Lecture Guide
for
Lascu’s
International Marketing 5e

- 449 Slides
- Written by the textbook author
- Use as flash cards for terminology & concept review
- Use for notes during instructor lectures
- Affordable: $7.95

Cultural Variability

- Term used to differentiate between cultures on the Hofstede Dimensions, which are:
  - Power Distance
    - The manner in which interpersonal relationships are formed when there are perceived differences in power.

![Cultural Variability Diagram](image)
International Product and Service Strategies

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Chapter Objectives

• Evaluate the stages of international product life cycle and locus of operations and target markets at each stage.

• Identify the different dimensions of the international product mix with company illustrations.

• Examine the new product development process and the activities involved at each stage in international markets.

• Examine degrees of product newness and address the international diffusion process.
The International Product Life Cycle (IPLC)

- The IPLC illustrates a complex relationship between the product life stages and international trade and investment activity characteristic of each stage.
The International Product Life Cycle

Introduction and Growth Stages:
MNC Manufactures Product in Developed Countries; Exports to Developing Countries

Early Maturity:
MNC Moves Production to Developing Country; Begins Importing to Home Country

Late Maturity:
Developing Country Competitor Exports Product To MNC Home Country; Competes with MNC Imports

Decline:
Developing Country Markets Remain Viable Target Markets for MNC; MNC Home Country Market Is Diminishing

Sales

Time
IPLC: Introduction

- Products are typically first developed and manufactured in industrialized countries.
  - Note: the traditional IPLC is gradually changing, with new products, such as the iPhone, manufactured increasingly in emerging markets (China, in the case of the iPhone).

- Products are traditionally first marketed in industrialized, high-income countries.
  - Note: An increasing number of products are marketed simultaneously in middle- and low-income countries in the introduction stage.
IPLC: Growth

- Characterized by:
  - Increasing competition from other multinationals.
  - Rapid product adoption.

  - Product is marketed primarily in high-income countries.
  - Product is exported to middle- and low-income countries.

  - Note: An increasing number of products are simultaneously marketed in and exported to middle- and low-income countries in the growth stage.
IPLC: Maturity

- Product is adopted by most target consumers.
- Sales are leveling off.
- Profits decline due to intense competition.
- Manufacturing operations move to developing countries to take advantage of cheap labor.
- New competitors: firms from middle- and low-income countries.

Mentos and Jacobs Coffee, both products of U.S. company Mondelēz, are in the maturity stage of the product life cycle.
IPLC: Decline

- Products are rapidly losing ground to new technologies and product alternatives.
- Decrease in sales and profits.
- Product lifecycle is extended through sales to consumers in middle- and low-income countries.
Dimensions of the International Product Mix

• Product mix
  • The total number of products that a company offers its target markets.

• Product line
  • All the brands the company offers in one product category.
Dimensions of the International Product Mix (contd.)

• Product length
  ▪ Total number of brands in the product mix.

• Product width
  ▪ Total number of product lines the company offers to its target international consumers.

• Product depth
  ▪ Total number of different offerings in a product line.
New Product Development

• High risk
• High cost
• Challenges in international markets:
  ▪ Competition can appropriate the product/service idea and deliver final product or service to the market more swiftly than the initial developer.
  ▪ International consumers might not respond as anticipated.
  ▪ Local and/or home-country government might impose restrictions on product testing.
  ▪ Technological infrastructure of individual markets may be substandard and unable to support the product.
New Product Development

Figure 10-4: Steps in the new product development process

- Generating new product ideas
- Screening new product ideas
- Developing and evaluating concepts
- Performing a product business analysis
- Designing and developing the product
- Test marketing
- Launching the product internationally
Step 1 in New Product Development: Generating New Product Ideas

- Most product and service firms are driven by the marketing concept.

- Product development decisions are based on identifying the needs, wants, and desires of consumers.

- Focus on research and development.

- Technology firms focus on the product.
Sources of New Product Ideas

• Consumers: New product ideas come from consumers in home-country and in international markets.

• Competitive Analyses: Firms copy competitors’ products in the test market phase or just being launched.

• Additional Sources:
  • Channel Members
  • Employees
  • Top Management
  • Inventors
  • Consultants
  • Researchers
Step 2 in New Product Development: Screening Ideas

- Consider:
  - Fit with international target consumers.
  - Fit with the overall mission of the organization.
  - The extent to which product offers unique benefits.
  - The extent to which target market is large and/or is likely to grow.
  - Fit between new product requirements and resources, skills, and experience of the firm.
Step 3 in New Product Development: Developing & Evaluating Product Concepts

- Develop detailed description of product.

