Part 4 THE GLOBAL MARKETING MIX

10 Brand and Product Decisions in Global Marketing

"Thin is in." That is the verdict from consumers in all parts of the world who have made widescreen, flat-panel TV sets one of the hottest new consumer electronics products in years. The new digital sets represent a major improvement over the analog cathode-ray tube (CRT) technology that was an integral part of TV design for more than 50 years. Today's TVs incorporate innovative technologies such as liquid-crystal display (LCD) screens that previously were offered with personal computers. Television manufacturers are now offering a variety of screen technology options, including LCD, plasma, Digital Light Processing (DLP), and others. No matter which type of set they buy, consumers agree on one point: These TV sets are sleek, sexy, and cool. They also offer vastly improved performance compared to conventional TVs. Viewers are enthralled by the sharper, brighter image quality and multichannel sound of high-definition TV broadcasts; they also enjoy watching wide-screen DVD movies at home. In short, the consumer electronics industry has produced a much-needed new hit product.

The success of Samsung, Sharp, and other marketers of flat-panel HDTVs highlights the fact that products—and the brands associated with them—are arguably the most crucial element of a company's marketing program; they are integral to the company's value proposition. In Part III, we surveyed several topics that directly impact product strategy as a company approaches global markets. Input from a company's MIS and market research studies guides the product development process. The market must be segmented, one or more target markets selected, and a 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 IV, 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. The next section outlines strategic alternatives available to global marketers. Finally, new product issues in global marketing are discussed.

The growing popularity of flat-panel HDTVs has propelled Sharp and Samsung Electronics to the front ranks of the world's consumer electronics companies. In 2007, Sharp unveiled a 108-inch LCD TV—the world's largest. As prices fall, global demand is growing rapidly. The Consumer Electronics Association estimates that 55 percent of U.S. households currently own at least one high-definition television.

BASIC PRODUCT CONCEPTS

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 company 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 LCD screen that measures 42 inches across. The unit weighs 100 pounds, is 4 inches deep, is equipped with two high-definition media interface (HDMI) connections, has a built-in tuner capable of receiving high-definition TV signals over the air, and delivers a screen resolution of 1080p. These tangible, physical features translate into benefits that enhance the enjoyment of watching HDTV broadcasts and DVD 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 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 set, for example, 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, Kodak offers products and services to both amateur and professional photographers 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. Although film is often a low-involvement purchase, many film buyers in the United States show a strong preference for Kodak film, and significant numbers of Japanese photographers prefer Fuji. Products can also be categorized in terms of their life span (durable, nondurable, and disposable). Kodak and other companies market both single-use (disposable) cameras as well as more expensive units that are meant to last for many years. As these examples from the photo industry suggest, traditional product classification frameworks are fully applicable to global marketing.

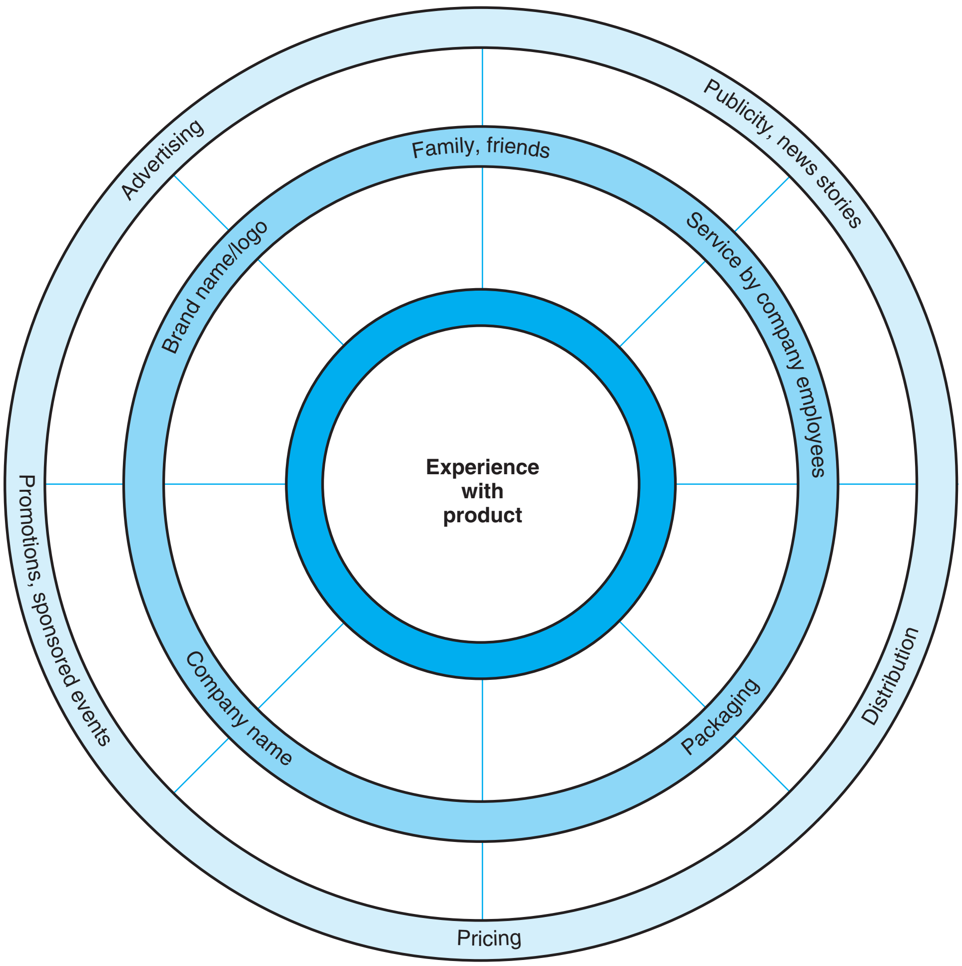
Brands

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 about a particular product; it is a sort 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 others.

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 (Figure 10-1). The sum

Figure 10-1

Components of a Brand Image



global MARKETING **Q&A**

Wall Street Journal: "BMW is one of the top brands in any industry. For you, as CEO, are there special responsibilities you have in maintaining or building your brand image?"

Helmut Panke, Chief Executive Officer, BMW: "As provocative as it sounds, the biggest task is to be able to say, 'No.' Because in the end, authentic brand management boils down to understanding that a brand is a promise that has to be fulfilled everywhere, at any time. So when something doesn't fit, you must make sure that that is not done. The most important role of senior management, not just the CEO, is to understand that the brand is not just a label that you can put on and take off. BMW . . . settles for fewer compromises, which goes back to what the brand stands for."

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of impressions is a **brand image**, a single—but often complex—mental image about both the product itself and the company that markets it.

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, 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 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.[1]

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."[2] 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 are, therefore, 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.

"We have to shift to high value-added products, and to do that we need to improve our brand."[3]

Noboru Fujimoto, President, Sharp Electronics Corporation

1 For a complete discussion of brand equity, see Kevin Lane Keller, *Strategic Brand Management* (Upper Saddle River, NJ: Prentice Hall, 1998), Chapter 2.

2 John Willman, "Labels That Say It All," *Financial Times—Weekend Money* (October 25–26, 1997), p. 1.

3 Peter Landers, "Sharp Covets the Sony Model: A Sexy, High-end Image," *The Wall Street Journal* (March 11, 2002), p. A13.

the rest of the story

Wide Screen Flat-Panel TVs Rule

The explosive growth of HDTV sales has been a boon for the world's leading electronics marketers. In 2005, South Korea's LG Electronics was the world's number one TV set maker with sales of 18.2 million sets. Samsung was number two with sales of 16.3 million units. By contrast, Sony, long a world leader in TV manufacturing and a strong global brand name, ranked fifth in TV set market share. Although Sony is legendary for its spirit of innovation, it was a late entrant into the growing market for flat-panel displays. Sony focused on its Wega-brand TVs that offered flat screens in a conventional CRT format; company engineers insisted that Sony's Trinitron CRT technology was superior to flat-panel technology which, in any event, the company had no experience producing.

Sony is a good example of a company whose preference for its own technology has proven to be counterproductive. Innovation guru Henry Chesbrough notes that today, the technologies needed for products are so complex and with rivals so numerous that no company—even one as big and capable as Sony—can develop all it needs internally. A case in point is the cost of building an LCD production facility. The price tag is about $2.7 billion, too high a cost for Sony to bear alone. Sony's strong track record as an innovator and inventor of whole classes of technologies blinded it to the merits of using technologies from other companies. It was hard hit by shrinking profit margins in its electronics business; in 2003, Sony announced it would close 12 of 17 factories that made analog TVs. It also announced a joint venture with Samsung to manufacture LCD sets. Meanwhile, new competitors, including Dell and Hewlett-Packard, have entered the TV market. Despite these new entrants into the industry, Sony's goal is to have 30 percent share of the global flat-panel market.

Prices have been dropping as the manufacturers build new, state-of-the-art factories. Because the screen panel itself represents about 85 percent of the cost of an entire set, companies are innovating to bring the cost down. For example, Corning is a key supplier of glass products to the industry; the company recently found a way to ship 500 glass panel sheets in the space that would previously only accommodate 20 sheets. The result was a dramatic drop in shipping costs to Asian manufacturers. Likewise, Sharp and other manufacturers have found ways to reduce the amount of time required to insert the liquid-crystal substance between the glass panels. In 2001, five days were required to fabricate a finished screen; today, a 30-inch screen can be produced in just two hours. Some industry observers expect the price of a 42-inch LCD model to drop below $1,000 sometime in 2007.

