

International Product Policy

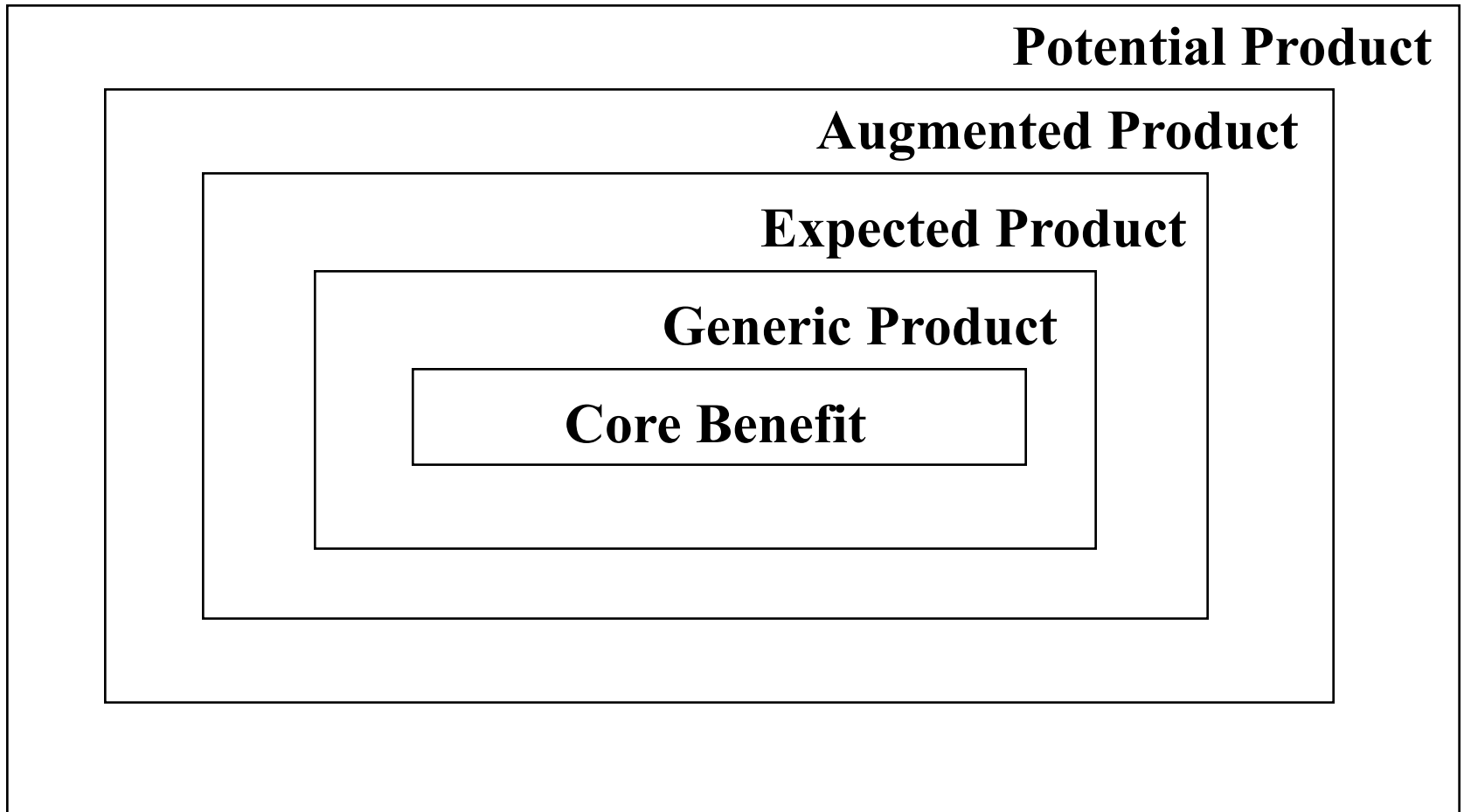
International Product Policy

- Introduction: What to Sell ?
- International Product Strategies
- Standardization versus Customization
- Timing of Foreign Entry
- Managing an International Brand Portfolio
- Product Packaging and Labeling
- Managing International Product Lines

1. Introduction: What to Sell ?

- The international marketer needs to determine what the market offering should be in a foreign market :
 - Defining the product offering
 - Products versus Services/Rights

The Product Offering



Product Warranty and Service

- Product Warranty :
 - Should a company keep the same warranty for all markets or adapt it country by country ?
 - Should the firm use warranty as a competitive weapon ?
- Product Service :
 - Service capability to accredit the firm with foreign suppliers
 - high investment in facilities, staffing, training, and distribution network

Goods versus Services/Rights

- Instead of marketing a product abroad, the company may also sell rights or services in a foreign market:
 - rights : brand / trademark / patent
 - services : management skills (hotel chain)

Sales of Rights - Examples

- Franchising business :
 - Coca-Cola : use of its name to licensed bottlers around the world.
 - Pilkington: licensing of the process of float glass.
 - Other : Manpower, McDonald's, etc.

Sales of Rights - Examples

- Management Contracts :
 - Sheraton Hotels :
 - Management contract for hotels abroad
 - Sale of consulting and management contracts
 - Little equity invested : Sheraton manages almost 400 hotels worldwide but has equity in only 40 of them.
 - Advantages : minimum risk & strong competitive position.

