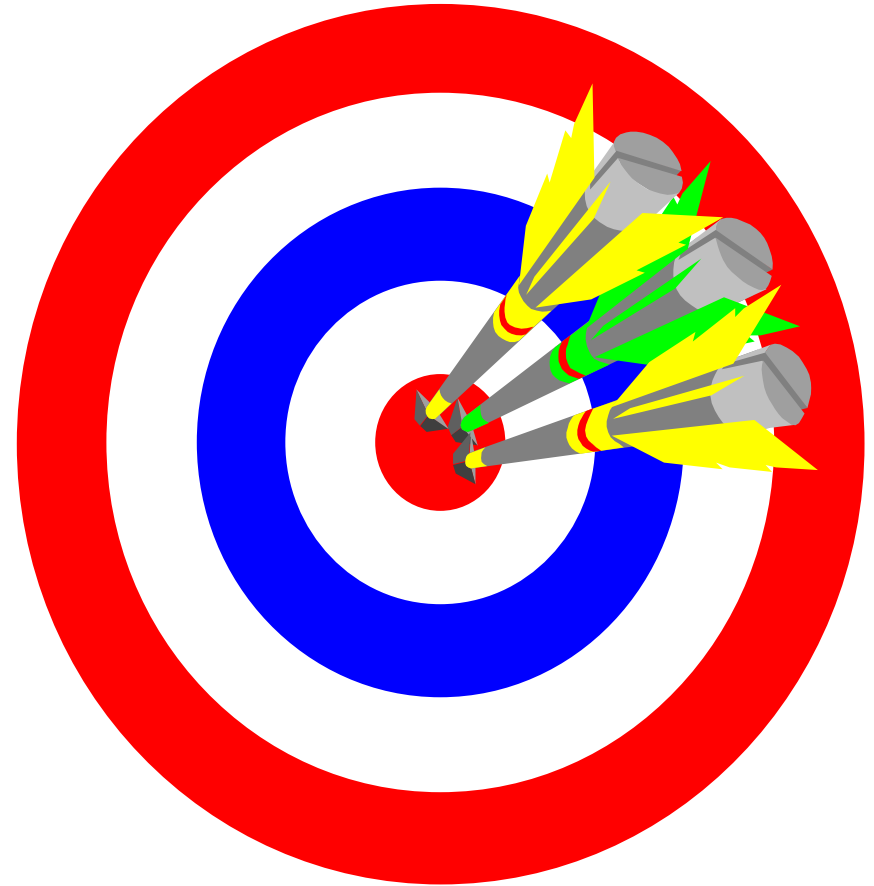


Developing Winning International Strategies

- Philip Kotler, Ph.D
- Kellogg School of Management
- Northwestern University

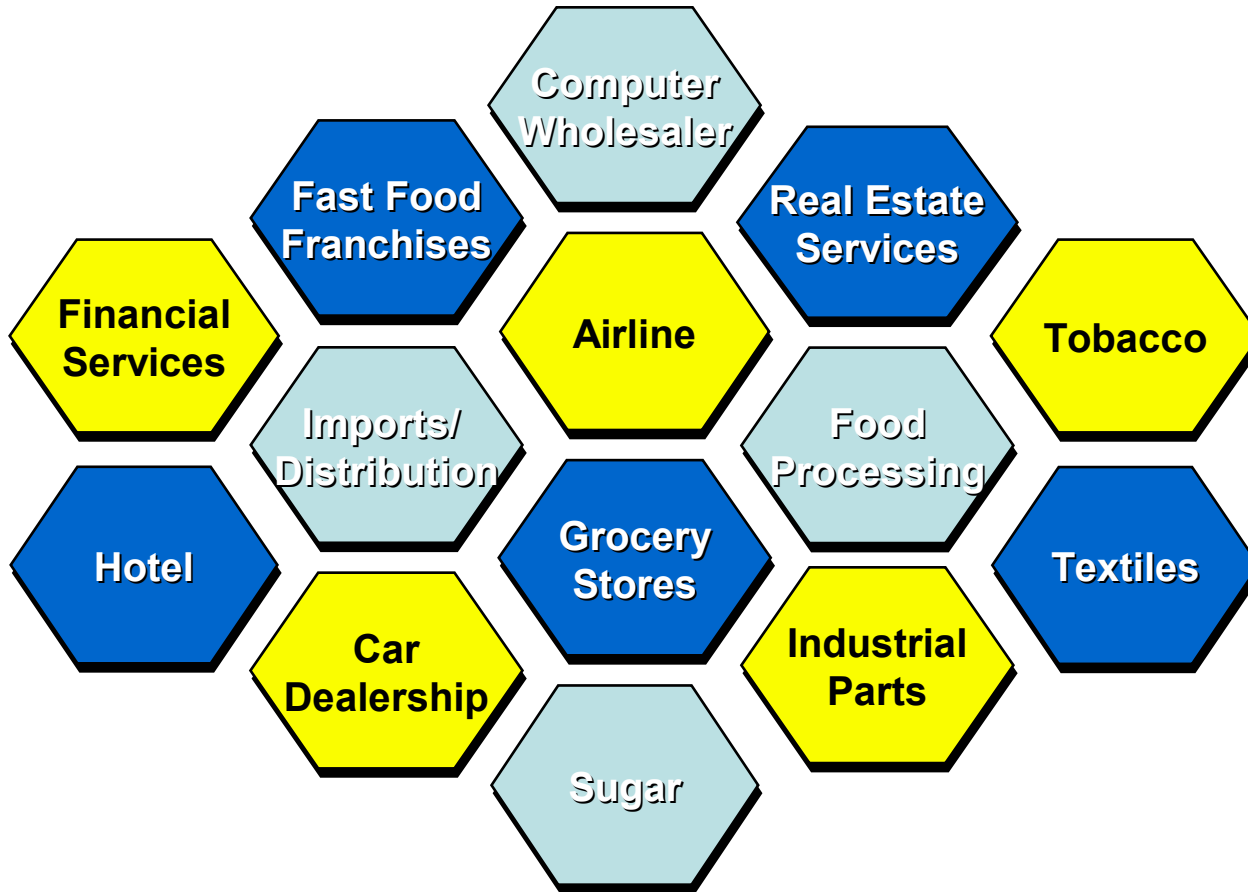
- *Turququality Vision Seminar*
- *Istanbul, Turkey*
- *November 20, 2007*



Globalization

- **The world is rapidly shrinking with the advent of faster communication, transportation, and financial flows.**
- **Products developed in one country—Gucci purses, Mont Blanc pens, McDonald’s hamburgers, Japanese sushi, Chanel suits, German BMWs—are finding enthusiastic acceptance in other countries.**
- **A German businessman may wear an Armani suit to meet an English friend at a Turkish restaurant who later returns home to drink Russian vodka and watch an American soap on TV.**

Which Businesses to Internationalize?



Does Branding Work? You Bet!!

COMMODITY	GOODS	SERVICE	EXPERIENCE
<p>Prevailing prices for various coffee offerings</p>  <p>1¢-2¢ Per Cup</p>	 <p>5¢-25¢ Per Cup</p>	 <p>75¢-\$1.50 Per Cup</p>	 <p>\$2-\$5 Per Cup</p>

Data: Pine and Gilmore, *The Experience Economy*, 1999

Corporate Branding



Mercedes-Benz



Are You a Brand-Run Company?

- **There is a difference between:**
 - **Between Acme bricks and just bricks.**
 - **Between cement and Cemex cement.**
- **Brand-managed B2B companies are usually well-known and included in the consideration set of buyers.**
- **Buyers know a lot about these companies beyond the character of their products, such as their positioning and value propositions.**
-
- **Buyers normally have emotionally favorable feelings about the brand-managed company.**
-
- **Brand-managed companies have brand strategy documents and possibly have appointed a Chief Branding Office (CBO)**
- **Brand-managed companies track brand equity in addition to sales, costs, and profits**

What Role Does a Brand Play?

- **TQM has driven bad products and services out of the market. Hence the need for emotional or meaning differentiation.**
- **“Branding is all about uniqueness. In this age of sameness, difference rules. The brand...is your company's differentiation code. It is a code as vital, as powerful, as universal, and as unique as DNA.”**

A Strong Brand Improves Demand and Supply

- **On the demand side:**
 - higher price
 - increased sales volume
 - lower churn
 - more brand stretching

- **On the supply side:**
 - greater trade acceptance, more favorable supplier terms, lower rejection
 - lower staff acquisition and retention costs
 - lower cost of capital
 - better scale economics through higher volume

What Makes a Strong Brand?

