

GLOBAL PRODUCT STRATEGIES

Companies can pursue three global strategies to penetrate foreign markets.⁴ Some firms simply adopt the same product or communication policy used in their home market as an **extension** of their homegrown product/communication strategies to their foreign markets. Other companies prefer to adapt their strategy to the local marketplace. This strategy of **adaptation** enables the firm to cater to the needs and wants of its foreign customers. A third alternative is to adopt an **invention** strategy by which products are designed from scratch for the global marketplace. These three basic strategies can be further classified in five strategic options, as shown in Exhibit 11-1. Let us look at each of these options in greater detail.

At one extreme, a company might choose to market a standardized product using a uniform communications strategy. Early entrants in the global arena often opt for this approach. Small companies with few resources also typically prefer this option. For them, the potential payoffs of customized products and/or advertising campaigns usually do not justify the incremental costs of adaptation. Dual extension might also work when the company targets a “global” segment with similar needs. Blistex’s marketing efforts for its namesake product in Europe is a typical example. The product, a lip balm, offers identical needs in each of the various European markets. Except for some minor modifications (e.g., labeling), the same product is sold in each country. In 1995, Blistex ran a uniform European advertising campaign using identical positioning and advertising strategies (“Care-to-Cure”) across countries.⁵

Generally speaking, a standardized product policy coupled with a uniform communication strategy offers substantial savings coming from economies of scale. This strategy is basically product driven rather than market driven. The downside is that it is likely to alienate foreign customers, who might switch to a local or another foreign competing brand that is more in tune with their needs. In many industries, modern production processes such as CAD/CAM⁶ manufacturing technologies obviate the need for large production batch sizes.

Due to differences in the cultural or competitive environment, the same product often is used to offer benefits or functions that dramatically differ from those in the home market. Such gaps between the foreign and home market drive companies to market the same product using customized advertising campaigns. Although it retains the scale economies on the manufacturing side, the firm sacrifices potential savings on the advertising front. Wrigley, the Chicago-based chewing gum company, is a typical practitioner of this approach. It sells most of its brands marketed in the United States in Wrigley’s overseas markets, striving for a uniformly superior quality product. To build up the chewing gum category, Wrigley sells its products at a stable and low price.

Strategic Option 1: Product and Communication Extension—Dual Extension

Strategic Option 2: Product Extension— Communications Adaptation

EXHIBIT 11-1
GLOBAL EXPANSION STRATEGIES

Strategy	Product Function or Need Satisfied	Conditions of Product Use	Ability to Buy Product	Recommended Product Strategy	Recommended Communications Strategy
1	Same	Same	Yes	Extension	Extension
2	Different	Same	Yes	Extension	Adaptation
3	Same	Different	Yes	Adaptation	Extension
4	Different	Different	Yes	Adaptation	Adaptation
5	Same	—	No	Invention	Invention

Source: Warren J. Keegan, "Multinational Product Planning: Strategic Alternatives." Reprinted from *Journal of Marketing*, (January 1969), pp. 58–62, published by the American Marketing Association.

Given that chewing gum is an impulse item,⁷ Wrigley aims for mass distribution. The company sees an opportunity to sell its product at any place where money changes hands. Despite these similarities in Wrigley's product and distribution strategies, there are wide differences in its communications strategy. For example, the benefits that are promoted in Wrigley's advertising campaigns vary from country to country. In the United States, Wrigley has capitalized on smoking regulations by promoting chewing gum as a substitute for smoking. In several European countries, Wrigley's advertising pitches the dental benefits of chewing gum. In the Far East, Wrigley promotes the benefit of facial fitness in its advertising campaigns.⁸

**Strategic
Option 3:
Product
Adaptation—
Communications
Extension**

Alternatively, firms might adapt their product but market it using a standardized communications strategy. Local market circumstances often favor the case of product adaptation. Another source behind product adaptation is the company's expansion strategy. Many companies add brands to their product portfolio via acquisitions of local companies. To leverage the existing brand equity enjoyed by the acquired brand, the local brand is usually retained. Although these factors lead to product adaptation, similar core values and buying behaviors among consumers using the product might present an opening for a harmonized communications strategy. Within such a context, clever marketing ideas can be transferred from one country to another country despite the product-related differences. For instance, a Taiwan-produced commercial for P&G's Pantene shampoo was successfully transferred with a few minor changes to Latin America. Likewise, an ad campaign developed in Mexico for Vicks Vaporub was used throughout Latin America.⁹

**Strategic
Option 4:
Product and
Communications
Adaptation—
Dual Adaptation**

Differences in *both* the cultural and physical environment across countries call for a dual adaptation strategy. Under such circumstances, adaptation of the company's product and communications strategy is the most viable option for international expansion.

