



Product in international market



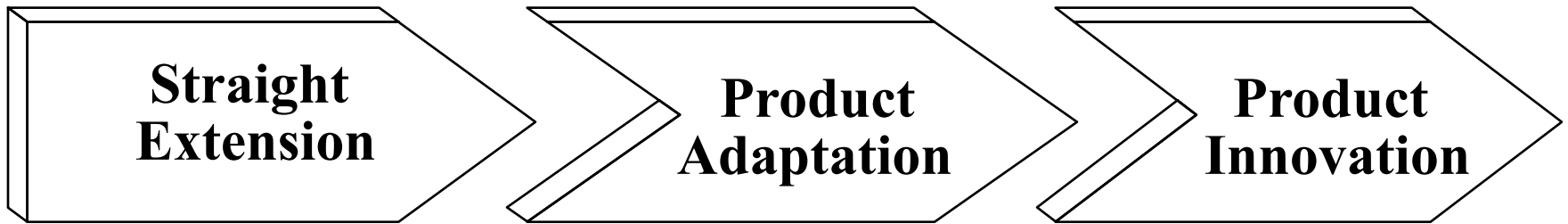
Standardisation Vs Adaptation

- In international markets, success depends on satisfying the market demands. The product or service must be suitable and acceptable for its purpose.
- According to Doole & Lowe (1999, p.296),
“The main issue for a company about to commence marketing internationally, is to assess **the suitability of the existing products for international markets.**”
- Product policy abroad: firm must decide **which aspects of a product need to be adapted** and which can be standardised.

Standardisation Vs Adaptation

- Standardisation policy: offering a uniform version of a product in all of its foreign markets.
- Adaptation policy: offering a product to targeted foreign consumers altered to specific tastes, preferences and needs. Adaptation can concern all the characteristics of the product.
- Decision between standardisation and adaptation is not mutually exclusive rather it is a matter of degree
- A certain degree of adaptation of a product is required in international markets.

International Product Strategies



**Straight
Extension**

The firm adopts the same policy used in its home market.

**Product
Adaptation**

The company caters to the needs and wants of its foreign customers.

**Product
Innovation**

The firm designs a product from scratch for foreign customers.

Source: W.J. Keegan, Multinational Product Planning: Strategic Alternatives, Journal of Marketing, 33, 1969, pp.58-62

These Three Basic Strategies Can Be Further Broken Down Into 5 Options

International Product Strategy	Product Example	Consumer Need Satisfied	Product Strategy	Communication Strategy
<u>Strategy 1</u> Product and Communication Extension	Gillette Razor	Disposable, easy to use product	Extension	Extension
<u>Strategy 2</u> Product Extension Communication Adaptation	Wrigley Chewing Gum	USA: Substitute for Smoking Europe: Dental benefits	Extension	Adaptation
<u>Strategy 3</u> Product Adaptation Communication Extension	McDonalds	Fast-Food	Adaptation: Adding local products to range	Extension: Using global campaign
<u>Strategy 4</u> Product and Communication Adaptation	Slim Fast	Identical: Lose Weight	Adaptation: Consumer preferences for different flavors	Adaptation: Celebrity in Germany, Teacher in UK
<u>Strategy 5</u> Product Invention	Buckler Beer	Non-alcoholic beer	Invention	Develop new communication

Source: W.J. Keegan

Reasons for Product Standardization

- **Economies of scale** : Production, R&D, Marketing
- **Common Consumer needs** :
Drinking patterns, car sizes
- **Consumer Mobility** : Customer retention & Loyalty
McDonald's, Hilton ...
- **Home Country Image** : Italian Pizza, French Perfumes,...
- **Impact of technology** : B to B Markets, mobile phone, cameras, PCs...

Reasons for Product Adaptation

- **Climate**: air conditioning equipment, tyres...
- **Skill level of users** : Computers in Africa
- **National consumer habits** :
 - front-loading/top-loading washing machines
 - car models : four-door (F) - two-door (Germ.)
- **Government regulations** on products, packaging, and labels.
- **Company history and operations (subsidiaries)**

Adaptation

Mandatory Product Adaptation

- Government regulations
- Electrical current standards
- Measurement systems
- Operating systems

Optional Product Adaptation

- Physical distribution
- Local use conditions
- Climatic conditions
- Space constraint
- Consumer demographics as related to physical appearance
- User's habits
- Environmental characteristics
- Price
- Limiting product movement across national borders (gray marketing)
- Historical preference or local customs and culture