- Ask consumers to evaluate and indicate willingness to buy.

- Use:
  - Focus Groups
  - Conjoint Analysis
Step 4 in New Product Development: Performing a Product Business Analysis

- Estimate:
  - Project costs.
  - Return on investment.
  - Cash flow.
  - Fixed/variable costs.
Step 5 in New Product Development: Designing and Developing the Product

- Create prototypes.
- Create marketing mix and brand identity.
- Coordinate strategy across international subsidiaries.
Step 6 in New Product Development: Test Marketing

- Involves testing new product performance in a limited area of a national or regional target market.
- Provides estimate of product performance in the respective country or region.
- Expensive and time consuming.
- Open to competitive sabotage.
Types of Test Marketing

• Simulated Test Marketing:
  - Not costly and does not give competition much information about the product.
  - Also helps to reduce risks related to marketing, sales, and capital expenses.
  - Example: LITMUS.

• Controlled Test Marketing:
  - Involves offering a new product to a group of stores and evaluating the market reaction to it, while varying different aspects of the marketing mix.
Types of Test Marketing (contd.)

- Actual Test Marketing:
  - Necessitates important strategic decision and commitments.
  - Can create conditions where the product might be vulnerable to competitive reactions.
  - Provides valuable information for the manufacturer.
  - Focus on cities appropriate for the test.
  - Involves selecting distributors and the ancillary marketing infrastructure.
  - Leaves the company most exposed to competitive sabotage.
  - Expensive.
Step 7 in New Product Development: Launching Product Internationally

• The launch has a great impact on later product performance.

• Important decisions include:
  • Countries where to launch the product in
  • Timing of the launch
  • Marketing mix, such as price and types of promotions.

• Important for the quality of launch:
  ▪ High service quality
  ▪ On-time shipment
  ▪ Appropriate product availability
  ▪ Quality sales force and support
  ▪ Quality and amount of promotion
International Launch Decisions

- Timing of launch
- Consumers and countries
- Marketing mix decisions:
  - Product mix
  - Place
  - Price
  - Promotion
Degree of Product/Service Newness

- The extent to which a product or service is new to the market.

- New products are classified in one of five categories:
  - New product to an existing market or company.
  - New product line.
  - New item in existing product line.
  - Modification of an existing company product.
  - Innovation (new product to the world).
    - Radical innovations: Represent fundamental changes for consumers, entailing departures from established consumption.
    - Dynamically continuous innovations: Represent a change in consumption patterns of consumers, but not a significant one.
    - Continuous innovations: Have no disruption on consumption patterns and involve only product alterations.
Product Diffusion

- **Product Factors**
  - Relative advantage compared to competitive products.
  - Compatibility with the needs of the consumers.
  - Observability, or communicability to other consumers.
  - Trialability – the ability of consumers to experience the product with only minimal effort.

- **Country (Market) Factors**
  - The country may be a:
    - Lead country – usually wealthy industrialized country where the product is adopted first.
    - Lag country – usually medium- or low-income country where the product is adopted later.
Product Diffusion

Country (Market) Factors

- Cultural similarity
- Economic similarity

Product Factors

- Relative advantage
- Compatibility with adopter’s needs
- Observability
- Trialability

New product/service adoption
Adopters

The adopters are innovators, early adopters, early majority, late majority, and laggards.

- **Innovators**
  - Risk takers who can afford to pay a higher price during the introduction stage (2.5% of the total market).
  - Primarily consumers in high-income countries.

- **Early adopters**
  - Consumers who purchase the product early in the lifecycle stage and who tend to be opinion leaders in their community (13.5% of the total market).
  - Primarily consumers in high-income countries.
Adopters (contd.)

• Early majority
  ▪ Consumers who enjoy status of being among the first to purchase a popular product (34% of the total market).
  ▪ Consumers are primarily from middle- and low-income countries, but may also be from high-income countries.

• Late majority
  ▪ Consumers who adopt popular products when the risk associated with them is minimal (34% of the total market).
  ▪ Consumers are primarily from low-income countries, but may also be from high- and middle-income countries.

• Laggards
  ▪ The last consumers to adopt a product; they are risk averse and conservative in their spending (16% of the total population).
  ▪ Consumers are primarily from low-income countries.
Chapter Summary

• Evaluated stages of the international product lifecycle.
• Identified focus of operations and target markets at each stage.
• Identified the different dimensions of the international product mix.
• Examined the new product development process.
• Examined degrees of product newness and addressed the international diffusion processes.