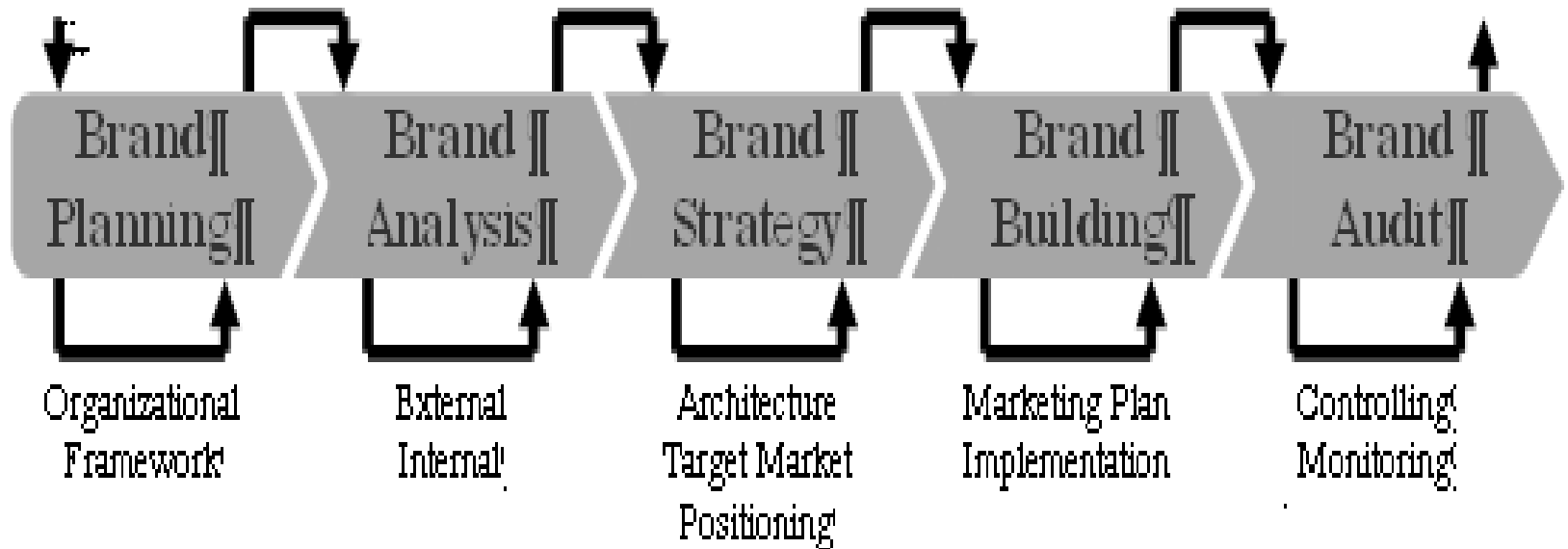
- **Strong brand = Product Benefits x Distinct Identity x Emotional Values**

- Peter Doyle, *Marketing Management & Strategy*, 1997

B2B Brand-Managed Companies

- IBM
- FedEx
- Schott
- Nucor
- Tata Steel
- Lenova
- Cemex
- Microsoft
- Intel
- HP
- Cisco Systems
- Dell
- Oracle
- SAP
- Siemens
- Boeing
- Bosch
- Caterpillar
- Black and Decker
- Accenture

Sequence of the Brand Building Processes



The Brand Belongs to More than Just Marketing

- **Today, brands are not the preserve of the marketing department. Brands are too important to be left to the marketing department—or any other “department.”**
- **The brand is a management tool used throughout the organization and it also encompasses dealers, suppliers, investors, and customers.**

Source: Thomas Gad, 4-D Branding

Elements of a Branding System

- **Brand strategy**
- **Brand communication system**
- **Brand standards system**
- **Brand guarantee system**
- **Brand evaluation system**

Distinguish Between...

