PART FOUR

THE GLOBAL MARKETING MIX

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.

CASE 10-1
Alphabet

Alphabet, the company formerly known as Google, has developed some of the world's premier technology products and services. Founded in 1998 by Larry Page and Sergei Brin with a focus on Internet searches, Alphabet's mission is connecting people with technology. The company's core search and ad-driven businesses are still called Google, the brand name recognized virtually everywhere. In Europe, for example, despite operating under the glare of regulatory scrutiny, Google accounts for 90 percent of online search traffic. Roughly one-third of annual global digital ad revenues go to Google.

Today, the company has grown far beyond its roots in search, which is one of the reasons for the corporate restructuring and name change that was announced in August 2015. Alphabet has developed an impressive product portfolio under the Google brand that includes consumer offerings such as Google+, the Google Play app store, Google Wallet, Google Chrome, and Google Chromecast. Alphabet has also made a number of strategic acquisitions, including video-sharing site YouTube and the Internet of Things thermostat brand Nest.

Alphabet serves its enterprise customers as well. For example, Samsung and several other handset manufacturers use its Android smartphone operating system. Google Fiber is bringing high-speed, one-gigabyte-per-second Internet service to a growing list of American cities. Google Analytics is a source of big data, and Google AdWords allows advertisers—both small and large—to bid for preferred placement on Web pages. The company also operates huge data centers throughout the world.

Exhibit 10-1 Alphabet is investing in "moonshot" innovations such as Project Loon, a network of stratospheric balloons that will bring Internet access to billions of people.

Source: CB2/ZOB/Supplied by WENN.com/Newscom.

Alphabet spends approximately $10 billion each year on research and development. X (formerly Google X), the company's semi-secret research division, is known as the Moonshot Laboratory. The name references its lofty mission: Staff members are working on "moonshot" projects that represent leading-edge technology leaps (see Exhibit 10-1). Astro Teller, the division's Rollerblade-wearing chief executive, has the title "Captain of Moonshots."

Another research group, Advanced Technology and Projects (ATAP), focuses on mobile applications. Among the many new products and services currently under development are self-driving cars; Wing, a delivery drone service; and wearable devices. To learn more about some of the challenges and opportunities facing managers in charge of Alphabet's diverse product and brand portfolio, turn to the continuation of Case 10-1 at the end of the chapter.

Alphabet's myriad product development initiatives illustrate the point that products and brands are perhaps the most crucial element of a company's marketing program; they are integral to the company's value proposition. In Part Three elsewhere in this text, we surveyed several topics that directly impact product strategy as a company approaches global markets. Input from a company's business intelligence network and market research studies guides the product development process. The market must be segmented, one or more target markets selected, and strong positioning established. Global marketers must also make decisions about exporting and sourcing; other market-entry strategies, such as licensing and strategic alliances, may be considered as well.

As we will see in Part Four, every aspect of a firm's marketing program, including pricing, distribution, and communication policies, must fit the product. This chapter examines the major dimensions of global product and brand decisions. First is a review of basic product and brand concepts, followed by a discussion of local, international, and global products and brands. Product design criteria are identified, and attitudes toward foreign products are explored. Then, strategic alternatives available to global marketers are presented. Finally, new-product issues in global marketing are discussed.

10-1 Basic Product Concepts

◀ **10-1** Review the basic product concepts that underlie a successful global marketing product strategy.

The product *P* of the marketing mix is at the heart of the challenges and opportunities facing global companies today: Management must develop product and brand policies and strategies that are sensitive to market needs, competition, and the company's ambitions and resources on a global scale. Effective global marketing often entails finding a balance between the payoff from extensively adapting products and brands to local market preferences and the benefits that come from concentrating company resources on relatively standardized global products and brands.

A **product** is a good, service, or idea with both tangible and intangible attributes that collectively create value for a buyer or user. A product's *tangible* attributes can be assessed in physical terms, such as weight, dimensions, or materials used. Consider, for example, a flat-panel TV with an OLED screen that measures 42 inches across. The unit weighs 20 pounds, is 2.2 inches deep, features four high-definition media interface (HDMI) connections, has a built-in tuner capable of receiving high-definition TV signals over the air, and delivers a 4K screen resolution. These tangible, physical features and attributes translate into benefits that enhance the enjoyment of watching HDTV broadcasts and Blu-ray movies. Accessories such as wall mounts and floor stands enhance the value offering by enabling great flexibility in placing the set in a living room or home theater.

Intangible product attributes, including the status associated with product ownership, a manufacturer's service commitment, and a brand's overall reputation or mystique, are also important. When shopping for a new TV, many people want "the best": They want a TV loaded with features (tangible product elements), as well as one that is "cool" and makes a status statement (intangible product element).

Product Types

A frequently used framework for classifying products distinguishes between consumer and industrial goods. For example, Samsung offers products and services to both consumers and businesses worldwide. Consumer and industrial goods, in turn, can be further classified on the basis of criteria such as buyer orientation. Buyer orientation is a composite measure of the amount of effort a customer expends, the level of risk associated with a purchase, and buyer involvement in the purchase. The buyer orientation framework includes such categories as convenience, preference, shopping, and specialty goods. Electronics products are often high-involvement purchases, and many shoppers will compare several brands before making a decision. Products can also be categorized in terms of their life span (durable, nondurable, and disposable). Samsung and other electronics companies market products that are meant to last for many years; in other words, they are durable goods. As these examples from the electronics industry suggest, traditional product classification frameworks are fully applicable to global marketing.

Product Warranties

A warranty can be an important element of a product's value proposition. An **express warranty** is a written guarantee that assures the buyer that he or she is getting what he or she has paid for or that provides recourse in case a product's performance falls short of expectations. In global marketing, warranties can be used as a competitive tool to position a company in a positive way.

For example, in the late 1990s, Hyundai Motor America chief executive Finbarr O'Neill realized that many American car buyers perceived Korean cars as "cheap" and were skeptical about the Hyundai nameplate's reliability. Although the company had made significant improvements in the quality and reliability of its vehicles, consumer perceptions of the brand had not kept pace with the changes. O'Neill instituted a 10-year, 100,000-mile warranty program that represents the most comprehensive coverage in the auto industry. Concurrently, Hyundai launched several new vehicles and increased expenditures for advertising. The results have been impressive: Hyundai's U.S. sales jumped from approximately 90,000 vehicles in 1998 to nearly 665,000 vehicles in 2017. Hyundai has also overtaken Toyota as Europe's best-selling Asian car brand.

Packaging

Oftentimes, packaging is an integral element of product-related decisions. Packaging is an especially important consideration for products that are shipped to markets in far-flung corners of the world. The term *consumer packaged goods* (CPG) applies to a wide variety of products whose packaging is designed to protect or contain the product during shipping, at retail locations, and at the point of use or consumption. "Eco-packaging" is a key issue today, and package designers must address environmental issues such as recycling, biodegradability, and sustainable forestry.

Packaging also serves important communication functions: Packages (and the labels attached to them) offer communication cues that can influence consumers when making a purchase decision. Today, many industry experts agree that packaging must engage the senses, make an emotional connection, and enhance a consumer's brand experience. According to Bernd Schmitt, director of Columbia University's Center on Global Brand Leadership, "Packages are creating an experience for the customer that goes beyond the functional benefits of displaying and protecting the object."[1] Absolut Vodka, Altoids breath mints, and Godiva chocolates are a few examples of brands whose value proposition includes "experiential packaging."

Brewers, soft drink marketers, distillers, and other beverage firms typically devote considerable thought to ensuring that packages speak to consumers or provide some kind of benefit beyond simply holding liquid. For example, a critical element in the success of Corona Extra beer in export markets was management's decision to retain the traditional package design, which consists of a tall transparent bottle with "Made in Mexico" etched directly on the glass. At the time, the conventional wisdom in the brewing industry was that export beer bottles should be short, green or brown in color, with paper labels. In other words, the bottle should resemble Heineken's! The fact that consumers could see the beer inside the Corona Extra bottle made it seem more pure and natural. Today, Corona is the top-selling imported beer brand in the United States, Australia, Belgium, the Czech Republic, and several other countries.[2]

Coca-Cola's distinctive (and trademarked) contour bottle comes in both glass and plastic versions and helps consumers seek out the "real thing." The bottle design, which dates back to 1916, was intended to differentiate Coke from other soft drinks. The design is so distinctive that a consumer could even use his or her sense of touch to identify the bottle in the dark! The Coke example also illustrates the point that packaging strategies can vary by country and region. In North America, where large refrigerators are found in many households, one of Coca-Cola's packaging innovations is the Fridge Pack, a long, slender carton that holds the equivalent of 12 cans of soda. The Fridge Pack fits on a refrigerator's lower shelf and includes a tab for easy dispensing. In Latin America, by contrast, Coca-Cola executives intend to boost profitability by offering Coke in several different-sized bottles. Until recently, for example, 75 percent of Coke's volume in Argentina was accounted for by 2-liter bottles priced at \$0.45 each. Now Coke has also introduced cold, individual-serving bottles priced at \$0.33 that are stocked in stores near the front; unchilled, 1.25-liter returnable glass bottles priced at \$0.28 are available on shelves farther back in the store.[3]

Other examples of packaging innovations include the following:

- Grey Goose, the world's top-selling super-premium vodka brand, was the brainchild of the late Sidney Frank. The owner of an importing business in New Rochelle, New York, Frank first devised the bottle design and name. Only then did he approach a distiller in Cognac, France, to create the actual vodka.[4]
- Nestlé's worldwide network of packaging teams contributes packaging improvement suggestions on a quarterly basis. Implemented changes include a plastic lid to make ice cream containers easier to open, slightly deeper indentations in the flat end of candy wrappers in Brazil that make them easier to rip open, and deeper notches on single-serve packets of Nescafé in China. Nestlé also asked suppliers to find a type of glue to make the clicking sound louder when consumers snap open a tube of Smarties-brand chocolate candies.[5]
- When GlaxoSmithKline launched Aquafresh Ultimate toothpaste in Europe, the marketing team wanted to differentiate the brand from category leader Colgate Total. Most tube toothpaste is sold in cardboard cartons that are stocked horizontally on store shelves. The team designed the Aquafresh Ultimate tube to stand up vertically. The tubes are distributed to stores in shelf-ready trays, and the box-free packaging saves hundreds of tons of paper each year.[6]

Labeling

One hallmark of the modern global marketplace is the abundance of multilanguage labeling that appears on many products. In today's self-service retail environments, product labels may be designed to attract attention, to support a product's positioning, and to help persuade consumers to buy. Labels can also provide consumers with various types of information. Obviously, care must be taken that all ingredient information and use and care instructions are properly translated.

The content of product labels may also be dictated by country- or region-specific regulations. Regulations regarding mandatory label content vary in different parts of the world; for example, the European Union now requires mandatory labeling for some foods containing genetically modified ingredients. Regulators in Australia, New Zealand, Japan, Russia, and several other countries have proposed similar legislation.

In the United States, the Nutrition Education and Labeling Act that went into effect in the early 1990s was intended to make food labels more informative and easier to understand. Today, virtually all food products sold in the United States must present, in a standard format, information regarding nutrition (e.g., calories and fat content) and serving size. The use of certain terms such as *light* and *natural* is also restricted.

Other examples of labeling in global marketing include the following:

- Mandatory health warnings on tobacco products are required in most countries.
- The American Automobile Labeling Act clarifies the country of origin, the final assembly point, and the percentages of the major sources of foreign content of every car, truck, and minivan sold in the United States (effective since October 1, 1994).
- Responding to pressure from consumer groups, in 2006 McDonald's began posting nutrition information on all food packaging and wrappers in approximately 20,000 restaurants in key markets worldwide. Executives indicated that issues pertaining to language and nutritional testing would delay labeling in 10,000 additional restaurants in smaller country markets.[7]
- Nestlé introduced Nan, an infant-formula brand that is popular in Latin America, in the American market. Targeted at Hispanic mothers, Nan's instructions are printed in Spanish on the front of the can. Competing brands have English-language labeling on the outside; Spanish-language instructions are printed on the reverse side.[8]
- In 2008, the United States enacted a country-of-origin labeling (COOL) law. The law requires supermarkets and other food retailers to display information that identifies the country from which meat, poultry, and certain other food products are sourced. France enacted a similar law in January 2017.

Aesthetics

In Chapter 4, the discussion of aesthetics included perceptions of color in different parts of the world. Global marketers must understand the importance of *visual aesthetics* embodied in the color or shape of a product, label, or package. Likewise, *aesthetic styles*, such as the degree of complexity found on a label, are perceived differently in different parts of the world. For example, it has been said that German wines would be more appealing in export markets if the labels were simplified. Put simply, aesthetic elements that are deemed appropriate, attractive, and appealing in a company's home country may be perceived differently—and to the product's detriment—elsewhere.

In some cases, a standardized color can be used in all countries; examples include the distinctive yellow color on Caterpillar's earthmoving equipment and its licensed outdoor gear, the red Marlboro chevron, and John Deere's signature green. In other instances, color choices should be changed in response to local perceptions. For example, as noted in Chapter 4, white is associated with death and bad luck in some Asian countries. When General Motors (GM) executives were negotiating with China for the opportunity to build cars there, they gave Chinese officials gifts from upscale Tiffany & Company in the jeweler's signature blue box. The Americans astutely replaced Tiffany's white ribbons with red ones because red is considered a lucky color in China and white has negative connotations (see the Emerging Markets Briefing Book sidebar later in the chapter).