Slim-Fast adapts both product and advertising to comply with varying government regulations for weight-loss products. When Slim-Fast was first launched in Germany, its ads used a local celebrity. In Great Britain, testimonials for diet aids are not allowed to feature celebrities. Instead, the British introduction campaign centered around teachers, an opera singer, a disk jockey, and others. The product is also adapted to the local markets. In the United Kingdom, banana is the most popular flavor but is not available in other countries.¹⁰

Genuinely global marketers try to figure out how to create products for a global scope rather than just for a single country. Instead of simply adapting existing products or services to the local market conditions, their mindset is to identify global market opportunities. Black & Decker is a company that adopts the product invention approach to global market expansion. It aims to bring out new products that cater to common needs and opportunities around the world. To manage its global product development process, Black & Decker set up a Worldwide Household Board. This steering committee approves global plans, allocates resources, and gives direction and support, among other tasks. One of the product innovations flowing from this global product planning approach is the SnakeLight Flexible Flashlight. The product was first launched in North America and then six months later in Europe, Latin America, and Australia. The product addresses a global need for portable lighting. The SnakeLight proved to be a major hit around the world.¹¹

Other companies increasingly adhere to the invention strategy. In the past, Procter & Gamble Europe was a patchwork of country-based operations, each with its own business. These days, P&G seeks to develop products that appeal to the entire European region. Many other companies also recently jumped on the "produce globally, market locally" bandwagon. Not all of these efforts have been successful, though. The Ford Mondeo was part of the Ford 2000 project to put Ford's product development projects on a global basis. The car was among Ford's first efforts toward a world car strategy. Developed in Europe, the car was sold in the United States as the Contour and Mercury Mystique sedans. Although the European version sold pretty well, the U.S. versions were major fiascos.¹² U.S. car buyers considered the models too small and too expensive given their size.¹³

Strategic Option 5: Product Invention

STANDARDIZATION VERSUS CUSTOMIZATION



Behr, headquartered in Stuttgart, Germany, is one of the leading manufacturers of radiators and air conditioning systems for cars.¹⁴ To adapt its products to satisfy tastes in local markets, the firm relies on a \$6 million design lab at its headquarters. By blowing air at the vehicle at different wind speeds and changing the temperature, its lab can simulate driving conditions in any part of the world. Design is also influenced by local preferences: Germans prefer warm legs, Japanese like air being blown at their face, and Americans favor air that is directed over their entire bodies. Working closely with its carmaker customers and based on the lab findings, Behr is able to design air conditioning units that give maximal comfort.

A recurrent theme in global marketing is whether companies should aim for a standardized or country-tailored product strategy. **Standardization** means offering a uniform product on a regional or worldwide basis. Minor alternations are usually made to meet local regulations or market conditions (for instance, voltage adjustments for electrical appliances). However, by and large, these changes lead to only minor cost increases. A standardized product policy capitalizes on the commonalities in customers' needs across countries. The goal is to minimize costs. These cost savings can then be passed through to the company's customers via low prices. With **customization**, on the other hand, management focuses on cross-border differences in the needs and wants of the firm's target customers. Under this strategy, appropriate changes are made to match local market conditions. While standardization has a product-driven orientation—lower costs via mass production—customization is inspired by a market-driven mindset—increase customer satisfaction by adapting products to local needs.

