

Global Marketing

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Ninth Edition, Global

Edition

Brand and Product Decisions in Global Marketing

Chapter 10

Learning Objectives

1. Review the basic product concepts that underlie a successful global marketing product strategy.
2. Compare & contrast local products & brands, international products & brands, and global products & brands.
3. Explain how Maslow's needs hierarchy helps global marketers understand the benefits sought by buyers in different parts of the world.
4. Outline the importance of the "country of origin" as a brand element.
5. List the five strategic alternatives that marketers can utilize during the global product planning process.
6. Explain the new-product continuum and compare and contrast the types of innovation.

Basic Product Concepts

- A product is a good, service, or idea
 - *Tangible Attributes*
 - *Intangible Attributes*
- Product types
 - *Consumer goods*
 - *Industrial goods*

Product Warranties

- An **Express Warranty** is a written guarantee that assures the buyer is getting what he or she paid for or provides a remedy in case of a product failure
- Warranties can be used as a competitive tool

Packaging

- **Consumer Packaged Goods** are a variety of products whose packaging **protects** or **contains** the product from production to the end user
- **Eco-packaging** addresses environmental issues like recycling, biodegradability, & sustainable forestry
- Must engage the senses, make an emotional connection, & enhance the brand experience

Labeling

- Provides consumers with various types of information
- Regulations differ by country regarding various products
 - Health warnings on tobacco products
 - American Automobile Labeling Act clarifies the country of origin, and final assembly point
 - European Union requires labels on all food products that include ingredients from genetically modified crops

Aesthetics

- Global marketers must understand the importance of visual aesthetics
- Aesthetic styles (degree of complexity found on a label) differ around the world

Product Types

- Buyer orientation
 - Amount of effort expended
 - Level of risk
 - Buyer involvement
- Buyer orientation framework
 - Convenience goods
 - Preference goods
 - Shopping goods
 - Specialty goods

Basic Brand Concepts

- Bundle of images and experiences in the customer's mind
- A promise made by a particular company about a particular product
- A quality certification
- Differentiation between competing products
- The sum of impressions about a brand is the *Brand Image*

Brand Equity

- The total value that accrues to a product as a result of investments in the marketing of the brand
- An asset that represents the value created by the relationship between the brand and customer over time

Brand Equity Benefits

- 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

Local Products and Brands

- Brands that have achieved success in a single national market
- Represent the lifeblood of domestic companies
- Entrenched local products/brands can be a significant competitive hurdle to global companies

International Products and Brands

- Products and brands offered in several markets in a particular region
 - ‘Euro-brands’
 - Honda 5-door hatchback auto is known as Fit in Japan and Jazz in Europe

Global Products and Brands

- Global brands are not the same as global products
 - iPod = brand
 - mp3 player= product
- Global products meet the wants and needs of a global market and are offered in all world regions
- Global brands have the same name and similar image and positioning throughout the world
 - BMW : “Ultimate Driving Machine
 - GE: Imagination at Work
 - Visa: Life takes Visa
 - Harley-Davidson: An American Legend



In any language Gillette's trademarked brand promise is easy to understand.

Global Products and Brands

“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.”

- Alfred Zeien Former Gillette CEO

Global Brand Characteristics

- Quality signal—allows a company to charge premium price in a highly competitive market
- Global myth—marketers can use global consumer culture positioning to link the brand identity to any part of the world
- Social responsibility—shows how a company addresses social problems

Branding Strategies

- Combination or tiered branding allows marketers to leverage a company's reputation while developing a distinctive identity for a line of products
 - Sony Walkman
- Co-branding features two or more company or product brands
 - NutraSweet and Coca-Cola
 - Intel Inside

Brand Extension

- Brand acts as an umbrella for new products
 - Example: The Virgin Group
 - Virgin Entertainment: Virgin Mega-stores and MGM Cinemas
 - Virgin Trading: Virgin Cola and Virgin Vodka
 - Virgin Radio
 - Virgin Rail (UK only)
 - Virgin Media Group: Virgin Publishing, Virgin Television, Virgin Net (UK only)
 - Virgin Hotels
 - Virgin Travel Group: Virgin America Airways, Virgin Holidays, Virgin Galactic

Product/Brand Matrix

		PRODUCT	
		Local	Global
BRAND	Local	1. Local product/local brand	2. Global product/local brand
	Global	3. Local product/global brand	4. Global product/global brand

