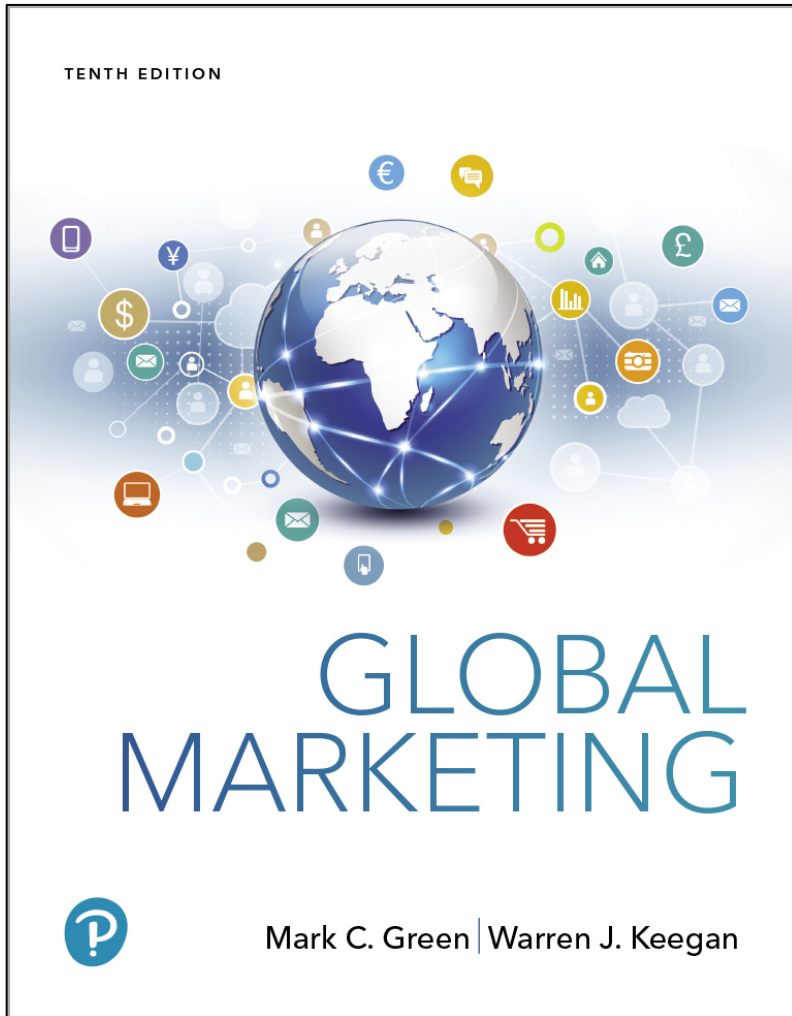


# Global Marketing

Tenth Edition



## Chapter 10

Brand and Product  
Decisions in Global  
Marketing

# Learning Objectives

- 10.1** Review the basic product concepts that underlie a successful global marketing product strategy.
- 10.2** Compare and contrast local products and brands, international products and brands, and global products and brands.
- 10.3** Explain how Maslow's needs hierarchy helps global marketers understand the benefits sought by buyers in different parts of the world.
- 10.4** Outline the importance of "country of origin" as a brand element.
- 10.5** List the five strategic alternatives that marketers can utilize during the global product planning process.
- 10.6** Explain the new-product continuum and compare and contrast the different 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 to position a company in a positive way

# 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
  - Examples: Absolut Vodka, Altoids breath mints, Godiva Chocolates, Corona Extra, Coca-Cola, Grey Goose, Aquafresh

# Labeling

- Attracts attention, supports product positioning, persuades consumers to buy
- 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
- Some colors may be standardized around the world (John Deere's green, Marlboro's red, Caterpillar's yellow)
- Other colors must be changed in response to local culture
  - In Asian countries white is associated with death and bad luck

# Basic Brand Concepts

- A **brand** is a 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
  - Steve Jobs' constant media presence and Apple



# Brand Equity

- **Brand equity** is 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.
- Seen as a **protective moat around economic castles** according to Warren Buffet.
- Logos, packaging, other communication devices provide a visual representation of the brand.
- A **Word Mark logo** is like the distinctive script of Coca-Cola
- A **nonword mark logo, or brand symbol**, is like McDonald's golden arches, Nike's swoosh, or Mercedes' three-pronged star