Packaging aesthetics are particularly important to the Japanese. This point was driven home to the chief executive of a small U.S. company that manufactures an electronic device for controlling corrosion. After spending much time in Japan, the executive managed to secure several orders for the device. However, following an initial burst of success, Japanese orders dropped off; for one thing, the executive was told, the packaging was too plain. "We couldn't understand why we needed a five-color label and a custom-made box for this device, which goes under the hood of a car or in the boiler room of a utility company," the executive said. While waiting for the bullet train in Japan one day, the executive's local distributor purchased a cheap watch at the station and had it elegantly wrapped. The distributor asked the American executive to guess the value of the watch based on the packaging. Despite all that he had heard and read about the Japanese obsession with quality, it was the first time the American understood that, in Japan, "a book is judged by its cover." As a result, the company revamped its packaging, seeing to such details as ensuring that the strips of tape used to seal the boxes are cut to precisely the same length.[9]

▶ **10-2** Compare and contrast local products and brands, international products and brands, and global products and brands.

10-2 Basic Branding Concepts

A **brand** is a complex bundle of images and experiences in the customer's mind. Brands perform two important functions. First, a brand represents a promise by a particular company regarding a particular product; it is a type of quality certification. Second, brands enable customers to better organize their shopping experience by helping them seek out and find a particular product. Thus, an important brand function is to differentiate a particular company's offering from all other companies' offerings.

Customers integrate all their experiences of observing, using, or consuming a product with everything they hear and read about it. Information about products and brands comes from a variety of sources and cues, including advertising, publicity, word of mouth, sales personnel, and packaging. Perceptions of service after the sale, price, and distribution are also taken into account. The sum of these impressions is a **brand image**, defined as perceptions about a brand as reflected by brand associations that consumers hold in their memories.[10]

Brand image is one way that competitors in the same industry sector differentiate themselves. Take Apple and Samsung, for example. Both companies market smartphones. The late Steve Jobs, Apple's legendary cofounder and CEO, was a constant media presence and a master at generating buzz; the iPhone, iPad, and other Apple products generally receive stellar reviews for their sleek designs, powerful functionality, and user-friendly features. Apple's retail stores reinforce the brand's hip, cool image. By contrast, Samsung's brand image is more heavily skewed toward technology; few Samsung users are likely to know the name of the company's chief executive.

Another important brand concept is **brand equity**, which represents the total value that accrues to a product as a result of a company's cumulative investments in the marketing of the brand. Just as a homeowner's equity grows as a mortgage is paid off over the years, so brand equity grows as a company invests in the brand. Brand equity can also be thought of as an asset representing the value created by the relationship between the brand and its customers over time: The stronger the relationship, the greater the equity. For example, the value of global megabrands such as Coca-Cola and Marlboro runs in the tens of *billions* of dollars.[12] As outlined by branding expert Kevin Lane Keller, strong brand equity brings numerous benefits for the company:

"If you're into a certain brand, you expect a certain terminology and vocabulary. For brands, it's important to speak the language of the target audience."[11]

Ron Tolido, Global Chief Technology Officer for Insights and Data, Capgemini

- 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[13]

Warren Buffett, the legendary American investor who heads Berkshire Hathaway, asserts that the global power of brands such as Coca-Cola and Gillette permits the companies that own them to set up a protective moat around their economic castles. As Buffett once explained, "The average company, by contrast, does battle daily without any such means of protection."[14] That protection often yields added profit because the owners of powerful brand names can typically command higher prices for their products than can owners of lesser brands. In other words, the strongest global brands have tremendous brand equity.

Companies develop logos, distinctive packaging, and other communication devices to provide visual representations of their brands. A logo can take a variety of forms, starting with the brand name itself. For example, the Coca-Cola brand is expressed in part by a *word mark* consisting of the words *Coke* and *Coca-Cola* written in a distinctive white script. The "wave" that appears on red Coke cans and bottle labels is an example of a *nonword mark logo*, sometimes known as a *brand symbol*. Nonword marks such as the Nike swoosh, the three-pronged Mercedes star, and McDonald's golden arches have the great advantage of transcending language and, therefore, are especially valuable to global marketers. To protect the substantial investment of time and money required to build and sustain brands, companies register brand names, logos, and other brand elements as trademarks or service marks. As discussed in Chapter 5, safeguarding trademarks and other forms of intellectual property is a key issue in global marketing.

"There is a strong local heritage in the brewing industry. People identify with their local brewery, which makes beer different from detergents or electronic products."[15]

Karel Vuursteen, chairman, Heineken

Local Products and Brands

A **local product** or **local brand** is one that has achieved success in a single national market. Sometimes a global company creates local products and brands in an effort to cater to the needs and preferences of particular country markets. For example, Coca-Cola has developed several branded drink products for sale only in Japan, including a noncarbonated, ginseng-flavored beverage; a blended tea known as Sokenbicha; and the Lactia-brand fermented milk drink. In India, Coca-Cola markets bottled water under the Kinely brand. In contrast, the spirits industry often creates brand extensions to leverage popular brands without making large marketing expenditures. For example, Diageo PLC markets Gordon's Edge, a gin-based ready-to-drink beverage in the United Kingdom. Allied Domecq created TG, a brand flavored with Teacher's Scotch and guaraná, in Brazil.[16]

Local products and brands also represent the lifeblood of domestic companies. Entrenched local products and brands can present significant competitive hurdles to global companies that are seeking to enter new country markets. In China, for example, a sports-apparel company started by Olympic gold medalist Li Ning competes head to head with global powerhouse Nike. In developing countries, global brands are sometimes perceived as overpowering scrappy local ones. In some cases, growing national pride may result in a social backlash that favors local products and brands. In China, a local TV manufacturer, Changhong Electric Appliances, has generated a high degree of awareness among Chinese consumers by cutting prices and using patriotic advertising themes such as "Let Changhong hold the great flag of revitalizing our national industries."

White-goods maker Haier Group has also successfully fought off foreign competition and now accounts for 40 percent of China's refrigerator sales. In addition, Haier enjoys a 30 percent share of both the washing machine and air conditioner markets. Slogans stenciled on office walls delineate the aspirations of company president Zhang Ruimin: "Haier—Tomorrow's Global Brand Name" and "Never Say 'No' to the Market."[17] In 2002, Haier Group announced a strategic alliance with Taiwan's Sampo Group. The deal, valued at $300 million, called for each company to manufacture and sell the other's refrigerators and telecommunications products both globally and locally.

International Products and Brands

International products and **international brands** are offered in several markets in a particular region. For example, a number of "Euro products" and "Euro brands" such as Daimler's two-seat Smart car are available in Europe; the Smart was eventually launched in the United States as well. GM's experience with its Corsa model in the early 1990s provides a case study in how an international product or brand can be taken global. The Opel Corsa was a new model originally introduced in Europe. GM then decided to build different versions of the Corsa for China, Mexico, and Brazil. As David Herman, chairman of Adam Opel AG, noted, "The original concept was not that we planned to sell this car from the tip of Tierra del Fuego to the outer regions of Siberia. But we see its possibilities are limitless." GM calls the Corsa its "accidental world car."[18]

Honda had a similar experience with the Fit, a five-door hatchback built on the company's Global Small Car platform. Following Fit's successful Japanese launch in 2001, Honda rolled out the vehicle in Europe (where it is known as Jazz). Over the next few years, Fit was introduced in Australia, South America, South Africa, and China. The Fit model made its North American market debut in 2006.

Global Products and Brands

Globalization is putting pressure on companies to develop global products and to leverage brand equity on a worldwide basis. A **global product** meets the wants and needs of a global market. A true global product is offered in all world regions, including the Triad and in countries at every stage of development. A **global brand** has the same name and, in some instances, a similar image and positioning throughout the world. Some companies are well established as global brands. For example, when Nestlé asserts that it "Makes the very best," the quality promise is understood and accepted globally. The same is true for Gillette ("The best a man can get"), BMW ("The ultimate driving machine"), GE ("Imagination at work"), Harley-Davidson ("An American legend"), General Motors ("Find new roads"), and many other global companies (see Exhibit 10-2).

Former Gillette CEO Alfred Zeien explained his company's approach as follows:

> 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.[19]

Exhibit 10-2 In French ("*La perfection au masculin*"), German ("*Für das Besteim Mann*"), Italian ("*Il meglio di un uomo*"), Portuguese ("*O melhorpara o homem*"), or any other language, Gillette's trademarked brand promise is easy to understand.

Source: Joy Scheller/Avalon/Photoshot License Limited.

Zeien's remarks reflect the fact that Gillette creates competitive advantage by marketing global products and utilizing global branding strategies. The company reaps economies of scale associated with creating a single ad campaign for the world and the advantages of executing a single brand strategy. By contrast, Peter Brabeck-Letmathe, the former CEO of Nestlé, has a different perspective:

> 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.[20]

Whichever view prevails at headquarters, all global companies are trying to increase the visibility of their brands, especially in key markets such as the United States and China. Examples include Philips with its "Innovation and you" global image advertising and Siemens' recent "Siemens answers" campaign.

In the twenty-first century, global brands are becoming increasingly important. As one research team noted:

> People in different nations, often with conflicting viewpoints, participate in a shared conversation, drawing upon shared symbols. One of the key symbols in that conversation is the global brand. Like entertainment stars, sports celebrities, and politicians, global brands have become a lingua franca for consumers all over the world. People may love or hate transnational companies, but they can't ignore them.[21]

These researchers note that brands that are marketed around the world are endowed with both an aura of excellence and a set of obligations. Across the planet, consumers, corporate buyers, governments, activists, and other groups associate global brands with three characteristics, which consumers then use as a guide when making purchase decisions:

- *Quality signal.* Global brands compete fiercely with each other to provide world-class quality. A global brand name differentiates product offerings and allows marketers to charge premium prices.
- *Global myth.* Global brands are symbols of cultural ideals. As noted in Chapter 7, marketers can use global consumer culture positioning (GCCP) to communicate a brand's global identity and link that identity to aspirations in any part of the world.
- *Social responsibility.* Customers evaluate companies and brands in terms of how they address social problems and how they conduct business (see Exhibit 10-3).

Exhibit 10-3 Nucor is a steel company best known for its pioneering use of the minimill. Minimills produce steel by melting scrap in electric arc furnaces—a process that is much more efficient than the one used by traditional integrated steel producers. Nucor uses print and online media for an integrated general branding campaign featuring the tagline "It's our nature." This campaign is designed to raise awareness about the company's stance on a variety of issues, including the environment, energy conservation, sustainability, and the importance of creating a strong corporate culture.
Source: Nucor Corporation.

A global brand, however, is not the same thing as a global product. For example, personal stereos are a category of global product; Sony is a global brand. Many companies, including Sony, make personal stereos, but Sony created the category 30 years ago when it introduced the Walkman in Japan. The Sony Walkman is an example of **combination branding** or **tiered branding**, whereby a corporate name (Sony) is combined with a product brand name (Walkman). By using combination branding, marketers can leverage a company's reputation while developing a distinctive brand identity for a line of products. The combination brand approach can be a powerful tool for introducing new products. Although Sony markets a number of local products, the company also has a stellar track record as a global corporate brand, a creator of global products, and a marketer of global brands. For example, using the Walkman brand name as a point of departure, Sony created the Discman portable CD player and the Watchman portable TV. Sony's current global product brand offerings include Bravia brand HDTVs, Cyber-Shot digital cameras, PlayStation game consoles and portables, and the Xperia XZ smartphone.

Co-branding is a variation on combination branding in which two or more *different* company or product brands are featured prominently on product packaging or in advertising. When properly implemented, co-branding can engender customer loyalty and allow companies to achieve synergy. When done badly, it can confuse consumers and dilute brand equity. This approach works most effectively when the products involved complement each other. Credit card companies were the pioneers in the co-branding realm, so that today it is possible to use cards to earn frequent-flyer miles and discounts on automobiles. Another well-known example of co-branding is the Intel Inside campaign promoting both the Intel Corporation and its Pentium-brand processors in conjunction with advertising for various brands of personal computers.

Global companies can also leverage strong brands by creating **brand extensions**. This strategy entails using an established brand name as an umbrella when entering new businesses or developing new product lines that represent new categories to the company. British entrepreneur Richard Branson is an acknowledged master of this approach: The Virgin brand has been attached to a wide range of businesses and products (www.virgin.com). Virgin is a global brand, and the company's businesses include an airline, a railroad franchise, retail stores, movie theaters, financial services, and health clubs. Some of these businesses are global, and some are local. For example, Virgin Atlantic Airways flies to many global destinations, whereas Virgin Rail Group and Virgin Media operate only in the United Kingdom. The brand has been built on Branson's shrewd ability to exploit weaknesses in competitors' customer service skills, as well as his flair for self-promotion. Branson's business philosophy is that brands are built around reputation, quality, innovation, and price rather than image. Although Branson is intent on establishing Virgin as *the* British brand of the new millennium, some industry observers wonder if the brand has been spread too thin. Branson's newest ventures include spaceflight firm Virgin Galactic.

