

MK 333/326
International Marketing
Chapter 13

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Chapter 13

Products and Services for Customers

International Marketing

18th Edition



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Learning Objectives

- 13-1 The importance of offering a product suitable for the intended market
- 13-2 The importance of quality and how quality is defined
- 13-3 Physical, mandatory, and cultural requirements for product adaptation
- 13-4 The need to view all attributes of a product to overcome resistance to acceptance
- 13-5 Country-of-origin effects on product image

International Marketers

Emerging Opportunities and Challenges

- New consumers in emerging markets
- Distinction between products and services
 - Market offerings and business-to-consumer (B2C) marketing
- Product adaptation



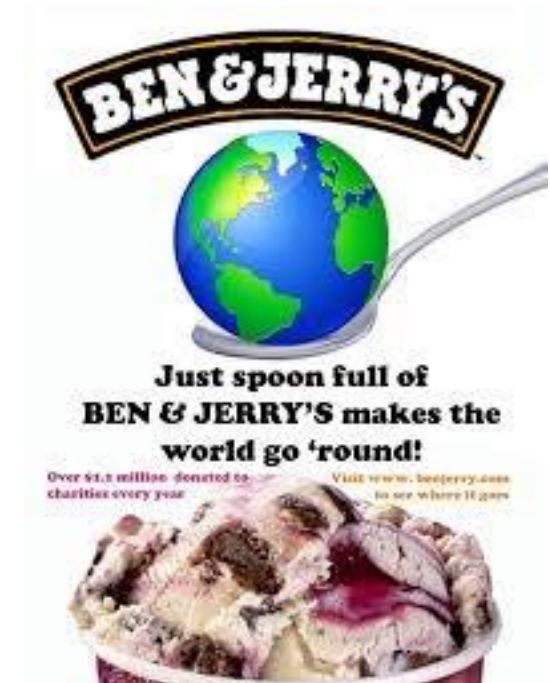
Quality 1 of 5

Product life cycles becoming shorter and focusing on:

- Importance of quality
- Competitive prices
- Innovative products

Power is shifting from seller to buyer

- Customer defines quality in terms of own needs and resources
- Cost and quality among most important criteria for purchases in most global markets



Quality 2 of 5

Quality Defined

- Market-perceived quality
 - Consumer perceptions of quality
- Performance quality
 - Firm's perception of quality
 - Expected as a given in competitive market
 - Firms often misrepresent performance quality
- Customer satisfaction indexes
- “Fair trade” designation
- Malcolm Baldrige Quality Award



Product Adaptation

Products are not used in the same ways in all markets. Here, a boy in an eastern Mexican village is prepared for a “Jaguar dance” to bring rain. Clay, ashes, and the globally ubiquitous Coke bottle make for the best cat costumes.



Quality 3 of 5

Maintaining Quality

- Performance quality is critical
 - May be damaged as product passes through distribution chain
 - Challenge for global brands; long distribution chains, less control
- Market-perceived quality matters



Global Competition in Chocolate Industry



© John Graham

Red October brand chocolate (on the left) still competes well against foreign rivals Nestlé and Mars on Moscow store shelves. One advertising executive in Moscow reports that Russians are experiencing a renewed nationalism in product preferences. We have no idea what the “for Men” appeal is all about, but it apparently works in Moscow.

Quality 4 of 5

Physical or Mandatory Requirements and Adaptation

- Product homologation
 - Changes mandated by local product and service standards
 - Most often reason for adaptation; not out of choice
- Other factors
 - Less economically developed markets require greater degree of adaptation for acceptance
 - Climate differences must be accommodated
 - Law, politics, technology



Green Marketing and Product Development

- Impacts product development
 - Control of packaging component of solid waste
 - Consumer demand for environmentally-friendly products
- Europe at the forefront
 - Ecolabeling guidelines passed by European Commission in 1992
 - EU law requires recycling or reuse of all packaging material



Quality

Example: Body Shop Brand Image

A successful global brand image without using conventional advertising. Strong associations to personal care and environmental concern through products (natural ingredients, no parabens, no animal testing, packaging (simple refillable recycled), merchandising (brochures, displays), supply policy (working with local producers), PR (visible and outspoken) CSR (requiring each franchisee to run a local program),



FIND REGGIE LOVE

Help us build a bio-bridge. 1 purchase = 1 square meter of rainforest restored!