# 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

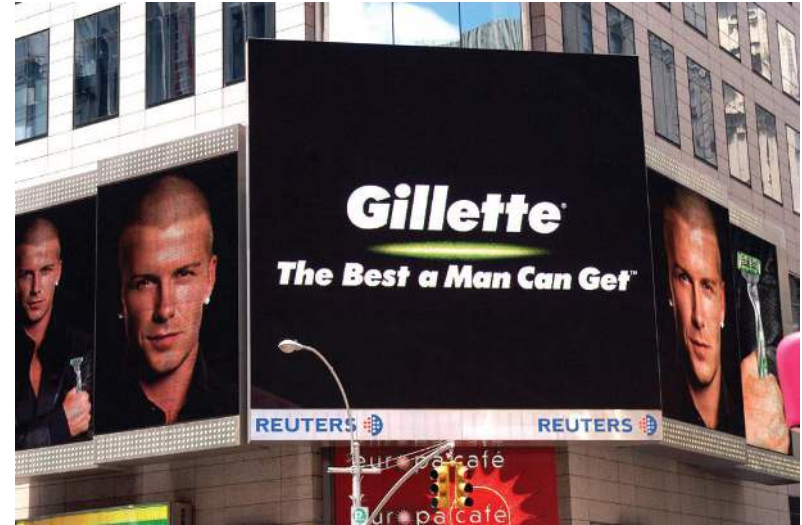
- Brands that have achieved success in a single national market
  - Coca-Cola has products only for the Japanese market
- Represent the lifeblood of domestic companies
- Entrenched local products/brands can be a significant competitive hurdle to global companies

# International Products and Brands

- Products and brands offered in several markets in a particular region
  - “Euro brands”
  - Daimler’s Smart Car
  - Honda 5-door hatchback auto is known as Fit in Japan, and Jazz in Europe; Fit was rolled out to Australia, South America, South Africa, China, U.S.

# Global Products and Brands (1 of 2)

- Global products meet the wants and needs of a global market and are offered in all world regions at each stage of development
- 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 (2 of 2)

“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

# A Localized View

“We believe strongly that there isn’t a so-called global consumer, at least not when it comes to food and beverages. People have local tastes based on their unique cultures and traditions—a good candy bar in Brazil is not the same as a good candy bar in China. Therefore, decision making needs to be pushed down as low as possible in the organization, out close to the markets. Otherwise, how can you make good brand decisions? A brand is a bundle of functional and emotional characteristics. We can’t establish emotional links with consumers in Vietnam from our offices in Vevey.”

Peter Brabeck-Letmathe, former CEO of Nestlé

# 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 (GCCP) to link the brand identity to any part of the world
- Social responsibility-shows how a company addresses social problems



# Branding Strategies

- Global product = personal stereotypes
- Global brand = Sony 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 Active
    - Virgin Mega-stores, Virgin Books
    - Virgin Wine
    - Virgin Radio
    - Virgin Pure (water purification)
    - Virgin Health
    - Virgin Hotels, Virgin Casinos
    - Virgin Vacations, Virgin Balloon Holidays, Virgin Galactic, Virgin Trains

# Product/Brand Matrix

**Table 10-1** Product/Brand Matrix for Global Marketing.

		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, 2017

**Table 10-2** The World's Most Valuable Brands

<b>Rank</b>	<b>Value (\$millions)</b>
Apple	184,154
Google	141,703
Microsoft	79,999
Coca-Cola	69,733
Amazon	64,796
Samsung	56,249
Toyota	50,291
Facebook	48,188
Mercedes	47,829
IBM	46,829

# Global Brand Development (1 of 4)

- 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 (2 of 4)

- 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 (3 of 4)

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 of 4)

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.

