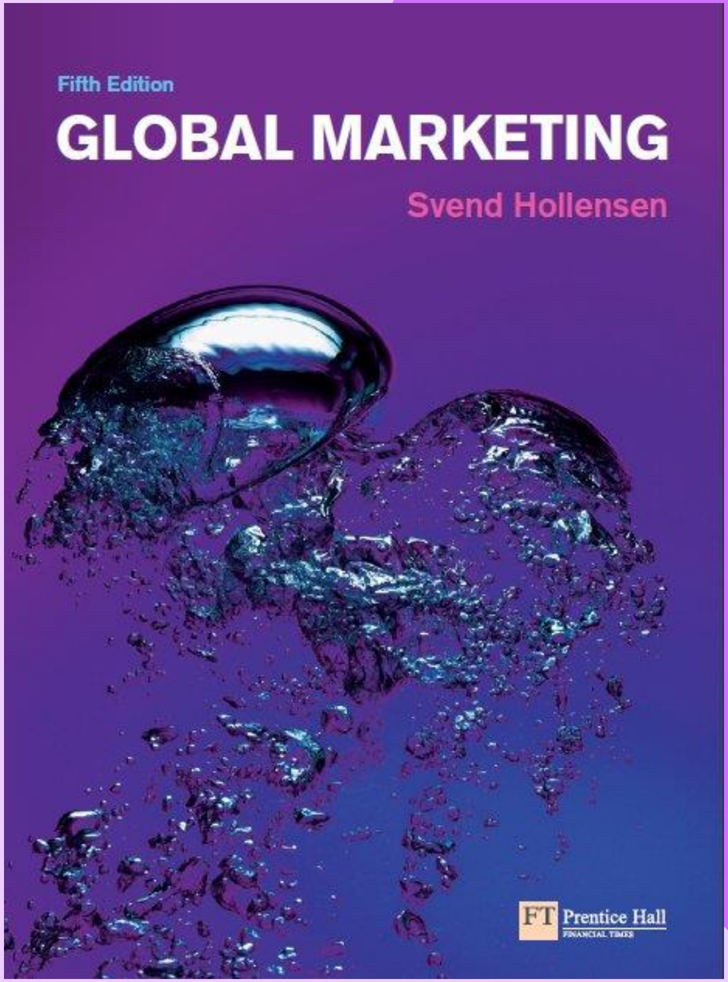


Svend Hollensen

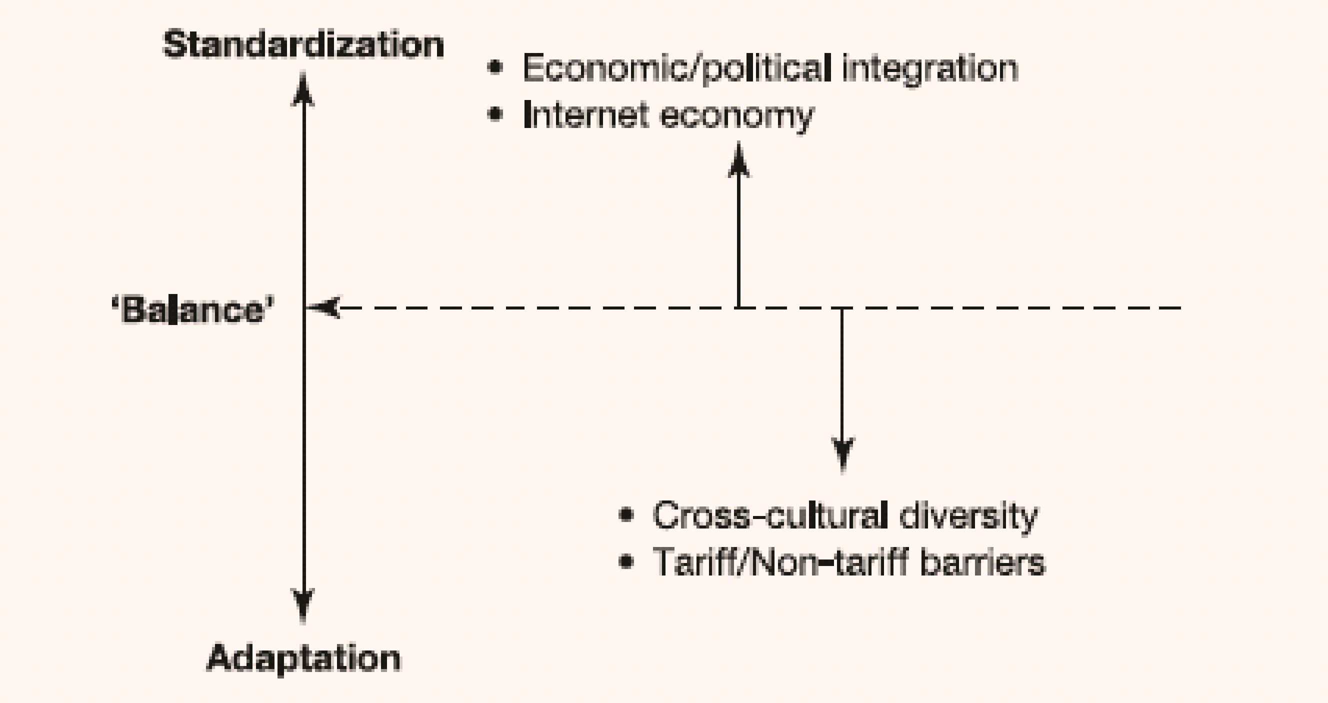
GLOBAL MARKETING

5th Edition

Introduction Part IV and Chapter 14 Product decisions

PART IV

Designing the global marketing programme



Standardization

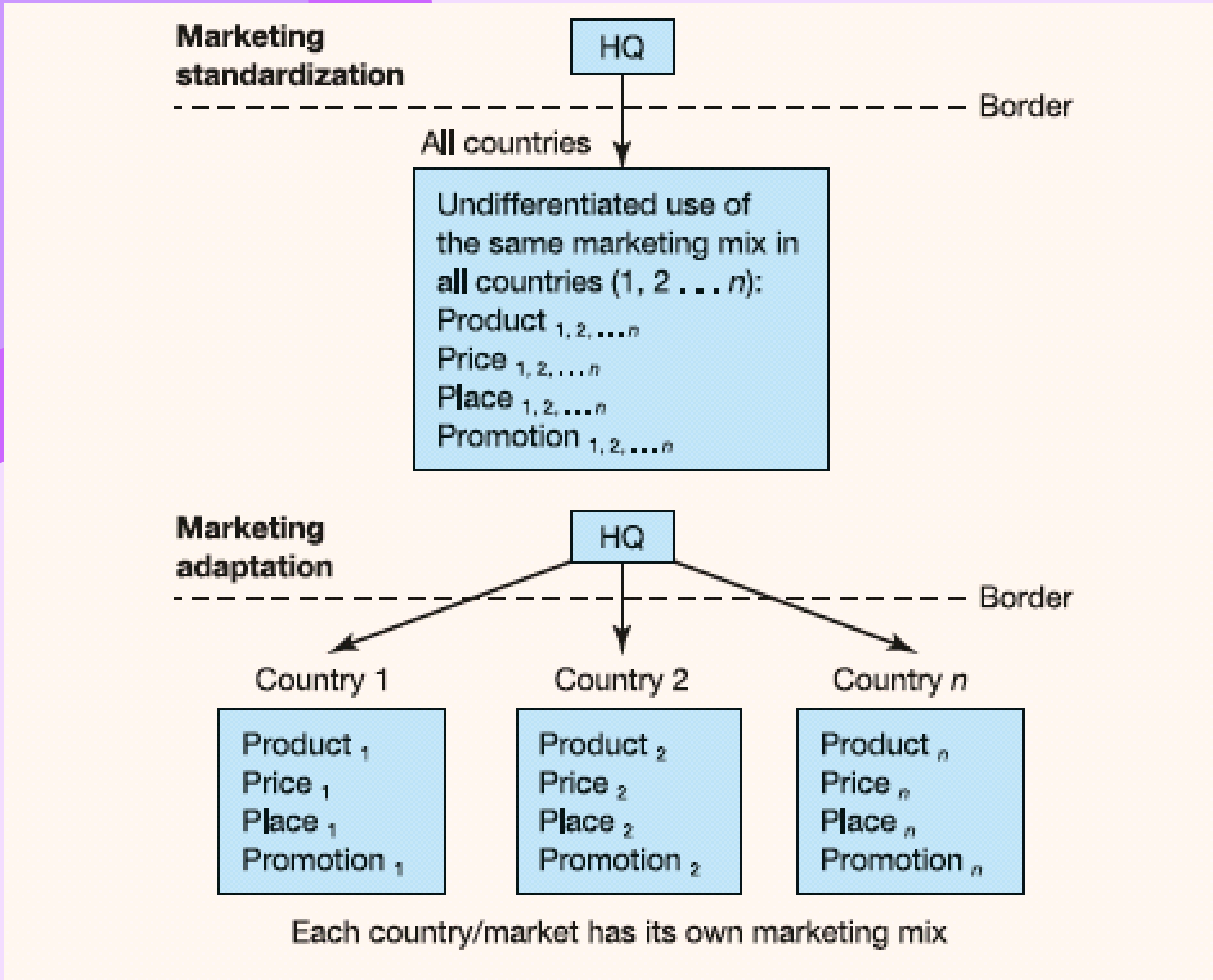
- Economic/political integration
- Internet economy

'Balance'

- Cross-cultural diversity
- Tariff/Non-tariff barriers

Adaptation

Figure IV.1 Environmental factors influencing the balance between standardization and adaptation



Marketing standardization

HQ

Border

All countries

Undifferentiated use of the same marketing mix in all countries (1, 2 . . . *n*):
Product $_{1,2,\ldots n}$
Price $_{1,2,\ldots n}$
Place $_{1,2,\ldots n}$
Promotion $_{1,2,\ldots n}$

Marketing adaptation

HQ

Border

Country 1	Country 2	Country *n*
Product $_1$ Price $_1$ Place $_1$ Promotion $_1$	Product $_2$ Price $_2$ Place $_2$ Promotion $_2$	Product $_n$ Price $_n$ Place $_n$ Promotion $_n$

Each country/market has its own marketing mix

Figure IV.2 Standardization and adaptation of the international marketing mix

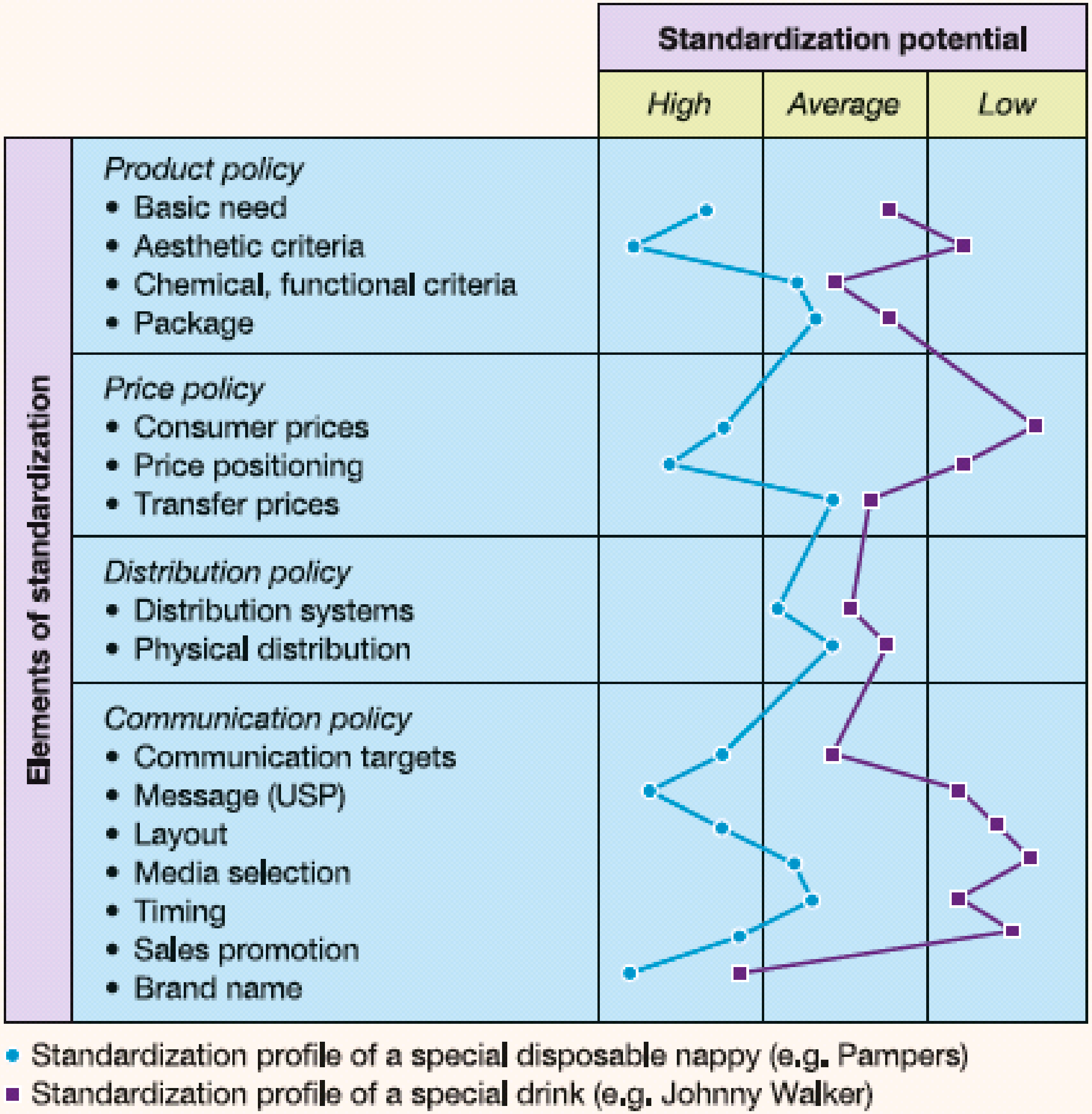


Figure IV.3 Analysis of a company's standardization potential

Source: adapted from Kreutzer (1988). Reproduced with kind permission from Emerald Group Publishing Ltd; www.emeraldinsight.com.

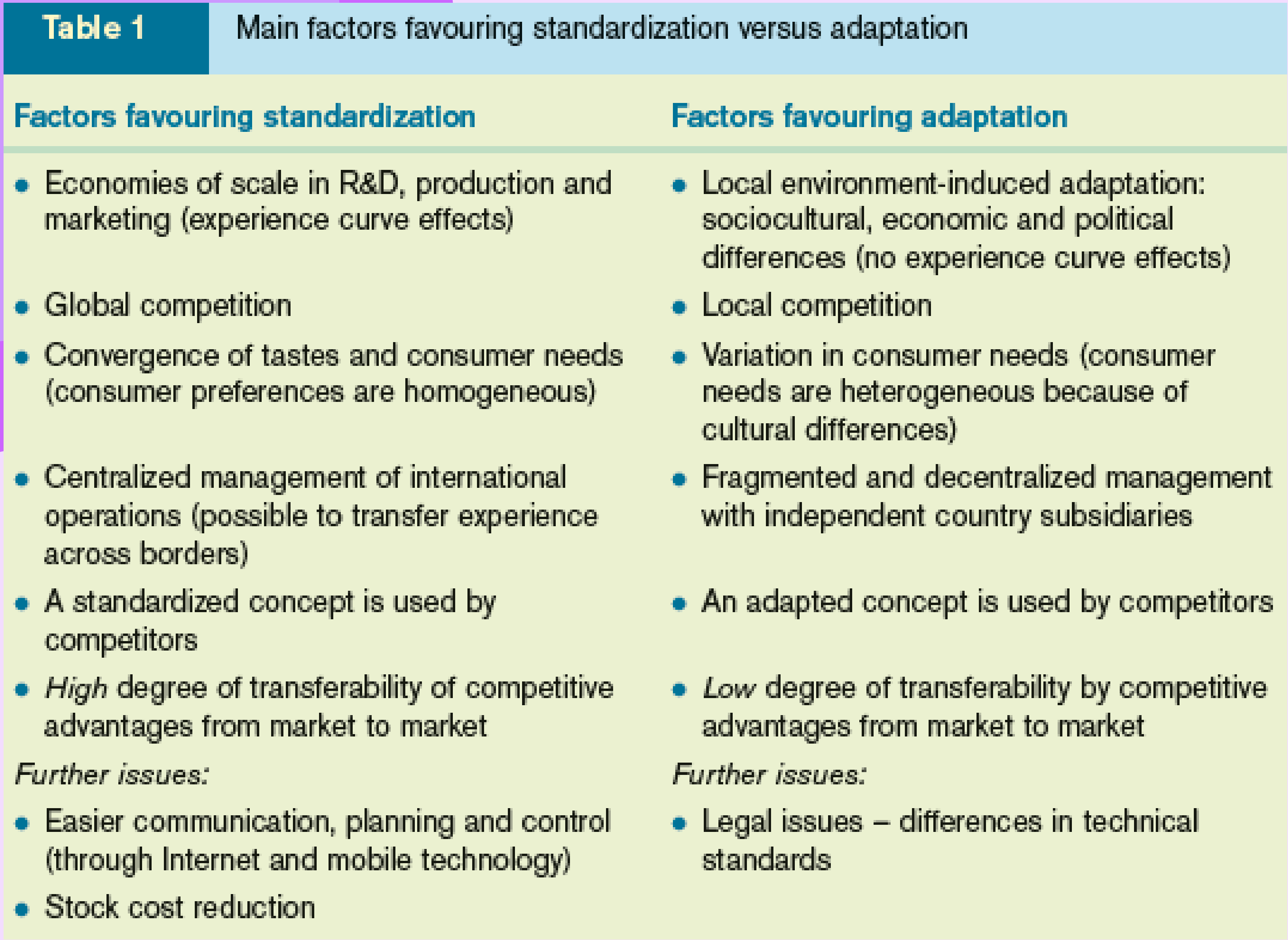


Table 1 Main factors favouring standardization versus adaptation

Factors favouring standardization	Factors favouring adaptation
• Economies of scale in R&D, production and marketing (experience curve effects)	• Local environment-induced adaptation: sociocultural, economic and political differences (no experience curve effects)
• Global competition	• Local competition
• Convergence of tastes and consumer needs (consumer preferences are homogeneous)	• Variation in consumer needs (consumer needs are heterogeneous because of cultural differences)
• Centralized management of international operations (possible to transfer experience across borders)	• Fragmented and decentralized management with independent country subsidiaries
• A standardized concept is used by competitors	• An adapted concept is used by competitors
• *High* degree of transferability of competitive advantages from market to market	• *Low* degree of transferability by competitive advantages from market to market
Further issues:	*Further issues:*
• Easier communication, planning and control (through Internet and mobile technology)	• Legal issues – differences in technical standards
• Stock cost reduction	

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, p. 299, Table 1

CHAPTER 14

Product decisions

Learning objectives (1)

- ❍ Discuss the influences that lead a firm to standardize or adapt its products
- ❍ Explore how international service strategies are developed
- ❍ Distinguish between the product life cycle and the international product life cycle
- ❍ Discuss the challenge of developing new products for foreign markets

Learning objectives (2)

- Explain and illustrate the alternatives in the product communication mix
- Define and explain the different branding alternatives
- Discuss brand piracy and the possible anti-counterfeiting strategies
- Explain what is meant by a ‘green’ product
- Discuss alternative environmental management strategies

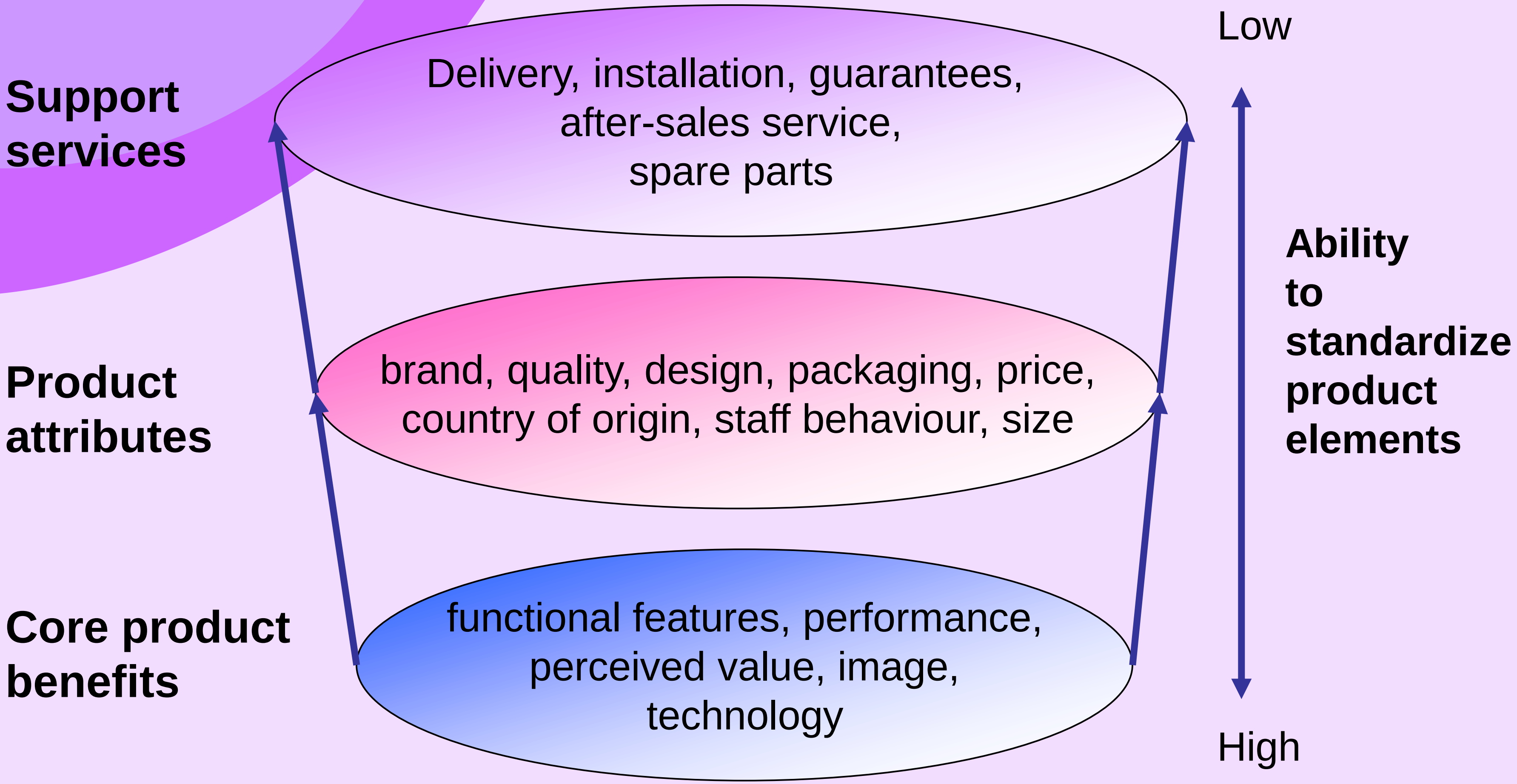

Support services
Delivery, installation, guarantees, after-sales service, spare parts
Product attributes
brand, quality, design, packaging, price, country of origin, staff behaviour, size
Core product benefits
functional features, performance, perceived value, image, technology
Low
Ability to standardize product elements
High