The history of the Sony Walkman illustrates the burden placed on visionary marketers to create global brands. Initially, Sony planned to market its personal stereo under three brand names. In their book *Breakthroughs!*, Ranganath Nayak and John Ketteringham describe how the global brand as we know it today came into being when famed Sony chairman Akio Morita realized that global consumers were one step ahead of his marketing staffers:

> At an international sales meeting in Tokyo, Morita introduced the Walkman to Sony representatives from America, Europe, and Australia. Within 2 months, the Walkman was introduced in the United States under the name "Soundabout"; 2 months later, it was on sale in the United Kingdom as "Stowaway." Sony in Japan had consented to the name changes because their English-speaking marketing groups had told them the name "Walkman" sounded funny in English. Nevertheless, with tourists importing the Walkman from Japan and spreading the original name faster than any advertising could have done, Walkman became the name most people used when they asked for the product in a store. Thus, *Sony managers found themselves losing sales because they had three different names for the same item.* Morita settled the issue at Sony's U.S. sales convention in May 1980 by declaring that, "funny or not," Walkman was the name everybody had to use.[22]

Table 10-1 shows the four combinations of local and global products and brands in matrix form. Each represents a different strategy; a global company can use one or more strategies as appropriate. Some global companies pursue strategy 1 by developing local products and brands for individual country or regional markets. Coca-Cola makes extensive use of this strategy: Its Georgia canned coffee in Japan is one example. Coca-Cola's flagship cola brand is an example of strategy 4. In South Africa, Coca-Cola markets Valpre brand bottled water (strategy 2). The global cosmetics industry makes extensive use of strategy 3: The marketers of Chanel, Givenchy, Clarins, Guerlain, and other leading cosmetics brands create different formulations for different regions of the world. However, the brand name and the packaging may be uniform everywhere.

Global Brand Development

Table 10-2 shows global brands ranked in terms of their economic value as determined by analysts at the Interbrand consultancy and Citigroup. To be included in the rankings, the brand has to generate approximately one-third of sales outside the home country; brands owned by privately held companies, such as Mars, are not included. Not surprisingly, technology giants Apple and Google occupy the top two spots. Coincidentally, Google also ranked number 3 in the 2017 Global Brand Simplicity Index compiled by Siegel+Gale; German discounter Aldi topped the rankings.[23]

The rankings show that strong brand management is being practiced by companies in a wide range of industries, from consumer packaged goods to electronics to automobiles. But even top brands have their ups and downs: When the 2012 rankings were released, Nokia had dropped out of the top 10. When he was president and CEO of Nokia, Stephen Elop partnered with Microsoft to develop a new generation of smartphones. Despite that collaboration, in the 2014 rankings, Nokia dropped out of the top 25 (see Exhibit 10-4). Following Microsoft's purchase of Nokia's Devices and Services business, Elop was named executive vice president of Microsoft Devices Group. HMD Global group is currently the owner of the Nokia smartphone brand.

Developing a global brand is not always an appropriate goal. As David Aaker and Erich Joachimsthaler note in the *Harvard Business Review*, managers who seek to build global brands must consider whether such a move fits well with their company or their markets. First, those managers must realistically assess whether anticipated scale economies will actually materialize.

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

TABLE 10-2 The World's Most Valuable Brands

Rank	Value ($ millions)	Rank	Value ($ millions)
1. Apple	184,154	14. Disney	40,772
2. Google	141,703	15. Intel	39,459
3. Microsoft	79,999	16. Cisco	31,930
4. Coca-Cola	69,733	17. Oracle	27,466
5. Amazon	64,796	18. Nike	27,021
6. Samsung	56,249	19. Louis Vuitton	22,919
7. Toyota	50,291	20. Honda	22,696
8. Facebook	48,188	21. SAP	22,635
9. Mercedes	47,829	22. Pepsi	21,491
10. IBM	46,829	23. H&M	20,488
11. GE	44,208	24. Zara	18,573
12. McDonald's	41,533	25. IKEA	18,472
13. BMW	41,521		

Source: Adapted from "Best Global Brands: 2017 Rankings," www.bestglobalbrands.com/2017/ranking/ (accessed March 1, 2018).

Second, they must recognize the difficulty of building a successful global brand team. Finally, managers must be alert to instances in which a single brand cannot be imposed on all markets successfully. Aaker and Joachimsthaler recommend that companies place a priority on creating strong brands in *all* markets through **global brand leadership**:

> Global brand leadership means 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.[24]

"People love the Uber product. They don't necessarily love the brand."[25]

Bozoma Saint John, chief brand officer, Uber

Mars Inc. confronted the global brand issue with its chocolate-covered caramel bar that was sold under a variety of national brand names, such as Snickers in the United States and Marathon in the United Kingdom. Management decided to transform the candy bar—already a global product—into a global brand. This decision entailed some risk, such as the possibility that consumers in the United Kingdom would associate the name Snickers with knickers, the British slang for a woman's undergarment. Mars also changed the name of its successful European chocolate biscuit from Raider to Twix, the same name used in the United States. In both instances, having a single brand name gave Mars the opportunity to leverage all of its product communications across national boundaries.

Exhibit 10-4 Annual global cellphone sales have passed the 1 billion units mark. Now, faced with saturated markets in the West, HMD Global, owner of the Nokia smartphone brand, and its competitors are looking to emerging markets for new customers. Robust economic growth and rising incomes mean that consumers in China, India, and other emerging markets can buy cellphones as status symbols. Many users are upgrading to new handsets with fashionable designs and the latest features, including myriad apps, wireless charging, and dual cameras.

Source: Jing Wei-Imaginechina/Associated Press.

Managers were forced to think globally about the positioning of Snickers and Twix—something that they had not been obliged to do when the candy products were marketed under different national brand names. The marketing team rose to the challenge; as Lord Saatchi described it:

> Mars decided there was a rich commercial prize at stake in ownership of a single human need: hunger satisfaction. From Hong Kong to Lima, people would know that Snickers was "a meal in a bar." Owning that emotion would not give them 100 percent of the global confectionery market but it would be enough. Its appeal would be wide enough to make Snickers the number-one confectionery brand in the world, which it is today.[26]

Table 10-3 lists the names of several global brands and describes the strategy behind the names.

The following six guidelines can assist marketing managers in their efforts to establish global brand leadership:[27]

1. Create a compelling value proposition for customers in every market entered, beginning with the home-country market. A global brand begins with this foundation of value.
2. Before taking a brand across borders, think about all elements of brand identity and select names, marks, and symbols that have the potential for globalization. Give special attention to the Triad and BRICS nations.
3. Develop a company-wide communication system to share and leverage knowledge and information about marketing programs and customers in different countries.
4. Develop a consistent planning process across markets and products. Make a process template available to all managers in all markets.
5. Assign specific responsibility for managing branding issues to ensure that local brand managers accept global best practices. This can take a variety of forms, ranging from a business management team or a brand champion (led by senior executives) to a global brand manager or brand management team (led by middle managers).
6. Execute brand-building strategies that leverage global strengths and respond to relevant local differences.

Coke is perhaps the quintessential global product and global brand. Coke relies on similar positioning and marketing in all countries; it projects a global image of fun, good times, and enjoyment. The product itself, though, may vary to suit local tastes; for example, Coke increased the sweetness of its beverages in the Middle East, where customers prefer a sweeter drink. Also, prices may vary to suit local competitive conditions, and the channels of distribution may differ. In 2009,

TABLE 10-3 Where Did That Name Come From?

Company Name/HQ Country	History Behind the Name
Aldi (Germany)	"**Al**brecht **Di**scount," named for the two brothers who founded the company.
Alfa (Italy)	"Anonima Lombarda Fabbrica Automobili"
Alibaba (China)	"Everybody knows the story of Alibaba. He's a young man who is willing to help others."
Fiat (Italy)	"Fabbrica Italiana Automobil Torino"
Haribo (Germany)	**Ha**ns **Ri**egel Sr., **Bo**nn, named for the founder and the city where he lived.
IKEA (Sweden)	"**I**ngvar **K**amprad **E**lmtaryd **A**gunnaryd," named for founder's initials; the farm where he grew up; and name of hometown.
Kering (France)	Luxury goods firm formerly known as PPR. "Ker" means "home" in Brittany; "Kering" is pronounced like "caring" in English; name change intended to "soften company's image."
LEGO (Denmark)	"***Le**g **go**dt*" means "play well" in Danish.
Rimowa (Germany)	**Ri**chard **Mo**rszeck **Wa**renzichen; Richard is son of company founder Paul Morszeck
TOMS (USA)	Founder Blake Mycoskie shortened the name from "Shoes for a Better Tomorrow" and "Tomorrow's Shoes."

EMERGING MARKETS BRIEFING BOOK

China Gives Buick a New Lease on Life

GM's experience at home and abroad provides a good example of how a company's brand strategy must be adapted to cultural realities as well as the changing needs of the market. For example, in the 1990s GM was vying for the right to build a sedan in China. Company executives gave Chinese officials gifts from Tiffany's in the jeweler's signature blue boxes. However, the Americans replaced Tiffany's white ribbons with red ones: They recognized that red is considered a lucky color in China and white has negative connotations.

GM ultimately won government approval of its proposal and was given the opportunity to produce Buick sedans for government and business. Why was the Buick nameplate chosen from among GM's various vehicle brands? In an interview with *Fortune*, former GM CEO Rick Wagoner explained that the Chinese have a straightforward negotiation style. The Chinese wanted Buick; the American company suggested one of its global nameplates. The Chinese were adamant, saying, "We'd like you to use Buick." The Americans agreed, and a deal was struck.

Back at home, Buick's image has been in decline for decades. The average Buick buyer is 61 years old; this demographic stands in marked contrast to that served by, say, Volvo, whose average buyer is only 50. Buick was once a popular aspirational brand among American drivers; one advertising tagline asked, "Wouldn't you really rather have a Buick?" The line was designed to motivate a Ford owner to take a step up in class by choosing a Buick LeSabre or Riviera. Another headline read, "Want the Big buy for Big families?"

Unfortunately, by the mid-1980s, Buick had fallen victim to corporate consolidation and cost cutting. The resulting design and engineering overlap meant that some car buyers found it difficult to distinguish among models from GM's different divisions. A case in point: The Riviera, the Oldsmobile Toronado, and the Cadillac Eldorado were all very similar. Even the breakthrough design of the 1995 Riviera could not breathe new life into the brand; despite rave reviews (*Autoweek* said the new design was "bound to make waves in the luxury coupe segment"), the Riviera model itself was retired in 1999.

By 2009, Buick's Chinese sales totaled 450,000, more than four times the U.S. sales figure. Moreover, the typical Buick owner in China is 35 years old. These facts help explain why the Buick nameplate is still in production. When the U.S. government took control of GM, it pressured GM chief Fritz Henderson to terminate Buick. Thanks to the brand's popularity in China, it was given a reprieve. Meanwhile, GM has phased out Oldsmobile, Pontiac, and Saturn. One auto analyst summarized the situation by noting, "In China, GM has played a local strategy. They left the people running Buick alone, and they were extremely successful in building the brand there."

Now the task facing the company's American marketing managers is to revitalize the Buick brand at home. New models such as the midsized Regal and the Verano compact sedan are integral to that effort. The Regal is built in Germany, and some early print ads positioned it as having European roots. For example, one ad suggested, "Listen closely and you might detect a German accent." As Craig Bierley, advertising and promotions director, told *Financial Times*, "The goal is about expanding the audience for the brand. Germany automatically says 'sports sedan' to people." In summer 2016, the Buick Envision, a midsize SUV, was launched in the United States. It is sure to be a case study in Buick's global strategy, for one simple reason: The Envision is the first Chinese-assembled mass-market vehicle sold in the United States (see Exhibit 10-5).

Sources: James R. Healey, "Buick Tries to Buff Away Its Image as Inefficient Carmaker," *USA Today* (June 22, 2012), pp. 1B, 2B; Sharon Terlep, "GM Seeks Sway in China," *The Wall Street Journal* (April 19, 2012), pp. B1, B2; Bernard Simon, "Out with the Old," *Financial Times* (October 18, 2010); Jens Meiners, "Chinese Takeout," *Car and Driver* (October 2010), pp. 31–32; John D. Stoll, "East Meets West," *The Wall Street Journal* (June 23, 2008), p. R5; Alex Taylor III, "China Would Rather Have Buicks," *Fortune* (October 4, 2004), p. 98; Matt DeLorenzo, "Cruising in Style," *Autoweek* (December 6, 1993), pp. 13–14.

Exhibit 10-5 GM's Buick brand is one of the top-selling nameplates in China. Overall, the Buick Division sold 1.4 million vehicles in 2017. In China, seven new Buick models launched in 2017 helped keep sales running at a brisk pace. This photo shows United States-bound Buick Envision SUVs ready to be loaded at a Chinese port.
Source: VCG/Getty Images.

Coke adopted the global advertising theme "Open Happiness." The previous slogan, "The Coke Side of Life," was also global but required adaptation in emerging markets such as Russia and China.[28] In 2016, Coke replaced "Open Happiness" with a new global tagline, "Taste the Feeling."

Summing up, the basic, underlying strategic principles that guide the management of the brand are the same worldwide. The issue is not exact uniformity but rather a more subtle question: Are we offering *essentially* the same product and brand promise? As discussed in the next few chapters, other elements of the marketing mix—for example, price, communications appeal and media strategy, and distribution channels—may vary as well.

