DIPLOMA INTERNATIONAL BUSINESS

INTERNATIONAL MARKETING

International Marketing Strategy

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POLITEKNIK MELAKA
JPPKK | KPT

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First Edition 2026
This e-book is published in Malaysia by the Politeknik Melaka.

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Published by
POLITEKNIK MELAKA
Jabatan Pendidikan Politeknik dan Kolej Komuniti
Kementerian Pendidikan Tinggi Malaysia
No 2, Jalan PPM 10, Plaza Pandan Malim,
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Cataloguing-in-Publication Data
Perpustakaan Negara Malaysia
A catalogue record for this book is available from the National Library of Malaysia

eISBN 978-629-7678-14-6

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POLITEKNIK MELAKA **www.internationalmarketing.syamhassan.com**

Preface

The global marketplace today is more connected than ever. From digital trade to international supply chains, businesses of all sizes — including small Malaysian enterprises — now have the opportunity to reach customers around the world. However, succeeding internationally requires more than ambition; it demands strategic understanding, cultural awareness, and adaptability.

This eBook, is designed to guide diploma level students in International Business Management through the essential principles of how companies compete and grow across borders. The content explores both the practical and theoretical aspects of marketing in international contexts, including product development, channel management, pricing, and promotion.

Written in clear and simple language, this eBook is designed to help readers easily understand key international marketing concepts. Each section is presented with attractive visuals, real-world examples, and interactive elements to make learning more enjoyable and meaningful. Students will find not only essential theories, but also activities, quizzes, and infographics that encourage active learning and critical thinking.

Infographics – visually explaining key concepts
Activities and Mini Quizzes – for active participation
Case Studies – featuring Malaysian and global examples
Reflection Tasks – encouraging personal analysis

By the end of this book, readers will be able to critically analyse international marketing strategies, evaluate how businesses adapt to global markets, and understand how to balance global efficiency with local responsiveness.

— The Editorial Team
Department of Commerce, Politeknik Melaka

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4.1 Developing Products for International Markets

Expanding into international markets offers vast opportunities for growth, but it also brings a unique set of challenges. One of the most crucial strategic decisions for any company is determining how to develop and position its products across diverse global markets. The key question is: Should the product remain the same worldwide, or should it be adapted to meet local needs and preferences?

This section explores the major considerations and strategies involved in developing products for international markets.

4.1 THE ROLE OF PRODUCT LIFE CYCLE (PLC) IN INTERNATIONAL MARKETING STRATEGY

When expanding globally, companies must consider how the Product Life Cycle (PLC) influences their international marketing strategies. The PLC tracks a product's progression from its introduction to eventual decline. However, in global markets, this cycle does not follow a uniform path. It varies due to differences in economic development, consumer behavior, market readiness, and competitive environments across countries.

What is an International Marketing Strategy?

An International Marketing Strategy is a company's comprehensive plan to sell its products or services in foreign markets while navigating differences in culture, laws, competition, and customer preferences. It involves making key decisions about:

Market Selection – Which countries to enter (e.g., developed vs. emerging markets).

Market Entry Mode – How to enter (exporting, licensing, joint ventures, etc.).

Product Strategy – Whether to standardize (sell the same product globally) or adapt (modify for local needs).

Pricing Strategy – Adjusting prices based on local purchasing power, taxes, and competition.

Promotion & Advertising – Tailoring messaging to fit cultural norms and media habits.

Distribution Channels – Choosing how to deliver products (e.g., e-commerce, local retailers).

Why It Matters
Maximizes Global Success: *Avoids costly mistakes*
(e.g., Pepsi's failed slogan translations).

Balances Efficiency & Local Appeal: Companies like McDonald's and Netflix thrive by blending global branding with local customization.

Beats Competition: Outperforms rivals by understanding unique market needs.

To address this complexity, the International Product Life Cycle (IPLC) theory offers a broader perspective. It explains how a product's demand, production, and marketing strategies evolve differently across international markets. For example, a product introduced in a developed country may already be in the growth or maturity stage when it reaches emerging markets. Understanding these variations enables businesses to strategically plan where, when, and how to introduce their products globally, optimize market entry timing, and adapt marketing strategies to local market conditions.

In essence, by integrating both the PLC and IPLC concepts, companies gain valuable insights into managing product launches, production locations, and marketing approaches on a global scale—ensuring more effective international expansion. Understanding these variations helps businesses decide when, where, and how to launch products internationally.

The International Product Life Cycle (IPLC) explains how products are introduced, grow, mature, and decline in global markets. This theory highlights the dynamic nature of product demand and production across different stages:

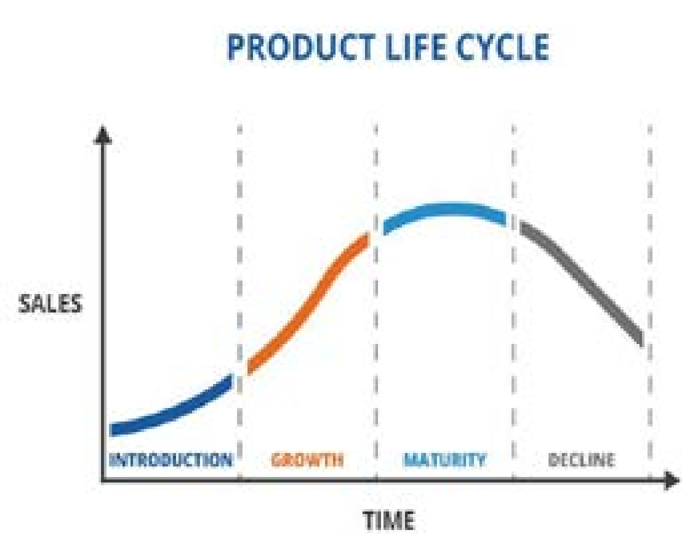


Chart 1.0 Product Life Cycle

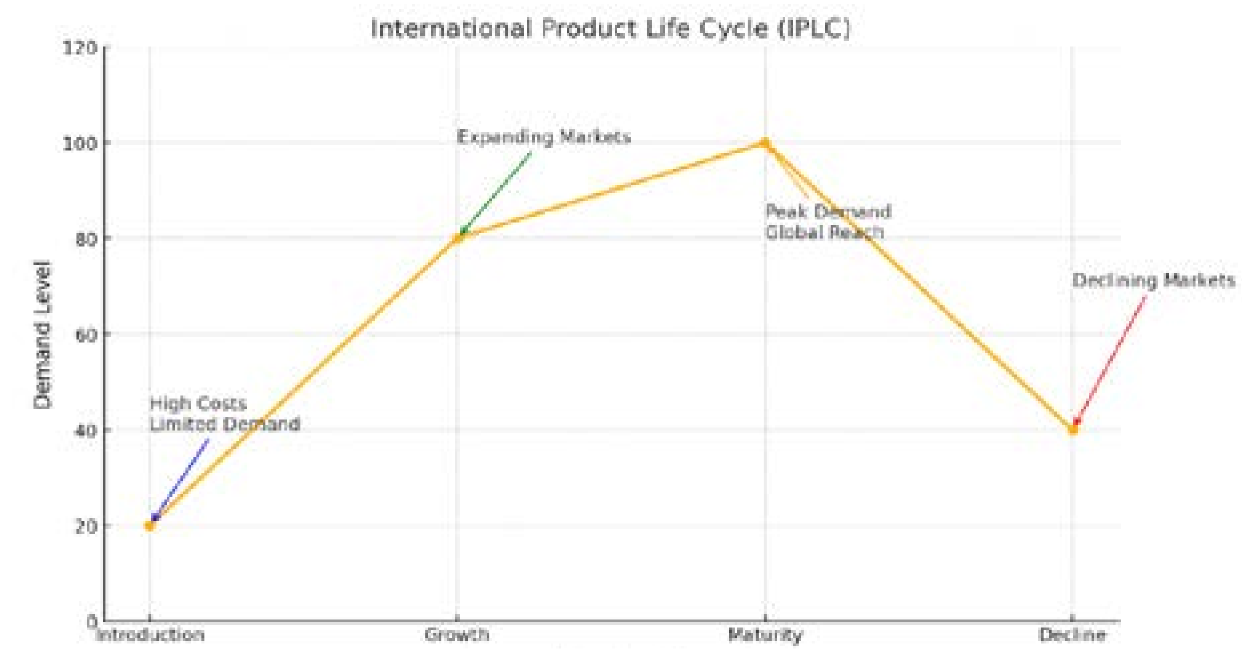


Chart 1.1 Stage of Product Life Cycle

The chart above illustrates the International Product Life Cycle (IPLC) and its four key stages: Introduction, Growth, Maturity, and Decline. Below is a detailed explanation of each stage:

INTERNATIONAL PRODUCT LIFE CIRCLE (IPLC)

1. Introduction Stage

The Introduction Stage represents a product's debut in foreign markets, a phase characterized by cautious consumer adoption, high upfront costs, and strategic experimentation. During this stage, companies face the dual challenge of educating unfamiliar audiences while establishing a foothold against local competitors. Sales volumes are typically low, as the product's novelty requires significant marketing investment to build awareness and trial. For example, when Tesla first introduced

electric vehicles in Europe, it had to overcome skepticism about charging infrastructure and range limitations through targeted campaigns emphasizing innovation and sustainability. Pricing strategies play a pivotal role—some firms

Introduction Stage Main Points

High Costs, Low Sales;
Companies spend a lot on marketing, research, and setting up operations**.**

Sales are usually low because the product is new and not many people know about it**.**

Customer Education is Important;
Companies need to explain what the product is and why people should buy it. Example: **Tesla had to teach people in Europe about electric cars and charging stations.**

Pricing Strategy Matters;
Some companies use **high prices** (like Apple) to show the product is premium**.** Others use **low prices** (like Xiaomi) to attract many customers quickly**.**

Choose the Right Market;
Companies usually **launch in high-income or well-established markets** (like the US, Germany, or Japan) where people have

more money and are open to new technology.