- **Nation branding** has to do with building respect for the product quality and efficiency and cultural values of a nation.
- **Corporate branding** has to do with building great respect for your company as a whole.
- **Business level branding** has to do with building respect for a business within the company:
 - GE as a whole, GE Med Systems, GE MRI's
- **Product item branding** has to do with building strong names for individual offerings that fall within a brand architecture
 - Klueber Lubrication: Barrierta, Isoflex, Hotemp, Staburags

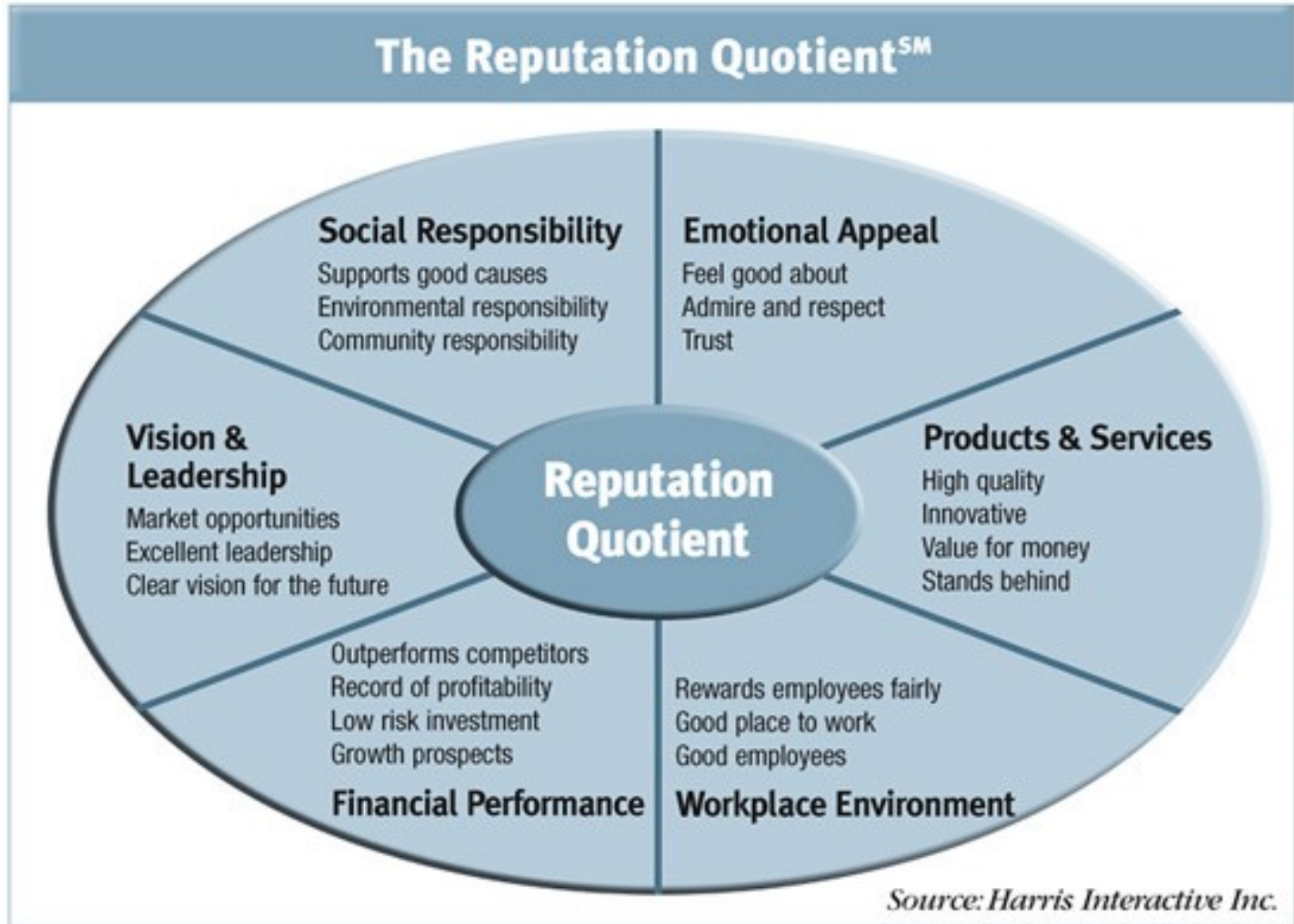
The Strategic Trajectory for Turkey

- Low cost, average quality domestic products.
- Low cost, good quality domestic products.
- Turkish high-end products made for other companies.
- Turkish branded products (regional).
- Turkish branded products (global).
- Turkish dominant brands (global).