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Forces that favor a globalized product strategy include the following:

- 1. Common customer needs.** For many product categories, consumer needs are very similar in different countries. The functions for which the product is used can be identical. Likewise, the usage conditions or the benefits sought can be similar. An example of a product that targets a global segment is Pepsi Max, a sugar-free cola that Pepsi rolled out in 1993. Pepsi Max is a one-calorie soda with the "mouth-feel" of a regular cola. The product caters to consumers who shunned traditional diet drinks because of taste.¹⁵ Many product categories also show a gradual but steady convergence in consumer preferences. Growing similarities in consumer preferences have also been observed in the car industry. In the Triad markets (Japan, Europe, and the United States), the preferred car size in terms of length by width has shifted toward a space of 7 to 9 square meters.¹⁶ The size of cars in Europe has not changed much in the last two decades. In the United States, fuel conservation efforts following the 1973 oil crisis spurred a move to more compact cars during the 1970s and 1980s. On the other hand, Japan witnessed an increase in the demand of large cars driven by changes in the tax regime and consumer preferences. People's expectations from a car in the Triad markets are also becoming increasingly alike. Market research done by Nissan showed that car buyers in all three Triad markets rank self-expression, pleasantness of operation, and comfort among their top values. Obviously, the importance of such similarities should not be exaggerated. Despite a convergence of consumer needs in some regards, cultural differences persist and should not be overlooked. A multicountry market research project conducted for BMW underscores the importance of market peculiarities.¹⁷ European motorists have a common desire for reliability, safety, quality, and advanced technology. These are the basic criteria that any decent car should meet. However, beyond these basic requirements, there is a set of other requirements that differ from country to country. In Austria prestige is key: A car is expected to reflect "who" the owner is. Italian car drivers, on the other hand, attach importance to dynamic driving performance, design, and aesthetic qualities.
- 2. Global customers.** In business-to-business marketing, the shift toward globalization means that a significant part of the business of many companies comes from MNCs that are essentially global customers. Buying and sourcing decisions are commonly centralized or at least regionalized. As a result, such customers typically require services or products that are harmonized worldwide.
- 3. Scale economies.** Scale economies in the manufacturing and distribution of globalized products is in most cases the key driver behind standardization moves. Savings are also often realized because of sourcing efficiencies or lowered R&D expenditures. These savings can be passed through to the company's end-customers via lower prices. Scale economies offer global competitors a tremendous competitive advantage over local or regional competitors. In many industries, however, the "economies of scale" rationale has lost some of its allure. Production procedures such as flexible manufacturing and just-in-time production have shifted the focus from size to timeliness. CAD/CAM techniques allow companies to manufacture customized products in small batch sizes at reduced cost. Although size often leads to lower unit costs, the diseconomies of scale should not be overlooked. Hidden costs associated with size can often be ascribed to bureaucratic bloat and employee dissatisfaction.¹⁸

4. Time-to-market. In scores of industries, being innovative is not enough to be competitive. Companies must also seek ways to shorten the time to bring new product projects to the market. By centralizing research and consolidating new product development efforts on fewer projects, companies are often able to reduce the time-to-market cycle. For example, Procter & Gamble notes that a pan-European launch of liquid laundry detergents was done in 10 percent of the time it took in the early 1980s, when marketing efforts were still very decentralized.¹⁹

5. Regional market agreements. The formation of regional market agreements such as the Single European Market encourages companies to launch regional (e.g., pan-European) products or redesign existing products as pan-regional brands. The legislation leading to the creation of the Single European Market in January 1993 sought to remove most barriers to trade within the European Union. It also provided for the harmonization of technical standards in many industries. These moves favor pan-European product strategies. Mars, for instance, now regards Europe as one giant market. It modified the brand names for several of its products, turning them into pan-European brands. Marathon in the United Kingdom became Snickers, the name used in Continental Europe. The Raider bar in Continental Europe was renamed Twix, the name used in the United Kingdom.²⁰

Whether firms should strive for standardized or localized products is a bogus question. The issue should not be phrased as an either-or dilemma. Instead, product managers should look at it in terms of degree of globalization: What elements of my product policy should be tailored to the local market conditions? Which ones can I leave unchanged? At the same time, there are strategic options that allow firms to modify their product while keeping most of the benefits flowing from a uniform product policy. Two of these product design policies are the **modular approach** and the **core-product** or common platform **approach**.²¹