There is some confusion in the marketplace, as consumers try to choose between the different technologies. Also, although an increasing amount of programming is available in the widescreen format, many shows are still broadcast in standard definition; ironically, the 480i standard definition images look worse on an expensive HDTV than on a conventional TV. Many viewers are not sure when they are watching an actual high-definition broadcast as opposed to a standard definition one. The manufacturers themselves are facing another challenge: How to keep revenues and profits strong as manufacturers slash prices to gain market share. Prices are expected to stabilize as the rate of new factory openings slows.

Sources: Evan Ramstad, "Flat-Panel TVs, Long Touted, Finally are Becoming the Norm," The Wall Street Journal *(April 15/16, 2006), pp. A1, A2; Martin Fackler, "Running Away from the Pack In Japan,"* The New York Times *(March 22, 2006), pp. C1, C5; Eric A. Taub, "Flat-Panel Sets to Enhance the Visibility of Samsung,"* The New York Times *(January 8, 2004), pp. C1, C4; Andrew Ward, Kathrin Hille, Michiyo Nakamoto, Chris Nuttal, "Flat Out for Flat Screens: The Battle to Dominate the $29 bn Market Is Heating Up but the Risk of Glut Is Growing,"* Financial Times *(December 24, 2003), p. 9; Evan Ramstad, "Rise of Flat-Screen TVs Reshapes Industry,"* The Wall Street Journal *(November 20, 2003), p. B8; Phred Dvorak, "Facing a Slump, Sony to Revamp Product Lines,"* The New York Times *(September 12, 2003), p. B1, B2; Michiyo Nakamoto, "Sony Discusses Screen Venture with Samsung,"* Financial Times *(September 23, 2003), p. 19; Elliot Spagat, "Is It Finally Time to Get a Flat-Panel TV?"* The Wall Street Journal *(September 12, 2002), p. D1; Peter Landers, "Sharp Covets the Sony Model: A Sexy, High-End Image,"* The Wall Street Journal *(March 11, 2002), p. A13.*

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 Lactia-brand fermented milk drink. In India, Coca-Cola markets Kinely brand bottled water. The spirits industry often creates brand extensions to leverage popular brands without 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.[4]

"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."[5]

Karel Vuursteen, Chairman, Heineken

[4] Deborah Ball, "Liquor Makers Go Local," *The Wall Street Journal* (February 13, 2003), p. B3.
[5] John Willman, "Time for Another Round," *Financial Times* (June 21, 1999), p. 15.

Local products and brands also represent the lifeblood of domestic companies. Entrenched local products and brands can represent significant competitive hurdles to global companies entering new country markets. In China, for example, a sporting goods company started by Olympic gold medalist Li Ning sells more sneakers than global powerhouse Nike. In developing countries, global brands are sometimes perceived as overpowering local ones. Growing national pride can result in a social backlash that favors local products and brands. In China, a local TV set manufacturer, Changhong Electric Appliances, has built its share of the Chinese market from 6 percent to more than 22 percent 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."[6] In 2002, Haier Group announced a strategic alliance with Taiwan's Sampo Group. The deal, which is valued at $300 million, calls 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 DaimlerChrysler's two-seat Smart car are available in Europe but not the rest of the world (see Case 10-2). The experience of GM 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 in 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."[7] 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 made its North American market debut in 2006.

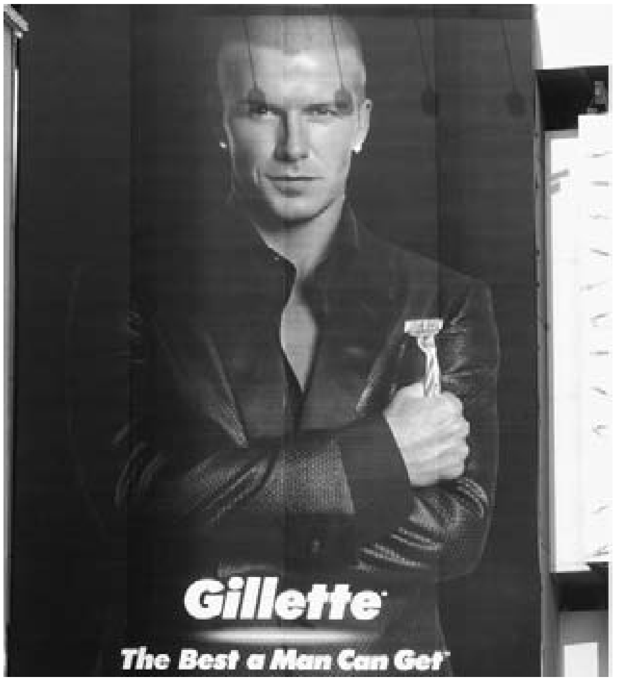
Global Products and Brands

The globalization of industry 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.

[6] John Ridding, "China's Own Brands Get Their Acts Together," *Financial Times* (December 30, 1996), p. 6; Kathy Chen, "Global Cooling: Would America Buy a Refrigerator Labeled 'Made in Quingdao'?" *The Wall Street Journal* (September 17, 1997), pp. A1, A14.

[7] Diana Kurylko, "The Accidental World Car," *Automotive News* (June 27, 1994), p. 4.

In French ("La perfection au masculin"), German ("Für das Beste im Mann"), Italian ("Il meglio di un uomo"), Portuguese ("O melhor para o homem"), or any other language, Gillette's trademarked brand promise is easy to understand—especially when superstar athlete David Beckham is featured in the ad.



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"), Visa International ("Life takes Visa"), and many other global companies.

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.[8]

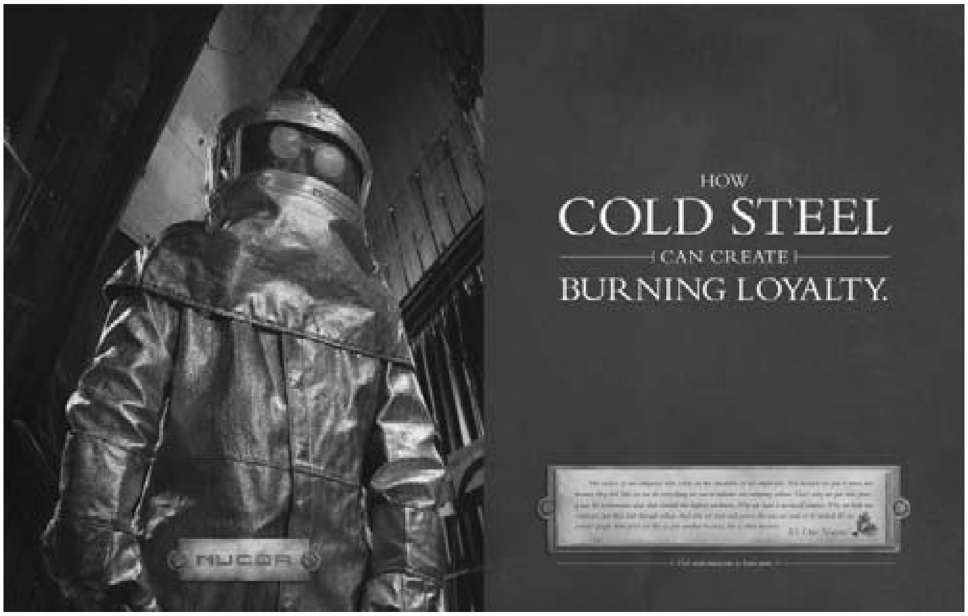
As this quote implies, companies such as Gillette enjoy several benefits and advantages that derive from creating global products and utilizing global branding. These include economies of scale associated with creating a single ad campaign for the world and the advantages of executing a single brand strategy. All global companies are trying to increase the visibility of their brands, especially in the key markets such as the United States and China. Examples include Philips with its "Sense and simplicity" global image advertising and Siemens' recent "Be inspired" 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.[9]

8 Victoria Griffith, "As Close as a Group Can Get to Global," *Financial Times* (April 7, 1998), p. 21.

9 Douglas B. Holt, John A. Quelch, and Earl L. Taylor, "How Global Brands Compete," *Harvard Business Review* 82, no. 9 (September 2004), p. 69.



Nucor is a steel company best known for its pioneering use of the minimill. Minimills produce steel by melting scrap in electric arc furnaces. This process is much more efficient than that 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." The campaign is designed to raise awareness about the company's stance on a variety of issues, including the environment, energy conservation, and the importance of creating a strong corporate culture.

These researchers note that brands that are marketed around the world are endowed with both an aura of excellence and a set of obligations. Worldwide, consumers, corporate buyers, governments, activists, and other groups associate global brands with three characteristics; consumers use these characteristics 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.

Note that a global brand 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. However, Sony created the category more than 20 years ago when it introduced the Walkman in Japan. The Sony Walkman is an example of **combination** 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 recent global product-brand offerings include Bravia brand HDTV sets and the PlayStation family of video game consoles and portables (see Case 10-1).

Co-branding is a variation on combination branding in which two or more *different* company or product brands are featured prominently on product

STRATEGIC DECISION-MAKING *in global marketing*

The Sony Walkman

The history of the Sony Walkman illustrates the fact that it is up to visionary marketers to create global brands. Initially, Sony's personal stereo was to be marketed 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 two months, the Walkman was introduced in the United States under the name "Soundabout"; two 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 United States sales convention in May 1980 by declaring that, "funny or not," Walkman was the name everybody had to use.

