



Near East University

INTERNATIONAL MARKETING
MARK 402

Global Products and Services

SESSION 9

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Source: Johansson Johny K., (2006), et al. Chp 12

Outline

- **The pros and cons of global product standardization**
- **Localization vs Adaptation**
- **Developing global new products**
- **Service Quality and Cultural Differences**
- **Takeaways.**

Product standardization

Although there is increasing demand for local variety as economic growth takes place and as anti-globalization sentiment spreads, global products and brands are usually standardized in some ways.

- ***Global product examples***
 - **Gillette razor blades**
 - **Sony television sets**
 - **Benetton sweaters**
- ***Regional products and brands are unique to a particular trading region***
 - **Honda's European car model "Concerto"**
 - **P& G's Ariel and Vizir in Europe**

Standardization Pros and Cons

ADVANTAGES

- **Cost Reduction**
- **Improved Quality**
- **Enhanced Customer Preference**
- **Global Customers**
- **Global Segments**

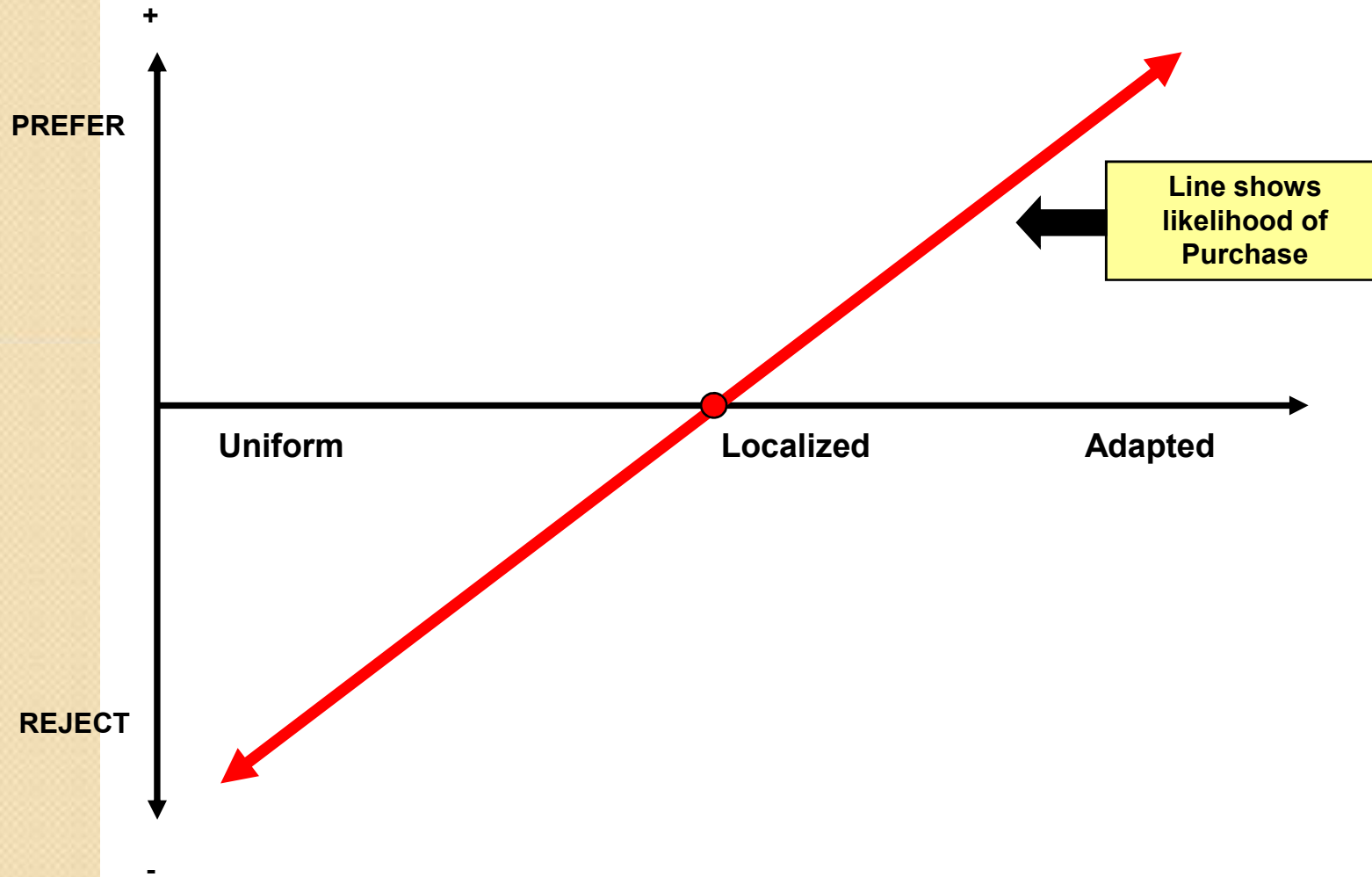
DISADVANTAGES

- **Off-Target**
- **Lack of Uniqueness**
- **Vulnerability to Trade Barriers**
- **Strong Local Competitors**