Local Adaptation is Key;
Products must match **local culture and rules.**

Example: Uber faced problems in Europe due to taxi laws.

Pepsi once made a slogan mistake in China due to poor translation.

Partnerships Help;
Working with local influencers or companies helps build trust.

Example: Netflix slowly entered countries by offering content that local people like.

Production is Usually Local;
Products are made in small quantities near the home country to maintain control and ensure quality.

Question:
Why do companies spend a lot on marketing when launching a new product in a foreign market?

Answer:
Because people don't know the product yet, so the company must create awareness and build trust.

Companies spend a lot on marketing because customers in the new country don't know the product yet. It's something new to them. The company must explain what the product is, how it works, and why people should buy it. This helps to build awareness and trust. Without strong marketing, people might ignore the product or choose something they already know.

Quick Poll:

Which strategy works best in maturity?

A) Acquire competitors
B) Cut costs aggressively
C) Innovate into new categories

opt for premium skimming (e.g., Apple's iPhone launches) to position their product as exclusive, while others use penetration pricing (e.g., Xiaomi's budget smartphones in India) to accelerate mass adoption. Market selection is equally critical; companies often prioritize developed economies with higher disposable income or regions with cultural proximity to minimize adaptation costs. However, even well-planned entries can stumble if they ignore local nuances—Pepsi's early slogan mistranslations in China and Uber's clashes with European taxi regulations serve as cautionary tales. Successful navigation of this stage hinges on strategic patience, localized testing, and partnerships with local distributors or influencers to bridge trust gaps. For instance, Netflix's gradual expansion involved tailoring content libraries to regional preferences while maintaining its core subscription model. Ultimately, the introduction stage sets the trajectory for global success, demanding a delicate balance between global brand consistency and local market sensitivity.

A product's fate in international markets is often sealed in the introduction stage. Companies that invest in consumer education, agile adaptation, and strategic pricing—like Tesla and Netflix—transform early challenges into long-term dominance, while those that impose rigid, one-size-fits-all approaches risk costly failures.

When Tesla first sold electric cars in Europe, many people were unsure about charging stations and battery life. So Tesla used marketing to teach people about the benefits of electric cars.

Think About It:

If you were Netflix, how would you keep growing when most households in the U.S. and Europe already subscribe?

Growth Stage Main Points

Sales Increase Fast;
More people know about the product and want to buy it.

Example: Netflix's subscribers doubled in 3 years after launching in new countries.

More Competition Enters the Market;
Other companies notice the success and start offering similar products.

Example: Luckin Coffee grew quickly in China to compete with Starbucks.

Profits Improve;
Making more products lowers the cost per unit (economies of scale).

Example: Samsung saved money by producing more smartphones at lower cost.

Distribution Grows Wider;
The product moves from being sold in only a few places to being available everywhere.

Example: Unilever expanded from city stores to small village shops across India.

Question:
What happens to competition during the growth stage of a product in international markets?

Answer:;
More competitors enter the market because the product is becoming successful.

During the growth stage, the product becomes more popular. More people want to buy it, so other companies notice the opportunity and start selling similar products. This increases competition. Companies must work harder to keep their customers by improving their product,

Products are typically launched in the home or advanced markets where innovation thrives, and consumers are willing to adopt new technologies or ideas. Production remains localized due to high development costs and the need for close monitoring of product performance. Marketing efforts focus on building awareness and creating demand.

Example: New medical technologies often debut in advanced economies like the US or Germany, where healthcare infrastructure supports innovation and early adoption.

The product is launched in the home country or advanced markets where innovation thrives, and customers are more receptive to new technologies. Demand is limited initially, as awareness is low and production costs are high due to small-scale manufacturing.

Market Focus: Companies target early adopters willing to pay a premium. Heavy investments in R&D, marketing, and distribution are necessary.

Example: Cutting-edge medical devices or smartphones often debut in advanced economies like the United States or Japan, where infrastructure supports innovation.

2. Growth Stage

As a product gains traction in foreign markets, it enters the Growth Stage—a period of rapid sales expansion, increasing competition, and strategic scaling. This phase presents both tremendous opportunities and new complexities as companies transition from proving viability to capturing market share. Production may remain in the home country, but exports increase. The focus shifts to establishing distribution channels, scaling marketing efforts, and entering new

Key Characteristics of the Maturity Stage

Peak Demand: The product is widely used globally, with sales stabilising at a high level.

Market Saturation: Most consumers already own the product, making growth slower and more competitive.

Shift to Cost-Efficient Production: Manufacturing moves to countries with lower costs to maximise profits.

Intense Competition: Brands compete through differentiation, promotions, and incremental improvements.

Expansion into Secondary Markets: Firms seek new regions where adoption is still growing.

regions to sustain growth.

Characteristics of the Growth Stage

i. Accelerating Market Demand

Consumer awareness grows, driving exponential sales increases

Example: Netflix's international subscriptions grew by 200% between 2015-2018 as streaming demand surged

ii. Intensifying Competition

Local and global rivals enter the market

Example: In China, Starbucks now competes with Luckin Coffee, which grew to 6,000 stores in 5 years

iii. Profit Margins Improve

Economies of scale reduce production costs

Example: Samsung cut smartphone manufacturing costs by 18% during its global expansion

iv. Distribution Expands

Companies shift from selective to mass market channels

Example: Unilever moved from urban specialty stores to nationwide supermarket distribution in India

The Growth Stage: When Global Expansion Hits Its Stride

As an international product gains momentum beyond its initial launch, it enters

Who developed the International Product Life Cycle theory, and what is the primary factor that causes production to shift between countries?

the Growth Stage - arguably the most dynamic and strategically complex phase of the international product life cycle. This period transforms tentative market entry into full-fledged expansion, marked by four defining characteristics that separate transient successes from enduring market leaders.

1. Accelerating Market Demand: The Tipping Point of Adoption

The most exhilarating aspect of growth emerges when consumer awareness reaches critical mass, creating a virtuous cycle of adoption. What began as cautious trial blossoms into enthusiastic embrace, often at staggering speed. Consider Netflix's trajectory: between 2015-2018, its international subscriber base swelled by 200%, adding nearly 60 million members. This wasn't mere luck - it represented the convergence of improving broadband infrastructure, localized content investments, and shifting viewing habits across dozens of cultures simultaneously. The growth stage rewards those who recognize these inflection

Case Study: Samsung vs. Huawei in the Global Smartphone War

Strategy	Samsung	Huawei
Innovation	Foldable phones, custom chips	5G patents, camera tech
Market Focus	Global (U.S., Europe, India)	China-centric after U.S. ban
Pricing	Premium (Galaxy S) + budget (A-series)	Mid-range dominance
Result	#1 globally (21% share)	Fell out of top 5 after sanctions

Key Takeaway:
Samsung stayed on top by diversifying its product range and markets, while Huawei's reliance on China left it vulnerable.

Key Takeaways

Maturity is about optimization, not just growth.
Reinvent or decline—standing still is not an option.

The best companies use maturity to prepare for the next wave (e.g., Apple's shift to services).

Discuss

"Tesla faces slower growth in the U.S. but high demand in Thailand. Should it cut U.S. prices or build a factory in Thailand? Justify your choice."

Test yourself

In the Maturity stage of the IPLC, why does production usually move to developing nations?

Identify a modern product (e.g., smartphones) and explain which stage of the IPLC it is currently in for a developed market versus an emerging market.

True or False? According to IPLC, the innovating country eventually becomes an importer of the product they originally invented. Explain why.

points where early education efforts transition to mass-market appeal.

2. Intensifying Competition: The Double-Edged Sword of Success

Nothing attracts competitors like visible success. As Starbucks cemented its premium coffee culture in China, local challenger Luckin Coffee executed a lightning-fast counterstrategy - leveraging mobile ordering, competitive pricing, and hyper-convenient locations to erect 6,000 stores in just five years. This hallmark of the growth stage creates a strategic paradox: the very market awareness companies work so hard to build inevitably attracts copycats, disruptors, and well-funded incumbents. The most astute firms use this competition as motivation for continuous innovation rather than viewing it as mere threat.

3. Improving Profit Margins: The Scale Advantage Emerges

Here lies the financial sweet spot of international expansion. As Samsung demonstrated during its global smartphone push, per-unit production costs

YOUTUBE VIDEO

Product Life Circle (PLC)

Your Turn

Strategic Decision Challenge

Imagine you're the CEO of a global electric car company entering maturity.

