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SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

International Product Policy

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International Marketing/subject code

OUTLINE OF THE LECTURE

1. Product.
2. Classification of products.
3. Standardization and adaptation strategies.
4. Product Life Cycle.
5. The most common adaptation – packaging.
6. International brand policy.

1. PRODUCT

- **Product** - a comprehensive offering of tangible products (goods) and services to customers to satisfy their needs, wants and desires through consumption.
- **Service** - economic asset of intangible nature. It may be a part of a product, or its implementation may not be directly connected with the existence of the physical product.

DIFFERENCES OF PRODUCTS IN PRACTICE 1

- The Swedes are said to be happiest when they have a full freezer. The country has a lot of passionate hunters and successful hunting expedition may cause sudden need for a really big freezer. In Sweden, it is therefore of absolute necessity to have a spare freezer in the basement.
- Finns bake traditional pies filled with meat, which require a very high temperature for baking. Roasters popular in Finland often have temperatures up to 300 degrees Celsius. Perhaps in no other country do people need the oven to have such a high temperature.
- Italians love beautiful things, and therefore require perfect and harmonious designs. Art design of panel, knobs and buttons for them is as important as the function itself. All good ovens must be equipped with a special setting for baking pizza.

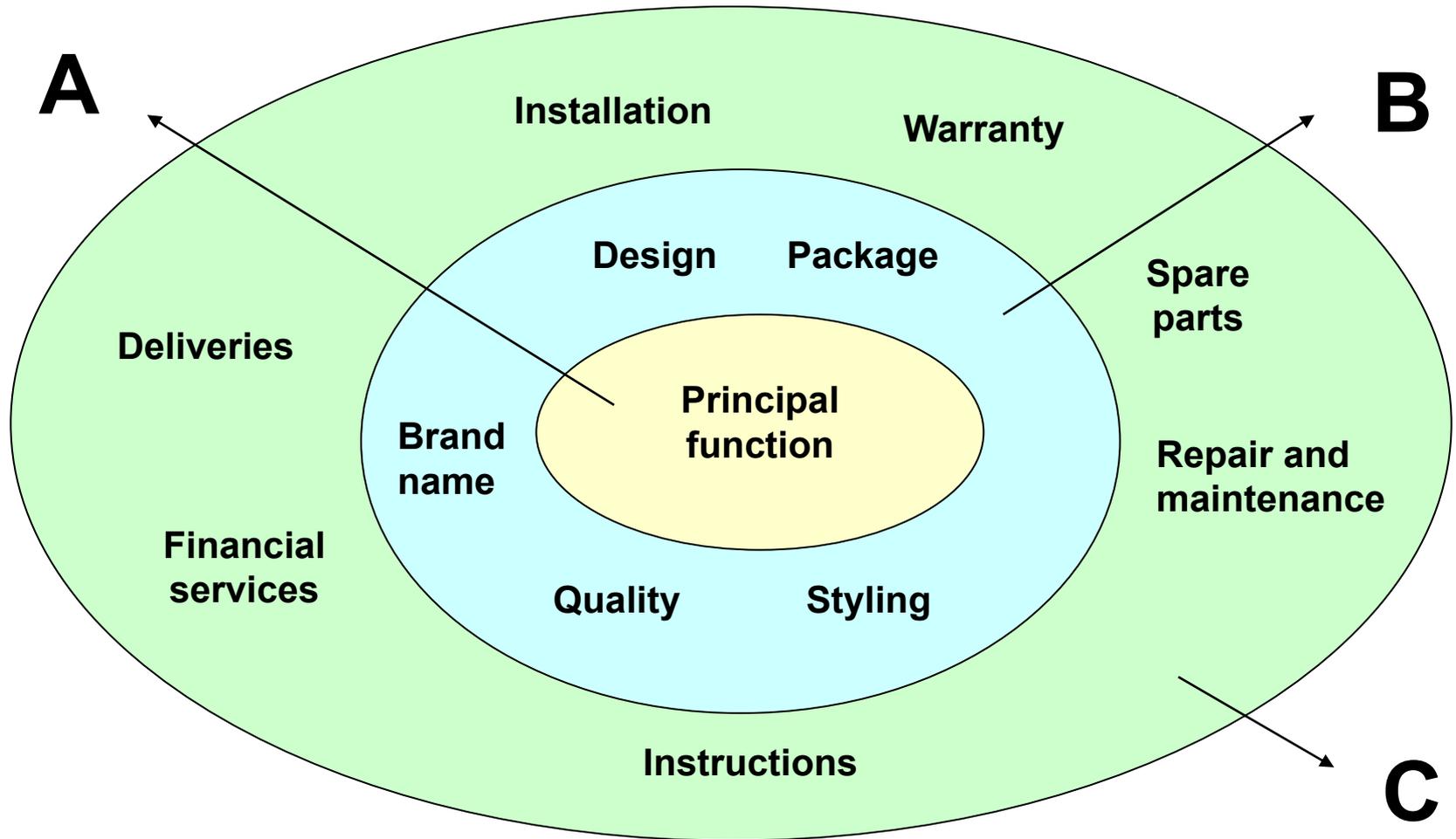
THE PRODUCT IN INTERNATIONAL MARKETING

- One of the critical issues that businesses entering foreign markets have to decide is whether it will be possible to sell its product in its current form, i.e. without modification or whether it will be necessary to modify the product in some way (adapt to foreign (international) requirements).
- Among the crucial conditions for success in foreign markets is the way in which companies can differentiate their products from competitors (again, the positioning).

2. CLASSIFICATION OF PRODUCTS

- For each product it is possible to distinguish three basic dimensions:
- A: The basic characteristics of the product (**core product**) - the physical properties, chemical composition, performance, size, durability, taste etc.
