QUESTIONS

1. By marketing in a foreign country, must a firm automatically utilize geographic segmentation or other segmentation bases?

   The practice of market segmentation is based on the assumption of consumer heterogeneity. There is no need to segment a market if consumers are homogeneous in terms of their demographics and/or behavior. For countries (markets) of similar characteristics, the same marketing strategy is suitable and should be employed.

   It must be stressed that the introduction of a product to a foreign market does not mean that market segmentation (geographic or otherwise) has been automatically employed. If consumers in a number of countries have the same desire, their nationality and geographic locations are irrelevant and do not require these countries to be treated as separate markets or segments.

   Many a time, U.S. firms have a tendency to use a standardized marketing program. For some unexplained reason, they do not want to make any change in their products or promotional messages even when foreign markets are clearly different. In such cases, market segmentation is ignored. Standardization can thus be a dangerous strategy when the heterogeneous world market demands segmentation.

   Frequently, it is necessary to employ more than one segmentation base. Geographic segmentation, for example, may require a firm's marketing mix to vary from country to country. In a country where dualism exists, demographic segmentation is also appropriate, requiring the marketing mix to vary from one income segment to another (assuming that the company wants to approach more than one income group of consumers).

   In general, the ineffectiveness of many U.S. firms' marketing effort is due to the failure to employ the strategy of market segmentation outside the U.S. market. It is ethnocentric to believe that only the U.S. market should be segmented whereas other countries require no such treatment.

2. Explain (in the international context) how these product attributes affect product adoption: relative advantage, compatibility, trialability/divisibility, observability, complexity, and price.

   The rate of product adoption is affected by the following product attributes:

   a) relative advantage (positive relationship). The greater advantage a product possesses, the more likely the product adoption will be. Dishwashing machines have no relative advantage in countries that are not time-sensitive due to abundant labor.

   b) compatibility (positive relationship). The more a product is compatible with local customs and habits, the more likely the product adoption will be. Hair removing or leg shaving is not compatible with the customs of European and Asian women.
c) trialability/divisibility (positive relationship). The more a product can be tried in small quantities, the more likely the product adoption will be. American automobiles cannot be bought on a trial basis, making most foreign consumers afraid of the risks associated with purchasing of these cars.

d) observation (positive relationship). The more observable a product is, the more likely the product adoption will be. American blue jeans and cigarettes are highly observable because they are consumed or used in the public.

e) complexity (negative relationship). The more complex a product is, the less likely the product adoption will be. Computers have become much less complex due to ready-made software.

f) price (negative relationship). The higher a product's price is, the less likely the product adoption will be. Such American durable products as refrigerators and washing machines carry high prices, making it difficult for foreign consumers to afford them.

3. Describe briefly the IPLC theory and its marketing implications.

IPLC theory describes the diffusion process of an innovation across national boundaries. The life cycle begins when a developed country, having a new product to satisfy consumer needs, wants to exploit its technological breakthrough by selling abroad. Other advanced nations soon start up their own production facilities, and before long LDCs do the same. Efficiency/comparative advantage shifts from developed countries to developing nations. Finally, advanced nations, no longer cost effective, import products from their former customers. The moral of this process could be that an advanced nation becomes a victim of its own creation.

Due to the IPLC phenomenon, an innovating firm needs to understand the marketing implications so that it can plan at the onset of the diffusion process the proper marketing strategies for the different stages of the IPLC.

Because the IPLC emphasizes the importance of cost advantage, production costs need to be controlled through a combination of strategies such as automation, outsourcing, and elimination of unnecessary frills. The innovating firm also should keep innovating in order to make any imitation strategy adopted by LDCs risky. The periodic upgrading of the product should also facilitate the utilization of the promotional message of superior product quality, enhancing consumers' positive evaluations. Moreover, a strong distribution network consisting of well-qualified dealers should be part of the marketing mix. The various strategies mentioned above in return should make premium pricing both feasible and desirable.

Once a product is in the final stage of its life cycle, the innovating firm should strive to become a specialist, not generalist, by concentrating its efforts in carefully selected market segments, where it can distinguish itself from foreign competitors. To achieve distinction, U.S. firms should either add product features or offer more services.
4. Describe the factors that make it feasible to offer a standardized product.

There are a number of factors which make product standardization feasible. A policy of product consistency—physically and psychologically—requires standardization. Creative or artistic works, by nature, are highly standardized. Ultimately, product standardization should be pursued whenever the product in question is culture-free or can be associated with particular cultural universals. Such products include watches and diamonds.

5. Offer your arguments for product adaptation.

Very often, it is necessary to modify a product for overseas markets. The adaptation may be mandatory because of: government's regulations, electrical current standards, measurement standards, and product standards/systems. In such cases, without proper adaptation, a product either cannot enter a market or is unable to perform its intended function there. Most foreign automobiles and TV sets imported into the U.S. market fall under this category of mandatory modification.

Other conditions mandating product modification are related to a company's desire to make its marketing plan more effective. These conditions include the facilitation of product transportation at the lowest cost, local use conditions, consumers' physical characteristics, consumers' psychological characteristics (e.g., users' habits, historical preference, local customs, and culture), product price, and prevention of product movement across national borders (gray marketing).

6. Explain the "big-car" syndrome and "left-hand-drive" syndrome.

The big-car syndrome explains that U.S. marketers assume that products designed for Americans are superior and that they will be preferred by foreign consumers. U.S. automakers believe that the American desire for big cars means that only big cars should be exported to overseas markets.