Sales of Rights - Examples

- Turn-Key operations :
 - The firm is selling technical and engineering skills.
 - The firm is training foreign nationals to run a plant.
 - The firm is supplying material and equipment.

2. 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

Globally uniform products: Wherever customers and consumers around the world have the same needs and expectations, we offer globally uniform products. Examples include the internationally identical demands made on an instant adhesive or on our industrial adhesives

Locally adapted product offerings: We adapt packaging units and distribution channels to local conditions, in order to make our products and our quality accessible to the broadest possible group of people. Customers from lower income segments for example purchase small units.

Pril Liquid is available as a single-use pack in India. For 1 rupee – equivalent to 1.5 Euro cents – customers can buy a 6 milliliter pack of Pril “Lime and Vinegar”.

Locally adapted product performance: In North Africa and Latin America, Henkel has therefore developed and introduced a fabric softener with special ingredients that enables washing foam to be rinsed out very easily by hand.

Craftsmen and DIY products in Eastern Europe: since the local building materials often differ from those in Western Europe, we offer locally adapted products such as the tile adhesive CM9 or the self-smoothing floor leveling compound Thomsit DA.

Cultural differences are also taken into account during product development. In many North African countries and in India, there is a tradition of wearing white garments. Our laundry detergents Nadhif for the North African market and Mr. White for the Indian market therefore contain ingredients that give the laundry a radiant white appearance.

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

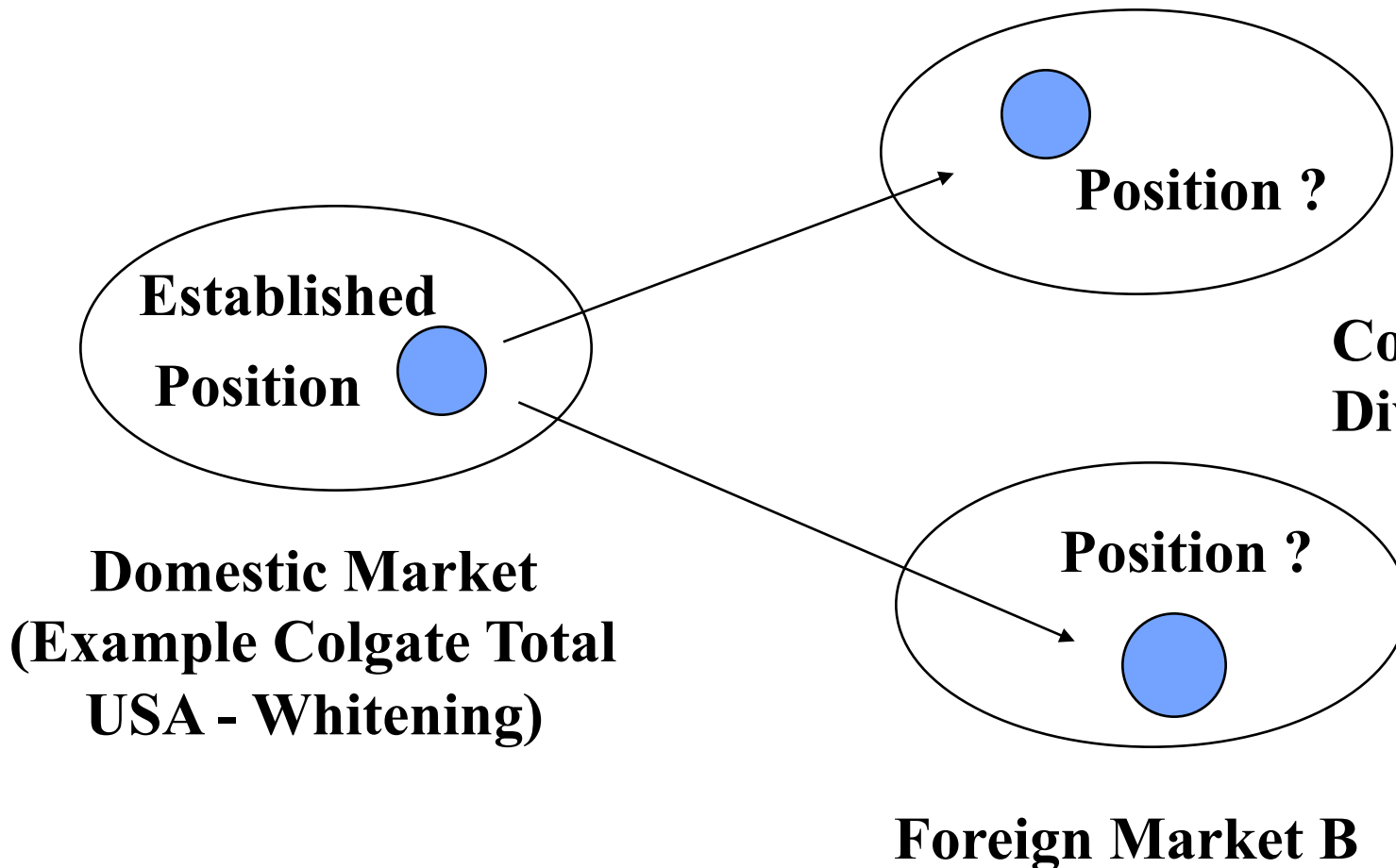
International Product Strategy	Product Example	Consumer Need Satisfied	Product Strategy	Communication Strategy
<u>Strategy 1</u> Product and Communication Extension	Gillette Razor	Disposable, easy to use product	Extension	Extension
<u>Strategy 2</u> Product Extension Communication Adaptation	Wrigley 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

