

Branding, Product and Pricing Decisions in Global Marketing

Global Marketing

Chapter 10





Introduction to Brands and Products

- Brand and product concepts
- Local, international, and global brands
- Product design issues
- Attitudes towards foreign products
- Strategic alternatives
- New product issues

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10-2



Basic Product Concepts

- A product is a good, service, or idea
 - Tangible Attributes
 - Intangible Attributes
- Product classification
 - Consumer goods
 - Industrial goods

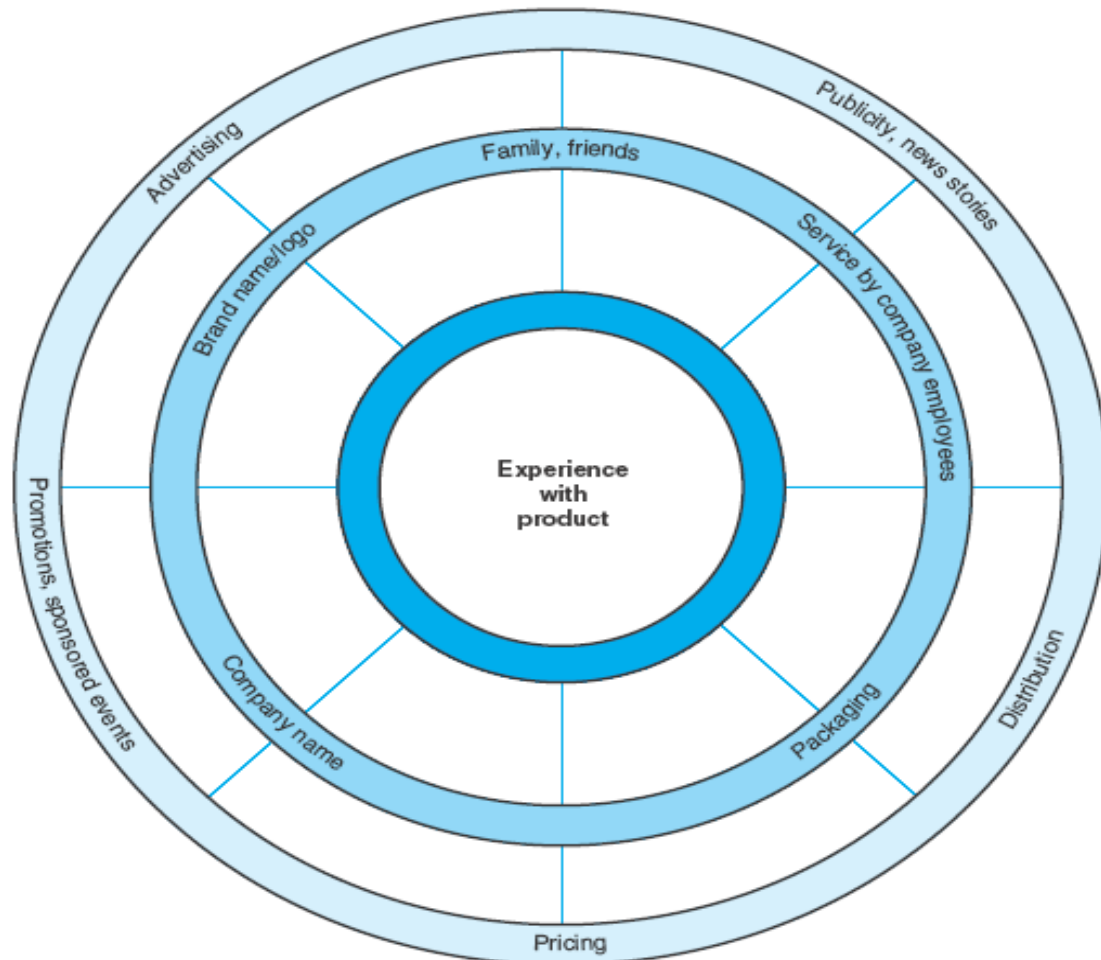
PVC pipe is an example of an industrial product. 10-3



Brands

- Bundle of images and experiences in the customer's mind
- A promise made by a particular company about a particular product
- A quality certification
- Differentiation between competing products
- The sum of impressions about a brand is the *Brand Image*

