International Product Policy
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• 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

Source: Adapted from: P. Kotler, Marketing Management, 1994
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

- **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.

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

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

Source: W.J. Keegan
Positioning in Foreign Markets

Foreign Market A
(Example Colgate Total Europe - Cleaning)

Position ?

Position ?

Convergence ?
Divergence ?

Established Position

Foreign Market B

Position ?

Domestic Market
(Example Colgate Total USA - Whitening)
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

The graph illustrates the convergence of car sizes over the years in the USA, Europe, and Japan. The X-axis represents the year ranging from 1970 to 1990, while the Y-axis represents the length-width ratio in meters. The data points for Japan, Europe, and the USA are differentiated by black circles, white circles, and black triangles, respectively. The trend lines show a gradual decrease in the length-width ratio over time for all regions.
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 Regulation:
  – Triclosan forbidden in Germany
  – High fluor content in local water (UK)
  – Obligation to sell high fluor content toothpaste in pharmacy (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:

<table>
<thead>
<tr>
<th>Brand</th>
<th>Time Span US-Foreign Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marlboro:</td>
<td>35 years</td>
</tr>
<tr>
<td>Mc Donald’s:</td>
<td>22 years</td>
</tr>
<tr>
<td>Coca-Cola:</td>
<td>20 years</td>
</tr>
</tbody>
</table>

• 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
- Home country
- A
- B
- C
- D
- > 3 years

"Sprinkler" model
- Home country
- A
- B
- C
- D
- E
- F
- 1-2 years
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
Nestle’s Branding Tree

7,500 Local brands
Responsibility of local markets

Examples:
- Toyauna
- Brigadier
- Rocky
- Solis

140 Regional strategic brands
Responsibility of strategic business unit and regional management

Examples:
- Mackintosh
- Vittel
- Contadora
- Stouffer's
- Herta
- Alpo
- Findus

45 Worldwide strategic brands
Responsibility of general management at strategic business unit level

Examples:
- KitKat
- Polo
- Cerelac
- Baci
- Mighty Dog
- Smarties
- After Eight
- Coffee-Mate

10 Worldwide corporate brands

Examples:
- Nestlé
- Carnation
- Buitoni
- Maggi
- Perrier
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

Family Brand Volkswagen

- USA: "Rabbit" -> lightness
- Europe: "Golf" -> prestige
- Mexico: "Caribe" -> avoid negative connotation
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

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

Private labels per product category (% of sales in quantities in hypermarkets and supermarkets)
Source: Secodip International, 1998
European Households Judging Credibility of Private Labels

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

Private labels per product category (% of sales in quantities in hypermarkets and supermarkets)
Source: Secodip International, 1998
6. 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)
European Packaging Trends
7. Managing International Product Lines

Example: Procter & Gamble Product-Line

Product Line Width

<table>
<thead>
<tr>
<th>Detergents</th>
<th>Toothpaste</th>
<th>Bar Soaps</th>
<th>Disp. Diapers</th>
<th>Detergents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ivory Snow</td>
<td>Gleem</td>
<td>Ivory</td>
<td>Pampers</td>
<td>Charmin</td>
</tr>
<tr>
<td>Dreft</td>
<td>Crest</td>
<td>Kirk's</td>
<td>Luvs</td>
<td>White Cloud</td>
</tr>
<tr>
<td>Tide</td>
<td>Denquiel</td>
<td>Lava</td>
<td>Luvs</td>
<td>Puffs</td>
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<tr>
<td>Cheer</td>
<td></td>
<td>Camay</td>
<td></td>
<td>Banner</td>
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<tr>
<td>Oxydol</td>
<td></td>
<td>Zest</td>
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<tr>
<td>Dash</td>
<td></td>
<td>Safeguard</td>
<td></td>
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<tr>
<td>Bold</td>
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<td>Coast</td>
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<tr>
<td>Gain</td>
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<tr>
<td>Era</td>
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<tr>
<td>Solo</td>
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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.