[Find out more >](#)



I LIMITED EDITION HAND CREAM = 1 VOTE = 1 DONATION

For every Limited Edition Hemp Hand Protector purchase, \$2.20 will be donated to protect and enrich the planet, the oceans, or animals and people.

[Find out more >](#)



OUR COMMITMENT TO COMMUNITY TRADE

We harness the expertise and knowledge of small-scale farmers all over the world to provide us with the finest ingredients.

[Find out more >](#)



ANOTHER FOR A MOTHER

At The Body Shop, we believe Mother's Day should be special for everyone. As a result of customer donations, we were able to donate \$25,000 worth of products to various women's and children's groups.

[Find out more >](#)



POLIGONO SCHOOLS

Every time you gave a gift from us last Holiday season, you were giving more. \$300,000 from the sales of our all our gifts globally will build five more schools with our Community Trade partners around the world.

[Find out more >](#)

Products and Culture 1 of 7

Product is more than physical item

- Bundle of satisfactions or **utilities** a buyer receives
 - Sum of physical and psychological satisfactions, and cultural influences
- Psychological aspects may require adaptation of product
 - Problems of adapting a product to sell abroad similar to those associated with introducing new product domestically



Elements of Value Pyramid

The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers' loyalty and the higher the company's sustained revenue growth.

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/aesthetics



Badge value



Wellness



Therapeutic value



Fun/entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

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FROM "THE ELEMENTS OF VALUE," SEPTEMBER 2016

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Performance of Turkish Cola Brand



© John Graham

Cola Turka holds a surprisingly large percentage of shelf space vis-à-vis Coke and Pepsi in this supermarket in Istanbul. The 2-liter bottle is priced at 2.00 lira, just under Coke's 2.05 lira. Cola Turka's TV ads, initially featuring American actor Chevy Chase speaking Turkish, seem to have worked well.