Brands





Brand Equity

- The added value that accrues to a product as a result of investments in the marketing of the brand
- An asset that represents the value created by the relationship between the brand and customer over time



Brand Equity Benefits

- Greater loyalty
- Less vulnerability to marketing actions
- Less vulnerability to marketing crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Increased marketing communication effectiveness



Local Products and Brands

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



International Products and Brands

- Offered in several markets in a particular region
 - ‘Euro-brands’
 - Honda 5-door hatchback auto is known as Fit in Japan and Jazz in Europe

The Smart car was developed by DaimlerChrysler for the European market and is now sold in the U.S.



Global Products and Brands

- Global products meet the wants and needs of a global market and are offered in all world regions
- Global brands have the same name and similar image and positioning throughout the world

Harley Davidson has dealers in over 60 countries.



Global Products and Brands

"A multinational has operations in different countries. A global company views the world as a single country. We know Argentina and France are different, but we treat them the same. We sell them the same products, we use the same production methods, we have the same corporate policies. We even use the same advertising—in a different language, of course."

- Alfred Zeien Former Gillette CEO



Global Brand Characteristics

- Quality signal—allows a company to charge premium price in a highly competitive market
- Global myth—marketers can use global consumer culture positioning to link the brand identity to any part of the world
- Social responsibility—shows how a company addresses social problems



Global Products and Brands

- Global brands are not the same as global products
 - iPod = brand
 - mp3 player = product



Branding Strategies

- Combination or tiered branding allows marketers to leverage a company's reputation while developing a distinctive identity for a line of products
 - Sony Walkman
- Co-branding features two or more company or product brands
 - NutraSweet and Coca-Cola
 - Intel Inside



Brand Extension

- Brand acts as an umbrella for new products
 - Example: The Virgin Group
 - Virgin Entertainment: Virgin Mega-stores and MGM Cinemas
 - Virgin Trading: Virgin Cola and Virgin Vodka
 - Virgin Radio
 - Virgin Rail (UK only)
 - Virgin Media Group: Virgin Publishing, Virgin Television, Virgin Net (UK only)
 - Virgin Hotels
 - Virgin Travel Group: Virgin America Airways, Virgin Holidays, Virgin Galactic



World's Most Valuable Brands, 2008

- | | | |
|---------------|----------------------|--------------|
| 1. Coca-Cola | 9. Disney | 17. Cisco |
| 2. IBM | 10. Google | 18. Marlboro |
| 3. Microsoft | 11. Mercedes-Benz | 19. Citi |
| 4. GE | 12. Hewlett-Packard | 20. Honda |
| 5. Nokia | 13. BMW | 21. Samsung |
| 6. Toyota | 14. Gillette | 22. H & M |
| 7. Disney | 15. American Express | 23. Oracle |
| 8. McDonald's | 16. Louis Vuitton | 24. Apple |
| | | 25. Sony |



Global Brand Development

- Questions to ask when management seeks to build a global brand:
 - Does this move fit the company and/or its markets?
 - Will anticipated scale economies materialize?
 - How difficult will it be to develop a global brand team?
 - Can a single brand be imposed on all markets successfully?



Global Brand Development

- Global Brand Leadership
 - Using organizational structures, processes, and cultures to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies



Global Brand Development

- Create a compelling value proposition
- Think about all elements of brand identity and select names, marks, and symbols that have the potential for globalization
- Research the alternatives of extending a national brand versus adopting a new brand identity globally
- Develop a company-wide communication system