Your board wants:
- Higher profits (but price wars are heating up)

- New growth avenues (most wealthy markets are saturated)

What's your next move?
A) Launch a budget EV line for emerging markets

B) Invest in self-driving tech to differentiate

C) Acquire a rival to consolidate market share

Think like a strategist—there's no single right answer!

dropped 18% through a combination of negotiated supplier rates, optimized logistics, and manufacturing efficiencies. This stage allows companies to shift from cost absorption (common in introduction) to profit reinvestment - fueling further R&D, marketing, and market expansion. However, this financial upside requires careful management; premature profit-taking can stunt long-term positioning, while overinvestment can dilute returns.

4. Distribution Expansion: From Niche to Mainstream

The transition from selective urban availability to nationwide penetration separates market participants from market leaders. Unilever's evolution in India illustrates this perfectly - moving from premium urban outlets to 1.3 million retail touchpoints including rural "kirana" stores. This phase demands distribution innovation: adapting packaging for new channels, developing trade partner incentives, and sometimes completely reengineering supply chains. Companies that mistake initial distribution wins for permanent advantage often lose to competitors willing to invest in last-mile solutions.

The Strategic Imperative

Navigating the growth stage successfully requires disciplined flexibility - the ability to scale operations rapidly while remaining responsive to local market signals. The examples above reveal a common thread: sustainable growth comes not from rigid replication of home-market strategies, but from market-specific adaptation within a global framework.

3. Maturity Stage

The Maturity Stage arrives when a product's growth stabilizes, competition peaks, and markets become saturated. This is where many companies stumble—mistaking early success for long-term dominance. Yet, for the strategically agile, maturity presents an opportunity to reinvent, defend, and extract maximum value before decline sets in.

Characteristics of the Maturity Stage

i. Market Saturation: The Growth Plateau

Sales growth slows as most potential customers have already adopted the product. Competitors fight fiercely for shrinking shares of the pie. Example: The global smartphone market grew just 1% in 2022—a stark contrast to the double-digit surges of the 2010s. Apple and Samsung now rely on upgrades rather than new users.

ii. Profit Squeeze: The Cost of Staying Relevant

With fewer new customers, companies face price wars

(e.g., Uber vs. Lyft in the U.S.)

Rising customer retention costs (loyalty programs, discounts)

Increased R&D to differentiate. Example: Coca-Cola invests $4B annually in marketing just to maintain its position against Pepsi and local rivals.

iii. Market Consolidation: The Survival of the Fittest

Weaker players get acquired or fold, while dominant firms buy competitors or diversify. Example: Anheuser-Busch InBev acquired SABMiller to dominate global beer markets.Procter & Gamble sold weaker brands (like Pringles) to focus on core winners (Tide, Gillette).

Winning Strategies for the Maturity Stage

1. Product Reinvention: Breathing New Life Into Established Offerings

The most successful companies treat maturity not as an endpoint, but as an invitation for creative destruction. Consider Starbucks' audacious pivot from being a ubiquitous "third place" coffee chain to cultivating exclusivity through its Reserve Roasteries. These temple-like spaces—featuring rare small-lot coffees and artisanal brewing methods—achieved what few thought possible: they made a 50-year-old brand feel novel again. Similarly, Nike's evolution from footwear manufacturer to digital fitness ecosystem (through Nike Training Club and Run Club apps) demonstrates how category leaders can expand their definition of core business. These transformations share a common thread: they don't abandon what made the brand successful, but rather build new layers of meaning around it.

2. Geographic Expansion: The Final Frontiers of Growth

When domestic markets plateau, the map becomes the strategy. Apple's relentless focus on India—where it opened flagship stores and localized production to avoid tariffs—shows how tech giants are rewriting playbooks for emerging economies. The math is compelling: with smartphone penetration at just 54% (versus 85% in the U.S.), India represents one of the last massive untapped markets for premium devices. Meanwhile, McDonald's culinary diplomacy in Africa—introducing items like McFalafel in Egypt and spicy rice dishes in Nigeria—proves that geographic expansion isn't just about planting flags, but about reimagining menus as cultural passports. These moves require more than capital; they demand humility to learn local contexts and courage to abandon one-size-fits-all approaches.

3. Cost Leadership: The Silent Engine of Profitability

Behind every glamorous reinvention lies an unglamorous truth: maturity rewards operational mastery. Zara's fast-fashion empire thrives not because of avant-garde designs, but due to a supply chain so responsive that new styles move from sketch to store in three weeks—half the industry average. This logistical ballet, powered by hyperlocal European production clusters, turns inventory into a strategic weapon. Similarly, Amazon's deployment of over 750,000 warehouse robots illustrates how automation can transform fixed costs into variable advantages. In maturity, pennies saved on manufacturing or distribution translate into dollars available for strategic bets elsewhere.

4. Customer Retention: The Art of Defending Your Kingdom

When customer acquisition costs soar, the wise shift resources to fortifying existing relationships. Adobe's metamorphosis from software seller to subscription-powered platform (Creative Cloud) didn't just smooth revenue—it created captive ecosystems where users pay continually for upgrades they previously might have skipped. Meanwhile, Spotify's algorithmic alchemy—curating over 4 billion personalized playlists annually—turns music streaming from a commodity into an intimate service. These strategies recognize a profound truth: in maturity, the deepest profits come not from chasing new customers, but from mining existing ones more effectively.

4. Decline Stage

Demand decreases in developed markets due to saturation or the emergence of superior technologies. However, the product may continue to thrive in developing countries as an affordable alternative. Companies might reduce investment and focus on maintaining profitability by leveraging existing infrastructure. For example older models of consumer electronics, such as basic feature phones, remain popular in regions with low purchasing power.

This theory underscores the importance of monitoring market trends and adjusting production and marketing strategies throughout the product lifecycle.

Characteristics of the Decline Stage

Demand diminishes in advanced markets due to technological obsolescence or saturation. The product may still find a market in less-developed economies where affordability is key.Companies reduce investment in the product and rely on existing infrastructure to maintain profitability. As example, older models of electronics, like basic mobile phones, continue to sell in developing regions while demand declines in advanced economies.

Key Pillars of International Product Strategy

Customer Expectations
Success requires understanding and adapting to diverse global preferences. For example, a market in Europe might demand sustainability, while one in Asia prioritizes affordability.

Cost Efficiency Companies
must strike a balance between customization and cost. While adapting to local needs drives sales, it increases production costs. Businesses must ensure the return on investment (ROI) justifies the expense.

Competitive Landscape
High Competition - Requires localized products to gain a specific edge over rivals.

Low Competition - Allows for standardized products, letting companies benefit from economies of scale.

Regulatory Requirements
Compliance is non-negotiable. Strategies must account for local laws regarding safety standards, packaging, and labeling (e.g., pharmaceutical dosage guidelines) to ensure market entry.

Technological Advancements
Technology enables smarter strategies by allowing companies to:

- Collect data on specific customer behaviors.

- Create hybrid products (e.g., a universal core with region-specific features).

4.1.2 International Product Strategies

In today's interconnected world, companies operating in global markets face the challenge of meeting diverse customer needs across various regions. To succeed, businesses must develop product strategies that align with their goals, adapt to market conditions, and cater to cultural, regulatory, and economic differences. The choice of strategy—whether standardization, localization, or a global product approach—depends on the product type, target audience, competition, and organizational priorities.

Expanding internationally is not just about selling a product in multiple countries; it requires understanding the unique characteristics of each market. Factors such as cultural preferences, income levels, government regulations, and local infrastructure play a significant role in shaping product offerings. By selecting the right product strategy, companies can strike a balance between maintaining operational efficiency and satisfying local consumer demands.

In essence, the choice between standardization, localization, or a global product strategy is a strategic decision that impacts a company's ability to compete and thrive in international markets. Companies must assess their strengths, resources, and market conditions to adopt a strategy that aligns with their global objectives while addressing the distinct needs of local consumers. This strategic alignment ensures both operational efficiency and market relevance, creating a competitive advantage in the global arena.

International Product Strategies

When entering international markets, companies must choose between standardized, localized, or global product strategies to meet market demands effectively. Each strategy offers distinct advantages and challenges based on the company's goals, resources, and the characteristics of the target market.

Standardized Product Strategy:

Example :
Apple's iPhones are largely standardized globally, maintaining consistent features, design, and branding. While minor adjustments (e.g., power adapters) address regional requirements, the core product remains the same, allowing Apple to achieve efficiency and a premium brand image worldwide.

Challenges:
Limited Local Relevance - Standardized products may fail to address cultural, regulatory, or functional differences in specific markets.

Regulatory Constraints - Local laws and regulations might require modifications, complicating the strategy.

Missed Opportunities - Ignoring unique market preferences may reduce customer satisfaction and limit sales potential.

1. Standardized Product Strategy

A standardized product strategy involves offering the same product with minimal or no modifications across all markets. This strategy focuses on uniformity in design, branding, and marketing, emphasizing consistency and cost efficiency.The product retains its original features, design, and packaging, regardless of the target market. Marketing campaigns and branding strategies are consistent worldwide, emphasizing a unified brand image. Standardization is most effective for products with universal appeal or minimal cultural variation, such as technology, luxury goods, or industrial products.

Key considerations for an international product strategy include:

Cost Efficiency
Balancing customization with cost efficiency is crucial. While adapting a product to local needs can enhance its appeal, extensive customization may increase production costs. Businesses must evaluate whether the additional expense will be offset by higher sales or brand loyalty.

