour choices should be changed in response to local perceptions. White is associated with death and bad luck in some Asian countries. When GM executives were negotiating with China for the opportunity to build cars there, they gave Chinese officials gifts from upscale Tiffany & Company in the jeweller's signature blue box. The Americans astutely replaced Tiffany's white ribbons with red ones because red is considered a lucky colour in China and white has negative connotations



- Packaging aesthetics are particularly important to the Japanese. This point was driven home to the chief executive of a small U.S. company that manufactures an electronic device for controlling corrosion. After spending much time in Japan, the executive managed to secure several orders for the device. Following an initial burst of success, Japanese orders dropped off; for one thing, the executive was told, the packaging was too plain. *“We couldn’t understand why we needed a five-colour label and a custom-made box for this device, which goes under the hood of a car or in the boiler room of a utility company,”* the executive said. While waiting for the bullet train in Japan one day, the executive’s local distributor purchased a cheap watch at the station and had it elegantly wrapped. The distributor asked the American executive to guess the value of the watch based on the packaging. Despite all that he had heard and read about the Japanese obsession with quality, it was the first time the American understood that, in Japan, *“a book is judged by its cover.”* As a result, the company revamped its packaging, seeing to such details as ensuring that strips of tape used to seal the boxes were cut to precisely the same length.



Basic Branding Concepts

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- A brand is a complex bundle of images and experiences in the customer's mind. Brands perform two important functions.
 - First, a brand represents a promise by a particular company about a particular product; it is a type of quality certification.
 - Second, brands enable customers to better organize their shopping experience by helping them seek out and find a particular product. Thus, an important brand function is to differentiate a particular company's offering from all others.
- Customers integrate all their experiences of observing, using, or consuming a product with everything they hear and read about it. Information about products and brands comes from a variety of sources and cues, including advertising, publicity, word of mouth, sales personnel, and packaging. Perceptions of service after the sale, price, and distribution are also taken into account. The sum of impressions is a brand image, defined as perceptions about a brand as reflected by brand associations that consumers hold in their memories.

- Brand image is one way that competitors in the same industry sector differentiate themselves. Take Apple and Nokia, for example. Both market smartphones. Former Apple CEO Steve Jobs was a constant media presence who was a master at generating buzz; the iPhone has received stellar reviews for its sleek look, large screen, and user-friendly features. Apple's retail stores reinforce the brand's hip, cool image. By contrast, Nokia's brand image was more heavily skewed toward technology; few Nokia users were likely to know the name of the company's chief executive.



▪ **Brand equity** represents the total value that accrues to a product as a result of a company's cumulative investments in the marketing of the brand. Just as a homeowner's equity grows when loan is paid off within due time, brand equity also grows as a company invests in the brand. Brand equity can also be thought of as an asset representing the value created by the relationship between the brand and customers over time. The stronger the relationship, the greater the equity. For example, the value of global megabrands such as Coca-Cola and Marlboro runs in the tens of billions of dollars. As outlined by branding expert Kevin Keller, the benefits of strong brand equity include:

- Greater loyalty
- Less vulnerability to marketing actions
- Less vulnerability to marketing crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Increased marketing communication effectiveness

- Warren Buffett, the legendary American investor who heads Berkshire Hathaway, asserts that the global power of brands such as Coca-Cola and Gillette permits the companies that own them to set up a protective moat around their economic castles. As Buffett once explained, *“The average company, by contrast, does battle daily without any such means of protection.”* That protection often yields added profit because the owners of powerful brand names can typically command higher prices for their products than can owners of lesser brands. In other words, the strongest global brands have tremendous brand equity.



BERKSHIRE HATHAWAY INC.

- According to Karel Vuursteen, former CEO of Heineken NV

“There is a strong local heritage in the brewing industry. People identify with their local brewery, which makes beer different from detergents or electronic products.”



alamy stock photo

- Companies develop logos, distinctive packaging, and other communication devices to provide visual representations of their brands. A logo can take a variety of forms, starting with the brand name itself.
- For example, the Coca-Cola brand is expressed in part by a word mark consisting of the words Coke and Coca-Cola written in a distinctive white script. The “wave” that appears on red Coke cans and bottle labels is an example of a non-word mark logo, sometimes known as a brand symbol.
- Non-word marks such as the Nike swoosh, the three-pronged Mercedes star, and McDonald’s golden arches have the great advantage of transcending language and are therefore especially valuable to global marketers.
- To protect the substantial investment of time and money required to build and sustain brands, companies register brand names, logos, and other brand elements as trademarks or service marks. Trademarks and other forms of intellectual property is a key issue in global marketing.





Local Products and Brands

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■ A local product or local brand is one that has achieved success in a single national market. Sometimes a global company creates local products and brands in an effort to cater to the needs and preferences of particular country markets.

■ According to the Coca-Cola Company's website, they currently manufacture 3500 different products in over 200 countries.

○ **Kinely:** It is bottled water marketed in in India

○ **Shizen Plus:** This green tea blended with complementary natural herb extracts is available in Thailand

○ **Samurai:** This carbonated energy drink is sold exclusively in Vietnam. Its sweet 'Fruit Punch' flavour is tailored to the Vietnamese palate.

○ **Jaz Cola:** It was created for consumers living in the Visayan Islands- the main middle island of Philippines, which has reportedly *“fuelled Visayan pride among its teen consumers.”*



- **Kuat:** Named for an Amazonian sun god, this energy drink comes in plain Guarana or Guarana-Orange for Brazilians who have a penchant for the local Guarana berry



- **Oasis:** This juice is for grown-ups living in Great Britain, Northern Ireland and the Republic of Ireland. Specifically, Coca-Cola envisions it for *“working twenty-somethings who know what they want out of life.”*



- **Limca:** This lemon-lime soft drink is sold in India, Nigeria, the United Arab Emirates and Zambia. It originated in India, but was acquired by Coca-Cola in 1993. According to the company, the beverage *“continues to build a loyal following among young adults who love the light-hearted way it complements the best moments of their lives.”*



- **The Wellness from Coca-Cola:** In light of recent criticism of sugary drinks, Coca-Cola has developed a whole wing of health-conscious products. One of these is aptly called “The Wellness.” Despite the English name, this unflavoured beverage is only available in Japan and is “designed for women who want to look their best at all times.”



- **Tiky:** A pineapple-flavoured soft drink sold only in Guatemala with its positioning statement “*enhance your positive attitude and release your inner child.*”



- **Smart:** It was one of the first soft drinks Coca-Cola created just for China and its rapidly expanding consumer market. Geared towards Chinese teens and children, Smart was designed to have a “*fun, non-conforming personality.*” It is available in flavours such as Apple, Grape, Mandarin Orange, Peach and Watermelon.



- **Qoo:** With a blue cartoon mascot who somewhat resembles a cat, Qoo is a very popular light juice drink among children in Asia. It keeps parents happy with its Vitamin C and Calcium content. Along with traditional flavours like Apple and Orange, Qoo is available in a wide variety of unusual flavours such as Acerola Lemon, Blackcurrant, Grape Lemon, Honey Quince, Mango Milk and Peach Plum. It is currently available in China, Hong Kong, Japan, Macau, the Republic of Korea and Singapore.



- Green tea has grown into a \$8.9 billion packaged beverage market in Japan. Unlike acidic bottled Coke, green tea requires special precautions during its bottling to prevent spoilage and preserve its flavour. Coca-Cola has invested about \$458 million since 2014 to double its assembly lines in Japan to nine and accommodate such aseptic production.
- Coca-Cola's competitors in this tea growing nation, led by Ito En, a traditional tea maker that pioneered bottled green tea in Japan, were quick to imitate Coca-Cola's lead in adding powdered tea to its green tea drinks to make them cloudier and more evocative of richer.



- Takashi Wasa, former Senior VP, Coca-Cola Japan commented, *“Coca-Cola has had 850 different beverages in Japan alone, not counting discontinued brands. The odds of having a hit are maybe just three out of a thousand. It is so difficult to survive in Japan.”*



- Raymond Shelton, senior executive officer for Coca-Cola East Japan concludes: *“I have travelled the world for Coca-Cola and never seen such a variety of products and such an intensive pace of new launches”*.

- The notoriously fad-loving Japanese swaps from one trend to another across an array of healthy but also often weird product offerings. They drink across beverage categories each and every day so the set of demands is clearly broader there than elsewhere. The market remains amazing to monitor.



- Some branded special drink products are:
 - Kochakaden brand of English tea
 - Lactia brand of fermented milk drink
 - Sokenbicha brand of blended tea



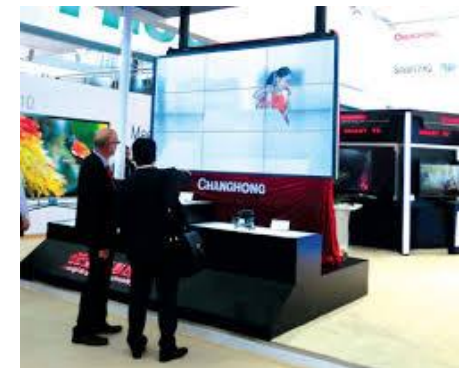
- The spirits industry often creates brand extensions to leverage popular brands without large marketing expenditures.
 - Diageo PLC markets Gordon's Edge, a gin-based ready-to-drink beverage in the United Kingdom.



- Allied Domecq created TG, a brand flavoured with Teacher's Scotch and guaraná, in Brazil.



- Local products and brands also represent the lifeblood of domestic companies. Entrenched local products and brands can represent significant competitive hurdles to global companies entering new country markets. Li Ning, the Chinese 3-time Olympic gold-medallist gymnast founded sportswear and sports equipment company Li-Ning Company Limited in 1990, which sells more sneakers than global powerhouse Nike.
- In developing countries, global brands are sometimes perceived as overpowering local ones. Growing national pride can result in a social backlash that favours local products and brands. In China, a local TV manufacturer, Changhong Electric Appliances, has built its share of the Chinese market from 6 percent to more than 22 percent by cutting prices and using patriotic advertising themes such as *“Let Changhong hold the great flag of revitalizing our national industries.”*



- White-goods maker Haier Group has also successfully fought off foreign competition and now accounts for 40 percent of China's refrigerator sales. In addition, Haier enjoys a 30 percent share of both the washing machine and air conditioner markets. Slogans stencilled on office walls delineate the aspirations of company president Zhang Ruimin: *“Haier—Tomorrow's Global Brand Name”* and *“Never Say ‘No’ to the Market.”*
- In 2002, Haier Group announced a strategic alliance with Taiwan's Sampo Corporation and Yageo Group. As per the deal, valued at \$300 million, Haier would purchase home appliances from Sampo and electronics components from Yageo and would use Sampo's distribution and maintenance network to penetrate the Taiwan market.