Figure 14.1 The three levels of a product

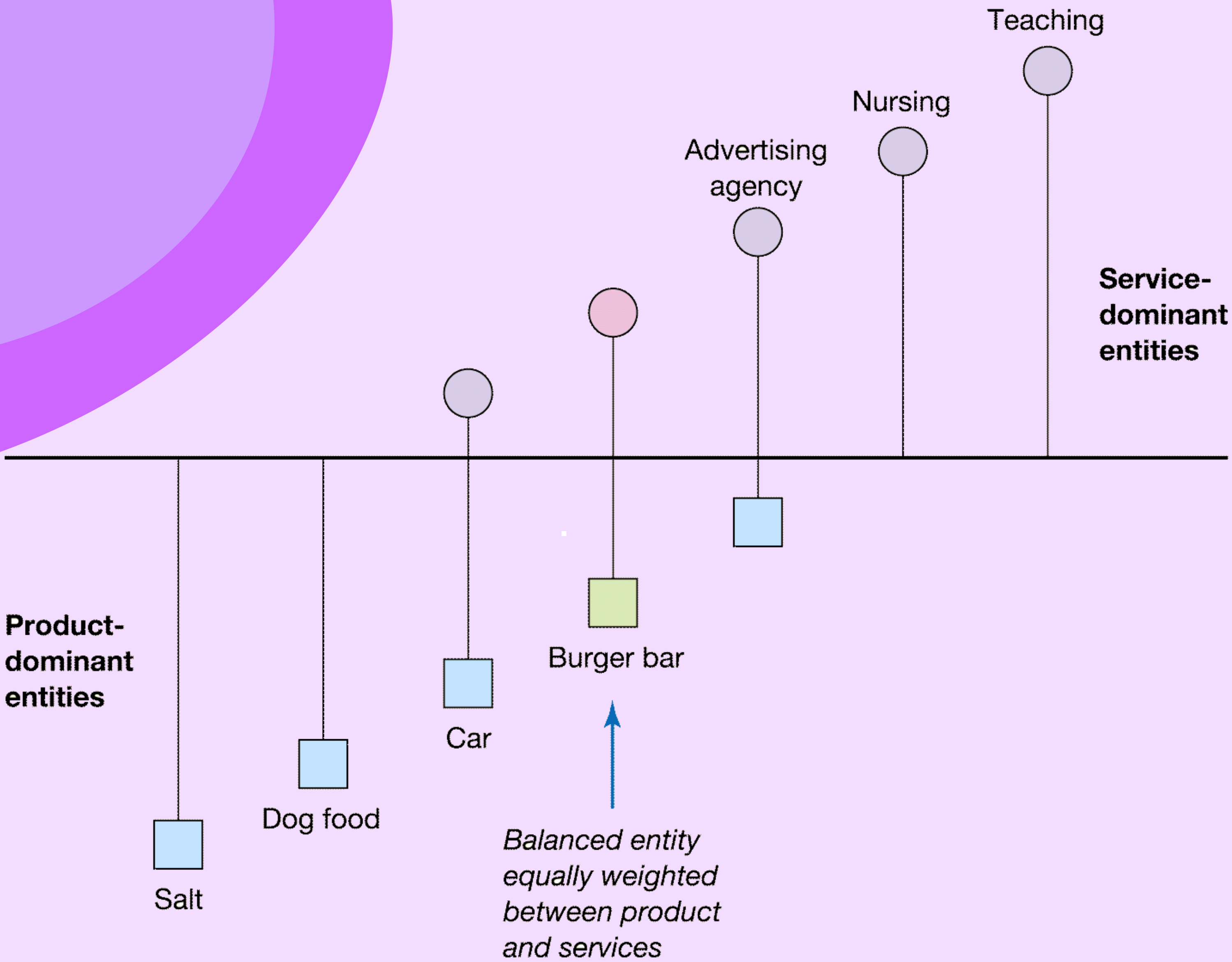

Teaching
Nursing
Advertising agency
Service-dominant entities
Product-dominant entities
Burger bar
Car
Dog food
Salt
Balanced entity equally weighted between product and services

Figure 14.2 Scale of elemental dominance

Source: Czinkota and Ronkainen (1995, p. 526)

Characteristics of services

- Intangibility
- Perishability
- Heterogeneity
- Inseparability

Three categories of service

- People processing
- Possession processing
- Information-based services

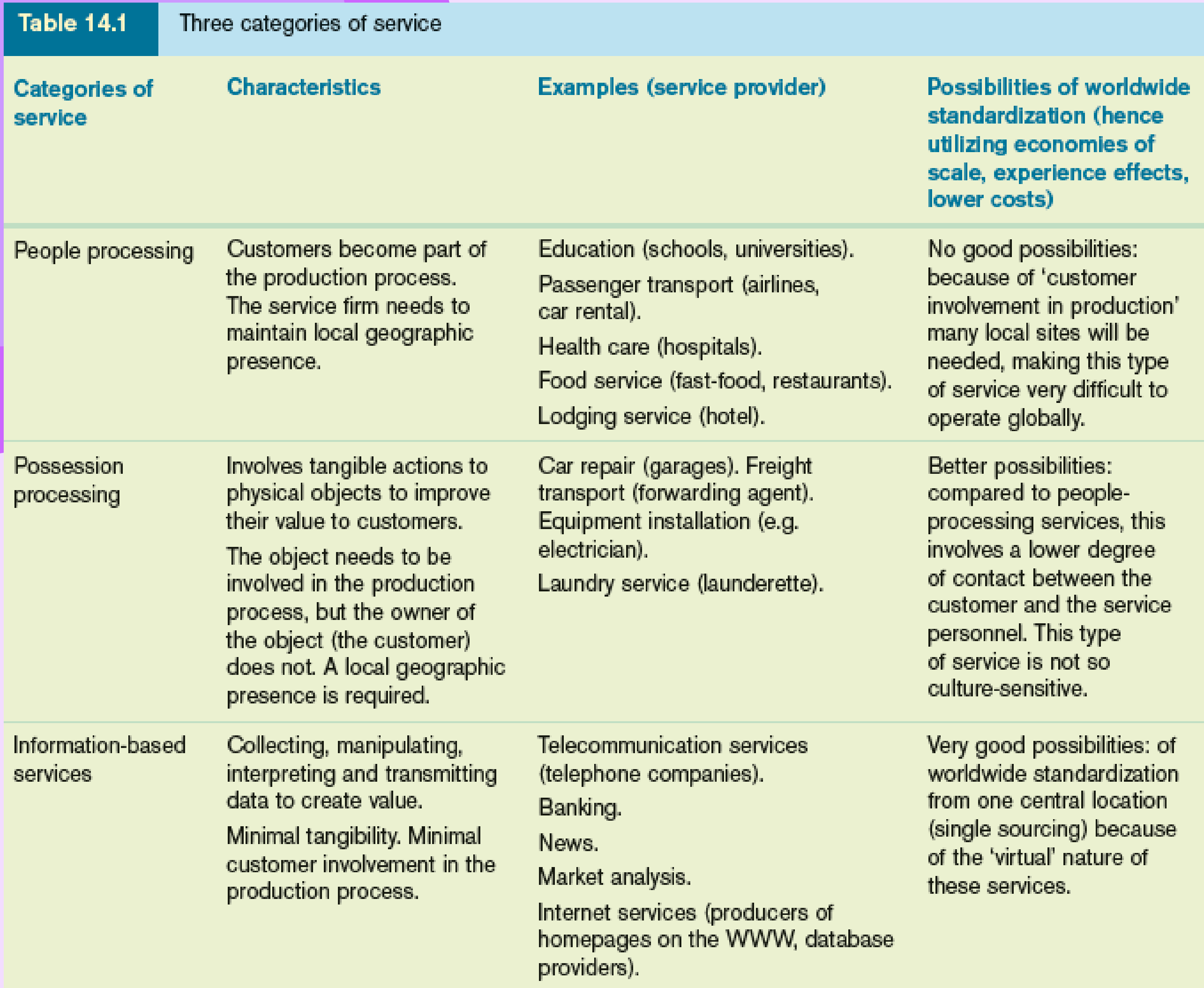


Table 14.1 Three categories of service

Categories of service	Characteristics	Examples (service provider)	Possibilities of worldwide standardization (hence utilizing economies of scale, experience effects, lower costs)
People processing	Customers become part of the production process. The service firm needs to maintain local geographic presence.	Education (schools, universities). Passenger transport (airlines, car rental). Health care (hospitals). Food service (fast-food, restaurants). Lodging service (hotel).	No good possibilities: because of 'customer involvement in production' many local sites will be needed, making this type of service very difficult to operate globally.
Possession processing	Involves tangible actions to physical objects to improve their value to customers. The object needs to be involved in the production process, but the owner of the object (the customer) does not. A local geographic presence is required.	Car repair (garages). Freight transport (forwarding agent). Equipment installation (e.g. electrician). Laundry service (launderette).	Better possibilities: compared to people-processing services, this involves a lower degree of contact between the customer and the service personnel. This type of service is not so culture-sensitive.
Information-based services	Collecting, manipulating, interpreting and transmitting data to create value. Minimal tangibility. Minimal customer involvement in the production process.	Telecommunication services (telephone companies). Banking. News. Market analysis. Internet services (producers of homepages on the WWW, database providers).	Very good possibilities: of worldwide standardization from one central location (single sourcing) because of the 'virtual' nature of these services.

Categories of supplementary service

- Information
- Consultation/advice
- Order taking
- Hospitality
- Safekeeping
- Exceptions
- Billing
- Payment

Differences in the B2B market (versus consumer markets)

- Fewer and larger buyers
- Derived, fluctuating and relatively inelastic demand
- Many participants in buying process
- Professional buyers
- Closer relationships
- Absence of intermediaries
- Technological links

What is this?

The ______ states products or brands follow a sequence of stages including introduction, growth, maturity and sales decline.

Product life cycle

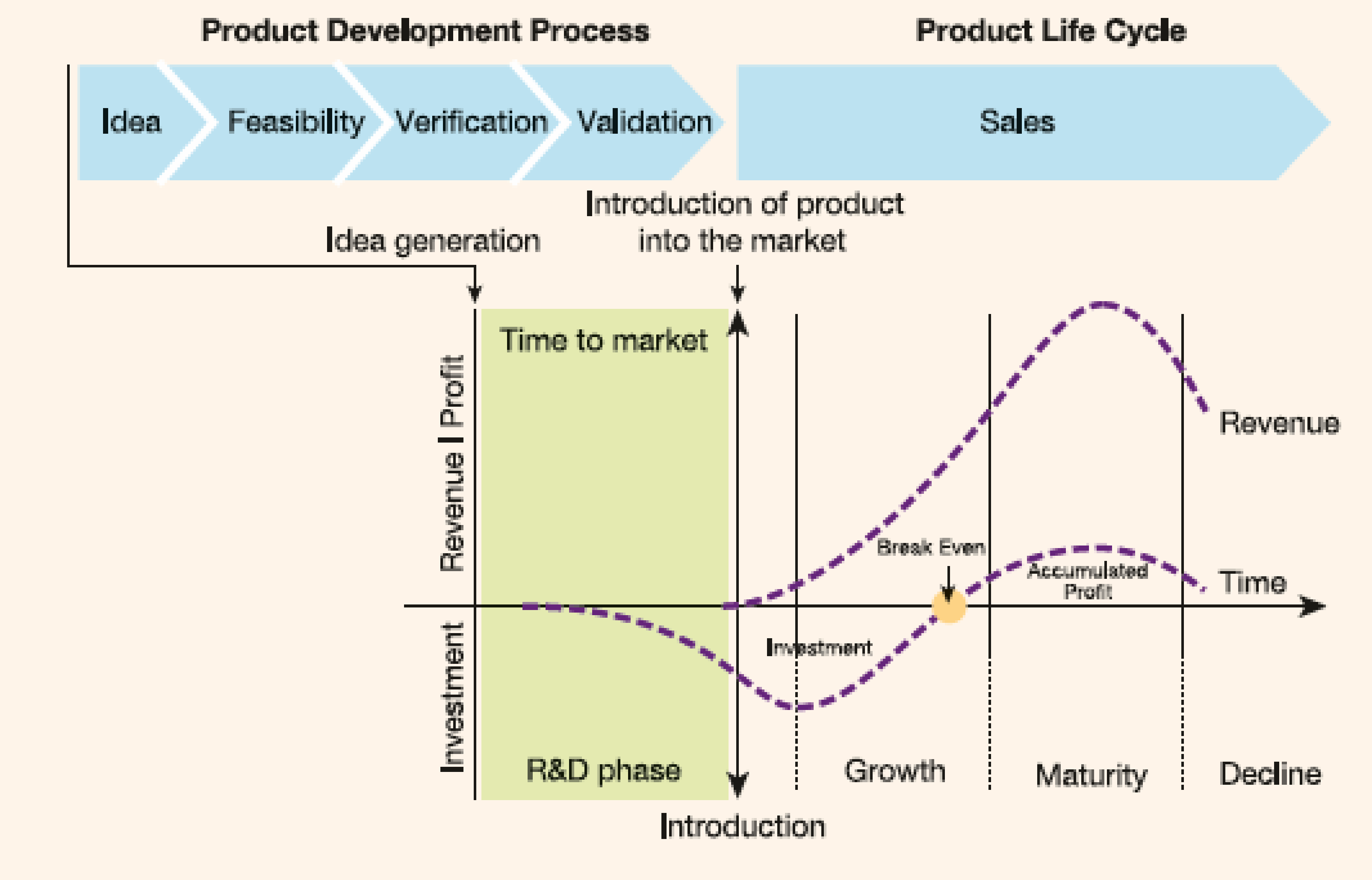
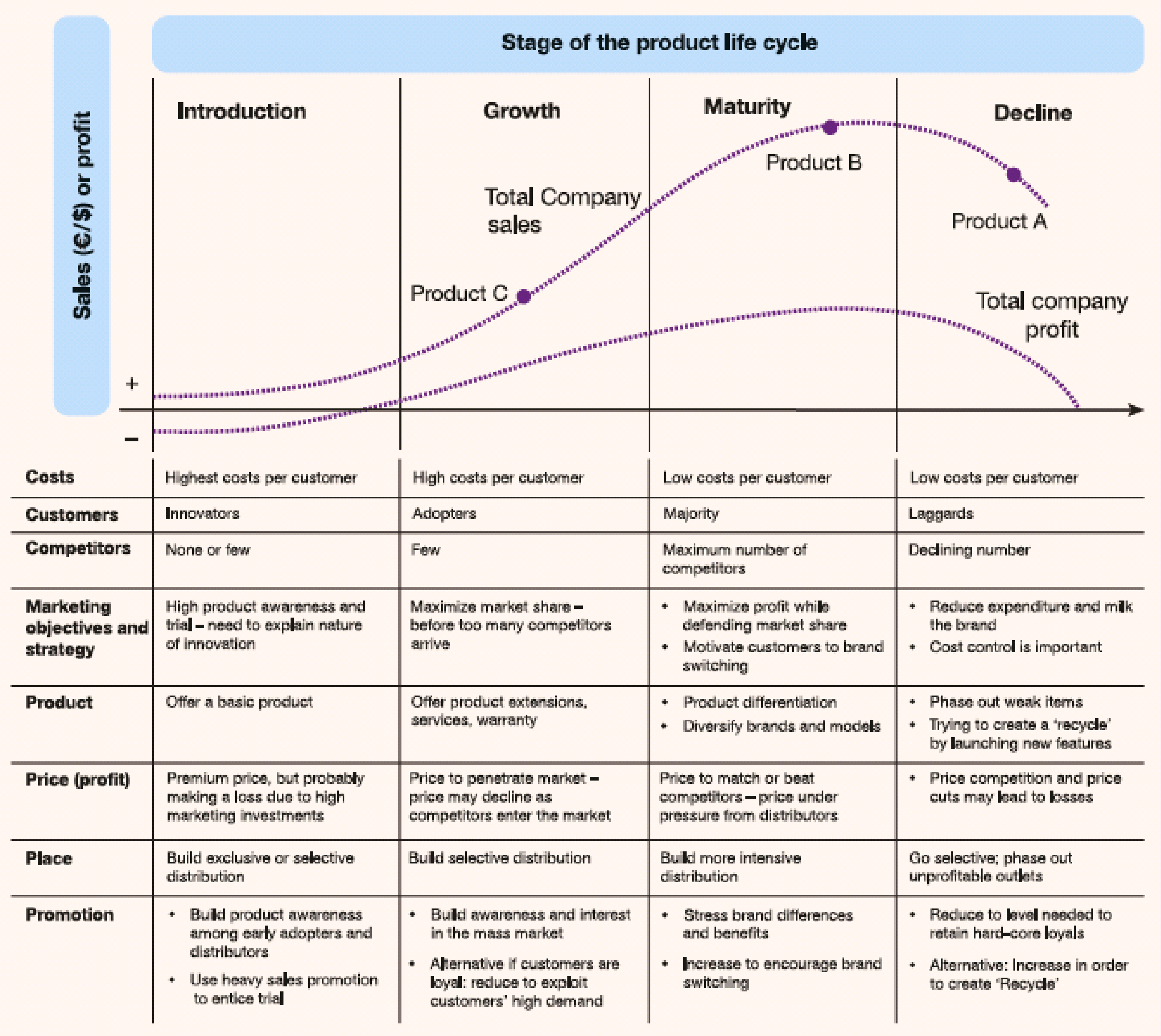


Figure 14.3 The PLC and time to market

Source: Hollensen, S. (2010) *Marketing Management*, 2nd edition, FT/Prentice Hall, Fig. 11.7



	Introduction	Growth	Maturity	Decline
Costs	Highest costs per customer	High costs per customer	Low costs per customer	Low costs per customer
Customers	Innovators	Adopters	Majority	Laggards
Competitors	None or few	Few	Maximum number of competitors	Declining number
Marketing objectives and strategy	High product awareness and trial – need to explain nature of innovation	Maximize market share – before too many competitors arrive	• Maximize profit while defending market share • Motivate customers to brand switching	• Reduce expenditure and milk the brand • Cost control is important
Product	Offer a basic product	Offer product extensions, services, warranty	• Product differentiation • Diversify brands and models	• Phase out weak items • Trying to create a 'recycle' by launching new features
Price (profit)	Premium price, but probably making a loss due to high marketing investments	Price to penetrate market – price may decline as competitors enter the market	Price to match or beat competitors – price under pressure from distributors	• Price competition and price cuts may lead to losses
Place	Build exclusive or selective distribution	Build selective distribution	Build more intensive distribution	Go selective; phase out unprofitable outlets
Promotion	• Build product awareness among early adopters and distributors • Use heavy sales promotion to entice trial	• Build awareness and interest in the mass market • Alternative if customers are loyal: reduce to exploit customers' high demand	• Stress brand differences and benefits • Increase to encourage brand switching	• Reduce to level needed to retain hard-core loyals • Alternative: Increase in order to create 'Recycle'

Figure 14.4 The product life cycle and its strategic marketing implications

Source: Hollensen, S. (2010) *Marketing Management*, 2nd edition, FT/Prentice Hall, Fig. 7.5