Positioning in Foreign Markets

**Foreign Market A
(Example Colgate Total
Europe - Cleaning)**

**Convergence ?
Divergence ?**



**Domestic Market
(Example Colgate Total
USA - Whitening)**

Foreign Market B

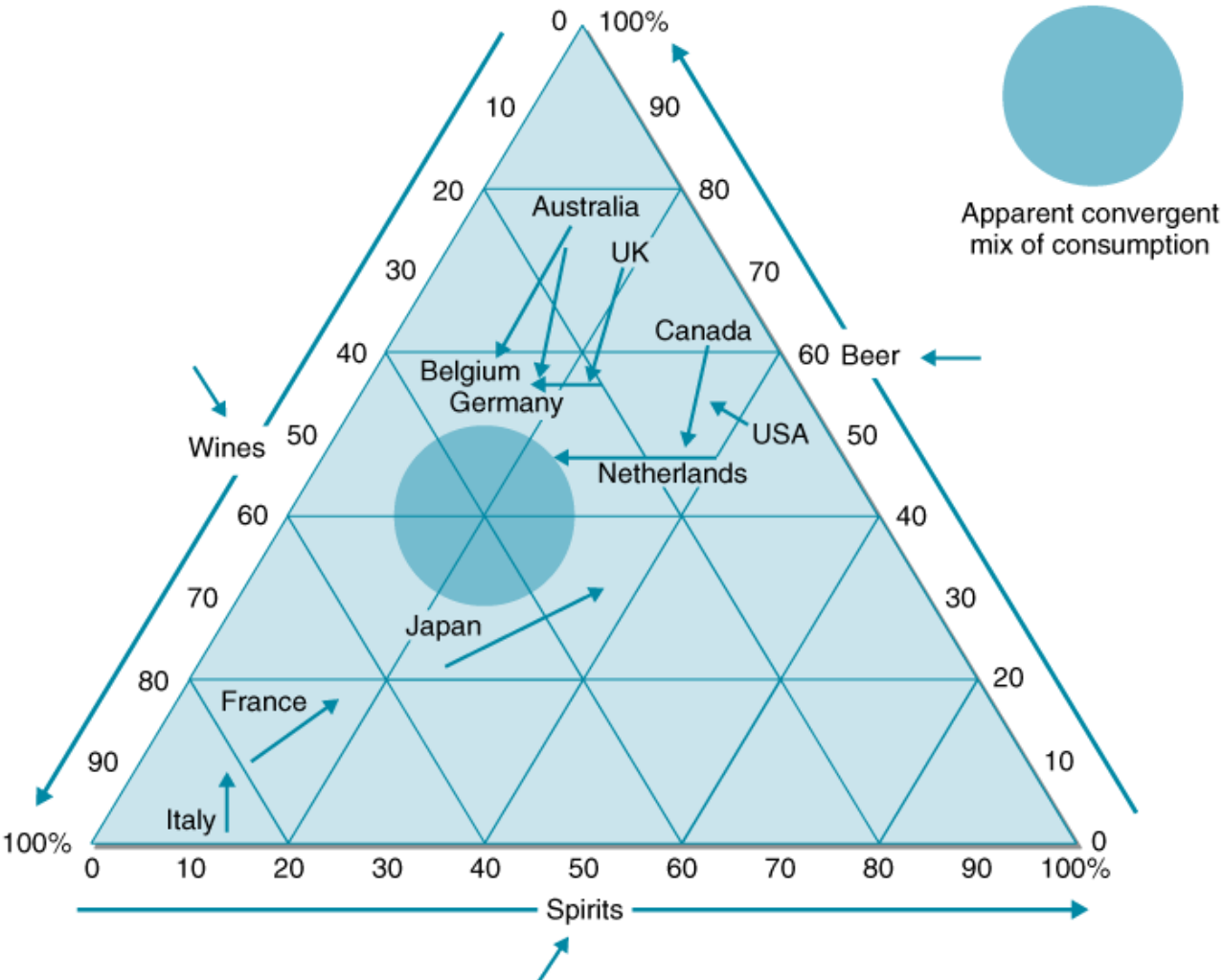
3. Standardization versus Customization

- Although the products sold abroad generally are not identical to their domestic counterparts, there is always a core of expertise that the firm can carry abroad.
- Principle " All Business is local."