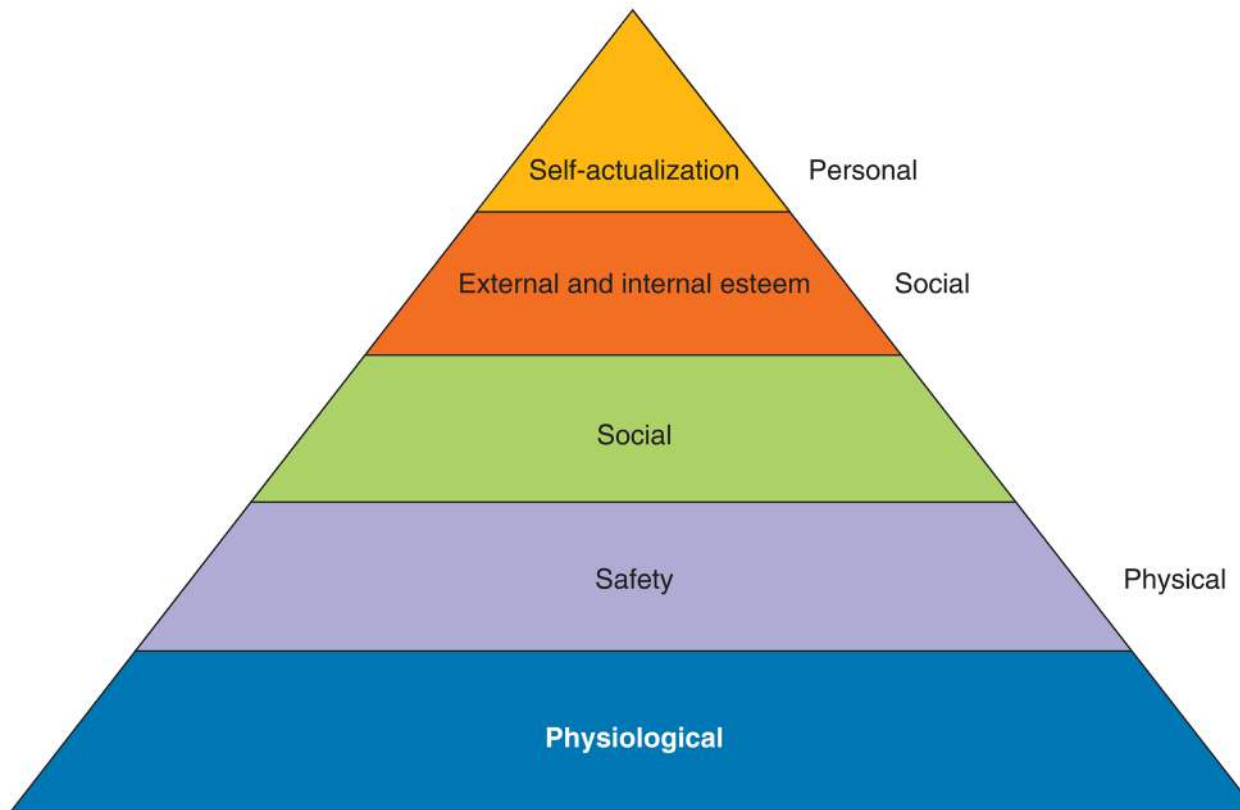


# A Needs-Based Approach to Product Planning

- 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

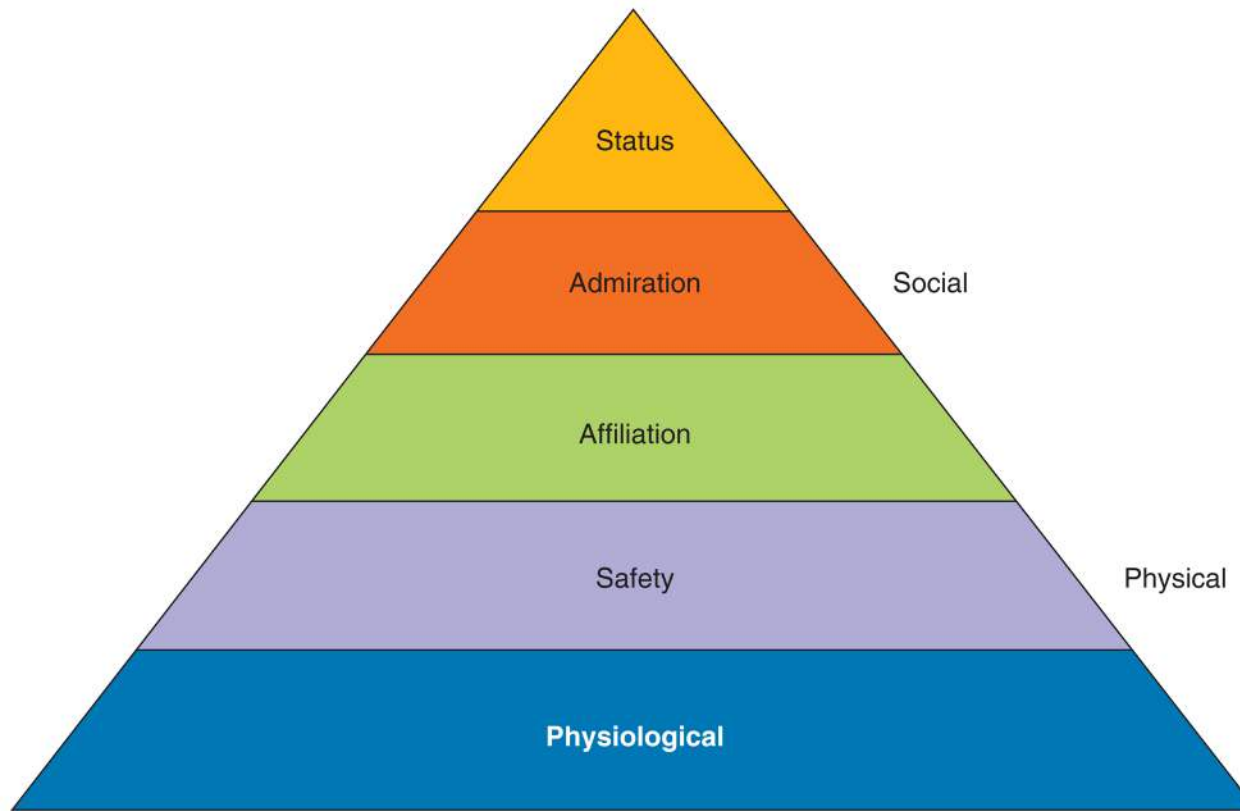
# Maslow's Hierarchy of Needs

Figure 10-1 Maslow's Hierarchy of Needs



# Asian Hierarchy of Needs

Figure 10-2 Maslow's Hierarchy: The Asian Equivalent