10-3 A Needs-Based Approach to Product Planning

10-3 Explain how Maslow's needs hierarchy helps global marketers understand the benefits sought by buyers in different parts of the world.

Coca-Cola, McDonald's, Singapore Airlines, Mercedes-Benz, and Sony are a few of the companies that have transformed local products and brands into global ones. The essence of marketing is finding needs and filling them. **Maslow's needs hierarchy**—a staple of sociology and psychology courses—provides a useful framework for understanding how and why local products and brands can be extended beyond home-country borders. Maslow proposed that people's desires can be arranged into a hierarchy of five needs.[29] As an individual fulfills needs at each level, he or she progresses to higher levels (Figure 10-1). At the most basic level of human existence, physiological and safety needs must be met. People need food, clothing, and shelter, and a product that meets these basic needs has potential for globalization.

Of course, the basic human need to consume food and drink for nutrition is not the same thing as wanting or preferring a Big Mac or a Coke. Before the Coca-Cola Company and McDonald's conquered the world, they built their brands and business systems at home. Because their products fulfilled basic human needs and because both companies are masterful marketers, they were able to cross geographic boundaries and build global brand franchises. At the same time, Coca-Cola and McDonald's have learned from experience that some food and drink preferences—China is a case in point—remain deeply embedded in culture.[30] Responding to those differences has meant creating local products and brands for particular country markets. Sony has prospered for a similar reason. Audio and video entertainment products fulfill important social functions. Throughout its history, Sony's corporate vision has called for developing new products, such as the transistor radio and the Walkman personal stereo, that fulfill the need for mobile entertainment.

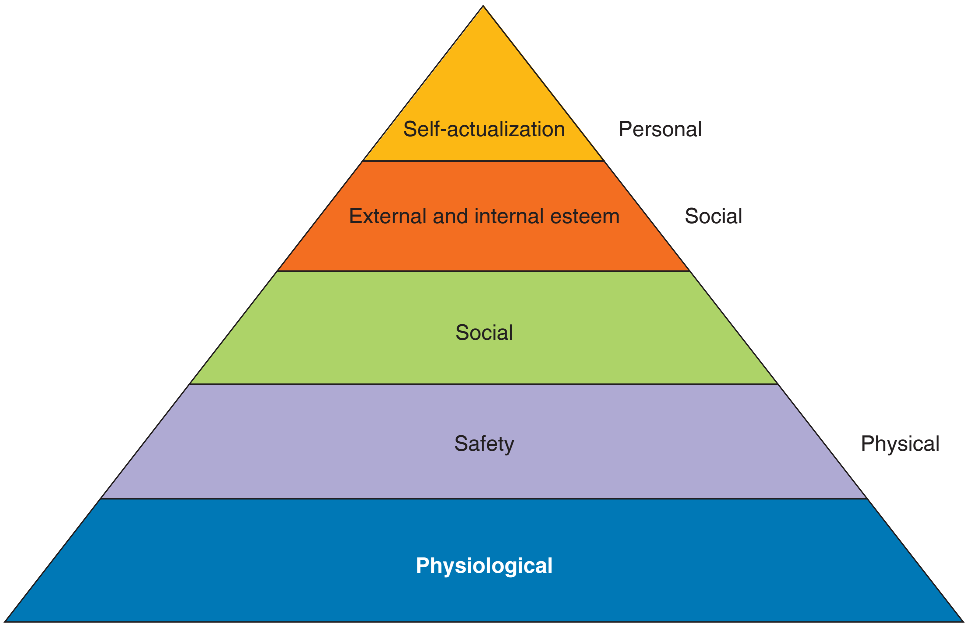


FIGURE 10-1 Maslow's Hierarchy of Needs

Source: A. H. Maslow, "A Theory of Human Motivation," in *Readings in Managerial Psychology*, Harold J. Levitt and Louis R. Pondy, eds. (Chicago, IL: University of Chicago Press, 1964), pp. 6–24. Original—*Psychological Review* 50 (1943).

Mid-level needs in Maslow's hierarchy of needs include self-respect, self-esteem, and the esteem of others. These social needs, which can create a powerful internal motivation driving demand for status-oriented products, cut across the various stages of country development. Gillette's Alfred Zeien understood this point quite well. Marketers in Gillette's Parker Pen subsidiary are confident that consumers in Malaysia and Singapore shopping for an upscale gift will buy the same Parker pen as Americans shopping at Neiman Marcus. "We are not going to come out with a special product for Malaysia," Zeien has said.[31] In Asia today, young women are taking up smoking as a status symbol—and showing a preference for Western brands such as Marlboro. At the same time, those smokers' needs and wants may be tempered by economic circumstances. Recognizing this reality, companies such as BAT create local brands that allow individuals to indulge their desire or need to smoke at a price they can afford to pay.

Luxury goods marketers are especially skilled at catering to esteem needs on a global basis. Rolex, Louis Vuitton, and Dom Perignon are just a few of the global brands that consumers buy in an effort to satisfy esteem needs. Some consumers flaunt their wealth by buying expensive products and brands that others will notice—a behavior referred to as *conspicuous consumption* or *luxury badging*. Any company with a premium product or brand that has proved itself in a local market by fulfilling esteem needs should consider devising a strategy for taking the product global.

Products can fulfill different needs in different countries. Consider the refrigerator as used in industrialized, high-income countries. The *primary function* of the refrigerator in these countries is related to basic needs as fulfilled in that society: storing frozen foods for extended periods; keeping milk, meat, and other perishable foods fresh between car trips to the supermarket; and making ice cubes.

In lower-income countries, by contrast, frozen foods are not widely available and homemakers shop for food daily, rather than weekly. In these markets, people are reluctant to pay for unnecessary features such as icemakers, because they are perceived as luxuries that require high income levels to support. The function of the refrigerator in a lower-income country is to store small quantities of perishable food for one day and to store leftovers for slightly longer periods. Because the needs fulfilled by the refrigerator are limited in these countries, a relatively small refrigerator is quite adequate.

In some developing countries, refrigerators have an important *secondary purpose* related to higher-order needs: They fulfill a need for prestige. In these countries, there is demand for the largest model available, which is prominently displayed in the living room rather than hidden in the kitchen (see Exhibit 10-6).

"For Asians, face is very important, so you have to show you are up to date with the latest available product."[32]

Alan Chang, View Sonic (Taiwan), explaining the popularity of flat-panel TVs in Japan

Today, some Indian companies are developing innovative new products that the country's poorest consumers can afford. For example, one company has created the Little Cool refrigerator. Selling for the equivalent of $70, the device is small and portable. It has only 20 parts, about one-tenth the number of parts that are found in conventional full-sized units.

Hellmut Schütte has proposed a modified hierarchy to explain the needs and wants of Asian consumers (see Figure 10-2).[33] Although the two lower-level needs are the same as in the traditional hierarchy, the three highest levels emphasize social needs. *Affiliation needs* in Asia are satisfied when an individual has been accepted by a group. In keeping with these needs, conformity with group norms becomes a key force driving consumer behavior. For example, when a cool new cell phone hits the market, every teenager who wants to fit in buys one. Understanding this drive, managers at Japanese companies develop local products specifically designed to appeal to teens. The next level is *admiration*, a higher-level need that can be satisfied through acts that command respect within a group.

"Every Chinese person has an iPhone now, even cooks and cleaners, so if rich people want to show their status, the best way is with an expensive toilet."[34]

Andy Yang, Ikahe Sanitary Ware, a subsidiary of Chinese manufacturer Megmeet, which makes a $2,000 smart toilet

At the top of the Asian hierarchy is *status*, the esteem of society as a whole. In part, attainment of high status is character driven, but the quest for status also leads to luxury badging. Support for Schütte's contention that status is the highest-ranking need in the Asian hierarchy can be seen in the geographic breakdown of the more than $200 billion global luxury goods market: Fully 20 percent of industry sales are generated in Japan alone, with another 22 percent of sales occurring in the rest of the Asia-Pacific region. Nearly half of all sales revenues of Italy's Gucci Group are generated in Asia.

Exhibit 10-6 The growth of the middle class in Vietnam, Mexico, and other emerging markets represents an opportunity for Kohler. The company's modern bath and shower suites appeal to aspirational consumers.
Source: Kohler Co.

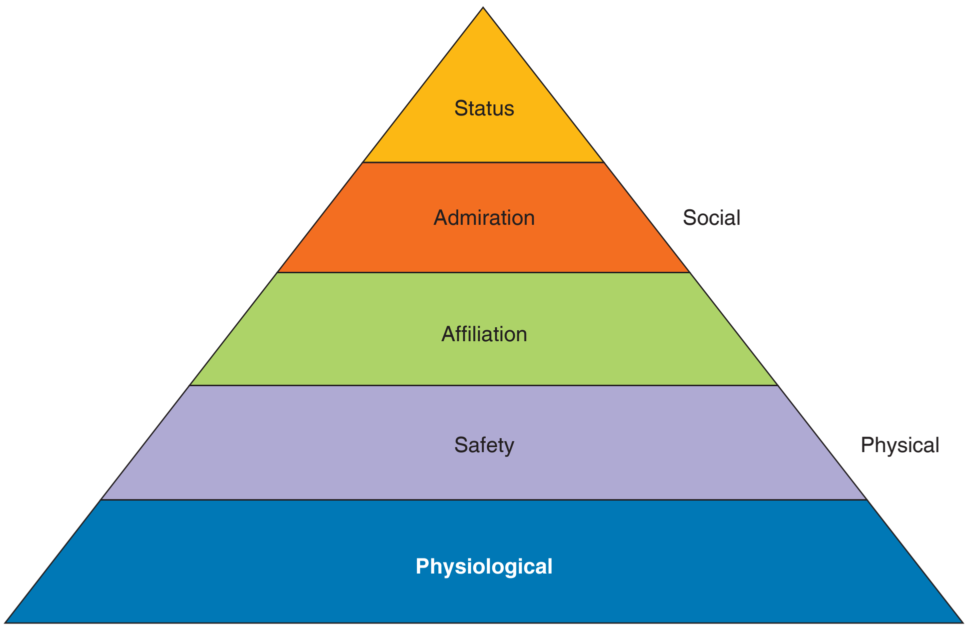


FIGURE 10-2 Maslow's Hierarchy: The Asian Equivalent

10-4 Outline the importance of "country of origin" as a brand element.

10-4 "Country of Origin" as a Brand Element

One of the facts of life in global marketing is that perceptions of and attitudes toward particular countries often extend to products and brands known to originate in those countries. Such perceptions contribute to the **country-of-origin effect**; they become part of a brand's image and contribute to brand equity. This is particularly true for automobiles, electronics, fashion, beer, recorded music, and certain food products.

Perceptions and attitudes about a product's origins can be either positive or negative. On the positive side, as one marketing expert pointed out in the mid-1990s, "'German' is synonymous with quality engineering, 'Italian' is synonymous with style, and 'French' is synonymous with chic."[36] Why is this still true today, especially in emerging markets? As Diego Della Valle, CEO of Italian luxury goods marketer Tod's, explains:

> "Made in Italy" will retain its luster because it is still the maximum guarantee of high quality for products such as ours. Like the French for perfume, the Swiss for watches. The Chinese do not want to buy "Made in China."[37]

"China is complex and becoming more so. But 'Made in Germany' still carries great appeal here and if you prepare seriously, there are few limits to what you can achieve."[35]

Christian Sommer, German Centre for Industry and Trade

The manufacturing reputation of a particular country can change over time. Studies conducted during the 1970s and 1980s indicated that the "Made in the USA" image had lost ground to the "Made in Japan" image. Today, however, U.S. brands are finding renewed acceptance globally. Examples include the Jeep Cherokee, clothing from Lands' End and American Apparel, and Budweiser beer, all of which are being successfully marketed with strong "USA" themes. Even so, companies must be able to back up their "Made in the USA" claims. For example, Shinola, a manufacturer based in Detroit, used the slogan "Where America is made" and "Made in Detroit" in its watch advertising. As it turns out, however, the watches are assembled in the United States from imported components. The United States Federal Trade Commission ruled that the company would have to amend its slogan to read "Built in Detroit using Swiss and imported parts."

Finland is home to Nokia, the one-time leader in cell phones that now focuses on telecommunications equipment. Nokia rose in stature from a local company to a global one in little more than a decade. However, as brand strategy expert Simon Anholt points out, other Finnish companies need to move quickly to capitalize on Nokia's success if Finland is to become a valuable nation-brand. For example, Raisio Oy's Benecol brand margarine has been shown to lower cholesterol levels. If large numbers of health-conscious consumers around the world embrace so-called nutraceutical products, Raisio and Benecol may become well-known brands and further raise Finland's profile on the global scene. Anholt also notes that Slovenia and other countries are "launch brands," in the sense that they lack centuries of tradition and foreign interaction upon which to build their reputations (see Exhibit 10-7):

I FEEL SLOVENIA

Exhibit 10-7 Countries, like products, can be branded and positioned. For example, Slovenia recently launched an integrated brand image campaign that will be used by a variety of governmental and nongovernmental organizations. "Slovenian green" is the dominant color in the new logo. As the Government Communication Office explains, "It refers to the natural balance and calm diligence of Slovenes. One can feel Slovenia through the smell of the forest, the rushing of the creek, the fresh taste of water and the softness of wood. . . . "

Source: Embassy of the Republic of Slovenia.