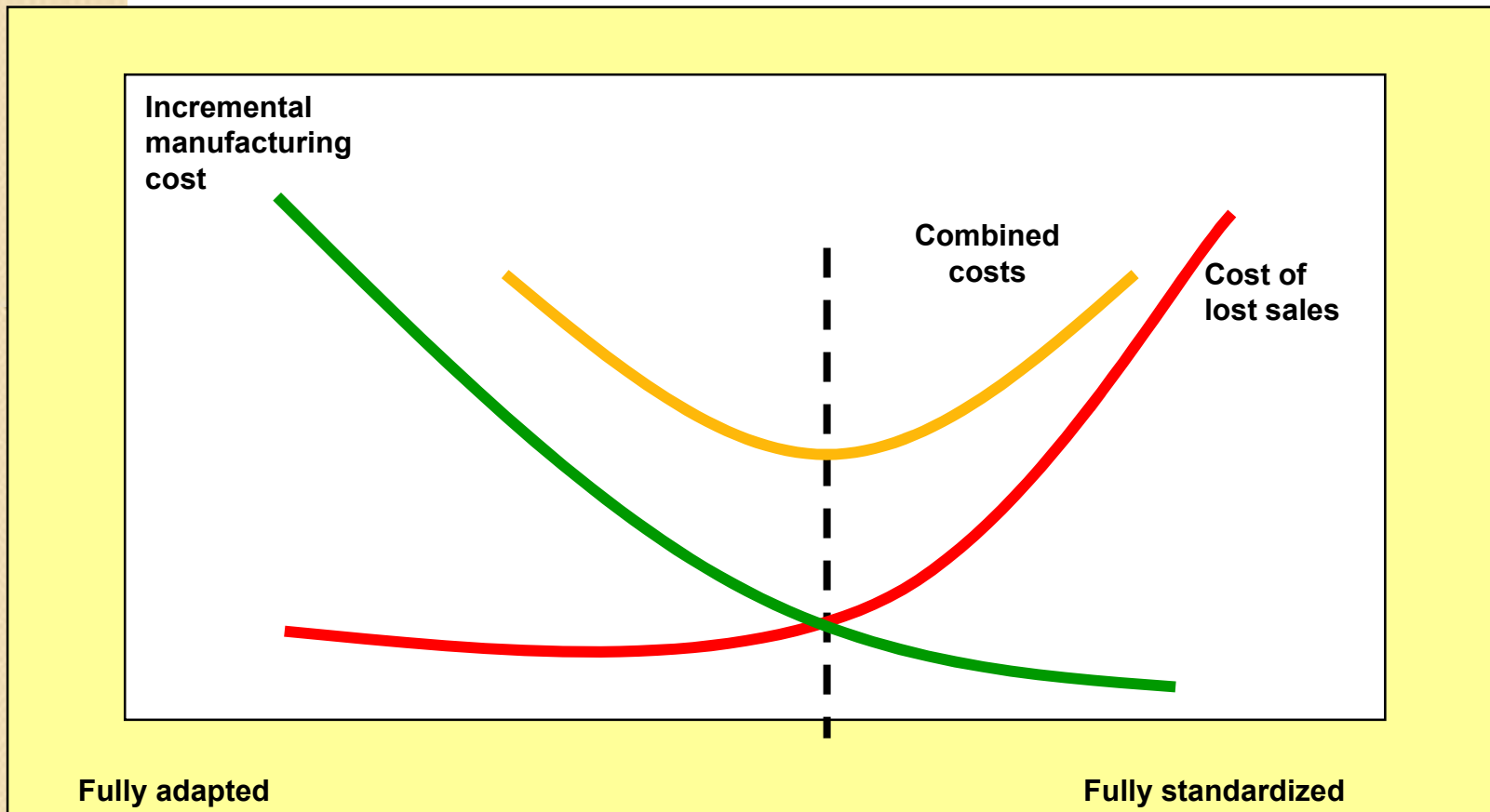
Localization vs Adaptation

- **LOCALIZATION**: THIS REFERS TO THE CHANGES REQUIRED FOR A PRODUCT OR SERVICE TO FUNCTION IN A NEW COUNTRY (EX: FAX MACHINES FITTED WITH NEW TYPES OF TELEPHONE JACKS FOR USE IN A FOREIGN COUNTRY). LOCALIZATION AVOIDS HAVING POTENTIAL CUSTOMERS REJECT A PRODUCT OUTRIGHT.
- **ADAPTATION**: WHEN PRODUCTS ARE CHANGED TO MATCH CUSTOMER TASTES OR PREFERENCES. ADAPTATION GIVES CUSTOMERS A POSITIVE REASON FOR CHOOSING A GIVEN PRODUCT.
- **NOTE**: A standardized product still needs to be localized to function properly.

Uniform vs Adapted Product



Optimal Level of Standardization



What to Standardize?

- **100% standardization is rare**
- **Usually starts with a **core product** as the foundation**
- **Various features are added, these may differ according to the country market**
- **Can also involve **modular design**, where various features are packaged as modules, different assembly combinations in different markets**

Pitfalls of Standardization

- **Insufficient Market Research**

Similarities among customers are assumed, not proven

- **Overstandardization**

Standardization compromises the positioning strategy

- **Poor Follow-Up**

Follow ups need to be implemented if a campaign is to succeed

- **Narrow Vision**

Goals should not be narrow and inflexible

- **Rigid Implementation**

Some flexibility in implementation needs to be retained by local units

Why do Global Product Lines Differ?

History

Different local products were well established before standardization was feasible

M&A (Mergers & Acquisitions)

Complete integration is often difficult in M&A cases

Preferences

Differences in preferences force product line customization

Capacity

Global product lines need large production capacity

Channels

Channel loyalties makes it difficult to drop local products.