Source: P. Ranganath Nayak and John M. Ketteringham. Breakthroughs! How Leadership and Drive Create Commercial Innovations that Sweep the World *(San Diego, CA: Pfeiffer & Company, 1994), pp. 128–129.*

packaging or in advertising. Properly implemented, co-branding can engender customer loyalty and allow companies to achieve synergy. However, co-branding can also confuse consumers and dilute brand equity. The approach works most effectively when the products involved complement each other. Credit card companies were the pioneers, and 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 soft drinks. Some of these businesses are global, and some are local. For example, Virgin Megastores are found in many parts of the world, while the operating scope of Virgin Rail Group is limited to the United Kingdom. The brand has been built on Branson's shrewd ability to exploit weaknesses in competitors' customer service skills, as well as a 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.

"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."[10]

Peter Brabeck-Letmathe, Chairman and CEO, Nestlé

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. As noted previously, 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; Georgia canned coffee in Japan is one example. Coca-Cola's flagship

[10] Suzy Wetlaufer, "The Business Case Against Revolution," *Harvard Business Review* 79, no. 2 (February 2001), p. 116.

		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 10-1

Product/Brand Matrix for Global Marketing

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 had to generate about one-third of sales outside the home country; brands owned by privately held companies such as Mars are not included. Not surprisingly, Coca-Cola tops the list. However, one of the telling findings of the rankings is that strong brand management is now being practiced by companies in a wide range of industries, not just by consumer packaged-goods marketers.[11]

Table 10-2

The World's Most Valuable Brands

Rank	Value ($ billions)
1. Coca-Cola	67.0
2. Microsoft	56.9
3. IBM	56.2
4. GE	48.9
5. Intel	32.3
6. Nokia	30.1
7. Toyota	27.9
8. Disney	27.8
9. McDonald's	27.5
10. Mercedes-Benz	21.7
11. Citi	21.4
12. Marlboro	21.3
13. Hewlett-Packard	20.4
14. American Express	19.6
15. BMW	19.6
16. Gillette	19.5
17. Louis Vuitton	17.6
18. Cisco	17.5
19. Honda	17.0
20. Samsung	16.1
21. Merrill Lynch	13.0
22. Pepsi	12.9
23. Nescafé	12.5
24. Google	12.3
25. Dell	12.2

Source: Adapted from "The 100 Top Brands," *Business Week* (August 7, 2006), pp. 60–61.

[11] Gerry Khermouch, "The Best Global Brands," *Business Week* (August 6, 2001), pp. 50+.

Annual global cellphone sales have passed the one billion unit mark. Now, faced with saturated markets in the West, Nokia and its competitors are turning 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. As indicated by this billboard on the Grand Trunk Highway outside of Islamabad, Pakistan, brand-conscious shoppers are upgrading to new handsets with fashionable designs and the latest features, including color screens, cameras, and digital music players.

Developing a global brand is not always an appropriate goal. As David Aaker and Erich Joachimsthaler noted in the *Harvard Business Review,* managers who seek to build global brands must first consider whether such a move fits well with their company or their markets. First, managers must realistically assess whether anticipated scale economies will actually materialize. 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.[12]

The following six guidelines can assist marketing managers in their efforts to establish global brand leadership:[13]

- 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.
- 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 BRIC nations.
- Develop a company-wide communication system to share and leverage knowledge and information about marketing programs and customers in different countries.
- Develop a consistent planning process across markets and products. Make a process template available to all managers in all markets.

[12] David Aaker and Erich Joachimsthaler, "The Lure of Global Branding," *Harvard Business Review* 77, no. 6 (November–December 1999), pp. 137–144.
[13] Warren J. Keegan, "Global Brands: Issues and Strategies," Center for Global Business Strategy, Pace University, Working Paper Series, 2002.

STRATEGIC DECISION-MAKING *in global marketing*

Mars

Mars Inc. confronted the global brand issue with its chocolate-covered caramel bar that 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, a single brand name gives Mars the opportunity to leverage all of its product communications across national boundaries. Managers were forced to think globally about the positioning of Snickers and Twix, something that they were not 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.

Source: Lord Saatchi, "Battle for Survival Favours the Simplest," Financial Times *(January 5, 1998), p. 19.*

- 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).
- Execute brand-building strategies that leverage global strengths and respond to relevant local differences.

Coke is arguably 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 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 2006, Coke adopted the global advertising theme "The Coke Side of Life." The global campaign will be supplemented with ads created in local markets such as Russia and China.[14] However, the basic, underlying strategic principles that guide the management of the brand are the same worldwide. The issue is not exact uniformity but rather: 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 also vary.

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

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.[15] As an individual fulfills needs at

[14] Chad Terhune, "Coke's New Ads Try to Conjure Up Old Magic," *The Wall Street Journal* (March 30, 2006), pp. B1, B2.
[15] A. H. Maslow, "A Theory of Human Motivation," in *Readings in Managerial Psychology*, eds. Harold J. Levitt and Louis R. Pondy (Chicago: University of Chicago Press, 1964), pp. 6–24.

GM in China

General Motor's experience in China provides a good example of how a company's global brand strategy must be adapted to the needs of the market. In the Chapter 9 discussion of GM's joint venture in China it was noted that, in the mid-1990s, the American automaker was selected 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 *Business Week*, GM CEO Rick Wagoneer related the following story:

> There is a straightforwardness to the way the Chinese negotiate things. What they are interested in becomes clear quickly. When we were ready to go into the China market, they said, "Okay, we will choose GM, and we want you to use Buick." We said, "It is not really one of our global brands. We'd probably rather use something else." They said, "We'd like you to use Buick." We said, "We'll use Buick." And it has worked great.

Source: Fortune, *Alex Taylor III,*

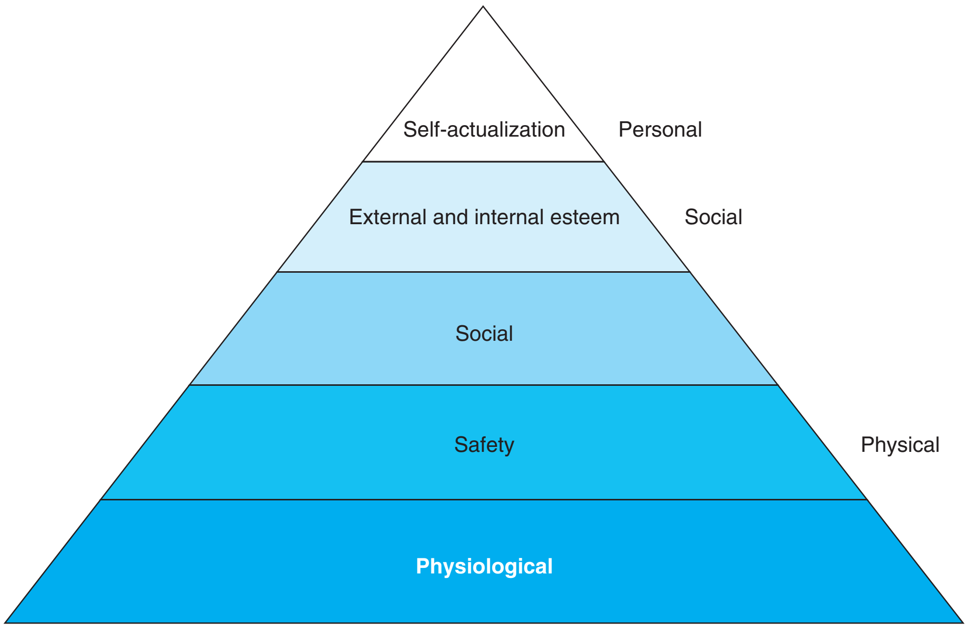
each level, he or she progresses to higher levels (Figure 10-2). At the most basic level of human existence, physiological and safety needs must be met. People need food, clothing, and shelter, and a product that meets these basic needs has potential for globalization.

However, the basic human need to consume food and drink 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.[16] Responding to those differences has meant creating local products and brands for particular country markets. Sony has prospered for a similar reason. Audio and

Figure 10-2

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: University of Chicago Press, 1964), pp. 6–24. Original—*Psychological Review *50 (1943).*



[16] Jeremy Grant, "Golden Arches Bridge Local Tastes," *Financial Times* (February 9, 2006), p. 10.

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 entertainment.

Mid-level needs in the hierarchy 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. 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.[17] In Asia today, young women are taking up smoking as a status symbol—and showing a preference for Western brands such as Marlboro. However, as noted earlier, smokers' needs and wants may be tempered by economic circumstances. Recognizing this, 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. Such behavior is referred to as *conspicuous consumption* or *luxury badging*. Any company with a premium product or brand that has proven 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. These include 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.

In India, Vietnam, and other emerging markets, many people cannot afford housing or automobiles. That means that amenities such as refrigerators and flush toilets are considered status symbols when a family welcomes visitors to their home. In public, cellphones serve a similar secondary purpose.

[17] Louis Uchitelle, "Gillette's World View: One Blade Fits All," *The New York Times* (January 3, 1994), p. C3.

Homemakers shop for food daily rather than weekly. People are reluctant to pay for unnecessary features such as icemakers. These are 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.