International Products and Brands

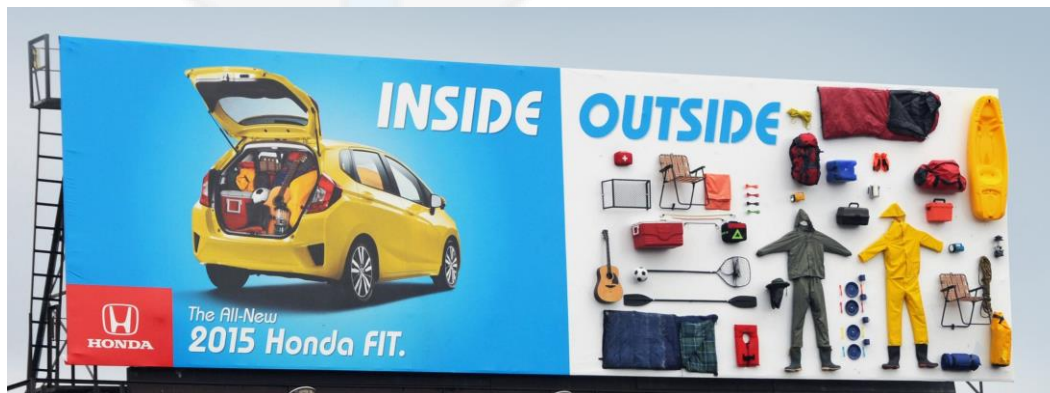


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- International products and international brands are offered in several markets in a particular region.
- For example, a number of “Euro products” and “Euro brands” such as Daimler’s two-seat Smart car are available in Europe; the Smart was launched in the United States as well.
- The experience of GM with its Corsa model in the early 1990s provides a case study in how an international product or brand can be taken global. The Opel Corsa was a new model originally introduced in Europe. GM then decided to build different versions of the Corsa in China, Mexico, and Brazil. As David Herman, chairman of Adam Opel AG, noted, *“The original concept was not that we planned to sell this car from the tip of Tierra del Fuego to the outer regions of Siberia. But we see its possibilities are limitless.”* GM calls the Corsa its *“accidental world car.”*



- Honda had a similar experience with the Fit, a five-door hatchback built on the company's Global Small Car platform.
- Following Fit's successful Japanese launch in 2001, Honda rolled out the vehicle in Europe (where it is known as Jazz). Over the next few years, Fit was rolled out in Australia, South America, South Africa, and China. The Fit made its North American market debut in 2006.



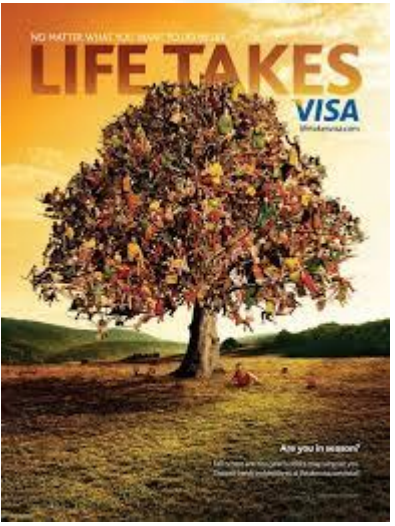
Global Products and Brands



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Globalization is putting pressure on companies to develop global products and to leverage brand equity on a worldwide basis. A global product meets the wants and needs of a global market. A true global product is offered in all world regions, including the Triad and in countries at every stage of development. A global brand has the same name and, in some instances, a similar image and positioning throughout the world. Some companies are well established as global brands. When Nestlé asserts that it *“Makes the very best,”* the quality promise is understood and accepted globally. Same is true for:

- Gillette: *“The best a man can get”*
- BMW: *“The ultimate driving machine”*
- GE: *“Imagination at work”*
- Harley-Davidson: *“An American legend”*
- Visa International: *“Life takes Visa”*



- In French (“La perfection au masculin”), German (“Für das Besteim Mann”), Italian (“Il meglio di un uomo”), Portuguese (“O melhor- para o homem”), or any other language, Gillette’s trademarked brand promise is easy to understand.

- Former Gillette CEO Alfred Zeien explained his company’s approach as follows:

A multinational has operations in different countries. A global company views the world as a single country. We know Argentina and France are different, but we treat them the same. We sell them the same products, we use the same production methods, we have the same corporate policies. We even use the same advertising in a different language, of course.

- Zeien’s remarks reflect the fact that Gillette creates competitive advantage by marketing global products and utilizing global branding strategies. Gillette reaps economies of scale associated with creating a single ad campaign for the world and the advantages of executing a single brand strategy.



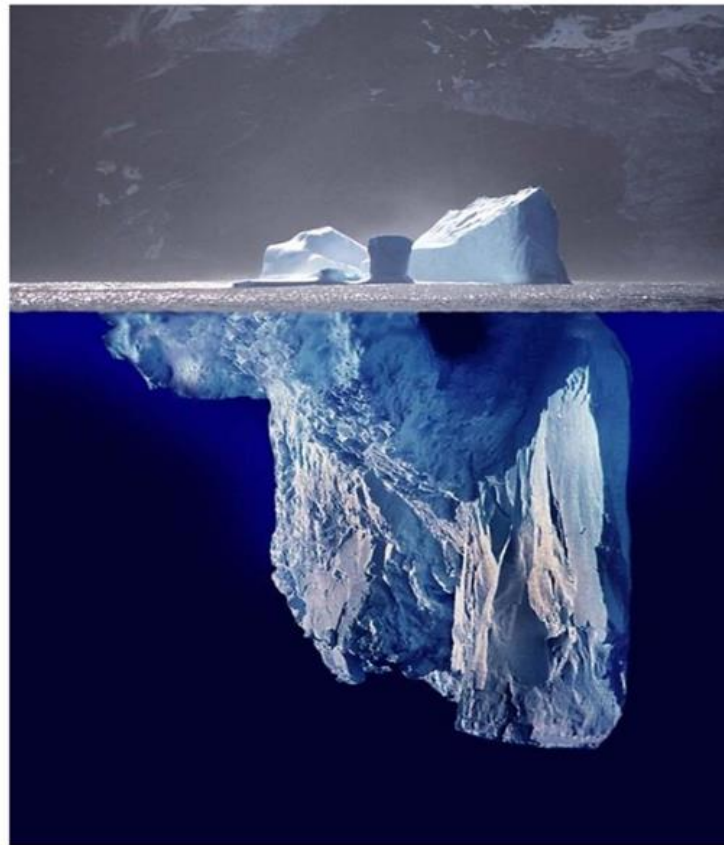
- By contrast, Peter Brabeck-Letmathe, the former CEO of Nestlé, has a different perspective:

We believe strongly that there isn't a so-called global consumer, at least not when it comes to food and beverages. People have local tastes based on their unique cultures and traditions— a good candy bar in Brazil is not the same as a good candy bar in China. Therefore, decision making needs to be pushed down as low as possible in the organization, out close to the markets. Otherwise, how can you make good brand decisions? A brand is a bundle of functional and emotional characteristics. We can't establish emotional links with consumers in Vietnam from our offices in Vevey.

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- Whichever view prevails at headquarters, all global companies are trying to increase the visibility of their brands, especially in key markets such as the United States and China. Examples include:

- Philips with its “Sense and simplicity” global image advertising
- Siemens’ “Siemens answers” campaign.



We believe in simplicity and hiding the complexity from you
We take up the challenge to make lives simpler through meaningful and timeless innovation
Join us on our journey at Philips.com/simplicity

PHILIPS
sense and simplicity

SIEMENS

A century-old factory builds the future.

Siemens answers keep U.S. manufacturing competitive for years to come.

In the hundred years since the Siemens Motor Manufacturing Plant in Norwood, Ohio, first opened, a lot has changed. But the key to its success hasn't: putting the newest technologies in the hands of a skilled workforce. It's what's kept this factory competitive—and its doors open—in even the

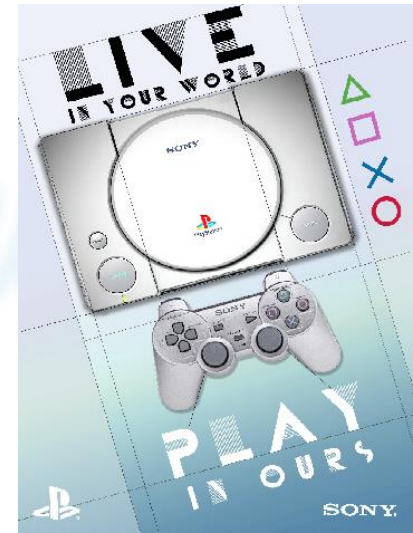
toughest economic times. And it could be the blueprint for revitalizing manufacturing here at home. Somewhere in America, our team of more than 60,000 employees spends every day creating answers that will last for years to come.

- In the twenty-first century, global brands are becoming increasingly important. As one research team noted:

People in different nations, often with conflicting viewpoints, participate in a shared conversation, drawing upon shared symbols. One of the key symbols in that conversation is the global brand. Like entertainment stars, sports celebrities, and politicians, global brands have become a lingua franca for consumers all over the world. People may love or hate transnational companies, but they can't ignore them.

- These researchers note that brands that are marketed around the world are endowed with both an aura of excellence and a set of obligations. Worldwide, consumers, corporate buyers, governments, activists, and other groups associate global brands with three characteristics, which consumers use as a guide when making purchase decisions:
 - **Quality signal.** Global brands compete fiercely with each other to provide world-class quality. A global brand name differentiates product offerings and allows marketers to charge premium prices.
 - **Global myth.** Global brands are symbols of cultural ideals. Marketers can use global consumer culture positioning (GCCP) to communicate a brand's global identity and link that identity to aspirations in any part of the world.
 - **Social responsibility.** Customers evaluate companies and brands in terms of how they address social problems and how they conduct business.

- It is to be noted that a global brand is not the same thing as a global product. For example, personal stereos are a category of global product; Sony is a global brand. Many companies, including Sony, make personal stereos. However, Sony created the category 30 years ago when it introduced the Walkman in Japan. The Sony Walkman is an example of combination or tiered branding, whereby a corporate name (Sony) is combined with a product brand name (Walkman). By using combination branding, marketers can leverage a company's reputation while developing a distinctive brand identity for a line of products. The combination brand approach can be a powerful tool for introducing new products. Although Sony markets a number of local products, the company also has a stellar track record as a global corporate brand, a creator of global products, and a marketer of global brands. For example, using the Walkman brand name as a point of departure, Sony created the Discman portable CD player and the Watchman portable TV. Sony's recent global product brand offerings include Bravia brand HDTVs and the PlayStation family of video game consoles and portables.



- Co-branding is a variation on combination branding in which two or more different company or product brands are featured prominently on product packaging or in advertising. Properly implemented, co-branding can engender customer loyalty and allow companies to achieve synergy. However, co-branding can also confuse consumers and dilute brand equity. The approach works most effectively when the products involved complement each other. Credit card companies were the pioneers, and today it is possible to use cards to earn frequent-flyer miles and discounts on automobiles.



- Another well-known example of co-branding is the Intel Inside campaign promoting both the Intel Corporation and its Pentium-brand processors in conjunction with advertising for various brands of personal computers.



- Global companies can also leverage strong brands by creating brand extensions. This strategy entails using an established brand name as an umbrella when entering new businesses or developing new product lines that represent new categories to the company.
- British entrepreneur Richard Branson is an acknowledged master of this approach: The Virgin brand has been attached to a wide range of businesses and products (www.virgin.com). Virgin is a global brand, and the company's businesses include an airline, a railroad franchise, retail stores, movie theatres, financial services, and health clubs. Some of these businesses are global, and some are local. For example, Virgin Megastores are found in many parts of the world, whereas Virgin Rail Group and Virgin Media operate only in the United Kingdom. The brand has been built on Branson's shrewd ability to exploit weaknesses in competitors' customer service skills, as well as a flair for self-promotion.
- Branson's business philosophy is that brands are built around reputation, quality, innovation, and price rather than image. Although Branson is intent on establishing Virgin as the British brand of the new millennium, some industry observers wonder if the brand has been spread too thin. Branson's newest ventures include Virgin America Airlines and Virgin Galactic.