Nation Branding

- Leverage visual symbols:
 - China...Great Wall
 - India...Taj Mahal
 - Paris...Eiffel Tower
 - Austria...mountains or Mozart
- Develop memorable slogans
- Find some personalities to project:
 - Paul Hogan for Australia
 - George Washington for U.S.
- Promote a favorable product image:
 - Belgian chocolates, Irish whiskey, Columbian coffee, French wine

Corporate Level Branding



Building a Corporate Reputation

- ***Firms of Endearment*** are firms that people love.
- **Amazon, Best Buy, BMW, CarMax, Caterpillar, Commerce Bank, Container Store, Costco, eBay, Google, Harley-Davidson, Honda, IDEO, IKEA, JetBlue Johnson&Johnson, Jordan's Furniture, LLBean, New Balance, Patagonia, Progressive Insurance, REI, Southwest, Starbucks, Timberland, Toyota, Trader Joe's, UPS, Wegmans, Whole Foods.**
- **Sisodia found that these companies are highly profitable.**

Source: Raj Sisodia, David B. Wolfe, and Jag Sheth, *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* (Wharton School Publishing, '07)

Characteristics of Firms of Endearment

- They align the interests of all stakeholder groups
- Their executive salaries are relatively modest
- They operate an open door policy to reach top management
- Their employee compensation and benefits are high for the category; their employee training is longer; and their employee turnover is lower
- They hire people who are passionate about customers
- They view suppliers as true partners who collaborate in improving productivity and quality and lowering costs
- They believe that their corporate culture is their greatest asset and primary source of competitive advantage.
- Their marketing costs are much lower than their peers while customer satisfaction and retention is much higher.

Why Reputations Matter

- **Customers**
 - Reputation affects purchase decisions
- **Employees**
 - Reputation affects decisions to engage, commit, and stay
- **Investors**
 - Reputation affects investment decisions
- **The media**
 - Reputation affects coverage
- **Financial analysts**
 - Reputation affects ratings

Source: *Fame & Fortune*

Product Branding Must Be Added to Corporate Branding

- *We don't buy Sony. We buy Playstation, Walkman, Vaio, and Trinitron.*
- *We don't buy DuPont. We buy Kevlar, Stainmaster, Dacron, Teflon, Corfam*
- *We don't buy Pfizer. We buy Viagra.*

Internationalization Strategy:

Hilasal

Value Proposition

- High quality, fashionable printed towels designed for global markets

Set of Activities

- Highly customized products with rapid delivery
- R&D located at production sites to enable rapid implementation of technology improvements
- Design groups organized to provide fast response to custom orders
- Bilingual sales office based in Miami
- Manufacturing located in El Salvador and Mexico to minimize costs while maintaining close access to the U.S. market
- State-of-the-art computer systems to track customer orders from design to shipping
- Highest quality machinery, equipment, cotton, and dyes sourced from Europe and the U.S.



- **Firm-based competitive advantage in a particular segment**
- Hilasal developed a successful differentiation-based positioning

Internationalization Strategy

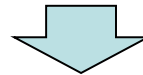
Café Britt, Costa Rica

Value Proposition

- High value added, gourmet, processed coffee products

Set of Activities

- Roast and blend high quality coffees, leveraging regional coffee expertise
- Moving from selling commodity products to building brand awareness
- Distribute and promote widely in key Costa Rican tourist hotels
- Educate and market to consumers using coffee plantation tours
- Sell product at major tourist attractions and airports
- Reach targeted international consumers through direct mail
- Conduct R&D on blends and tastes to meet changing customer needs



- **Location-based competitive advantage**
- Café Britt developed successful differentiation taking advantage of the high quality and favorable image of the Costa Rican coffee cluster

Entering the U.S. Marketplace: The Case of Haier

- Haier developed through three stages:
 1. Fix quality (Zhang Ruimin smashed 76 refrigerators).
 2. Diversify (Microwaves, toasters, air conditioners, dishwasher, vacuum cleaners, etc.)
 3. Globalize (Asia Region, U.S., Europe)
- Haier entered with a U.S. partner and is challenging Whirlpool and GE. It sells large appliances, wine coolers, chest freezers, and 250 other products.
- Haier's brand name products are sold in Wal-Mart, Best Buy, Sears, Lowe's, Home Depot and Target.
- Haier is promoted as a global brand, not a Chinese one. (Many people think it is German).
- Haier uses outdoor advertising, magazines, and ads in trade publications.
- Puts lower price models in price-only stores and higher price models in top stores.
- Haier is growing rapidly and is making money. Goals is to become on the top five U.S. appliance manufacturers and to expand globally.