Products and Culture 3 of 7

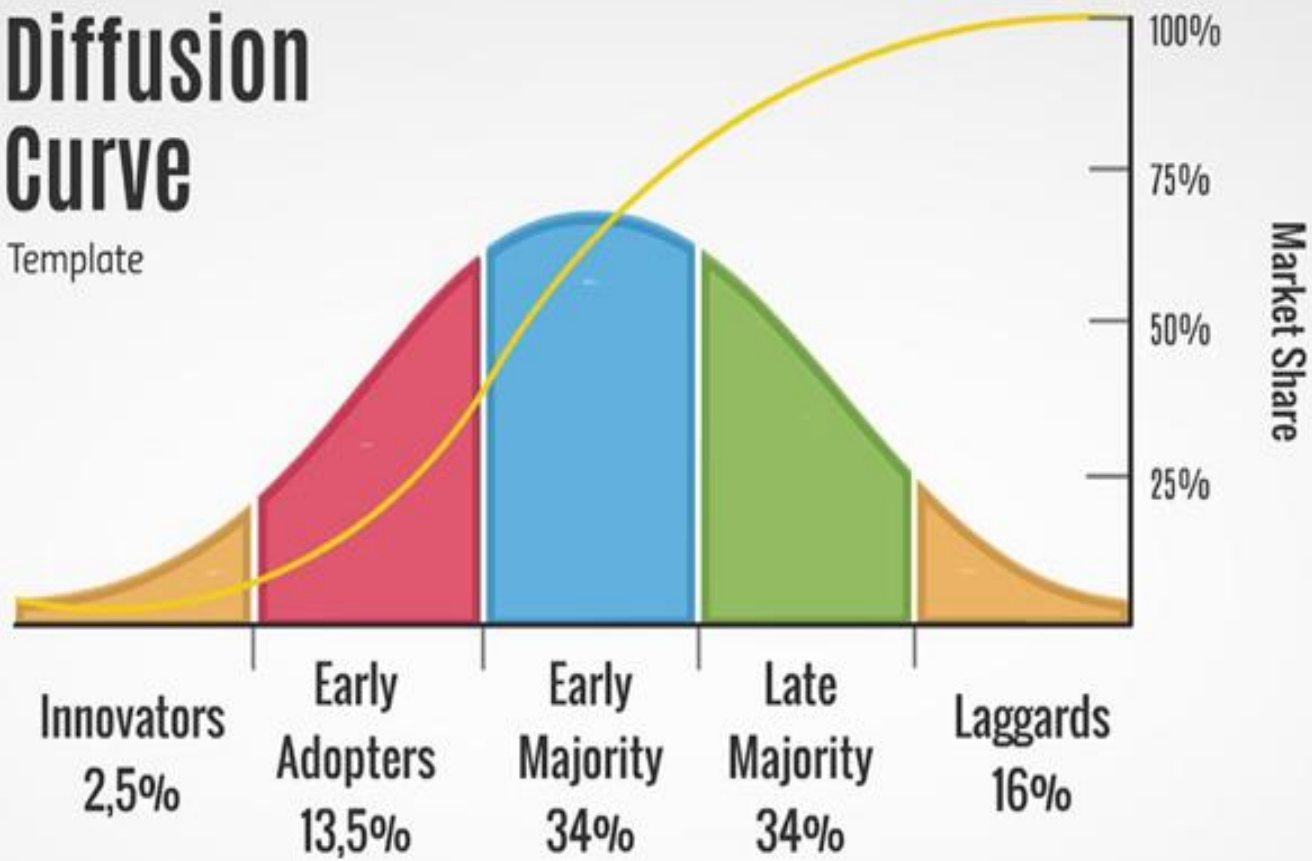
Diffusion of Innovations

- Diffusion according to Edward Rogers
 - An innovation communicated through certain channels over time among members of a social system
 - Element of time unique to diffusion research
 - Goal to shorten lag between introduction and widespread adoption of idea or product
- Rates of product acceptance and diffusion vary
 - Impacted by culture, technology, adoption from neighboring countries

