Chapter 21

International Marketing

This Chapter discusses the diverse options of standardising versus adapting the marketing strategy in the context of the international marketing mix. International marketing mix strategies are presented in relation to their component strategies, i.e. international product strategy, international pricing strategy, international communication strategy and international sales and distribution strategy.

International Marketing Strategy

One of the most frequent motives for internationalisation is the search for new markets (see Chapter 4). An international marketing strategy brings *customer focus* to the firm's international strategy. International marketing, in general, is concerned with identifying, measuring and pursuing *market opportunities* abroad. It implies "the application of marketing orientation and marketing techniques to international business" (Mühlbacher/Leihs/Dahringer 2006, p. 38) and alludes to the *positioning* of the MNC itself and its products and services in foreign markets (Cavusgil/Knight/Riesenberger 2014, pp. 499-500).

Basic Strategy Types

The basic types of international marketing strategies can be classified according to the integration/responsiveness-framework (see Chapter 2):

- *International marketing strategy*: This type of marketing strategy can be considered an *ethnocentric* marketing strategy, and is characterised by the application of the marketing strategy of the home country to all foreign markets without adaptation to the local environment. It represents a standardised approach to marketing that is referred to as "*transference*", i.e., the marketing strategy that has been developed for the home market is transferred to (all) other markets (Shoham/Rose/Albaum 1995, p. 15).

- *Global marketing strategy*: The global marketing strategy is associated with a firm's commitment to coordinate its marketing activities across national boundaries in order to satisfy global customer needs (Hollensen 2014, p. 7). Global marketing is associated with a *standardised* approach, i.e., a marketing strategy being applied in multiple markets at the same time (Shoham/Rose/Albaum 1995, p. 15) with the objective of achieving global efficiency and economies of scale.

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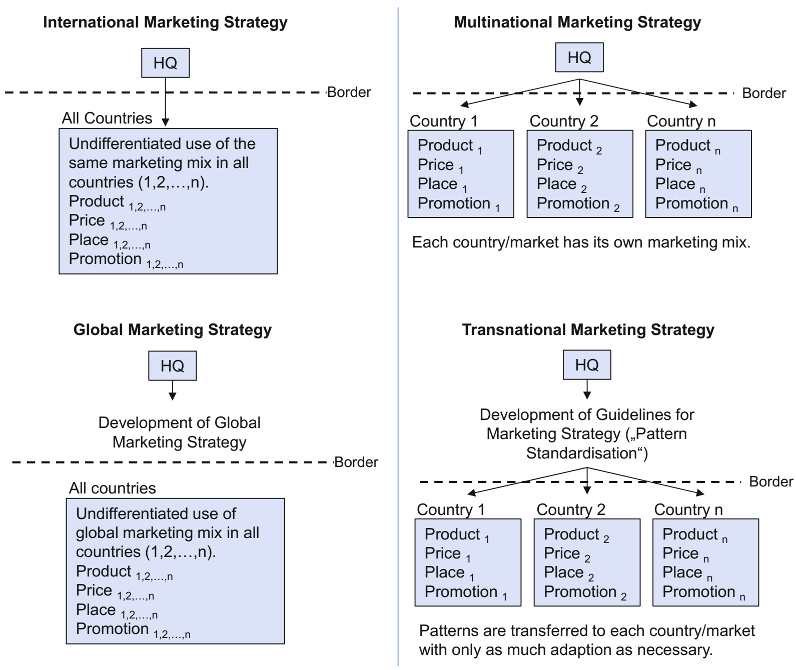
- *Multinational marketing strategy*: Multinational marketing strategies focus on the diversity of international marketing and imply a strong adaptation to the needs of each market. Thus, *individual marketing programmes* are developed for each individual market, with a multitude of diverse marketing programmes being applied simultaneously.
- *Transnational marketing strategy*: The transnational marketing strategy implies the combination of global efficiency and multinational diversity with a strategy that strives to satisfy the mantra "think globally, act locally". This strategy is sometimes referred to as "*glocalisation*".

This classification of marketing strategies (see Figure 21.1) centres on the basic decision between *standardising* and *adapting* the marketing strategy, marketing processes or marketing programme to local needs.

