



International Trade – A Marketing Perspective

Guest Lecture for Masaryk University

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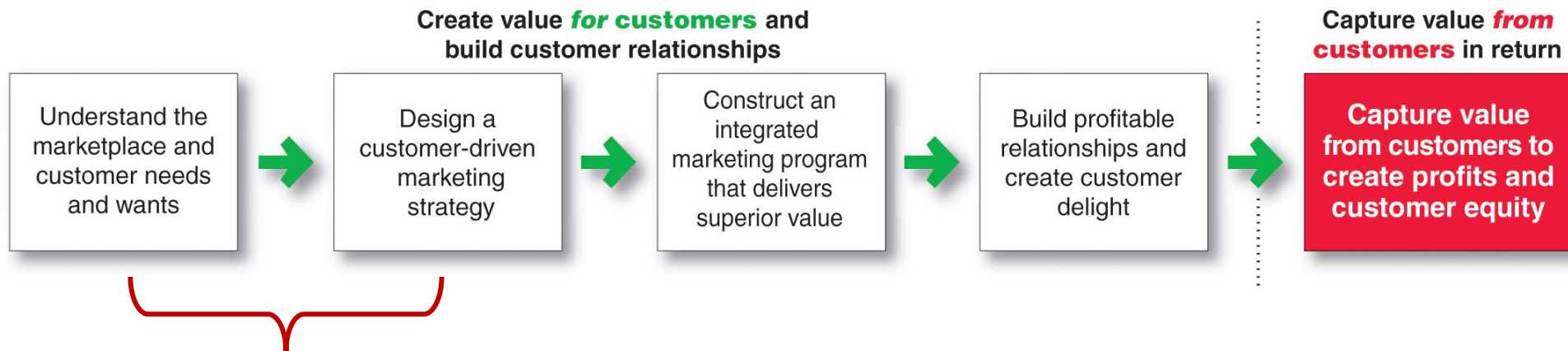
Agenda

- The marketing perspective in the international context.
- Understanding the marketing environment.
- The product standardization-adaptation strategy.
- Serving emerging markets.