Online Print Order Center





HOW
COLD STEEL
— CAN CREATE —
BURNING LOYALTY.

The success of our company is not only in the dedication of our employees, but because we give a chance for
everyone to do their best. We are the world's largest steel producer. That's why we give our employees
a job that challenges them and rewards their highest performance. We're here to help you succeed. We're here to
help you grow. We're here to help you succeed. And only one way to succeed is to work for NUCOR. It's
our nature.  **It's Our Nature.**

Nucor is a steel company best known for its pioneering use of the minimill. Minimills produce steel by melting scrap in electric arc furnaces. This process is much more efficient than that used by traditional integrated steel producers. Nucor uses print and online media for an integrated general branding campaign featuring the tagline “It’s our nature.” The campaign is designed to raise awareness about the company’s stance on a variety of issues, including the environment, energy conservation, and the importance of creating a strong corporate culture.

Product/Brand Matrix for Global Marketing

		PRODUCT	
		Local	Global
BRAND	Local	1. Local Product Local Brand	2. Global Product Local Brand
	Global	3. Local Product Global Brand	2. Global Product Global Brand

- Table shows the four combinations of local and global products and brands in matrix form. Each represents a different strategy; a global company can use one or more strategies as appropriate. Some global companies pursue strategy 1 by developing local products and brands for individual country or regional markets. Coca-Cola makes extensive use of this strategy; Georgia canned coffee in Japan is one example. Coca-Cola's flagship cola brand is an example of strategy 4. In South Africa, Coca-Cola markets Valpre brand bottled water (strategy 2).



Product/Brand Matrix for Global Marketing (contd.)

- The global cosmetics industry makes extensive use of strategy 3; the marketers of Chanel, Givenchy, Clarins, Guerlain, and other leading cosmetics brands create different formulations for different regions of the world. However, the brand name and the packaging may be uniform everywhere.



CHANEL



GIVENCHY



CLARINS
PARIS



GUERLAIN
PARIS



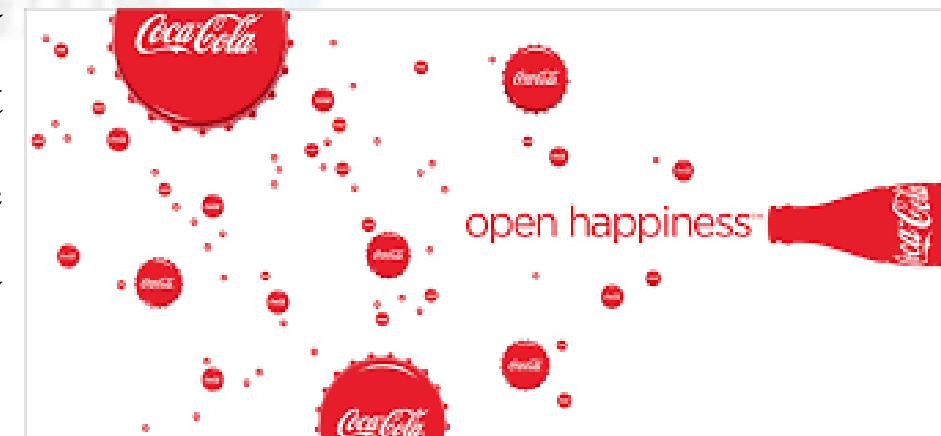
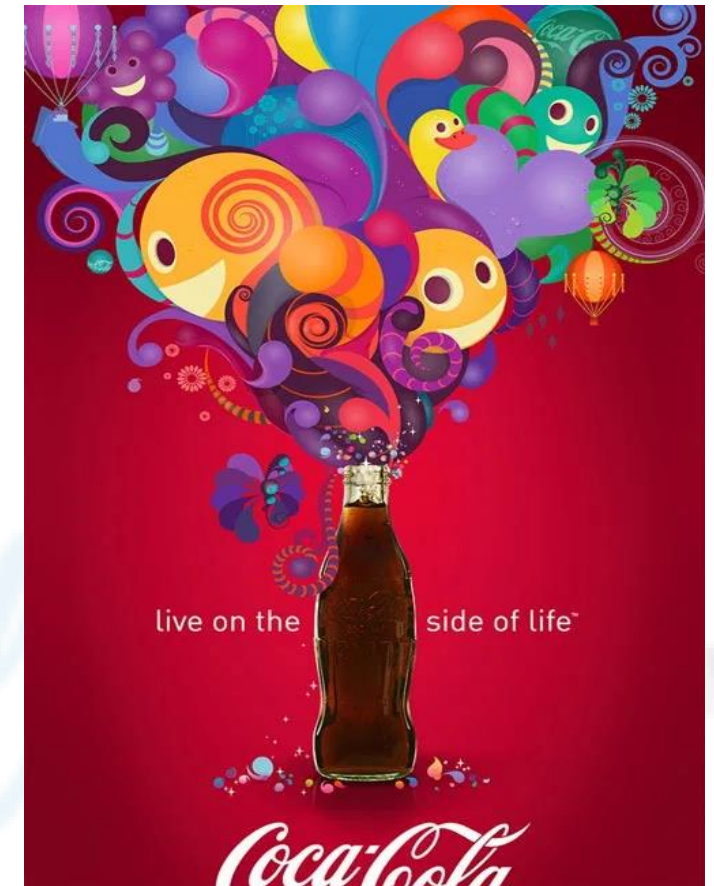
World's 20 Most Valuable Brands

Interbrand 2010 ranking			Interbrand 2020 ranking		
Rank	Brand	Value (\$ millions)	Rank	Brand	Value (\$ millions)
1	Coca-Cola	70,452	1	Apple	3,22,999
2	IBM	64,727	2	Amazon	2,00,667
3	Microsoft	60,895	3	Microsoft	1,66,001
4	Google	43,557	4	Google	1,65,444
5	GE	42,808	5	Samsung	62,289
6	McDonald's	33,578	6	Coca-Cola	56,894
7	Intel	32,015	7	Toyota	51,595
8	Nokia	29,495	8	Mercedes-Benz	49,268
9	Disney	28,731	9	McDonald's	42,816
10	Hewlett-Packard	26,867	10	Disney	40,773
11	Toyota	26,192	11	BMW	39,756
12	Mercedes-Benz	25,179	12	Intel	36,971
13	Gillette	23,298	13	Facebook	35,178
14	Cisco	23,219	14	IBM	34,885
15	BMW	22,322	15	Nike	34,388
16	Louis Vuitton	21,860	16	Cisco	34,119
17	Apple	21,143	17	Louis Vuitton	31,720
18	Marlboro	19,961	18	SAP	28,011
19	Samsung	19,491	19	Instagram	26,060
20	Honda	18,506	20	Honda	21,694

- Developing a global brand is not always an appropriate goal. As David Aaker and Erich Joachimsthaler note in the Harvard Business Review, managers who seek to build global brands must first consider whether such a move fits well with their company or their markets.
 - First, managers must realistically assess whether anticipated scale economies will actually materialize.
 - Second, they must recognize the difficulty of building a successful global brand team.
 - Finally, managers must be alert to instances in which a single brand cannot be imposed on all markets successfully.
- Aaker and Joachimsthaler recommend that companies place a priority on creating strong brands in all markets through global brand leadership, which means using organizational structures, processes, and cultures to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies.

- The following six guidelines can assist marketing managers in their efforts to establish global brand leadership:
 - Create a compelling value proposition for customers in every market entered, beginning with the home-country market. A global brand begins with this foundation of value.
 - Before taking a brand across borders, think about all elements of brand identity and select names, marks, and symbols that have the potential for globalization. Give special attention to the Triad and BRIC nations.
 - Develop a company-wide communication system to share and leverage knowledge and information about marketing programs and customers in different countries.
 - Develop a consistent planning process across markets and products. Make a process template available to all managers in all markets.
 - Assign specific responsibility for managing branding issues to ensure that local brand managers accept global best practices. This can take a variety of forms, ranging from a business management team or a brand champion (led by senior executives) to a global brand manager or brand management team (led by middle managers).
 - Execute brand-building strategies that leverage global strengths and respond to relevant local differences.

- Coke is arguably the quintessential global product and global brand. Coke relies on similar positioning and marketing in all countries; it projects a global image of fun, good times, and enjoyment. The product itself may vary to suit local tastes; for example, Coke increased the sweetness of its beverages in the Middle East, where customers prefer a sweeter drink. Also, prices may vary to suit local competitive conditions, and the channels of distribution may differ. In 2009, Coke adopted the global advertising theme “Open Happiness.” The previous slogan, “The Coke Side of Life,” was also global but required adaptation in emerging markets such as Russia and China. However, the basic, underlying strategic principles that guide the management of the brand are the same worldwide. The issue is not exact uniformity but rather: Are we offering essentially the same product and brand promise?

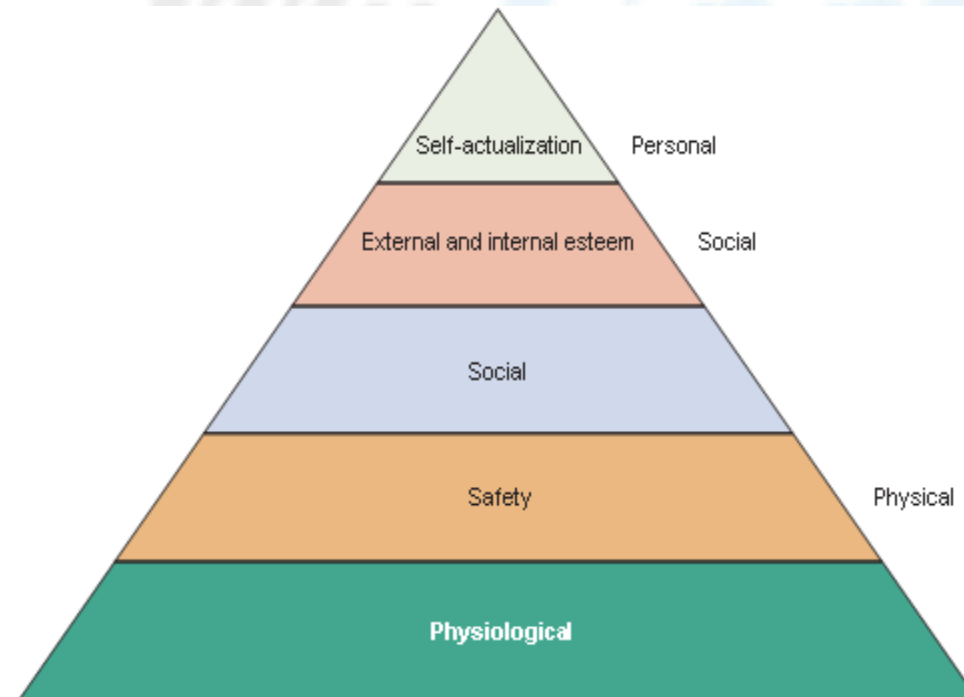




A Needs-Based Approach to Product Planning

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- Coca-Cola, McDonald's, Singapore Airlines, Mercedes-Benz, and Sony are a few of the companies that have transformed local products and brands into global ones. The essence of marketing is finding needs and filling them. Maslow's needs hierarchy, a staple of sociology and psychology courses, provides a useful framework for understanding how and why local products and brands can be extended beyond home-country borders. Maslow proposed that people's desires can be arranged into a hierarchy of five needs. As an individual fulfills needs at each level, he or she progresses to higher levels.