- B: **Added product** (services related to the product) - warranties, service, installation, consulting services, providing transportation, insurance, delivery and payment terms etc.
- C: **Symbolic value** - brand name and image, country of origin, goodwill, trendiness and style etc.

THE WHOLE PRODUCT MODEL



FUN FAILS

- The car company Ford launched the truck called Fiera. Fiera in Spanish means "old, ugly woman.,,"
- In Germany, the company Rolls-Royce did not use the brand name Silver Mist, because the Mist in German means manure.
- Sunbeam company introduced curling iron called Mist Stick to the German market. Predictably, customers did not buy this Culm too much.
- A similar fate befell the company Colgate, which once launched its toothpaste called the Cue on the French market. Cue is a well-known French porn magazine.

FROM BENEFIT TO CUSTOMER VALUE

- BUT! If we take a look at TWPM, we can explain the benefits as values that the customer is purchasing the product for.
- Core function (benefit): a benefit that the customer actually purchased (car goes from A to B).
- Expected product, a set of attributes and conditions that buyers normally expect when buying this type of product. My car needs air conditioning, radio, GPS etc.
- Augmented product that exceeds customer expectations. I would rather have BMW than Hyundai, bixenon lights etc.
- Potential product, which encompasses all possible improvements and transform the product or offer that may undergo in the future. Self-driving car, hybrid or full electric.
- All this brings me some value – ego (brand), economy (hybrid), safety (great lights) etc.

SHAMPOO IN ARABIC ADVERTISEMENT WHERE IS THE HAIR?

- We can see that the woman has to have her hair covered. Compare with our advertisement – usually in shower, nearly full naked.



THE VALUE OF THE PRODUCT FOR CUSTOMER

- The functions of the product can be explained as values that the product brings to the customer. (Steve Jobs – products are „solutions“)
- But what is the value for customer? Is it a good price? (in many countries there are big segments that are price sensitive)
Technological advancement? An emotional affair? (brand)
- One thing is for sure – the company can not say that its product has this or that value, that depends entirely on the customer how they perceive it.
- Value = the expected benefits - perceived cost.
- The expected benefit is not only material, it can be social status, brand loyalty, belonging to a group etc.
- Cost is not only the price, but also time, effort etc.