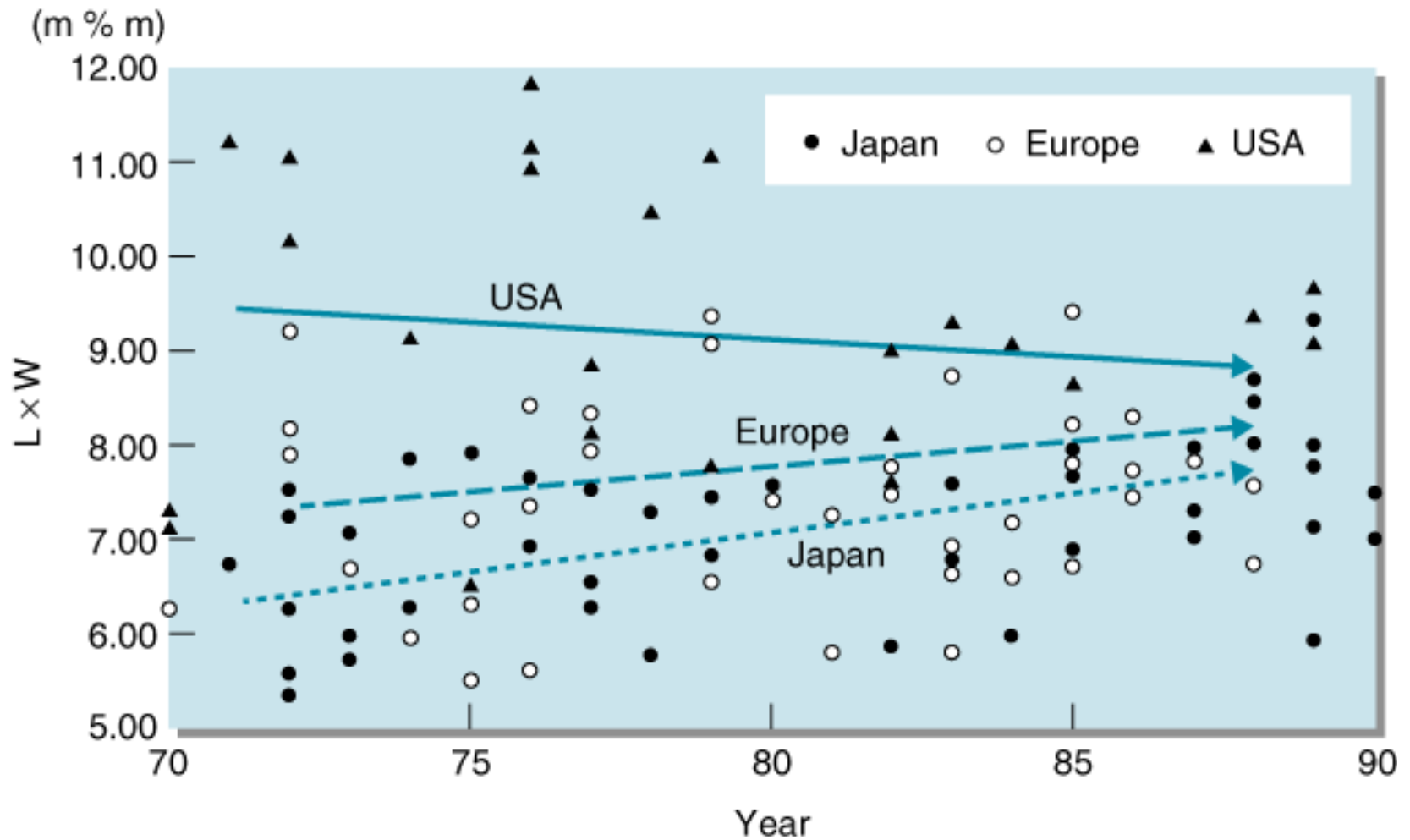
Reasons for Product Standardization

- 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 Markets

Convergence in Drinking Patterns



Convergence of Car Sizes



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)

Example:

European Toothpaste Market

- Market Size in France: FF 1,8 Bill. (1996)
- Trends:
 - Multiple number of toothpastes/family
 - Therapeutic / sophisticated products
 - Cosmetic products
 - Volume
 - Price
- Competitors in France :
 - Unilever 33%
 - Colgate 22,5%
 - Henkel 19%
 - Smithkline B. 12%
 - P&G 0%

Drivers of Product Adaptation

Example COLGATE Toothpaste

- (1) 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

Drivers of Product Adaptation

Example COLGATE Toothpaste

- **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

4. Timing of Foreign Entry

- Waterfall Strategy:

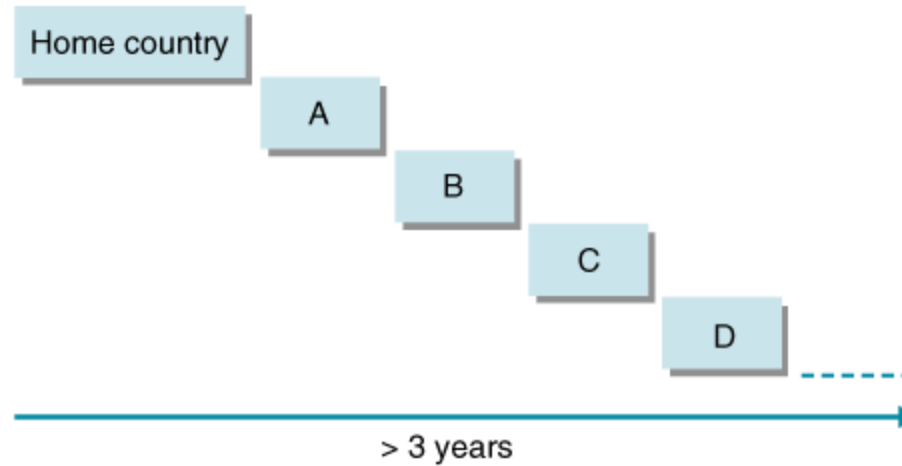
<u>Brand</u>	<u>Time Span US-Foreign Launch</u>
– Marlboro:	35 years
– Mc Donald' s:	22 years
– Coca-Cola:	20 years