Customer Expectations
Global customers have varying tastes, preferences, and expectations. For instance, a consumer in Europe may value sustainability in packaging, while a customer in Asia might prioritize affordability. Companies need to identify these expectations to create products that resonate with their target markets.

Regulatory Requirements
Different countries have unique laws governing product standards, safety, and labeling. A product strategy must address these regulations to ensure smooth market entry and compliance. For example, pharmaceutical companies often modify packaging and dosage guidelines to meet local health regulations.

Technological Advancements
The digital age allows companies to collect data on customer behavior and preferences, enabling more precise customization. Technology also facilitates the seamless integration of standardized and localized elements within a product, such as offering a universal core product with region-specific features.

Competitive Landscape
The presence and strength of competitors in the target market influence the choice of strategy. In highly competitive markets, localized products that cater specifically to customer preferences may provide a critical edge. Conversely, in less competitive markets, standardized products can suffice, allowing companies to benefit from economies of scale.

Advantages Standardized Product Strategy

Cost Efficiency - Standardization leverages economies of scale by reducing production, design, and marketing costs. Companies can manufacture products in bulk and use the same marketing materials globally.	***Brand Consistency -*** A uniform product reinforces global brand identity, building trust and familiarity among customers worldwide. For example, Coca-Cola maintains a consistent taste and branding across all markets.	***Simplified Operations -*** Standardized production and distribution processes reduce operational complexity and facilitate global supply chain management.

Localized Product Strategy

Example:
McDonald's localizes its menu based on regional tastes and cultural preferences. In India, it offers vegetarian options like the McAloo Tikki burger and avoids beef products, catering to local dietary norms and religious practices.

Challenges:

Higher Costs:
Customization increases production, design, and marketing expenses, reducing cost efficiencies.

Operational Complexity:
Managing multiple product variations complicates supply chains, logistics, and inventory management.

Time-Consuming:
Extensive research and development are required to understand local needs and implement changes effectively.

2. Localized Product Strategy

A localised product strategy involves adapting products to meet the specific needs, preferences, and regulatory requirements of individual markets. This approach places strong emphasis on cultural sensitivity and market relevance, ensuring that products align closely with local consumer expectations.

Under this strategy, products may be modified in terms of design, features, ingredients, packaging, or branding to suit local tastes, usage conditions, or legal standards. Marketing campaigns are also customised to reflect local language, cultural values, and consumer behaviour, making communication more effective and relatable.

Localisation is particularly effective in markets with significant cultural, social, or economic differences, where standardised products may fail to meet consumer expectations. It enables firms to increase customer acceptance, build brand loyalty, and gain a competitive advantage in highly diverse or sensitive markets. However, this strategy often involves higher costs and operational complexity due to multiple product variations and market-specific adjustments.

Advantages Localized Product Strategy

Enhanced Market Fit - Adapting products to local needs improves customer satisfaction and builds loyalty. For example, food companies often adjust flavors to align with local palates.	***Compliance with Local Regulations*** Products modified to meet legal and regulatory standards face fewer barriers to entry.	***Competitive Advantage -*** Tailored products can differentiate a company in competitive markets, appealing to local consumer preferences.

Global Product Strategy

Example:
Coca-Cola exemplifies a global product strategy. The formula remains consistent worldwide, ensuring a unified brand image. However, Coca-Cola adapts its packaging, marketing campaigns, and product variations (e.g., sugar-free options) to align with regional preferences and cultural contexts.

Challenges:

Complex Implementation:
Managing the balance between standardization and adaptation requires careful planning and resource allocation.

Higher Initial Investment:
Extensive market research and development are necessary to determine which features require localization.

Risk of Over-Adaptation or Under-Adaptation:
Excessive focus on localization may dilute global identity, while insufficient adaptation may fail to meet local expectations.

3. Global Product Strategy

A global product strategy blends elements of standardization and localization, creating a core product that remains consistent across markets while incorporating adaptations to meet specific local needs. This hybrid approach seeks to optimize cost efficiency and customer satisfaction.

The product retains a standardized core design but includes localized features, packaging, or marketing to address market-specific demands. Combines global consistency with flexibility to adapt to cultural or regulatory differences.

Balances the advantages of standardization and localization.

Companies targeting universal markets with homogeneous preferences often benefit from standardization.Those entering culturally diverse or highly regulated markets should consider localization to enhance relevance. Businesses seeking to balance efficiency with adaptability may adopt a global product strategy, leveraging a standardized core while catering to local needs. The choice depends on the company's objectives, target market characteristics, and resource availability, ensuring the best alignment with market demands and operational capabilities.

Advantages Global Product Strategy

Cost-Effective Customization - Maintaining a standardized core while adapting certain features minimizes costs compared to full-scale localization.	***Global Brand Identity with Local Relevance -*** A global product strategy ensures a consistent brand image while addressing the unique needs of local customers.	***Scalable and Flexible -*** Companies can efficiently scale their products to new markets while tailoring them as needed.

Key Considerations in Choosing an International Product Strategy

Selecting an appropriate product strategy requires firms to evaluate several important factors. These factors influence the extent to which a product should remain uniform or be adapted for different markets.

Nature of the Product

The characteristics of a product play a major role in determining the level of adaptation required. Products with universal functionality and consistent usage across countries generally require minimal modification. In contrast, products shaped by taste, lifestyle, or cultural values often require adjustments. Some products allow limited adaptation while maintaining a common core design

Market Conditions

Markets vary in terms of consumer preferences, cultural diversity, and regulatory requirements. Homogeneous markets with similar consumer expectations allow firms to operate with fewer product changes. Heterogeneous markets, however, require greater responsiveness to local differences. Some markets reflect global trends while still retaining strong local characteristics.

Company Resources and Objectives

A firm's strategic priorities and resource availability influence product strategy decisions. Companies focusing on cost efficiency and operational simplicity tend to minimise variation. Firms seeking rapid market penetration or higher customer satisfaction may invest more in adaptation. Organisations with strong capabilities often aim to balance efficiency with responsiveness

Product Localisation: Concept and Scope

Product localisation refers specifically to the adaptation of products to suit the requirements of a particular market. It is not a strategy by itself but a response to environmental differences across countries. Localisation decisions are shaped by several external factors.

Factors Influencing Product Localisation

Cultural Factors

Cultural values influence how products are perceived and accepted. Language affects packaging and labelling, while consumer preferences

Factors Influencing Product Localisation

Cultural Factors

Regulatory and Legal Requirements

Market Competition

Technological Infrastructure

Demographics and Geography

Political and Economic Stability

shape product design and features. Religious and social norms also influence product offerings, particularly in food and lifestyle-related products.

Regulatory and Legal Requirements

Each country enforces its own product safety standards, labelling rules, and environmental regulations. Firms may be required to modify product components, packaging materials, or certification details to comply with local laws.

Economic Factors

Differences in income levels and purchasing power affect product pricing and design. In price-sensitive markets, firms may offer smaller package sizes or simplified versions of products. Local sourcing and production are often used to reduce costs and manage price competitiveness.

Market Competition

The level of competition in a market influences the extent of localisation. When competitors offer products tailored to local needs, firms must adapt to remain relevant. Localisation can also be used as a differentiation tool to create a competitive advantage.

Technological Infrastructure

Variations in digital connectivity, energy supply, and utility systems affect product performance and compatibility. Products may require technical adjustments to function effectively in different environments.

Demographics and Geography

Population characteristics such as age structure and lifestyle influence product design and usability. Geographic and climatic conditions affect product durability, packaging, and performance requirements.

Case Study: The "Cool-Breeze" Air Conditioner

Background: Cool-Breeze, a manufacturer based in Germany, produces high-end, energy-efficient air conditioners. They are planning to expand into two new markets: Japan and Brazil.

In Japan: Consumers live in small apartments, value silence, and are very tech-savvy. The government has strict energy-saving regulations.

In Brazil: The climate is extremely humid and salty near the coast. Consumers prefer powerful cooling over energy efficiency, and the price is a major deciding factor.

The Dilemma: The CEO wants to use a Standardization Strategy to keep costs low. However, the Head of Marketing argues that without Adaptation, the product will fail in both markets.

Discussion Questions
Analyze the Situation: Based on the market descriptions for Japan and Brazil, list three specific product features Cool-Breeze might need to adapt for each country.

Standardization Argument: What are two financial benefits Cool-Breeze would gain if they chose to stick to a Standardized Product strategy despite the marketing head's warnings?

Strategic Recommendation: Should Cool-Breeze choose a Standardized, Localized, or Global (Glocal) strategy for this expansion? Justify your choice by referencing the trade-off between Cost and Market Acceptance.

IPLC Connection: If Cool-Breeze air conditioners are currently in the "Maturing Product" stage of the IPLC, how might this influence their decision to start manufacturing units within Brazil rather than exporting from Germany?

Political and Economic Stability

Government policies may encourage local production or partnerships with domestic firms. Economic uncertainty may require firms to introduce more affordable or durable product versions to manage risk and maintain demand.

Conclusion

Product localization is influenced by cultural, regulatory, economic, competitive, and technological factors. Companies must carefully analyse these factors to ensure their products resonate with local consumers, comply with laws, and remain cost-effective. A well-localized product not only enhances customer satisfaction but also strengthens the company's competitive edge in international markets.