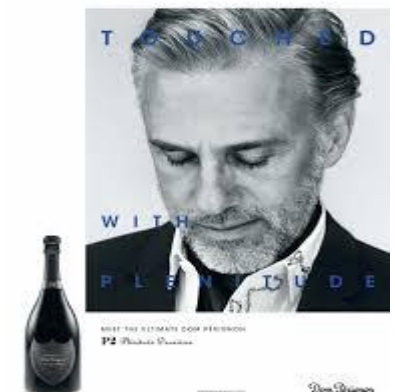
- At the most basic level of human existence, physiological and safety needs must be met. People need food, clothing, and shelter, and a product that meets these basic needs has potential for globalization.
- However, the basic human need to consume food and drink is not the same thing as wanting or preferring a Big Mac or a Coke. Before the Coca-Cola Company and McDonald's conquered the world, they built their brands and business systems at home. Because their products fulfilled basic human needs and because both companies are masterful marketers, they were able to cross geographic boundaries and build global brand franchises. At the same time, Coca-Cola and McDonald's have learned from experience that some food and drink preferences—China is a case in point—remain deeply embedded in culture. Responding to those differences has meant creating local products and brands for particular country markets. Sony has prospered for a similar reason. Audio and video entertainment products fulfil important social functions. Throughout its history, Sony's corporate vision has called for developing new products such as the transistor radio and the Walkman personal stereo that fulfil the need for entertainment.

- Mid-level needs in the hierarchy include self-respect, self-esteem, and the esteem of others. These social needs, which can create a powerful internal motivation driving demand for status-oriented products, cut across the various stages of country development. Gillette's Alfred Zeien understood this. Marketers in Gillette's Parker Pen subsidiary were so confident that they thought consumers in Malaysia and Singapore shopping for an upscale gift would buy the same Parker pen as Americans shopping at Neiman Marcus. *“We are not going to come out with a special product for Malaysia,”* Zeien has said.
- In Asia today, young women are taking up smoking as a status symbol and showing a preference for Western brands such as Marlboro. However, smokers' needs and wants may be tempered by economic circumstances. Recognizing this, companies such as BAT create local brands that allow individuals to indulge their desire or need to smoke at a price they can afford to pay.

- Luxury goods marketers are especially skilled at catering to esteem needs on a global basis. Rolex, Louis Vuitton, and Dom Perignon are just a few of the global brands that consumers buy in an effort to satisfy esteem needs.

- Some consumers flaunt their wealth by buying expensive products and brands that others will notice. Such behaviour is referred to as conspicuous consumption or luxury badging.

- Any company with a premium product or brand that has proven itself in a local market by fulfilling esteem needs should consider devising a strategy for taking the product global.



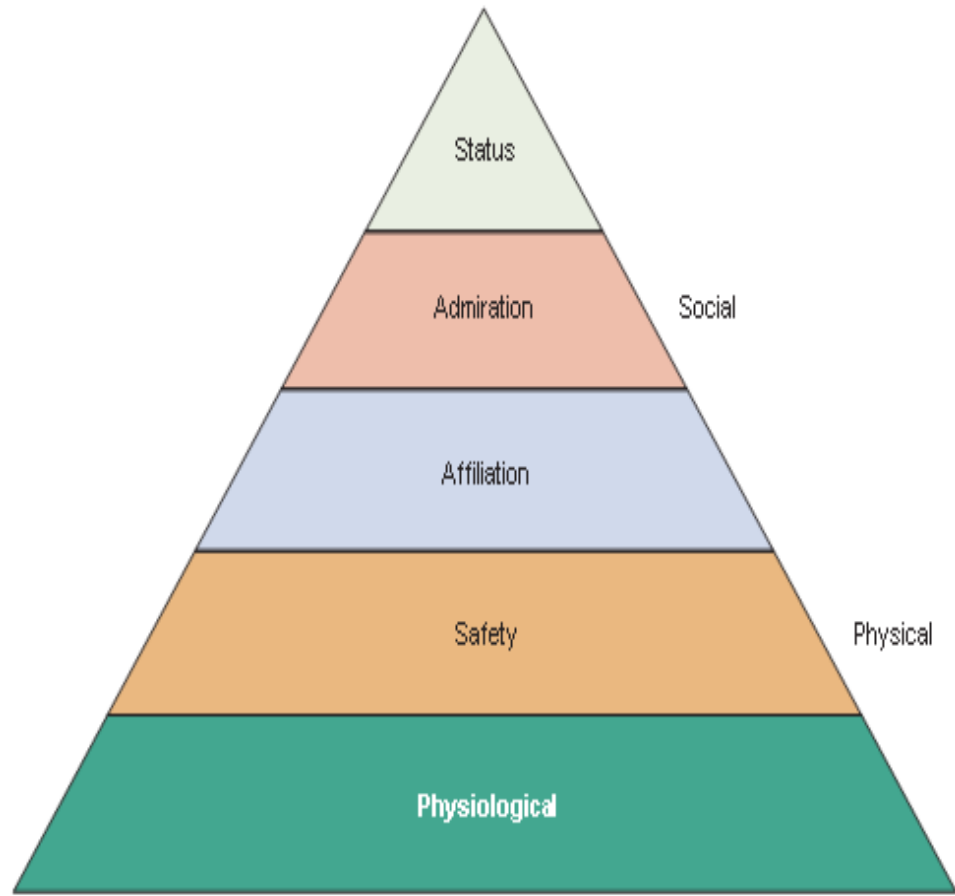
- Products can fulfil different needs in different countries.
 - Consider the refrigerator as used in industrialized, high-income countries. The primary function of the refrigerator in these countries is related to basic needs as fulfilled in that society. These include storing frozen foods for extended periods; keeping milk, meat, and other perishable foods fresh between car trips to the supermarket; and making ice cubes.
 - In lower-income countries, by contrast, frozen foods are not widely available. Homemakers shop for food daily rather than weekly. People are reluctant to pay for unnecessary features such as icemakers. These are luxuries that require high income levels to support. The function of the refrigerator in a lower-income country is to store small quantities of perishable food for one day and to store leftovers for slightly longer periods. Because the needs fulfilled by the refrigerator are limited in these countries, a relatively small refrigerator is quite adequate. In some developing countries, refrigerators have an important secondary purpose related to higher-order needs: They fulfil a need for prestige. In these countries, there is demand for the largest model available, which is prominently displayed in the living room rather than hidden in the kitchen.



In India, Vietnam, and other emerging markets, many people cannot afford the kinds of durable goods that consumers in developed countries take for granted. In India, for example, refrigerators are found in less than 20 percent of households. That means that refrigerators, flush toilets, and other amenities are considered status symbols.

Now, some Indian companies are developing innovative new products that the country's poorest consumers can afford. For example, one company has created the Little Cool refrigerator. Selling for the equivalent of \$70, the device is small and portable. It only has about 20 parts, about one-tenth the number of parts that are found in conventional full-sized units.

- Hellmut Schütte has proposed a modified hierarchy to explain the needs and wants of Asian consumers



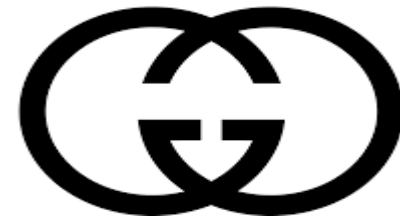
Although the two lower-level needs are the same as in the traditional hierarchy, the three highest levels emphasize social needs.

Affiliation needs in Asia are satisfied when an individual has been accepted by a group. Conformity with group norms becomes a key force driving consumer behaviour. For example, when a cool new cell phone hits the market, every teenager who wants to fit in buys one. Knowing this, managers at Japanese companies develop local products specifically designed to appeal to teens.

The next level is **admiration**, a higher-level need that can be satisfied through acts that command respect within a group. At the top of the Asian hierarchy is status, the esteem of society as a whole.

Attainment of high status is partially character driven. However, the quest for status also leads to luxury badging. Schütte's view that status is the highest-ranking need in the Asian hierarchy can be seen in the geographic break-down of the \$200-plus billion global luxury goods market. 20% of industry sales are generated in Japan alone, with another 22 percent of sales occurring in the rest of the Asia-Pacific region. Nearly half of all sales revenues of Italy's Gucci Group are generated in Asia.

GUCCI



“Country of Origin” as Brand Element



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- One of the facts of life in global marketing is that perceptions about and attitudes toward particular countries often extend to products and brands known to originate in those countries. Such perceptions contribute to the country-of-origin effect; they become part of a brand's image and contribute to brand equity. This is particularly true for automobiles, electronics, fashion, beer, recorded music, and certain other product categories.
- Perceptions and attitudes about a product's origins can be positive or negative. On the positive side, as one marketing expert pointed out in the mid-1990s, “‘German’ is synonymous with quality engineering, ‘Italian’ is synonymous with style, and ‘French’ is synonymous with chic.” Why is this still true today, especially in emerging markets? As Diego Della Valle, CEO of Italian luxury goods marketer Tod's, explains:

“‘Made in Italy’ will retain its lustre because it is still the maximum guarantee of high quality for products such as ours. Like the French for perfume, the Swiss for watches. The Chinese do not want to buy ‘Made in China.’”

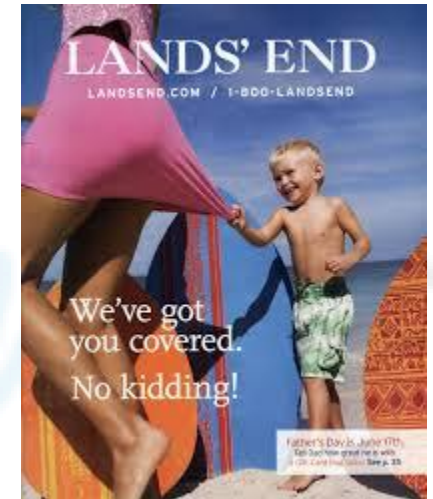
- Christian Sommer, German Centre for Industry and Trade commented, *“China is complex and becoming more so. But ‘Made in Germany’ still carries great appeal here and if you prepare seriously, there are few limits to what you can achieve.”*

- The manufacturing reputation of a particular country can change over time. Studies conducted during the 1970s and 1980s indicated that the “made in the USA” image lost ground to the “made in Japan” image. Today, however, U.S. brands are finding renewed acceptance globally. Examples include the Jeep Cherokee, clothing from Lands’ End and American Apparel, and Budweiser beer, all of which are being successfully marketed with strong “USA” themes.