Hellmut Schütte has proposed a modified hierarchy to explain the needs and wants of Asian consumers (Figure 10-3).[18] 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. 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. Knowing this, 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. 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. However, 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 $35 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.

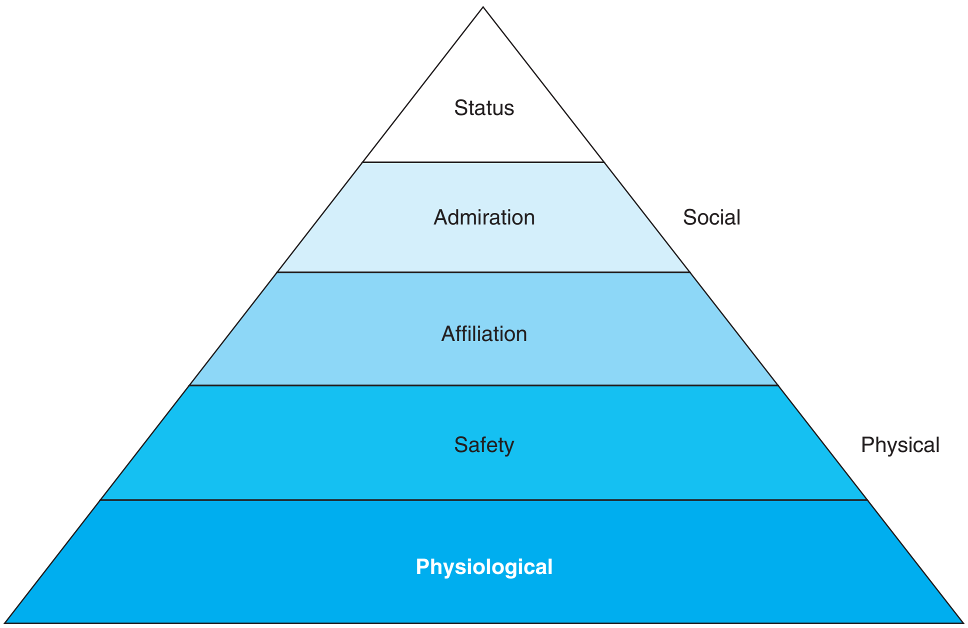
"For Asians, face is very important, so you have to show you are up to date with the latest available product."[19]

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

Figure 10-3

Maslow's Hierarchy: The Asian Equivalent

Source: Hellmut Schütte, "Maslow's Hierarchy: The Asian Equivalent," Consumer Behavior in Asia *(New York: New York University Press, 1998), p. 93.*



[18] Hellmut Schütte, "Asian Culture and the Global Consumer," *Financial Times–Mastering Marketing* (September 21, 1998), p. 2.

[19] Andrew Ward, Kathrin Hille, Michiyo Nakamoto, Chris Nuttal, "Flat Out for Flat Screens: The Battle to Dominate the $29 bn Market Is Heating Up but the Risk of Glut Is Growing," *Financial Times* (December 24, 2003), p. 9.

"COUNTRY OF ORIGIN" AS BRAND ELEMENT

One of the facts of life in global marketing is that perceptions about and attitudes towards 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 other product categories. Perceptions and attitudes about a product's origins can be 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."[20] More than a decade later, those associations are still evident. Within a given country, consumers are likely to differ in terms of both the importance they ascribe to a product's country of origin and their perceptions of different countries. Moreover, as industries globalize, the origin issue is becoming more complex. Country-of-design, country-of-manufacture, and country sources for parts can all become relevant considerations.

"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."[21]

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 lost ground to the "made in Japan" image. Today, however, U.S. brands are finding renewed acceptance globally. Examples include Jeep Cherokee sports utility vehicles, Lands' End clothing, and Budweiser beer, all of which are being successfully marketed with strong "USA" themes. Korea's image has improved greatly in recent years, thanks to the reputations of global companies such as Hyundai, Daewoo, and Samsung. Industry observers expect other Asian corporate megabrands to emerge in the coming years.

Finland is home to Nokia, which rose in stature from a local brand to a global brand 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 has developed Benecol brand margarine that has been proven 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 some countries are "launch brands" in the sense that they lack centuries of tradition and foreign interaction upon which to build their reputations:

> 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.[22]

"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."[24]

Christopher A. Bartlett and Sumantra Ghoshal

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, General Motors, Volkswagen, DaimlerChrysler, Nissan, Ford, and other global automakers have established Mexican operations that produce nearly 2 million vehicles per year, three-fourths of which are exported.[23]

[20] Dana Milbank, "Made in America Becomes a Boast in Europe," *The Wall Street Journal* (January 19, 1994), p. B1.
[21] Bertrand Benoit and Geoff Dyer, "The Mittelstand is Making Money in the Middle Kingdom," *Financial Times* (June 6, 2006), p. 13.
[22] Simon Anholt, "The Nation as Brand," *Across the Board* 37, no. 10 (November–December 2000), pp. 22–27.
[23] Elliot Blair Smith, "Early PT Cruiser Took a Bruisin'," *USA Today* (August 8, 2001), pp. 1B, 2B; see also Joel Millman, "Trade Wins: The World's New Tiger on the Export Scene Isn't Asian; It's Mexico," *The Wall Street Journal* (May 9, 2000), pp. A1, A10.
[24] Christopher A. Bartlett and Sumantra Ghoshal, "Going Global: Lessons from Late Movers," *Harvard Business Review* 78, no. 2 (March-April 2000), p. 133.

As is the case with products, countries can be branded and positioned, too. Spain, Liechtenstein, and Slovenija have developed distinctive logos that promote tourism and create a positive image. Slovenija, which recently joined the euro zone, is blessed with tree cover on more than 50 percent of its territory. Slovenija's marketing slogan, "The green piece of Europe," helps communicate that fact.

In some product categories, foreign products have a substantial advantage over their domestic counterparts simply because of their "foreign-ness." Global marketers have an opportunity to capitalize on the situation by charging premium prices. The import segment of the beer industry is a case in point. In one study of American attitudes about 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.

If a country's manufacturers produce high-quality products that are nonetheless *perceived* as being of lower quality than similar goods from other countries, there are two alternatives. One is to disguise the foreign origin of the product. Package, label, and product design can minimize evidence of foreign derivation. A brand policy of using local names will contribute to a domestic identity. The other alternative is to continue the foreign identification of the product and attempt to change buyer attitudes toward the product. Over time, as consumers experience higher quality, the perception will change and adjust. It is a fact of life that perceptions of quality often lag behind reality.

PACKAGING

In many instances, packaging is an integral element of product-related decisions. Packaging is an important consideration for products that are shipped to markets in far-flung corners of the world. Moreover, the phrase "consumer packaged goods" 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 and biodegradability. In Germany, for example, product packaging must conform to Green Dot regulations. Packaging also serves important communication functions: Packages (and labels attached to them) offer communication cues that provide consumers with a basis for making a purchase decision. Today, many industry experts agree that packaging must engage the senses, make emotional connections, 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."[25] Absolut vodka, Altoids breath mints, and Godiva chocolates are a few examples of brands whose value proposition includes "experiential packaging."

[25] Queena Sook Kim, "The Potion's Power Is in Its Packaging," *The Wall Street Journal* (December 21, 2000), p. B12.

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 that consisted 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.[26]

Coca-Cola's distinctive (and trademarked) contour bottle comes in both glass and plastic versions and helps consumers seek out the "real thing." 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, Coca-Cola's latest packaging innovation 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 tap 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. Coke has 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 further back in the store.[27] Other examples include:

- Grey Goose, the world's top-selling super premium vodka brand, is the brainchild of 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.[28]
- Nestlé has packaging teams throughout the world that are required to contribute packaging improvement suggestions on a quarterly basis. Implemented changes include a new 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.[29]

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. 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

[26] Sara Silver, "Modelo Puts Corona in the Big Beer League," *Financial Times* (October 30, 2002), p. 26.
[27] Betsy McKay, "Coke's Heyer Finds Test in Latin America," *The Wall Street Journal* (October 15, 2002), p. B4.
[28] Christina Passarielo, "France's Cognac Region Gives Vodka a Shot," *The Wall Street Journal* (October 20, 2004), p. B1.
[29] Deborah Ball, "The Perils of Packaging: Nestlé Aims for Easier Openings," *The Wall Street Journal* (November 17, 2005), p. B1.

mandatory label content vary in different parts of the world; for example, the EU now requires mandatory labeling for some foods containing genetically modified ingredients. Regulators in Australia, New Zealand, Japan, Russia, and several other countries have also 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 information regarding nutrition (e.g., calories and fat content) and serving size in a standard format. The use of certain terms such as *light* and *natural* is also restricted. Other examples of labeling in global marketing include:

- 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 percentages of the major sources of foreign content of every car, truck, and minivan sold in the United States (effective since October 1, 1994).
- Since mid-2004, the EU has required labels on all food products that include ingredients derived from genetically modified crops.
- 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.[30]
- Nestlé recently introduced Nan, an infant-formula brand that is popular in Latin America, in the American market. Targeted at Hispanic mothers, Nestlé Nan's instructions are printed in Spanish on the front of the can. Other brands have English-language labeling on the outside; Spanish-language instructions are printed on the reverse side.[31]

Aesthetics

In Chapter 4, the subject of aesthetics was introduced in a discussion of varying 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. Aesthetic elements that are deemed appropriate, attractive, and appealing in one's home country may be perceived differently elsewhere. In some cases, a standardized color can be used in all countries; examples include the distinctive yellow color on Caterpillar's earth-moving equipment and its licensed outdoor gear and the red Marlboro chevron. In other instances, color choices should be changed in response to local perceptions. It was noted in Chapter 4 that white is associated with death and bad luck in some Asian countries; recall that when 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.