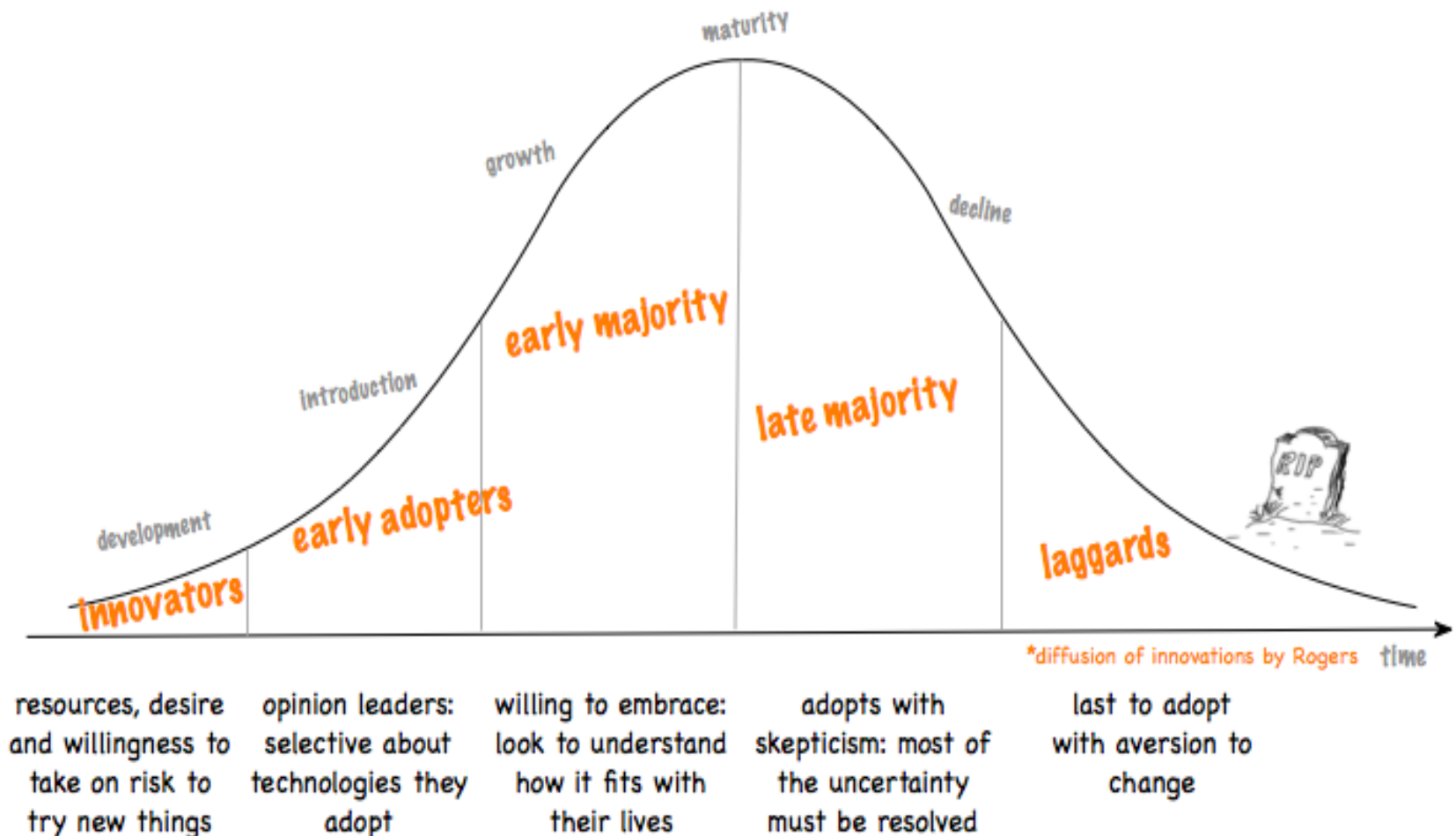
Diffusion of Innovation

Diffusion Curve

Template



Diffusion of Innovation



Diffusion of Innovation

Diffusion of Innovations: Descriptive, yes; Predictive?



"The S-Shaped curve only describes cases of successful innovation, in which an innovation spreads to almost all of the potential adopters in a social system. Many, many innovations are not successful. The S-curve, it must be remembered, is innovation-specific and system-specific, describing the diffusion of a particular new idea among the member-units of a particular system. The S-curve of diffusion is so ubiquitous that students of diffusion may expect every innovation to be adopted over time in an S-shaped pattern. However, some innovations do not display an S-shaped rate of adoption, perhaps for some idiosyncratic reason or another. ... The main point here is not to assume that an S-shaped rate of adoption is an inevitability. Rather, the shape of the adopter distribution for an innovation ought to be regarded as an open question, to be determined empirically." (Rogers, p261)

Innovation of the Toilet: Japan



© Michael Edrington/The Image Works

Japan's long history of crowding has prompted the culture to focus on cleanliness, frequent bathing, and high-tech bathrooms. Thus, Matsushita's toilet reads your body weight, temperature, and blood pressure. Soon you will also be able to get a readout on glucose and protein levels in your urine!

Innovation of the Toilet: The Dutch



The Dutch are also worried about plumbing—much of their country is below sea level. Sphinx in Maastricht produces a urinal for women and a fly imbedded in the porcelain for their men's urinal. The latter reduces maintenance costs, as the company's research has shown that most men will aim for the fly, which is strategically placed to minimize splash. Both Dutch innovations can be seen in the Schiphol Airport outside of Amsterdam.

Products and Culture 4 of 7

Diffusion of Innovations continued

- Diffusion theory knowledge beneficial
 - Predict diffusion time before making financial commitment
 - Identify product features that provoke resistance
 - Provide opportunity to lessen resistance and hasten acceptance
- Extraneous variables that affect rate of diffusion
 - Degree of perceived newness
 - Perceived attributes of the innovation
 - Methods used to communicate the data

Products and Culture 5 of 7

Rate of acceptance or resistance can be predicted

Five characteristics of innovation basis

1. Relative advantage
2. Compatibility
3. Complexity
4. Trialability
5. Observability



Analyst's self-reference criterion may cause bias when interpreting characteristics of product