DIFFERENCES OF PRODUCTS IN PRACTICE 2

- Germany has the most expensive water in the whole Europe, and therefore fundamentally Germans are buying an appliance that respect the environment and have low water and energy consumption.
- The French consider eating food as a ceremony and are fond of delicacies and baked dishes. French oven must therefore have a special setting for gratins. The French also require a self-cleaning function.
- Norwegians have many electrical appliances at home, because the price of electricity is much lower than in other western European countries. In Norway it is not unusual to have many power sockets on your appliances, e.g. the oven has a power socket for connecting an electric mixer, kitchen machines, coffee machine and similar appliances.

3. PRODUCT STANDARDIZATION STRATEGY

- The least expensive and easiest solution is to manufacture a completely standardized products. We can then sell them in foreign markets without any adaptation (meaning without any additional costs). BUT! Complete standardization without any modification is not usually possible.
- However, for products that are so called „unbound on culture“, which correspond to global needs and global fashion, the manufacturer doesn't have to respect national particularities, as the demand for them is uniform. These are called global products. (Popularity of denim fashion, drink Coca-Cola, Marlboro cigarettes, Game of Thrones etc.).

ADVANTAGES AND DISADVANTAGES OF THE STANDARDIZATION

- Advantages of standardization:
 - Great savings in manufacturing.
 - Savings in basic technical research and product development.
 - Savings in sales communication.
 - Global competitiveness.
 - Easier diffusion of innovation.
 - The possibility of rapid entry into international markets.
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- Disadvantages of standardization:
 - The global approach (standardization) carries a high risk, that enters into each sector while indirectly increasing demands for efficiency.
 - Errors in disregard of social and economic disparities.
 - Extending tough competition on a global basis.

STRATEGY OF WORLD COMPONENT

- The basic strategy of standardization is based on benefits of cost savings and elimination of the difficulties in respecting different market conditions and customer requirements. Another strategy based on this is the so called strategy of world component.
- In this strategy, the new product is developed from the beginning to achieve maximum identical components (unification), to the point where it must necessarily respect national needs and requirements (e.g. 90% of product is unified and only exterior design is adapted). For example, another type of electrical outlet, computer keyboards with Cyrillic etc. At this finishing touches to the product, minimum additional costs of adaptation are spent.

FUN FAILS

- Coors brewery slogan "our beer to unwind" in Spanish means "after our beer you get diarrhea."
- Coca-Cola came up with a slogan to drink Coke, "Coke will give you life!" In Japanese it means, however: "Coke will return your ancestors!"
- Large businesses in the dairy discovered too late that the slogan „Did you already have milk?" In Mexico means the question: "Can you breastfeed?"
- The Chinese company's KFC slogan "After our products you will lick your fingers" in Spanish means "bite my finger!"
- Perdue slogan says „hard man prepares fine chicken!,, but in Spanish it acquires a new dimension: "Barely awake man is as cute as a chick."

STRATEGY OF PRODUCT ADAPTATION 1

- Adaptation strategy is based on the need to adapt existing product in terms of the foreign market or customer needs and wishes. There are many factors that influence this decision – we are stating the following ones:
- **Legislative regulation:** driving on the left side in the UK forcing other car manufacturers to adapt cars for this market.
- Culture (**religion**), for example, a Czech producers of sausages adapt their products intended for export to the Islamic markets where instead of pork they use beef.
- Culture (**aesthetics**): the production of traditional Czech crystal - while Europeans prefer lofty models, the Japanese customers and the Arabs actually require richer designs and decorative elements.