Figure 21.1 *Classification of Marketing Strategies*



Source: Adapted from Hollensen 2014, p. 474.

Standardisation vs. Differentiation

The two sides of the market globalisation debate started by Levitt (1983; see Chapter 2) are local marketing versus global marketing and focus on the central question of whether a *standardised* (global) or a *differentiated*, country-specific marketing approach is better. The main factors that favour standardisation versus local adaptation (differentiation, customisation) of marketing strategies are summarised in Table 21.1.

Selected Factors Favouring Standardisation vs. Differentiation — *Table 21.1*

Factors Favouring Standardisation	Factors Favouring Differentiation
• economies of scale, e.g. in R&D, production and marketing (experience curve effects) • global competition • convergence of tastes and consumer needs (consumer preferences are homogeneous) • centralised management of international operations (possible to transfer experience across borders) • a standardised concept is used by competitors • high degree of transferability of competitive advantages from market to market • easier communication, planning and control (e.g. through Internet and mobile technology) • stock cost reduction	• local environment-induced adaptation, e.g. government and regulatory influences, legal issues, differences in technical standards (no experience curve effects) • local competition • variation in consumer needs (consumer needs are heterogeneous, e.g. because of cultural differences) • fragmented and decentralised management with independent country subsidiaries • an adapted concept is used by competitors • low degree of transferability of competitive advantages from market to market

Source: Adapted from Hollensen 2014, p. 477.

Standardisation might be beneficial for international operations because it offers the potential to standardise global operations: "The global corporation operates with resolute constancy – at low relative cost – as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere" (Levitt 1983, pp. 92-93). With *standardisation*, producers obtain global economies of scale and experience curve benefits in production, distribution, marketing and management. Also there are *cross-border segments* of consumers. These are consumers with homogeneous consumption patterns across cultures. Typically, these cross-border segments are younger, richer and more urban than the rest of the population (Quelch 1999, p. 2).

Standardisation and adaptation of the marketing strategy are two extremes of a continuum, i.e., as adaptation increases standardisation decreases and *vice versa*. The discussion of standardisation versus local adaptation on a strategic level can affect diverse aspects of the marketing strategy (Hollensen 2014, pp. 474-476):

Perspectives on Standardisation/ Differentiation

- *Regional perspective*: Full standardisation in this context relates to a *global marketing strategy*, in which the same marketing strategy is applied to all markets served by the company. In contrast, in a *multinational marketing strategy*, individual marketing strategies are developed for each local market; thus, each country market is considered separately. A mixture of standardisation and adaptation is represented by the *multi-regional marketing strategy*. This strategy distinguishes several homogeneous regions and develops specific marketing strategies for each one (e.g. European Marketing, North American Marketing).
- *Marketing process perspective*: A standardisation of marketing processes relates to standardised *decision-making processes* for cross-country or multi-regional marketing planning. Standardisation in this context relates to, for example, the standardised launch of new products or standardised marketing controlling activities, and seeks to rationalise the general marketing process.
- *Marketing components/marketing mix perspective*: From the marketing components perspective, standardisation or differentiation affect the degree to which the individual elements of the *marketing mix* are unified into a common approach. A fully standardised approach consists of standardisation across all marketing components. On the other hand, a fully differentiated approach implies the adaptation of all marketing mix elements to local requirements. A mixed strategy implies that some components are standardised or adapted to one degree, others to a different degree.

The International Marketing Mix

"4 Ps" of International Marketing

The key elements of the *international marketing programme* that constitute the international marketing mix are international product strategy, international pricing strategy, international marketing communication and international distribution strategy. These elements are also referred to as the *"4 Ps"* (product, price, placement and promotion).

International Product Strategies

Core of International Marketing Mix

An international product strategy encompasses all decisions that relate to the firm's product and services offerings in the international marketplace. It comprises decisions on which products (or product lines) will be offered in each country market, decisions on product (and product line) standardisation or customisation and new product development. The *international product strategy* is often regarded as the core of the international marketing mix strategy. The product and its core benefits must ultimately fulfil the customers' desires; the other elements of the marketing mix usually cannot compensate for product deficiencies. The product strategy is often the starting point for further marketing mix decisions. For example, decisions on standardisation or customisation of the communication strategy often depend on whether the *product* is standardised or locally adapted.