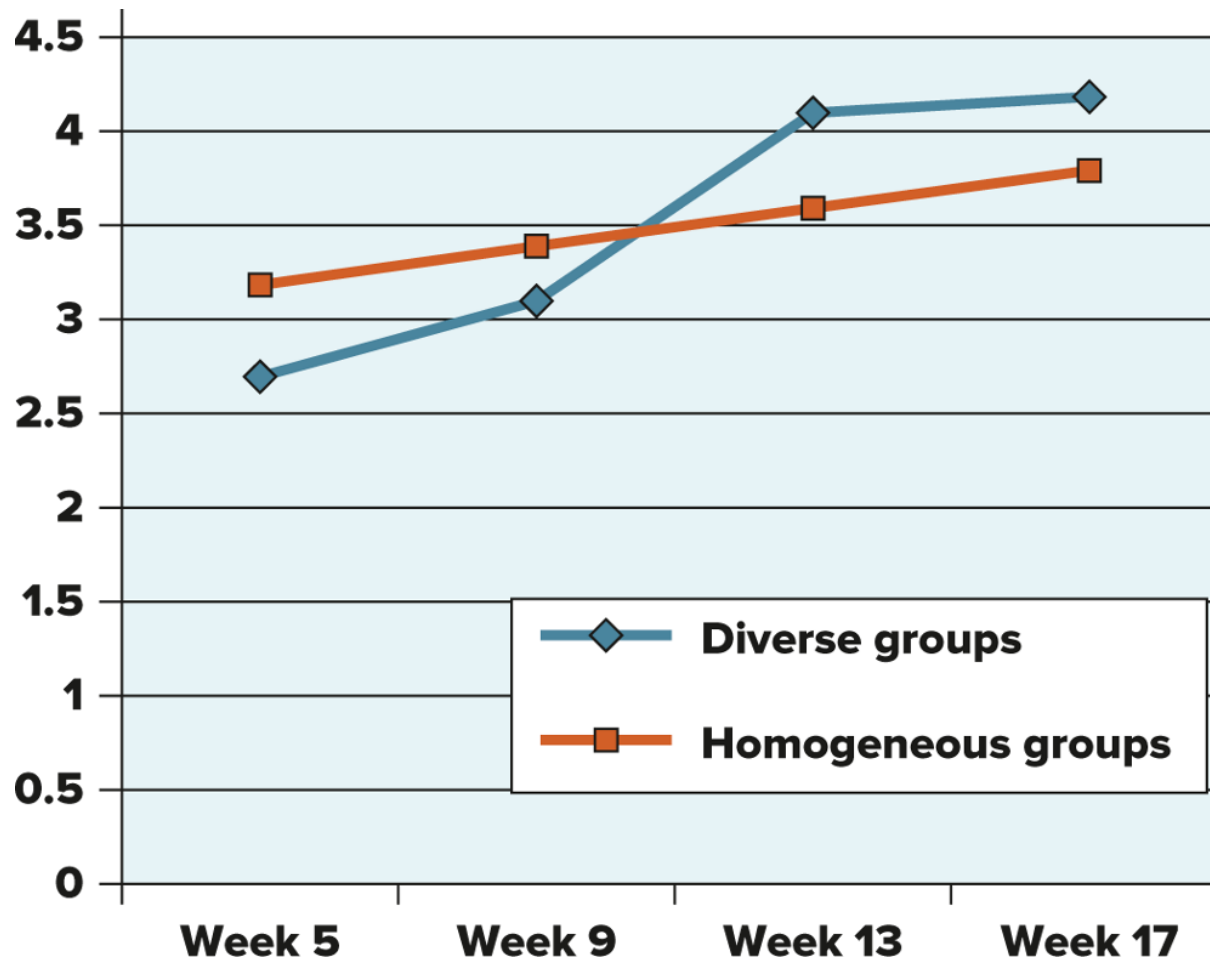
Products and Culture 6 of 7

Production of Innovations

- Diversity good for innovation; higher creative output
- Long-term study on the long-term impact on work team performance
 - Diverse groups initially disadvantaged by communication issues
 - Once issues overcome, diverse groups produced more ideas



Exhibit 13.1 Average Number of Ideas Put on the Table



[Jump to long description.](#)