30 Steven L. Gray and Ian Brat, "Read It and Weep? Big Mac Wrapper to Show Fat, Calories," *The Wall Street Journal* (October 26, 2005), p. B1.
31 Miriam Jordan, "Nestlé Markets Baby Formula to Hispanic Mothers in U.S.," *The Wall Street Journal* (March 4, 2004), p. B1.

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. 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 strips of tape used to seal the boxes were cut to precisely the same length.[32]

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 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. The company had made significant improvements in the quality and reliability of its vehicles, but 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 are impressive: Hyundai's U.S. sales jumped from about 90,000 vehicles in 1998 to nearly 400,000 vehicles in 2003.

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 is an **adaptation strategy**; this involves changing elements of design, function, or packaging in response to needs or conditions in particular country markets. These product strategies can be used in conjunction with extension or adaptation communication strategies. This is the type of strategic decision facing executives at a company such as Starbucks who build a brand and a product or 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.

[32] Nilly Landau, "Face to Face Marketing Is Best," *International Business* (June 1994), p. 64.

Laws and regulations in different countries frequently lead to obligatory product design adaptations. This 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. These were particularly prevalent in the areas of technical standards and health and safety standards. In the food industry, for example, there were 200 legal and regulatory barriers to cross-border trade within the EU 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, many product standards that remain on the books have not been harmonized. This situation can create problems for companies not based in the EU. 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 annual tubing with no covering. The cost of complying with these regulations effectively shuts Dormont out of the European market.[33] Moreover, the European Commission continues to set product standards that force many non-EU companies to adapt product or service offerings that satisfy domestic market regulations. For example, consumer safety regulations mean that McDonald's cannot give away soft-plastic toys with its Happy Meals in Europe. Microsoft has been forced to modify contracts with European software makers and Internet service providers to ensure that consumers in the EU 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 (UT), 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 UT's Carrier division are redesigning the company's air conditioners to comply with pending European recycling rules, which are tougher than U.S. standards.[34]

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, Figure 10-1 displayed product and brand strategic options in matrix form. Figure 10-4 expands on those options: All aspects of communication—not just branding—are considered. Figure 10-4 shows four strategic alternatives available to Starbucks or any other company seeking to expand from its domestic base into new geographic markets. 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.

[33] Timothy Aeppel, "Europe's 'Unity' Undoes a U.S. Exporter, "*The Wall Street Journal* (April 1, 1996), p. B1.

[34] Brandon Mitchener, "Standard Bearers: Increasingly, Rules of Global Economy Are Set in Brussels," *The Wall Street Journal* (April 23, 2002), p. A1.

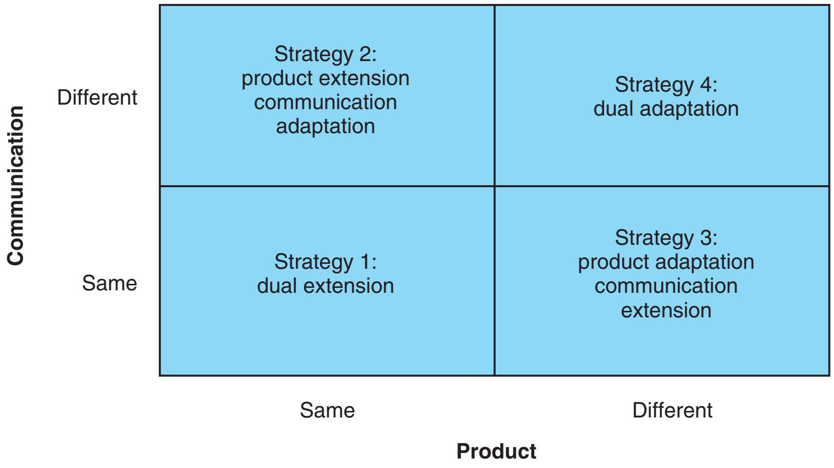


Figure 10-4

Global Product Planning: Strategic Alternatives

Strategy 1: Product-Communication Extension (Dual Extension)

Many companies employ **product-communication extension** as a strategy for pursuing opportunities outside the home market. Under the right conditions, this is the easiest product marketing strategy; it can be the most profitable one as well. Companies pursuing this strategy sell the same product with virtually 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. This issue can be especially important in developing country markets.

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 not to be as rooted in culture as consumer goods. Technology companies and manufacturers of industrial products should be especially alert to extension possibilities. For example, Germany's Henkel KGaA markets the Loctite glue brand globally. However, Henkel also markets 760 other glues, detergents and personal care products with different formulas and different brand names. Speaking about Loctite, Henkel CEO Ulrich Lehner explains, "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."[35] Among technology-oriented consumer marketers, Apple utilizes the dual-extension strategy for its iPod digital music player.

The product-communication extension strategy has an enormous appeal to global companies because of the cost savings associated with this approach. The most obvious sources of savings are design and manufacturing economies of scale, inventory savings, and elimination of duplicate product R&D costs. Also important are the substantial economies associated with standardization of marketing communications. For a company with worldwide operations, the cost of preparing separate print and TV ads for each market can be enormous. Although these cost savings are important, they should not distract executives from the more important objective of maximum profit performance, which may require the use of an adaptation or invention strategy. Product extension, in spite of its immediate cost savings, may result in market failure.

"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."[36]

Michael Conrad, Chief Creative Officer, Leo Burnett Worldwide

35 Gerrit Wiesmann, "Brands That Stop at the Border," *Financial Times* (October 6, 2006), p. 10.
36 Vanessa O'Connell, "Exxon 'Centralizes' New Global Campaign," *The Wall Street Journal* (July 11, 2001), p. B6.

Strategy 2: Product Extension/Communication Adaptation

When taking a product beyond the home-country market, management sometimes discovers that consumer perceptions about "quality" and "value" are different from those in the home country. It may also turn out that a product fills a different need, appeals to a different segment, or serves a different function. Whatever the reason, extending the product while adapting the marketing communications program may result in market success. The appeal of the **product extension-communication adaptation** strategy is its relatively low cost of implementation. Because the physical product is unchanged, expenditures for R&D, manufacturing setup, and inventory are avoided. The biggest costs associated with this approach are in researching the market and revising advertising, sales promotion efforts, point-of-sale material, and other communication elements as appropriate.

- In Hungary, Slovakia, and other Central European countries, SABMiller positions Miller Genuine Draft as an international lifestyle brand rather than an American brand. The communication adaptation strategy was adopted after focus group research showed that many Europeans have a low regard for American beer.[37]
- 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. The package design was changed, and Ben & Jerry's was launched successfully in the U.K. market.
- To promote its Centrino wireless chip, Intel launched a global ad campaign that features different combinations of celebrities. 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. In print, TV, and online ads, one of the celebrities sits on the lap of a mobile computer user.[38]

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 appeal to Americans. Likewise, Jägermeister schnapps is marketed differently in 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 bar patrons, particularly college students. Eschewing traditional media advertising, Kaempfe's marketing team has capitalized on the brand's cult status by hiring "Jägerettes" girls to 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, stomachaches, or hangovers.[39]

[37] Dan Bilefsky and Christopher Lawton, "In Europe, Marketing Beer as 'American' May Not Be a Plus," *The Wall Street Journal* (July 21, 2004), p. B1.
[38] Geoffrey A. Fowler, "Intel's Game: Play It Local, but Make It Global," *The Wall Street Journal* (September 30, 2005), p. B4.
[39] Bettina Wassener, "Schnapps Goes to College," *Financial Times* (September 4, 2003), p. 9.

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.

"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."[40]

Gary Regan, Author, *The Book of Bourbon*

Strategy 3: Product Adaptation-Communication Extension

A third approach to global product planning is to extend, without change, the basic home-market communications strategy or brand name while adapting the product to local use or preference conditions. This third strategy option is known as **product adaptation-communication extension**. There are many examples of products that have been adapted to perform the same function around the globe under different market conditions. For example, managers of GM's Cadillac brand intend to achieve annual sales of 20,000 vehicles outside the United States by 2010. A new Cadillac model, the BLS, will be built in Sweden; it is 6 inches shorter than the current CTS and is available with an optional diesel engine. The BLS will only be sold in Europe; as James Taylor, general manager of GM's Cadillac division, noted, "There's no Cadillac guy in the U.S. who is going to buy a four-cylinder low-displacement engine."[41]

Strategy 4: Product-Communication Adaptation (Dual Adaptation)

Sometimes, when comparing a new geographic market to the home market, marketers discover that environmental conditions or consumer preferences differ; the same may be true of the function a product serves or consumer receptivity to advertising appeals. In essence, this is a combination of the market conditions associated with Strategies 2 and 3. In such a situation, a company will utilize the **product-communication adaptation (dual adaptation)** strategy. For example, marketers of home appliances and household cleaning products discovered that Italian women are not interested in labor-saving conveniences. In a country where women spend more than 20 hours each week cleaning, ironing, and other tasks, 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.[42]

As noted previously, the four 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 "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, advertisements in China do not show disruption of harmony; this is due in part to a government that discourages dissent. Price was

40 Kimberly Palmer, "Rustic Bourbon: A Hit Overseas, Ho-Hum in the U.S." *The Wall Street Journal* (September 2, 2003), p. B1.
41 Mark Landler, "Europe, Meet Cadillac and Dodge," *The Wall Street Journal* (March 2, 2005), p. C3.
42 Deborah Ball, "Women in Italy Like to Clean but Shun the Quick and Easy," *The Wall Street Journal* (April 25, 2006), pp. A1, A12.