# Country of Origin as Brand Element

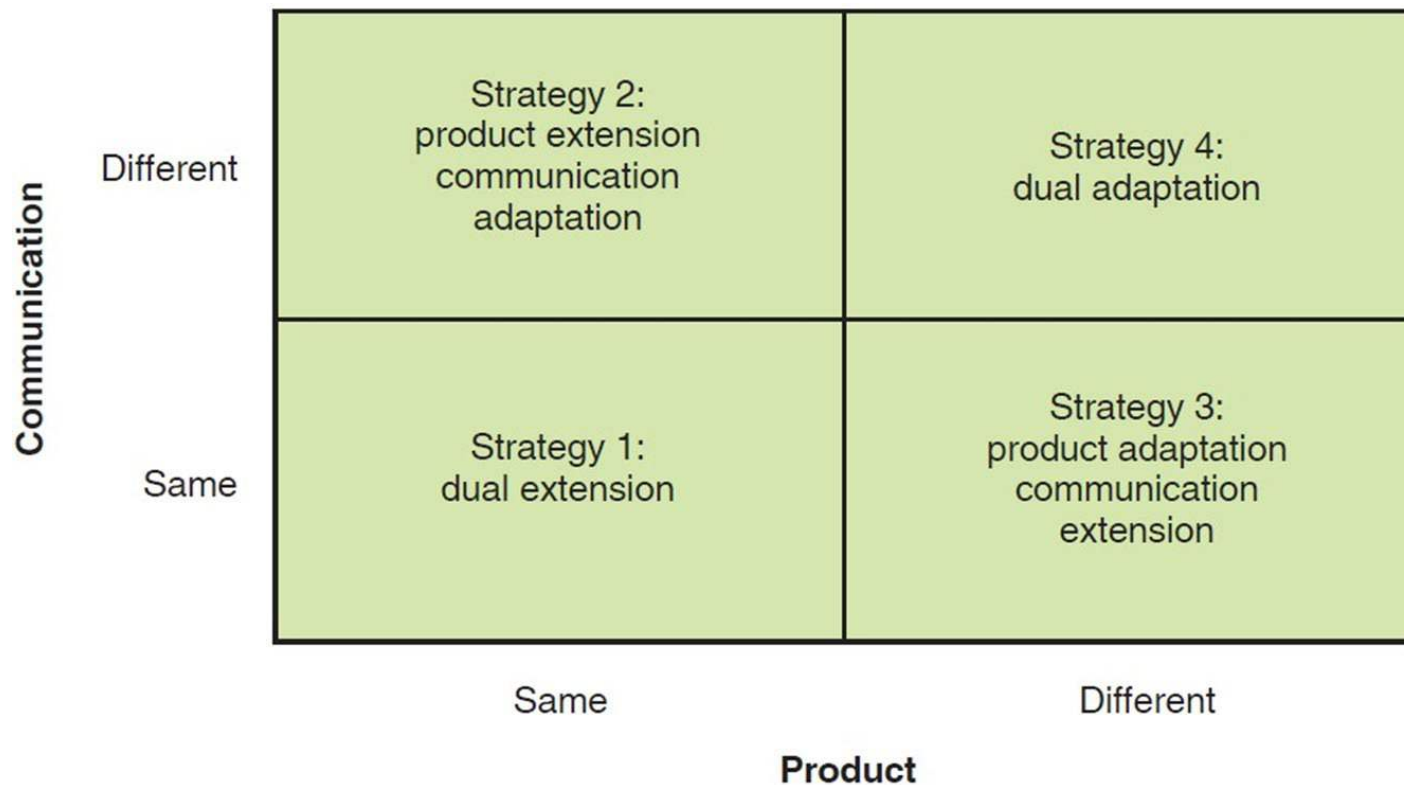
- Perceptions about and attitudes toward particular countries often extend to products and brands known to originate in those countries
  - Japan
  - United States
  - Finland
  - Italy