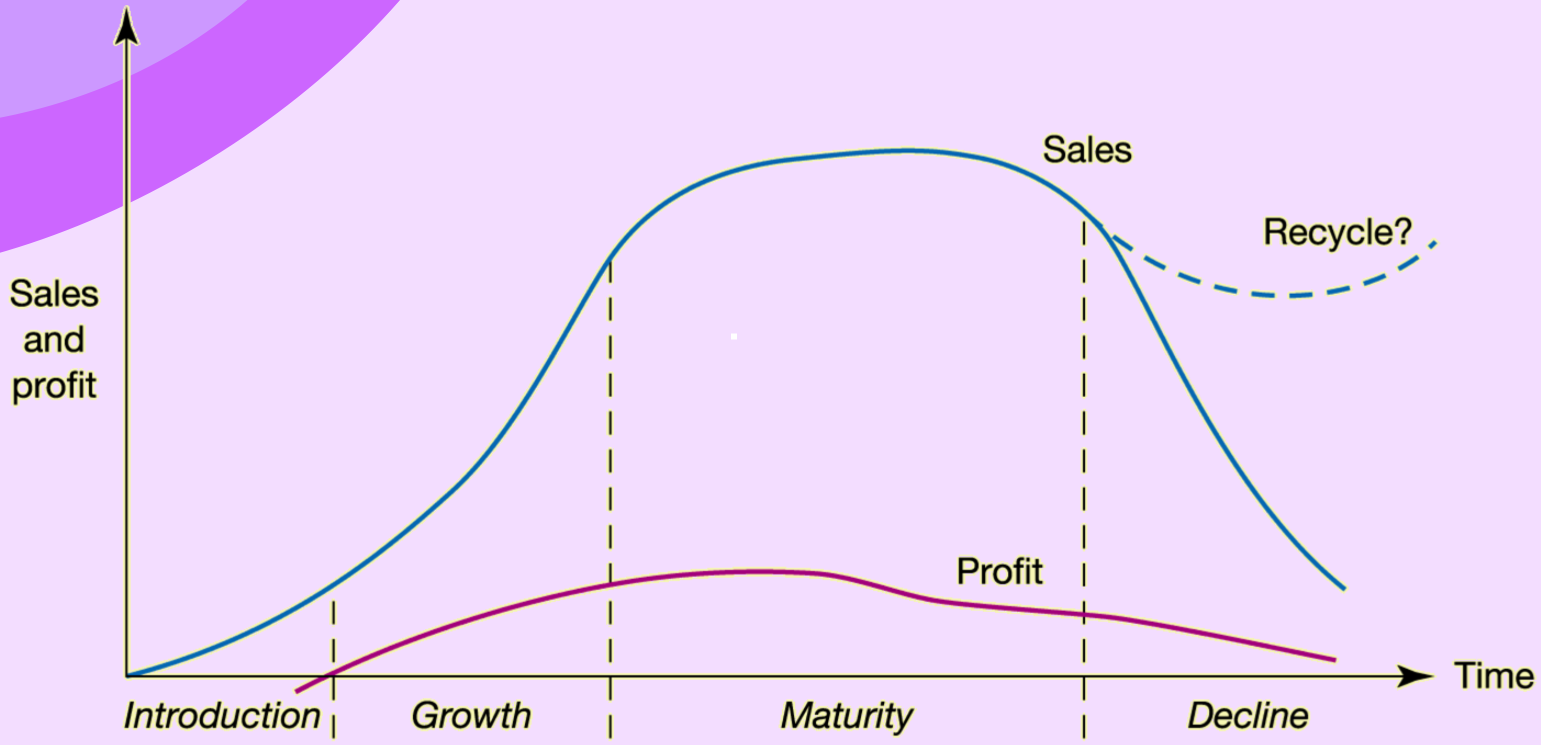


Figure 14.5 The product life cycle

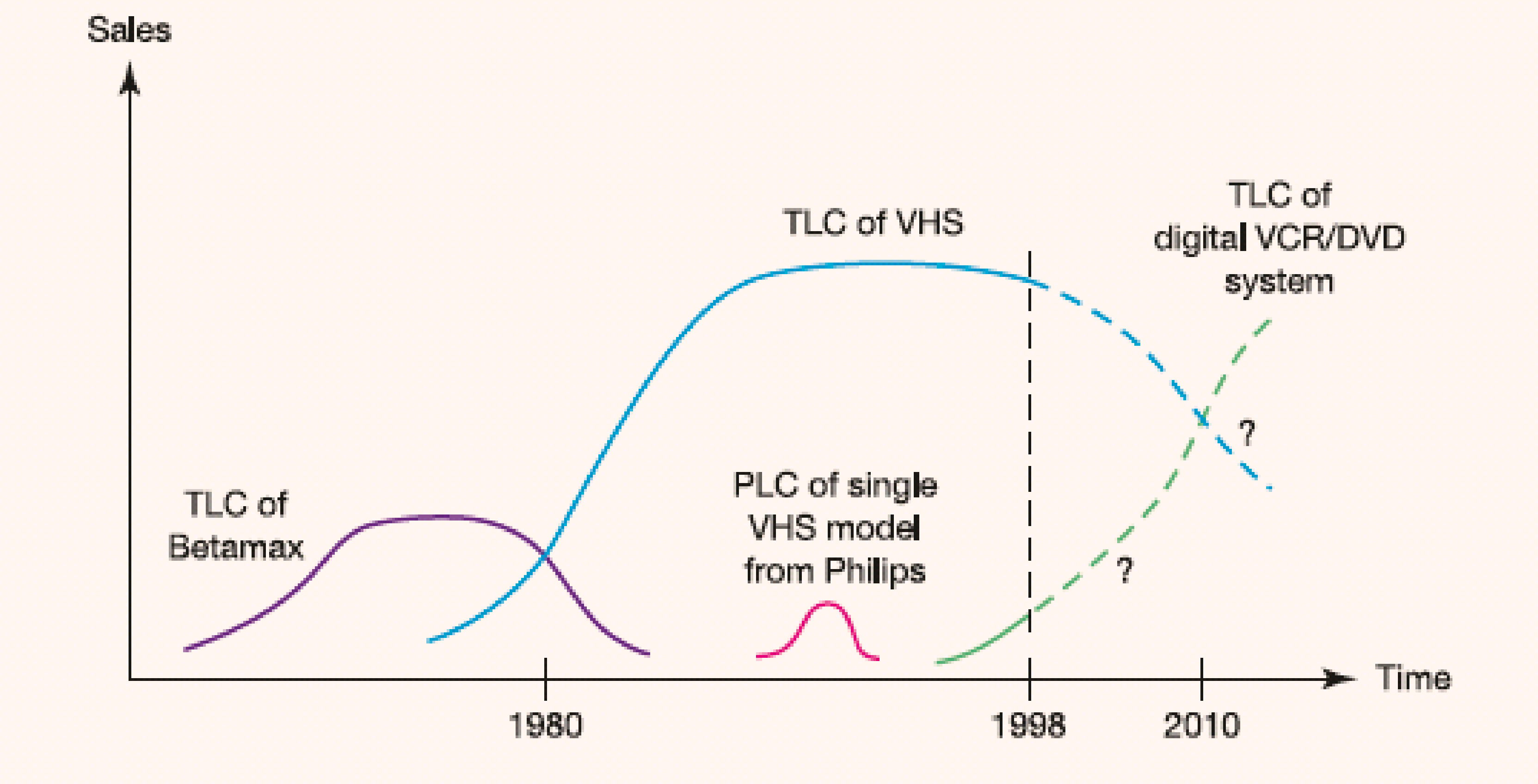
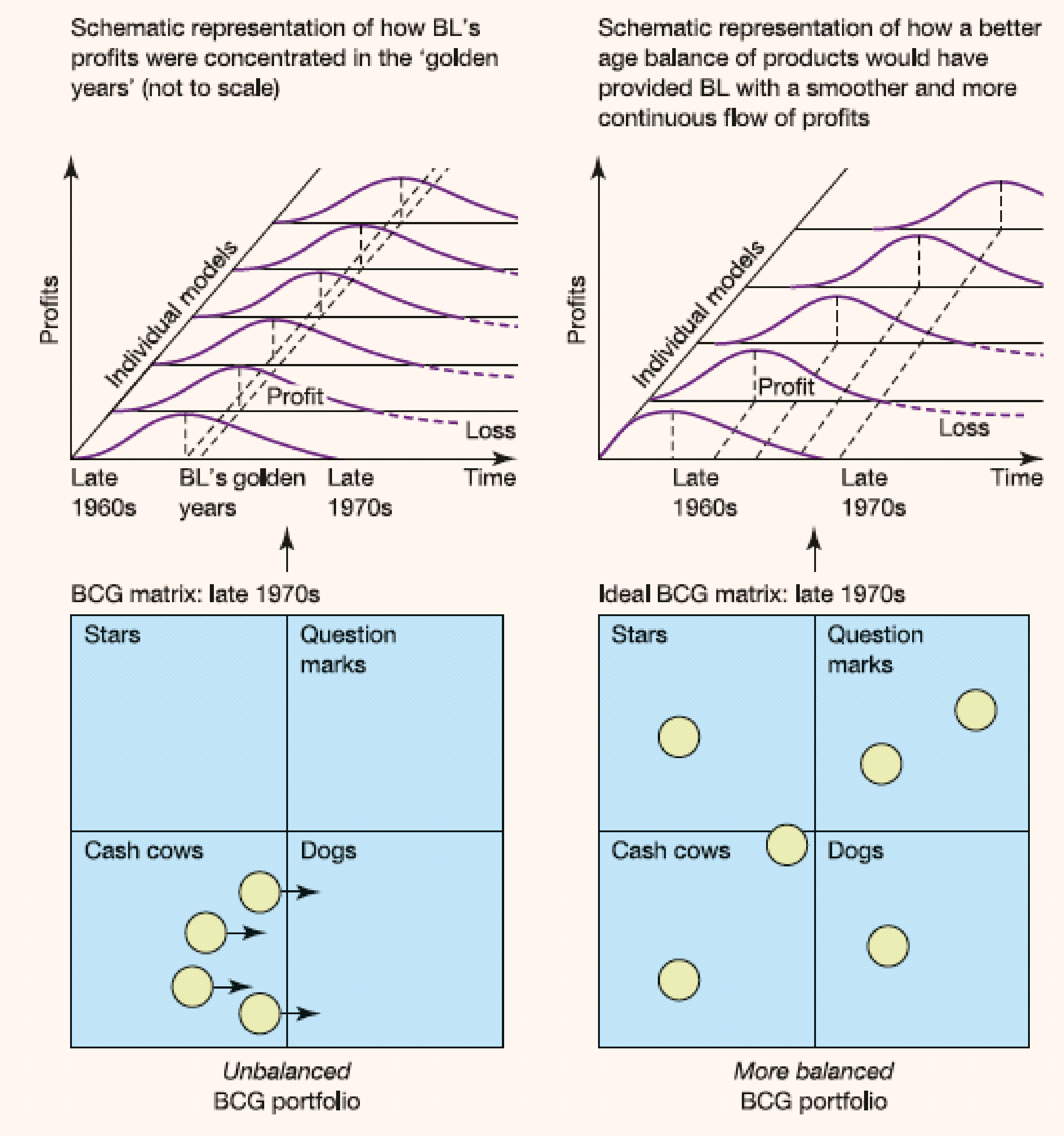


Figure 14.6 Comparisons of PLCs for product forms (technological life cycles, TLCs) and a single product model: example with different VCR systems



Schematic representation of how BL's profits were concentrated in the 'golden years' (not to scale)

Schematic representation of how a better age balance of products would have provided BL with a smoother and more continuous flow of profits

BCG matrix: late 1970s

Ideal BCG matrix: late 1970s

Unbalanced BCG portfolio

More balanced BCG portfolio

Figure 14.7 Situation of British Leyland in the late 1970s

Source: partly reprinted from *Long Range Planning*, 17(3), McNamee, P. (1984) 'Competitive analysis using matrix displays', pp. 98–114, copyright 1984, with permission from Elsevier

International product life cycles

- Describes diffusion of an innovation across national boundaries
- Demand grows first in innovating country and is then exported
- Eventually demand grows in LDCs

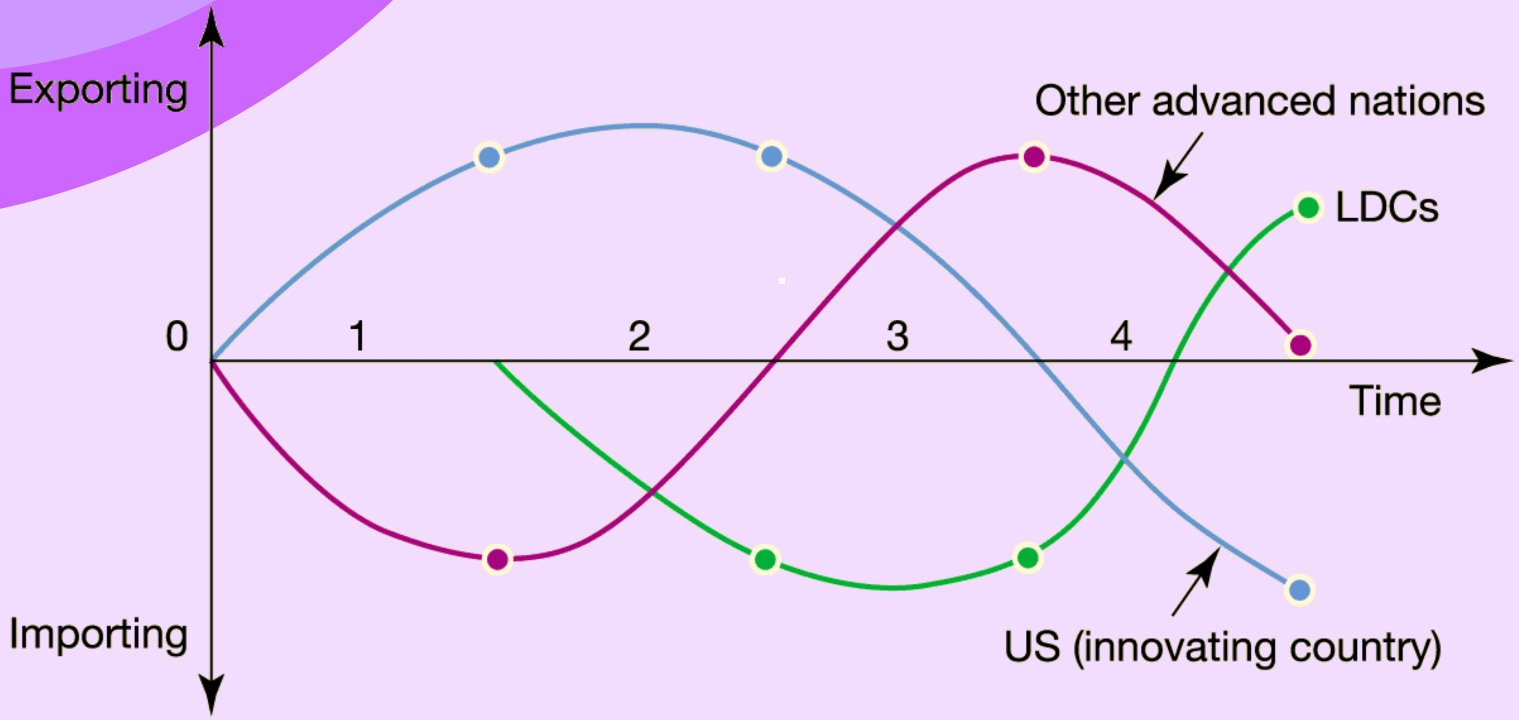


Figure 14.8 IPLC curves

Source: Onkvisit and Shaw (1993, p. 483)

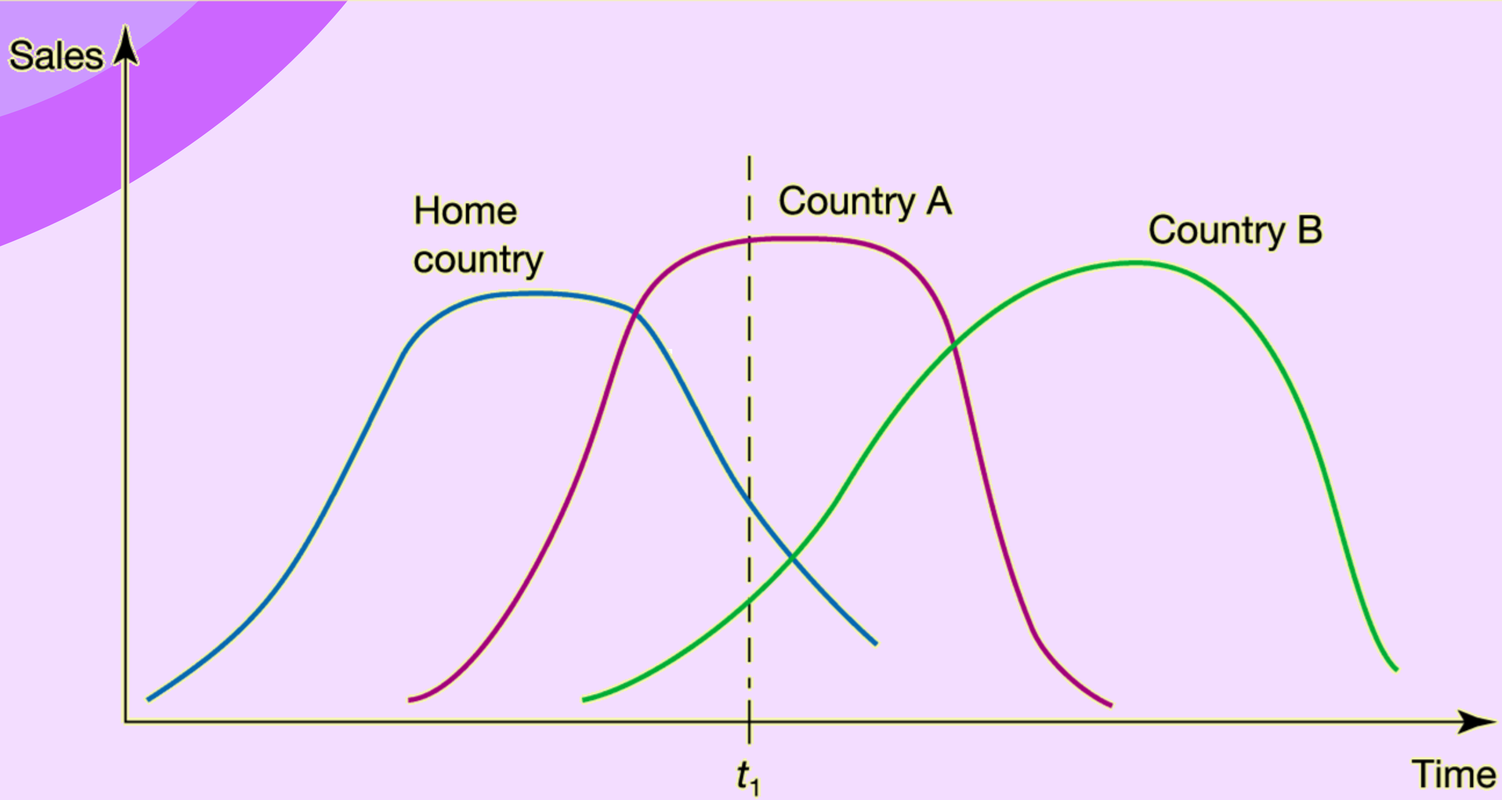


Figure 14.9 PLCs of different countries for a specific product

Japanese manufacturers compete on time-to-market

- Early integration of customers and suppliers
- Multiskilled project teams
- Interlinking of R&D, production and marketing
- Total quality management
- Parallel planning of new products and required production facilities
- Outsourcing

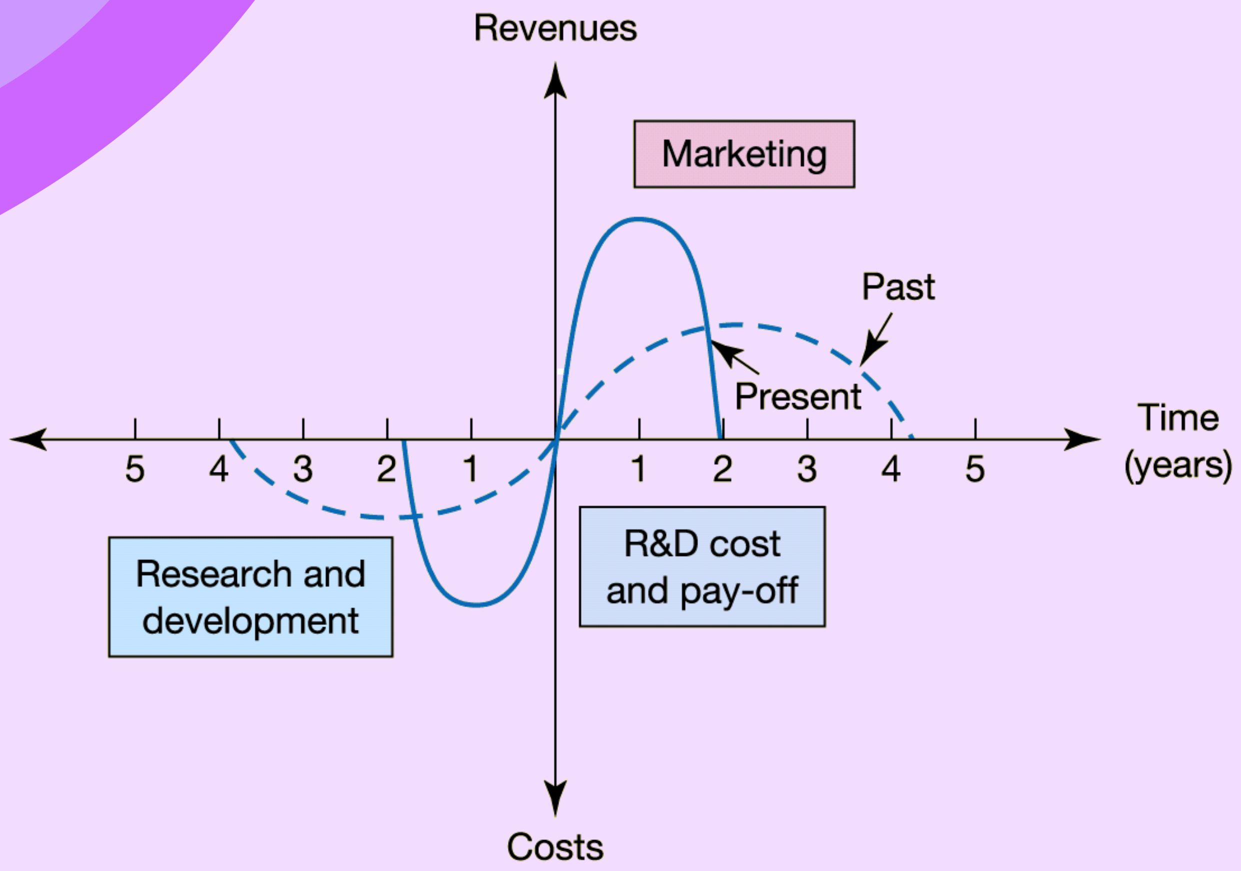
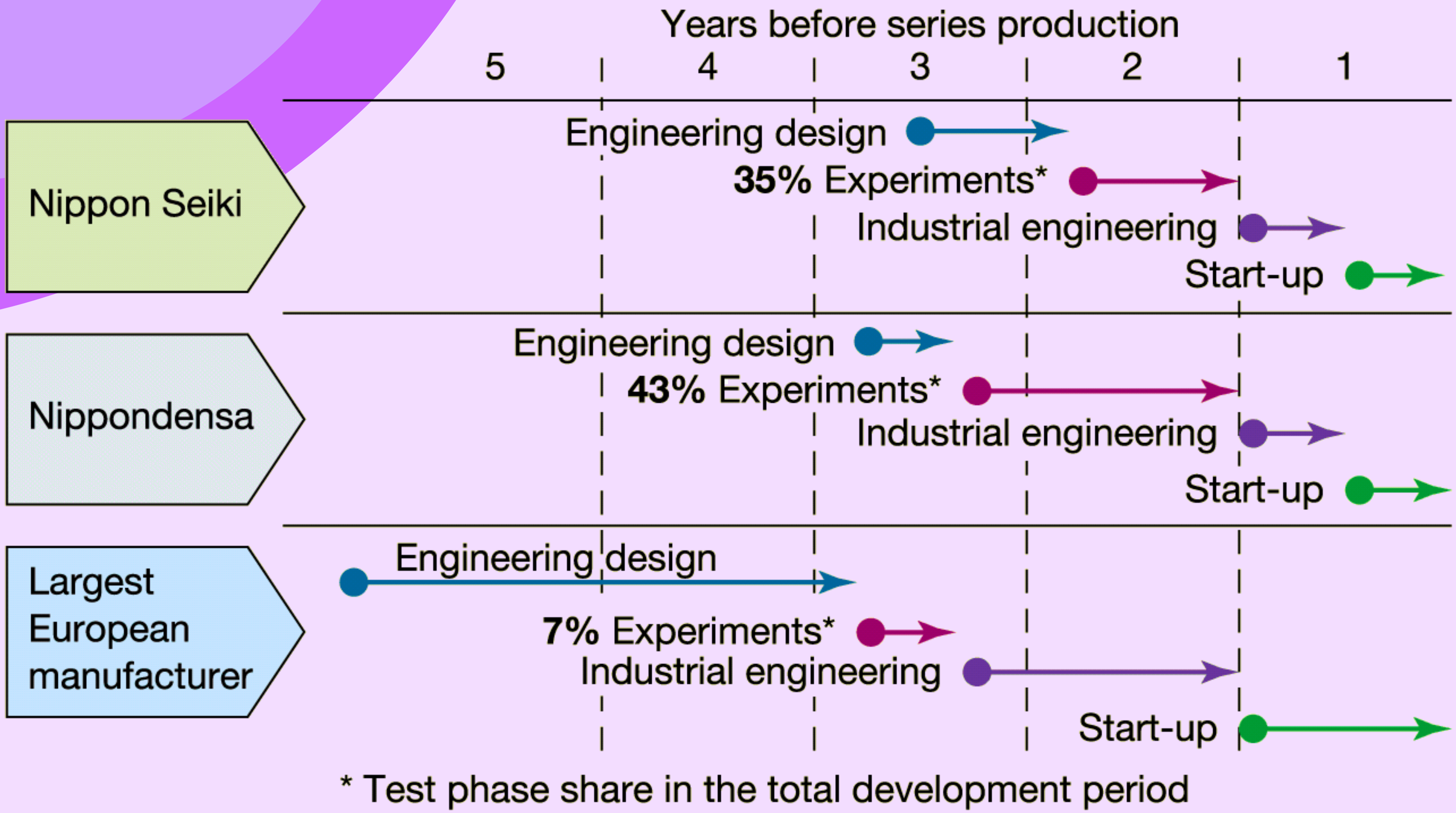


Figure 14.10 Compression of R&D cycles and product life cycles

Source: reprinted from *Long Range Planning*, 28(2), Töpfer, A. (1995) 'New products: cutting the time to market', p. 64, Copyright 1995, with permission from Elsevier



Years before series production

5 4 3 2 1

Nippon Seiki

Engineering design
35% Experiments*
Industrial engineering
Start-up

Nippondensa

Engineering design
43% Experiments*
Industrial engineering
Start-up

Largest European manufacturer

Engineering design
7% Experiments*
Industrial engineering
Start-up

* Test phase share in the total development period

Figure 14.11 Development and test periods for suppliers to the car industry

Source: reprinted from *Long Range Planning*, 28(2), Töpfer, A. (1995) 'New products: cutting the time to market', p. 72, Copyright 1995, with permission from Elsevier