American Apparel®

LANDS' END 



- American Apparel is building a global brand on the positioning *“Made in Downtown LA.”* Its fashion items are available in the EU, Switzerland, Japan, and, most recently, China. Will the company’s t-shirts and other logo-free basics appeal to fashion-conscious Chinese youth? Dov Charney, Founder & CEO admitted it would be a challenge since American Apparel sells understated, *“well-designed basics,”* whereas luxury goods are a *“bit bourgeoisie and nouveau riche”*. But, he added, *“The young people tend to like Audi better than the Bentley, so maybe it can work.”* As brand strategist Eli Portnoy pointed out, the fact that American Apparel’s clothes are actually made in America appeals to Chinese consumers. *“That is a distinction that will give it cachet to young fashion-oriented Chinese”*



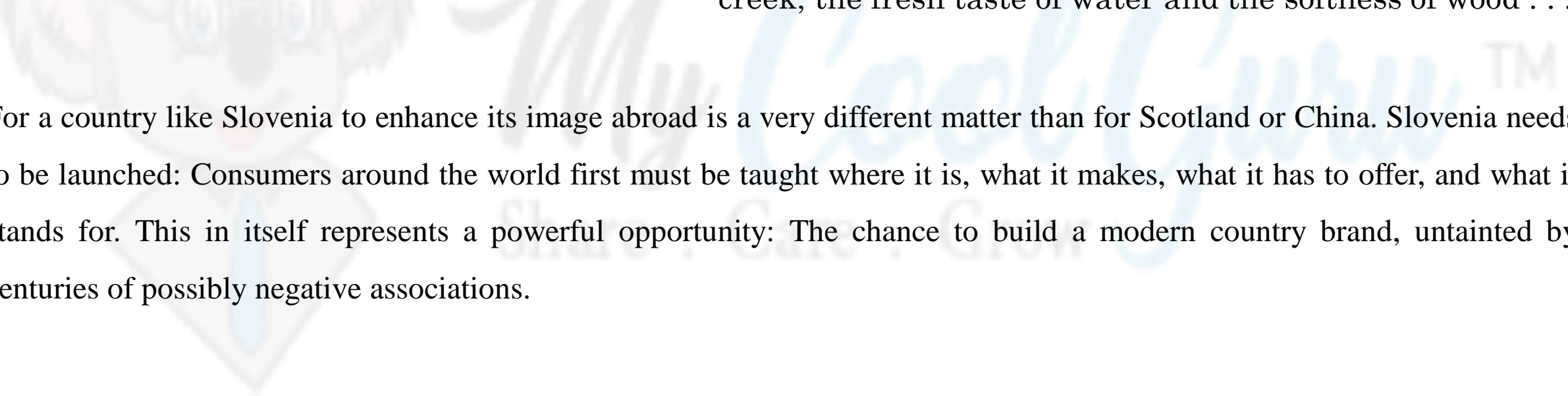
- Finland is home to Nokia, which rose in stature from a local company to a global one in little more than a decade. However, as brand strategy expert Simon Anholt pointed out, other Finnish companies need to move quickly to capitalize on Nokia's success if Finland is to become a valuable nation-brand.
- For example, Raisio Oy's Benecol brand margarine has been proven to lower cholesterol levels. If large numbers of health-conscious consumers around the world embrace so-called nutraceutical products, Raisio and Benecol may become well-known brands and further raise Finland's profile on the global scene. Anholt also notes that Slovenia and other countries are *"launch brands"* in the sense that they lack centuries of tradition and foreign interaction upon which to build their reputations





I FEEL
SLOVENIA

Countries, like products, can be branded and positioned. For example, Slovenia launched an integrated brand image campaign that will be used by a variety of governmental and nongovernmental organizations. “Slovenian green” is the dominant colour in the new logo. As the Government Communication Office explains, “It refers to the natural balance and calm diligence of Slovenes. One can feel Slovenia through the smell of the forest, the rushing of the creek, the fresh taste of water and the softness of wood . . .”



For a country like Slovenia to enhance its image abroad is a very different matter than for Scotland or China. Slovenia needs to be launched: Consumers around the world first must be taught where it is, what it makes, what it has to offer, and what it stands for. This in itself represents a powerful opportunity: The chance to build a modern country brand, untainted by centuries of possibly negative associations.

- Since the mid-1990s, the “Made in Mexico” image has gained in stature as local companies and global manufacturers have established world-class manufacturing plants in Mexico to supply world demand. For example, Ford, General Motors, Nissan, Volkswagen, and other global automakers have established Mexican operations that produce nearly two million vehicles per year, three-fourths of which are exported.
- Similarly, consumer attitudes towards “Made in Japan” have come a long way since the mid-1970s. What about “Made in China” or “Made in India”? China and India take great pride in their manufacturing capabilities but, generally speaking, consumer perception lags behind the reality. The question for them is: How do you change that image?

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- In some product categories, foreign products have a substantial advantage over their domestic counterparts simply because of their “foreign-ness.” Global marketers have an opportunity to capitalize on the situation by charging premium prices. The import segment of the beer industry is a case in point. In one study of American attitudes about beer, subjects who were asked to taste beer with the labels concealed indicated a preference for domestic beers over imports. The same subjects were then asked to indicate preference ratings for beers in an open test with labels attached. In this test, the subjects preferred imported beer. Conclusion: The subjects’ perceptions were positively influenced by the knowledge they were drinking an import. In 1997, thanks to a brilliant marketing campaign, Grupo Modelo’s Corona Extra surpassed Heineken as the best-selling imported beer in America. With distribution in 150 countries, Corona is a textbook example of a local brand that has been built into a global powerhouse.
- According to Christopher A. Bartlett and Sumantra Ghoshal,

“Consider labels such as ‘Made in Brazil’ and ‘Made in Thailand.’ Someday they may be symbols of high quality and value, but today many consumers expect products from those countries to be inferior.”

- Scotland provides an interesting case study of a country that enjoys strong brand equity but is somewhat misunderstood.
- A study titled *“Project Galore”* was undertaken to discover which aspects of Scotland’s equity could be leveraged for commercial advantage. Among other things, the researchers learned that high-quality goods and services such as whisky, wool, salmon, and golf courses were perceived as Scotland’s core industries. In fact, Scotland’s top export category is information technology!
- The researchers created a perceptual map that identified Scotland’s four key values: **integrity, tenacity, inventiveness, and spirit.**
- In order to better position Scotland relative to Ireland and other neighbouring countries, Scottish Development International recently launched an advertising campaign that incorporated some of the study’s findings.



SCOTLAND INVENTED GOLF AND WHISKY,
 AND HUNDREDS OF OTHER
 THINGS WORTHY OF A TOAST.

If there's one thing Scotland is famous for, its bold innovation. The television. The telephone. The steam engine. The fax machine.

Which is why more companies are doing business in Scotland. Where they can get the innovative thinking and practical solutions they need to



Penicillin. Insulin. The ATM. Dolly the sheep. They all got their start in Scotland. In fact, there are far too many Scottish innovations to list.

develop new products. And expand their businesses. Contact Scottish Development International to find out how you can join them.

DISCOVER WHAT THE PEOPLE OF SCOTLAND CAN DO FOR YOU AT WWW.SDLCO.UK/WELCOME
 OR CONTACT OUR OFFICE TOLL FREE ON 1-888-700-1090

The body copy in this print ad positions Scotland in a positive light: “If there’s one thing Scotland is known for, it’s bold innovation. The television. The telephone. The steam engine. The fax machine. Penicillin.

Insulin. The ATM. Dolly the sheep. They all got their start in Scotland.

In fact, there are far too many Scottish innovations to name. Which is why more companies are doing business in Scotland. Where they can get the innovative thinking and practical solutions they need to develop new products.”



Extend, Adapt, Create: Strategic Alternatives in Global Marketing

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- To capitalize on opportunities outside the home country, company managers must devise and implement appropriate marketing programs. Depending on organizational objectives and market needs, a particular program may consist of extension strategies, adaptation strategies, or a combination of the two. A company that has developed a successful local product or brand can implement an **extension** strategy that calls for offering a product virtually unchanged (i.e., “extending” it) in markets outside the home country.
- A second option is an **adaptation** strategy; this involves changing elements of design, function, or packaging in response to needs or conditions in particular country markets. These product strategies can be used in conjunction with extension or adaptation communication strategies. This is the type of strategic decision facing executives at a company such as Starbucks who build a brand and a product/service offering in the home-country market before expanding into global markets.
- A third strategic option, **product invention**, entails developing new products “from the ground up” with the world market in mind.

- Laws and regulations in different countries frequently lead to obligatory product design adaptations. This may be seen most clearly in Europe, where one impetus for the creation of the single market was the desire to dismantle regulatory and legal barriers that prevented pan-European sales of standardized products. These were particularly prevalent in the areas of technical standards and health and safety standards. In the food industry, for example, there were 200 legal and regulatory barriers to cross-border trade within the EU in 10 food categories. Among these were prohibitions or taxes on products with certain ingredients and different packaging and labelling laws. As these barriers are dismantled there will be less need to adapt product designs and many companies will be able to create standardized “Euro-products.”

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- Despite the trend toward convergence, many product standards that remain on the books have not been harmonized. This situation can create problems for companies not based in the EU. Dormont Manufacturing, appropriately based in Export, Pennsylvania, makes hoses that hook up to deep-fat fryers and similar appliances used in the food industry. Dormont's gas hose is made of stainless-steel helical tubing with no covering. British industry requirements call for galvanized metal annular tubing and a rubber covering; Italian regulations specify stainless steel annular tubing with no covering. The cost of complying with these regulations effectively shuts Dormont out of the European market.

Dormont[®]

CONNECT WITH CONFIDENCE



- Moreover, the European Commission continues to set product standards that force many non-EU companies to adapt product or service offerings that satisfy domestic market regulations.
- For example, consumer safety regulations mean that McDonald's cannot give away soft-plastic toys with its Happy Meals in Europe. Microsoft has been forced to modify contracts with European software makers and Internet service providers to ensure that consumers in the EU have access to a wide range of technologies. The commission has also set stringent guidelines on product content as it affects recyclability. As Maja Wessels, a Brussels-based lobbyist for United Technologies Corporation (UTC), noted, *“Twenty years ago, if you designed something to U.S. standards you could pretty much sell it all over the world. Now the shoe's on the other foot.”* Engineers at UTC's Carrier division are redesigning the company's air conditioners to comply with pending European recycling rules, which are tougher than U.S. standards.

- The extension/adaptation/creation decision is one of the most fundamental issues addressed by a company's global marketing strategy. Although it pertains to all elements of the marketing mix, extension/adaptation is of particular importance in product and communications decisions.

Global Product Planning: Strategic Alternatives

Communication	Different	Strategy 2: product extension communication adaptation	Strategy 4: dual adaptation
	Same	Strategy 1: dual extension	Strategy 3: product adaptation communication extension
		Same	Different
		Product	

All aspects of promotion and communication, not just branding are considered in this matrix.

It shows four strategic alternatives available to Starbucks or any other company seeking to expand from its domestic base into new geographic markets.



- Companies in the international, global, and transnational stages of development all employ extension strategies. The critical difference is one of execution and mind-set. In an international company, for example, the extension strategy reflects an ethnocentric orientation and the assumption that all markets are alike.
- A global company such as Gillette does not fall victim to such assumptions; the company's geocentric orientation allows it to thoroughly understand its markets and consciously take advantage of similarities in world markets. Likewise, a multinational company utilizes the adaptation strategy because of its polycentric orientation and the assumption that all markets are different.
- By contrast, the geocentric orientation of managers and executives in a global company has sensitized them to actual, rather than assumed, differences between markets. The key, as one executive has noted, is to avoid being either "hopelessly local" or "mindlessly global."