Ingredient Branding

- Clothing: Gore-Tex, Lycra
- Carpets: Stainmaster
- Diet soft drinks (NutraSweet)
- Cooking utensils (Teflon)
- Bicycle gears (Shimano)
- Sound systems (Dolby)
- Computer chips (Intel)
- Crystal components (Swarovski)

Strong Brands Supply Use Value as Well as Purchase Value

General Electric Med Systems

- MRI's and extensive training and maintenance

Home Depot

- Offers free kitchen remodeling design service
- Offers free workshops on how to paint, fix faucets, etc.

Kodak

- Offers free courses in digital photography through authorized dealers.

Apple

- Apple Computer sponsors its dealers to offer one-hour classes on topics ranging from film making to graphic design.

Living the Brand

- IBM: dress code
- Canon: repair people wear a white shirt and a tie.
- Hitachi Metals: Answering the phone quickly
- Caterpillar: (“Partners in Quality Program”)
- Bosch: BeQIK, BeBetter, BeBosch
- Getting your employees to hear it, believe it, ...and live it.

Social Branding

- Companies need to differentiate themselves. Companies with civic virtue will be preferred.
- Companies need a decision framework for facing daily requests for sponsorships, improved health coverage, injury prevention, environmental protection and community contributions.
- Corporate heads and boards need to understand the social pressures and opportunities facing their companies.
- Companies need to build a bank of public goodwill to offset potential criticisms.
- Employees, investors, and partners will be more motivated and loyal.

Brand Evaluation

- Distinguish between:
 - Brand equity measurement, which uses many metrics including awareness, knowledge, familiarity, relevance, satisfaction, and recommendation
 - Brand valuation which is to provide an estimate of the total financial value of a brand and its components such as fixed assets, brands, and other intangibles.

Build in Values: Caterpillar

- **Caterpillar has extended beyond construction equipment into Cat jeans, sandals, sunglasses, watches, and toys. In all cases, it applies the Cat personality which is:**
 - **hardworking**
 - **tough**
 - **resilient**
 - **determined**
 - **bold**
 - **rugged**
 - **independent**
 - **a good friend**

Define and Communicate the Brand Essence

- **Suppose the brand is to signify “innovativeness.” Then innovativeness must be expressed:**
 - **At the corporate level in its hiring, training, and rewarding of staff**
 - **And defined for each job including an accounting clerk, a salesperson, a driver, and so on.**
- **If the brand is to suggest “caring,” then a caring attitude must be defined for everyone: a production supervisor, a receptionist, an IT manager, a salesperson, and so on. And they must exhibit its attributes: honesty, empathy, suspending judgment.**

A Company's Balance Sheet is a Lie

- **Physical plant and inventory. Yes.**
- **But where on the balance sheet is the value of the firm's intangible assets which often represents more than 50% of a firm's market value?**
 - **Its employees**
 - **Its customer base**
 - **Its channel partners**
 - **Its intellectual capital**
 - **Its BRANDS**

From...To...

- **From “Market Communications” to:**
 - **Management of a Brand that conveys compelling differentiation.**
- **From “Marketing’s Job” as an internal tool to:**
 - **Create differential loyalty with dealers, suppliers, investors, customers, employees...**
- **From marketing your “Brand Essence” to the customers to:**
 - **Define and Communicate your “Brand Essence” in virtually all critical business decisions**

• **“Don’t just advertise the brand, live it.”**



Three Challenging International Tasks

<u>Task</u>	<u>Problem</u>	<u>Solution</u>
Getting into the market	Trade barriers	Megamarketing
Staying in the market	Intense competition	Civic positioning
Getting paid	National indebtedness	Countertrade