Modular Approach. The first approach consists of developing a range of product parts that can be used worldwide. The parts can be assembled into numerous product configurations. Scale economies flow from the mass production of more-or-less standard product components at a few sites. Vaillant, a French company that is Europe's largest maker of central heating boilers, exemplifies this approach. A wide variation in consumer tastes and building standards within the pan-European market means that Vaillant has to offer hundreds of different boiler models. However, lately, the firm has tried to minimize the costs of customization without narrowing customer offerings. The trick is to develop boilers that meet local requirements but with as many common features (e.g., burners, controls) as is possible.²²

Core-Product (Common Platform) Approach. As discussed in Chapter 10, the core-product (common platform) approach starts with the design of a mostly uniform core-product or platform. Attachments can be added to the core product to match local market needs. Savings can be achieved by reduced production and purchasing costs. At the same time, companies adopting this approach have the flexibility to modify the product easily. The model design procedures of the French carmaker Renault exemplify this approach. More than 90 percent of Renault's sales revenues comes from the European market. The body, engines, transmissions, and chassis of a given model are the same in the different markets. Minor changes, such as stronger heaters in Nordic countries or better air conditioning for cars sold in Southern Europe are easily

**TWO ILLUSTRATIONS OF THE COMMON PLATFORM APPROACH
WITH GLOBAL PRODUCT DESIGN**

DEERE

Deere Company is one of the world's largest manufacturers of farm machinery. Deere's tractors worldwide are based on six "families" or platforms on which different elements (e.g., engines, gear boxes) can be fitted to suit needs in local markets. With that system, Deere can easily swap design ideas. For instance, some tractors made in Mannheim, (Germany) Deere's European tractor plant, use a new gear box designed in the United States. Likewise, some of the tractors made in the U.S. plant contain a new axle suspension concept developed in the European site. The platform system allows Deere to meet customers' expectations worldwide while minimizing costs.

Sources: "Difficult Furrow to Plough," *The Financial Times*, March 9, 1999, p. 12; and "Electrolux Sees Future in Fewer, Stronger Brands," *The Financial Times*, February 20, 1999, p. 23.

ELECTROLUX

Electrolux has become the world's largest household appliance maker by owning more than 40 different brands such as Electrolux, Frigidaire, Kelvinator, AEG, and Zanussi. In Europe alone, the firm sells 6,500 different types of oven. In February 1999, the Stockholm-based company announced plans to streamline its brand portfolio and to rationalize its product design process. The company aspires to move its broad product portfolio of 15,000 different product variants toward common product platforms and fewer brands. This move would result in lower purchasing and manufacturing costs. Electrolux plans to have common platforms in refrigerators and ovens with customers able to choose particular features in different markets. Whether Electrolux will succeed is to be seen. When Whirlpool, its global rival, introduced a world washing machine, consumer response was lukewarm.

implemented.²³ The common platform approach has emerged as a favored means for many other global carmakers.²⁴ Jaguar's S-Type marque shared a platform with the Lincoln LS, Ford's other luxury brand. Volkswagen's Golf platform is also used for certain variants of Audi, Seat, and Skoda—some of the other brands that belong to Volkswagen's stable. Swedish Saab, owned by General Motors, uses platforms that were originally developed for Opel, one of GM's other European brands. Global Perspective 11-2 describes how Deere and Electrolux use the core product approach in designing their products.

The balancing act between standardization and adaptation is very tricky. One scholar²⁵ describes **overstandardization** as one of the five pitfalls that global marketers could commit. Too much standardization stifles initiative and experimentation at the local subsidiary level. However, one should not forget that there is also the risk of **overcustomization**. Part of the appeal of imported brands is often their *foreignness*. By adapting too much to the local market conditions, an import runs the risk of losing its cachet and simply becoming a me-too brand, barely differentiated from the local brands. General Motors apparently made such a mistake in Japan. In 2001, GM rolled out a new subcompact car in Japan, the Chevrolet Cruze, built by Suzuki, GM's affiliate. Seven months after the launch, GM had sold only 6,600 cars. One problem seems to have been that the Cruze was "too Japanese" (except for the price tag!). Despite GM's efforts to give the Cruze an American look, it was very similar to the Suzuki Swift, which is far cheaper (790,000 yen versus a starting price of 1.2 million yen for the Cruze), has the same engine size, and, unlike the Cruze, comes with a stereo system.²⁶