- Sprinkler Strategy:

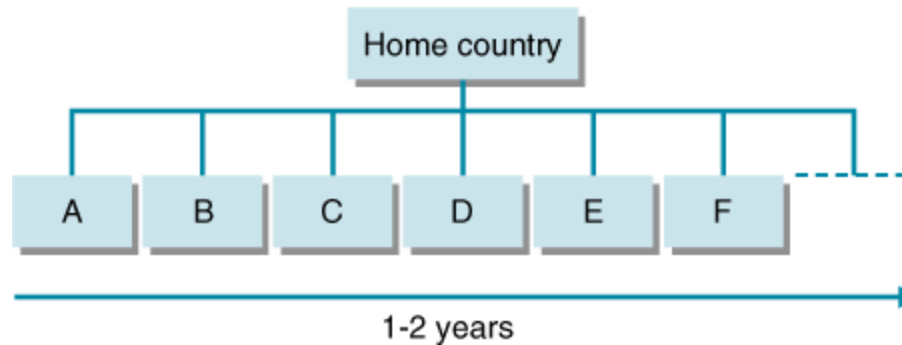
- Microsoft Windows 95 - Global roll out:
4-6 million customers worldwide bought the operating system in the first three weeks after the launch

Waterfall Versus Sprinkler Strategy

"Waterfall" model



"Sprinkler" model



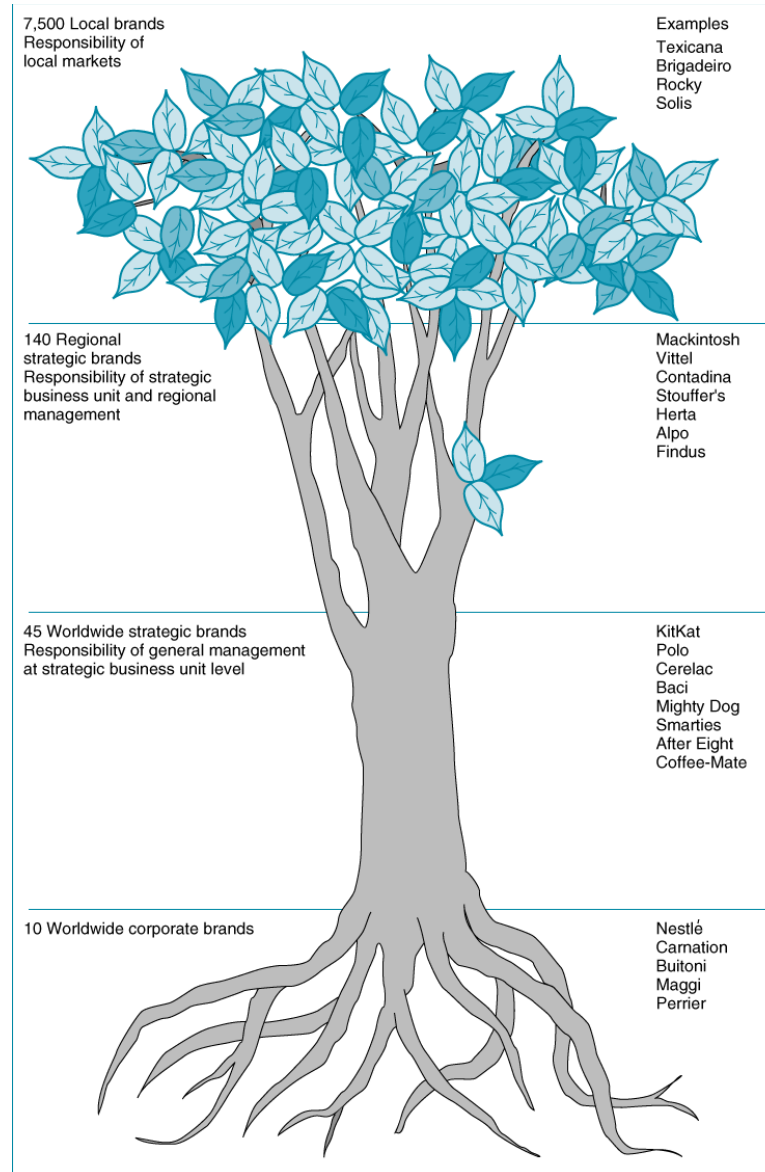
Example Colgate

- **Global Roll-out:**
 - Colgate Total (104 countries)
- **European Roll-out:**
 - Sensation (10 countries)
- **National Roll-out:**
 - Stand-up' s in Germany (specific local need)
 - Liquid toothpaste in Spain (follow Henkel)
 - Tonygencyl in France (maintain local brand)
- **Lead Country:**
 - Sensation in UK and Italy