World's Most Valuable Brands, 2014

Rank	Value (\$ millions)	Rank	Value (\$ millions)
1. Apple	118,863	14. Cisco	30,936
2. Google	107,439	15. Amazon	29,478
3. Coca-Cola	81,563	16. Oracle	25,980
4. IBM	72,244	17. HP	23,758
5. Microsoft	61,154	18. Gillette	22,845
6. GE	45,480	19. Louis Vuitton	22,552
7. Samsung	45,462	20. Honda	21,673
8. Toyota	42,392	21. H&M	21,083
9. McDonald's	42,254	22. Nike	19,875
10. Mercedes-Benz	34,338	23. American Express	19,510
11. BMW	34,214	24. Pepsi	19,119
12. Intel	34,153	25. SAP	17,340
13. Disney	32,223		

Global Brand Development

- Questions to ask when management seeks to build a global brand:
 - Does this move fit the company and/or its markets?
 - Will anticipated scale economies materialize?
 - How difficult will it be to develop a global brand team?
 - Can a single brand be imposed on all markets successfully?

Global Brand Development

- Global Brand Leadership
 - 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

Global Brand Development

1. Create a compelling value proposition, beginning with the home-country market
2. Think about all elements of brand identity and select names, marks, and symbols that have the potential for globalization
3. Develop a company-wide communication system to share & leverage knowledge and information about marketing programs & customers in different markets

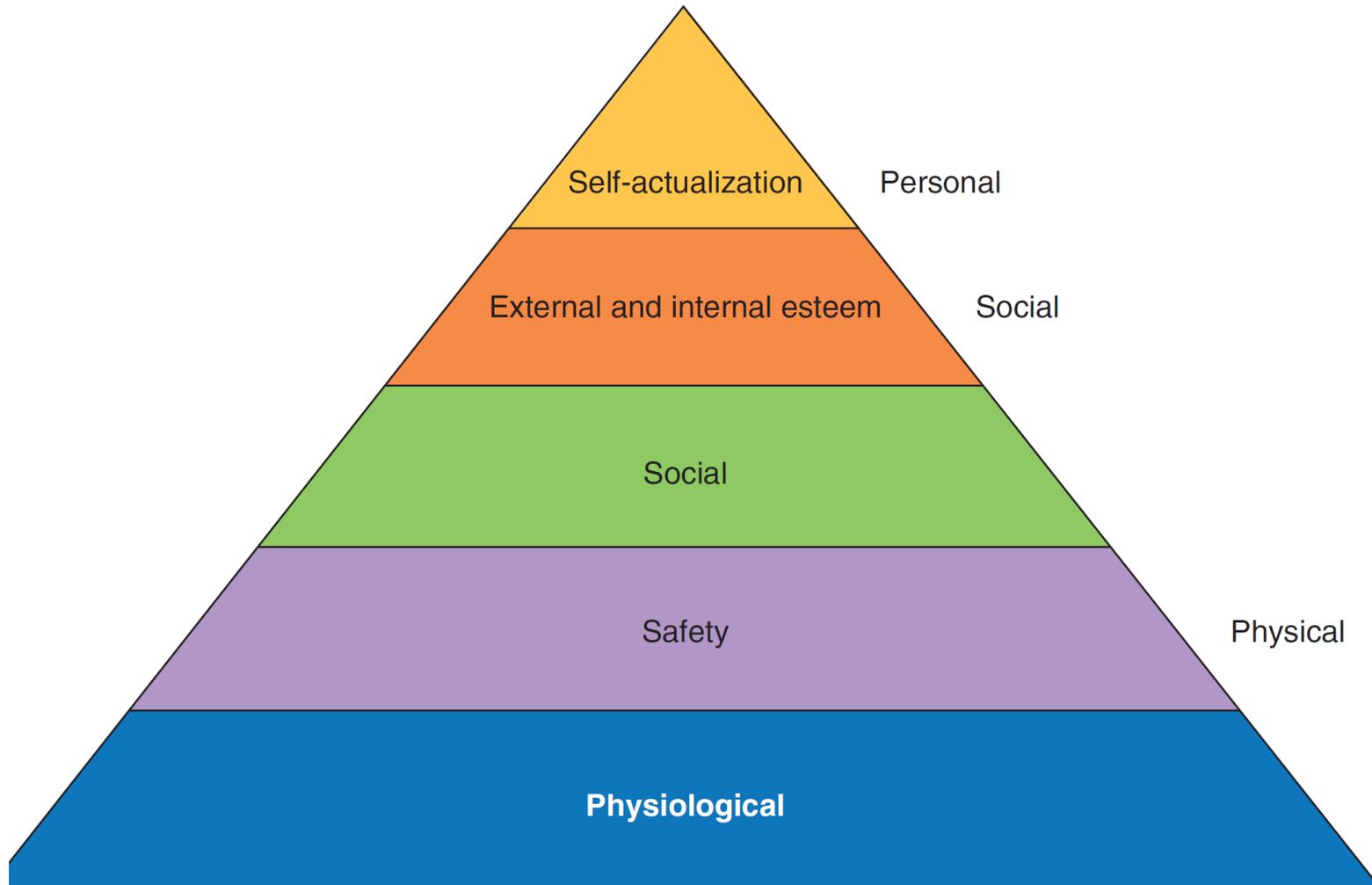
Global Brand Development

4. Develop a consistent planning process across markets & products. Make a process template available to managers in all markets
5. Assign specific responsibility for managing branding issues to ensure local brand managers accept global best practices.
6. Execute brand-building strategies that leverage global strengths & respond to relevant local differences.