> For a country like Slovenia to enhance its image abroad is a very different matter than for Scotland or China. Slovenia needs to be launched: Consumers around the world first must be taught where it is, what it makes, what it has to offer, and what it stands for. This in itself represents a powerful opportunity: The chance to build a modern country brand, untainted by centuries of possibly negative associations.[38]

Since the mid-1990s, the "Made in Mexico" image has gained in stature as local companies and global manufacturers have established world-class manufacturing plants in Mexico to supply world demand. For example, Ford, GM, Nissan, Volkswagen, and other global automakers have established Mexican operations that produce nearly 2 million vehicles per year, three-fourths of which are exported.[39] Similarly, consumer attitudes toward "Made in Japan" have come a long way since the mid-1970s. What about "Made in China" or "Made in India"? China and India take great pride in their manufacturing capabilities but, generally speaking, consumer perception lags behind the reality. They face quite a challenge in shaping their brands: How do you change that image?[40]

In some product categories, foreign products have a substantial advantage over their domestic counterparts simply because of their "foreign-ness." Global marketers, in turn, recognize that they can capitalize on that situation by charging premium prices. The import segment of the beer industry is a case in point. In one study of American attitudes toward beer, subjects who were asked to taste beer with the labels concealed indicated a preference for domestic beers over imports. The same subjects were then asked to indicate preference ratings for beers in an open test with labels attached. In this test, the subjects preferred imported beer. Conclusion: The subjects' perceptions were positively influenced by the knowledge they were drinking an import. In 1997, thanks to a brilliant marketing campaign, Grupo Modelo's Corona Extra surpassed Heineken as the best-selling imported beer in America. With distribution in 150 countries, Corona is a textbook example of a local brand that has been built into a global powerhouse.

> **"Consider labels such as 'Made in Brazil' and 'Made in Thailand.' Someday they may be symbols of high quality and value, but today many consumers expect products from those countries to be inferior."[42]**
>
> Christopher A. Bartlett and Sumantra Ghoshal

Scotland provides an interesting case study of a country that enjoys strong brand equity but is somewhat misunderstood. A study titled "Project Galore" was undertaken to discover which aspects of Scotland's equity could be leveraged for commercial advantage. Among other things, the researchers learned that high-quality goods and services such as whisky, wool, salmon, and golf courses were perceived as Scotland's core industries. In fact, Scotland's top export category is information technology! The researchers created a perceptual map that identified Scotland's four key values: integrity, tenacity, inventiveness, and spirit.[41] Similarly, other regions, countries, and cities use a variety of marketing tools to promoting business and economic development (see Exhibit 10-8).

Exhibit 10-8 Las Cruces, New Mexico, is home to Spaceport America. From here, Virgin Galactic will offer civilian space flight services. Economic development managers for the City of Las Cruces devise marketing campaigns to attract individuals and organizations to the area by offering "Mountains of Opportunity."
Source: City of Las Cruces.

10-5 List the five strategic alternatives that marketers can utilize during the global product planning process.

10-5 Extend, Adapt, Create: Strategic Alternatives in Global Marketing

To capitalize on opportunities outside the home country, company managers must devise and implement appropriate marketing programs. Depending on organizational objectives and market needs, a particular program may consist of extension strategies, adaptation strategies, or a combination of the two. A company that has developed a successful local product or brand can implement an **extension strategy** that calls for offering a product virtually unchanged (i.e., "extending" it) in markets outside the home country. A second option, known as an **adaptation strategy**, involves changing elements of design, function, or packaging in response to needs or conditions in particular country markets. Such a product strategy can be used in conjunction with extension or adaptation communication strategies. For example, this type of strategic decision faces executives at a company like Starbucks, who build a brand and a product/service offering in the home-country market before expanding into global markets. A third strategic option, **product invention**, entails developing new products "from the ground up" with the world market in mind.

Laws and regulations in different countries frequently lead to obligatory product design adaptations. This mandate may be seen most clearly in Europe, where one impetus for the creation of the single market was the desire to dismantle regulatory and legal barriers that prevented pan-European sales of standardized products. In particular, technical standards and health and safety standards created obstacles to marketing of such products. In the food industry, for example, there were 200 legal and regulatory barriers to cross-border trade within the European Union in 10 food categories. Among these were prohibitions or taxes on products with certain ingredients and different packaging and labeling laws. As these barriers are dismantled, there will be less need to adapt product designs, and many companies will be able to create standardized "Euro-products."

Despite the trend toward convergence in Europe, many product standards that remain on the books have not been harmonized. This situation can create problems for companies not based in EU member countries. For example, Dormont Manufacturing—appropriately based in Export, Pennsylvania—makes hoses that hook up to deep-fat fryers and similar appliances used in the food industry. Dormont's gas hose is made of stainless-steel helical tubing with no covering. British industry requirements call for galvanized metal annular tubing and a rubber covering; Italian regulations specify stainless-steel annular tubing with no covering. The cost of complying with these regulations effectively shuts Dormont out of the European market.[43]

Moreover, the European Commission continues to set product standards that force many non-EU companies to adapt their product or service offerings to satisfy domestic market regulations. For example, consumer safety regulations mean that McDonald's cannot include soft plastic toys in its Happy Meals in Europe. Microsoft has been forced to modify contracts with European software makers and Internet service providers to ensure that EU-based consumers have access to a wide range of technologies. The commission has also set stringent guidelines on product content as it affects recyclability. As Maja Wessels, a Brussels-based lobbyist for United Technologies Corporation (UTC), noted, "Twenty years ago, if you designed something to U.S. standards you could pretty much sell it all over the world. Now the shoe's on the other foot." Engineers at UTC's Carrier division have redesigned the company's air conditioners to comply with pending European recycling rules, which are tougher than U.S. standards.[44]

As noted in Chapter 1, the extension/adaptation/creation decision is one of the most fundamental issues addressed by a company's global marketing strategy. Although it pertains to all elements of the marketing mix, extension/adaptation is of particular importance in product and communications decisions. Earlier in the chapter, Table 10-1 displayed product and brand strategic options in matrix form. Figure 10-3 expands on those options: All aspects of promotion and communication—not just branding—are considered. Figure 10-3 shows four strategic alternatives available to Starbucks or any other company seeking to expand from its domestic base into new geographic markets.

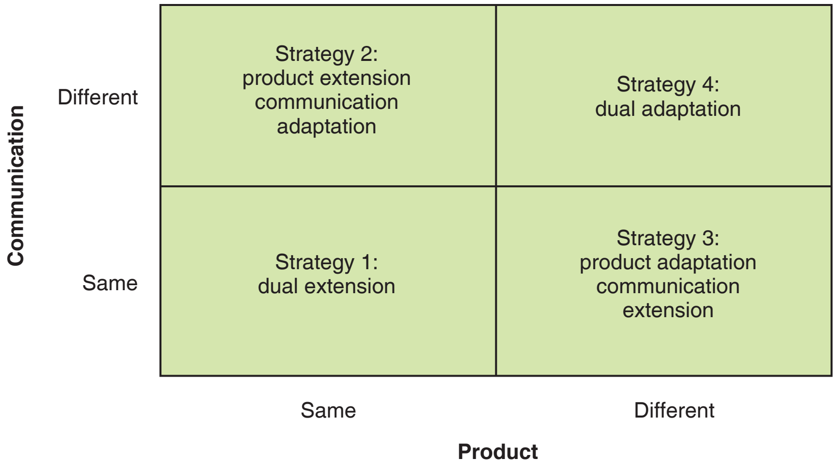


FIGURE 10-3 Global Product Planning: Strategic Alternatives

Companies in the international, global, and transnational stages of development all employ extension strategies. The critical difference is one of execution and mind-set. In an international company, for example, the extension strategy reflects an ethnocentric orientation and the *assumption* that all markets are alike. A global company such as Gillette does not fall victim to such assumptions; the company's geocentric orientation allows it to thoroughly understand its markets and consciously take advantage of similarities in world markets. Likewise, a multinational company utilizes the adaptation strategy because of its polycentric orientation and the assumption that all markets are different. By contrast, the geocentric orientation of managers and executives in a global company has sensitized them to actual, rather than assumed, differences between markets. The key, as one executive has noted, is to avoid being either "hopelessly local" or "mindlessly global."

Strategy 1: Product-Communication Extension (Dual Extension)

Many companies employ the **product-communication extension** strategy when pursuing global market opportunities. Under the right conditions, this is a very straightforward marketing strategy; it can be the most profitable approach as well. Companies pursuing this strategy sell the same product with essentially no adaptation, using the same advertising and promotional appeals used domestically, in two or more country markets or segments. For this strategy to be effective, the advertiser's message must be understood across different cultures, including those in emerging markets. Examples of the dual-extension strategy include the following:

- Apple launched its iPhone in the United States in mid-2007. In the following months, this product was gradually rolled out in several more markets, including France and the United Kingdom. When Apple brought its second-generation iPhone to market 1 year later, it was launched in 21 countries simultaneously.
- Henkel KGaA markets its Loctite-brand family of adhesive products globally using the dual-extension strategy (see Exhibit 10-9). The company's various lines—including medical adhesives and threadlockers—bear the Loctite brand name. Ads also include the Henkel corporate logo.

As a general rule, extension/standardization strategies are utilized more frequently with industrial (business-to-business) products than with consumer products. The reason is simple: Industrial products tend to be less deeply rooted in culture than are consumer goods. But if this is so, how can Apple—the consummate consumer brand—utilize the dual-extension strategy to such good effect? One explanation is that, as discussed in Chapter 7, the brand's high-tech, high-touch image lends itself to global consumer culture positioning.

Exhibit 10-9 Germany's Henkel is a global company that markets industrial and consumer products in three main categories: adhesives; laundry and home care; and beauty. The Loctite family of adhesives and sealants has a wide range of applications in the home as well as in medical and industrial settings. Henkel's portfolio also includes such popular consumer brands as Right Guard, Dial, Persil, and Purex.
Source: Henkel Corporation.

As these examples show, technology companies and industrial goods manufacturers should be especially alert to dual-extension possibilities. However, Henkel also markets hundreds of other glues, detergents, and personal-care products with different formulas and different brand names. Speaking about Loctite, former Henkel CEO Ulrich Lehner explained, "There aren't many products like that. Usually, you have to adapt to local tastes. You have to balance between local insight and centralized economies of scale. It's a constant battle."[45] Henkel's Persil brand laundry detergent is a case in point. Although the Persil name is used in more than two dozen countries, the same detergent is marketed as Dixan in Greece, Italy, and Cyprus. Wipp is the name used in Spain and China; in other markets, variants include Nadhif and Fab.

Strategy 2: Product Extension–Communication Adaptation

In some instances, a product or brand can be successfully extended to multiple country markets with some modification of the communication strategy. Research may have revealed that consumer perceptions about one or more aspects of the value proposition are different from country to country. It may also turn out that a product fills a different need, appeals to a different segment, or serves a different function in a particular country or region. Whatever the reason, extending the product while adapting the marketing communications program may be the key to market success. The appeal of the **product extension–communication adaptation** strategy is its relatively low cost of implementation. Because the product itself is unchanged, the company avoids additional expenditures for research and development (R&D), manufacturing setup, and inventory. Instead, the biggest costs associated with this approach stem from researching the market and revising advertising, sales promotion efforts, point-of-sale material, and other communication elements as appropriate.

Consider the following examples of product extension–communication adaptation:

- In Hungary, Slovakia, and other Central European countries, SABMiller positions Miller Genuine Draft as an international lifestyle brand (GCCP) rather than an American brand (foreign consumer culture positioning [FCCP]). The communication adaptation strategy was chosen after focus group research showed that many Europeans have a low regard for American beer.[46]
- Before executives at Ben & Jerry's Homemade launched their ice cream in the United Kingdom, the company conducted extensive research to determine whether the package design effectively communicated the brand's "super-premium" position. The research indicated that British consumers perceived the colors differently than U.S. consumers do. The package design was then changed, and Ben & Jerry's was launched successfully in the UK market.