5. Managing An International Brand Portfolio

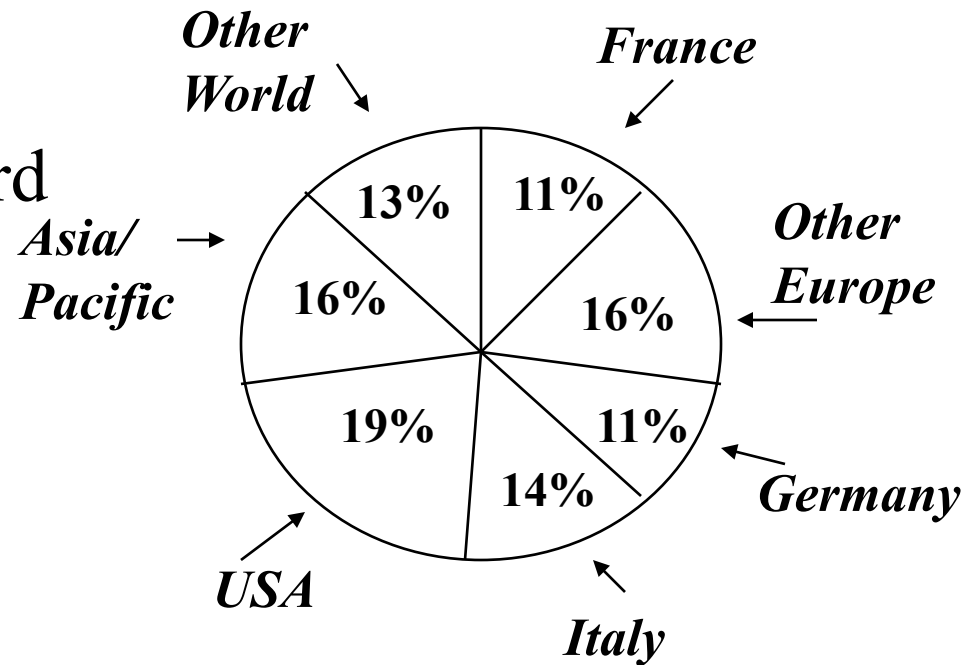


Nestlé's Branding Tree



Nestle's "Global Water"

- Brand 'Nestle Pure Life'
- Local source
- Universal quality standard
- Main target:
emerging markets
 - Pakistan (Dec.1998)
 - Brazil (July 1999)
 - China
 - India
 - etc.