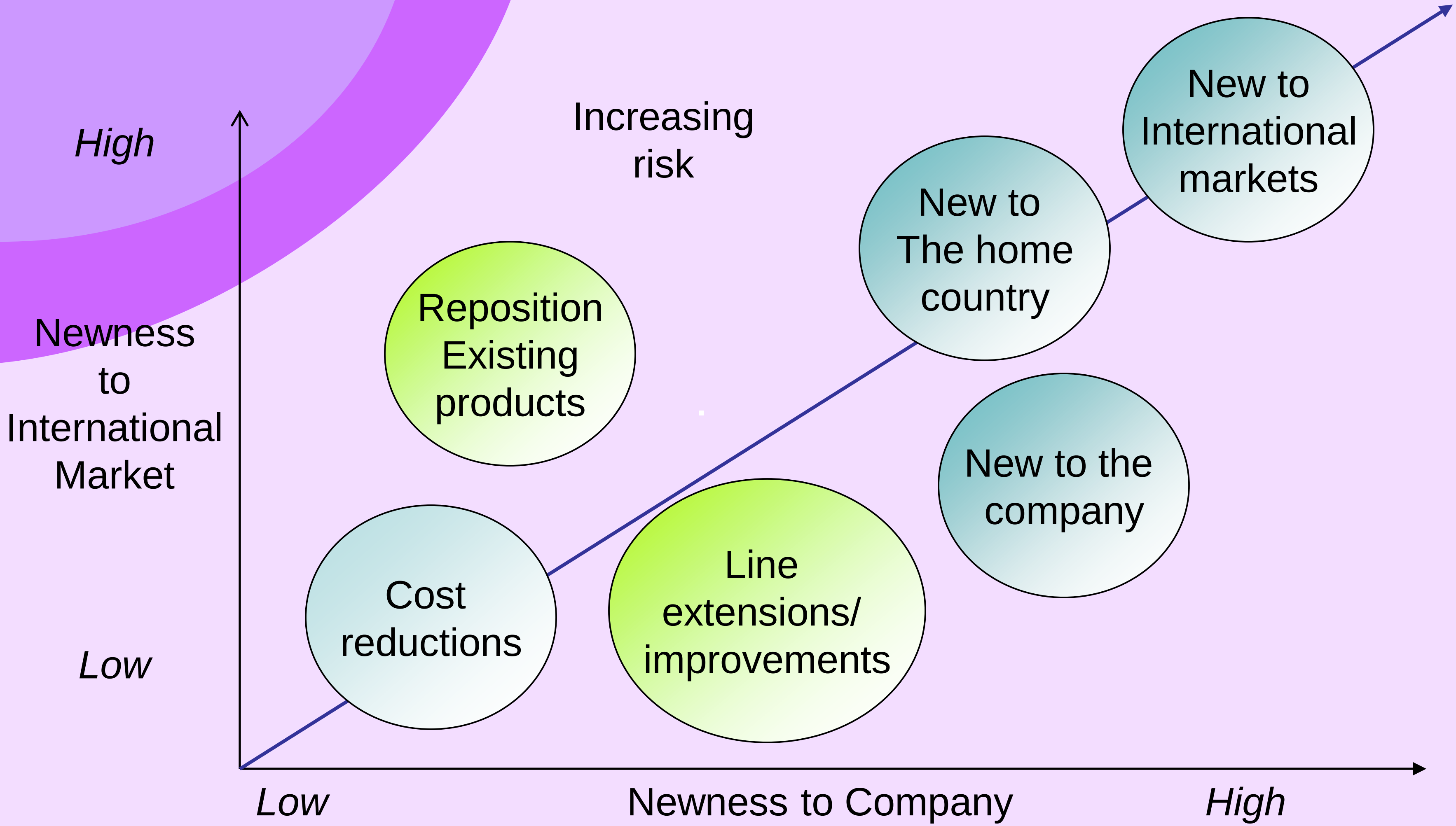


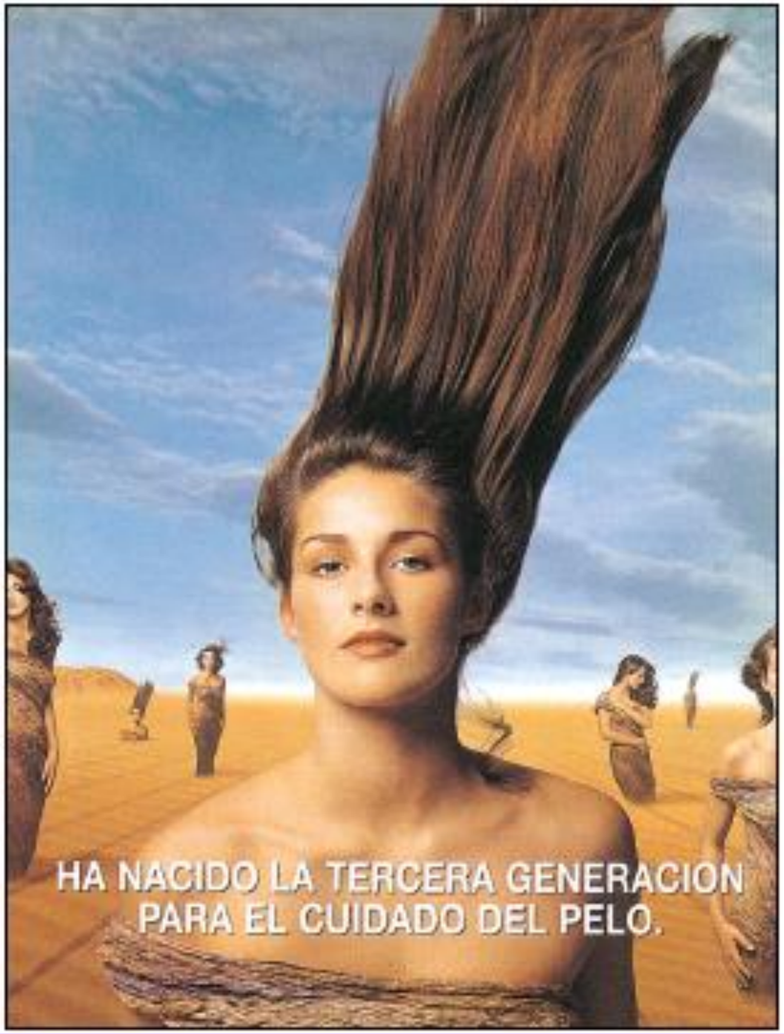
Figure 14.12 Different degrees of product newness

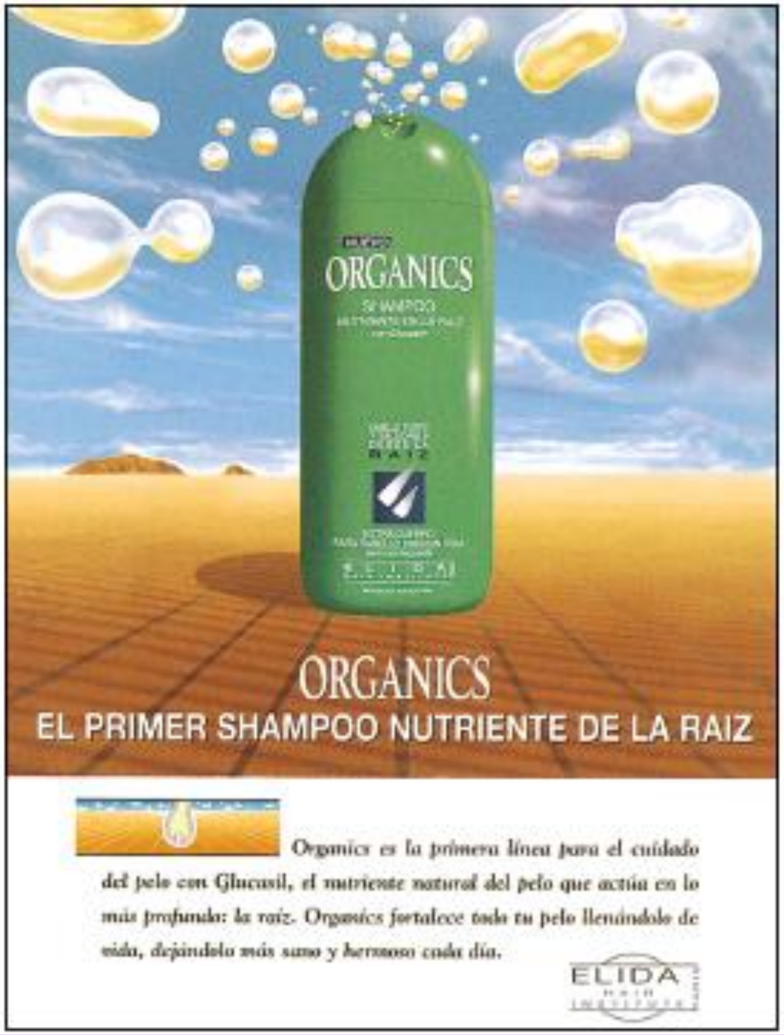
		Product		
		Standard	*Adapt*	*New*
Promotion	*Standard*	Straight extension	Product adaptation	Product invention
	Adapt	Promotion adaptation	Dual adaptation	

Figure 14.13 Product/communication mode

Source: based on Keegan (1995), pp. 489–94, p. 498, Table 13–1

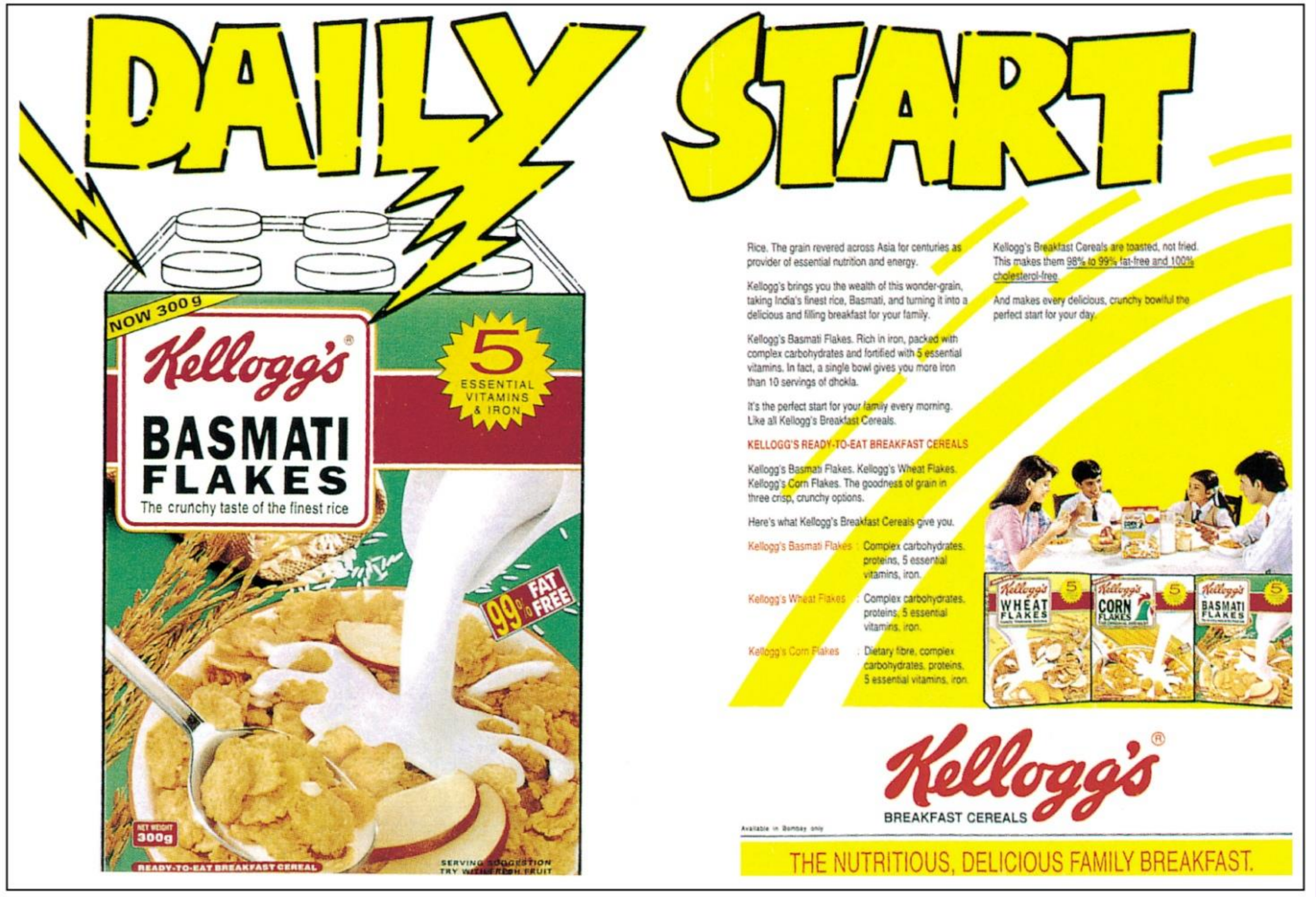
‘Organics’ ‘straight extension’ to Argentina (only language is adapted)





Organics es la primera línea para el cuidado del pelo con Glucasil, el nutriente natural del pelo que actúa en lo más profundo: la raíz. Organics fortalece todo tu pelo llenándolo de vida, dejándolo más sano y hermoso cada día.

Kellogg’s dual adaption for Indian market



Rice. The grain revered across Asia for centuries as provider of essential nutrition and energy.

Kellogg's brings you the wealth of this wonder-grain, taking India's finest rice, Basmati, and turning it into a delicious and filling breakfast for your family.

Kellogg's Basmati Flakes. Rich in iron, packed with complex carbohydrates and fortified with 5 essential vitamins. In fact, a single bowl gives you more iron than 10 servings of dhokla.

It's the perfect start for your family every morning. Like all Kellogg's Breakfast Cereals.

KELLOGG'S READY-TO-EAT BREAKFAST CEREALS

Kellogg's Basmati Flakes. Kellogg's Wheat Flakes. Kellogg's Corn Flakes. The goodness of grain in three crisp, crunchy options.

Here's what Kellogg's Breakfast Cereals give you.

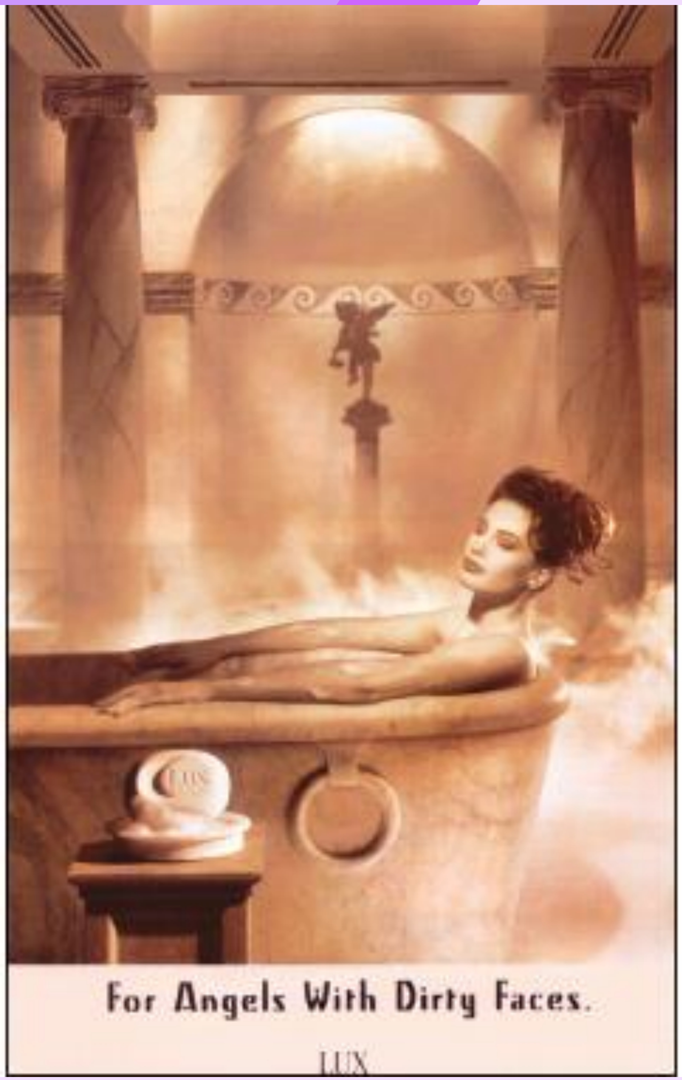
Kellogg's Basmati Flakes	Complex carbohydrates, proteins, 5 essential vitamins, iron.
Kellogg's Wheat Flakes	Complex carbohydrates, proteins, 5 essential vitamins, iron.
Kellogg's Corn Flakes	Dietary fibre, complex carbohydrates, proteins, 5 essential vitamins, iron.

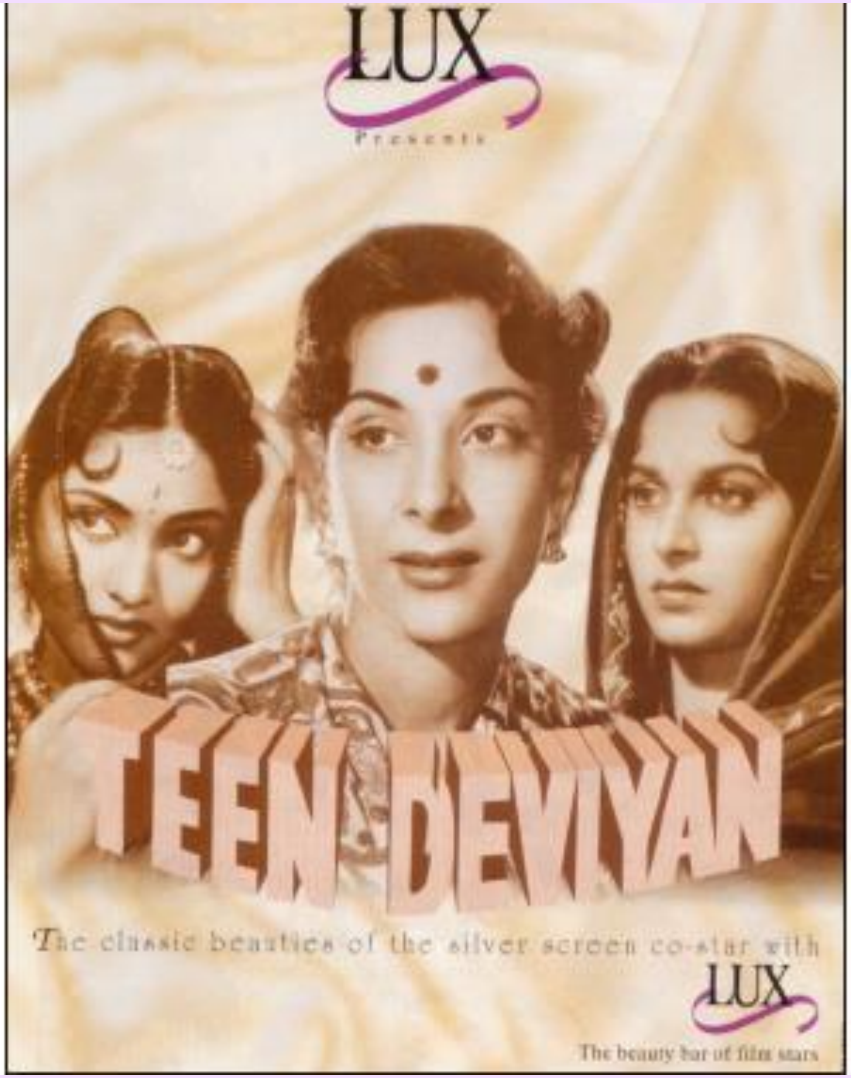
Kellogg's Breakfast Cereals are toasted, not fried. This makes them 98% to 99% fat-free and 100% cholesterol-free.

And makes every delicious, crunchy bowlful the perfect start for your day.

http://www.kelloggcompany.com

‘Promotion Adaptation’ of Lux Soap: UK – India




LUX
Presents
TEEN DEVIYAN
The classic beauties of the silver screen co-star with
LUX
The beauty bar of film stars

‘Product Invention’ for India

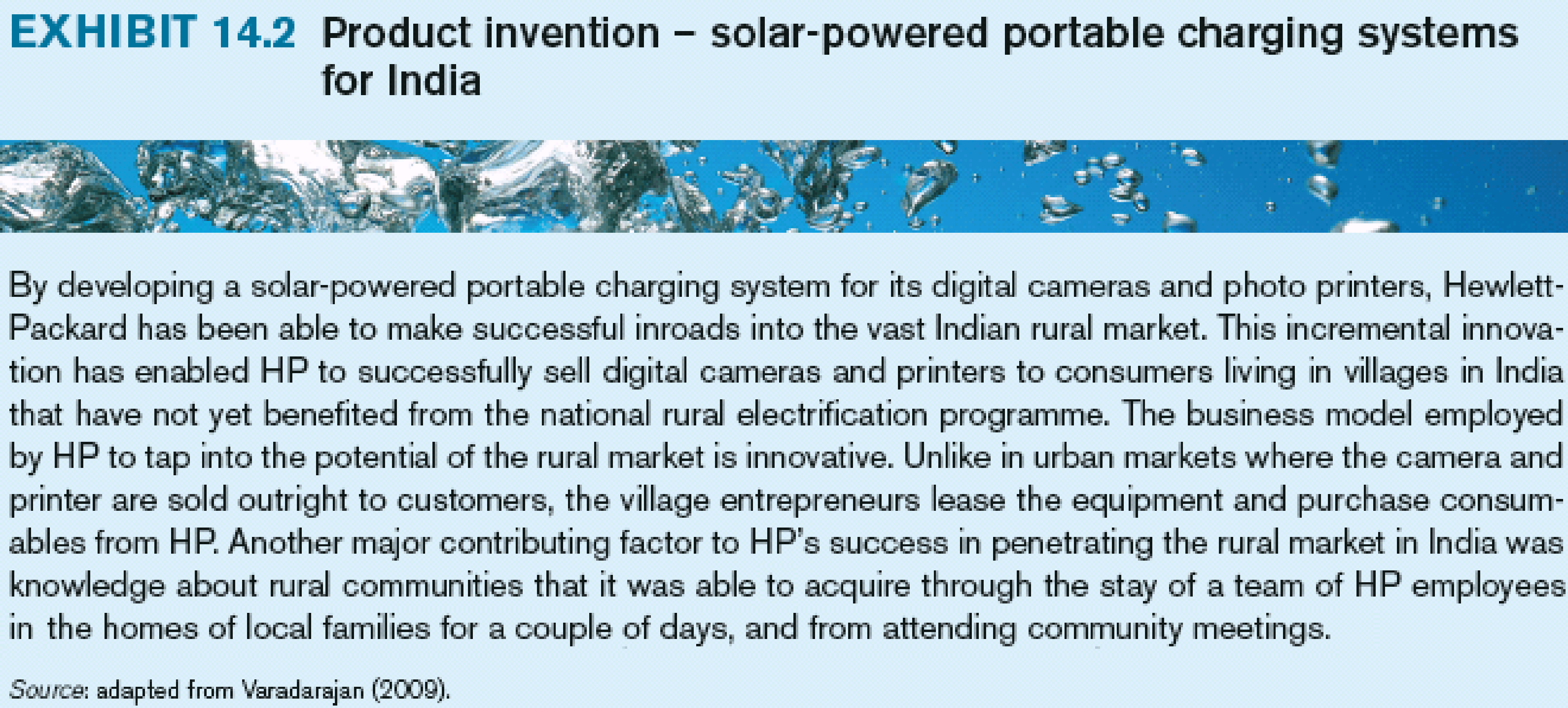


EXHIBIT 14.2 Product invention – solar-powered portable charging systems for India

By developing a solar-powered portable charging system for its digital cameras and photo printers, Hewlett-Packard has been able to make successful inroads into the vast Indian rural market. This incremental innovation has enabled HP to successfully sell digital cameras and printers to consumers living in villages in India that have not yet benefited from the national rural electrification programme. The business model employed by HP to tap into the potential of the rural market is innovative. Unlike in urban markets where the camera and printer are sold outright to customers, the village entrepreneurs lease the equipment and purchase consumables from HP. Another major contributing factor to HP’s success in penetrating the rural market in India was knowledge about rural communities that it was able to acquire through the stay of a team of HP employees in the homes of local families for a couple of days, and from attending community meetings.