- To promote its Centrino wireless chip, Intel launched a global ad campaign that features different combinations of celebrities. In print, TV, and online ads, one of the celebrities sits on the lap of a mobile computer user. The celebrities—including comedian John Cleese, actress Lucy Liu, and skateboard king Tony Hawk—were chosen because they are widely recognized in key world markets.[47]
- In the United States, Sony's TV ads for its Bravia high-definition TVs encourage viewers to log onto the Internet and choose different endings. In Europe, the ads are completely different: They feature bright images such as colored balls bouncing in slow motion. As Mike Fasulo, chief marketing officer at Sony Electronics, explains, "Consumer adoption as well as awareness of high-definition products, including our line of Bravia televisions, differs dramatically from region to region."[48]
- Targeting the 300 million farmers in India who still use plows harnessed to oxen, John Deere engineers created a line of relatively inexpensive, no-frills tractors. The Deere team then realized that the same equipment could be marketed to hobby farmers and acreage owners in the United States—a segment that the company had previously overlooked.[49]

Marketers of premium American bourbon brands such as Wild Turkey have found that images of Delta blues music, New Orleans, and Route 66 appeal to upscale drinkers outside the United States. However, images that stress bourbon's rustic, backwoods origins do not necessarily appeal to Americans. As Gary Regan, author of *The Book of Bourbon*, has noted, "Europeans hate Americans when they think of them as being the policemen of the world, but they love Americans when they think about blue jeans and bourbon and ranches."[51]

"I can think of very few truly global ads that work. Brands are often at different stages around the world, and that means there are different advertising jobs to do."[50]

Michael Conrad, chief creative officer, Leo Burnett Worldwide

Likewise, Jägermeister schnapps is marketed differently in different key country markets. Chief executive Hasso Kaempfe believes that a diversity of images has been a key element in the success of Jägermeister outside of Germany, where the brown, herb-based concoction originated. In the United States, Jägermeister was "discovered" in the mid-1990s by the college crowd. In turn, Kaempfe's marketing team has capitalized on the brand's cult status by hiring "Jägerettes," girls who pass out free samples; the company's popular T-shirts and orange banners are also distributed at rock concerts. By contrast, in Italy, the brand's second-largest export market, Jägermeister is considered an up-market digestive to be consumed after dinner. In Germany, Austria, and Switzerland, where beer culture predominates, Jägermeister and other brands of schnapps have more traditional associations as a remedy for coughs and stomachaches, or as a "morning after" elixir.[52]

Jägermeister is an example of **product transformation**: The same physical product ends up serving a different function or use than that for which it was originally designed or created. In some cases, a particular country or regional environment will allow local managers a greater degree of creativity and risk taking when approaching the communication task.

Strategy 3: Product Adaptation–Communication Extension

A third approach to global product planning is to adapt the product to local use or preference conditions while extending, with minimal change, the basic home-market communications strategy or brand name. This third strategy option is known as **product adaptation–communication extension**. For example:

- For many years, Ford sold the Escort, Focus, and other nameplates worldwide, though the vehicles themselves often varied from region to region. In 2010, Ford launched a new Focus model in the United States that has 80 percent shared content with the European Focus. The 20 percent adapted content reflects regulations such as bumper crash test standards.[53]
- When Kraft Foods launched Oreo-brand cookies in China in 1996, it used a product extension approach. Following several years of flat sales, Kraft's in-country marketing team launched a research study, which alerted the team to the fact that Oreos were too sweet for the Chinese palate and that the price—14 cookies for 72 cents—was too high. Oreos were then reformulated as a less-sweet, chocolate-covered, four-layer

wafer filled with vanilla and chocolate cream. Packages of the new wafer Oreo contain fewer cookies but sell for about 29 cents. Today, Oreo is the best-selling cookie brand in China.[54]

Kraft's experience with Oreos in China illustrates the process of changing from a product extension to a product adaptation strategy when an extension strategy does not yield the desired results. Conversely, managers at Ford, faced with strong competition from Toyota, Honda, and other automakers, are now seeking alternatives to product adaptation. In 2008, Ford unveiled the latest version of its Fiesta. It is designed to be manufactured in high volumes—as many as 1 million units annually—that can be sold worldwide with minimal adaptation. As former Ford CEO Mark Shields explained, "This is a real shift point for us in that it's a real global car."[55]

Strategy 4: Product-Communication Adaptation (Dual Adaptation)

Some companies may utilize a **product-communication adaptation (dual adaptation)** strategy. As the name of this strategy implies, both the product and one or more promotional elements are adapted for a particular country or region. Sometimes marketers discover that environmental conditions or consumer preferences differ from country to country; the same may be true of the function a product serves or consumer receptivity to advertising appeals. In cases where country managers who have been granted considerable autonomy order adaptations, they may be simply exercising their power to act independently. If headquarters tries to achieve intercountry coordination, the result can be, in the words of one manager, "like herding cats."

Consider Unilever's use of dual adaptation strategies. Unilever's Italian country managers discovered that, although Italian women spend more than 20 hours each week cleaning, ironing, and doing other tasks, they are not interested in labor-saving conveniences. The final result—a really clean, shiny floor, for example—is more important than saving time. For the Italian market, Unilever reformulated its Cif brand spray cleaner to do a better job on grease; several different varieties were also rolled out, as were bigger bottles. Television commercials portray Cif as strong rather than convenient.[56]

In another product line, Unilever's Rexona deodorant once had 30 different package designs and 48 different formulations. Advertising and branding were also executed on a local basis.[57] In the case of Cif in Italy, managers had boosted sales by making product and promotion improvements based on business intelligence findings. By contrast, the multiple formulations of the Rexona brand were, for the most part, redundant and unnecessary. To address such issues, in 1999, Unilever initiated Path to Growth, a program designed to reduce country-by-country tinkering with product formulations and packaging.

As noted previously, the four strategy alternatives are not mutually exclusive. In other words, a company can simultaneously utilize different product-communication strategies in different parts of the world. For example, Nike has built a global brand by marketing technologically advanced, premium-priced athletic shoes in conjunction with advertising that emphasizes U.S.-style, in-your-face brashness and a "Just Do It" attitude. In the huge and strategically important China market, however, this approach had several limitations.

For one thing, Nike's "bad boy" image is at odds with ingrained Chinese values such as respect for authority and filial piety. As a general rule, Nike advertisements in China do not show disruption of harmony; this is due, in part, to a government that discourages dissent. Price was another issue: A regular pair of Nike shoes cost the equivalent of \$60–\$78, while average annual family income in China ranges from approximately \$200 in rural areas to \$500 in urban areas. In the mid-1990s, Nike responded to these factors by creating a shoe that could be assembled in China specifically for the Chinese market using less expensive material and sold for less than \$40. After years of running ads designed for Western markets by longtime agency Wieden & Kennedy, Nike hired Chinese-speaking art directors and copywriters working in WPP Group's J. Walter Thompson ad agency in Shanghai to create new advertising featuring local athletes; the ads were designed to appeal to Chinese nationalistic sentiments.[58]

Strategy 5: Innovation

Extension and adaptation strategies are effective approaches to many, but not all, global market opportunities. For example, they do not respond to markets where there is a need but not the purchasing power to buy either the existing product or an adapted product. Global companies are likely to encounter this situation when targeting consumers in India, China, and other emerging markets. When potential customers have limited purchasing power, a company may need to develop an entirely new product designed to address the market opportunity at a price point that is within the reach of the potential customer. The converse is also true: Companies in low-income countries that have achieved local success may have to go beyond mere adaptation by "raising the bar" and bringing product designs up to world-class standards if they are to succeed in high-income countries. **Innovation**, the process of endowing resources with a new capacity to create value, is a demanding but potentially rewarding product strategy for reaching mass markets in less-developed countries as well as important market segments in industrialized countries.

As an example of how innovation can be applied to meet the needs of low-income populations, consider two entrepreneurs, working independently, who recognized that millions of people around the globe need low-cost eyeglasses. Robert J. Morrison, an American optometrist, created Instant Eyeglasses. These glasses utilize conventional lenses, can be assembled in minutes, and sell for approximately $20 per pair. Joshua Silva, a physics professor at Oxford University, took a more high-tech approach and came up with glasses with transparent membrane lenses filled with clear silicone fluid. Using two manual adjusters, users can increase or decrease the power of the lenses by regulating the amount of fluid in them. Professor Silva is currently CEO of the Centre for Vision in the Developing World, whose mission is to sell low-cost, self-adjusting glasses in developing countries.[59]

An innovation strategy was also pursued by a South African company that licensed the British patent for a hand-cranked, battery-powered radio. The radio was designed by an English inventor responding to the need for radios in low-income countries. Consumers in these countries do not have electricity in their homes, and they cannot afford the cost of replacement batteries. His invention is an obvious solution to this problem: a hand-cranked radio. It is ideal for the needs of low-income people in emerging markets. Users simply crank the radio, and it will play for almost an hour on the charge generated by a short cranking session.

Sometimes manufacturers in developing countries that intend to go global also utilize the innovation strategy. For example, Thermax, an Indian company, had achieved great success in its domestic market with small industrial boilers. Engineers then developed a new design for the Indian market that significantly reduced the size of the individual boiler unit. The new design was not likely to succeed outside India, because the product's installation was complex and time-consuming. In India, where labor costs are low, relatively elaborate installation requirements are not an issue. The situation is different in higher-wage countries, where industrial customers demand sophisticated, integrated systems that can be installed quickly. The managing director at Thermax instructed his engineers to revise the design for the world market with ease of installation as a key attribute. The gamble paid off: Today, Thermax is one of the world's largest producers of small boilers.[60]

The winners in global competition are the companies that can develop products offering the most benefits and, in turn, creating the greatest value for buyers anywhere in the world. In some instances, value is not defined in terms of performance, but rather in terms of customer perception. Product quality is essential—indeed, it is frequently a given—but it is also necessary to support the product quality with imaginative, value-creating advertising and marketing communications. Most industry experts believe that a global appeal and a global advertising campaign are more effective in creating the perception of value than a series of separate national campaigns.

How to Choose a Strategy

Most companies seek product-communication strategies that optimize company profits over the long term. Which strategy for global markets best achieves this goal? There is no one right answer to this question. For starters, the considerations noted earlier must be addressed. In addition, managers run the risk of committing two types of errors regarding product and communication decisions. One error is to fall victim to the **"not invented here" (NIH) syndrome** and *ignore* decisions made by subsidiary or affiliate managers. Managers who behave in this way are essentially abandoning any effort to leverage product-communication policies outside the home-country market. The other error is to *impose* policies upon all affiliate companies based on the assumption that what is right for customers in the home market must also be right for customers everywhere.

To sum up, the choice of product-communication strategy in global marketing is a function of three key factors: (1) the product itself, defined in terms of the function or need it serves; (2) the market, defined in terms of the conditions under which the product is used, the preferences of potential customers, and customers' ability and willingness to buy; and (3) the adaptation and manufacturing costs to the company considering these product-communication approaches. Only after analysis of the product–market fit and of company capabilities and costs can executives choose the most profitable strategy.

▶ **10-6** Explain the new-product continuum and compare and contrast the different types of innovation.

10-6 New Products in Global Marketing

The matrix shown in Figure 10-3 provides a framework for assessing whether extension or adaptation strategies can be effective. However, the four strategic options described in the matrix do not necessarily represent the best possible responses to global market opportunities. To win in global competition, marketers, designers, and engineers must think outside the box and create innovative new products that offer superior value worldwide. In today's dynamic, competitive market environment, many companies realize that continuous development and introduction of new products are keys to survival and growth. That is the point of strategy 5, product invention. Similarly, marketers should look for opportunities to create global advertising campaigns to support the new product or brand.

Identifying New-Product Ideas

What is a new product? A product's newness can be assessed in terms of its relation to those who buy or use it. Newness may also be organizational, as when a company acquires an existing product with which it has no previous experience. Finally, an existing product that is not new to a company may be new to a particular market.

"The album changed the [music] business; cassette, 8-track, changed the business. CD, exploded the business. What was the next thing? MP3—cut the business in half. So that can happen at any time. No one knows."[61]

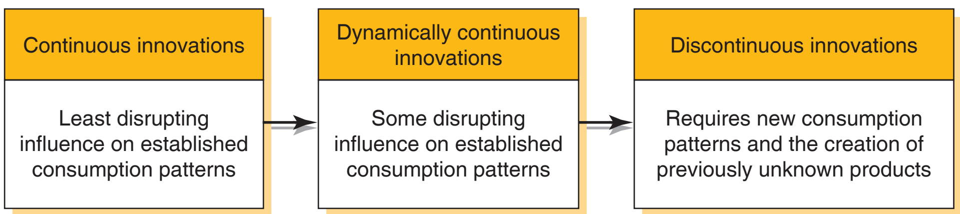
Jimmy Iovine, Apple Music

The starting point for an effective worldwide new-product program is an information system that seeks new-product ideas from all potentially useful sources and channels these ideas to relevant screening and decision centers within the organization. Ideas can come from many sources, including customers, suppliers, competitors, company salespeople, distributors and agents, subsidiary executives, headquarters executives, documentary sources (e.g., information service reports and publications), and actual, firsthand observation of the market environment.

The three degrees of product newness can be represented in terms of a continuum, as shown in Figure 10-4. At one end of this continuum, the product may be radically new, in the form of an innovation that requires a significant amount of learning on the part of users. When such products are successful, they create new markets and new consumption patterns, and have a disruptive impact on industry structures. Sometimes referred to as **discontinuous innovations**, products that belong to this category of "new and different" represent a dramatic break with the past.[62] In short, they are game-changers.

For example, the revolutionary impact of videocassette recorders (VCRs) in the 1970s can be explained by the concept of time shifting: The VCR's initial appeal was that it freed TV viewers

FIGURE 10-4 New-Product Continuum



from the tyranny of network programming schedules—and allowed viewers to fast-forward past commercials! Likewise, the personal computer revolution that began three decades ago resulted in the democratization of technology. When they were first introduced, PCs were a discontinuous innovation that dramatically transformed the way users live and work. Apple's brilliant string of new-product introductions in the 2000s—the iPod (2001), the iPhone (2007), and the iPad (2010)—likewise represents a hat trick of discontinuous innovation.