The left-hand-drive syndrome is a corollary to the big-car syndrome. Exported U.S. cars are the same left-hand-drive models as are sold in the United States for the right-hand traffic patterns even though many countries have traffic laws requiring drivers to drive on the left side of the road. Both the big-car syndrome and the left-hand-drive syndrome describe American firms' great reluctance to modify products to fit foreign consumers' needs.


The United States, as the most service-oriented country, has a commanding lead in the area of exports of services. Not surprisingly, the United States opposes other governments' trade barriers to U.S. exports of services. Other countries, being afraid of being dominated by the United States, view service as an infant industry that must be nurtured and protected.

It may seem unfair that the other governments have turned to trade barriers to prevent the United States from utilizing its comparative advantage. Still their rationale or point of view
should be understood. The definition of "fair play" greatly varies from a superior party to an inferior one. Is it fair to require other countries to play a game which the United States is clearly superior? It is interesting to note that the United States sees nothing wrong with its restrictions of imports of tangible products which it has a comparative disadvantage (e.g., textiles).

DISCUSSION ASSIGNMENTS AND MINICASES

1. Provide examples of products for each of these IPLC stages: (0) local innovation, (1) overseas innovation, (2) maturity, (3) worldwide imitation, and (4) reversal.

Examples of products for the various IPLC stages are:

0) local innovation: high definition TV, videophone, digital video recorder, LCD TV, Apple iPod, widescreen high-definition TV monitor, DVD recorder

1) overseas innovation: GPS, handheld PDA, plasma TV monitor

2) maturity: camcorder, digital camera

3) worldwide imitation: automobiles, DVD player, digital video disc (DVD), mobile phone, compact disc, personal computer, VCRs

4) reversal: steel, semiconductors, rubber products, paper, adding machines

Note: This list should be updated from time to time. It is a good idea to ask students to explain how their product examples conform to a particular stage of the IPLC. The instructor then can provide his/her own examples while explaining that, due to the dynamic nature of the market, these examples may not clearly fit the IPLC's particular stage.

2. Given the implications of the IPLC theory, how should U.S. innovating firms adjust their marketing strategies?

IPLC theory explains how an advanced country may lose its efficiency/comparative advantage over its own creation. It is thus important for the advanced nation (or firms there) to plan its marketing strategies at the outset of a product diffusion to maintain the competitive edge.

In terms of product policy, the innovating firm needs to control costs by using automation, foreign manufacturing, sourcing, outsourcing, assembly, or a combination of them. Just as important is for it to keep innovating by updating and upgrading its product to maintain the technological edge.

Regarding pricing policy, the innovating firm should keep its price high--absolutely and relatively--at the beginning, but the price must be lowered later on. Although the company may find it desirable to use the skimming pricing strategy or above-market policy, it must keep an
eye on the competitors' prices to make sure that the price gap between its product and those of competitors does not get out of line.

In terms of promotion policy, the company should position its product as a premium product. The high-quality reputation should be promoted and maintained. The product's psychological dimension is an integral part of the product, and meaningful differentiation is a necessity.

With regard to place/distribution policy, it is important to have a strong network of well qualified dealers. Careful selection of these members must be made, and dealers should be properly supported. When desirable, this network can be offered to a competitor to generate incremental revenues.

3. Why are U.S. manufacturers unwilling to modify their products for overseas customers?

Far too many U.S. manufacturers are unwilling to modify their products for overseas customers because of the big-car syndrome and the left-hand-drive syndrome. These American firms think that their tastes are superior and do not heed overseas customers' product requirements. Moreover, the U.S. companies do not want to be bothered with adaptation because it inconveniences them, thinking that foreign markets are too small and inferior to justify the extra adaptation costs and troubles. Another erroneous assumption is that foreign customers will settle for unsuitable, standardized products because there is no alternative source of supply.

To be blunt, most American firms are ethnocentric, and this attitude may pose the most serious challenge. Without being more market sensitive and internationally inclined, the unwillingness to make proper product adjustment will undoubtedly remain.

In the case of automobile manufacturing, for American executives to realize how impractical their U.S.-made cars are for foreign markets, these executives must be required to drive their cars for just one day in Bangkok, Tokyo, or Sao Paulo. This experience should quickly bring them from their ivory tower down to earth.

4. Is it practical to offer a world product? (Note: This term should be differentiated from a standardized product.)

When it is feasible and practical to do so, it is desirable to offer a world product. A world product is one which is designed with international markets rather than a particular country in mind. The world product should be able to satisfy a majority of markets with minimum modification and minimum interruption to production. This strategy is desirable because it reduces the complexity of adaptation and maintenance of parts.

The global strategy should stimulate firms to find new ways to satisfy most consumers simultaneously. Of course, it must be kept in mind that, for many products, a universal product version which can please all people does not exist. In such cases, the idea is to identify
similarities and differences among markets and to coordinate marketing and production activities to reduce product modification without unduly alienating consumers of certain markets.

5. Can standard marketing techniques (e.g., market segmentation and product positioning) be used to market services locally and internationally?

Such standard marketing techniques as market segmentation and product positioning are universal in the sense that they can be used locally as well as internationally, and they can be applied to both products and services.

As in the case of international banking, except for the very large banks, most banks simply cannot be everywhere and may not offer all banking products for everyone. Therefore, some kind of market segmentation is necessary in order to satisfy certain customers very well instead of trying to be all things to all people. At the least, these banks will use geographic segmentation by selecting the countries they want to be in. Furthermore, they may use demographic segmentation in order to cater to a certain kind of banking clientele. Banks also use product positioning. Some position themselves as experts in raising a certain kind of capital in a certain part of the world; others position themselves as multinational banks which can offer all kinds of global banking services.