Source: adapted from Varadarajan (2009).

What is this?

Which term refers to the effect on quality perceptions caused by knowledge of the production country location for the product?

Country-of-origin effects

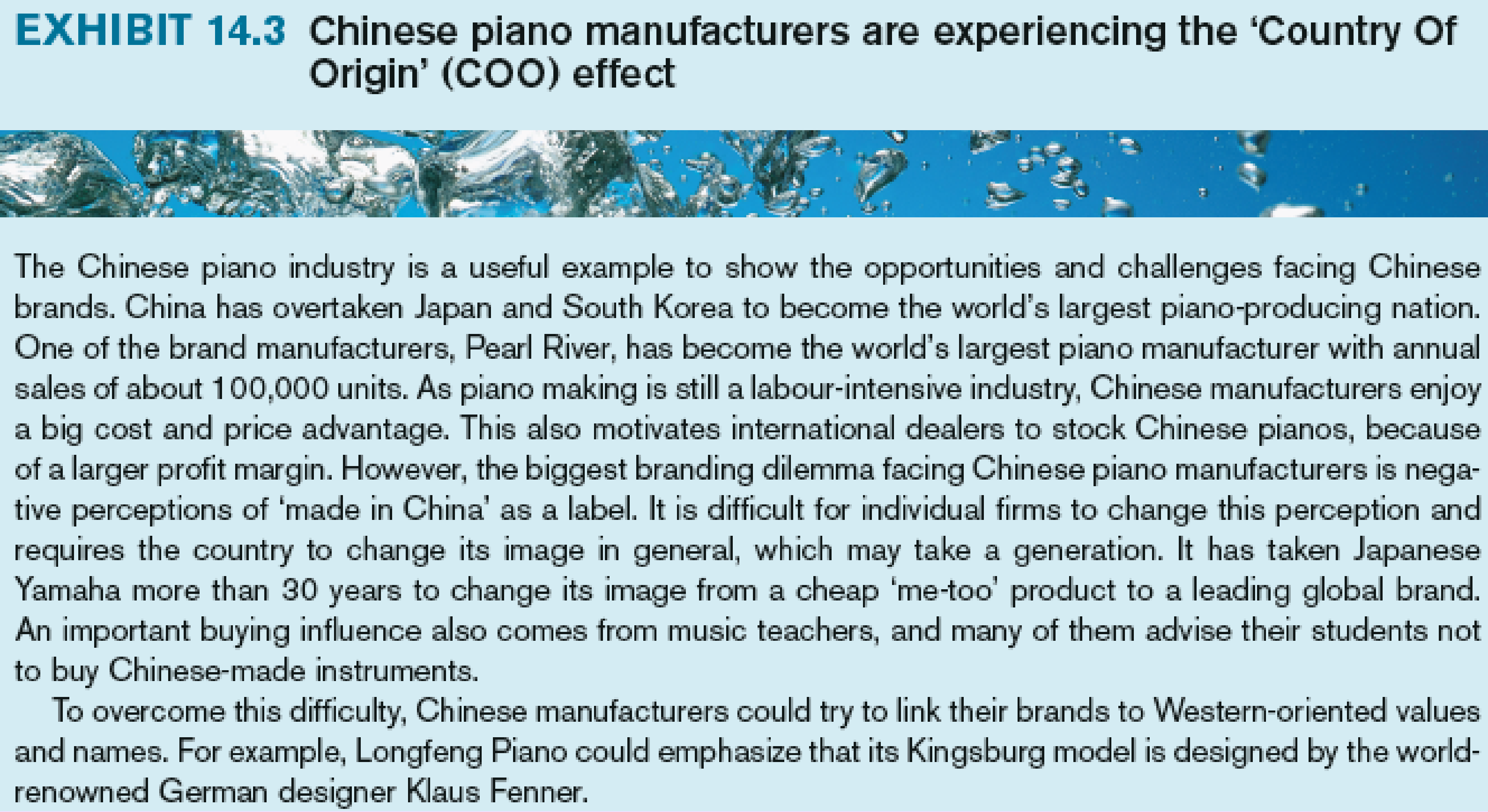


EXHIBIT 14.3 Chinese piano manufacturers are experiencing the 'Country Of Origin' (COO) effect

The Chinese piano industry is a useful example to show the opportunities and challenges facing Chinese brands. China has overtaken Japan and South Korea to become the world's largest piano-producing nation. One of the brand manufacturers, Pearl River, has become the world's largest piano manufacturer with annual sales of about 100,000 units. As piano making is still a labour-intensive industry, Chinese manufacturers enjoy a big cost and price advantage. This also motivates international dealers to stock Chinese pianos, because of a larger profit margin. However, the biggest branding dilemma facing Chinese piano manufacturers is negative perceptions of 'made in China' as a label. It is difficult for individual firms to change this perception and requires the country to change its image in general, which may take a generation. It has taken Japanese Yamaha more than 30 years to change its image from a cheap 'me-too' product to a leading global brand. An important buying influence also comes from music teachers, and many of them advise their students not to buy Chinese-made instruments.

To overcome this difficulty, Chinese manufacturers could try to link their brands to Western-oriented values and names. For example, Longfeng Piano could emphasize that its Kingsburg model is designed by the world-renowned German designer Klaus Fenner.

Source: adapted from Fan (2007). From Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, p. 311, Exhibit 11.1.

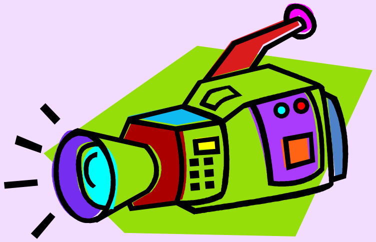
What is this?

Which term refers to the premium a customer would pay for the branded product compared to an identical unbranded version of the same product?

Brand equity

Brand equity's assets and liabilities

- Brand loyalty
- Brand awareness
- Perceived quality
- Brand associations
- Other proprietary brand assets



The functions of branding

- To distinguish a company's offering and differentiate one particular product from its competitors
- To create identification and brand awareness
- To guarantee a certain level of quality and satisfaction
- To help with promotion of the product

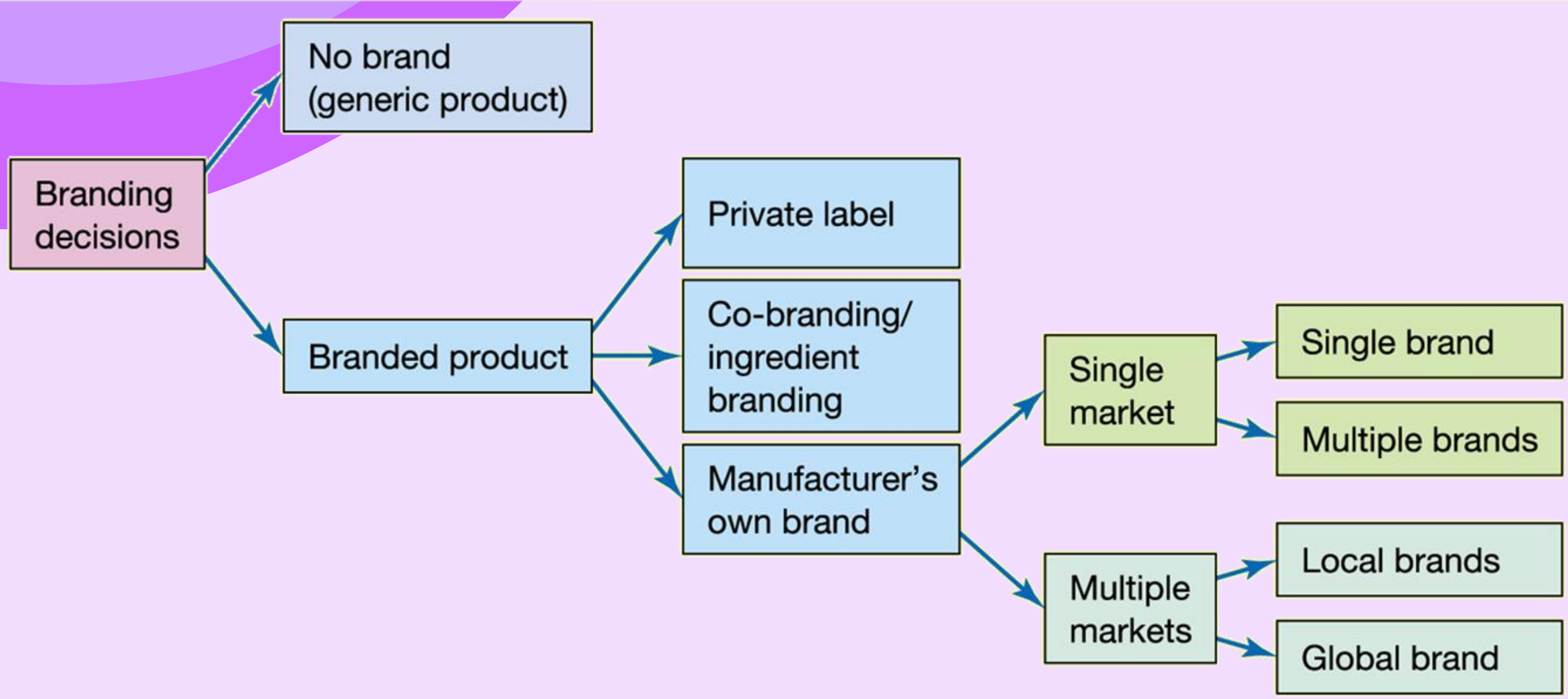


Figure 14.14 Branding decisions

Source: adapted from Onkvisit and Shaw (1993, p. 534)

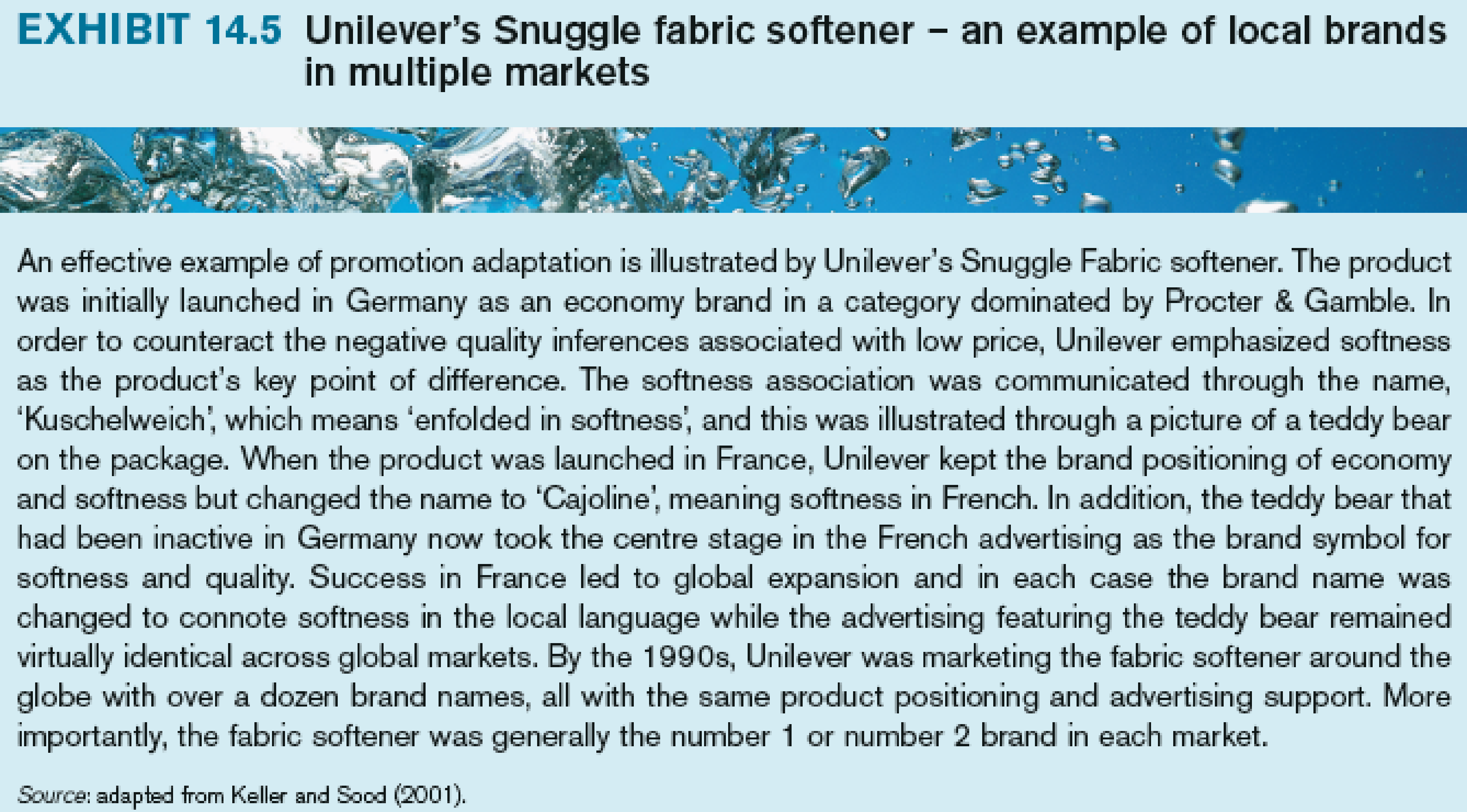


EXHIBIT 14.5 Unilever's Snuggle fabric softener – an example of local brands in multiple markets

An effective example of promotion adaptation is illustrated by Unilever's Snuggle Fabric softener. The product was initially launched in Germany as an economy brand in a category dominated by Procter & Gamble. In order to counteract the negative quality inferences associated with low price, Unilever emphasized softness as the product's key point of difference. The softness association was communicated through the name, 'Kuschelweich', which means 'enfolded in softness', and this was illustrated through a picture of a teddy bear on the package. When the product was launched in France, Unilever kept the brand positioning of economy and softness but changed the name to 'Cajoline', meaning softness in French. In addition, the teddy bear that had been inactive in Germany now took the centre stage in the French advertising as the brand symbol for softness and quality. Success in France led to global expansion and in each case the brand name was changed to connote softness in the local language while the advertising featuring the teddy bear remained virtually identical across global markets. By the 1990s, Unilever was marketing the fabric softener around the globe with over a dozen brand names, all with the same product positioning and advertising support. More importantly, the fabric softener was generally the number 1 or number 2 brand in each market.

Source: adapted from Keller and Sood (2001).

EXHIBIT 14.9 Maggi – local brands for multiple markets through acquisitions

Société des Produits Nestlé SA. The Nestlé name and image is reproduced with kind permission of Société des Produits Nestlé SA.

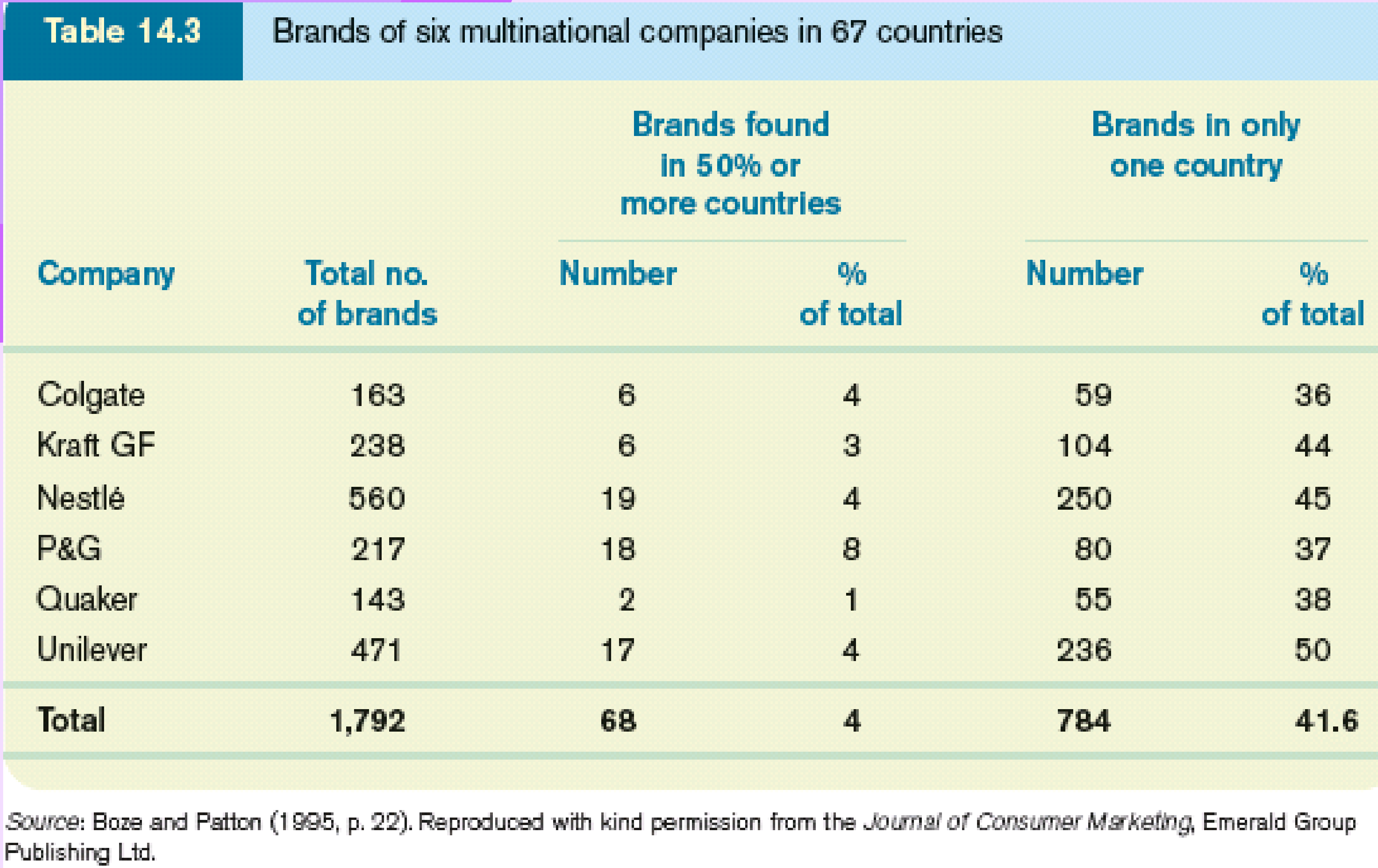


Table 14.3 Brands of six multinational companies in 67 countries

Company	Total no. of brands	Brands found in 50% or more countries: Number	Brands found in 50% or more countries: % of total	Brands in only one country: Number	Brands in only one country: % of total
Colgate	163	6	4	59	36
Kraft GF	238	6	3	104	44
Nestlé	560	19	4	250	45
P&G	217	18	8	80	37
Quaker	143	2	1	55	38
Unilever	471	17	4	236	50
Total	**1,792**	**68**	**4**	**784**	**41.6**

Source: Boze and Patton (1995, p. 22). Reproduced with kind permission from the *Journal of Consumer Marketing*, Emerald Group Publishing Ltd.