An intermediate category of newness is less disruptive and requires less learning on the part of consumers; such products are called **dynamically continuous innovations**. Products that embody this level of innovation share certain features with earlier generations while incorporating new, breakthrough features that offer added value, such as a substantial improvement in performance or greater convenience. Such products cause relatively smaller disruptions in previously existing consumption patterns. The Sensor, SensorExcel, MACH3, and Fusion shaving systems represent Gillette's ongoing efforts to bring new technology to bear on wet shaving, an activity that is performed today pretty much as it has been for centuries.

The consumer electronics industry has been the source of many dynamically continuous innovations. Personal stereos such as Sony's Walkman provide music on the go, something that people had been accustomed to since the transistor radio was introduced in the 1950s; the innovation was a miniaturized playback-only cassette tape system. The advent of the compact disc in the early 1980s provided an improved music listening experience but didn't require significant behavioral changes. Similarly, much to the delight of couch potatoes everywhere, wide-screen, flat-panel HDTVs offer viewers significantly improved performance. It must be noted that HDTV owners do have to order a high-definition service tier from cable or satellite companies or have sufficient Wi-Fi bandwidth to stream programming in hi-def.

Most new products fall into a third category, **continuous innovation**. Such products are typically "new and improved" versions of existing ones and require less R&D expenditure to develop than dynamically continuous innovations. Because they represent incremental improvement, continuous innovations cause minimal disruption in existing consumption patterns and require the least amount of learning on the part of buyers. As noted previously, newness can be evaluated relative to a buyer or user. When a current PC user seeking an upgrade buys a new model with a faster processor or more memory, the PC can be viewed as a continuous innovation. In contrast, to a first-time PC user, the same computer represents a discontinuous innovation.

Consumer packaged goods companies and food marketers rely heavily on continuous innovation when rolling out new products. These often take the form of **line extensions**, such as new sizes, flavors, and low-fat versions.

New-Product Development

A major driver for the development of global products is the cost of product R&D. As competition intensifies, companies may discover they can reduce the cost of R&D for a product by developing a global product design. Often the goal is to create a single **platform**, or core product design element or component, that can be quickly and cheaply adapted to various country markets. As Christopher Sinclair noted during his tenure as president and CEO of PepsiCo Foods and Beverages International, "What you really want to do is look at the four or five platforms that can allow you to cut across countries, become a scale operator, and do the things that global marketers do."[63]

Even automobiles, which must meet national safety and pollution standards, are now designed with global markets in mind. With a global product platform, automakers can offer an adaptation of a global design as needed instead of creating unique designs for individual countries or geographic regions. The first-generation Ford Focus, launched in Europe at the end of 1998 and in the United States in 1999, was marketed globally with a minimum of adaptation. The chief program engineer on the Focus project was from Great Britain, the chief technical officer was German, the project manager was Irish, and an Anglo-Australian was chief designer. As part of the Ford 2000 initiative, approximately $1,000 per vehicle was cut out of the development cost.[65]

A standardized platform was also a paramount consideration when GM set about the task of redesigning its minivan in the 1990s. GM's globally minded board directed the design team to create a vehicle that would be popular in both the United States and Europe. Because roads in Europe are typically narrower and fuel is more expensive, the European engineers lobbied for a vehicle that was smaller than the typical minivan. By using lightweight metals such as magnesium for some components, vehicle weight was minimized, with a corresponding improvement in fuel

"With the Model 3, Elon Musk is aiming at a completely different demographic that has not shown interest in electric cars before. Unlike many of the company's existing customers, these are not people who can afford multiple vehicles, or who wear their eco-credentials on their sleeve."[64]

Michelle Krebs, analyst, Autotrader

ENTREPRENEURIAL LEADERSHIP, CREATIVE THINKING, AND THE GLOBAL STARTUP

Elon Musk and Tesla

Elon Musk is an entrepreneur. He has developed several innovative products and services, created new brands, and started companies to market his creations. By applying the basic tools and principles of modern marketing, Musk has achieved remarkable success.

As is true with many entrepreneurs, some of Musk's innovations are based on his insights into the possibilities and opportunities provided by the Internet. In 1995, he developed Zip2 Corporation, an online city guide for the new digital editions of *The New York Times* and *Chicago Tribune*. In 1999, Compaq Computer bought Zip2, making Musk an Internet millionaire.

That same year, Musk started X.com, an online banking service that incorporated Musk's e-mail address-based money transfer protocols. X.com, in turn, acquired Confinity, which had its own money transfer service called PayPal. Musk changed the name of the new combined entity to PayPal, and focused on online payment transfers. This service dovetailed perfectly with online auction pioneer eBay's needs for a secure payment system. In 2002, eBay bought PayPal for $1.5 billion. Musk's takeaway: a cool $165 million in eBay stock!

Next, Musk turned his attention to new projects. His interest in environmentalism and sustainability led him to cofound Tesla Motors. Based in Fremont, California, the company initially manufactured and marketed luxury sedans powered by lithium-ion batteries. The all-wheel-drive Tesla Model S carries a list price of approximately $75,000, but U.S. buyers are eligible for a $7,500 federal tax credit. By contrast, the $118,000 sticker price in China reflects a 25 percent import duty plus value-added taxes. Beijing has set a goal of having 5 million electric cars on the road by 2020. Sensing an opportunity, Musk plans to build a factory in China so that Tesla buyers will be eligible for tax credits on domestically produced electric vehicles.

In September 2015, Tesla began delivering the Model X, an $80,000 all-electric SUV with exotic gull-wing doors. Next up is the mass-market Model 3 (see Exhibit 10-10). With a base price of $35,000, the four-door sedan is integral to Musk's goal of building 500,000 cars annually by 2018.

Musk is also moving ahead with plans to build heavy-duty trucks and busses, all powered by batteries. The Semi, which Musk expects to launch in 2019, will have a range of 500 miles on a single charge. A key sales handle: The new trucks promise to be cheaper to operate per mile than conventional diesel trucks. Walmart and J. B. Hunt Transport Services have already placed orders.

Musk is also an innovator when it comes to the "place" (*P*) element of the marketing mix. He is pioneering a new business model of direct-to-the-customer selling, rather than relying on a network of independent dealers. To ensure a top-notch customer experience, Musk hired George Blankship, a former executive at Apple and Gap, as vice president of design and store development.

Just as General Electric founder Thomas Edison had to design a national electric grid to create market demand for his newly invented light bulb, Musk is building a network of charging stations for Tesla owners. More than 5,000 Supercharger stations are now available, mostly clustered in the United States, Western Europe, and China. The half-ton lithium-ion battery pack in the Model S represents about $15,000 of the cost of each vehicle. To bring that cost down, Musk is building a large-scale "Gigafactory" in Nevada that will eventually produce enough batteries each year to power 500,000 Tesla vehicles.

In fall 2017, it became apparent that Tesla was falling behind in its production goals for the Model 3. Instead of producing 5,000 units per week, as Musk had projected, only a few hundred vehicles were completed. Those vehicles had to be partially assembled by hand due to problems with some elements of the highly sophisticated automated assembly process.

Sources: Bob Tita, Tim Higgins, and Jennifer Smith, "Tesla Plays the Long Game with Semi," *The Wall Street Journal* (November 18–19, 2017), p. B3; Marco della Cava, "Musk Goes for Broke with Gigafactory," *USA Today* (March 3, 2014), p. 2B; Richard Waters, "Musk Pushes Tesla Dream Further Along the Road," *Financial Times* (July 22, 2016), p. 14; Scott Cendrowski, "Tesla's Big Gamble in China," *Fortune* (May 8, 2014), p. 72; Chris Woodyard, "'Gigafactory' Sets off 4-State Bidding War," *USA Today* (March 3, 2014), p. 2B; Kara Swisher and Walt Mossberg, "First Comes an Electric Car. Next, a Trip to Mars," *The Wall Street Journal* (June 3, 2013), p. D6; Myles Edwin Mangram, "The Globalization of Tesla Motors: A Strategic Marketing Plan Analysis," *Journal of Strategic Marketing* 20, no. 4 (June 2012), pp. 289–312; Joshua Davis, "Supercharged," Cover Story, *Wired* (October 2010), pp. 138–145.

Exhibit 10-10 Elon Musk, founder of Tesla and SpaceX, has plans to bring electric vehicles to the masses with the Model 3.

Source: dpa picture alliance/Alamy Stock Photo.

economy.[66] As it turned out, the resulting models—the Chevrolet Silhouette (United States), Opel Sentra (Germany), and Vauxhall Sintra (United Kingdom)—met with only limited success in their respective markets. The lesson: It is one thing to formulate a global strategy; it is quite another thing to execute it successfully!

Other design-related costs, whether incurred by the manufacturer or the end user, must also be considered. *Durability* and *quality* are important product characteristics that must be appropriate for the proposed market. In the United States and Europe, many car buyers do not wish to incur high service bills. Thus, the new Ford Focus was designed to be less expensive to maintain and repair. For example, engine removal takes only 1.5 hours, roughly half the time required to remove the engine in the discontinued Escort. In addition, body panels are bolted together rather than welded, and the rear signal lights are mounted higher so they are less likely to be broken in minor parking lot mishaps.

The International New-Product Department

As noted previously, a high volume of information flow is required to scan the horizon for new-product opportunities, and considerable effort is subsequently required to screen these opportunities to identify viable candidates for product development. The best organizational design for addressing these requirements is a new-product department. Managers in such a department engage in several activities. First, they ensure that all relevant information sources are continuously tapped for new-product ideas. Second, they screen these ideas to identify appropriate candidates for investigation. Third, they investigate and analyze these selected new-product ideas. Finally, they ensure that the organization commits resources to the most promising new-product candidates and is continuously involved in an orderly program of new-product introduction and development on a worldwide basis.

With the enormous number of possible new products, most companies establish screening grids to enable them to focus on the most appropriate ideas for investigation. The following questions are relevant to this task:

1. How big is the market for this product at various prices?
2. What are our competitors' likely moves in response to our activity with this product?
3. Can we market the product through our existing structure? If not, which changes will be required, and what costs will be incurred to make the changes?
4. Given estimates of potential demand for this product at the specified prices and estimated levels of competition, can we source the product at a cost that will yield an adequate profit?
5. Does this product fit our strategic development plan? (a) Is the product consistent with our overall goals and objectives? (b) Is the product consistent with our available resources? (c) Is the product consistent with our management structure? (d) Does the product have adequate global potential?

For example, the corporate development team at Virgin evaluates more than a dozen proposals each day from outside the company, as well as proposals from Virgin staff members. Brad Rosser, Virgin's former group corporate development director, headed the team for several years. When assessing new-product ideas, Rosser and his team looked for synergy with existing Virgin products, pricing, marketing opportunities, risk versus return on investment, and whether the idea "uses or abuses" the Virgin brand. Examples of ventures that have been given the green light are Virgin Jeans, a denim clothing store chain; Virgin Bride, a wedding consulting service; and Virgin Net, an Internet service provider.[67]

Testing New Products

The major lesson of new-product introduction outside the home market has been that whenever a product interacts with human, mechanical, or chemical elements, there is the potential for a surprising and unexpected incompatibility. Because almost *every* product matches this description, it is important to test a product under actual market conditions before proceeding with full-scale introduction. A test does not necessarily require a full-scale test-marketing effort, but may simply involve observing the actual use of the product in the target market.

Failure to assess actual use conditions can lead to big surprises, as Unilever learned when it rolled out a new detergent brand in Europe without sufficient testing. Unilever spent $150 million to develop the new detergent, which was formulated with a stain-fighting manganese complex molecule intended to clean fabrics faster at lower temperatures than competing products such as Procter & Gamble's (P&G) Ariel. Backed by a $300 million marketing budget, the detergent was launched in April 1994 as Persil Power, Omo Power, and other brand names. After a restructuring, Unilever had cut the time required to roll out new products in Europe from 3 years to 16 months. In this particular instance, the increased efficiency combined with corporate enthusiasm for the new formula resulted in a marketing debacle. Consumers discovered that some clothing items were damaged after being washed with Power. P&G, quick to capitalize on the situation, ran newspaper ads denouncing Power and commissioned lab tests to verify that the damage did, in fact, occur. Unilever chairman Sir Michael Perry called the Power fiasco "the greatest marketing setback we've seen." Unilever reformulated Power, but it was too late to save the brand. As a result of the product failure, the company lost the opportunity to gain share against P&G in Europe.[68]

Summary

The product is the most important element of a company's marketing program. Global marketers face the challenge of formulating coherent product and brand strategies on a worldwide basis. A *product* can be viewed as a collection of tangible and intangible attributes that collectively provide benefits to a buyer or user. A *brand* is a complex bundle of images and experiences in the mind of the customer. In most countries, *local brands* compete with *international brands* and *global brands*. A *local product* is available in a single country; an *international product* is available in several countries; a *global product* meets the wants and needs of a global market.

A global brand has the same name and a similar image and positioning in most parts of the world. Many global companies leverage favorable *brand images* and high *brand equity* by employing *combination (tiered) branding*, *co-branding*, and *brand-extension* strategies. Companies can create strong brands in all markets through *global brand leadership. Maslow's needs hierarchy* is a needs-based framework that offers a way of understanding opportunities to develop local and global products in different parts of the world. Some products and brands benefit from the *country-of-origin effect*. Product decisions must also address packaging issues such as labeling and *aesthetics*. Also, *express warranty* policies must be appropriate for each country market.