STRATEGY OF PRODUCT ADAPTATION 2

- **Economic and technical regulations** - very different regulations on environmental protection in different countries, the differences between Anglo-Saxon and continental metric system in North America is used in a different range of wavelengths of radio broadcasting and different voltage than in Europe etc.
- **Climate**: for example, metal wires commonly used in Czech crystal chandeliers corrode in hot and humid climate of Indonesia and had to be replaced by stainless steel wires.
- **Purchasing power**: with respect to the lower purchasing power of the population of countries carmakers restrict interior and equipment of their cars.

STRATEGY OF PRODUCT ADAPTATION 3

- **Level of technical knowledge:** is leading manufacturers particularly when exporting to developing countries to simplification of products.
- **Population somatotypes** (ergonomic characteristics) - reduced growth of Asians affected for example Philips, which had to reduce the size of the handle of its coffeemachines to make them better suited to smaller Japanese hands.
- **Eating Habits:** for example McDonald's company in the Czech Republic has successfully introduced a new product Mc Bacon (and beer, only in 2 countries in the whole world).
- **Household equipment and standard of living:** many households in developing countries are not equipped with refrigerators and therefore companies export dried milk products.

ADAPTATION VS. STANDARDIZATION

- The main role in decision-making whether to adapt the product to the requirements of the foreign market or not, the key element is the comparison of earnings with the adaptation costs.
- Usual adaption is the scope of services - the second dimension of the product. In developed countries customers require a comprehensive range of product services.
- Offer of services, warranty and other services is becoming a competitive weapon.
- In countries with low purchasing power - many self-help services provided (maintenance, repair, service, installation).

ADVANTAGES AND DISADVANTAGES OF ADAPTATION

- Benefits of adaptation strategies:
 - The products are in compliance with local technical regulations and standards.
 - The products comply with local consumer habits and preferences.
 - Product corresponds to the expectations of consumers, their financial abilities, tastes and aesthetic sensibilities.
 - Possibility of savings through reduced services provided in countries with lower purchasing power.
- Disadvantages of adaptation strategies:
 - What constitutes an advantage for the strategy of product standardization, constitutes a disadvantage for the application of adaptation strategies and vice versa.