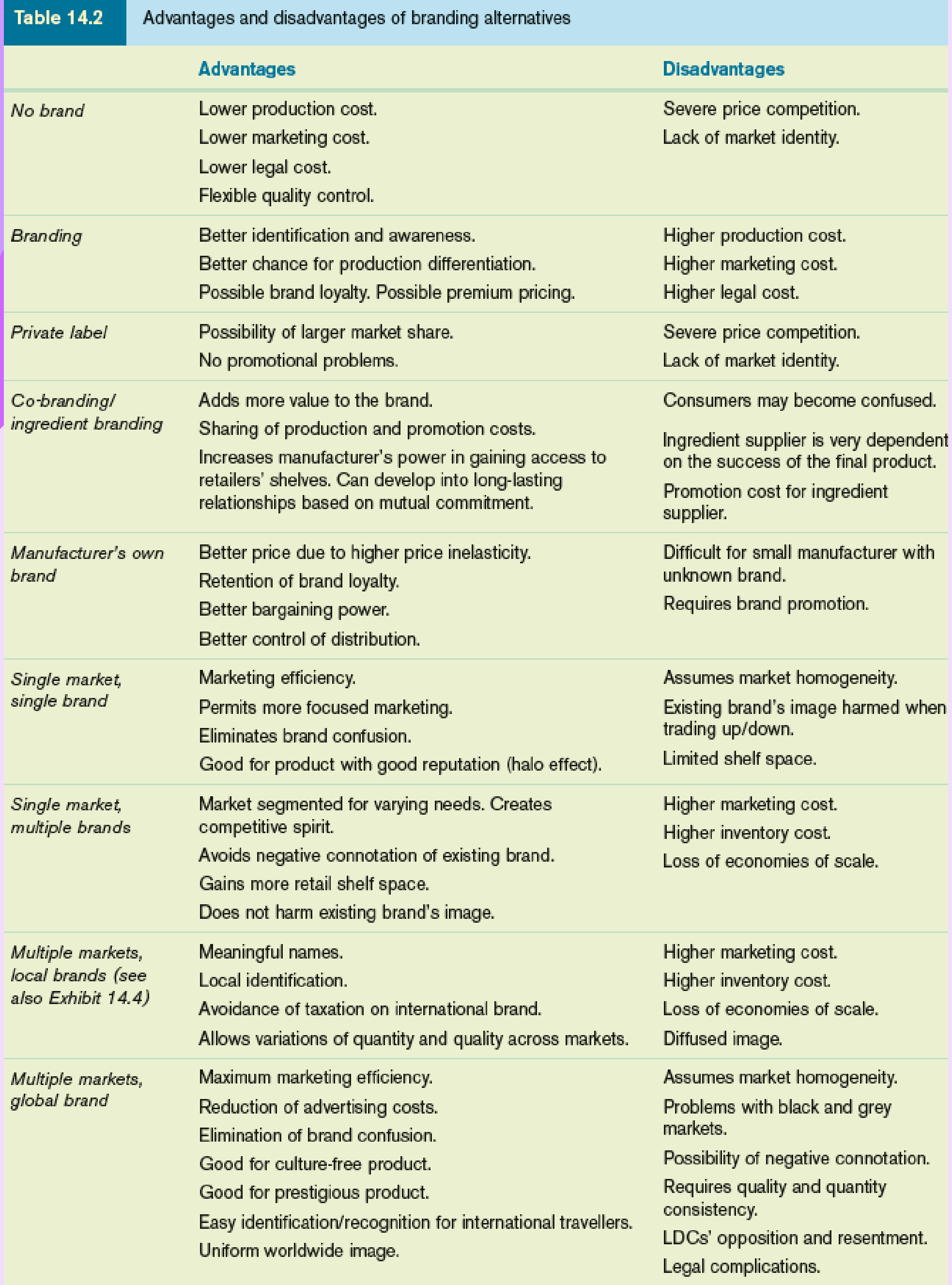


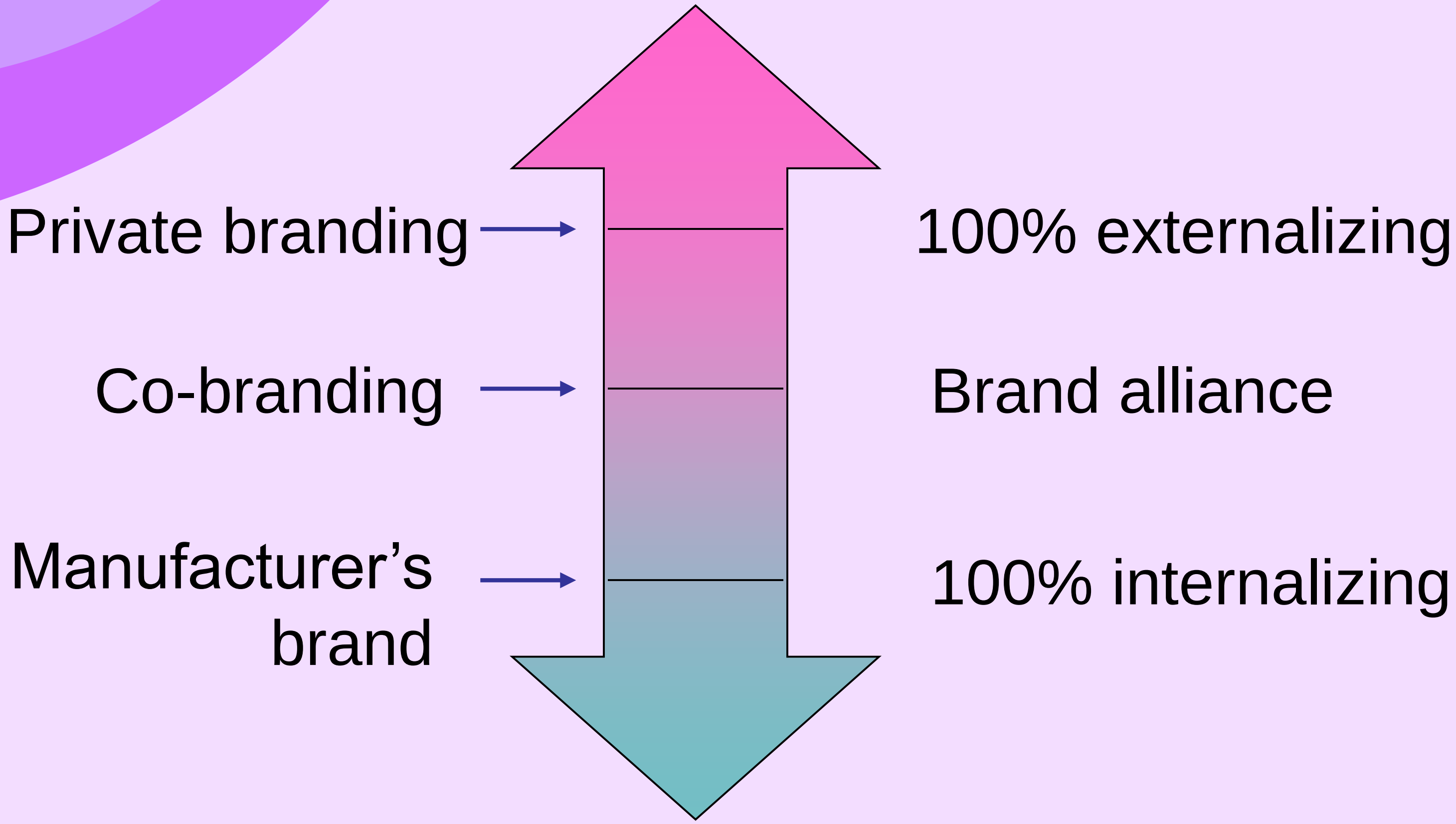
Table 14.2 Advantages and disadvantages of branding alternatives

	Advantages	Disadvantages
No brand	Lower production cost. Lower marketing cost. Lower legal cost. Flexible quality control.	Severe price competition. Lack of market identity.
Branding	Better identification and awareness. Better chance for production differentiation. Possible brand loyalty. Possible premium pricing.	Higher production cost. Higher marketing cost. Higher legal cost.
Private label	Possibility of larger market share. No promotional problems.	Severe price competition. Lack of market identity.
Co-branding/ ingredient branding	Adds more value to the brand. Sharing of production and promotion costs. Increases manufacturer's power in gaining access to retailers' shelves. Can develop into long-lasting relationships based on mutual commitment.	Consumers may become confused. Ingredient supplier is very dependent on the success of the final product. Promotion cost for ingredient supplier.
Manufacturer's own brand	Better price due to higher price inelasticity. Retention of brand loyalty. Better bargaining power. Better control of distribution.	Difficult for small manufacturer with unknown brand. Requires brand promotion.
Single market, single brand	Marketing efficiency. Permits more focused marketing. Eliminates brand confusion. Good for product with good reputation (halo effect).	Assumes market homogeneity. Existing brand's image harmed when trading up/down. Limited shelf space.
Single market, multiple brands	Market segmented for varying needs. Creates competitive spirit. Avoids negative connotation of existing brand. Gains more retail shelf space. Does not harm existing brand's image.	Higher marketing cost. Higher inventory cost. Loss of economies of scale.
Multiple markets, local brands (see also Exhibit 14.4)	Meaningful names. Local identification. Avoidance of taxation on international brand. Allows variations of quantity and quality across markets.	Higher marketing cost. Higher inventory cost. Loss of economies of scale. Diffused image.
Multiple markets, global brand	Maximum marketing efficiency. Reduction of advertising costs. Elimination of brand confusion. Good for culture-free product. Good for prestigious product. Easy identification/recognition for international travellers. Uniform worldwide image.	Assumes market homogeneity. Problems with black and grey markets. Possibility of negative connotation. Requires quality and quantity consistency. LDCs' opposition and resentment. Legal complications.

Source: adapted from Onkvisit and Shaw (1989). Published with permission from Emerald Publishing Ltd. www.emeraldinsight.com

EXHIBIT 14.8 Roundup – a global brand for multiple markets

Monsanto Company.



Private branding → 100% externalizing

Co-branding → Brand alliance

Manufacturer's brand → 100% internalizing

Figure 14.15 The three brand options

What is this?

Which term refers to a retailer’s own brand (like Marks & Spencer’s)?

Private label

Perspectives on private labels

Retailer perspective

- Better profit margins
- Strengthens retailer image

Manufacturer perspective

- No promotional expenses
- Provides access to shelf space
- Requires competing on price
- Loss of control
- May cannibalize other manufacturer brands

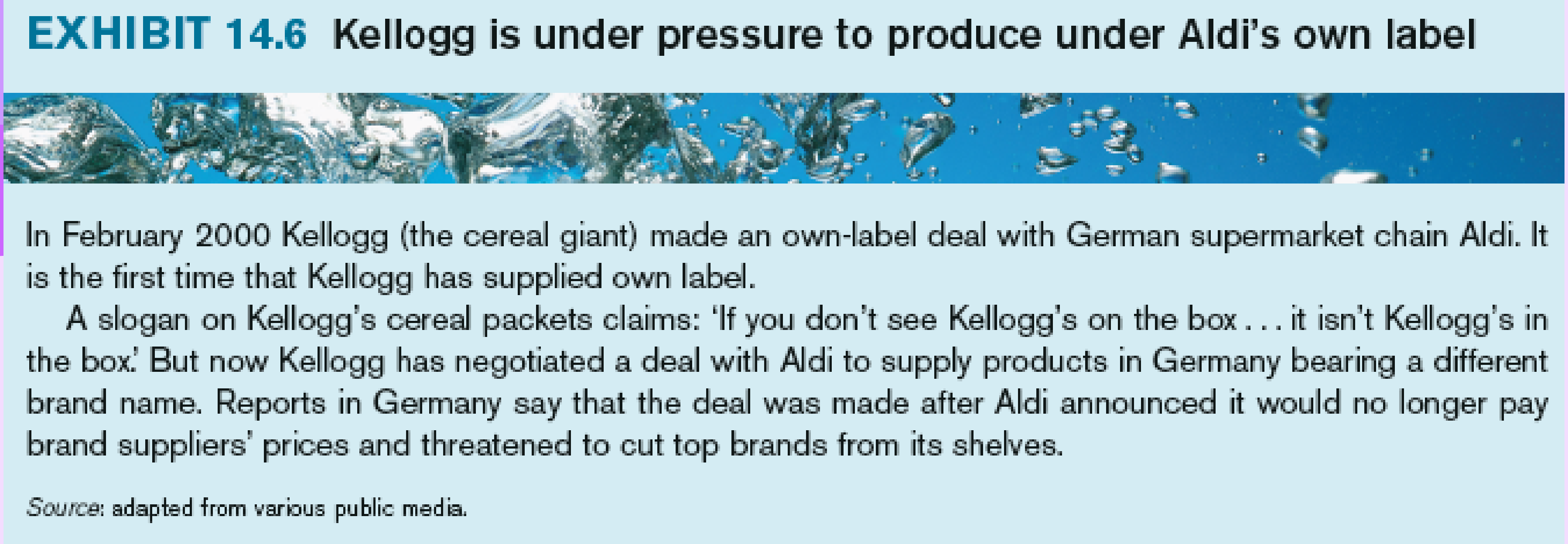


EXHIBIT 14.6 Kellogg is under pressure to produce under Aldi's own label

In February 2000 Kellogg (the cereal giant) made an own-label deal with German supermarket chain Aldi. It is the first time that Kellogg has supplied own label.

A slogan on Kellogg's cereal packets claims: 'If you don't see Kellogg's on the box . . . it isn't Kellogg's in the box.' But now Kellogg has negotiated a deal with Aldi to supply products in Germany bearing a different brand name. Reports in Germany say that the deal was made after Aldi announced it would no longer pay brand suppliers' prices and threatened to cut top brands from its shelves.

Source: adapted from various public media.

What is this?

______ describes a form of cooperation between two or more brands, which can create synergies that are valuable for both participants, above the value they would expect to generate on their own.

Co-branding

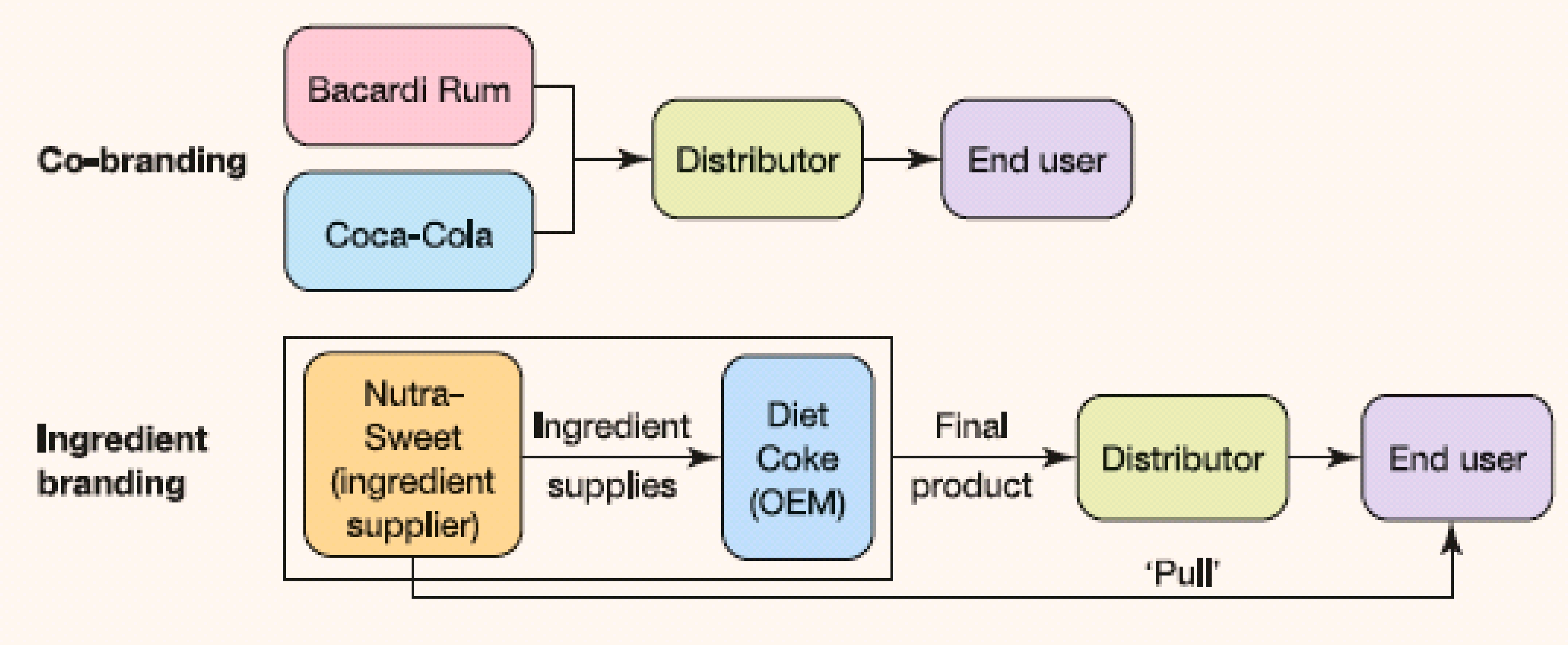


Figure 14.16 Illustration of co-branding and ingredient branding

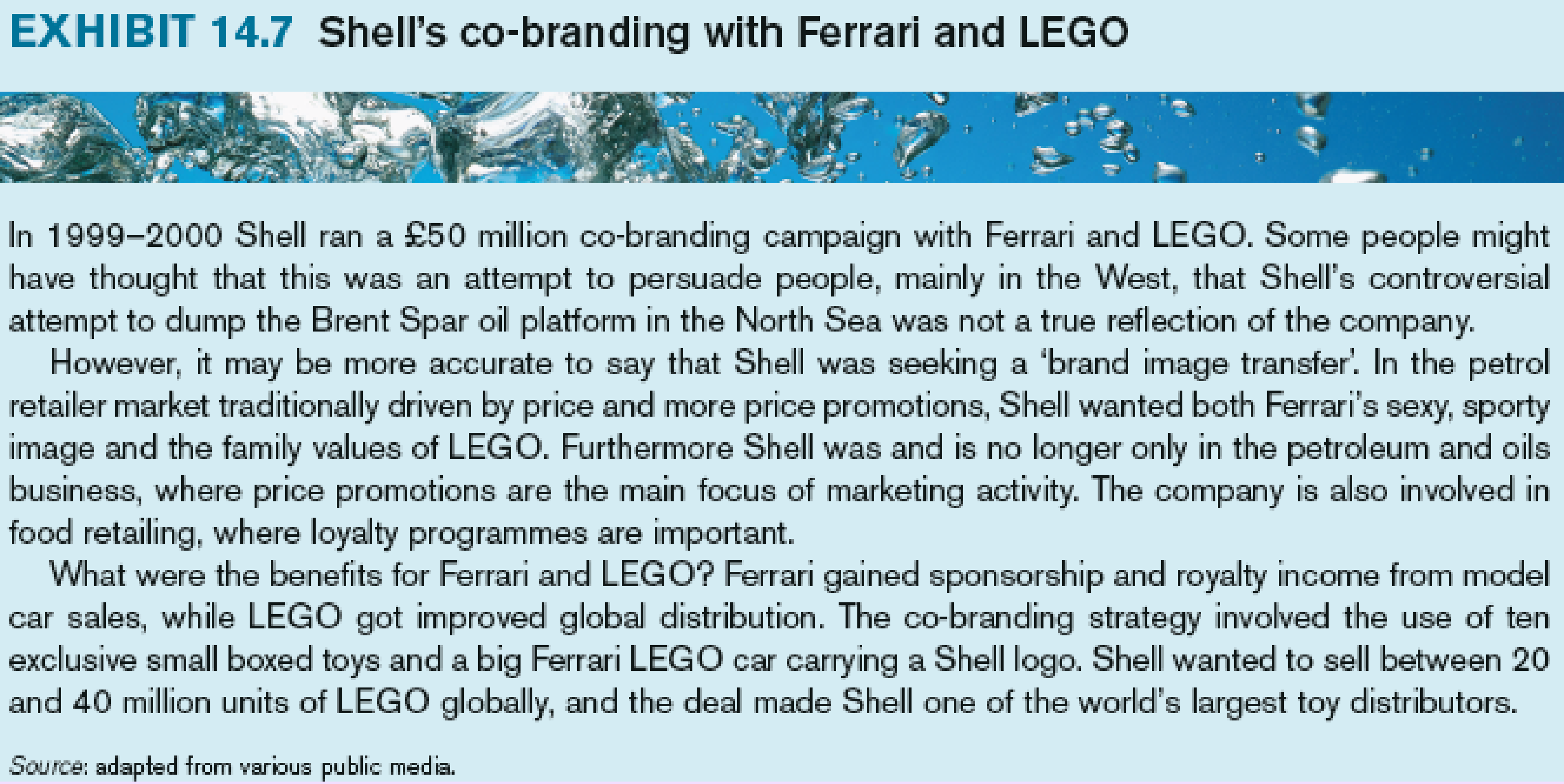


EXHIBIT 14.7 Shell's co-branding with Ferrari and LEGO

In 1999–2000 Shell ran a £50 million co-branding campaign with Ferrari and LEGO. Some people might have thought that this was an attempt to persuade people, mainly in the West, that Shell's controversial attempt to dump the Brent Spar oil platform in the North Sea was not a true reflection of the company.

However, it may be more accurate to say that Shell was seeking a 'brand image transfer'. In the petrol retailer market traditionally driven by price and more price promotions, Shell wanted both Ferrari's sexy, sporty image and the family values of LEGO. Furthermore Shell was and is no longer only in the petroleum and oils business, where price promotions are the main focus of marketing activity. The company is also involved in food retailing, where loyalty programmes are important.

What were the benefits for Ferrari and LEGO? Ferrari gained sponsorship and royalty income from model car sales, while LEGO got improved global distribution. The co-branding strategy involved the use of ten exclusive small boxed toys and a big Ferrari LEGO car carrying a Shell logo. Shell wanted to sell between 20 and 40 million units of LEGO globally, and the deal made Shell one of the world's largest toy distributors.

Source: adapted from various public media.

What is this?

______ branding involves sight, sound, smell, touch and taste.

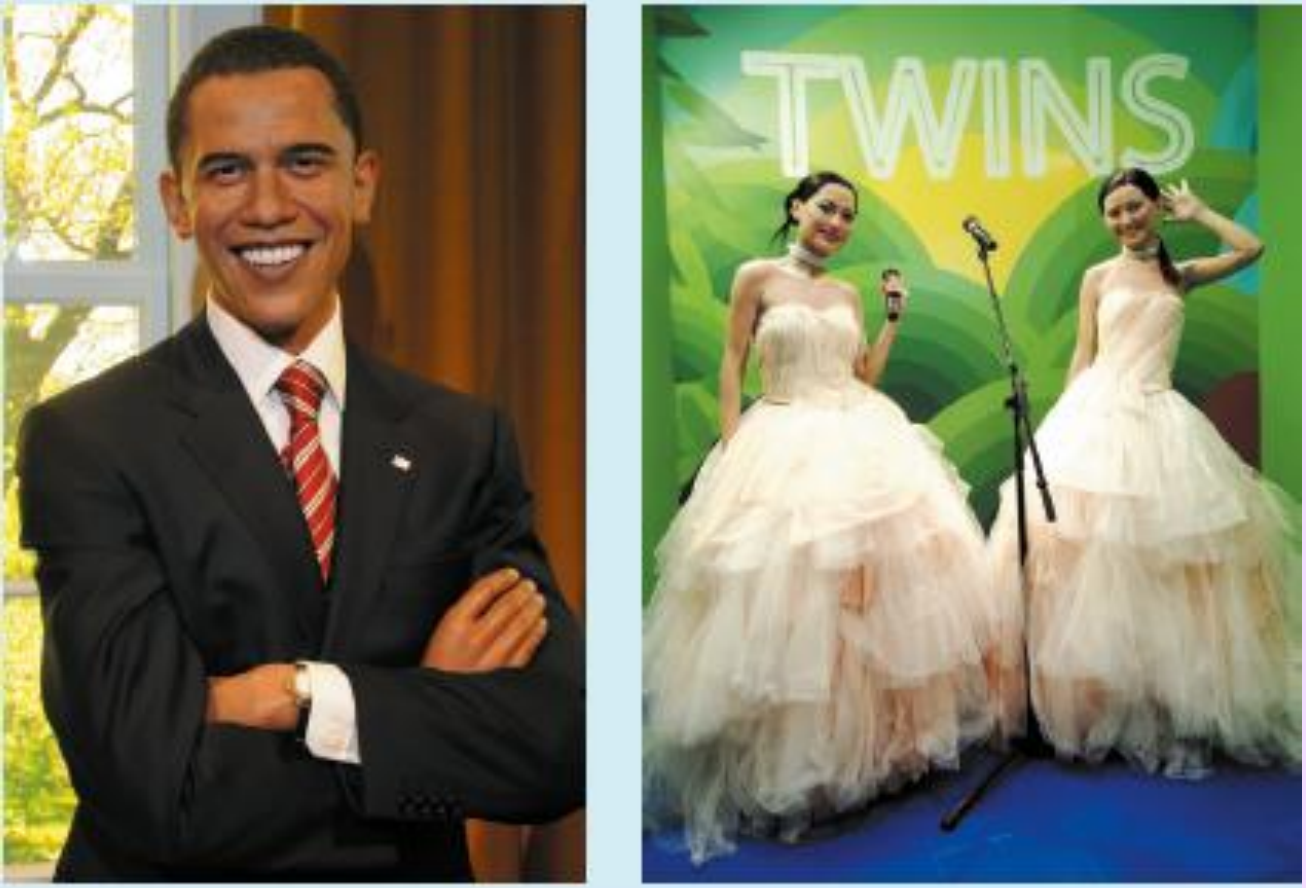
Sensory

What is this?

When a famous person uses his or her status in society to promote a product, it is called _____.

Celebrity branding

EXHIBIT 14.4 Madame Tussauds – a brand which brings people closer to celebrities on a global basis



Barack Obama (London) and the local Chinese popstars (Twins) (Shanghai)

Madame Tussauds London (left) and Madame Tussauds Shanghai (right).