Product and communications strategies can be viewed within a framework that allows for combinations of three strategies: *extension strategy*, *adaptation strategy*, and *creation strategy*. Five strategic alternatives are open to companies pursuing geographic expansion: *product-communication extension*, *product extension–communication adaptation*, *product adaptation–communication extension*, *product-communication adaptation (dual adaptation)*, and *product invention (innovation)*. The strategic alternative(s) that a particular company chooses will depend on the product and the need it serves, customer preferences and purchasing power, and the costs of adaptation versus standardization. *Product transformation* occurs when a product that has been introduced into new country markets serves a different function or is used differently than originally intended. When choosing a strategy, management should consciously strive to avoid the *"not invented here" (NIH) syndrome*.

Global competition has put pressure on companies to excel at developing standardized product *platforms* that can serve as a foundation for cost-efficient adaptations. New products can be classified as *discontinuous*, *dynamically continuous*, or *continuous innovations* such as *line extensions*. A successful product launch requires an understanding of how markets develop—sequentially over time or simultaneously. Today, many new products are launched in multiple national markets as product development cycles shorten and product development costs soar.

Discussion Questions

10-1. Describe the three classifications that may be given to a new product or idea.
10-2. How do local, international, and global products differ? Cite examples.
10-3. What are the key characteristics of durable, non-durable, and disposable products?

10-4. Which criteria should global marketers consider when making product design decisions?

10-5. How can buyer attitudes about a product's country of origin affect marketing strategy?

10-6. In 2018, consumer electronics company Lenovo topped a list of the most popular Chinese brands among people outside China. What challenges do Chinese brands face in the global market?

10-7. You have been asked by a supermarket chain to propose suitable packaging and labeling for a range of snack food products such as chocolate chip cookies, ginger snaps, crackers, peanut butter cookies, cereal bars, and granola bars. The packaged products are meant to be exported to its various supermarkets on the international market. You are required to highlight the key considerations on eco-packaging and labeling for the export market. You may consult additional online sources on packaging and labeling food items.

10-8. Hofstede's social values framework can be used to help explain the Asian version of Maslow's hierarchy. Which dimension from Table 4-2 is most relevant? In Chapter 4, we also noted the differences between innovation diffusion processes in Asia and the West. Review the discussion in the chapter. Can you relate it to Figure 10-1?

10-9. Compare and contrast the aesthetic elements of the different types of laundry detergent at the local supermarket. How does aesthetics influence your purchase decision?

CASE 10-1 *continued (refer to page 325)*

Google

Google's dominance in search and other online spaces allows it to collect vast amounts of data that help it deliver targeted advertising. In fact, advertising revenues from the Google unit accounted for more than 90 percent of Alphabet's $110 billion total revenues in 2017. However, as growth in the core advertising business slows, company executives are seeking to diversify Alphabet's revenue stream. Plans for some promising new products, including Google Glass, have been scaled back. Moreover, Google's ability to link its various Web sites to the search process has attracted the attention of antitrust regulators in Europe.

Android OS

In terms of global sales, smartphones that use Google's Android operating system account for roughly 80 percent of the market. Google provides Android—and its green Bugdroid brand mascot—free to handset and tablet manufacturers; Samsung, Motorola, HTC, and LG all use Android. One reason for Android's popularity is the fact that Samsung and other handset manufacturers offer a variety of screen sizes and price points.

By contrast, Apple's iOS is exclusive to the iPhone. Prior to 2014, the iPhone was not available in large screen sizes. Although the number of Android apps slightly exceeds the number for Apple, some developers prefer the iOS platform. One reason cited is the superior ease of use of Xcode, Apple's development environment, compared with Android's Eclipse. Also, the iOS customer base tends to be more affluent.

As mobile video games grow in popularity, Apple and Google are jockeying for dominance in the mobile space. Both companies offer game developers extra promotional support in exchange for exclusivity for new game titles. For example, Electronic Arts released "Plants vs. Zombies 2" on Apple's App Store two months before the title was made available for Android phones. One industry observer likens the competition to an "arms race for the best content."

Waymo

Phrases such as "autonomous functionality" and "robocars" are used to refer to cars and other vehicles that can operate without a human driver. Driverless technology is one example of the type of "moonshot" that Alphabet is aiming for. Audi, BMW, Daimler, GM, and other traditional car manufacturers are also racing to develop the technology, as are tech disrupters such as Uber.

Despite the competition, Alphabet believes that it will be, in management guru Peter Drucker's words, "the fustest with the mostest." The development process began in 2009; the company has invested more than $1 billion and its driverless cars have logged more than 3.5 million actual driving miles so far. Alphabet has created a separate business unit called Waymo, which has been conducting extensive tests at a research facility in California and in a suburb of Phoenix, Arizona (see Exhibit 10-11).

Many of Waymo's test vehicles are specially modified Chrysler minivans equipped with roof-mounted lasers. Although the technology originally cost about $75,000 per vehicle, engineers working on the project expect that figure to quickly fall. Data from the lasers are used to create a picture of a vehicle's surroundings. Those readings, plus information from sensors in the wheels and elsewhere, are fed into an onboard computer. Software then selects the appropriate speed and route.

Self-driving cars promise to address a number of problems related to the traditional automotive environment as we know it today. Many cities are prone to congestion and pollution from cars. Safety is an issue as well: More than 1 million people die in car crashes each year; in the United States alone, an estimated 94 percent of all accidents are attributed to human error. Self-driving cars, and shared mobility, potentially mean safe, reliable transportation for everyone. Of course, persuading people to give up control while riding in a self-driving vehicle may take a while.

Exhibit 10-11 Google's Waymo autonomous mobility unit is testing modified Lexus SUVs (shown here) and Fiat Chrysler minivans in Arizona and a few other states.
Source: dpa picture alliance/Alamy Stock Photo.

As Waymo works to perfect the technology, Alphabet's Google unit is competing with Apple in the automotive space on a more modest scale. Both companies are creating platforms for connecting their respective smartphone software with automotive in-dash systems that provide entertainment, maps, and other services. Music streaming, state-of-the-art voice recognition, and other functions are already standard equipment in many vehicles.

Although concerns have been raised that such advances will lead to distracted drivers, Google insists that the technology will make driving safer. Android Auto allows Android users to control the central screen in a car's dashboard; Apple's CarPlay does the same for users of its iOS. Each company has signed agreements with dozens of automakers that are now including the functionality in new vehicles. Many new car models support both Android Auto and CarPlay. At the same time, in an effort to avoid relying too heavily on Google and Apple, several manufacturers have formed a consortium that is developing proprietary technology called SmartDeviceLink.

Project Loon

More than one-third of the world's population does not have Internet access. Project Loon is Google's solution to that dilemma: The company has an ambitious plan to launch thousands of solar-powered, high-pressure aerial balloons that will circle the globe and connect to the Internet by means of a network of ground stations.

Project Loon is one example of Google's product strategy of investing in selected high-risk, high-potential "moonshot" innovations. The balloons—40 feet high and 50 feet wide—are designed to hover in the stratosphere at altitudes of 60,000 to 70,000 feet above earth. Each balloon can cover roughly 5,000 square kilometers of terrain. By crunching meteorological data from the U.S. National Oceanic and Atmospheric Administration, Google's engineers can adjust the balloons' altitude so that they take advantage of wind currents. The project team is currently tweaking the design to ensure that the balloons can stay aloft for weeks at a time.

In May 2017, Google launched balloons over Peru after the country experienced severe flooding. Later the same year, after Hurricane Maria ravaged Puerto Rico and knocked out cellular service, Google sent dozens of balloons to the region. Project Loon enabled customers of AT&T's 4 LTE network to send and receive texts and e-mails, as well as access the Internet. By applying machine learning technology to flight algorithms, engineers were able to keep the balloons clustered aloft over Puerto Rico for extended periods of time.

Google Fiber

As noted in the chapter introduction, Google Fiber provides lightning-fast Internet speeds. However, the service is currently available in only a dozen American cities. According to the Speedtest Global Index, in 2017 the United States ranked 11th in average fixed broadband speed (download speeds of about 75 Mbps). That ranking puts it between Lithuania and Hungary (Singapore ranks number 1, with average download speeds of about 150 Mbps). Although Google has already made a significant investment, its plans to create a national Google Fiber broadband network have been dialed back because of concerns by Alphabet about how much cash the venture is consuming.

Wearables

Google Glass, Google's Internet-connected eyewear, was once envisioned as a multibillion-dollar business. However, after less than rosy test market results, the project was moved out of X. Google Glass was expensive, relatively few apps were available for it, and the product was the target of a backlash from fashionistas, privacy advocates, and other critics. A new program, Google at Work, is aimed at finding applications in health care, manufacturing, and other workplace situations where employees need quick access to information while their hands are occupied with important tasks.

Google's next-generation high-tech eyewear product will be audio-centric and incorporate Google Home, the company's voice-activated speaker. Integral to the new glasses is an audio technique that was first demonstrated by an Italian physician in the sixteenth century. Known as bone conduction, its functionality is based on a basic feature of human physiology. In a nutshell, when a person speaks, the vibrations of the vocal cords are transmitted to the jawbone. Those vibrations, in turn, can be transmitted to a device such as eyeglasses that "recognize" speech.

The Android Wear 2.0 platform has been successfully incorporated into other consumer products such as the LG Watch Sport and the Moto 360 smartwatch. Meanwhile, Google has partnered with Swiss watchmaker TAG Heuer and semiconductor giant Intel on a new smart watch. One challenge facing Intel is the need to develop a chip that is efficient enough to support software functionality in a device with a very small battery.

Assistant Digital Helper

When the Assistant digital helper was launched in fall 2016, Google CEO Sundar Pichni said the goal was "a personal Google for each and every user." Assistant represents the culmination of years of research and investment in artificial intelligence (AI) and machine learning. The software is integrated in several new Google products, including Allo, a new messaging app; the Home voice-activated, Internet-connected speaker; and a new line of smartphones.

Pixel Phone

As previously noted, Google's Android is the dominant smartphone operating system; globally, more than 2 billion Android-powered handsets are in use. In the past, Google partnered with manufacturers such China's

Huawei and South Korea's LG on various models of Nexus-brand smartphones. However, Nexus sales lagged behind those of other brands. In October 2016, Google renewed its commitment to hardware when it debuted new handsets under the Pixel brand name. The base (5-inch display) Pixel retailed for $649, and introductory advertising featured the tagline "Phone by Google." The phones featured 12-megapixel cameras and software with artificial intelligence capabilities linked to Google Assistant. Although the initial sales were underwhelming, the next generation of Pixel phones was introduced in fall 2017.

Home Voice-Activated Speaker

Amazon's Alexa-powered Echo currently dominates the market for voice-activated, Internet-connected speakers. Home is Google's initial foray into the category. The parent company's expertise in search and personalization mean that Home can "voice match"—that is, recognize—individual household members. Meanwhile, other tech companies, including Apple and Sonos, have also launched smart speaker products.

Discussion Questions

10-10. Why was Google rebranded as Alphabet?

10-11. Apply the new-product continuum (Figure 10-4) to Google's Moonshot Factory. Which category of products and services is most evident in that organization's work?

10-12. Assess the prospects for driverless cars. Once the technology is perfected, which obstacles will Waymo have to overcome before autonomous mobility becomes widely adopted?

10-13. One goal for Alphabet's X division is to create a new money-making business that rivals Google in size and profitability but does not involve search functions. What do you think that will be?

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11 Pricing Decisions

LEARNING OBJECTIVES

11-1 Review the basic pricing concepts that underlie a successful global marketing pricing strategy.

11-2 Identify the different pricing strategies and objectives that influence decisions about pricing products in global markets.

11-3 Summarize the various Incoterms that affect the final price of a product.

11-4 List some of the environmental influences that impact prices.

11-5 Apply the ethnocentric/polycentric/geocentric framework to decisions regarding price.

11-6 Explain some of the tactics global companies can use to combat the problem of gray market goods.

11-7 Assess the impact of dumping on prices in global markets.

11-8 Compare and contrast the different types of price fixing.

11-9 Explain the concept of transfer pricing.

11-10 Define *countertrade* and explain the various forms it can take.

CASE 11-1
Global Automakers Target Low-Income Consumers

In the 1950s and 1960s, the "space race" pitted the Soviet Union against the United States in an effort to explore outer space. Half a century later, the International Space Station is a collaborative effort involving Russia, the United States, and other nations. Meanwhile, a new "race" is under way—one that is much more "down to earth" and does not involve superpowers in different hemispheres jostling for geopolitical advantage. Rather, this twenty-first-century competition involves efforts by leading automakers in Asia, Europe, and the United States to create inexpensive cars that can be sold in huge volumes to consumers in India and other developing countries.

Renault, the French automotive group, was a pioneer in the low-price segment, with its Logan model; since it was first launched in 2004, more than 4 million units have been sold (see Exhibit 11-1). Initially, the Logan was produced at a single plant operated by Renault's Dacia affiliate in Romania. As Dacia chairman Luc-Alexandre Ménard explained, "At the time, we weren't too sure of what we would do with this car. It was meant to be a one-off, a Trojan horse to penetrate new markets in developing countries." Today, Logans are manufactured in several locations, including Iran, India, and Brazil; the cars are available for sale in dozens of countries.

Two other automakers have joined the race to bring low-cost cars to the emerging-market masses. In 2009, India's Tata Motors launched the Nano, a radical new design with a rock-bottom sticker price