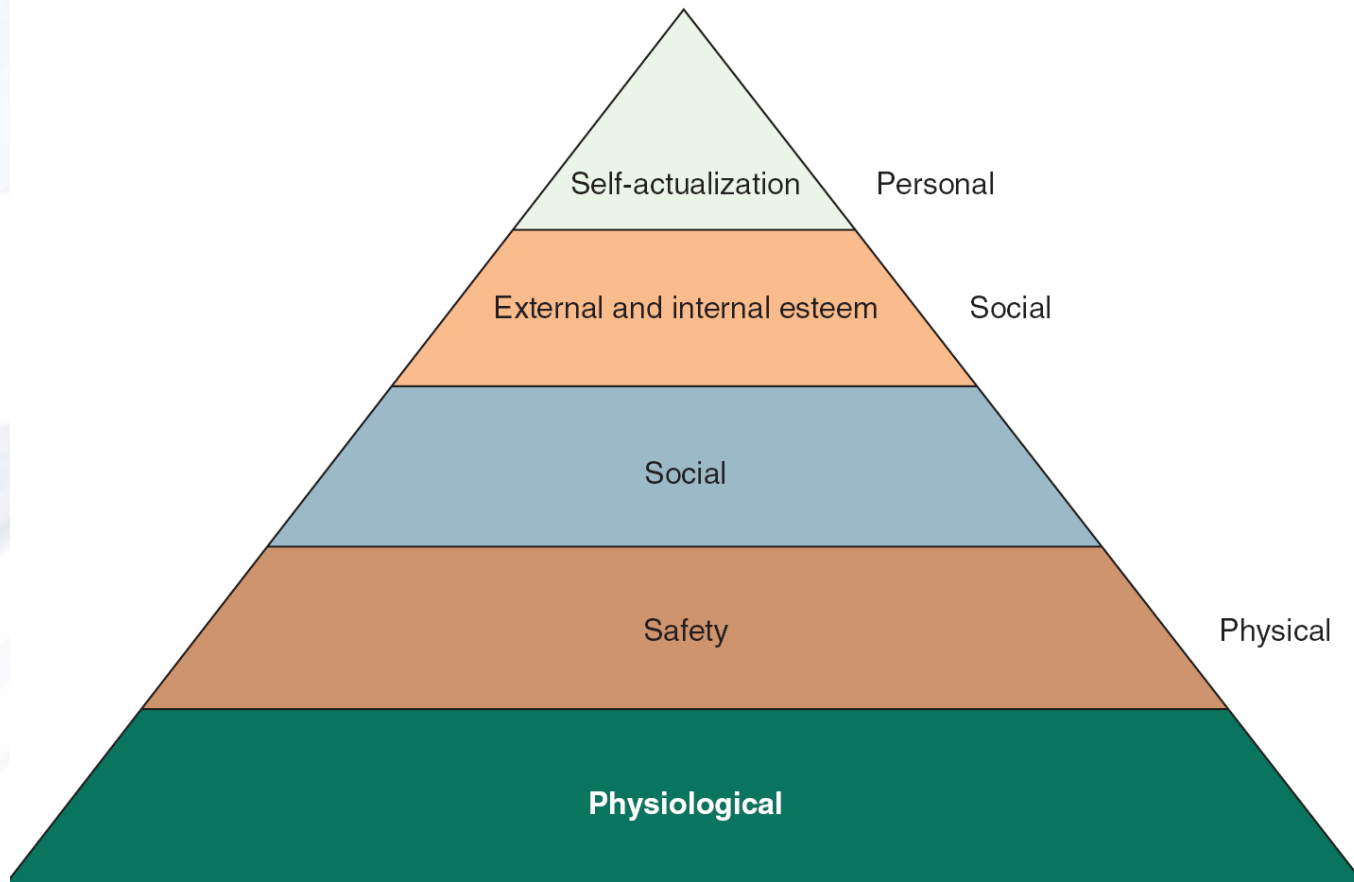


Global Brand Development

- Develop a consistent planning process
- Assign specific responsibility for managing branding issues
- Execute brand-building strategies
- Harmonize, unravel confusion, and eliminate complexity