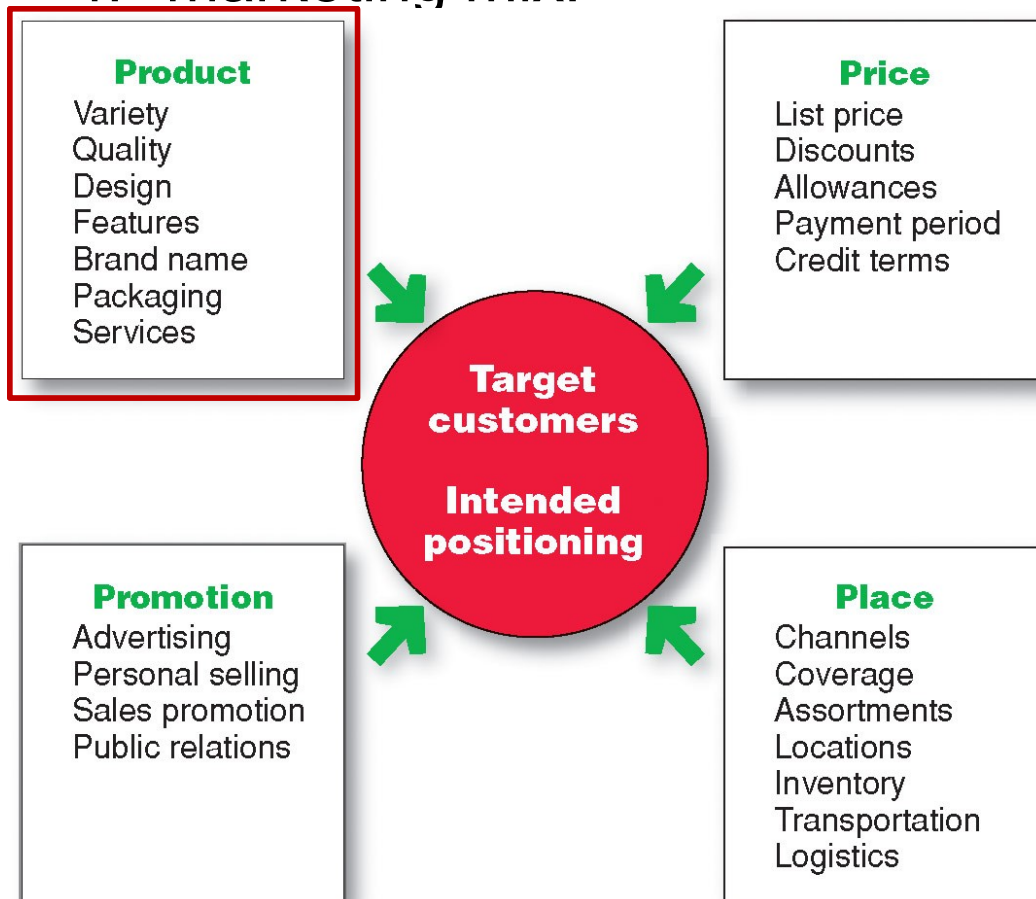
Marketing Perspective

- Marketing is a process by which companies create value for **customers** and build strong customer relationships to capture value from customers in return (Kotler et al., 2017).
- A marketing process:



Marketing Perspective

- 4P marketing mix:



In the international context, a key issue is marketing **standardization-adaptation** (Katsikeas et al., 2006).

Market Requirements Across Countries

- Market requirements can be different across countries, depending on the industry.
- There are different aspects:
 - Customer taste/habits
 - Local environmental conditions
 - Regulations
 - (Purchasing power)

Market Requirements Across Countries

- Customer tastes/habits (e.g. refrigerator types).
 - In some industries, they are gradually converging, but differences still remain.



Europe



North America



South America



Asia



Market Requirements Across Countries

- Local environmental conditions include local weather (e.g. temperature and humidity) and local infrastructure (e.g. road and energy).
 - They are not converging significantly.



Octane Ratings of Petroleum in North America

Market Requirements Across Countries

- Regulations/standards are compulsory for firms to meet in a country (e.g. car crashing tests and light configurations).
 - They have greatly converged at the regional level, but not so at the global level.



Side Marker: American vs. European Standards



Product Standardization-adaptation

- Global standardization: The product design is similar globally. Low costs due to economies of scale.
- Local adaptation: Products are customized for different requirements locally. More appealing to local customers.

It is a continuum. MNEs make choices somewhere between the two.

High
standardization

High
adaptation



Group Discussion

- Choose one or two products/services you know. Discuss the following issues:
 - Is the product/service globally standardized or locally customized?
 - Why?





Product Standardization-adaptation

- The strategic fit theory (Katsikeas et al., 2006; Schmid and Kotulla, 2011): MNEs' strategic choices between product global standardization and local adaptation depend on **situational factors** including:
 - Market demand homogeneity across countries.
 - Cost of product modification.
 - Price elasticity of demand.
 - Potential for economies of scale.
- Each factor is positively related to standardization (e.g. high demand homogeneity -> high standardization).

However, one important factor is missing here!

The Effect of Brands on Product S-A



- General Motors – The biggest automaker in the U.S.
- It has many brands with distinct brand images.



The Effect of Brands on Product S-A

- Car bodies are customized in different regions to fit with **brand images**.
- For example, Opel (Vauxhall) Astra in Europe and Chevrolet Cruze in the U.S. have same chassis, but different car bodies.





Managing Dual Pressures in NPD

- In new product development, engineers face dual pressures – standardization and adaptation of products. They adopt certain practices to handle the pressures:
 - Compromise
 - Overdesign
 - Modularity



Managing Dual Pressures in NPD

- Compromise: A requirement is abandoned or compromised to deliver an “acceptable” rather than “ideal” product.