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Strategy 1:

Product-Communication Extension (Dual Extension)

- Many companies employ the product-communication extension strategy when pursuing global market opportunities.
- Under the right conditions, this is a very straightforward marketing strategy; it can be the most profitable one as well.
- Companies pursuing this strategy sell the same product with virtually no adaptation, using the same advertising and promotional appeals used domestically, in two or more country markets or segments.
- For this strategy to be effective, the advertiser's message must be understood across different cultures, including those in emerging markets.
- Examples of the dual-extension strategy are given next.

- Apple launched its iPhone in the United States in mid-2007. In the following months, it was gradually rolled out in several more markets, including France and the United Kingdom. When Apple brought its second-generation iPhone to market 1 year later, it was launched in 21 countries simultaneously.



- Henkel KGaA's family of Loctite brand of adhesive products are marketed globally using the dual-extension strategy. The company's various lines—including medical adhesives and threadlockers—bear the Loctite brand name. Ads also include the Henkel corporate logo.



- Microsoft's Windows 7 operating system was launched in 2009 with the user-centric global advertising campaign keyed to the theme "I'm a PC and Windows was my idea." The ads feature actual Microsoft customers and employees.



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Loctite® QuickTape™ 249™
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QUICKTAPE™



Henkel

Germany's Henkel is a global company that markets products in three main categories, viz. **Adhesive technologies** (Loctite brand of adhesives, sealants and surface treatments), **laundry and home care** (Purex brand of laundry detergent) and **cosmetics and toiletries** (Right Guard brand of deodorant and shower gel; Dial brand of soap and body wash).



Henkel

Dial

Purex®

- As a general rule, extension/standardization strategies are utilized more frequently with industrial (business-to-business) products than with consumer products. The reason is simple: Industrial products tend to be less deeply rooted in culture than consumer goods. If this is so, how can Apple, a consummate consumer brand, utilize the dual-extension reason to such good effect? One explanation is that, the brand's high-tech, high-touch image lends itself to global consumer culture positioning (GCCP). As these examples show, technology companies and industrial goods manufacturers should be especially alert to dual-extension possibilities. However, Henkel also markets hundreds of other glues, detergents, and personal care products with different formulas and different brand names. Speaking about Loctite, former Henkel CEO Ulrich Lehner explained, *“There aren't many products like that. Usually, you have to adapt to local tastes. You have to balance between local insight and centralized economies of scale. It's a constant battle.”*

- Michael Conrad, former CEO, Leo Burnett Worldwide opened,

“I can think of very few truly global ads that work. Brands are often at different stages around the world, and that means there are different advertising jobs to do.”



Strategy 2:

Product Extension-Communication Adaptation

- In some instances, a product or brand can be successfully extended to multiple country markets with some modification of the communication strategy. Research may have revealed that consumer perceptions about one or more aspects of the value proposition are different from country to country. It may also turn out that a product fills a different need, appeals to a different segment, or serves a different function in a particular country or region. Whatever the reason, extending the product while adapting the marketing communications program may be the key to market success. The appeal of the product extension-communication adaptation strategy is its relatively low cost of implementation. Because the product itself is unchanged, expenditures for R&D, manufacturing setup, and inventory are avoided. The biggest costs associated with this approach are in researching the market and revising advertising, sales promotion efforts, point-of-sale material, and other communication elements as appropriate.
- The examples of product extension-communication adaptation are given next

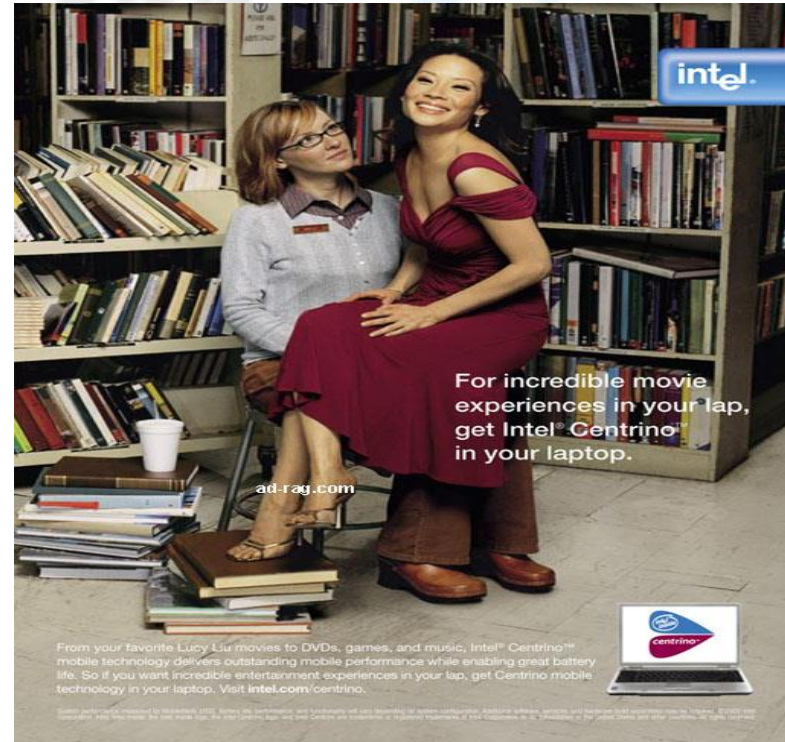
- In Hungary, Slovakia, and other Central European countries, SABMiller positions Miller Genuine Draft as an international lifestyle brand rather than an American brand. The communication adaptation strategy was chosen after focus group research showed that many Europeans have a low regard for American beer.



- Before executives at Ben & Jerry's Homemade launched their ice cream in the United Kingdom, the company conducted extensive research to determine whether the package design effectively communicated the brand's "super-premium" position. The research indicated that British consumers perceived the colours differently than U.S. consumers. The package design was changed, and Ben & Jerry's was launched successfully in the UK market.



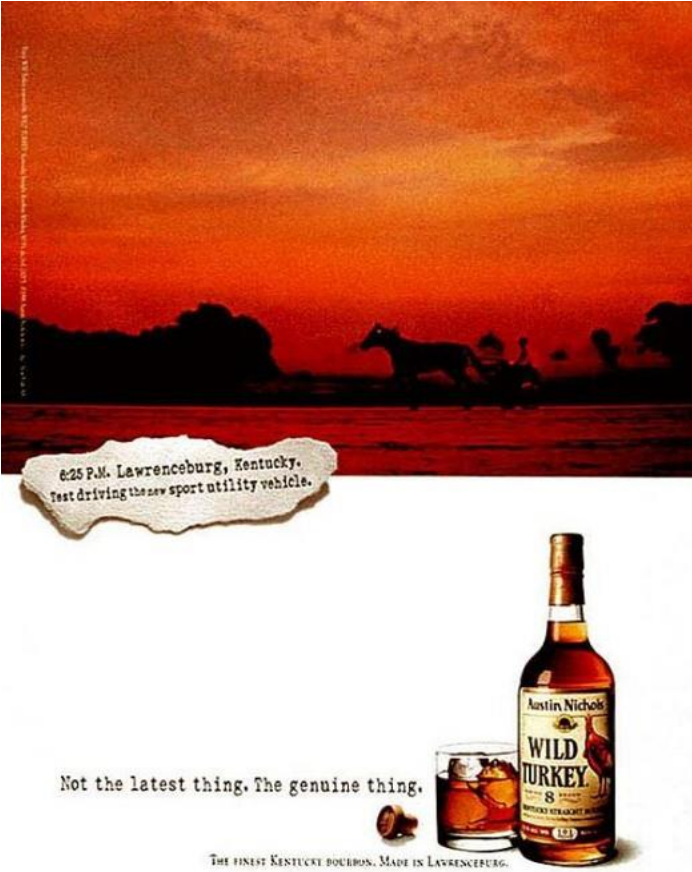
- To promote its Centrino wireless chip, Intel launched a global ad campaign that features different combinations of celebrities. In print, TV, and online ads, one of the celebrities sits on the lap of a mobile computer user. The celebrities—including comedian John Cleese, actress Lucy Liu, and skateboard king Tony Hawk—were chosen because they are widely recognized in key world markets.



- In the United States, Sony's TV ads for its Bravia high-definition TVs encourage viewers to log onto the Internet and choose different endings. In Europe, the ads are completely different: They feature bright images such as coloured balls bouncing in slow motion.
- As Mike Fasulo, former CEO at Sony Electronics, explained, *“Consumer adoption as well as awareness of high-definition products, including our line of Bravia televisions, differs dramatically from region to region.”*



- Marketers of premium American bourbon brands such as Wild Turkey have found that images of Delta blues music, New Orleans, and Route 66 appeal to upscale drinkers outside the United States. However, images that stress bourbon's rustic, backwoods origins do not appeal to Americans. As Gary Regan, author of *The Book of Bourbon*, noted, *“Europeans hate Americans when they think of them as being the policemen of the world, but they love Americans when they think about blue jeans and bourbon and ranches.”*



- Jägermeister schnapps is marketed differently in key country markets. Chief executive Hasso Kaempfe believed that a diversity of images had been a key element in the success of Jägermeister outside of Germany, where the brown herb-based concoction originated. In the United States, Jägermeister was “discovered” in the mid-1990s by the college crowd. Kaempfe’s marketing team has capitalized on the brand’s cult status by hiring “Jägerettes” girls to pass out free samples; the company’s popular T-shirts and orange banners are also distributed at rock concerts. By contrast, in Italy, the brand’s second-largest export market, Jägermeister is considered an up-market digestive to be consumed after dinner. In Germany, Austria, and Switzerland, where beer culture predominates, Jägermeister and other brands of schnapps have more traditional associations as a remedy for coughs, stomachaches, or as a “morning after” elixir.
- Jägermeister is an example of product transformation: The same physical product ends up serving a different function or use than that for which it was originally designed or created. In some cases, a particular country or regional environment will allow local managers a greater degree of creativity and risk taking when approaching the communication task.

»I'm drinking German Jägermeister because nobody ever kissed me like that woman on the opposite page just did.«



Jägermeister.

56 herbs, 70 proof, and 100% unexpected.



»I'm drinking German Jägermeister because that's my kind of girl over there.«



Jägermeister.

56 herbs, 70 proof, and 100% unexpected.

The 53rd in our series.

Herb liqueur imported by Sidney Frank Importing Co., New York, N.Y.



Strategy 3:

Product Adaptation-Communication Extension

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- This approach involves adapting to the product to local use or preference conditions while extending, with minimal change, the basic home-market communications strategy or brand name.
- A new Cadillac model, the BLS, is built in Sweden; it is 6 inches shorter than the current CTS. A 4-cylinder engine is standard; buyers can also choose an available diesel engine.
- For many years, Ford has sold the Escort, Focus, and other nameplates worldwide. However, the vehicles themselves often varied from region to region. In 2010, Ford launched a new Focus model in the United States that has 80 percent shared content with the European Focus. The 20 percent adapted content reflects regulations such as bumper crash test standards.



- When Kraft Foods launched Oreo brand cookies in China in 1996, it used a product extension approach. Following several years of flat sales, Kraft's in-country marketing team launched a research study. The team learned that Oreo was too sweet for the Chinese palate and that the price—14 cookies for 72 cents—was too high. Oreo was reformulated as a less-sweet, chocolate-covered, four-layer wafer filled with vanilla and chocolate cream. Packages of the new wafer Oreo contain fewer cookies but sell for about 29 cents. Today, Oreo is the best-selling cookie brand in China.