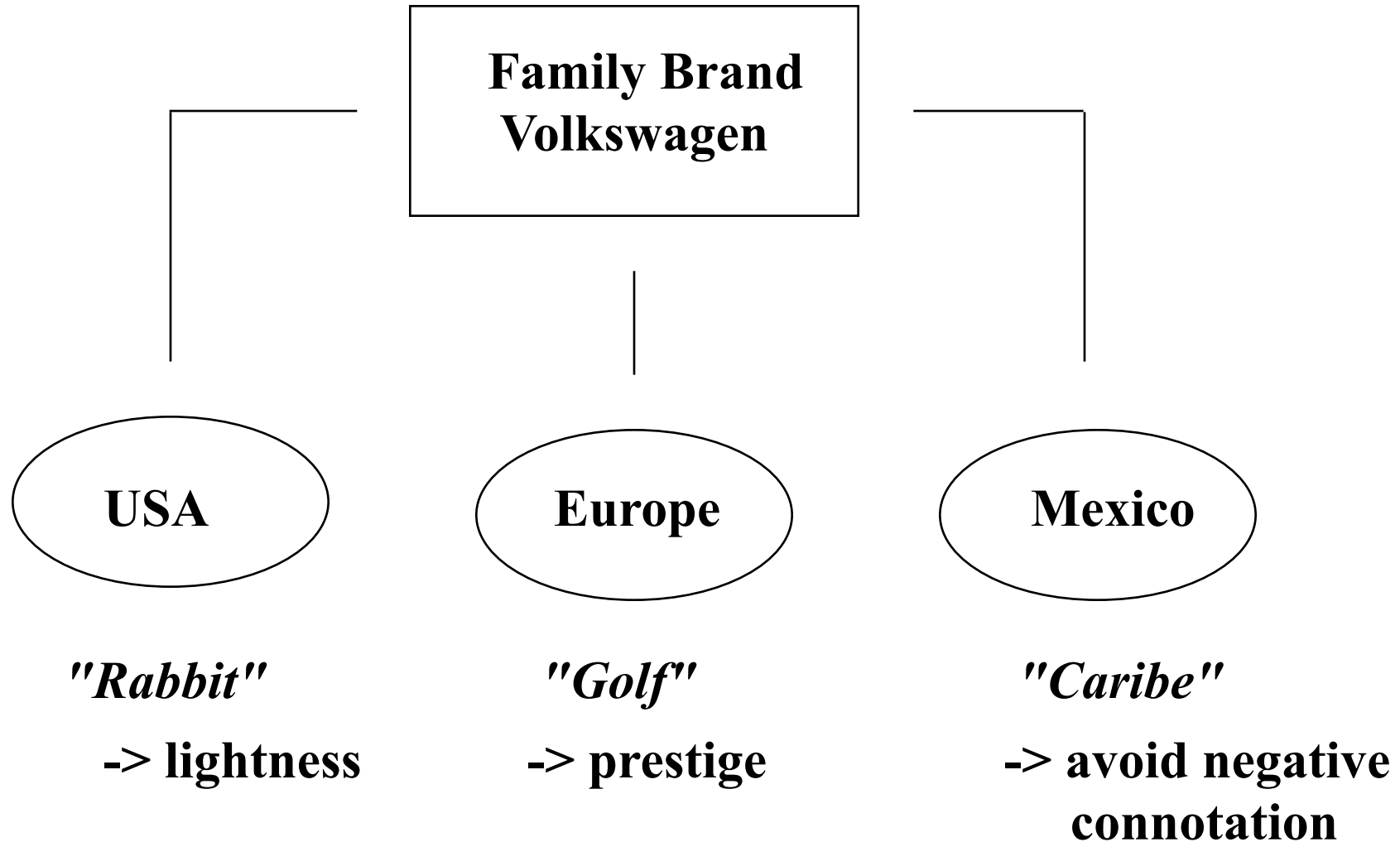


***Worldwide Consumption
of Bottled Mineral Water
72,5 Bill. Liters (1998)***

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



Private Label Branding

- Large retailers are moving increasingly into their own brand, i. e. Marks & Spencer.
- They try to obtain greater control and higher margins.
- Private branding can be an effective way to break into foreign markets.
(Asian TV manufacturers)

European Consumer Preferences Regarding Private Labels

Product Category	Fr.	All.	It.	Es.	GB
Edible Oils	19	20	10	11	27
Pasta	16	24	12	12	24
Yoghurt	14	14	6	6	12
Frozen Vegetables	5	11	5	6	34
Fresh Pasta	3	7	4	3	5
Breakfast Cereals	4	8	2	2	18
Instant Soups	3	9	0	2	14
Icecream	6	10	4	2	21
Whiskey	3	1	2	1	4
Smoked Salmon	3	4	1	1	2
Champagne	3	4	2	3	6

Private labels per product category (% of sales in quantities in hypermarkets and supermarkets)

Source: Secodip International, 1998

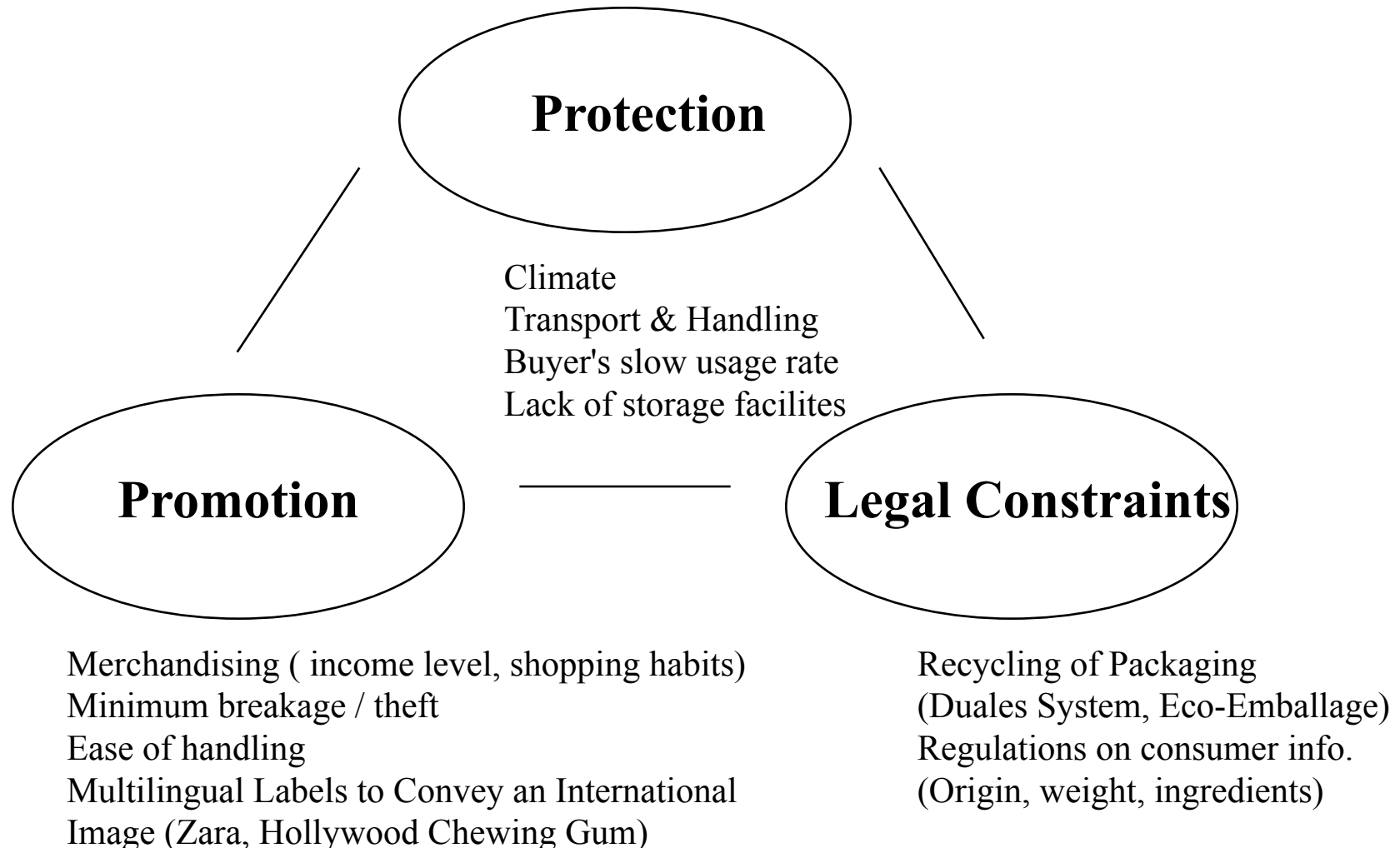
European Households Judging Credibility of Private Labels