Managing Dual Pressures in NPD

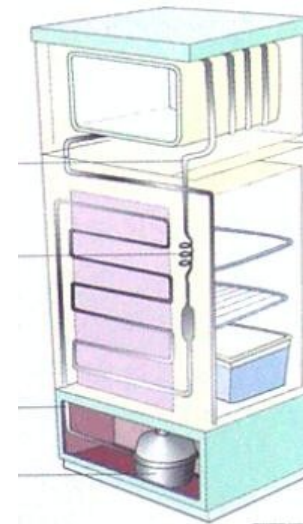
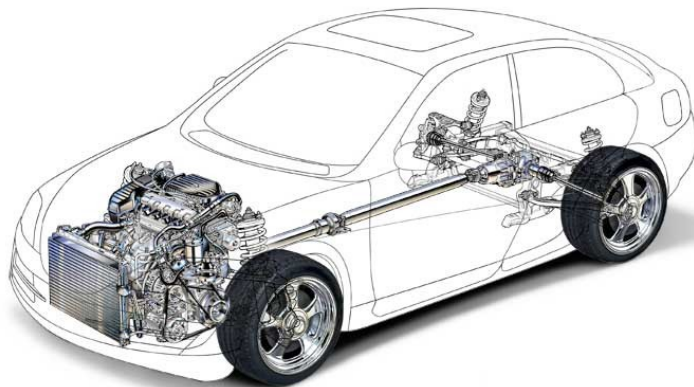
- Overdesign: Product features (required by one country) are offered globally even if they are not required by others.





Managing Dual Pressures in NPD

- Modularity: Some components are designed to be modular in order to be shared even if other components are changed.





Brand Standardization-adaptation

- Should a company adopt a single-brand strategy or multiple brand strategy for different countries.
 - Brand standardization: More advertising needed in foreign countries; easy to be identified when customers are travelling across countries; less complexity.
 - Brand adaptation (different brands locally via acquisitions): Easy to be recognized by local customers; difficult to identify when customers are travelling; more complexity.



Brand Standardization-adaptation

- Unilever's laundry detergent business has different brands in different countries due to local acquisitions.
 - Acquiring local brands helped Unilever to capture local markets easily and quickly.
 - However, it also caused complexity and confusion for customers.
 - In around 2002, it conducted unification of brands.





Brand Standardization-adaptation





Emerging Markets

- Emerging markets: Developing countries that are more affluent, e.g. BRICs countries.
- Characteristics:
 - There are a large number of lower class people. Middle class is rising. There are big business opportunities there.
 - A lot of people with low purchasing power, calling for special strategies/innovations.
- A case study – Microsoft in India (Hill, 2012)



Case Study – Microsoft in India



- How is the Indian market different from western countries like the US?
 - More people with low income. They cannot afford Microsoft software.
 - Pirated software and free software (Linux) used by many people.
 - Some small companies use mobile phones instead of computers.



Case Study – Microsoft in India



- What steps did Microsoft take for the Indian market?
 - It developed Windows XP Starter (a simplified version) which is sold at less than half of the original price.
 - It offered online monthly subscription of Office software at low price.
 - It developed Multipoint computers (with multiple mice), allowing multiple people to use one computer simultaneously.
 - It offered text-messaging services for firms using mobile phones. With the services, firms can check order status and inventories.



Serving Emerging Markets

- Product simplification: Complex functions of products sold in developed countries are removed for lower costs in developing countries.
 - High-cost premium products are still sold in developing countries. Thus developing countries can have more products variants.





Serving Emerging Markets

- Product retaining: Products phased-out in developed countries can still be sold in developing countries with lower prices.
 - It means longer product life cycles in developing countries, but new products can also be sold.





Serving Emerging Markets

- Reverse innovation (Immelt et al., 2009): Low cost innovations are made specifically for developing countries (designed from scratch).
 - It can be popular in developed countries as well. The (low-cost) environment of developing countries facilitates such innovations.



Traditional Ultrasound Device
\$ 100K



Portable Ultrasound Device
\$ 15K



Learning Points

- Marketing is about serving customers.
- In the international context, market requirements are different in four aspects.
- There are situational factors affecting product standardization-adaptation in a firm.
- Emerging market requirements need to be handled through special strategies.



References

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