- Kraft's experience with Oreo in China is an example of changing from a product extension to a product adaptation strategy when an extension strategy does not yield the desired results. Conversely, managers at Ford, faced with strong competition from Toyota, Honda, and other automakers, are now seeking alternatives to product adaptation. In 2008, Ford unveiled the latest version of its Fiesta. It is designed to be manufactured in high volumes—as many as one million units annually—that can be sold worldwide with minimal adaptation. As Ford executive Mark Shields explained, *“This is a real shift point for us in that it’s a real global car.”*



- In the case of GM's Cadillac, managers intend to achieve annual sales of 20,000 vehicles outside the United States by 2010, which will require considerable adaptation of the Cadillac to European driving preferences and conditions. The BLS model is only sold in Europe; as James Taylor, general manager of GM's Cadillac division, noted, *"There's no Cadillac guy in the U.S. who is going to buy a 4-cylinder low-displacement engine."*





Strategy 4:

Product-Communication Adaptation (Dual Adaptation)

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- In this approach, the product and one or more promotional elements are adapted for a particular country or region. Sometimes marketers discover that environmental conditions or consumer preferences differ from country to country; the same may be true of the function a product serves or consumer receptivity to advertising appeals. In cases where country managers who have been granted considerable autonomy order adaptations, they may be simply exercising their power to act independently.
- If headquarters tries to achieve inter-country coordination, the result can be, in the words of one manager, *“like herding cats.”* Consider Unilever’s use of dual adaptation strategies. Unilever’s Italian country managers discovered that, although Italian women spend more than 20 hours each week doing cleaning, ironing, and other tasks, they are not interested in labour-saving conveniences. The final result: a really clean, shiny floor is more important than saving time. For the Italian market, Unilever reformulated its Cif brand spray cleaner to do a better job on grease; several different varieties were also rolled out, as were bigger bottles. Television commercials portray Cif as strong rather than convenient.

- Unilever's Rexona deodorant once had 30 different package designs and 48 different formulations. Advertising and branding were also executed on a local basis. In the case of Cif in Italy, managers boosted sales by making product and promotion improvements based on business intelligence findings. By contrast, the multiple formulations of the Rexona brand were, for the most part, redundant and unnecessary. To address such issues, in 1999, Unilever initiated Path to Growth. This was a program designed to reduce country-by-country tinkering with product formulations and packaging.



- The four alternatives are not mutually exclusive. In other words, a company can simultaneously utilize different product-communication strategies in different parts of the world.
- For example, Nike has built a global brand by marketing technologically advanced, premium-priced athletic shoes in conjunction with advertising that emphasizes U.S.-style, in-your-face brashness and “Just Do It” attitude. In the huge and strategically important China market, however, this approach had several limitations.
 - Nike’s “bad boy” image is at odds with ingrained Chinese values such as respect for authority and filial piety. As a general rule, advertisements in China do not show disruption of harmony; this is due, in part, to a government that discourages dissent.
 - Price was another issue: A regular pair of Nike shoes cost the equivalent of \$60–\$78, while average annual family income ranges from about \$200 in rural areas to \$500 in urban areas.

- In the mid-1990s, Nike responded by creating a shoe that could be assembled in China specifically for the Chinese market using less expensive material and sold for less than \$40. After years of running ads designed for Western markets by long-time agency Wieden & Kennedy, Nike hired Chinese-speaking art directors and copywriters working in WPP Group's J. Walter Thompson ad agency in Shanghai to create new advertising featuring local athletes that would appeal to Chinese nationalistic sentiments.



Wieden
Kennedy⁺

J. WALTER THOMPSON WORLDWIDE



Strategy 5:

Innovation

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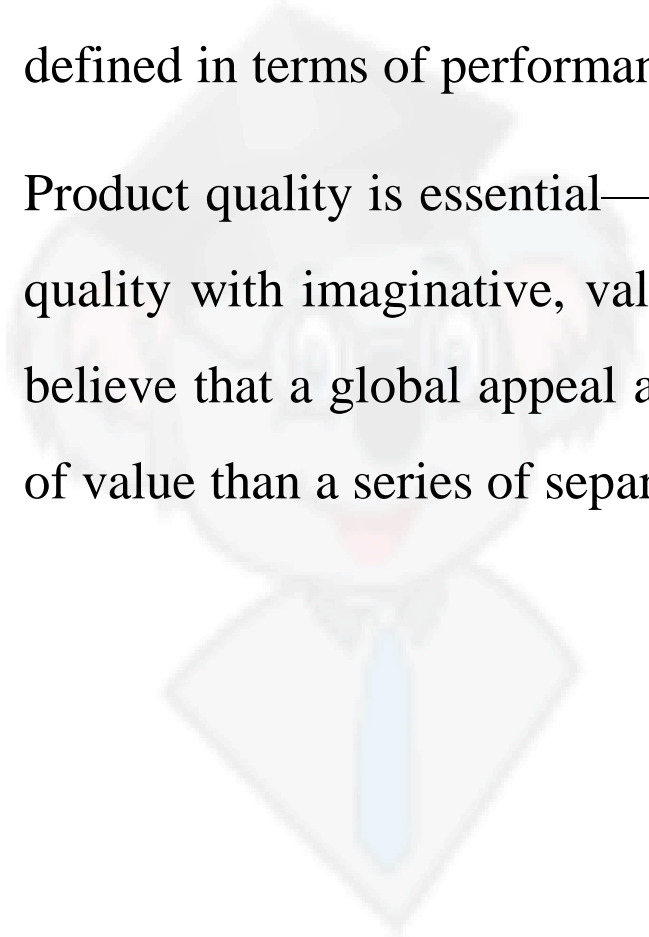
- Extension and adaptation strategies are effective approaches to many but not all global market opportunities. For example, they do not respond to markets where there is a need but not the purchasing power to buy either the existing or adapted product.
- Global companies are likely to encounter this situation when targeting consumers in India, China, and other emerging markets. When potential customers have limited purchasing power, a company may need to develop an entirely new product designed to address the market opportunity at a price point that is within the reach of the potential customer.
- The converse is also true: Companies in low-income countries that have achieved local success may have to go beyond mere adaptation by “raising the bar” and bringing product designs up to world-class standards if they are to succeed in high-income countries. Innovation, the process of endowing resources with a new capacity to create value, is a demanding but potentially rewarding product strategy for reaching mass markets in less developed countries as well as important market segments in industrialized countries.

- Two entrepreneurs working independently recognized that millions of people around the globe need low-cost eyeglasses. Robert J. Morrison, an American optometrist, created Instant Eyeglasses. These glasses utilize conventional lenses, can be assembled in minutes, and sell for about \$20 per pair. Joshua Silva, a physics professor at Oxford University, took a more high-tech approach: glasses with transparent membrane lenses filled with clear silicone fluid. Using two manual adjusters, users can increase or decrease the power of the lenses by regulating the amount of fluid in them. Professor Silva hopes to sell the glasses in developing countries for about \$10 per pair.
- Another example of the innovation strategy is the South African company that licensed the British patent for a hand-cranked, battery-powered radio. The radio was designed by an English inventor responding to the need for radios in low-income countries. Consumers in these countries do not have electricity in their homes, and they cannot afford the cost of replacement batteries. His invention is an obvious solution: a hand-cranked radio. It is ideal for the needs of low-income people in emerging markets. Users simply crank the radio, and it will play on the charge generated by a short cranking session for almost an hour.

- Sometimes manufacturers in developing countries that intend to go global also utilize the innovation strategy. For example, Thermax, an Indian company, had achieved great success in its domestic market with small industrial boilers. Engineers developed a new design for the Indian market that significantly reduced the size of the individual boiler unit. However, the new design was not likely to succeed outside India because installation was complex and time consuming. In India, where labour costs are low, relatively elaborate installation requirements are not an issue. The situation is different in higher-wage countries where industrial customers demand sophisticated integrated systems that can be installed quickly. The managing director at Thermax instructed his engineers to revise the design for the world market with ease of installation as a key attribute. The gamble paid off: Today, Thermax is one of the world's largest producers of small boilers.



- The winners in global competition are the companies that can develop products offering the most benefits, which, in turn, create the greatest value for buyers anywhere in the world. In some instances, value is not defined in terms of performance, but rather in terms of customer perception.
- Product quality is essential—indeed, it is frequently a given—but it is also necessary to support the product quality with imaginative, value-creating advertising and marketing communications. Most industry experts believe that a global appeal and a global advertising campaign are more effective in creating the perception of value than a series of separate national campaigns.



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How to Choose a Strategy

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- Most companies seek product-communications strategies that optimize company profits over the long term. Which strategy for global markets best achieves this goal? There is no general answer to this question. For starters, the considerations noted before must be addressed. In addition, it is worth noting that managers run the risk of committing two types of errors regarding product and communication decisions.
 - One error is to fall victim to the “not invented here” (NIH) syndrome, ignoring decisions made by subsidiary or affiliate managers. Managers who behave in this way are essentially abandoning any effort to leverage product-communication policies outside the home-country market.
 - The other error has been to impose policies upon all affiliate companies on the assumption that what is right for customers in the home market must also be right for customers everywhere.



New Products in Global Marketing

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New Products in Global Marketing

- The matrix provides a framework for assessing whether extension or adaptation strategies can be effective.
- However, the four strategic options described in the matrix do not necessarily represent the best possible responses to global market opportunities.
- To win in global competition, marketers, designers, and engineers must think outside the box and create innovative new products that offer superior value worldwide.
- In today's dynamic, competitive market environment, many companies realize that continuous development and introduction of new products are keys to survival and growth. That is the point of strategy 5, product invention. Similarly, marketers should look for opportunities to create global advertising campaigns to support the new product or brand.



Identifying New-Product Ideas

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- What is a new product? A product's newness can be assessed in terms of its relation to those who buy or use it. Newness may also be organizational, as when a company acquires an already existing product with which it has no previous experience. Finally, an existing product that is not new to a company may be new to a particular market. The starting point for an effective worldwide new-product program is an information system that seeks new-product ideas from all potentially useful sources and channels these ideas to relevant screening and decision centres within the organization. Ideas can come from many sources, including customers, suppliers, competitors, company salespeople, distributors and agents, subsidiary executives, headquarters executives, documentary sources (e.g., information service reports and publications), and, finally, actual first-hand observation of the market environment.
- The product may be an **entirely new invention or innovation** that requires a significant amount of learning on the part of users. When such products are successful, they create new markets, new consumption patterns, and have a disruptive impact on industry structures. Sometimes referred to as discontinuous innovations, products that belong to this category of “new and different” literally represent a break with the past. In short, they are game-changers.

- VCR's revolutionary impact in the 1970s can be explained by the concept of time shifting: The device's initial appeal was that it freed TV viewers from the tyranny of network programming schedules and allowed viewers to fast-forward past commercials!
- Likewise, the personal computer revolution that began three decades ago resulted in the democratisation of technology. When they were first introduced, PCs were a discontinuous innovation that dramatically transformed the way users live and work.
- Apple's brilliant string of new-product introductions in the 2000s, viz. the iPod (2001), the iPhone (2007), and the iPad (2010) likewise represent discontinuous innovation.