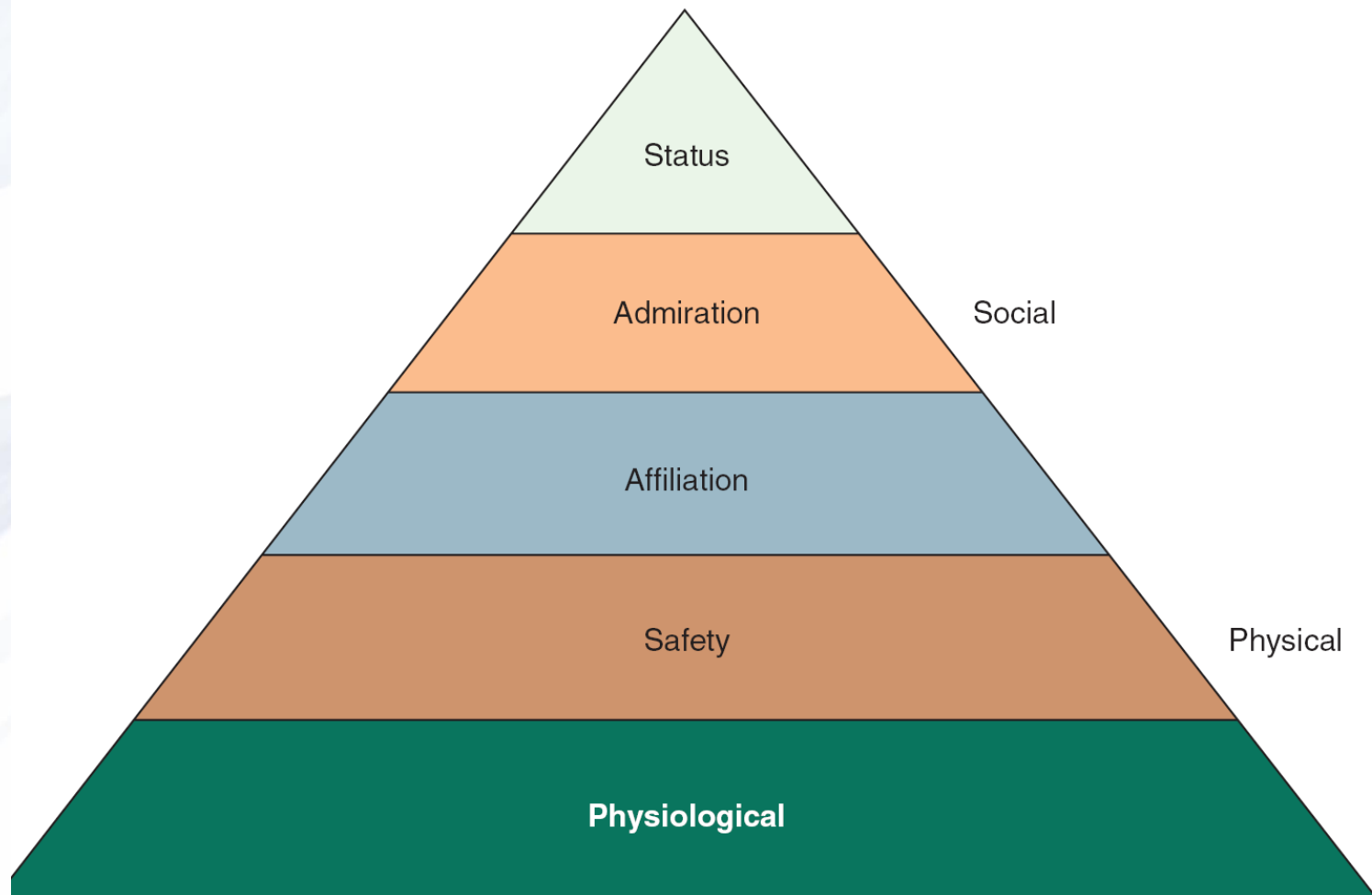
Local versus Global Products and Brands: A Needs-Based Approach



Maslow's Hierarchy of Needs



Asian Hierarchy of Needs





Country of Origin as Brand Element

- Perceptions about and attitudes toward particular countries often extend to products and brands known to originate in those countries

French perfume

- Japan
- Germany
- France
- Italy



Packaging

- Consumer Packaged Goods refers to products whose packaging is designed to protect or contain the product during shipping, at retail, or point of use
- Eco-Packaging is key because package designers must address environmental issues
- Offers communication cues that provide consumers with a basis for making a purchase decision



Labeling

- Provides consumers with various types of information
- Regulations differ by country regarding various products
 - Health warnings on tobacco products
 - American Automobile Labeling Act clarifies the country of origin, and final assembly point
 - European Union requires labels on all food products that include ingredients from genetically modified crops



Aesthetics

- Global marketers must understand the importance of visual aesthetics
- Aesthetic styles (degree of complexity found on a label) differ around the world