# 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

Figure 10-3 Global Product Planning: Strategic Alternatives



# 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

# 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.
  - John Deere tractors designed for India were marketed to hobby farmers in the U.S.



# 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

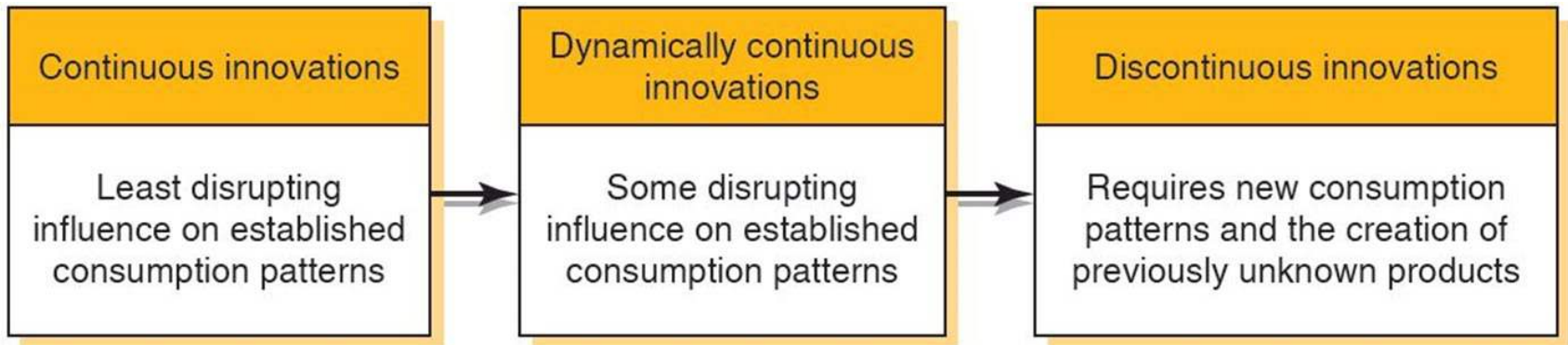
- Important for reaching mass markets in less industrialized nations and certain segments in industrialized countries
  - Instant Eyeglasses
  - Hand-cranked radios for areas with no electricity
  - Thermax, an Indian producer of small industrial boilers, created new products for industrialized countries

# 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

Figure 10-4 New-Product Continuum



- What is a new product?
  - 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

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