Determinants of value of celebrity licence

- Celebrity Q score
- Product being promoted
- Quality of licensed product
- Amount of design control

Steps involved with international celebrity licensing

- Identify the rights involved
- Negotiate the terms and scope of the licence
- Determine the payment and other terms of the licence

Dynamic customization of products

Modularity

Intelligence

Organization

http://www.ducati.com

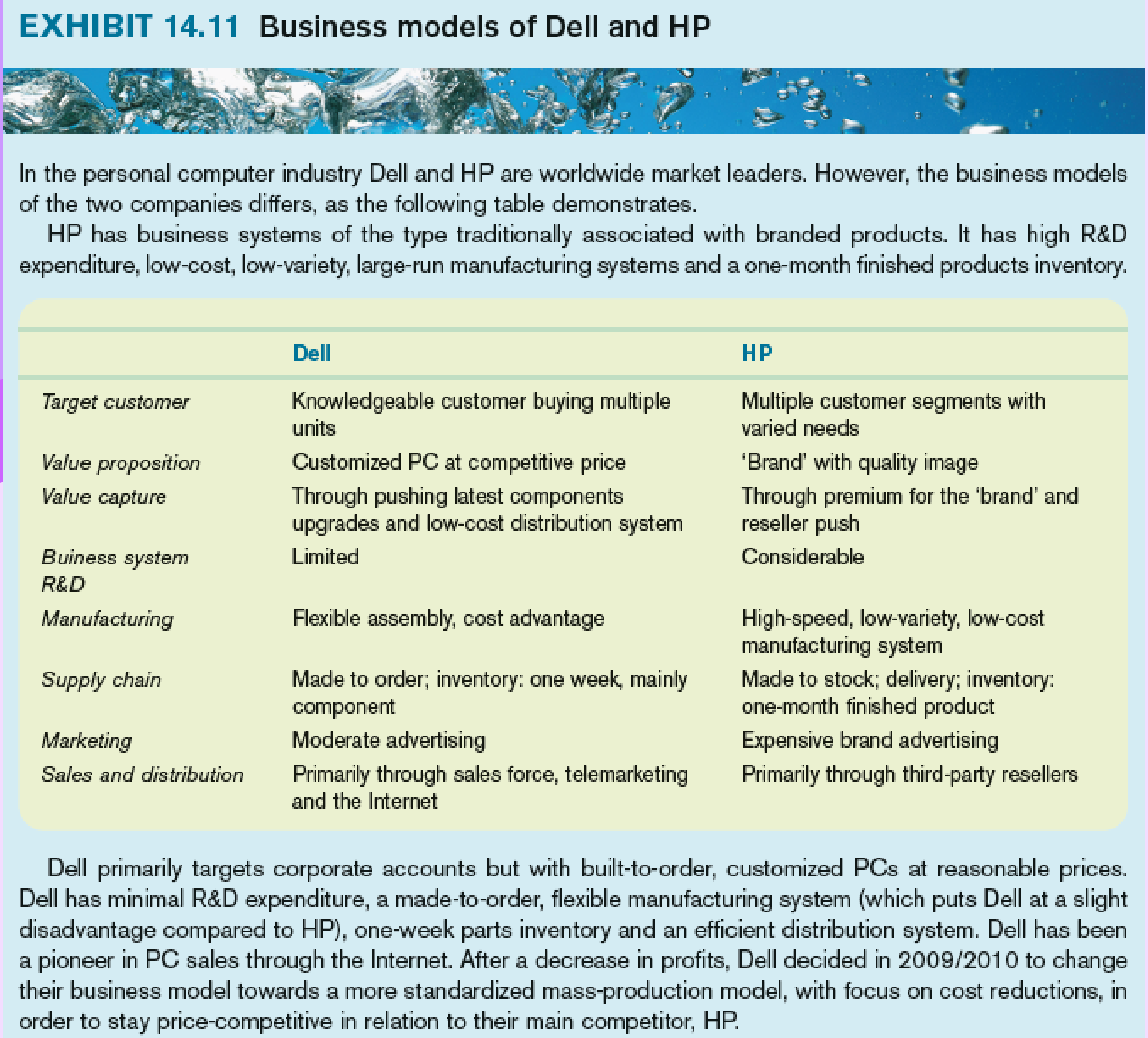


EXHIBIT 14.11 Business models of Dell and HP

In the personal computer industry Dell and HP are worldwide market leaders. However, the business models of the two companies differs, as the following table demonstrates.

HP has business systems of the type traditionally associated with branded products. It has high R&D expenditure, low-cost, low-variety, large-run manufacturing systems and a one-month finished products inventory.

	Dell	**HP**
Target customer	Knowledgeable customer buying multiple units	Multiple customer segments with varied needs
Value proposition	Customized PC at competitive price	'Brand' with quality image
Value capture	Through pushing latest components upgrades and low-cost distribution system	Through premium for the 'brand' and reseller push
Buiness system R&D	Limited	Considerable
Manufacturing	Flexible assembly, cost advantage	High-speed, low-variety, low-cost manufacturing system
Supply chain	Made to order; inventory: one week, mainly component	Made to stock; delivery; inventory: one-month finished product
Marketing	Moderate advertising	Expensive brand advertising
Sales and distribution	Primarily through sales force, telemarketing and the Internet	Primarily through third-party resellers

Dell primarily targets corporate accounts but with built-to-order, customized PCs at reasonable prices. Dell has minimal R&D expenditure, a made-to-order, flexible manufacturing system (which puts Dell at a slight disadvantage compared to HP), one-week parts inventory and an efficient distribution system. Dell has been a pioneer in PC sales through the Internet. After a decrease in profits, Dell decided in 2009/2010 to change their business model towards a more standardized mass-production model, with focus on cost reductions, in order to stay price-competitive in relation to their main competitor, HP.

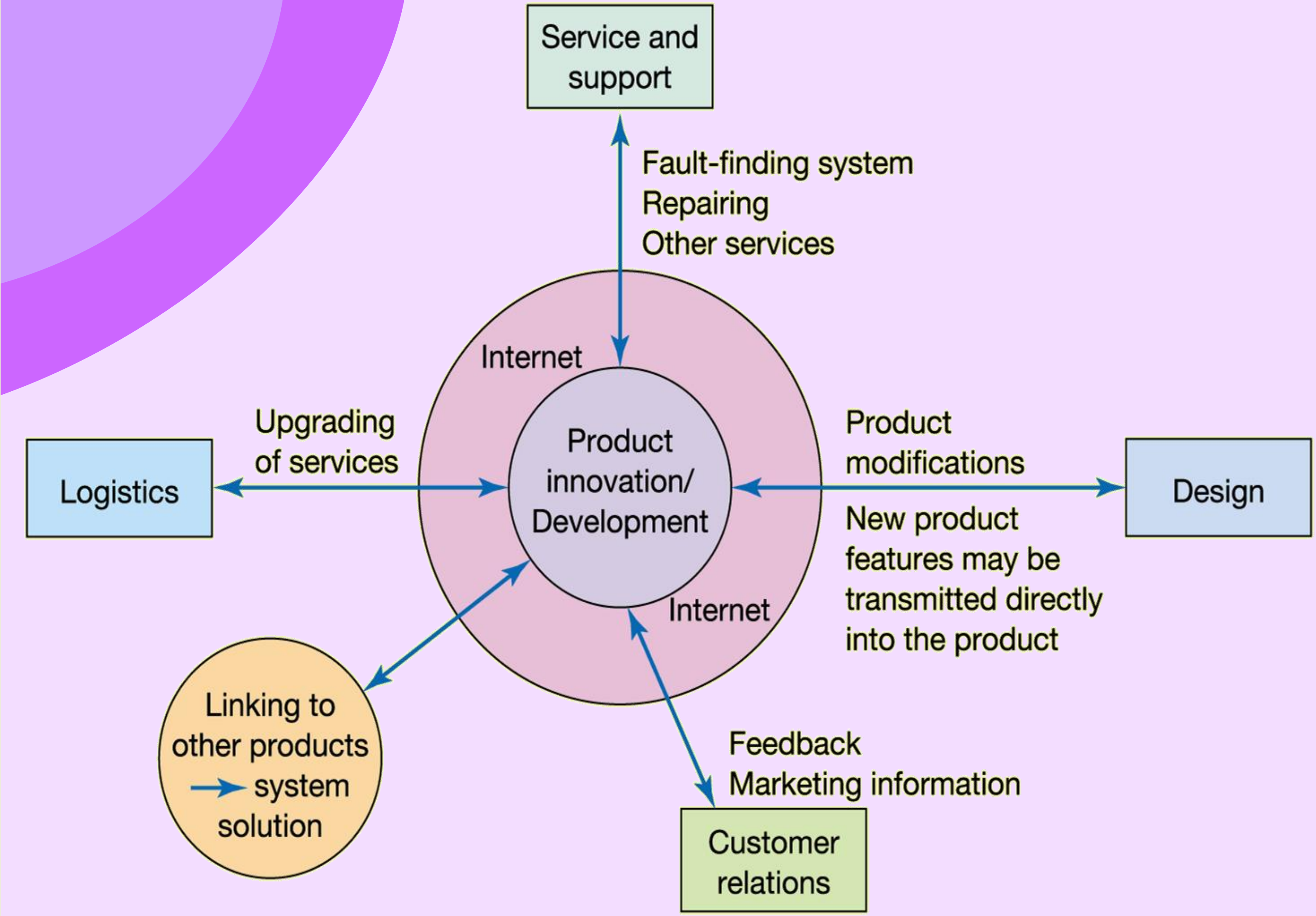
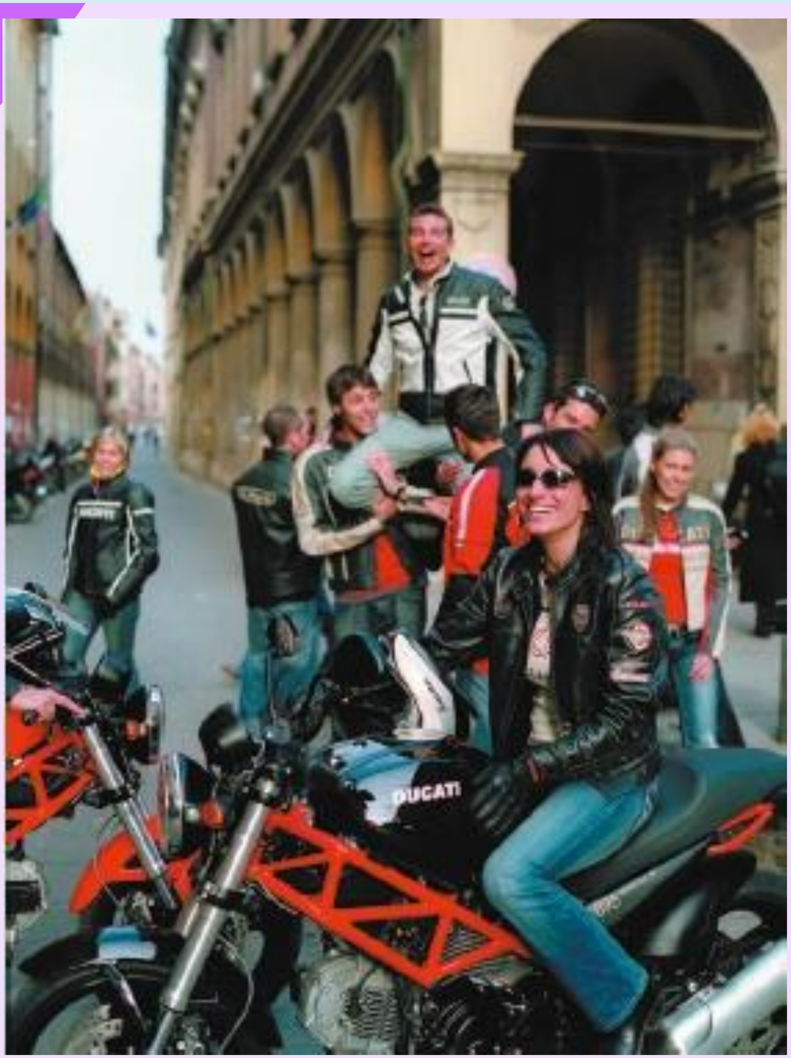


Figure 14.17 Product innovation through the Internet

EXHIBIT 14.12 Ducati motorcycles – product development through web communities



'Long tail' strategies

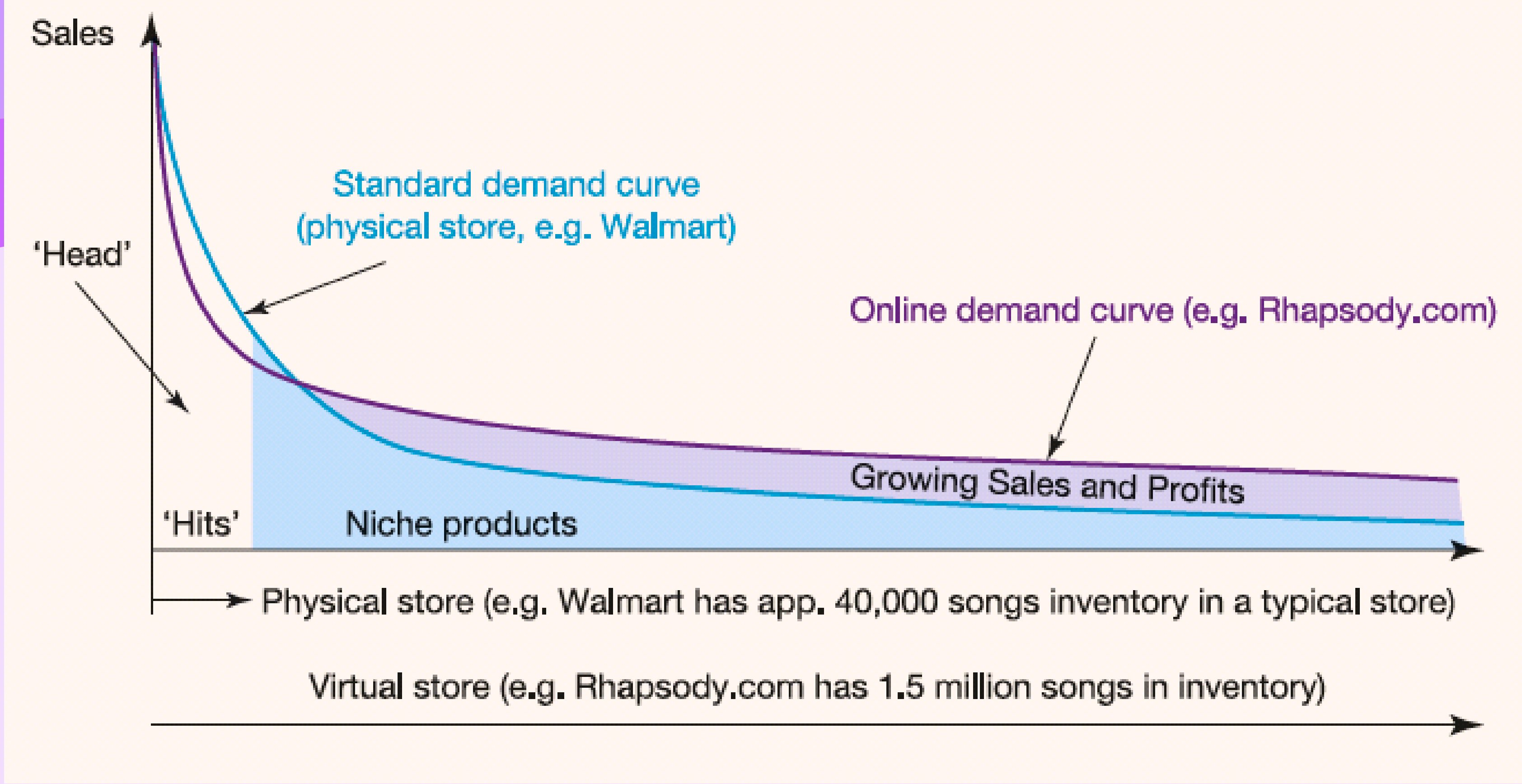


Figure 14.18 Long tail theory: online channels will fatten the long tail

What is this?

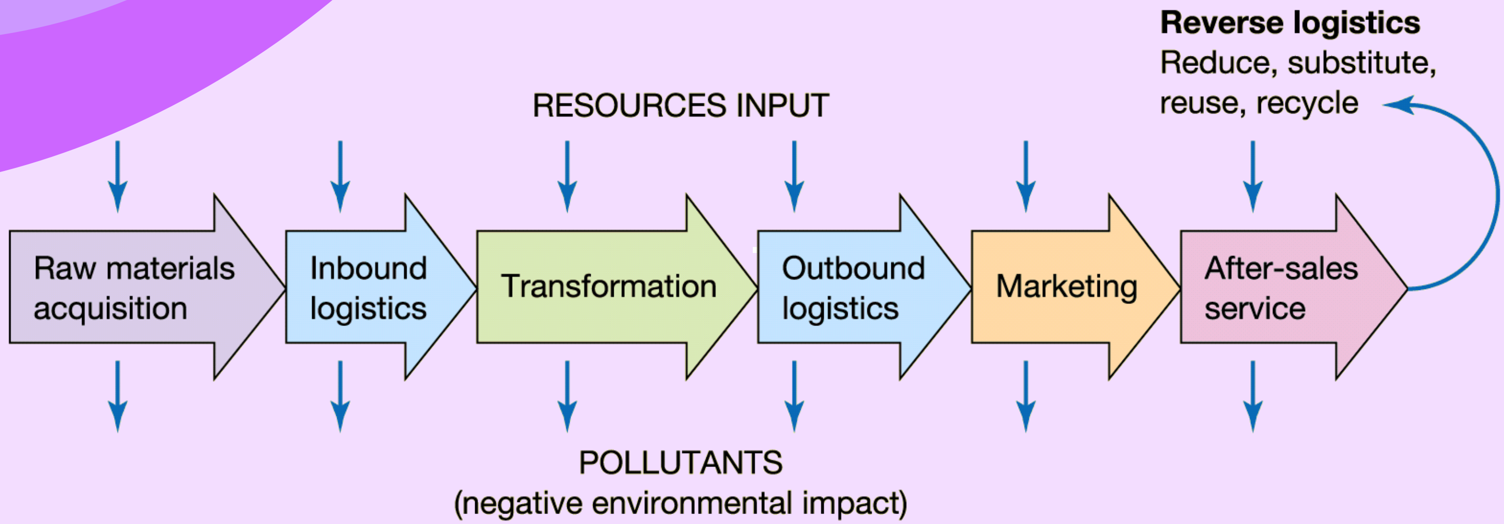
What term refers to the integration of business practices and products that are friendly to the environment while also meeting the needs of the consumers?

Green marketing

		Value creation approach	
		Benefit enhancement	*Cost reduction*
Change orientation	*Proactive*	Green product innovation	Pollution prevention Beyond compliance
	Accommodative	Green product differentiation	Pollution prevention Compliance

Figure 14.19 Types of environmental strategic posture

Source: adapted from Starik *et al.* (1996, p. 17)



Reverse logistics
Reduce, substitute,
reuse, recycle

RESOURCES INPUT

- Raw materials acquisition
- Inbound logistics
- Transformation
- Outbound logistics
- Marketing
- After-sales service

POLLUTANTS
(negative environmental impact)

Figure 14.20 Value-adding logistics and the environmental interface

Source: adapted from Wu and Dunn (1995, p. 23) with permission from *International Journal of Physical Distribution and Logistics Management*, Emerald Group Publishing Ltd.

Benefits of strategic alliances with environmental groups

- Increased consumer confidence in green products and claims
- Access to environmental information
- Marketer access to new markets
- Positive publicity and reduction of criticism
- Education for consumers about key environmental issues

Brand piracy and anti-counterfeiting strategies

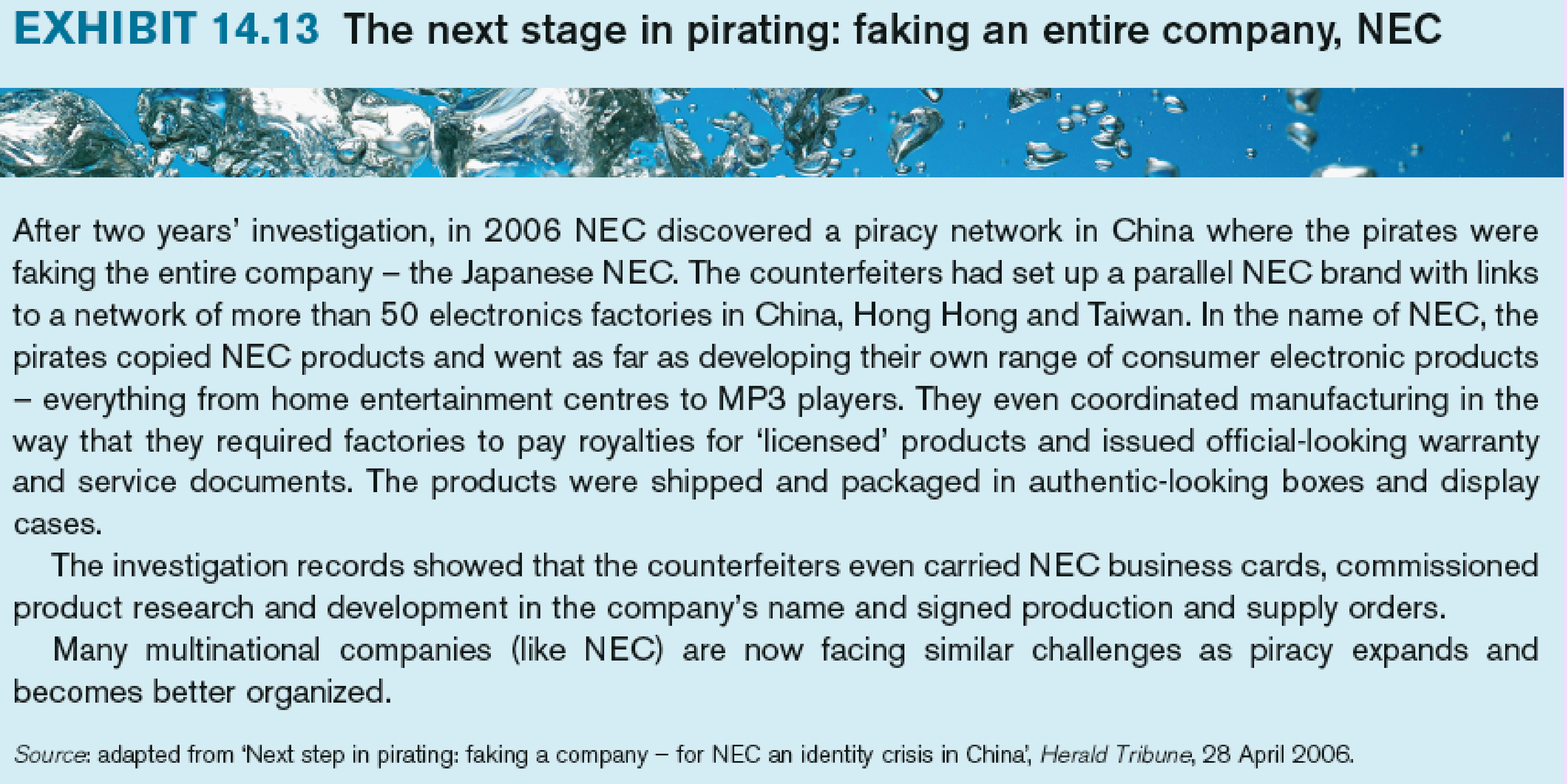


EXHIBIT 14.13 **The next stage in pirating: faking an entire company, NEC**

After two years' investigation, in 2006 NEC discovered a piracy network in China where the pirates were faking the entire company – the Japanese NEC. The counterfeiters had set up a parallel NEC brand with links to a network of more than 50 electronics factories in China, Hong Hong and Taiwan. In the name of NEC, the pirates copied NEC products and went as far as developing their own range of consumer electronic products – everything from home entertainment centres to MP3 players. They even coordinated manufacturing in the way that they required factories to pay royalties for 'licensed' products and issued official-looking warranty and service documents. The products were shipped and packaged in authentic-looking boxes and display cases.

The investigation records showed that the counterfeiters even carried NEC business cards, commissioned product research and development in the company's name and signed production and supply orders.