Products and Culture 7 of 7

Production of Innovations continued

- Conflicting opinions on culture's role in innovation
 - One study suggests that individualism enhances creativity
 - Another suggests that corporate culture, training more important
- Research on “conversion-ability”
 - Degree of success firms have when taking inventions to market
 - Three factors: patience, focus on few important innovations, experience



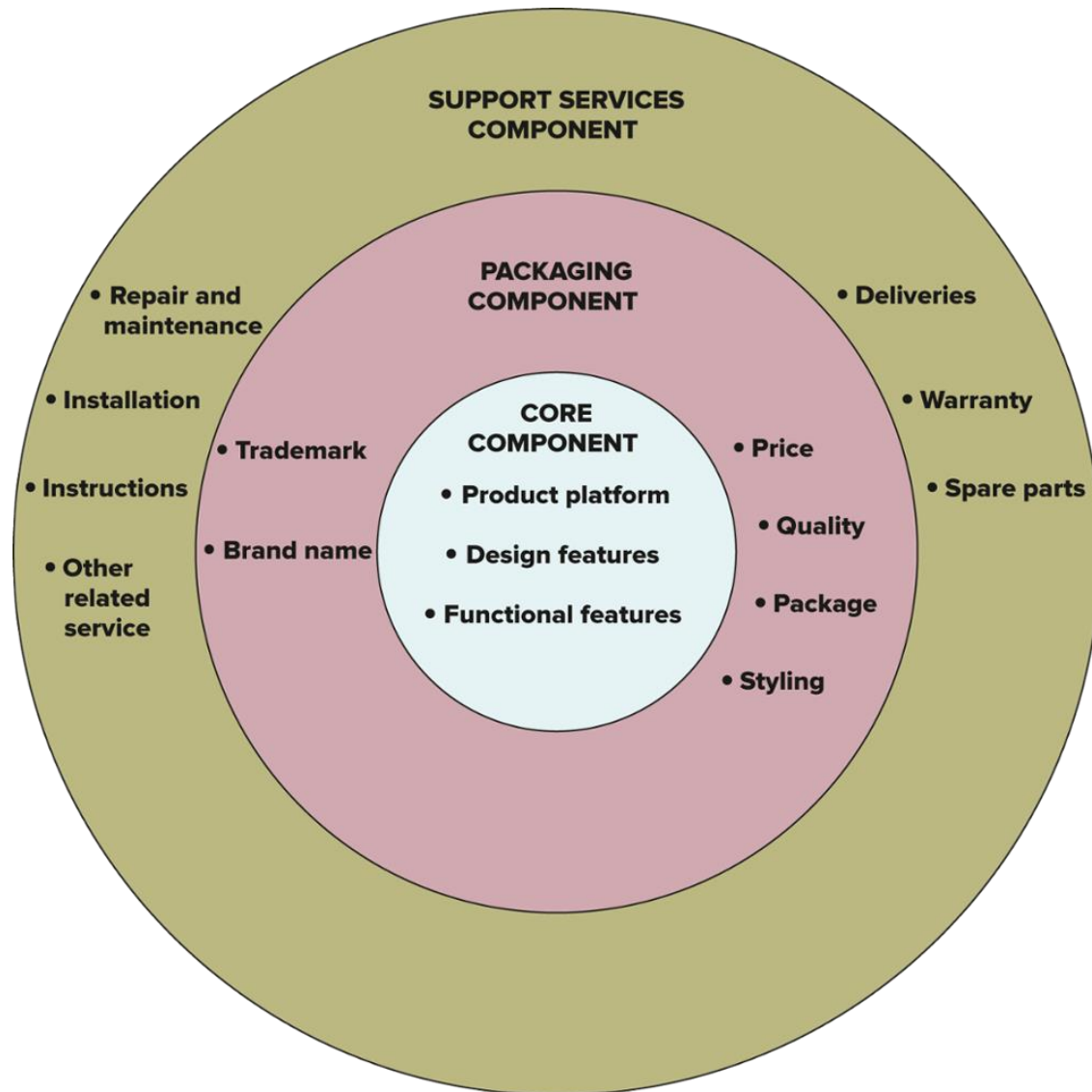
Analyzing Product Components for Adaptation 1 of 4

A product is multidimensional

- Sum of all its features determines the bundle of satisfactions (utilities) received by consumer
- **Product Component Model**
 - Helps to determine how product might be adapted to market
 - Separates many dimensions into three distinct components
 - Support services, packaging, and core component
 - Effects of cultural, physical, and mandatory factors can be focused on each component



Exhibit 13.3 Product Component Model



[Jump to long description.](#)



BIG, TASTY AND PROUD.