Comparative Analysis

Aspect	Standardized	Localized	Global
Cost Efficiency	High	Low	Moderate
Customer	Moderate	High	High
Operational	Low	High	Moderate
Brand	High	Moderate	High
Flexibility	Low	High	Moderate

Table 1.0 Comparative Analysis

Comparison of Standardized, Localized, and Global Product Strategies

Aspect	Standardized Product	Localized Product	Global Product
Definition	Offers the same product with minimal or no changes across all markets.	Adapts the product to meet the specific needs, preferences, and regulations of individual markets.	Combines a standardized core product with localized features to balance consistency and market relevance.
Cost Efficiency	High due to economies of scale in production, design, and marketing.	Low, as customization increases production, marketing, and operational costs.	Moderate, as only selective features or marketing elements are localized, reducing overall costs.
Customer Relevance	Moderate, as the product may not meet specific cultural or functional needs of all markets.	High, as the product is tailored to local preferences and cultural expectations.	High, balancing global appeal with localized relevance.
Brand Consistency	High, ensuring a uniform brand image and identity globally.	Moderate, as different adaptations may dilute the global brand identity.	High, as the core product remains consistent while localized elements enhance relevance.
Operational Complexity	Low, with simplified supply chain, production, and inventory management.	High, as multiple product variations increase logistical and operational challenges.	Moderate, as some degree of localization is managed within a globally standardized framework.
Flexibility	Low, with limited ability to adapt to local market needs or changes.	High, offering flexibility to cater to diverse market requirements.	Moderate, allowing targeted adaptations without overhauling the entire product.
Target Market	Markets with homogeneous preferences, universal needs, or minimal cultural and regulatory differences.	Markets with diverse preferences, strong cultural or regulatory distinctions, and high competition.	Markets requiring both a consistent brand image and some level of customization to maximize market fit.
Examples	Apple's iPhones, Boeing airplanes.	McDonald's regional menus, Nestlé's customized food products.	Coca-Cola's global branding with localized packaging and marketing campaigns.
Advantages	Cost-effective, simplifies global operations, reinforces brand identity.	Enhances customer satisfaction, increases local competitiveness, ensures regulatory compliance.	Balances cost efficiency with customer relevance, maintains a strong global brand while addressing local needs.
Challenges	Limited appeal in culturally distinct markets, regulatory hurdles in some regions.	High costs, operational complexity, potential dilution of global identity.	Requires extensive market research, risk of over-adaptation or under-adaptation.

Table 1.1Comparison of Standardized, Localized, and Global Product Strategies

Examples of Product Localization

Food Industry:
McDonald's adapts its menus worldwide, offering vegetarian options in India, Halal-certified meat in the Middle East, and rice-based dishes in Asian countries.

Automotive Industry:
Toyota adjusts engine specifications, fuel efficiency standards, and interior features based on local environmental regulations and customer preferences.

Technology:
Netflix localizes its content library by adding regional shows and dubbing or subtitling popular content to cater to local audiences.

Cost Implications of Product Localisation

Localisation is essential for adapting products to meet the cultural, regulatory, and functional needs of specific markets. While it improves customer satisfaction and market relevance, localisation also increases costs in several areas of business operations.

1. Product Design and Development Costs

Localisation often requires changes to product design, features, or functionality to suit local preferences or technical standards. These modifications increase research, development, and engineering expenses. For example, products may need adjustments to comply with different technical standards, such as voltage requirements or usage conditions in different countries.

2. Regulatory Compliance Costs

Each country has its own laws and regulations related to product safety, labelling, and environmental standards. Companies must spend on testing, certification, and documentation to meet these requirements. Packaging and labels may also need to be redesigned to include local languages or disclosures, increasing production and compliance costs.

3. Marketing and Advertising Costs

Localised products require market-specific marketing strategies. Advertising messages, slogans, and promotional materials must be adapted to local languages and cultural values. This increases costs for translation, market research, and the use of local marketing agencies. For example, Coca-Cola develops region-specific advertising campaigns to reflect local culture and traditions.

4. Supply Chain and Manufacturing Costs

Localisation can complicate production and distribution. Companies may set up local manufacturing facilities or source materials locally to meet regulations or reduce import duties. Managing multiple product versions also increases inventory, warehousing, and logistics costs.

Test Yourself

Explain the fundamental difference between a Standardized strategy and a Localized strategy using the concept of "Economies of Scale."

If a company keeps its brand name and logo the same worldwide but changes the ingredients to suit local religious laws, is this Standardized, Localized, or Global (Glocal)?

Why might a "Global Product" strategy be more difficult to manage than a purely "Standardized" one?

5. Customer Support and After-Sales Service Costs

Localised products require customer support in local languages. User manuals, technical support, and after-sales services must be adapted to each market. This increases costs related to staff training and service infrastructure. For example, Microsoft provides localised software versions and customer support in different regions.

6. Training and Workforce Development Costs

Firms often need local employees who understand market conditions and cultural practices. Training programmes must be adapted to local languages and work cultures, increasing human resource and training expenses.

7. Time-to-Market Costs

Localisation can slow down product launches due to longer development and regulatory approval processes. Delays in entering the market may result in higher opportunity costs and slower revenue generation.

Although localisation enhances market acceptance and competitiveness, it significantly increases costs related to product development, compliance, marketing, operations, and support services. Firms must carefully balance the benefits of localisation against its financial and operational implications when designing Product Standardization

Features Product standardization

Uniform Design and Features
Products maintain the same specifications, quality, and appearance across markets, ensuring consistent customer perception globally.

Consistent Branding and Marketing
Brand names, logos, and promotional messages remain largely identical, reinforcing a cohesive global brand image.

Economies of Scale
Large-scale production and standardised processes reduce unit costs through efficient manufacturing and distribution.

Advantages of Product Standardisation

Cost Efficiency
Bulk production, streamlined operations, and unified marketing significantly reduce production and operational costs.
Example: Apple maintains a consistent iPhone design worldwide, lowering manufacturing complexity.

Strong Global Brand Identity
Standardisation strengthens brand recognition and trust by delivering a consistent experience across markets.
Example: Coca-Cola offers the same core product formula globally.

Simplified Supply Chain
Fewer product variations lead to easier inventory management, logistics, and quality control.

Faster Market Entry
Minimal adaptation allows firms to launch products more quickly in new international markets.

Global Product Strategy: Standardisation vs. Adaptation

When expanding into international markets, firms face a fundamental strategic dilemma: whether to standardise their offerings for global efficiency or adapt them to meet local demands. This decision is rarely binary; instead, it involves a spectrum of choices influenced by the nature of the product, the diversity of the target markets, and the organisation's overarching goals.

The Case for Product Standardisation

Product standardisation involves offering a uniform product across all markets with little to no modification. This strategy emphasises consistency in design, branding, and packaging, ensuring that every customer—regardless of geography—receives an identical experience.

Standardisation is most effective for products with universal appeal, where consumer needs are relatively homogeneous. The primary driver here is economies of scale; by producing a single version of a product, companies can significantly reduce manufacturing, research, and development costs.

The Risks of a "One-Size-Fits-All" Approach

While using the same product everywhere is efficient, a rigid standardisation strategy has several major drawbacks:

Lower Local Appeal: A product that ignores local habits or needs may fail to satisfy customers. If a company does not pay attention to these small details, they may lose customers to "agile" local competitors—smaller businesses that are quicker to change and better at understanding what the local people want. **Legal and Safety Barricades**: Every country has its own set of rules. A standard product might be banned or blocked from a market if it does not *meet local health, safety, or environmental laws. For example, a car made for one country might have different light or seatbelt requirements in another.* **Cultural Mistakes***: Marketing the exact*

Industries and Examples

Technology
Standardization is common in the tech industry, where products like smartphones, laptops, and software have universal functionality.
•Example: Microsoft offers the same core operating system worldwide, with only minor localization for languages and regions.

Luxury Goods
High-end brands often maintain consistent designs and branding to uphold their global prestige.
Example: Gucci's handbags retain uniform designs globally, appealing to affluent customers worldwide.

Industrial Products
Standardization works well for industrial equipment and machinery, where operational standards are consistent across markets.
Example: Boeing aircraft maintain uniform specifications to comply with international aviation standards.

same message everywhere can lead to "cultural insensitivity." A slogan or an image that works well in one country might accidentally offend people or clash with traditions and social norms in another, damaging the brand's reputation.

