



Product in international market



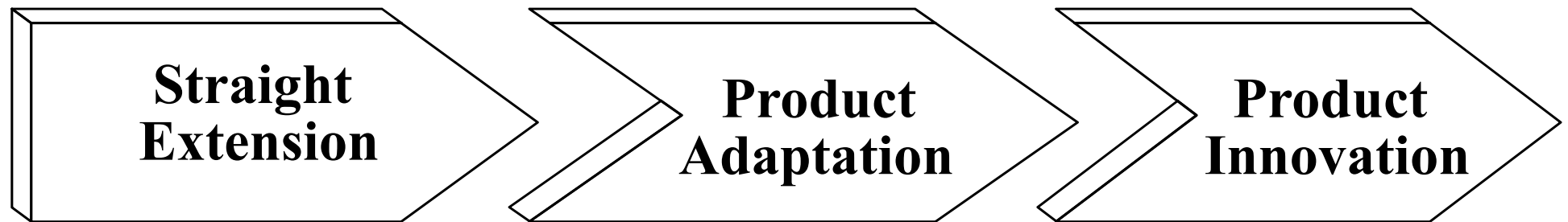
Standardisation Vs Adaptation

- 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



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

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

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
 - American Express, Kodak, ...
- Home Country Image : US jeans, French Perfumes,...
- Impact of technology : B to B Market

Reasons for Product Adaptation

- Climate: US Air-conditioning equipment
- 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

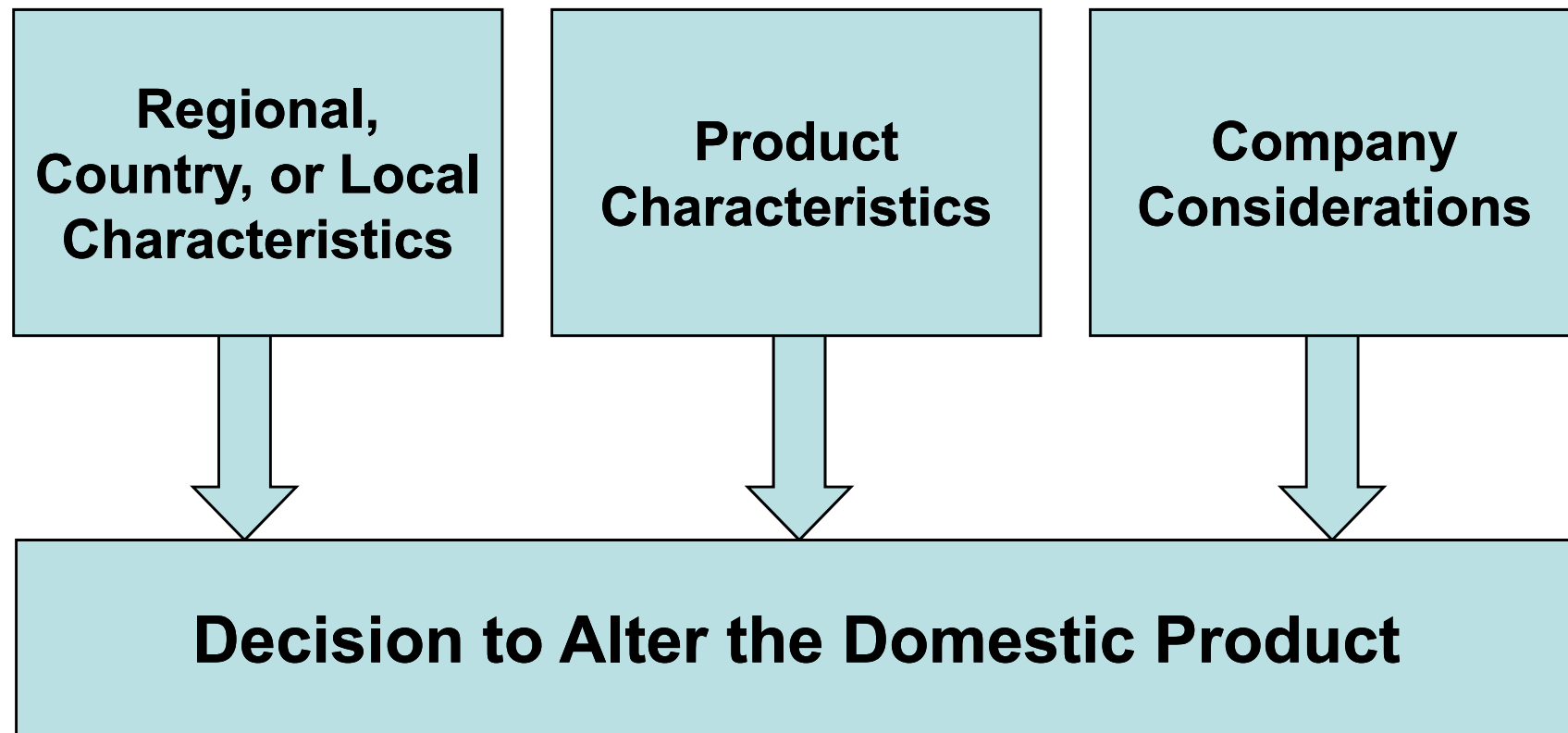
- Modular Approach
- Core-Product (Common Platform) Approach
 - Balancing standardization & adaptation
 - Over standardization vs. over customization
- High tech or high touch
 - Cameras vs. cosmetics
 - Washing machines vs. desserts