Honda's Non-Global Car Models

EUROPE

Honda Stream



ASIA

Honda City



NORTH AMERICA

Honda Element

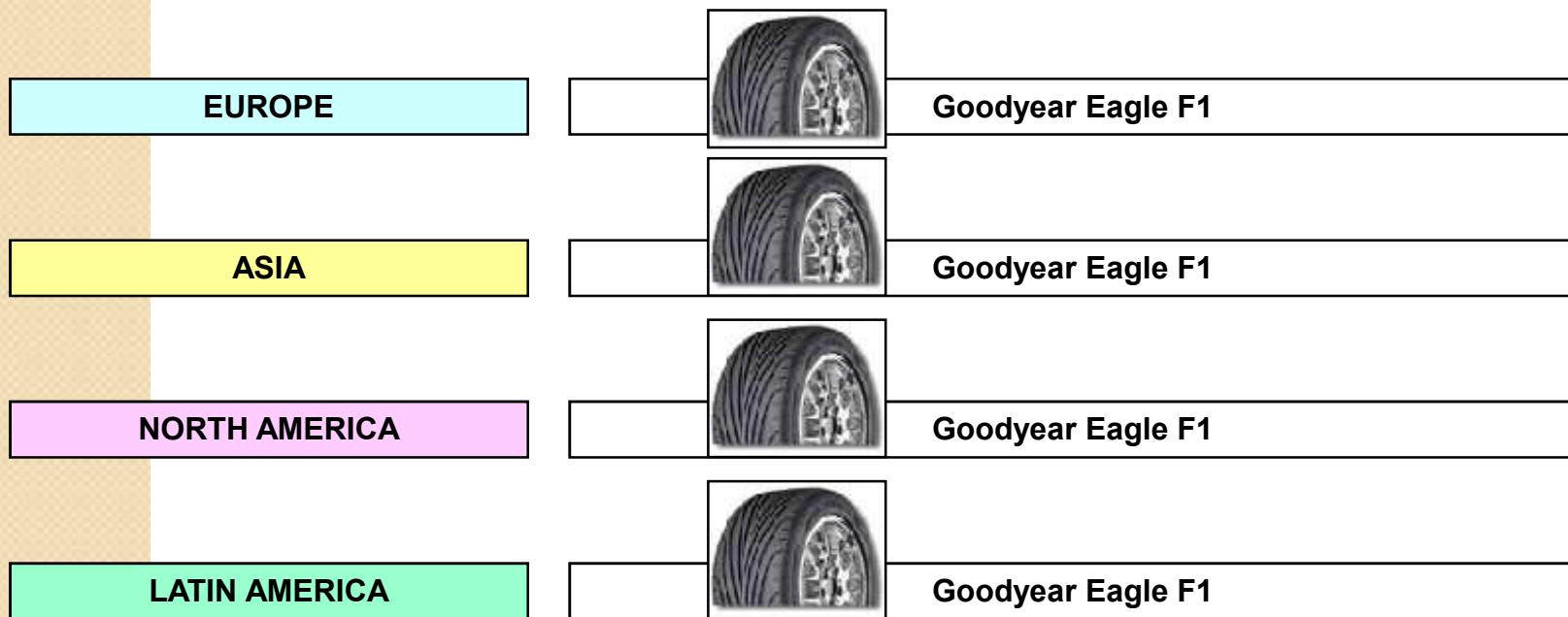


LATIN AMERICA

Honda Fit



Goodyear's Globally Uniform Tires



Personal Service Quality: Differences in Complaint Handling

Americans		Japanese
• Asking	↔	• Listening
• Expressing doubt	↔	• Expressing sympathy
• Explain what cannot be done	↔	• Explain what can be done
• Defending company policy	↔	• Apologize for company policy
• Responsibility of the buyer	↔	• Responsibility of the seller
• “We’ll fix it, but...”	↔	• “I’m very sorry”
• Low customer satisfaction	↔	• High customer satisfaction

Takeaway

LOCALIZATION – fitting a product/service to local regulations and usage requirements

ADAPTATION – fitting the product to buyer preferences

A STANDARDIZED GLOBAL PRODUCT might not be adapted to consumer preferences but must still be localized.

Takeaway

Product standardization is never 100%, but management must select which features to keep uniform and which to adapt to local markets.

When preferences show wide variance across countries & the feature is important, adaptation will be necessary. Most companies have product lines that differ across countries and regions.

Takeaway

Developing a globally standardized product requires data analysis, input from local subsidiaries, & a great deal of managerial judgment.

New product ideas often come from leading markets; their diffusion rate is a function of fit with local infrastructure & preferences.

Takeaway

Services have characteristics that make foreign expansion different from products. Intangibility of many services makes the mode of entry different from physical goods.

Takeaway

Globalizing a service means identifying what the core advantages of the service are & whether they can be reproduced in a foreign market.

This usually means that foreign expansion of services occurs in the mature life cycle stage.

Takeaway

The barriers to entry for services tend to be greater than for goods, because of restrictive government regulation & the need for localized delivery.

Because of the human factor, the way services are marketed locally & the trade-off between standardization & adaptation hinge very much on cultural factors.