International Product Strategies

- **Standardized Product**
 - Domestic product introduced internationally, with minor or no modification
- **Localized Product**
 - Domestic product adapted for foreign markets
 - Product designed specifically for foreign markets
- **Global Product**
 - Product designed with international (not national) markets in mind
 - Product having universal features
 - Product being adaptation-ready, when necessary

Degree of Standardization

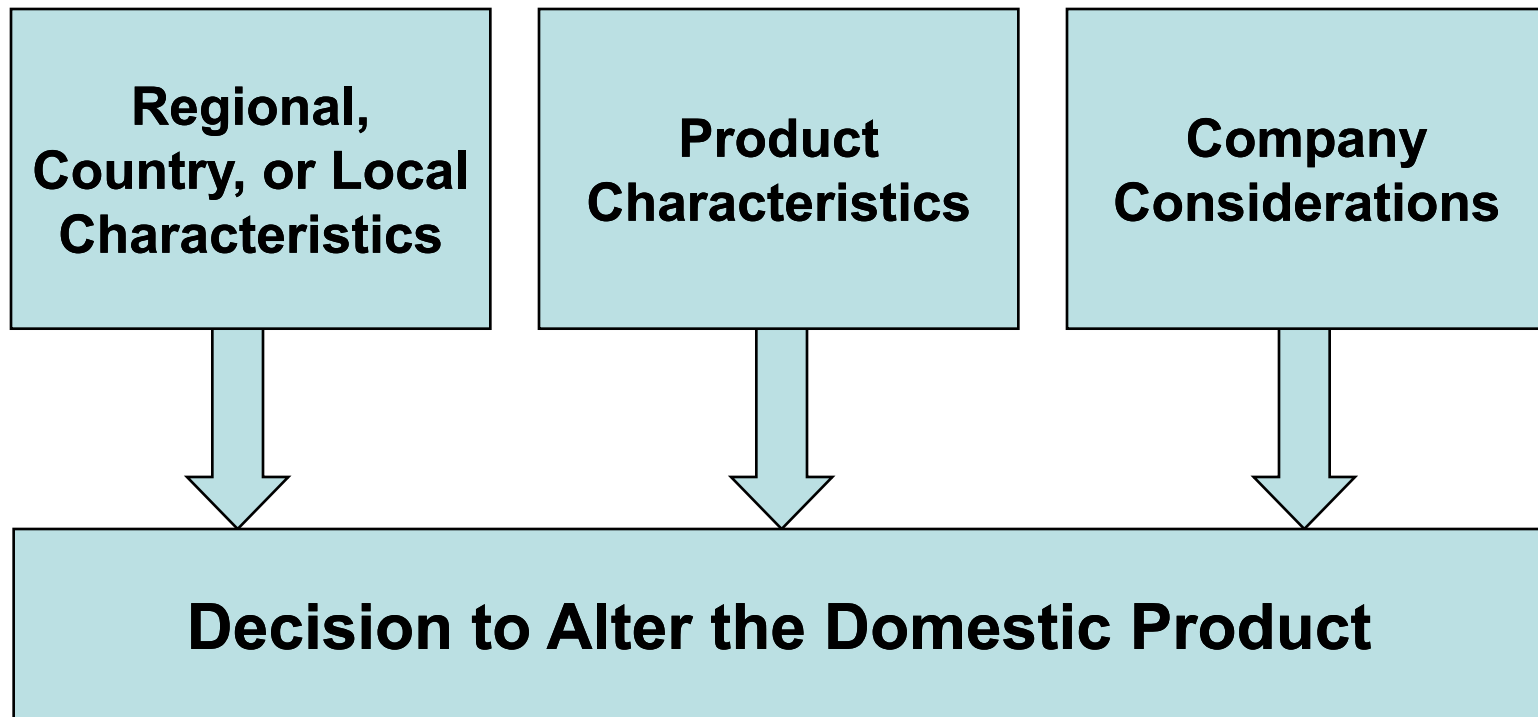
- Modular Approach
- Core-Product (Common Platform) Approach
 - Balancing standardization & adaptation
 - Over standardization vs. over customization
- High tech or high touch
 - Cameras vs. cosmetics
 - Washing machines vs. desserts

Country-of-Origin Effects



- Impact of where the product is manufactured
 - perceived quality?
 - patriotism/nationalism?
- Country-of-origin versus country-of-manufacture
- Interaction of country-of-origin and brand name effects
- Hybrid products (e.g., components manufactured in multiple countries; products via strategic alliances)
 - “...any influence that the country of manufacture, assembly, or design has on a consumers positive or negative perception of a product” (Cateora & Graham, 2002, p.369)
 - Stereotypes – positive or negative
 - Significant influence on product positioning
 - Adapt positioning from country to country

