

PRODUCT MODIFICATION STRATEGIES USED BY FOOD COMPANIES FOR FAST ENTRY INTO NEW GEOGRAPHIC SEGMENTS

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ABSTRACT

This paper examines product modification strategies and techniques used by food companies to gain entry into new geographic market segments. Interviews were conducted with international and regional companies of all sizes marketing in Asia-Pacific and included companies from Europe, North America, Middle East, and Asia-Pacific (A-P). The findings suggest that product modification has been utilised in the Asia-Pacific region.

PRODUCT MODIFICATION

The issue of global standardization centers around the use of straight product extension versus product adaptation for different market segments (Levitt 1983, Terpestra 1991). The concept for this research was formulated while trying to identify products that were modified for the A-P market. Kawanaka and Sasaki (1991) at Kao, a large Japanese consumer product firm, suggested that vast cultural differences exist in how persons use consumer products, i.e. detergents and shampoos. This led us to hypothesize that food preferences and the way people use foods could also vary and that modification might be necessary for some food products to gain acceptance in the A-P market (Crippen & Oates 1992, 1993). This research suggested that food product modification is often used to help gain product acceptance in the A-P market.

Food marketing development efforts have accelerated in many Asia-Pacific countries due to the increased spending power of an enormous number of potential consumers. Increases in the number of working women has created a big demand for processed foods especially in Hong Kong, Japan, Korea, Malaysia, Taiwan, Thailand, and Singapore. The number of urban supermarkets is growing as is the use of television to advertise food products. Large populations with increasing incomes are found in the PROC, Indonesia, and India; the latter has the world's largest number of middle class consumers (Fortune 1992). Companies with flat competitive home markets i.e. from Europe or North America are entering new geographic areas with fast growing markets which offer long term potential. Asia-Pacific with a large population, increasing urbanisation and rising personal incomes, has become a target for many companies. Some have chosen to enter the Asia-Pacific through countries such as Singapore where English is the major business language. Early entrants realized that it was necessary to quickly get into A-P markets in order to establish local business relationships, to learn how to do business, to develop brand awareness and consumer loyalty. There is much growth in food markets in many regions, especially the Asia-Pacific, which has the highest growth rate in consumption of food in the world (Singapore Business 1993). However Selwyn (1991) advised that there is a narrow window of opportunity.

Asia-Pacific in particular puts great demands on food companies seeking to enter its markets, often requiring products to be modified in terms of taste and flavour. Foods marketed in certain areas of the A-P, i.e. Japan require higher aesthetic standards for packaging. High temperature and humidity place additional strains on the product. Many fast food chains have had to introduce new items or modify products for the A-P market (Kotler 1991). For example, the Rendang and Samurai burger and the Kaya McMuffin.

Many companies are doing more than just putting their current products on the shelves around the world. International food giants

such as Campbell's (Selwyn 1991 and Engardio 1993) and Nestle (Heer 1991) and other smaller companies such as Yeo's are modifying products to suit different consumer taste pallettes which characterise the different regions within the A-P where variations due to ethnic, religious, and other cultural variables influence taste preferences. Sensory evaluation literature suggests that there are differences in product acceptability based on taste, flavor, and texture (Graf 1991).

Campbell's Soup research and development office for the A-P region in Hong Kong uses a strategic approach to new product development. Some products are transferred directly i.e. tomato soup while other products require short, medium, or long term development efforts. Products requiring less development effort such as a spicier chicken broth, a staple in Chinese and other regional cuisines, has been introduced quickly into the market to establish a market presence and to create repeat purchases. Working women have less time to make homemade style chicken broth, which requires hours of preparation as do the double-boiled style Chinese soups i.e. water-cress and duck gizzard. Campbell's introduced the latter type under Swanson label; these soups probably required a medium amount of effort to bring to market. Longer range developments are in process in their regional laboratory where a panel of local taste testers can be utilised. They realised that in order to be successful in markets where taste preferences vary from the west, they needed to modify some items from their product line to be successful in these market.

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