The Strategy of Product Adaptation

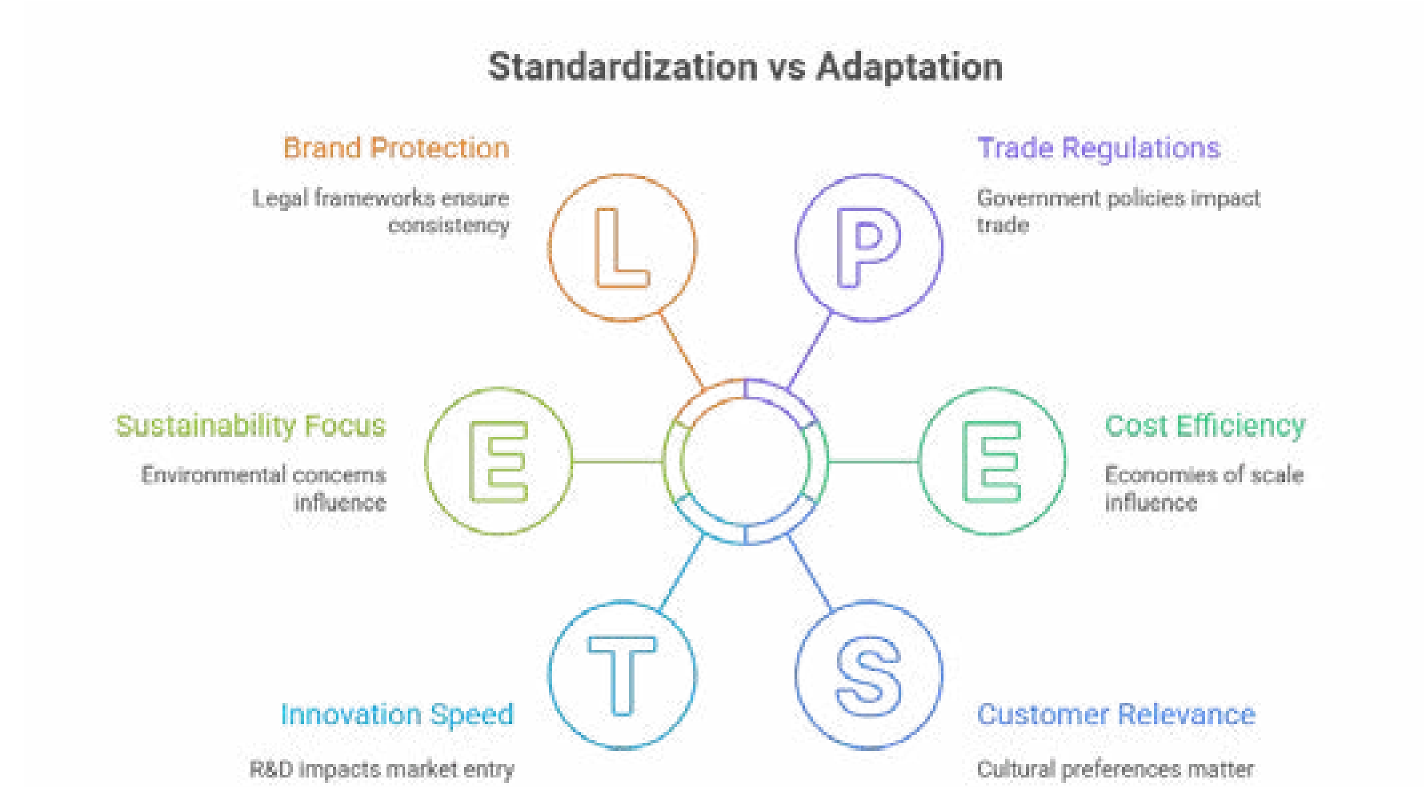
Product adaptation is the process of modifying a product to align with the cultural, legal, or functional requirements of a specific foreign market. This approach prioritises customer-centricity over operational simplicity

Adaptation is essential in sectors like food, beverage, and beauty, where tastes and rituals vary wildly between borders. By tailoring the product, firms can achieve deeper market penetration and foster stronger brand loyalty.

The Costs of Being Flexible

While changing a product makes it more attractive to local buyers, it also creates several "operational hurdles"—difficulties in how the business actually runs:

Higher Spending: Customising products always costs more. Every time a company changes a product, they have to pay for new research, create special packaging,



Features Product Adaptation

1. Customization for Local Preferences
Products are adjusted to meet unique cultural tastes, traditions, or expectations, enhancing their appeal to local consumers.

2. Compliance with Local Regulations
Products are adapted to meet legal, safety, and environmental standards specific to each market.

3. Market-Specific Branding and Marketing
Advertising campaigns and product positioning are customized to resonate with local audiences, considering cultural norms and language differences.

Advantages of Product Adaptation

1. Enhanced Customer Satisfaction
Adapting products to local needs, tastes, and usage conditions increases customer acceptance, trust, and loyalty. Consumers are more likely to purchase products that reflect their cultural preferences and lifestyle.
Example: Nestlé offers region-specific instant noodle flavours, such as spicier variants in Southeast Asia and milder flavours in Europe, to suit local tastes.

2. Improved Market Penetration
By addressing local preferences and market requirements, product adaptation enables firms to attract a broader customer base and increase market share.
Example: McDonald's adapts its menu globally by offering vegetarian options in India and rice-based meals in several Asian markets.

3. Regulatory Compliance
Product adaptation ensures compliance with local laws, safety standards, and regulatory requirements, reducing the risk of penalties, product rejection, or market withdrawal.
Example: Pharmaceutical companies often reformulate products to meet different dosage guidelines and approval standards set by national health authorities.

4. Competitive Advantage
Customised products help firms differentiate themselves in highly competitive markets, making their offerings more relevant than standardised alternatives.
Example: Starbucks introduces region-specific beverages, such as Matcha Lattes in Japan and Churro Frappuccinos in Mexico, to appeal to local consumer preferences.

and pay for different advertising campaigns. These extra costs can eat into the company's profits. **A Messy Supply Chain**: Managing many different versions of a product makes it much harder to track stock and ship items. This often leads to a slower "time-to-market," meaning it takes much longer for the product to actually reach the shop shelves in that country. **Losing the Brand's Identity**: There is a danger of "over-adaptation." This happens when a product is changed so much that it no longer looks or feels like the original brand. If the changes are too big, international customers might get confused about what the brand stands for.

The Hybrid Model: "Glocal" Integration

In modern international business, the most successful firms rarely choose one extreme. Instead, they adopt a Hybrid Strategy—often referred to as "Glocalisation." This model maintains a standardised foundational product while selectively localising features that matter most to the local consumer.

Industry Applications of the Hybrid Model

The Automotive Industry: Toyota

Toyota exemplifies the hybrid approach by using standardised vehicle platforms and global manufacturing processes to ensure consistent quality and cost control. However, the company is highly sensitive to regional environments; it might prioritise hybrid engines for the environmentally conscious European market while focusing on rugged, fuel-efficient gasoline models for the price-sensitive and demanding terrains of India or Southeast Asia.

The Food and Beverage Industry: Coca-Cola and McDonald's

These giants maintain a standardised "taste" or operational system while localising the periphery. Coca-Cola keeps its secret formula consistent but adapts bottle sizes and marketing campaigns for local festivals like Diwali or Lunar New Year. McDonald's maintains its world-famous operational efficiency but replaces beef with vegetarian options like the McAloo Tikki in India to respect religious norms,

and introduces Matcha McFlurries in Japan to cater to local palates.

The Technology Industry: Microsoft and Samsung

Microsoft provides a standardised ecosystem with Windows and Office 365, ensuring that a document created in London opens perfectly in Beijing. Yet, they localise the experience through region-specific templates, currency symbols, and—most crucially—legal compliance. In China, Microsoft collaborated with local firms to meet strict data sovereignty laws. Similarly, Samsung standardises its hardware design but adapts software features, such as dual-SIM slots for markets with multiple telecom providers or pre-installed local apps like WeChat.

The Retail and Fashion Industries: IKEA and Zara

IKEA maintains its iconic flat-pack system and self-assembly model globally to keep prices low. However, they adapt store layouts and product sizes; for example, designing multifunctional furniture for tiny Japanese apartments or stainless steel kitchenware for the Indian market. Zara standardises its fast-fashion supply

5. Increased Revenue Opportunities
Product adaptation allows companies to enter and succeed in markets that may reject standardised products, thereby unlocking new revenue potential.
Example: Toyota modifies vehicle specifications, including engine performance and climate control systems, to suit regions with extreme weather conditions, increasing sales in diverse markets.

Standardization vs. Adaptation

Standardization:
A tech company like Apple sells the same iPhone model globally with minimal changes.

Adaptation:
Nestlé introduces distinct flavors of KitKat, such as Green Tea in Japan and Wasabi in South Korea, to cater to local tastes.

chain but adjusts its inventory based on climate and culture, offering heavier coats in northern latitudes and modest fashion collections in Muslim-majority regions.

Balancing Efficiency with Relevance

The choice between standardisation and adaptation is a strategic balancing act. Standardisation offers the beauty of simplicity and cost efficiency, while adaptation provides the strength of local relevance and competitive differentiation. By employing a hybrid strategy, global businesses can leverage their international scale without losing the "local touch" that turns a global brand into a local favourite.

Management of International Marketing Channels

Direct Selling Channels

Direct selling is like building your own bridge to a foreign land. Instead of letting someone else handle the sale, the company reaches out across the sea to talk directly to the overseas buyer. This might mean a Japanese electronics firm selling laptops through its own website to a student in the UK, or a German car manufacturer setting up its own showrooms in Malaysia.

Direct Contact with Overseas Intermediaries or Consumers

In this model, the company removes the "middleman" located in their own home country. They speak directly with the people who matter most: the foreign distributors who will move the goods locally, or the actual families and businesses who will use the product. By using their own sales teams, company-owned websites, or international trade shows, the business becomes the primary face of the brand.

Define Standardization and give one reason why a company might choose this approach.