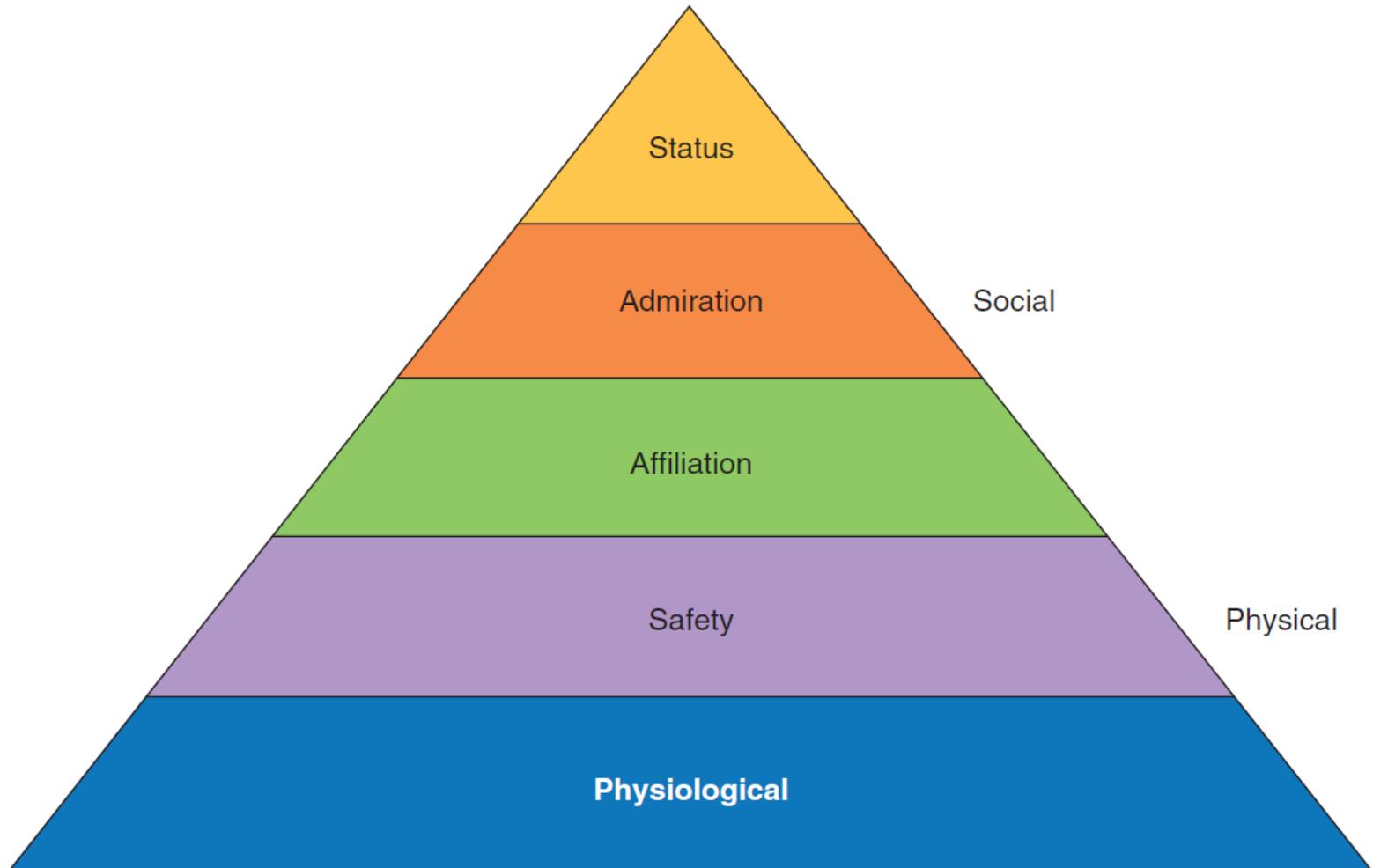
A Needs-Based Approach to Product Planning