Table 10-3

Levi's 501 Red-Tab Jeans: Adaptation/Extension Grid—United States Versus Europe

Marketing Mix Element	Standardized	Localized
Product	"501" brand name; red tab on back pocket.	Fit, finish, and fabric are different in United States and Europe. "Premium" brand image in Europe versus mass or "work-a-day" in United States.
Promotion		Previous ad campaigns in Europe had "Americana" or traditional testimonial themes; new European print and TV campaign shares plot elements and dialogue with Shakespeare's *Midsummer Night's Dream*.
Place		The first "Levi for Girls" boutiques were opened in Europe in 2003.
Price		Higher prices in Europe: €85 (about $110) versus $30 in the United States.

Source: Adapted from Robert Guy Matthews, "Levi Strauss Brushes Up on Its Shakespeare," *The Wall Street Journal* (January 14, 2005), p. B3.

"You can't just import cosmetics here. Companies have to understand what beauty means to Chinese women and what they look for, and product offerings and communication have to be adjusted accordingly. It's a lot harder than selling shampoo or skin care."[44]

Daisy Ching, Regional Group Account Director, Procter & Gamble, Grey Global Group

another issue: A regular pair of Nike shoes cost the equivalent of $60 to $78 while average annual family income ranges from about $200 in rural areas to $500 in urban areas. In the mid-1990s, Nike responded 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 that would appeal to Chinese nationalistic sentiments.[43]

Strategy 5: Product Invention

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 or adapted product. This latter situation applies to the emerging markets of the world, which are home to roughly three-quarters of the world's population. 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.

Two entrepreneurs working independently 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 about $20 per pair. Joshua Silva, a physics professor at Oxford University, took a more high-tech approach: 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 hopes to sell the glasses in developing

[43] Sally Goll Beatty, "Bad-Boy Nike Is Playing the Diplomat in China," *The Wall Street Journal* (November 10, 1997), p. B1.

[44] Laurel Wentz, "P&G Launches Cover Girl in China," *Advertising Age* (October 31, 2005), p. 22.

countries for about $10 per pair.[45] Another example of the innovation strategy is the 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 innovation is an obvious solution: 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 on the charge generated by a short cranking session for almost an hour.

Sometimes manufacturers in developing countries that intend to go global also utilize innovation strategies. For example, Thermax, an Indian company, had achieved great success in its domestic market with small industrial boilers. Engineers developed a new design for the Indian market that significantly reduced the size of the individual boiler unit. However, the new design was not likely to succeed outside India. 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 design for the world market. The gamble paid off: Today, Thermax is one of the world's largest producers of small boilers.[46]

The winners in global competition are the companies that can develop products offering the most benefits, which in turn create 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—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.

"Designing a Harley-Davidson motorcycle for international markets requires constant collaboration among design teams around the world. We use videoconferencing, phone calls, e-mail, and on-site meetings to enhance communications. We advise our engineers to stay close to the customers in the markets in which the customers are located so we can quickly react to changing customer desires and international regulations.[48]

Bruce Roberts, Mechanical Design Engineer, Harley-Davidson

STRATEGIC DECISION-MAKING *in global marketing*

Colgate

Colgate pursued the product innovation strategy in developing Total, a new toothpaste brand whose formulation, imagery, and ultimate consumer appeal were designed from the ground up to readily cross national boundaries. The product was tested in six countries, each of which had a different cultural profile: the Philippines, Australia, Colombia, Greece, Portugal, and the United Kingdom. Total is now available in more than 100 countries; thanks to line extensions such as Total Advanced Clean, Colgate now commands a leading share—about 37 percent—of the U.S. toothpaste market. The brand is also achieving share gains in key markets such as Brazil, Russia, India, and Mexico. According to John Steel, senior vice president for global business development at Colgate, Total's success results from the application of a fundamental marketing principle: Consumers are the ones who make or break brands. "There ain't no consumers at 300 Park Avenue," he says, referring to company headquarters. Steel explains, "You get a lot more benefit and you can do a lot more with a global brand than you can a local brand. You can bring the best advertising talent from the world on to a problem. You can bring the best research brains, the best leverage of your organization onto something that is truly global. Then all your R&D pays off, the huge packaging costs pay off, the advertising pays off, and you can leverage the organization all at once."[47]

45 Amy Borrus, "Eyeglasses for the Masses," *Business Week* (November 20, 1995), pp. 104–105; Nicholas Thompson, "Self-Adjusted Glasses Could Be Boon to Africa," *The New York Times* (December 10, 2002), p. D6.

46 Christopher A. Bartlett and Sumantra Ghoshal, "Going Global: Lessons from Late Movers," *Harvard Business Review* 78, no. 2 (March–April 2000), p. 137.

47 Pam Weisz, "Border Crossings: Brands Unify Image to Counter Cult of Culture," *Brandweek* (October 31, 1994), p. 24.

48 Bruce Wiebusch, "Deere, Hogs, and International Design," *Design News* (November 18, 2002).

Table 10-4

Product Markets Compared: United States and EU Versus BRIC

United States and EU	Brazil	Russia	India	China
Product Development and Intellectual Property Rights (IPR)				
Sophisticated product-design capabilities are available. Governments enforce IPR and protect trademarks so R&D investments yield competitive advantages.	Local design capability exists. IPR disputes have arisen in some sectors.	Russia possesses a strong local design capability but exhibits an ambivalent attitude about IPR. Sufficient regulatory authority exists, but enforcement is inconsistent.	Some local design capability is available. IPR problems with the United States exist in some industries. Regulatory bodies monitor product quality and fraud.	Imitation and piracy abound. Punishment for IPR theft varies across provinces and by level of corruption.
Brand Perceptions and Management				
Markets are mature and have strong local and global brands. The profusion of brands clutters consumer choice. Numerous ad agencies are available.	Consumers accept both local and global brands. Global as well as local ad agencies are present.	Consumers prefer global brands in automobiles and high tech. Local brands thrive in the food and beverage businesses. Some local and global ad agencies are available.	Consumers buy both local and global brands. Global ad agencies are present, but they have been less successful than local ad agencies.	Consumers prefer to buy products from American, European, and Japanese companies. Global ad agencies dominate the business.

Source: Adapted from Tarun Khanna, Krishna G. Palepu, and Jayant Sinha, "Strategies That Fit Emerging Markets," *Harvard Business Review* 83, no. 6 (June 2005), p. 69.

How to Choose a Strategy

Most companies seek product-communications strategies that optimize company profits over the long term. Which strategy for global markets best achieves this goal? There is no general answer to this question. For starters, the considerations noted before must be addressed. In addition, it is worth noting that 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**, *ignoring* 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 has been to *impose* policies upon all affiliate companies 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 the ability and willingness to buy; and (3) adaptation and manufacture 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. Table 10-4 identifies important product and communication strategy issues in the United States and EU and compares and contrasts them with the BRIC countries.

NEW PRODUCTS IN GLOBAL MARKETING

The matrix shown in Figure 10-4 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 innovation. 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 the context of its relation to those who buy or use it. Newness may also be organizational, as when a company acquires an already 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 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, finally, actual firsthand observation of the market environment.

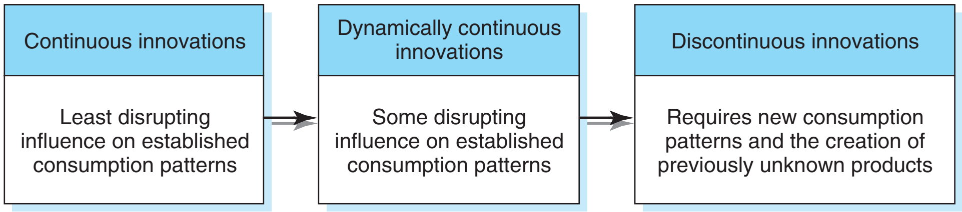
The product may be an entirely new invention or innovation that requires a relatively large amount of learning on the part of users. When such products are successful, they create new markets and new consumption patterns that literally represent a break with the past; they are sometimes called **discontinuous innovations**.[49] For example, the VCR's revolutionary impact can be explained by the concept of time shifting: The device's initial appeal was that it freed TV viewers from the tyranny of network programming schedules. For the first time, it was possible to record television programming for viewing at a later time. The VCR's market growth and acceptance was also driven by the video rental industry, which sprang up to serve the needs of VCR owners. Likewise, the personal computer revolution that began two decades ago has resulted in the democratization of technology. When they were first introduced, PCs were a continuous innovation that dramatically transformed the way users live and work.

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 features that offer added value such as a substantial improvement in performance or greater convenience. Such products cause relatively smaller disruptions of previously existing consumption patterns. The Sensor, SensorExcel, and Mach3 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 decades. 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 grown accustomed to since the transistor radio was introduced in the

[49] The terminology and framework described here are adapted from Thomas Robertson, "The Process of Innovation and the Diffusion of Innovation," *Journal of Marketing* 31, no. 1 (January 1967), pp. 14–19.