MADE WITH HANDPICKED INGREDIENTS
FROM ACROSS INDIA.

#TRULY
INDIAN
BURGER



Analyzing Product Components for Adaptation 2 of 4

Core Component

- Consists of physical product
 - Its design and functional features
- Variations can be added or deleted for different markets
 - Alteration in design and function to fit cultural tastes
 - May affect product processes; requires additional costs
 - Some alterations may be mandated by market



Analyzing Product Components for Adaptation 3 of 4

Packaging Component

- Frequently requires mandatory adaptations
 - Country-of-origin labeling for food, size stipulations
 - Laws vary from country to country
- Discretionary adaptations should be considered
 - Check trademark for unintended symbolic meaning
 - Pay attention to translation of brand names and color use
 - Consider climate of market



Analyzing Product Components for Adaptation 4 of 4

Support Services Component

- Important not to neglect
 - Many otherwise successful marketing programs fail here
- Repair and maintenance a challenging feature
 - Not as accessible or common in other countries
- Instruction manuals may need to be adapted
 - Countries have varying literacy and education levels



Marketing Consumer Services Globally 1 of 3

Adaptation of Services

- Much of advice used for products can still be applied
- But, services are different because they are **intangible**
- Intangibility results in three other important characteristics
 1. Inseparable: creation cannot be separated from consumption
 2. Heterogeneous: individually produced and is thus unique
 3. Perishable: must be consumed simultaneously with creation



Marketing Consumer Services Globally ^{2 of 3}

Services Opportunities in Global Markets

- Tourism
- Transportation
- Financial services
- Education
- Telecommunications
- Entertainment
- Information
- Healthcare



Tourist Services



© John Graham



© John Graham

Two of the best vistas in the world are Tahiti above the water (Bora Bora is silhouetted in the background) and the coral reefs off Belize under the water. Tourists flock to both from around the world. Services companies follow the tourists, including the Professional Association of Diving Instructors (PADI), which certifies scuba divers and instructors from its headquarters in Costa Mesa, California.

Marketing Consumer Services Globally 3 of 3

Barriers to Entering Global Markets

- Services inseparable; exporting not an entry option
- Licensing, franchising, direct investment are main methods
- Four barriers:
 1. Protectionism
 2. Restrictions on transborder data flow
 3. Protection of intellectual property
 4. Cultural barriers and adaptation

Brands in International Markets 1 of 5

Global Brand

- Worldwide use of name, term, sign, symbol, design
 - Used to identify goods and services of one seller
 - Differentiates seller from its competitors
- Brand most valuable resource a company has
 - Name encompasses years of advertising, goodwill, quality evaluations, product experience, and other attributes
 - Image at very core of business identity and strategy
 - Importance and impact varies by culture



Standardization of Products

<i>Nagula fanka</i> Hekajela TRADE MARK REGD. SOMALIA	請喝 可口可樂 Coca-Cola TAIWAN	請喝 可口可樂 Coca-Cola CHINA-A	可口可樂 Coca-Cola CHINA-B	קוקה קולדה Coca-Cola ISRAEL
ককাকোলা Coca-Cola BANGLADESH	<i>Flavore</i> Hekajela Bulgarian version BULGARIA	คอกะโคลา Coca-Cola THAILAND	كوكا كولا Coca-Cola EGYPT	ካካኮላ Coca-Cola ETHIOPIA
마시자 코카·콜라 Coca-Cola KOREA	كوكا كولا Coca-Cola MOROCCO	كوكا كولا Coca-Cola PAKISTAN	<i>Flavore</i> Hekajela Tosafim version RUSSIA	කොකා-කෝලා Coca-Cola SRI LANKA-SINHALESE