Factors Affecting Adaptation



Considerations in adapting products

Target Market	Macro-environment	Government Regulations	Competition
<ul style="list-style-type: none">❑ Who buys the product?❑ Who uses the product?❑ How is it used?❑ Where/ why/ when is it bought?	<ul style="list-style-type: none">❑ Geography❑ Climate❑ Economic❑ Socio-cultural❑ Political/legal	<ul style="list-style-type: none">❑ Tariffs❑ Labeling❑ Patents/trademarks❑ Taxes❑ Other	<ul style="list-style-type: none">❑ Price❑ Performance❑ Design or style❑ Patent protection❑ Brand name❑ Package❑ Services

The Market Environment

- Government Regulations
 - Political and social agendas often dictate regulatory requirements
- Nontariff Barriers
 - Product standards, testing, subsidized local products
- Customer Characteristics, Expectations, and Preferences
 - Physical size, local behaviors, tastes, attitudes, and traditions
 - Consumption patterns, psychosocial characteristics, and general cultural criteria

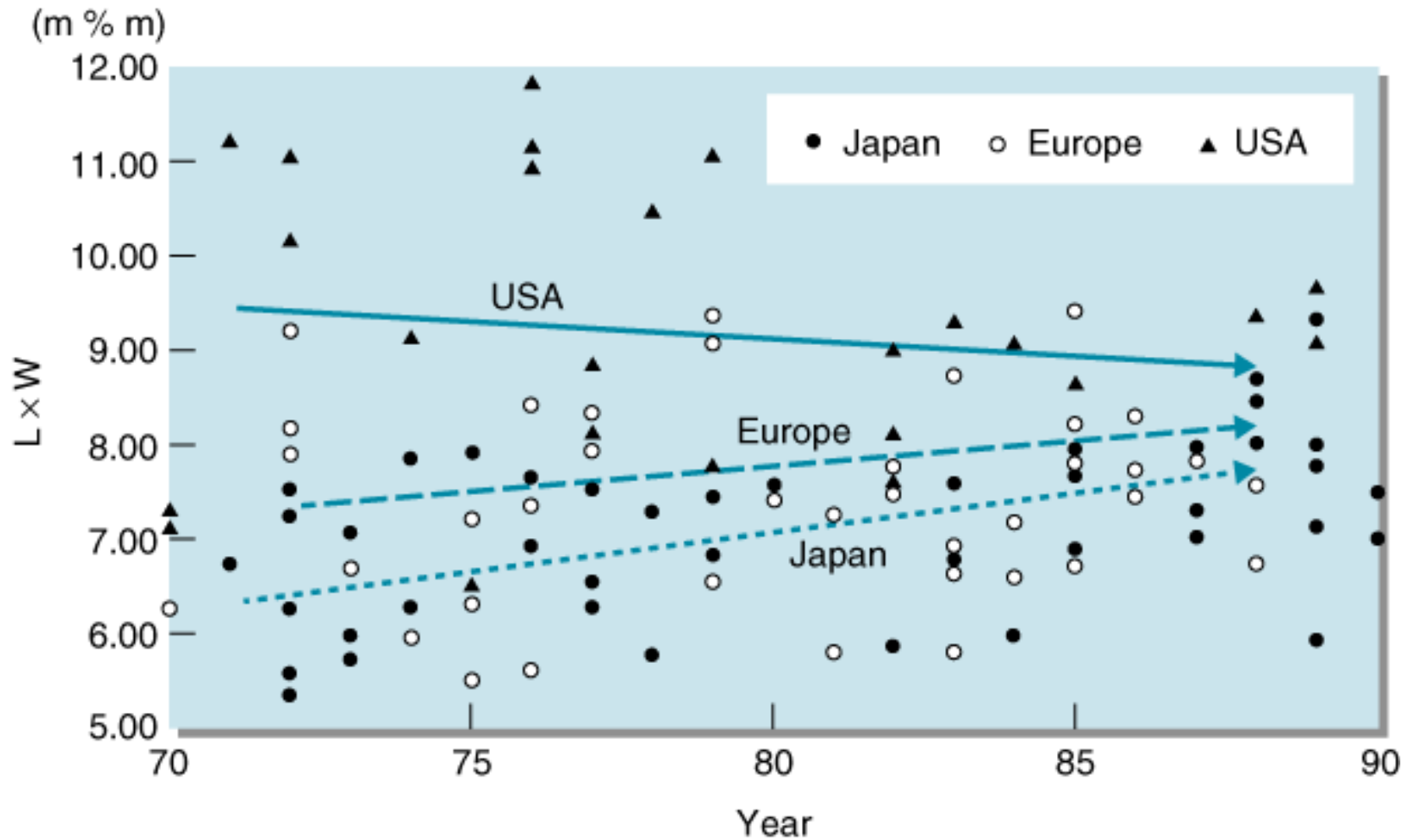
The Market Environment

- Economic Development
 - The stage of economic development affects the market size and demand characteristics. Backward innovation of the product may be required to meet local requirements.
- Competitive offerings
 - Monitoring competing local products is critical in adjusting the product for competitive advantage.
- Climate and geography
 - Local climatic conditions and terrain features can make products vulnerable to damage.

What should be the product's...

- Physical attributes?
 - Size, design, materials, weight, color, etc.
- Package attributes?
 - Protection, color, design, brand, etc.
- Service attributes?
 - Use instructions, installation, warranties, repair/maintenance, spare parts, etc.
- Expected profit contribution of each adaptation?