Figure 10-5

New Product Continuum



1950s; the innovation was a miniaturized cassette playback 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, widescreen TV sets with flat-panel LCD and plasma displays offer viewers significantly improved performance without enabling or requiring new behaviors.

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. Continuous innovations cause minimal disruption of 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. However, to a first-time 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. The three degrees of product newness can be represented in terms of a continuum as shown in Figure 10-5.

New-Product Development

A major driver for the development of global products is the cost of product R&D. As competition intensifies, companies 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."[50]

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 Ford Focus, launched in Europe at the end of 1998 and in the United States in 1999, is being 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, an Irishwoman managed the project, and an Anglo-Australian was chief designer. Under Ford 2000, about $1,000 per vehicle was cut out of the development cost.[51]

50 "Fritos 'Round the World," *Brandweek* (March 27, 1995), pp. 32, 35.

51 Robert L. Simison, "Ford Hopes Its New Focus Will Be a Global Bestseller," *The Wall Street Journal* (October 8, 1998), p. B10.

A standardized platform was also a paramount consideration when GM set about the task of redesigning its minivan. 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. In the end, interior designers were able to provide ample interior space in a slightly smaller body. By using lightweight metals such as magnesium for some components, vehicle weight was minimized, with a corresponding improvement in fuel economy. In the United States, the minivans are marketed as the Chevrolet Venture, Pontiac Transport, and Oldsmobile Silhouette. The Opel Sentra version will be exported to Germany; the right-hand-drive Vauxhall Sintra is destined for the British market.[52]

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, car buyers do not wish to incur high service bills. Ironically, the new Ford Focus was designed to be less expensive to maintain and repair. For example, engine removal takes only about 1.5 hours, about 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 adequately for new-product opportunities, and considerable effort is subsequently required to screen these opportunities to identify 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 candidates for investigation. Third, they investigate and analyze selected new-product ideas. Finally, they ensure that the organization commits resources to the most likely 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 in order to focus on those ideas that are most appropriate 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 the likely competitive moves in response to our activity with this product?
3. Can we market the product through our existing structure? If not, what changes will be required, and what costs will be incurred to make the changes?
4. Given estimates of potential demand for this product at specified prices with 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?

[52] Rebecca Blumenstein, "While Going Global, GM Slips at Home," *The Wall Street Journal* (January 8, 1997), pp. B1, B4.

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 group 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. Recent 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.[53]

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 virtually *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 involve a full-scale test-marketing effort. It may be simply 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 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 was quick to capitalize on the situation; P&G 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. The company lost the opportunity to gain share against P&G in Europe.[54] Ultimately, a reformulated version of the product was launched under the Persil Performance brand.

53 Elena Bowes, "Virgin Flies in Face of Conventions," *Ad Age International* (January 1997), p. i4.
54 Laurel Wentz, "Unilever's Power Failure a Wasteful Use of Haste," *Advertising Age* (May 6, 1995), p. 42.

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 **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 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, **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 **innovation 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**, and **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 adaptation. New products can be classified as **discontinuous, dynamically continuous,** or **continuous innovations**. 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

1. What is the difference between a product and a brand?
2. How do local, international, and global products differ? Cite examples.
3. What are some of the elements that make up a brand? Are these elements tangible or intangible?
4. What criteria should global marketers consider when making product design decisions?
5. How can buyer attitudes about a product's country of origin affect marketing strategy?
6. Identify several global brands. What are some of the reasons for the global success of the brands you chose?
7. Briefly describe various combinations of product-communication strategies available to global marketers. When is it appropriate to use each?
8. Compare and contrast the three categories of innovation discussed in the chapter. Which type of innovation do flat-panel widescreen HDTVs represent?

build your global marketing skills

1. Each August, *Business Week* magazine features a survey of global brands as a cover story. The top-ranked brands for 2006 are shown in Table 10-2. Browse through the list and choose any brand that interests you. Compare its 2006 ranking with the most recent ranking, which you can find either by referring to the print version of *Business Week* or by accessing the article online. How has the brand's ranking changed? Consult additional sources (e.g., articles from print media, annual reports, the company's Web site) to enhance your understanding of the factors and forces that contributed to the brand's move up or down in the rankings.

integrate your global marketing skills

1. In Chapter 1, you were introduced to the notion of *leverage* as a driver of a company's global marketing effort. Here in Chapter 10, Colgate's John Steel talks about the importance of leverage in the launch of Total brand toothpaste. Review the discussion in Chapter 1 and relate it to the Colgate discussion in Chapter 10. This should deepen your understanding of the importance of leverage in global marketing strategy decisions.

Case 10-1

Now Underway in Your Living Room: The Video Game Console Wars

Every year, flat-panel HDTVs are big sellers during the holiday shopping season (see chapter opening). A wide variety of HDTVs are available from the world's leading electronics manufacturers. Just down the aisle at Wal-Mart, Best Buy, and similar retailers, Nintendo and Sony are waging a separate marketing battle for the hearts, minds, and dollars of consumers. In November 2006, after months of delays, Sony launched PlayStation 3 (PS3) in the United States. PS3's advanced graphics capability was provided by a built-in high-definition DVD player using a format known as Blu-ray. PS3 was initially available in two models—one with a 20 gigabyte hard drive and the other with 60 gigabytes—priced at $499 and $599. In December, Nintendo launched Wii, its latest video game console. Priced at $250, €249 (eurozone), and £179 (United Kingdom), the Wii features a wireless motion-sensitive controller that allows players to simulate such activities as fishing, golfing, and fencing. The new game consoles began arriving about one year after Microsoft's Xbox 360, worldwide, approximately 10 million units had been sold by the end of 2006.

Sony Blu-ray I Mr. Kutaragi announcing launch

Industry observers noted that Nintendo and Sony's strategies for their respective game consoles entail major risks. Nintendo was defying orthodox wisdom in the industry, according to which each new generation of machines has to be faster and more powerful than the preceding generation. Nintendo's designers, whose previous consoles included the Nintendo 64 (1996) and GameCube (2001), deliberately chose a different path: They created a machine that is simpler to use and less costly to manufacture. The designers were also guided by the sense that many video games had gotten so complicated to learn that they appealed mainly to advanced gamers. As Satoru Iwata, president and director at Nintendo, noted, "Everyone thought that consumers would continue to buy new consoles as long as you could play more real and more impressive games. There were also people who would quietly walk away because they got too complex." With the Wii, Nintendo hoped to appeal to veteran players addicted to games like *Mario Brothers* and *Zelda* as well as inexperienced or novice players.

Sony had enjoyed massive worldwide success with the PlayStation (1994) and PlayStation 2 (PS2) (2000), each of which had sold more than 100 million units. PS2 commanded an impressive 70 percent share of the console market. Sony's designers intended to "up the ante" with PS3. For one thing, the company spent nearly $2 billion on a new processing chip called Cell that packs as much speed as a supercomputer and offers superior graphics quality. Another component, a laser diode that plays next-generation high-definition DVDs, was intended to drive adoption of a new video format called Blu-ray that Sony had developed. However, the diode proved to be difficult to produce in mass quantities, contributing to product shortages at the U.S. holiday launch.

The PS3's Blu-ray capability represented a new battleground in the consumer electronic industry's drive to turn living rooms everywhere into digital entertainment hubs. As consumers upgrade to high-definition TVs, many also want to view DVD movies in high definition. Conventional DVDs can play movies in widescreen format; however, the picture is standard definition. Although this represents an improvement over VHS cassettes, conventional DVDs only offer 480 lines of resolution.

In spring 2006, Toshiba had launched dedicated next-generation digital video players with a format known as HD-DVD. Both HD-DVD and Blu-ray feature high-definition DVD playback; this means that home video buffs can enjoy 1080 lines of resolution—the highest-quality video playback possible—on their widescreen HDTV sets. However, Sony's Blu-ray technology is incompatible with Toshiba's; this means that a Blu-ray player such as Sony's BDP-S1 or PS3 is required to play a Blu-ray movie. Similarly, a player from Toshiba is required to view a movie in the HD-DVD format; alternatively, Xbox 360 owners can add an HD DVD Player to their game console for $199. In either format, stand-alone high-definition video players are expensive; the Sony BDP-S1 carries a list price of $999.99, while the S300 lists for $600.00.Toshiba's models range in price from $399.99 to $799.99.

In March 2007, PS3 finally went on sale in Europe. Some industry observers believe that the success or failure of the European launch will ultimately determine the outcome of the video console war. As Paul Jackson, an analyst with Forrester Research, explained, "I think Europe is viewed by Microsoft and Sony as the most important territory. Microsoft is almost certainly going to win in the United States and Sony is almost certainly going to win in Japan, eventually, depending on whether the Wii's appeal as a novelty item is going to peter out. Europeans, however, are pretty agnostic and tend to buy whatever has the coolest games."

Discussion Questions

1. Compare and contrast Nintendo's marketing strategy for the Wii with Sony's strategy for PS3.
2. What is the key to the Wii's popularity?

3. Do you agree with Sony's decision to incorporate a Blu-ray DVD player in the PS3?
4. Some industry observers have noted that the battle between HD-DVD and Blu-ray is reminiscent of the showdown between the Beta and VHS videocassette formats in the 1970s. What was the outcome?