Criteria	Europe	Germ.	Spain	France	Italy	UK
More expensive	3	3	2	3	3	1
Same	19	12	16	26	29	13
Less expensive	78	85	83	72	68	86
Higher quality	5	2	6	3	7	4
Same	78	90	73	78	71	77
Lower quality	17	8	21	19	22	18
More confidence	6	3	7	4	10	5
Same	74	84	71	73	66	74
Less confidence	21	12	22	23	24	21

Private labels per product category (% of sales in quantities in hypermarkets and supermarkets)

Source: Secodip International, 1998

6. Product Packaging and Labeling

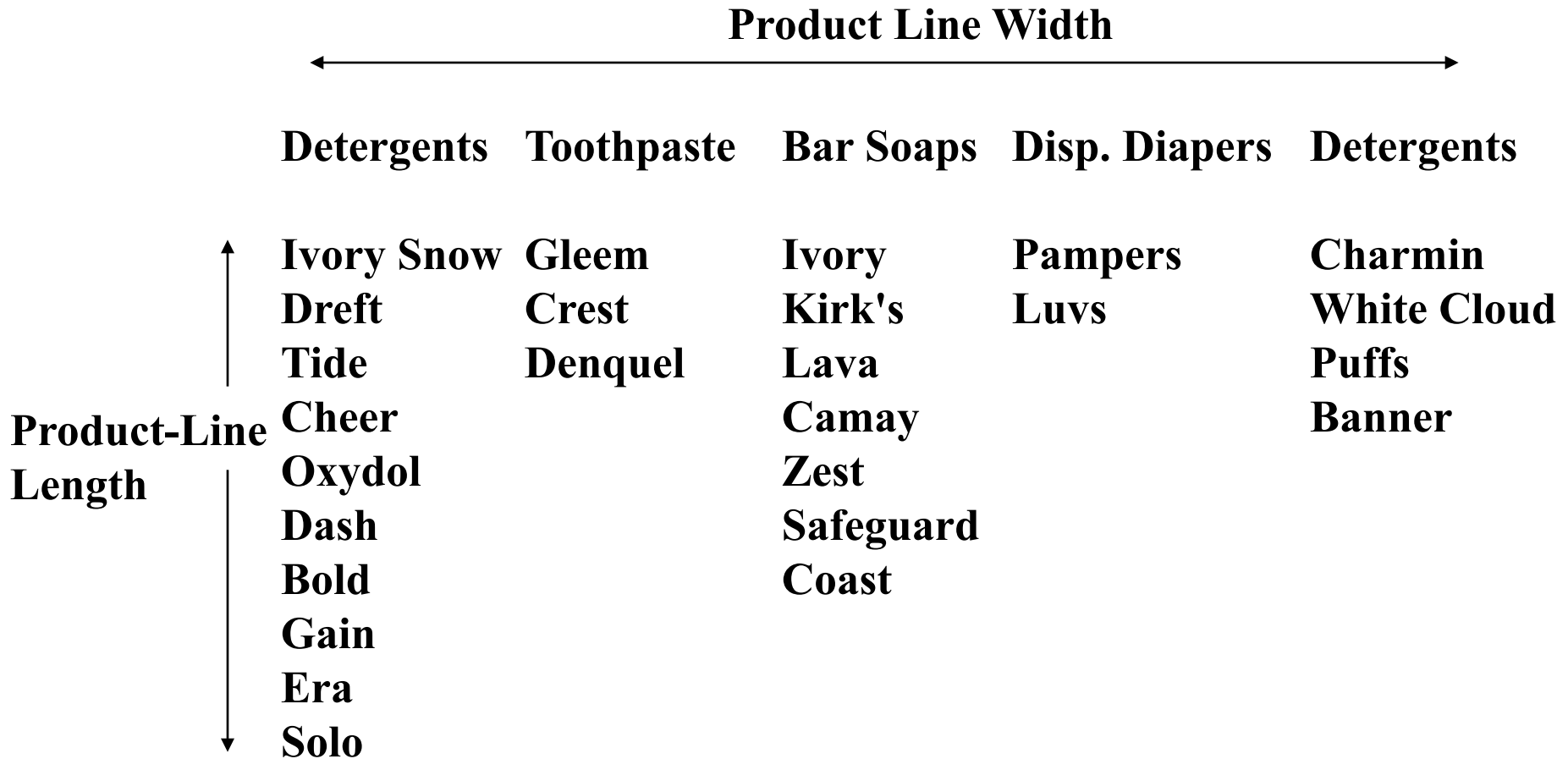


European Packaging Trends



7. Managing International Product Lines

Example : Procter & Gamble Product-Line



Managing International Product Lines

- Deciding on the right individual product for world markets is only one aspect of product policy.
- The next step is to decide what family of products should be offered

International Product Line Planning

- The foreign product line is frequently **smaller** than the domestic line because of financial and market limitations.
- By introducing a limited product line into foreign markets the firm can **test the market** before taking a bigger plunge.