Convergence of Car Sizes



Drivers of Product Adaptation

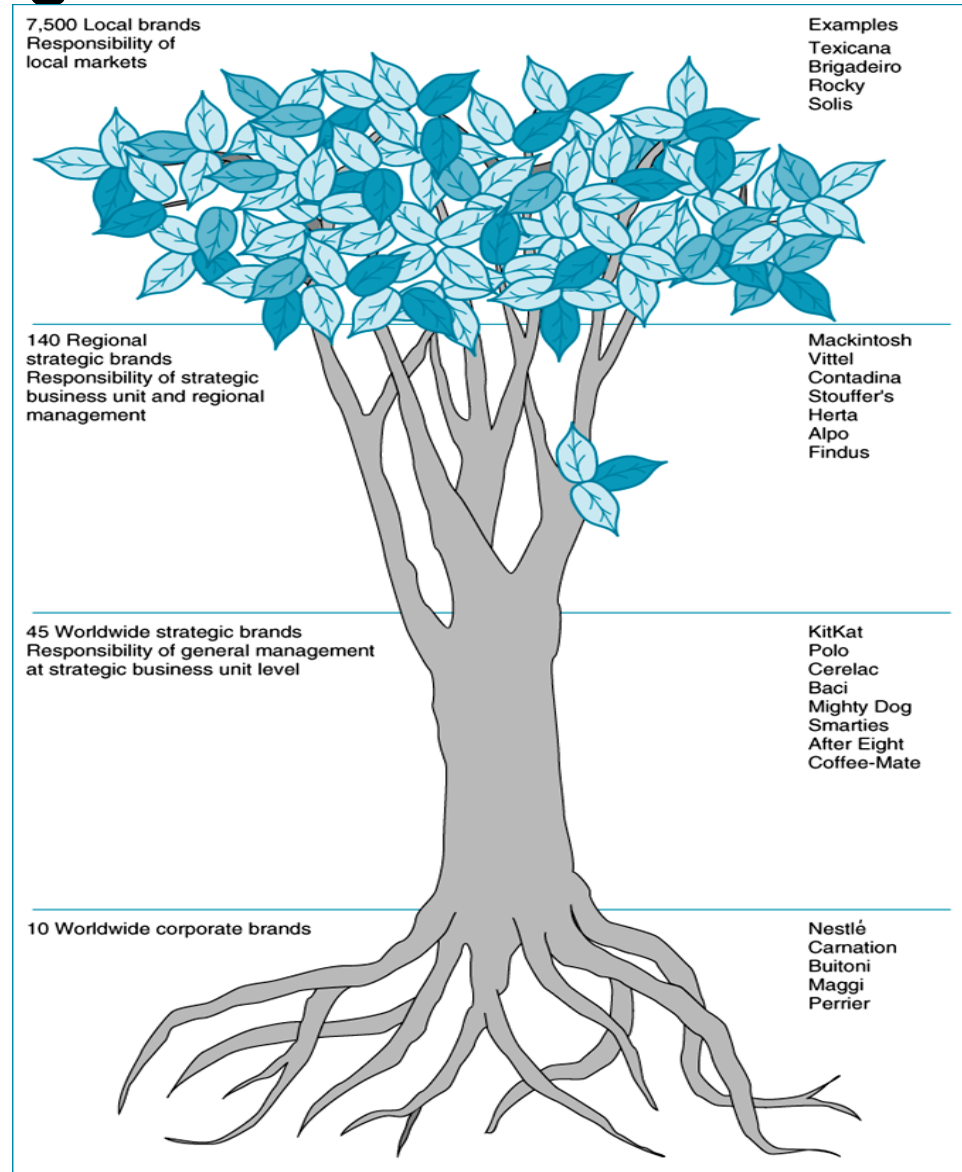
Example COLGATE Toothpaste

- Differences in National Reglementation :
 - Triclosan forbidden in Germany
 - High fluor content in local water (UK)
 - Obligation to sell high fluor content toothpaste in pahrmacy (France)
 - Stringent clinical tests in France
- **Packaging:**
 - Ecological Stand-up tubes in Germany
 - Failure in France (Carrefour)
- **Distribution:**
 - Role of pharmacy in Italy and Spain
 - Role of drugstore in UK
- **Communication:**
 - Medical in Italy and Spain (recommended by dentist)
 - Non-medical in UK

Product Characteristics

- Product Constituents
- Branding
- Packaging
- Appearance
- Method of Operation or Usage
- Quality
- Service
- Country-of-Origin Effects

International branding and Nestle's Branding Tree



Protecting International Brand Names and Trademarks

- The firm must evaluate each market / brand whether to seek protection.
(Blue Bell Inc. - trademark Wrangler registered in 135 countries)
- Global brands versus national brands :
Priority in Use <-> Priority in Registration
(Ford Mustang in Germany renamed Taunus)
- Brand piracy : local imitation or deliberate registration

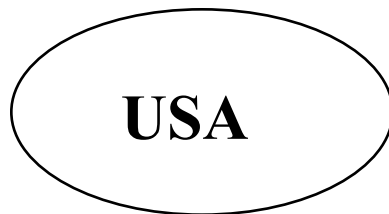
Family Brands

<http://www.vw.com/>



Das Auto.

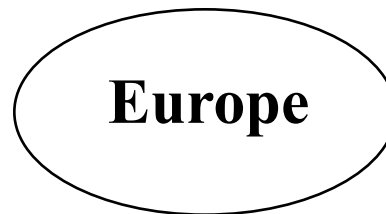
Family Brand
Volkswagen



USA

"Rabbit"

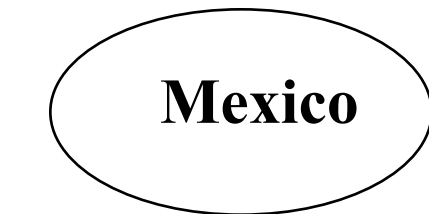
-> lightness



Europe

"Golf"

-> prestige



Mexico

"Caribe"

-> avoid negative
connotation

Product Packaging and Labeling



Protection

Climate
Transport & Handling