Sources: Chris Nuttall, Maija Palmer, and Mariko Sanchanta, "Sony Console Hits Crucial European Market," *Financial Times* (March 23, 2007), p. 16; Josh Caffin and Paul Taylor, "Sony and Toshiba Could Be Left Behind in Format War," *Financial Times* (December 19, 2006), p. 14; Joseph Pereira and Nick Wingfield, "Wii! Wii! Wii! This Holiday Season Has Been a Wild Ride for Nintendo," *The Wall Street Journal* (December 12, 2006), p. b1; Chris Nuttal, "Console Makers Go for a Slam Dunk," *Financial Times* (November 17, 2006), p. 8; Michiyo Nakamoto and Leo Lewis, "Sony Prepares for Big Game Battle," *Financial Times* (November 10, 2006), p. 21; John Gapper, "Sony is Scoring Low at its Own Game," *Financial Times* (November 6, 2006), p. 8; Yukari Iwatani Kane and Nick Wingfield, "Out of the Box: Amid Videogame Arms Race, Nintendo Slows Things Down," *The Wall Street Journal* (November 2, 2006), pp. A1, A10; Paul Taylor, "Coming Soon: Films on File," *Financial Times* (May 31, 2006), p. 7; Robert Levine, "En Garde! Fight Foes Using a Controller Like a Sword," *The New York Times* (October 30, 2006), p. C5.

Case 10-2

The Smart Car

In the summer of 2006, DaimlerChrysler announced that the company's Smart car would be offered for sale in the United States the following year. Launched in Europe in 1998, the diminutive Smart had never turned a profit for its parent company. When Dieter Zetsche (who appeared in American TV ads for Chrysler as "Doctor Z") became DaimlerChrysler's CEO at the beginning of 2006, the Smart car issue was one of his top priorities.

At the time of the announcement, the Smart saga had been 15 years in the making. In 1991, Nicolas Hayek, chairman of Swatch, announced plans to develop a battery-powered "Swatch car" in conjunction with Volkswagen. At the time, Hayek said his goal was to build "an ecologically inoffensive, high-quality city car for two people" that would sell for about $6,400. The Swatchmobile concept was based on Hayek's conviction that consumers become emotionally attached to cars just as they do to watches. Like the Swatch, the Swatchmobile (officially named "Smart") was designed to be affordable, durable, and stylish. Early on, Hayek noted that safety would be another

Thanks to the success of the Smart car in Europe, several new models have been added to the Smart family. These include the convertible Smart Roadster and the Smart Forfour (a four-door model). An SUV—the Smart Formore—was introduced in 2006. The original model will be rechristened the Smart City Coupé. As one observer noted, "Buying a Smart is less like buying a small car and more like buying an iMac, a Blackberry PDA, or a box of take-out sushi".

key selling point, declaring, "This car will have the crash security of a Mercedes." Composite exterior panels mounted on a cage-like body frame would allow owners to change colors by switching panels. Further, Hayek envisioned a car that emitted almost no pollutants, thanks to its electric engine. The car would also offer gasoline-powered operation, using a highly efficient, miniaturized engine capable of achieving speeds of 80 miles per hour. Hayek predicted that worldwide sales would reach one million units, with the United States accounting for about half the market.

In 1993, the alliance with Volkswagen was dissolved. In the spring of 1994, Hayek announced that he had lined up a new joint venture partner. The Mercedes-Benz unit of Daimler-Benz AG would invest 750 million Deutsche marks in a new factory in Hambach-Saargemuend, France. In November 1998, after several months of production delays and repeated cost overruns, Hayek sold Swatch's remaining 19 percent stake in the venture, officially known as Micro Compact Car GmbH (MCC), to Mercedes. A spokesman indicated that Mercedes' refusal to pursue the hybrid gasoline-battery engine was the reason Swatch withdrew from the project.

The decision by Mercedes executives to take full control of the venture was consistent with its strategy for leveraging its engineering skills and broadening the company's appeal beyond the luxury segment of the automobile market. As Mercedes Chairman Helmut Werner said, "With the new car, Mercedes wants to combine ecology, emotion, and intellect." Approximately 80 percent of the Smart's parts are components and modules engineered by and sourced from outside suppliers and subcontractors known as "system partners." The decision to locate the assembly plant in France disappointed German labor unions, but Mercedes executives expected to save 500 marks per car. The reason: French workers are on the job 275 days per year, while German workers average only 242 days; also, overall labor costs are 40 percent lower in France than in Germany.

MCC claims that at Smart Ville, as the factory is known, only 7.5 hours are required to complete a vehicle—25 percent less time than required by the world's best automakers. The first 3 hours of the process are performed by systems partners. A Canadian company, Magna International, starts by welding the structural components, which are then painted by Eisenmann, a German company. Both operations are performed outside the central assembly hall; a conveyer then transports the body into the main hall. There VDO, another German company, installs the instrument panel. At this point, modules and parts manufactured by Krupp-Hoesch, Bosch, Dynamit Nobel, and Ymos are delivered for assembly by MCC employees. To encourage integration of MCC employees and system partners and to underscore the need for quality, both groups share a common dining room overlooking the main assembly hall.

The Smart City Coupé officially went on sale in Europe in October 1998. In an effort to create a distinct brand identity, a separate dealer network was established for Smart. In retrospect, this decision turned out to be an expensive one. Sales got off to a slow start amid concerns about the vehicle's stability. That problem was solved with a sophisticated electronic package that monitors wheel slippage. Late-night TV comedians gave the odd-looking car no respect and referred to it as "a motorized ski boot" and "a backpack on wheels." The sales picture was brightest in the United Kingdom; the brisk sales pace in Britain was especially noteworthy because MCC was only building left-hand drive models (the United Kingdom is the only country in Europe in which right-hand drive cars are the norm). Industry observers noted that Brits' affection for the Austin Mini, a tiny vehicle that first appeared in the 1960s, appeared to have been extended to the Smart. Despite this success, MCC reduced its annual sales target from 130,000 to 100,000. Robert Easton, joint chairman of DaimlerChrysler, went on record as being skeptical of the vehicle's future. In an interview with *Automotive News*, he said, "It's possible we'll conclude that it's a good idea but one whose time simply hasn't come."

In 2000, amid growing interest in the brand, the Smart exceeded its revised sales target. Wolf-Garten GmbH & Company, a German gardening equipment company, announced plans to convert the Smart to a lawn mower suitable for use on golf courses. Both convertible and diesel-engine editions have been added to the product line. In 2001, executives at DaimlerChrysler announced plans to research the U.S. market to determine prospects for the Smart. The announcement came as Americans were facing steep increases in gasoline prices. Between 2001 and 2006, several other small cars in the $10,000 to $14,000 range were introduced in the U.S. market, including the Chevrolet Aveo (manufactured by Daewoo), the Toyota Yaris, and the Honda Fit. One challenge in bringing the Smart across the Atlantic is the euro's strength relative to the dollar.

"The Smart brand is capable of sustainable profitability, and it will be profitable in 2007 and beyond. We are working on a cost basis that is almost 50% lower than it used to be. The production time at the Hambach plant in France and the assembly time for the new car are 20% shorter than with its predecessor."

Ulrich Walker, Chairman and CEO, DaimlerChrysler Northeast Asia Division, former President and CEO, Smart

Discussion Questions

1. What is Smart's competitive advantage?
2. Assess the U.S. market potential for the Smart. Do you think the car will be a success? Why or why not?
3. Identify other target markets into which you would introduce this car. What sequence of countries would you recommend for the introduction?

Integrate Your Global Marketing Skills

Review Case 7-1 on the Honda Element and Toyota Scion. Are these models targeting the same consumers as the Smart? In view of the Japanese carmakers' success with these brands, do you think the Smart's U.S. launch is too late?

Visit the Web Site
www.smart.com

Sources: Bernard Simon, "Daimler Weighs Smart's U.S. Appeal," *Financial Times* (March 28, 2006, p. 21; "Smart Shows Redesigned Fortwo," *The Wall Street Journal Online* (November 10, 2006); Neal E. Boudette and Stephen Power, "Will Chrysler's Move Be Smart?" *The Wall Street Journal* (June 24–25, 2006), p. A2; Dan McCosh, "Get Smart: Buyers Try to Jump the Queue," *The New York Times* (March 19, 2004), p. D1; Nicholas Foulkes "Smart Set Gets Even Smarter," *Financial Times* (February 14–15, 2004), p. W10; Will Pinkston and Scott Miller, "DaimlerChrysler Steers Toward 'Smart' Debut in U.S.," *The Wall Street Journal* (August 20, 2001), pp. B1, B4; Scott Miller, "Daimler May Roll Out Its Tiny Car Here," *The Wall Street Journal* (June 9, 2001), p. B1; Scott Miller, "DaimlerChrysler's Smart Car May Have a New Use," *The Wall Street Journal* (February 15, 2001), pp. B1, B4; Haig Simonian, "Carmakers' Smart Move," *Financial Times* (July 1, 1997), p. 12; William Taylor, "Message and Muscle: An Interview with Swatch Titan Nicolas Hayek," *Harvard Business Review* (March–April 1993), pp. 99–110; Kevin Helliker, "Swiss Movement: Can Wristwatch Whiz Switch Swatch Cachet to an Automobile?" *The Wall Street Journal* (March 4, 1994), pp. A1, A3; Ferdinand Protzman, "Off the Wrist, Onto the Road: A Swatch on Wheels," *The New York Times* (March 4, 1994), p. C1.