- An intermediate category of newness is less disruptive and requires less learning on the part of consumers; such products are called **dynamically continuous innovations**. Products that embody this level of innovation share certain features with earlier generations while incorporating new features that offer added value such as a substantial improvement in performance or greater convenience. Such products cause relatively smaller disruptions of previously existing consumption patterns. The Sensor, SensorExcel, and MACH3 shaving systems represent Gillette's ongoing efforts to bring new technology to bear on wet shaving, an activity that is performed today pretty much as it has been for decades.



Gillette



- The consumer electronics industry has been the source of many dynamically continuous innovations. Personal stereos such as **Sony's Walkman** provide music on the go, something that people had grown accustomed to since the transistor radio was introduced in the 1950s; the innovation was a miniaturized playback-only cassette tape system. The advent of the compact disc in the early 1980s provided an improved music listening experience but didn't require significant behavioural changes.

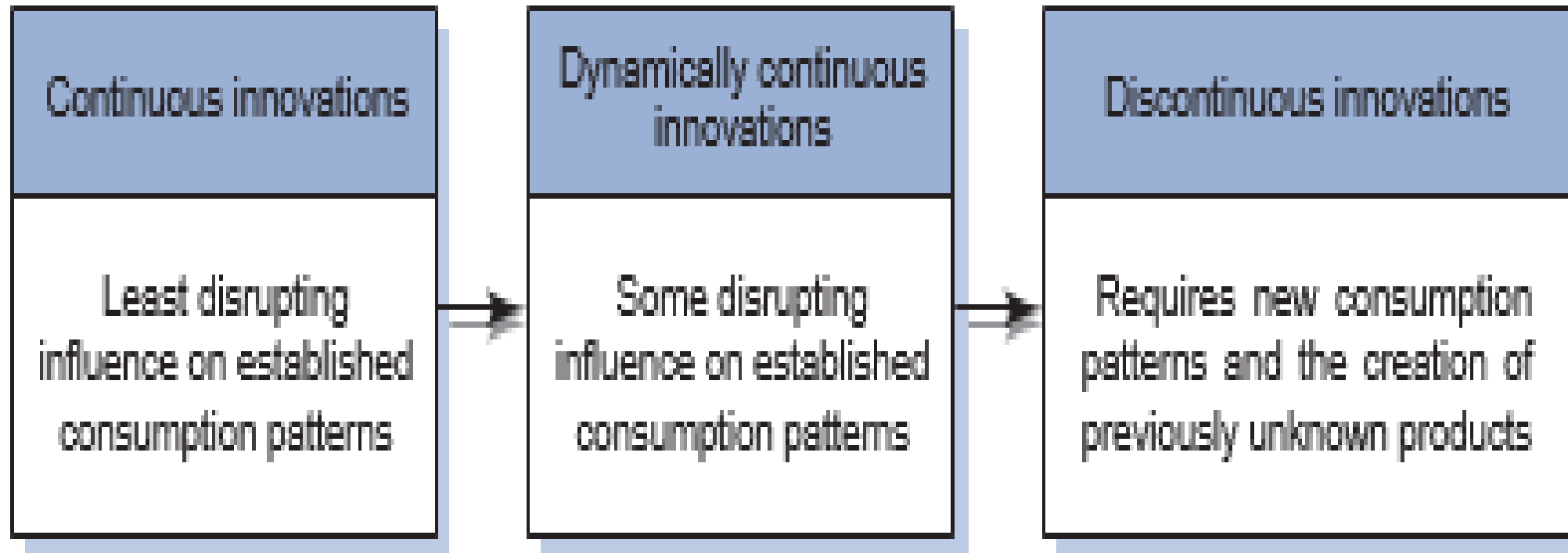


- Similarly, much to the delight of couch potatoes everywhere, widescreen, flat-panel HDTVs offer viewers significantly improved performance. It must be noted that HDTV owners do have to order a high-definition service tier from cable or satellite companies.



- Most new products fall into a third category, **continuous innovation**. Such products are typically “new and improved” versions of existing ones and require less R&D expenditure to develop than dynamically continuous innovations. Continuous innovations cause minimal disruption of existing consumption patterns and require the least amount of learning on the part of buyers. As noted previously, newness can be evaluated relative to a buyer or user. When a current PC user seeking an upgrade buys a new model with a faster processor or more memory, the PC can be viewed as a continuous innovation. However, to a first-time user, the same computer represents a discontinuous innovation. Consumer packaged goods companies and food marketers rely heavily on continuous innovation when rolling out new products. These often take the form of line extensions, such as new sizes, flavours, and low-fat versions.

- The three degrees of product newness can be represented in terms of new-product continuum





New-Product Development

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- A major driver for the development of global products is the cost of product R&D. As competition intensifies, companies discover they can reduce the cost of R&D for a product by developing a global product design. Often the goal is to create a single platform, or core product design element or component that can be quickly and cheaply adapted to various country markets.
- As Christopher Sinclair noted during his tenure as president and CEO of PepsiCo Foods and Beverages International, *“What you really want to do is look at the four or five platforms that can allow you to cut across countries, become a scale operator, and do the things that global marketers do.”*
- Even automobiles, which must meet national safety and pollution standards, are now designed with global markets in mind. With a global product platform, automakers can offer an adaptation of a global design as needed instead of creating unique designs for individual countries or geographic regions. The first-generation Ford Focus, launched in Europe at the end of 1998 and in the United States in 1999, was marketed globally with a minimum of adaptation. The chief program engineer on the Focus project was from Great Britain, the chief technical officer was German, the project manager was Irish, and an Anglo-Australian was chief designer. Under Ford 2000, about \$1,000 per vehicle was cut out of the development cost.



- A standardized platform was also a paramount consideration when GM set about the task of redesigning its minivan in the 1990s. GM's globally minded board directed the design team to create a vehicle that would be popular in both the United States and Europe. Because roads in Europe are typically narrower and fuel is more expensive, the European engineers lobbied for a vehicle that was smaller than the typical minivan. By using lightweight metals such as magnesium for some components, vehicle weight was minimized, with a corresponding improvement in fuel economy. As it turned out, the resulting models, viz. the Chevrolet Silhouette (United States), Opel Sentra (Germany) and Vauxhall Sintra (United Kingdom) met with limited success in their respective markets. The lesson: It is one thing to formulate a global strategy. It is quite another thing to execute it successfully!



- Other design-related costs, whether incurred by the manufacturer or the end user, must also be considered. Durability and quality are important product characteristics that must be appropriate for the proposed market.
- In the United States and Europe, car buyers do not wish to incur high service bills. Ironically, the new Ford Focus was designed to be less expensive to maintain and repair. For example, engine removal takes only about 1.5 hours, about half the time required to remove the engine in the discontinued Escort. In addition, body panels are bolted together rather than welded, and the rear signal lights are mounted higher so they are less likely to be broken in minor parking lot mishaps.

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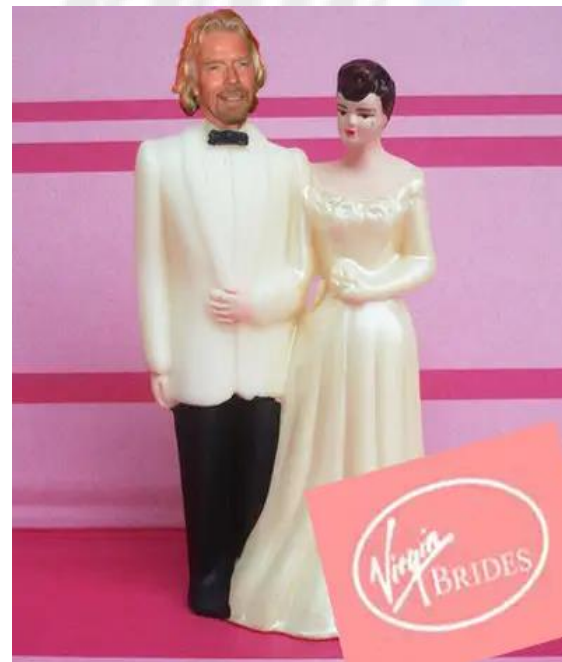
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The International New-Product Department

- A high volume of information flow is required to scan adequately for new product opportunities, and considerable effort is subsequently required to screen these opportunities to identify candidates for product development. The best organizational design for addressing these requirements is a new-product department.
- Managers in such a department engage in several activities.
 - First, they ensure that all relevant information sources are continuously tapped for new-product ideas.
 - Second, they screen these ideas to identify candidates for investigation.
 - Third, they investigate and analyse selected new-product ideas.
 - Finally, they ensure that the organization commits resources to the most likely new-product candidates and is continuously involved in an orderly program of new-product introduction and development on a worldwide basis.

- With the enormous number of possible new products, most companies establish screening grids in order to focus on those ideas that are most appropriate for investigation. The following questions are relevant to this task:
 - How big is the market for this product at various prices?
 - What are the likely competitive moves in response to our activity with this product?
 - Can we market the product through our existing structure? If not, what changes will be required, and what costs will be incurred to make the changes?
 - Given estimates of potential demand for this product at specified prices with estimated levels of competition, can we source the product at a cost that will yield an adequate profit?
 - Does this product fit our strategic development plan?
 - Is the product consistent with our overall goals and objectives?
 - Is the product consistent with our available resources?
 - Is the product consistent with our management structure?
 - Does the product have adequate global potential?

- For example, the corporate development team at Virgin evaluates more than a dozen proposals each day from outside the company, as well as proposals from Virgin staff members. Brad Rosser, Virgin's former group corporate development director, headed the team for several years. When assessing new-product ideas, Rosser and his team looked for synergy with existing Virgin products, pricing, marketing opportunities, risk versus return on investment, and whether the idea "uses or abuses" the Virgin brand. Examples of ventures that have been given the green light are Virgin Jeans, a denim clothing store chain; Virgin Brides, a wedding consulting service; and Virgin Net, an Internet service provider.





Testing New Products

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■ The major lesson of new-product introduction outside the home market has been that whenever a product interacts with human, mechanical, or chemical elements, there is the potential for a surprising and unexpected incompatibility. Because virtually every product matches this description, it is important to test a product under actual market conditions before proceeding with full-scale introduction. A test does not necessarily involve a full-scale test-marketing effort. It may be simply observing the actual use of the product in the target market.

■ Failure to assess actual use conditions can lead to big surprises, as Unilever learned when it rolled out a new detergent brand in Europe without sufficient testing. Unilever spent \$150 million to develop the new detergent, which was formulated with a stain-fighting manganese complex molecule intended to clean fabrics faster at lower temperatures than competing products such as Procter & Gamble's Ariel. Backed by a \$300 million marketing budget, the detergent was launched in April 1994 as Persil Power, Omo Powder, and other brand

names.



- After a restructuring, Unilever had cut the time required to roll out new products in Europe from 3 years to 16 months. In this particular instance, the increased efficiency combined with corporate enthusiasm for the new formula resulted in a marketing debacle. Consumers discovered that some clothing items were damaged after being washed with Power. P&G was quick to capitalize on the situation; P&G ran newspaper ads denouncing Power and commissioned lab tests to verify that the damage did, in fact, occur. Unilever chairman Sir Michael Perry called the Power fiasco, *“the greatest marketing setback we’ve seen.”* Unilever reformulated Power, but it was too late to save the brand. The company lost the opportunity to gain share against P&G in Europe.

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