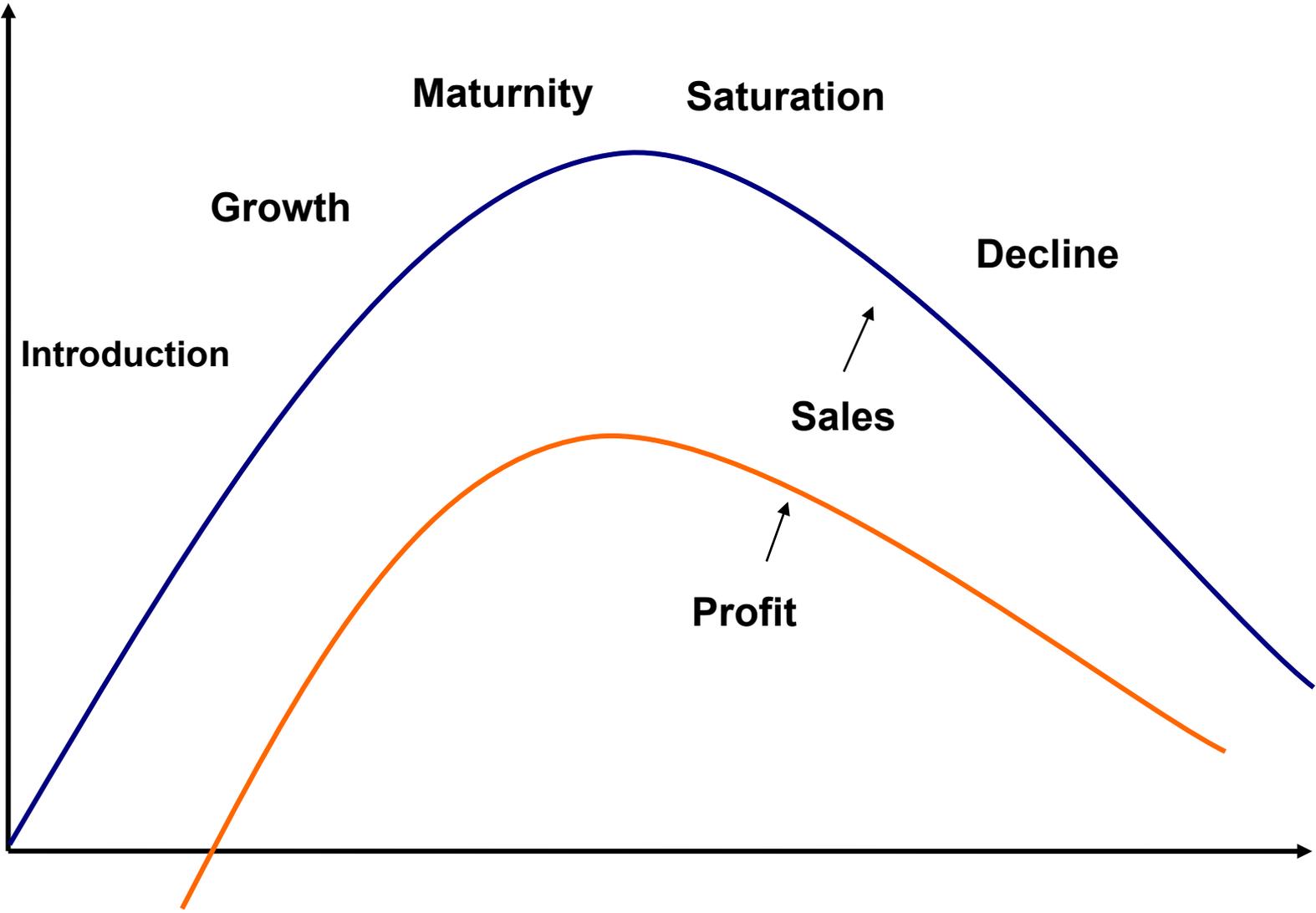
DIFFERENCES OF PRODUCTS IN PRACTICE 3

- Americans adhere to the motto "The bigger, the better!" Another important parameter is the speed. Proper oven must be able to spout burgers for the whole baseball team in seconds. They are also world champions in drinking cold beverages. American refrigerator must absorb huge amounts of soft drinks and beer. Most refrigerators have ice-makers that produce ice cubes and crushed ice.
- The British have the most modest demands for kitchen appliances in Western Europe, and therefore very often content themselves with compact and small kitchen appliances.
- Chinese consider refrigerator a great investment. Often worth a place of honor in the living room. The kitchen would usually not have enough space. They are therefore very anxious and demanding, in terms of look and finish. Creative solutions must be truly cutting edge.