Exhibit 13.4 Top Twenty Brands 1 of 2

Rank	Brand	Country	Sector
1	Apple	U.S.	Technology
2	Google	U.S.	Technology
3	Microsoft	U.S.	Technology
4	Coca-Cola	U.S.	Beverages
5	Amazon	U.S.	Retail
6	Samsung	South Korea	Technology
7	Toyota	Japan	Automotive
8	Facebook	U.S.	Technology
9	Mercedes-Benz	Germany	Automotive
10	IBM	U.S.	Business services

Exhibit 13.4 Top Twenty Brands 2 of 2

Rank	Brand	Country	Sector
11	GE	U.S.	Diversified
12	McDonald's	U.S.	Restaurants
13	BMW	Germany	Automotive
14	Disney	U.S.	Media
15	Intel	U.S.	Technology
16	Cisco	U.S.	Technology
17	Oracle	U.S.	Technology
18	Nike	U.S.	Sporting Goods
19	Louis Vuitton	France	Luxury
20	Honda	Japan	Automotive

Brands in International Markets 2 of 5

Global Brands

- Companies with strong brands try to globalize them
 - Ideally gives company uniformly positive association worldwide
 - Enhances efficiency and cost of introducing new products
 - Internet and technology accelerates brand globalization
- Not all companies believe single global approach is best
 - Those with already established country-specific brands might not want to abandon them; risky and costly
 - Brand extensions in global markets are sometimes difficult

Brands in International Markets 3 of 5

National Brands

- Country-specific brands
- Multinationals must consider cultural factors
 - Increased nationalism in some countries impacts brand
 - Acceptance varies across regions, within countries, and depending on knowledge of brand

Many companies mix national and global branding



Localisation

local product
testing and
quality assurance
(QA)

local product
marketing



The
product



product design



product
development



product testing
and quality
assurance (QA)

Globalisation
PROCESS

product
localisation



PHASE 2

PHASE 1

Internationalisation

Brands in International Markets 4 of 5

Country-of-Origin Effect (COE) and Global Brands

- Influence that country of manufacture, assembly, or design has on consumer's perception of product
 - Reaction influenced by country, product, and image of brands
 - Ethnocentrism impacts attitudes toward foreign products
 - Stereotypes against status of economy: industrial, developing
 - Fads for attractiveness; "xenocentrism"
- Good marketing can overcome a negative COE

Branding



As they say, “two brands are better than one!” How about four? The four flags you seeing flying on the radar mast of the *Endeavor* at sea among the Galapagos Islands represent Ecuador (bottom), the Bahamas registry of the 85-person cruise ship (right), the National Geographic Society, and Lindblad Expeditions. The latter two are a great example of co-branding. The multifaceted strategic alliance that Lindblad Expeditions has with the National Geographic Society, “enables travelers to participate in the world of natural and cultural history as engaged, active explorers who care about the planet.”

Brands in International Markets 5 of 5

Private Brands

- Formidable competitors to manufacturer's brands
 - Particularly during recessions in target markets
 - Consumers prefer less expensive, “more local” private brands
 - Global brands must be priced competitively to be successful
- Benefits to retailers
 - Production outsourced while still getting advantages of local brand
 - Retailer is provided with high margins, preferential shelf space and strong in-store promotions, quality products at low prices



Appendix of Image Long Descriptions

Appendix 1 Exhibit 13.1 Average Number of Ideas Put on the Table

Data from the four-month study is divided by month. Numbers are approximate.

Month 1: Diverse groups had 2.7 ideas while homogenous groups had 3.2 ideas.

Month 2: The average amount of ideas increased in both groups. Diverse groups had 3 ideas while homogenous groups had 3.4 ideas.

Month 3: The average amount of ideas continued to increase steadily in homogenous groups to 3.6. Idea output in diverse groups rapidly increased to 4; surpassing that of the homogenous groups.

Month 4: Ideas generated increased gradually for both groups; diverse groups had 4.2 ideas, and homogenous groups had 3.7 ideas.

Appendix 2 Exhibit 13.3 Product Component Model

The main components are arranged into three concentric circles.

Core components are in the innermost circle and include: product platform, design features, and functional features.

Packaging components are in the next circle and include: trademark, brand name, price, quality, package, and styling.

Support services are in the outermost circle and include: repair and maintenance, installation, instructions, deliveries, warranty, spare parts, and other related services.