Product Warranties

- Express Warranty is a written guarantee that assures the buyer is getting what they paid for or provides a remedy in case of a product failure
- Warranties can be used as a competitive tool



Extend, Adapt, Create: Strategic Alternatives in Global Marketing

- Extension – offering product virtually unchanged in markets outside of home country
- Adaptation – changing elements of design, function, and packaging according to needs of different country markets
- Creation – developing new products for the world market



Global Product Planning: Strategic Alternatives

		<u>Product</u>	
		<i>Same</i>	<i>Different</i>
<u>Communication</u>	<i>Different</i>	Strategy 2: Product Extension Communication Adaptation	Strategy 4: Dual Adaptation
	<i>Same</i>	Strategy 1: Dual Extension	Strategy 3: Product Adaptation Communication Extension



Product Invention

- Strategy 5:
 - Important for reaching mass markets in less industrialized nations and certain segments in industrialized countries
 - Hand-cranked radios for areas with no electricity
 - Total toothpaste by Colgate uses global benefit segmentation



How to Choose a Strategy?

- Two errors that management makes in choosing a strategy
 - NIH (Not invented here) syndrome means managers ignore the advancements of subsidiaries overseas
 - Managers impose policies upon subsidiaries because they assume what is right for customers in one market is right in every market



How to Choose a Strategy?

- The product itself, defined in terms of the function or need it serves
- The market, defined in terms of the conditions under which the product is used, preferences of potential customers, and ability to buy the product
- Adaptation and manufacturing costs the company will incur

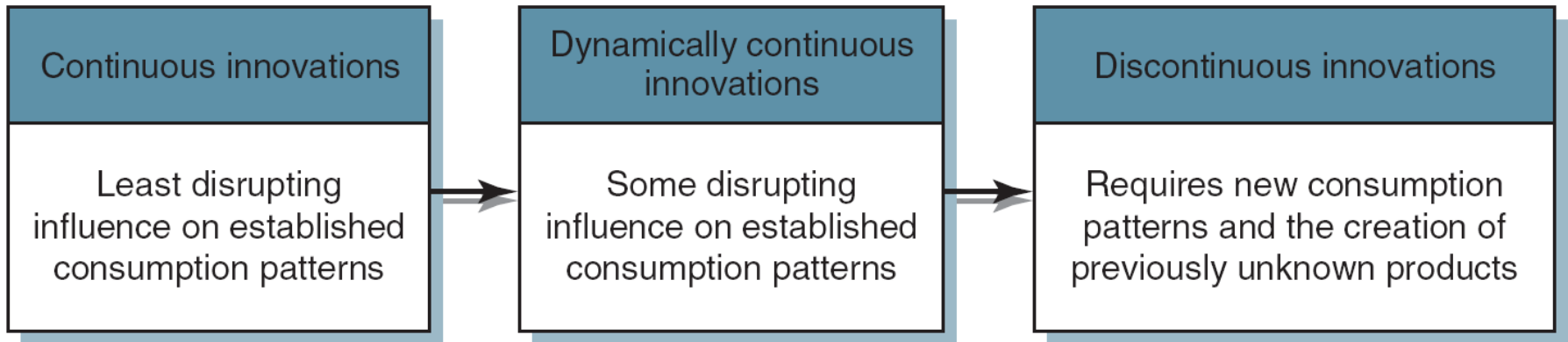


New Products in Global Marketing

- Pursue opportunities in competitive arenas of global marketplace
- Focus on one or only a few businesses
- Active involvement from senior management
- Ability to recruit and retain best employees
- Understand the importance of speed in bringing product to market



Identifying New Product Ideas



- What is a new product?
 - New to those who use it or buy it
 - New to the organization
 - New to a market



The International New Product Department

- How big is the market for this product at various prices?
- What are the likely competitive moves in response to our activity?
- Can we market the product through existing structure?
- Can we source the product at a cost that will yield an adequate profit?
- Does product fit our strategic development plan?



Testing New Products

- When do you test a new product?
 - Whenever a product interacts with human, mechanical, or chemical elements because there is the potential for a surprising and unexpected incompatibility
- Test could simply be observing the product being used within the market