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

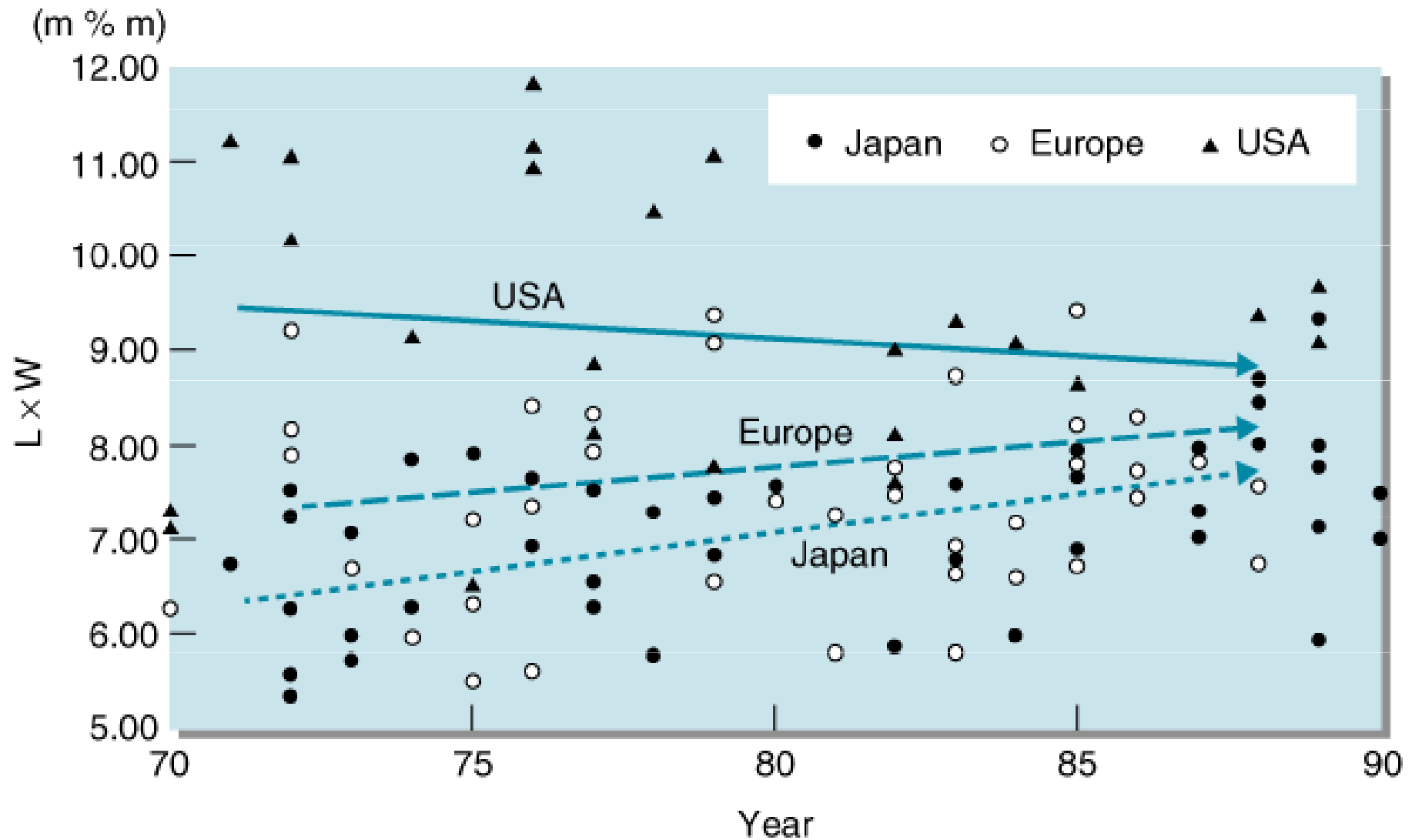
The Market Environment

- 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

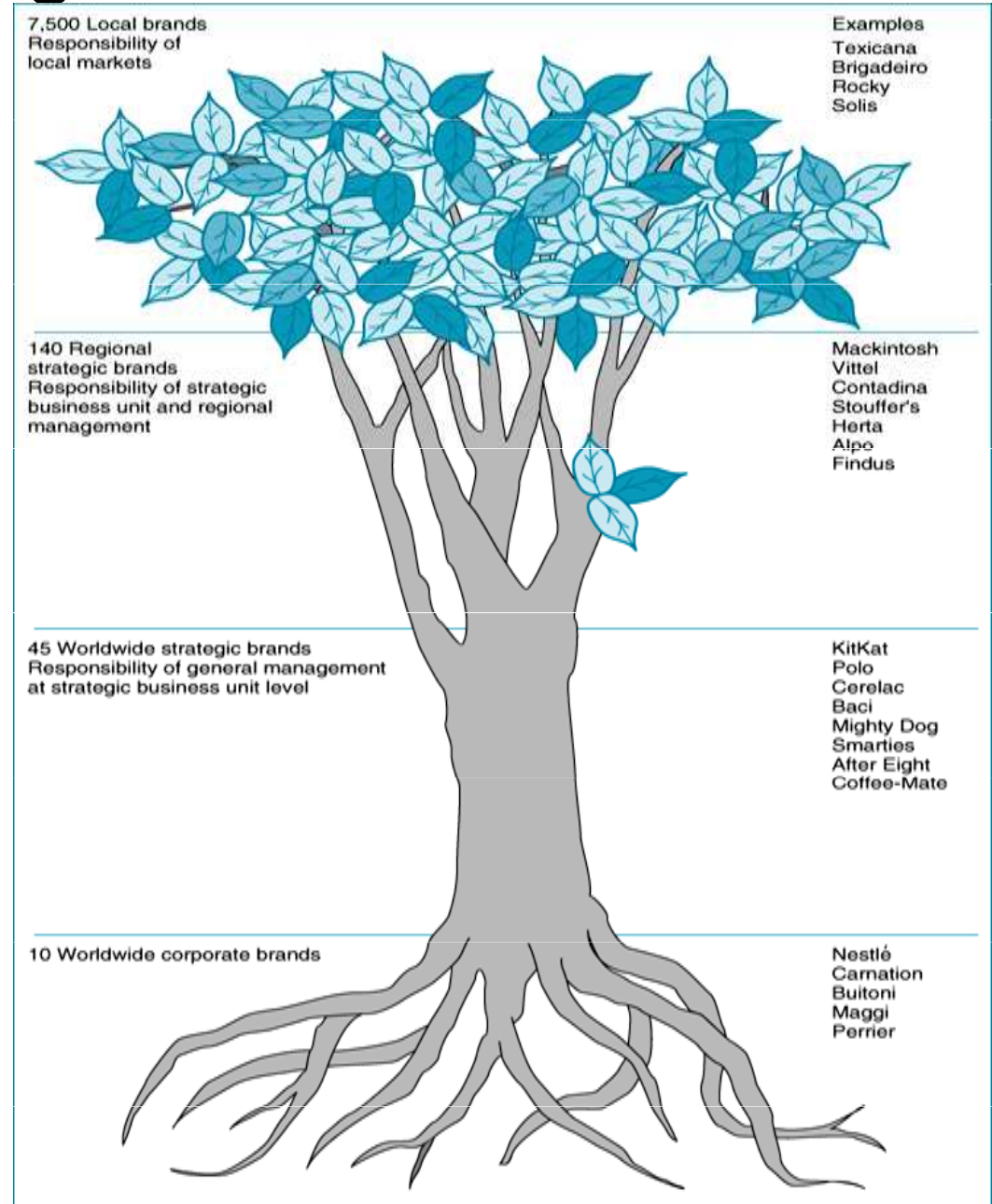
Example COLGATE Toothpaste

- 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

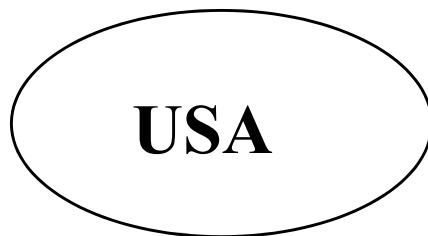
Family Brands

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



Das Auto.

**Family Brand
Volkswagen**



USA

"Rabbit"

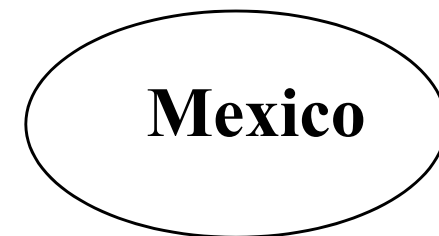
-> lightness



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>
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- <http://www.imlovininit.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*