- Maslow's Needs Hierarchy helps marketers understand how & why local products go beyond the home-country
- Needs and wants aren't the same thing
- Global giants like Coca-Cola, McDonald's and Sony understand and build local products or products that fulfill social functions

Maslow's Hierarchy of Needs



Asian Hierarchy of Needs



Country of Origin as Brand Element

- Perceptions about and attitudes toward particular countries often extend to products and brands known to originate in those countries
 - Japan
 - Germany
 - France
 - Italy

Extend, Adapt, Create: Strategic Alternatives in Global Marketing

- **Extension** – offering product virtually unchanged in markets outside of home country
- **Adaptation** – changing elements of design, function, and packaging according to needs of different country markets
- **Product Invention**– developing new products for the world market

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	

Strategy 1: Dual Extension

- **Product-Communication Extension**
 - May be very profitable, simple
 - Almost no adaptation
 - Same advertising and promotional appeals
 - Used with B2B or industrial products
- Apple iPhone
- Loctite adhesives
- Microsoft Windows 7

Strategy 2: Product Extension- Communications Adaptation

- Products may serve the same or different needs in different markets
- No product changes reduce expense
- Costs in market research advertising, sales promotion, point-of-sale material
- Ex. Miller Genuine Draft is an international lifestyle brand (GCCP) in Central Europe rather than an American brand (FCCP)
- Ben& Jerry's changed packaging color in the U.K

Strategy 3: Product Adaptation- Communications Extension

- Adapt the product to local use but the message stays the same
- Cadillac BTS in Sweden is 6” shorter than the CTS; available in diesel
- Oreos in China failed until they were reformulated to be less sweet and expensive

Strategy 4: Product- Communications Adaptation

- **Dual Adaptation**
 - Both may need to change for legal, cultural or other environmental reasons
 - Regional managers may simply act independently
- Nike global shoes and “Just Do It” approach didn’t work in China
- Less expensive shoes created in country and ads featuring Chinese athletes in line with cultural principles of harmony and respect for authority

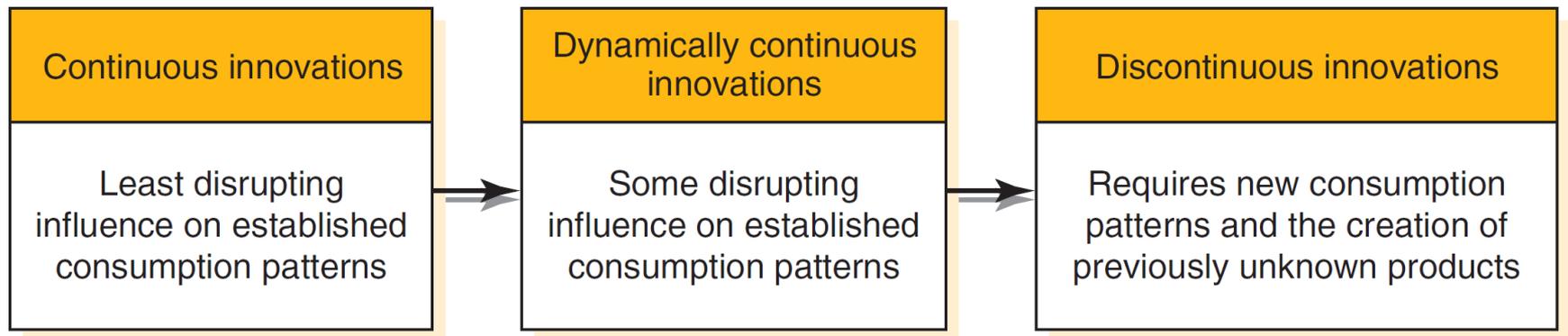
Strategy 5: Innovation

- Important for reaching mass markets in less industrialized nations and certain segments in industrialized countries
 - Hand-cranked radios for areas with no electricity
 - Thermax, an Indian producer of small industrial boilers, created new products for industrialized countries

How to Choose a Strategy?

- Managers face two types of errors:
 - NIH “Not Invented Here” and Ethnocentrism
- The product itself, defined in terms of the function or need it serves
- The market, defined in terms of the conditions under which the product is used, preferences of potential customers, and ability to buy the product
- Adaptation and manufacturing costs the company will incur

Identifying New Product Ideas



- New to those who use it or buy it
- New to the organization
- New to a market

The International New Product Department

- How big is the market for this product at various prices?
- What are the likely competitive moves in response to our activity?
- Can we market the product through existing structure?
- Can we source the product at a cost that will yield an adequate profit?
- Does product fit our strategic development plan?

Testing New Products

- When do you test a new product?
 - Whenever a product interacts with human, mechanical, or chemical elements because there is the potential for a surprising and unexpected incompatibility
- Test could simply be observing the product being used within the market