Major International Decisions

1. SHOULD THE COMPANY EXPAND ABROAD?

- A. OPPORTUNITIES
- B. CAPABILITIES
- C. RISKS

2. WHICH COUNTRIES TO ENTER?

- A. NEIGHBORING COUNTRIES
- B. SIMILAR COUNTRIES
- C. WESTERN EUROPE (EASTERN EUROPE?)
- D. NORTH AMERICA
- E. FAR EAST
- F. DEVELOPING COUNTRIES

3. WHAT IS THE BEST MODE OF ENTRY?

- A. EXPORT
- B. LICENSING
- C. JOINT VENTURE
- D. FULLY OWNED SUBSIDIARY

4. WHAT PARTS OF THE OFFER SHOULD BE ADAPTED?

- A. NO ADAPTATION
- B. COMMUNICATION ADAPTATION ONLY
- C. PRODUCT AND/OR SERVICE ADAPTATION ONLY
- D. PRICE ADAPTATION
- E. TOTAL ADAPTATION

Major International Decisions (Cont.)

5.WHO SHOULD MARKET THE PRODUCT?

- A. SALES BRANCH AND SALES FORCE
- B. DISTRIBUTORS
- C. AGENTS

6.HOW SHOULD INTERNATIONAL MARKETING BE ORGANIZED?

- A .EXPORT DEPARTMENT
- B. INTERNATIONAL DIVISION
- C. COUNTRY AND/OR REGIONAL MANAGEMENT
- D. WORLD PRODUCT GROUPS
- E. MATRIX ORGANIZATION

7.HOW SHOULD INTERNATIONAL STRATEGY BE PLANNED?

- A. TOP DOWN
- B. BOTTOM UP
- C. GOALS DOWN, PLANS UP

8.HOW SHOULD INTERNATIONAL OPERATIONS BE MONITORED AND CONTROLLED?

- A. INFORMATION SYSTEM
- B. SITE VISITS
- C. INTERNATIONAL COMMITTEES

9.HOW CAN INTERNATIONAL MANAGERS BE DEVELOPED?

- A. DOMESTIC MANAGERS WITH SHORT ASSIGNMENTS ABROAD
- B. DOMESTIC MANAGERS WITH PERMANENT ASSIGNMENTS ABROAD
- C.HOST COUNTRY MANAGERS

Effective Global Marketing

- **Company develops a list of “opportunity” countries.**
- **Management studies each market carefully and considers the type of adaptation needed in its marketing offering and program.**
- **Company appoints a capable International Vice President and staff.**
- **The international staff receives strong support from the domestic staff.**
- **The marketing strategy for each country is clear, innovative, data-driven, and well-reasoned.**
- **The company has given each country staff adequate funds for carrying out its objectives.**

Potential Positionings

Market Share Leader

Quality Leader

Service Leader

Technology Leader

Innovation Leader

Flexibility Leader

Relationship Leader

Prestige Leader

Knowledge Leader

Global Leader

Bargain Leader

Value Leader

Form a Positioning Statement

- **BRAND X**
 - **is better than**
 - **(COMPETITIVE SET)**
 - **for**
- **(TARGET MARKET AND NEED)**
 - **because it offers**
- **(STRATEGIC ADVANTAGE)**
 - **with the result that**
 - **(KEY PROPOSITION).**

Value Proposition Refinement

Stage 1. Citing all the benefits you offer.

Stage 2. Citing a major point of difference (POD)

- Volvo's car is safer
- Make sure it is relevant, distinctive, and believable

Stage 3. Citing several points of difference (PODs) as well as points of parity (POPs)

- Shows that we offer all the category benefits and neutralize competitor's benefits

Stage 4. Citing a few robust PODS and the financial savings of the whole offer.

- Aim is to prove lowest total cost of ownership or use.

Maxims of International Marketing

- The purpose of going international is not profit, but survival.
- Domestic companies that go international will initially lose a lot of money.
- Domestic companies should learn by passing through stages of indirect exports, direct export, licensing, joint ventures, overseas sales branches, and overseas manufacturing branches.
- International marketing should not be entrusted to any manager who is not first rate.
- Companies will always be surprised by the international market. Good managers will be surprised less often and will handle surprises better.

“Within five years. If you’re in the same business you are in now, you’re going to be out of business.”