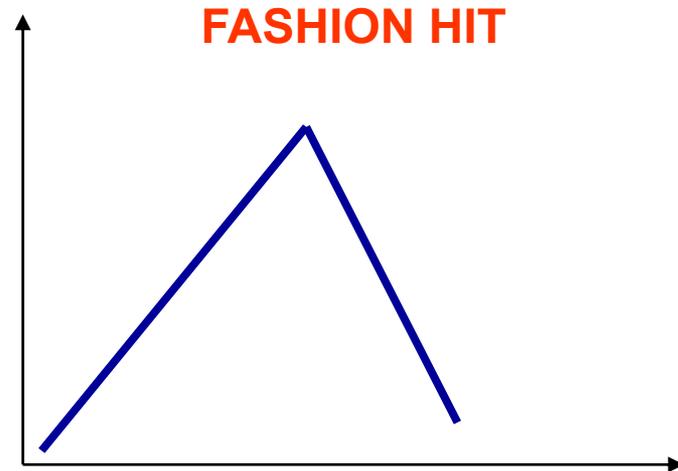
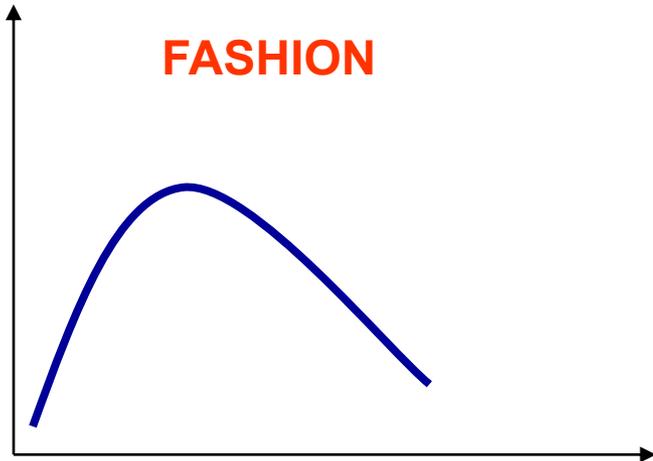
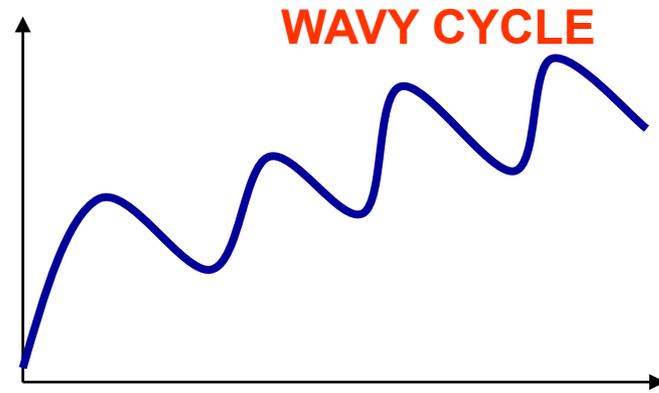
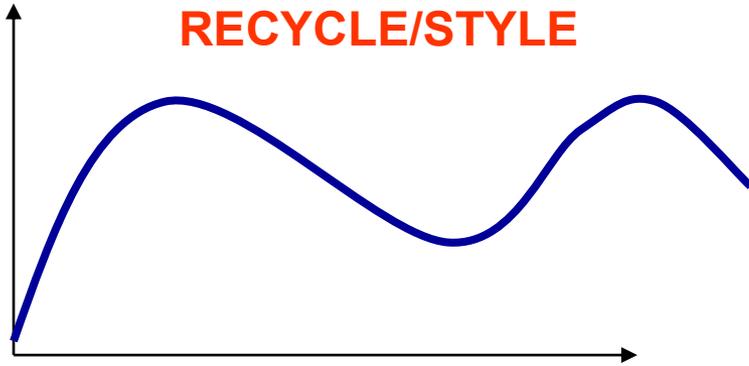
4. THE LIFE CYCLE OF PRODUCTS ON INTERNATIONAL MARKETS

- Product life cycle theory is based on these assumptions:
 - Each product has a limited lifetime.
 - The sales volume varies depending in what stage of the life cycle the product is.
 - The turnover (profit) also varies according to the stage of the product lifecycle.
 - Marketing strategy is to be adapted to the stage at which the product is in.
- Overall, we can say that the life cycle worldwide shortens. This is due to scientific and technical progress, ever more demanding consumers and increasing competition. Factor "moral obsolescence,, (this phone is old although its only 1 year).
- Furthermore, the same products in different countries are at different stages of their life cycle. Entry to a foreign market may extend the total length of the product life cycle.
- Phase model for international trade.

PRODUCT LIFE CYCLE



SPECIAL FORMS OF PLC



ANSOFF MATRIX

- The **Ansoff Matrix** is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth.