Many multinational companies (like NEC) are now facing similar challenges as piracy expands and becomes better organized.

Source: adapted from 'Next step in pirating: faking a company – for NEC an identity crisis in China', *Herald Tribune*, 28 April 2006.

CASE STUDY 14.1

Danish Klassic: launch of a cream cheese in Saudi Arabia

Table 1 Development in population in the three biggest cities in Saudi Arabia

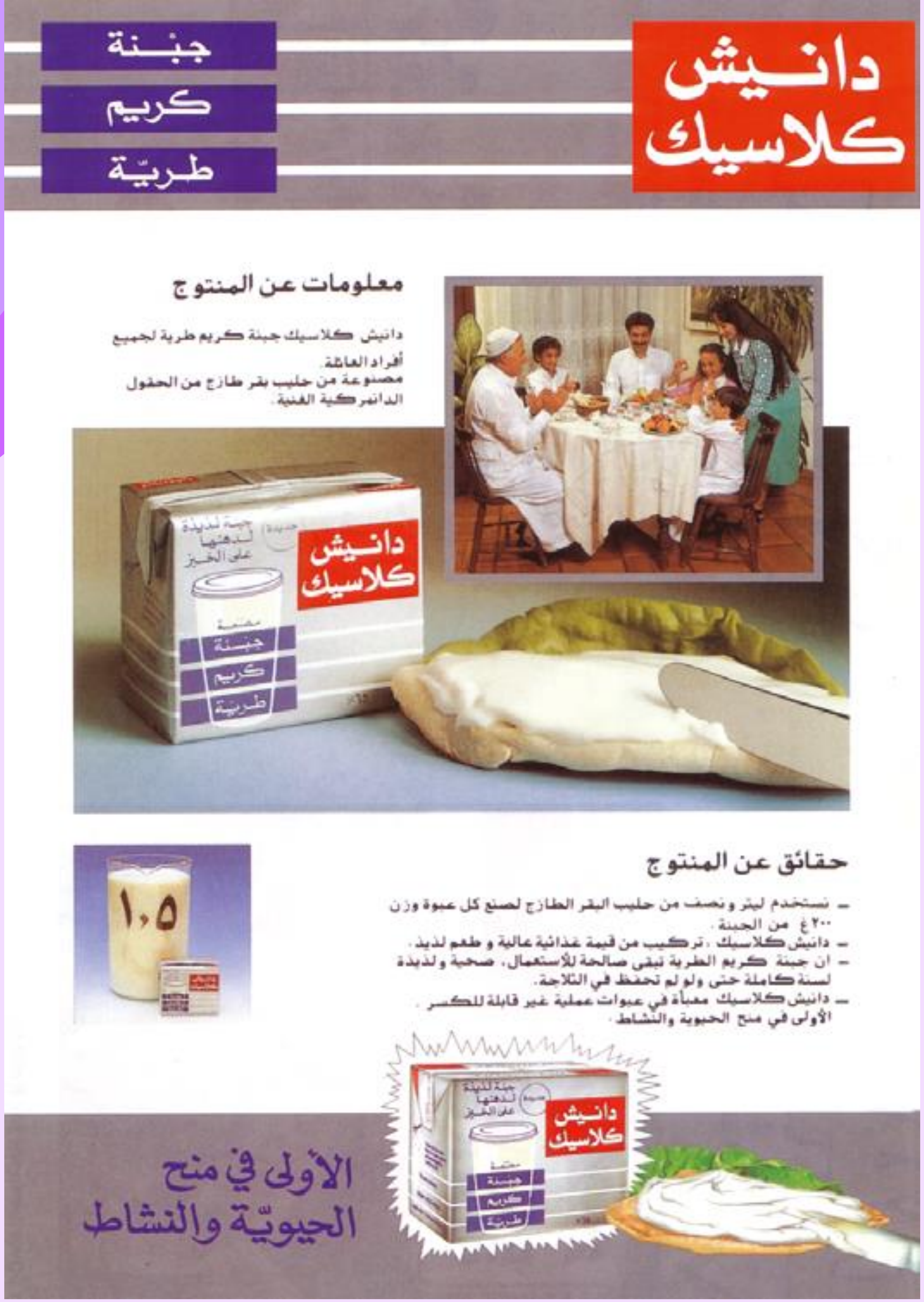
	Population (million) 1974	Population (million) 2000
Riyadh	0.7	2.4
Jeddah	0.6	2.1
Dammam	0.2	0.8

Source: *Demographic Yearbook 1985*, p. 270, and prognosis from the Saudi Arabian Ministry of Agriculture.

Table 2 Total import of cheese in 1986 (tons)

	Total import
Processed cheese (including cream cheese)	29,500
Feta	18,400
Other types of cheese	2,400
Total	50,300

Source: Saudi Arabian import statistic.


دانيش كلاسيك
جبنة
كريم
طريّة
جبنة لذيذة لدهنها على الخبز
مصنعة
١٫٥
الأولى في منح الحيويّة والنشاط

معلومات عن المنتوج

دانيش كلاسيك جبنة كريم طرية لجميع أفراد العائلة.
مصنوعة من حليب بقر طازج من الحقول الدانمركية الغنية.

حقائق عن المنتوج

- تستخدم ليتر ونصف من حليب البقر الطازج لصنع كل عبوة وزن ٢٠٠ غ من الجبنة.
- دانيش كلاسيك ، تركيب من قيمة غذائية عالية و طعم لذيذ.
- ان جبنة كريم الطرية تبقى صالحة للأستعمال، صحية ولذيذة لسنة كاملة حتى ولو لم تحفظ في الثلاجة.
- دانيش كلاسيك معبأة في عبوات عملية غير قابلة للكسر. الأولى في منح الحيوية والنشاط.

(a) Product Information

دانيش كلاسيك
جبنة
كريم
طرية
TV-CAMPAIGN
الأول في منح الحيوية والنشاط

(b) TV advertising information

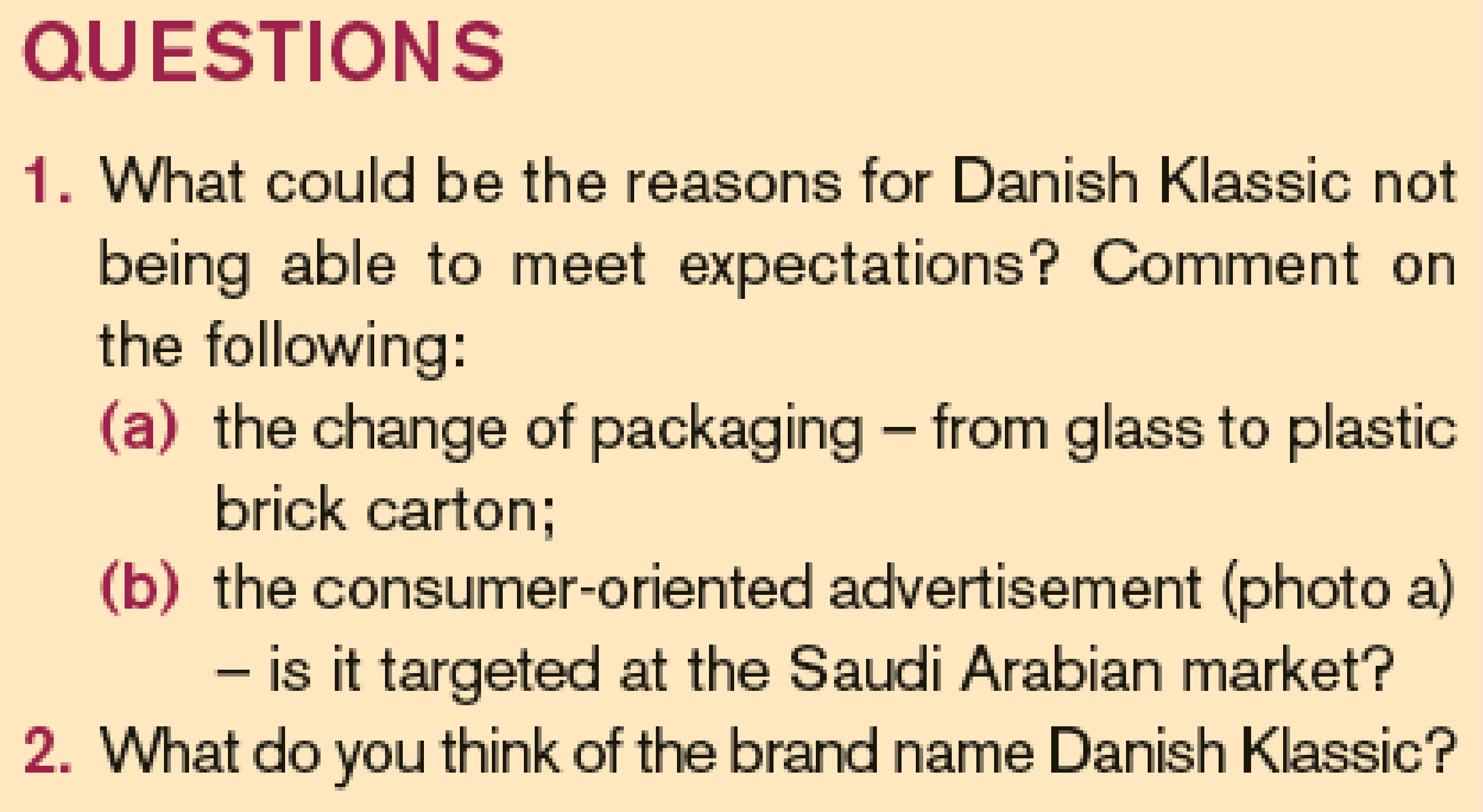
دانيش كلاسيك
جبنة
كريم
طرية
ADVERTISING CAMPAIGN
الأول في منح الحيوية والنشاط

(c) print advertising information

دانيش كلاسيك
جبنة
كريم
طرية
العرض في المحلات
الأول في منح الحيوية والنشاط

(d) point-of-sale equipment

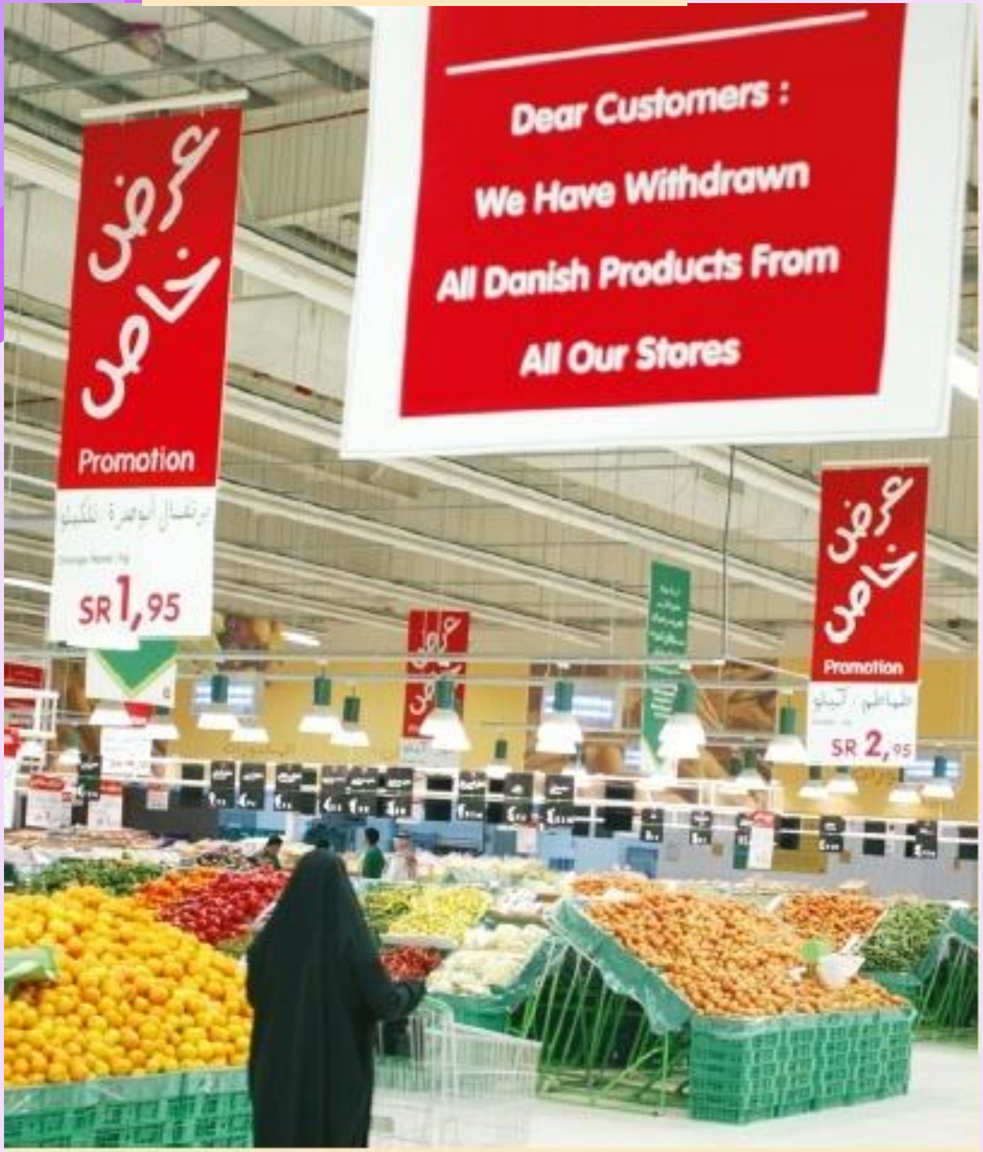
(e) packaging system Arla foods



QUESTIONS

1. What could be the reasons for Danish Klassic not being able to meet expectations? Comment on the following:
   - (a) the change of packaging – from glass to plastic brick carton;
   - (b) the consumer-oriented advertisement (photo a) – is it targeted at the Saudi Arabian market?
2. What do you think of the brand name Danish Klassic?

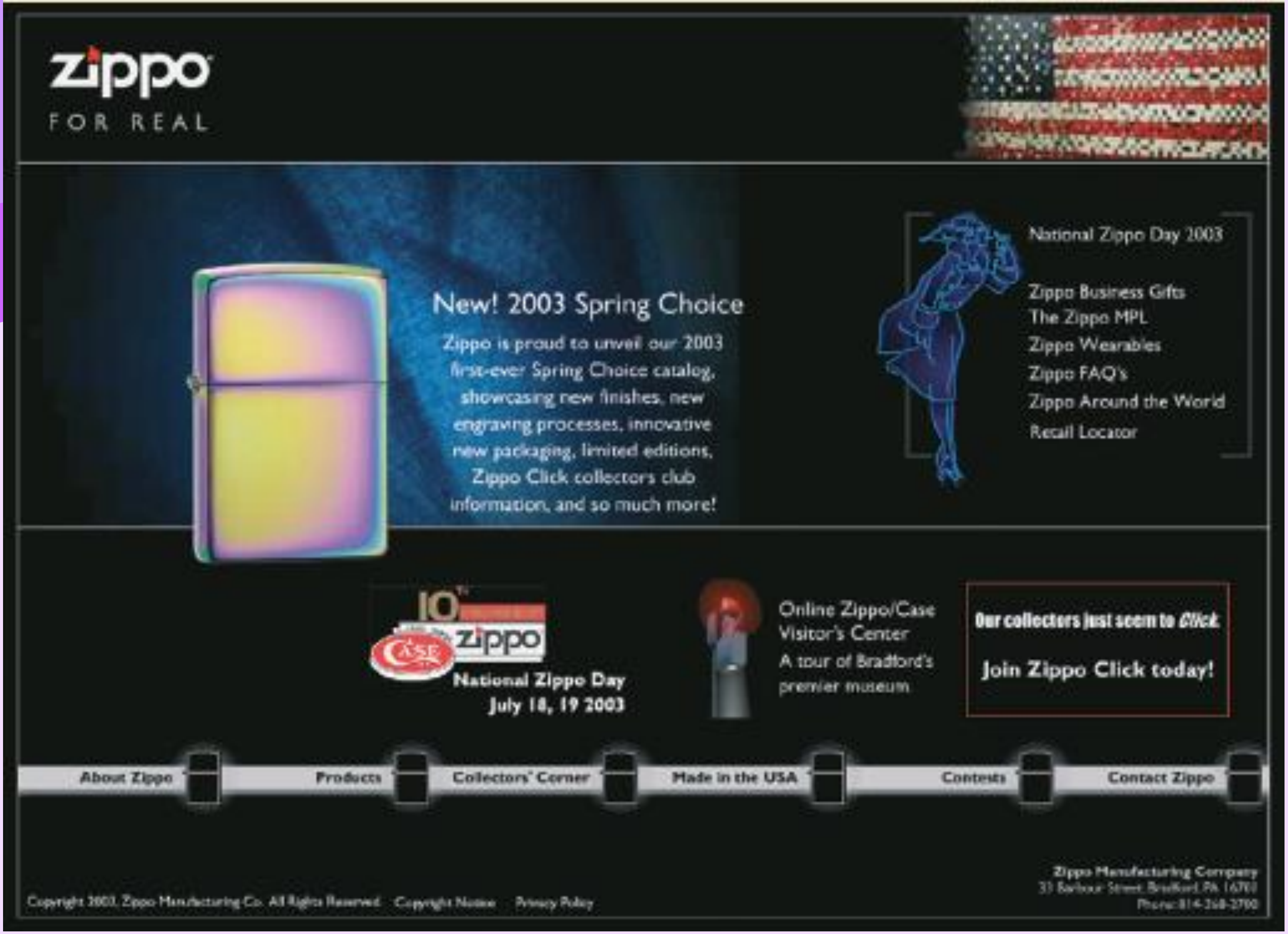
Postscript



Hassan Amar/AFP/Getty Images.

CASE STUDY 14.2

Zippo Manufacturing Company: has product diversification beyond the lighter gone too far?



New! 2003 Spring Choice

Zippo is proud to unveil our 2003 first-ever Spring Choice catalog, showcasing new finishes, new engraving processes, innovative new packaging, limited editions, Zippo Click collectors club information, and so much more!

National Zippo Day
July 18, 19 2003

Online Zippo/Case Visitor's Center
A tour of Bradford's premier museum

Our collectors just seem to Click.

Join Zippo Click today!

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Zippo Manufacturing Company
33 Barbour Street, Bradford, PA 16701
Phone: 814-368-2700

QUESTIONS

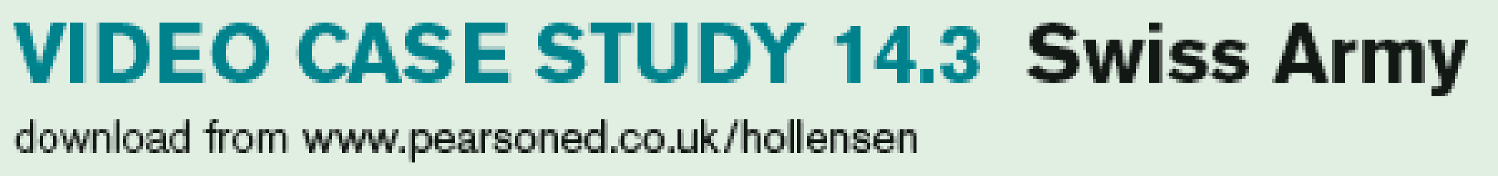
1. What are the pros and cons of the product diversification strategy that Zippo has been following recently?

Photo courtesy of Zippo.com

2. On http://swansonrussell.com/experience/outdoorrecreation/casestudy_3.php you will find a case study in which Zippo was repositioned in the late 1990s as an essential tool for avid outdoorsmen. Individual tin and sleeve packaging was developed that reflected the 'tool' position of the lighter. For continuity, similar packaging and graphics were developed for the cans of Zippo lighter fluid, and the lighters and fluid were delivered to retailers in handy self-shipping countertop displays. To support the national roll-out, the advertising company (Swanson Russell) developed a communications programme that included direct mail to major outdoor product distributors, as well as advertising at both the trade and consumer level (pictured here).

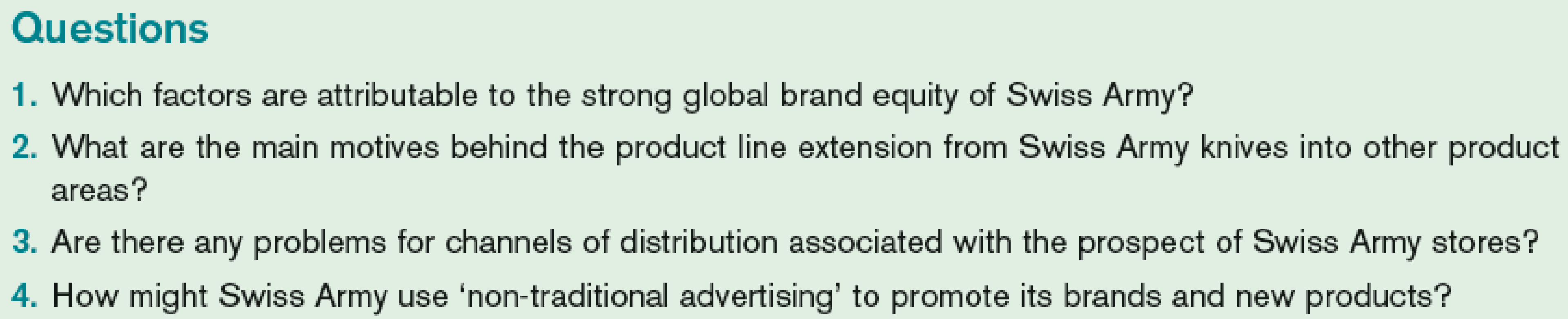
   However the outdoor market was entirely new to the Zippo salesforce, who were accustomed to calling on tobacconists and convenience stores. How would you use the PLC concept for this case story?

3. What obstacles would Zippo Manufacturing Company face if it repeated the outdoor campaign in other countries?



VIDEO CASE STUDY 14.3 Swiss Army

download from www.pearsoned.co.uk/hollensen



Questions

1. Which factors are attributable to the strong global brand equity of Swiss Army?
2. What are the main motives behind the product line extension from Swiss Army knives into other product areas?
3. Are there any problems for channels of distribution associated with the prospect of Swiss Army stores?
4. How might Swiss Army use 'non-traditional advertising' to promote its brands and new products?

Questions for discussion (1)

- How would you distinguish between services and products? What are the main implications of this difference for the global marketing of services?
- What implications does the product life cycle theory have for international product development strategy?

Questions for discussion (2)

- To what degree should international markets be offered standardized service and warranty policies that do not differ significantly from market to market?
- Why is the international product policy likely to be given higher priority in most firms than other elements of the global marketing mix?
- Describe briefly the IPLC theory and its marketing implications.

Questions for discussion (3)

- What are the requirements that must be met so that a commodity can effectively be transformed into a branded product?
- Discuss the factors that need to be taken into account when making packaging decisions for international product lines.
- When is it appropriate to use multiple brands in (a) a single market and (b) several markets Countnies?

Questions for discussion (4)

- What is the importance of ‘country of origin’ in international product marketing?
- What are the distinguishing characteristics of services? Explain why these characteristics make it difficult to sell services in foreign markets.
- Identify the major barriers to developing international brands.

Questions for discussion (5)

- Discuss the decision to add or drop products to or from the product line in international markets.
- Why should customer-service levels differ internationally? Is it, for example, ethical to offer a lower customer-service level in developing countries than in industrialized countries?
- What are the characteristics of a good international brand name?