Why is Adaptation considered essential for food and beverage companies like McDonald's or Coca-Cola?

What is Glocalization? Provide an example of a brand that "thinks global but acts local."

Management of international pricing is a "balancing act." A manager must set a price high enough to make a profit (Company factors), low enough to attract customers (Market factors), and flexible enough to survive economic changes (Environmental factors).

For instance, a luxury handbag maker might choose to open its own "Flagship Store" in Paris or Tokyo. Because they are the ones talking to the customer, they hear feedback instantly. If customers in Tokyo think the bag is too heavy, the company knows on day one, rather than waiting months for a report from an agent.

Requiring More Time and Cost

Building your own bridge is never cheap or fast. Direct selling is "resource-intensive," meaning it demands a lot of money, people, and patience. A company cannot simply ship a box and walk away; they must hire local staff who speak the language, rent warehouses to store goods, and learn the complicated customs laws of the new country themselves.

A global tech leader like Apple spent years and billions of pounds building its own retail stores around the world. While this was much more expensive than just selling iPhones through local supermarkets, it allowed them to create a specific "Apple experience" that a supermarket could never provide. The "time-to-market" is often longer because the company has to do all the heavy lifting—from market research to setting up physical offices—on its own.

Better Control

The greatest reward for the extra time and money spent is control. When a company sells directly, they own the customer experience from start to finish. They decide the exact price, how the product is displayed on the shelf, and how the staff explains the features to the customer. Think of an electric car company like Tesla. By selling directly through their own website and showrooms, they ensure that the price is the same for everyone and the brand message never gets "diluted" or confused by a third-party dealer who might also be trying to sell a competitor's car. This direct link also means the company keeps the entire profit for itself, rather than giving a "cut" or commission to a middleman.

Indirect Selling Channels: The Shared Journey

Indirect selling is the "easy-entry" path. Here, the company uses an intermediary—usually based in their own home country—to do the hard work of finding buyers overseas. It is a popular choice for smaller businesses or those testing a new market for the first time.

Selling through Home-Country Intermediaries

In this scenario, the manufacturer sells its goods to an export agent or a trading company right in its home city. That intermediary then takes the responsibility of shipping the goods and finding buyers in foreign markets. The manufacturer essentially treats the international sale like a local one. A small organic jam maker in Scotland might sell its entire stock to an export agent in London, who then handles the task of getting those jars onto breakfast tables in Dubai.

Simple and Inexpensive

Indirect selling is the most cost-effective way to go global. Because the company uses the existing networks, warehouses, and staff of the

Explain the main difference between a Direct Selling Channel and an Indirect Selling Channel.

Why would a luxury brand (like Tesla or Apple) prefer to use a Direct Channel instead of hiring an agent?

List two types of Intermediaries and explain whether they belong to a direct or indirect channe

intermediary, they don't have to spend money setting up an office in another country. It is a "low-risk" strategy; if the market doesn't like the product, the company hasn't lost millions in infrastructure costs.

Lack of Marketing Control

The trade-off for this simplicity is a loss of power. Once the product leaves the factory, the company has very little say in how it is marketed or priced. The intermediary might sell the product at a very high price to make a quick profit, which could hurt the brand's reputation. Furthermore, because there is no direct contact with the foreign customer, the company is "blind" to market trends. They won't know why a product is failing or succeeding because the middleman holds all the information.

Types of Intermediaries

Direct Channels

In a direct channel, there are no independent middlemen. The company owns every step of the journey. The "intermediaries" here are actually part of the company itself.

E-Commerce & Digital Platforms - The company sells through its own website. For example, a student in Italy buys a pair of trainers directly from Nike.com. *Foreign Sales Branches* - Instead of hiring a local company, the business opens its own office in the new country. This office is staffed by the company's own employees. *Company-Owned Retail Stores* - The brand builds its own shops. A famous example is Apple; when you buy an iPhone in a glass-walled

Apple Store in London, you are using a direct channel. *Direct Sales Force* - The company sends its own sales team to visit big clients overseas, such as an airplane maker like Boeing sending its staff to talk directly to Malaysia Airlines.

Indirect Channels

In an indirect channel, the company hires "third-party" partners. These are separate businesses that help find customers and deliver the goods. These are often split into Home-Country and Foreign partners.

Home-Country Intermediaries (The "Guide" at home) -

These partners are based in the company's own country and handle the "exporting" for them.

- ***Export Management Companies*** (EMC): Think of them as an "outside export department." They don't buy the goods, but they act as your agent to find buyers and handle all the paperwork for a commission.
- ***Export Trading Companies*** (ETC) - These companies actually buy the products from you in bulk and then sell them overseas under their own name. This is very low-risk for the manufacturer.
- ***Export Agents/Brokers*** - These are people who connect a seller in one country with a buyer in another. They don't touch the product; they just "make the deal" happen and take a small fee.

Foreign Intermediaries (The "Guide" abroad)

These partners are based in the target country and understand the local market perfectly.

- ***Foreign Distributors*** - They buy the goods from the manufacturer and store them in their own local warehouses. They take "title" (ownership) of the goods and are responsible for selling them to local shops.

- ***Overseas Retailers*** - Large supermarkets or department stores (like Walmart in the US or Tesco in the UK) that buy directly from a foreign manufacturer to put the items on their shelves.
- ***State-Controlled Trading Companies*** - In some countries, the government controls all imports. A company must sell to these government-run agencies if they want to enter that specific market.

Pricing Management for International Markets

In your home country, setting a price might seem simple: you calculate your costs, add a profit margin, and check what the shop next door is charging. However, when a business crosses international borders, pricing becomes one of the most difficult puzzles to solve.

International pricing management is the process of coordinating prices across different countries while dealing with different currencies, laws, and living standards. A company must decide if they want to have one price for the whole world or different prices for different people.

The "Global Price" Challenge

Imagine a global brand like Apple or Starbucks. If they charge the exact same price in London as they do in Vietnam, the product might be affordable for a Londoner but cost an entire month's salary for someone in Hanoi. On the other hand, if they make the product very cheap in

Identify one Environmental Factor that could force a company to increase its prices in a foreign country.

Explain Price Escalation. Why does a product often cost more in a foreign country than in its home country?

Match the pricing strategy to its definition:

Ethnocentric: ___________

Polycentric: ___________

Geocentric: ___________
(Options: One price for all / Localized prices / Balanced regional price)

Vietnam, people from other countries might try to buy them there and ship them back home to sell for a profit (this is known as the "Grey Market").

Why Pricing Matters

Pricing is more than just a number on a tag; it is a communication tool

Positioning - A high price tells the customer the product is "premium" or "luxury."

Survival - In highly competitive markets, a lower price might be the only way for a new brand to get noticed.

Compliance - In many countries, the government watches prices closely to ensure they are fair and that the company is paying the correct amount of tax.

Managing international prices requires a delicate balance. If the price is too high, you lose customers. If it is too low, you lose profit. To find the "sweet spot," managers must look closely at the factors that pull prices up or push them down

Factors Affecting International Pricing Decisions

Company and Product Factors

These are internal factors that come from within the business itself. The company must first look at its own goals and the nature of what it is selling.

Cost of Production and Exporting - This is the "floor" of the price. If it costs £10 to make a product, £2 to ship it, and £1 for insurance, the company cannot sell it for less than £13 without losing money.

Company Objectives - Is the goal to "penetrate" the market (start with a low price to get lots of customers quickly) or to "skim" the market (start with a high price for a luxury feel)? For example, Netflix often offers lower introductory prices in new markets like India to build a large subscriber base.

The Price Floor and Ceiling

The Price Floor
This is the minimum price, usually determined by the company's costs. You cannot go below this without losing money.

The Price Ceiling
This is the maximum price, usually determined by the market and demand. Customers will not pay more than this, no matter how good the product is.

Product Life Cycle - If a product is brand new and high-tech, the price is usually high. As it gets older and competitors make similar items, the price usually drops.

Product Uniqueness - If a product is one-of-a-kind, the company has more power to set a high price. If it is a basic item like a white T-shirt, the price must stay competitive.

Market Factors

These factors relate to the customers and the competitors in the foreign country.

Consumers' Ability to Pay - This is linked to the "Purchasing Power" of the local people. A luxury car brand like BMW must consider the average income in a country before setting its local price. In a developing economy, they might offer a "stripped-back" model to make it affordable.

Competitor Prices - A company cannot ignore what others are charging. If Coca-Cola is significantly more expensive than Pepsi in a specific country, they will likely lose customers unless they can prove their drink is much better.

Demand Elasticity - This is a fancy way of asking: "If we raise the price, will people stop buying?" For essential goods like medicine, people will keep buying even if the price goes up. For luxury goods like designer handbags, a small price hike might cause sales to drop.

Environmental Factors

These are external forces that the company cannot control. They are often the most difficult part of international pricing.

Exchange Rate Fluctuations - This is the risk of "currency moving." If the US

Dollar becomes much stronger than the Malaysian Ringgit, products imported from the US will suddenly become more expensive for Malaysians, even if the company didn't change the original price.

Government Regulations and Taxes - Some governments set "Price Ceilings" (a maximum price) on essential goods like bread or fuel. Additionally, Import Duties (taxes on goods coming into the country) can force a company to raise its prices just to cover the tax.