Market/Product	Existing Product	New Product
Existing Market	Market penetration	Product development
New Market	Market development	Diversifikation

DIFFERENCES OF PRODUCTS IN PRACTICE 4

- Indians are not too conservative in terms of the color of their refrigerators. While for the rest of the world the most popular home appliances are mostly white, in India you will find colorful refrigerators and washing machines, even reddish or green. Refrigerators are medium height, must harmonize with other warm matt colors of Indian homes.
- The ratio of the size of the package in comparison with the packaged product itself may be a problem. Many countries have banned so-called „deceptive packaging“, in which the content and size of the package is in stark contrast (Bohemia vs. Pringles chips).
- Italy: the size of packaging for goods that are sold through vending machines must agree with the value of metal coins.
- In Japan the number sign 4 can be "read" like death, so pack of four pieces are not a favorite.

5. THE MOST COMMON ADAPTATION - PACKAGING

- The most common marketing product adaptation to foreign markets is the change in packaging.
- Product packaging fulfills several functions. Its main function is to **protect** the product during transport and storage from destruction, damage and loss.
- Packaging also serves as an **information carrier** and other indispensable role of packaging is its **promotional** function.
- Different climatic conditions in countries of destination of goods, transport conditions, packaging must meet the conditions for customs control, different way of distributing products in certain countries, which require special packaging, packaging must be harmless. (Beer in the USA prevails in cans, bottles in Europe)

PACKAGING FUNCTIONS 1

- From the packaging function as a holder of information - placing a series of **consumer information** (date of manufacture, expiration date, product composition, country of origin etc.). It should be noted these and other information have to be in the language of the country. The designation of quantity (weight, volume) must conform to the appropriate unit system.
- On some products that could endanger consumer health (cigarettes, alcohol) – there has to be **warning about the harmful effects** of this product on the packaging.
- Developed countries usually place great emphasis on **ecology** - information on the possibility of recycling the packaging.
- Promotional packaging functions should primarily facilitate consumer choice of goods, must be consistent with the overall marketing strategy and positioning strategy and reflect the image of the product. Packaging should allow comfortable transportation of goods home and easy handling.

PACKAGING FUNCTIONS 2

- Packaging must respect the basic elements of communication in terms of product lines used fonts and design. It should maintain a uniform color tuning. However, a producer (distributor) must respect the different perceptions of color symbolism in the country, and to adapt the color of the packaging. For example, green is the color of faith in Islamic countries, and it would not be advisable to take on the packaging recklessly.
- For impulsively purchased products packaging often plays a major role in the purchase. For many products the packaging may even overshadow the content and be one of the factors that influence the decision-making process for some buyers (gift pack cosmetics, chocolates, perfume bottles or flasks).
- Package size varies according to different consumer habits and purchasing power of the population. (once a week vs. everyday shopping)

6. INTERNATIONAL BRAND POLICY

- The main role of the brand is to identify the product and distinguish it from competing products. Brand is a means of communication and gives the customer a guarantee of consistent quality.
- Provides substantive and temporal continuity of the product and the company. Brand also allows us to create a diversified (quality and price) levels of product relative to the corresponding market segments. Creates the image of the consumer, as a representative of a certain lifestyle and a culture bearer.
- The main benefits of successful brands include greater loyalty and customer confidence, reducing the risk of a decline in demand, lower sensitivity of customers to price, higher profitability, better negotiating position of the company to distributors and suppliers, saving marketing costs due to very good brand recognition and facilitate commercialization of new products on the market .

DIFFERENCES OF PRODUCTS IN PRACTICE 5

- Japanese car manufacturer Nissan originally had the name Datsun, but when it was found that when exporting to the Anglo-Saxon countries, the brand is read as "death soon", it was decided to change the brand.
- In Ghana "Pee Cola,, means "very good Cola" – in English the name is unusable.
- Assistant Siri from iOS in Georgian means a derogatory term for penis.
- Megapussi is a Finnish name for really big chips sold in KKK supermarkets.

THE END

Thank you for your attention.