Buyer's slow usage rate
Lack of storage facilities

Promotion

Merchandising (income level, shopping habits)
Minimum breakage / theft
Ease of handling
Multilingual Labels to Convey an International Image (Zara, Hollywood Chewing Gum)

Legal Constraints

Recycling of Packaging
(Duales System, Eco-Emballage)
Regulations on consumer info.
(Origin, weight, ingredients)

P&G



compare



- http://www.pg.com/es_ES/
- <http://www.fr.pg.com/>
- <http://www.pg.com.tr/procter/index.htm>
- http://www.pg.com/pl_PL/index.shtml
- <http://www.procter-gamble.cz/kdo-jsme.php>
- http://www.mcdonalds.bg/new_md/display.php?p=menu&pp=deserti
- <http://www.mcdonalds.cz/>
- <http://www.mcdonalds.se/>
- <http://www.mcdonalds.it/prodotti/coffee.asp>
- <http://www.imlovin.it.at/html.php>
- <http://www.mcdonalds.fr/#/vcve-2/>
- <http://www.mcdonalds.hu/>
- <http://www.mcdonalds.pl/>
- <http://www.mcdonalds.es/#/home/>
- <http://www.mcdonalds.com.tr/>

International packaging and European Packaging Trends

- Transportation Concerns
- Climate Concerns
- Economic Concerns
- Cultural Factors
- Promotional Considerations
- Market Retailing Structure
- Labelling



Company Considerations

- Organizational capabilities?
- Is it worth it?
- Can we afford not to do it?
- Can a specific return-on-investment (ROI) be attained?
- Quality, price, and user perceptions?
- Warranties?
- Managerial talent?

SOURCES

- *globe.miis.edu/International%20Product%20Policy.ppt*
- *www.econ.upm.edu.my/~pjj/PJJNotes/MGM4273(PemasaranAntarabangsa)/im_ch_10.ppt*
- *www.kai-mahnert.de/studybuddy/Presentations/Global/Product%20Decision.ppt*