Inflation Rates - In countries where prices rise very quickly (high inflation), companies must update their prices almost every month to ensure they can still afford to buy new materials.

Distribution Channels - As we discussed in the previous chapter, if a company uses many intermediaries (Indirect Selling), each middleman adds their own "markup" or profit margin. This makes the final price to the customer much higher—a problem known as Price Escalation.

Approaches to International Pricing Strategies

Standardisation (Ethnocentric Pricing)

Standardisation, or ethnocentric pricing, is built on the idea that a brand's value should be the same everywhere. In this model, a company sets a single price—usually based on the currency and costs of its home country—and applies it to every international market. The core belief here is that if a product is truly superior

or unique, customers will pay the price regardless of local competition.

This approach is most common for luxury and high-tech brands that want to maintain a prestigious image. For instance, Apple maintains a largely standardised pricing model for the iPhone. While prices may shift slightly due to local taxes, the "base price" is kept consistent globally. This protects the brand's status; a customer in Malaysia knows that an iPhone is a premium product just as it is in the US. However, this strategy can be risky because it ignores "purchasing power." A price that is easy for a Swiss customer to pay might be impossible for a customer in a developing nation, effectively locking the company out of those markets.

Adaptation (Polycentric Pricing)

The adaptation approach, known as polycentric pricing, takes the opposite view. It assumes that every country is a unique "island" and that local managers should have the power to set their own prices. This philosophy prioritises market share over global consistency. The company "blends in" with the local economy by pricing products based on wht local people can afford and what local competitors are charging.

This is the standard strategy for consumer goods like food, clothes, and furniture. IKEA provides a strong example: while their furniture designs are identical globally, their prices are adapted significantly. In China, IKEA may lower its prices to compete with local manufacturers and appeal to the growing middle class. In Germany, those same products might be priced higher because the consumers are wealthier and the costs of running the business are greater. While this helps IKEA win local customers, it can lead to "grey markets" where people buy goods in a low-price country to resell them in a high-price country.

Invention (Geocentric Pricing)

Invention, or geocentric pricing, represents a sophisticated middle ground. Rather than being purely global or purely local, the company tries to strike a balance. The headquarters provides a general "pricing framework" (such as a minimum profit margin), but local offices are allowed to "invent" a specific price that suits their local competitive environment.

A classic example of this is McDonald's. While the "Big Mac" is a global symbol, its price is not the same everywhere. The company uses a global standard for quality, but the final price is calculated based on local costs and what the local consumer considers a "fair deal." This is famously tracked by the "Big Mac Index," which shows how the price of the burger changes from country to country. This hybrid strategy allows McDonald's to maintain a strong global brand while ensuring their restaurants are always full of local families who feel the price is reasonable for their specific city.

International Promotion Strategies

Managing promotion on a global scale involves choosing the right tools, deciding how much of the message should stay the same, and leveraging the power of the internet to reach audiences instantly.

Promotional Tools

To build brand awareness and drive sales, international marketers use a "mix" of different tools. Each tool serves a different purpose depending on the target market and the nature of the product.

Advertising

This is the most visible tool, using mass media like television, billboards, and magazines to reach a wide audience. For example, Nike uses high-energy TV adverts featuring global athletes to inspire consumers everywhere.

Sales Promotion

These are short-term incentives to encourage immediate buying, such as "buy one get one free" offers or seasonal discounts. In Malaysia, many brands offer special sales promotions during the Hari Raya or Chinese New Year festive seasons.

Public Relations (PR)

This focuses on building a positive image for the company. A global firm like Coca-Cola often engages in community projects, such as water conservation programmes, to show they are a responsible "global citizen."

Personal Selling

In some industries, especially for expensive machinery or high-end luxury goods, the company uses a sales force to meet clients face-to-face. A company selling industrial engines would rely more on personal selling than on a TV advert.

Advertising Standardisation

One of the biggest debates in international marketing is whether to use the same advert everywhere (Standardisation) or create different ones for each country (Adaptation).

Standardisation (The "Global" Message)

This approach uses the same theme, copy, and visual elements worldwide. Companies like Rolex or Louis Vuitton standardise their advertising to maintain a consistent, high-end image. Since the

Globalization
The process by which businesses and cultures across the world become more connected. In marketing, it refers to a brand's ability to sell its products in almost every country on Earth, creating a "borderless" world.

Netflix is a globalized brand. Whether you are in New York or Kuala Lumpur, you use the same app interface to watch a mix of Hollywood movies and local shows.

Glocalization (Think Global, Act Local) A combination of "Globalization" and "Localization." It is the strategy of keeping a brand's global power while changing small details to fit local tastes.

KFC is a global brand with a standardized bucket and logo. However, in Malaysia, they serve rice and sambal alongside the chicken, while in China, they serve egg tarts. it.

luxury appeal is universal, they save money by creating one high-quality campaign that works in London, Dubai, and Singapore.

Adaptation (The "Local" Message)

This approach changes the advert to fit the local language, culture, and humour. For instance, KitKat in Japan is marketed with flavours and packaging that celebrate local traditions (like Cherry Blossom or Matcha), which is very different from its marketing in the UK. By adapting, the brand feels more like a "local friend" rather than a distant foreign company.

Digital Marketing Strategy

The rise of the internet has transformed how international promotion works. Digital marketing allows even small businesses to reach a global audience at a much lower cost than traditional TV ads.

Social Media Engagement

Platforms like Instagram, TikTok, and Facebook allow brands to interact with customers in real-time. A fashion brand can use local "influencers" in different countries to show how their clothes fit into the local lifestyle.

Search Engine Optimisation (SEO)

This ensures that when a customer in Germany or Brazil searches for a product, the company's website appears at the top of the results. This often requires "localising" keywords to match how people search in their own language.

Targeted Content

Digital marketing allows for extreme precision. A company like Netflix uses data to show different "movie trailers" to different users based on their past viewing habits, regardless of what country they are in.

Case Study

The "Lost in Translation" Lesson
Brand: Pepsi
Market: China
The Mistake: In the 1960s, Pepsi launched its global campaign with the high-energy slogan: "Come Alive with the Pepsi Generation!"

When they brought this campaign to China, they used a direct translation. Unfortunately, the phrase "Come Alive" was translated into Mandarin as "Pepsi brings your ancestors back from the grave." In a culture that has deep respect and religious devotion to their ancestors, this wasn't just a funny mistake—it was seen as creepy and disrespectful.

The Fix: Pepsi had to quickly pull the campaign and hire local experts to "Transcreate" the message (meaning to translate the idea rather than the words). They changed their focus to youth culture and modern energy, which felt much more natural and respectful to the local audience

Question
Name three Promotional Tools used by international marketers.

What is the risk of using Standardized Advertising without researching local culture?

Define Transcreation and explain why it is more effective than simple translation.

Mistakes to Avoid in International Promotion

When moving a promotional campaign across borders, managers must be careful not to fall into these three "traps":

The Translation Trap

Literal translations often fail because they miss local slang or double meanings. When KFC entered China, their famous slogan "Finger-lickin' good" was accidentally translated as "Eat your fingers off." It sounded painful rather than delicious!

The Symbolism Trap

Colours, numbers, and images have different meanings in different cultures. In many Western countries, white represents purity and is used for weddings. However, in parts of Asia, white is the colour of mourning and is used for funerals. A "white-themed" wedding advert would feel very sad in those markets.

The Values Trap

What one culture considers "humorous" or "cool" might be seen as offensive in another. An advert showing someone being late for a meeting might be seen as a funny, relatable moment in the UK. But in a culture like Germany or Japan, where punctuality is a sign of deep respect, the same advert could make the brand look unprofessional and rude.

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Case Study

The Case of “Solar-Go” Portable Power
Background: Solar-Go, a Swedish tech startup, has invented a high-efficiency portable solar charger. It was a massive success in Sweden (Introduction Stage). As they enter the Growth Stage, they are looking at two very different markets: Norway and Kenya.

Market A (Norway): High income, eco-conscious, used for mountain hiking. Customers want sleek design and integration with high-end smartphones.

Market B (Kenya): Emerging economy, used as a primary light source in rural areas without electricity. Customers need durability, a built-in LED flashlight, and a very low price point.

The Strategy Dilemma: The production manager wants a Standardized Product to keep manufacturing costs low in Sweden. The marketing team argues for a Localized Product for Kenya to ensure it is affordable and functional for rural needs.

Case Study Tasks

IPLC Application: Using the International Product Life Cycle theory, at what stage should Solar-Go consider moving its manufacturing from Sweden to a country like Kenya or Vietnam?

Strategy Determination: * If Solar-Go decides to use the same sleek design in Kenya but adds a simple “rugged cover” and a flashlight, which of the three international strategies (Standardized, Localized, or Global) are they using?

What is the main risk of using a Standardized strategy for the Kenyan market?

Standardization vs. Adaptation: * List two Mandatory adaptations Solar-Go might face (e.g., technical standards or legal requirements).

List two Discretionary (optional) adaptations that could help them sell more units in Norway.

Recommendation: You are the consultant. Would you recommend Solar-Go use a Standardized or Adapted approach for their “instruction manual” and “packaging”? Justify your answer based on cost and consumer culture.

International Marketing Strategy

e ISBN 978-629-7678-14-6

POLITEKNIK MELAKA
(online)