Product Elements

Products are complex combinations of tangible and intangible elements. They not only consist of the *core physical properties* but also comprise additional elements such as packaging, branding or other *augmented features,* e.g. support services (Czinkota/Ronkainen 2013, pp. 357).

Product Strategy Alternatives

Several types of international product strategy can be distinguished. Depending on their general marketing strategy, companies have *four alternatives* for approaching international markets (Czinkota/Ronkainen 2013, pp. 358-359; Kotabe/Helsen 2014, pp. 332-334):

- *extension* of the home-grown product strategy to foreign markets and selling the same product abroad
- *modification* of products for each local market according to local requirements
- an *invention* strategy involving designing new products for the global market
- incorporating all differences into one flexible product design and introducing a *standardised product*.

In this context, the major question is which *product features* should be tailored to market conditions. The possibilities and pressures for standardising product elements in the international context differ, with adaptation being most necessary for *augmented product features* and standardisation of the *core product* (i.e. functional features, performance) being the easiest (Doole/Lowe 2012, p. 253).

Customisation Strategies

To minimise the *cost of customisation*, companies can use product design policies that allow them to modify products to meet local requirements with few operating expenses. For example, *modular design* approaches allow the firm to assemble individual products for each country market using a selection from a range of standardised product components that can be used worldwide. *Common platform approaches* start with the design of a mostly uniform core-product or platform to which customised attachments can be added for each local market (Kotabe/Helsen 2014, pp. 338-339). A specific strategy that allows a standardised product to be sold in each country market even though there are specific local requirements is a strategy known as "*built-in flexibility*". The products incorporate all local differences in one product and adapt flexibly to the local requirements (e.g. mobile phones that adapt to differences in voltage or different network frequencies).

International Product Range Strategy

As most MNCs do not offer a single product but a range of products, companies also need to specify their *international product range strategy*. For each country market, it is necessary to decide on the *breadth* of the product range, i.e., the number of product lines to be offered, and on the *depth* of the product range, i.e., the number of products or product variants to be offered per product line. In this context, decisions have to be taken on standardisation versus adaptation of the product range to local requirements.

International Pricing Strategies

International pricing is often considered the most critical and complex issue in international marketing. When talking about the price of a product, it is important to notice that it is a sum of all monetary and non-monetary assets the customer has to spend in order to obtain the benefits it provides. The main *pricing decisions* in international marketing comprise the following (Mühlbacher/Leihs/Dahringer 2006, pp. 661-662):

International Pricing Decisions

- The *overall international pricing strategy* determines general rules for setting (basic) prices and using price reductions, the selection of terms of payment, and the potential use of countertrade.
- The *price setting strategy* determines the basic price of a product, the price structure of the product line, and the system of rebates, discounts or refunds the firm offers.
- The *terms of payment* are contractual statements fixing, for example, the point in time and the circumstances of payment for the products to be delivered.

A company's *pricing strategy* is a highly cross-functional process that is based on inputs from finance, accounting, manufacturing, tax and legal issues (Kotabe/Helsen 2014, pp. 358-360), which can be diverse in an international context.

It thus is not sufficient to place sole emphasis on ensuring that *sales revenue* at least covers the *cost* incurred (e.g. cost of production, marketing or distribution); it is important to take many other factors into consideration that may differ internationally (Doole/Lowe 2012, pp. 361-362). The most important factors that influence international pricing strategy are summarised in Table 21.2.

Factors Influencing International Pricing Strategy

Table 21.2

Company and Product-specific Factors	Market Factors	Environmental Factors
• corporate and marketing objectives • firm and product positioning • degree of international product standardisation or adaptation • product range, cross subsidisation, life cycle, substitutes, product differentiation and unique selling proposition • cost structures, manufacturing, experience effects, economies of scale • marketing, product development • available resources • inventory • shipping cost	• consumers' perceptions, expectations and ability to pay • need for product and promotional adaptation, market servicing, extra packaging requirements • market structure, distribution channels, discounting pressures • market growth, demand elasticities • need for credit • competition objectives, strategies and strength	• government influences and constraints • tax, tariffs • currency fluctuations • business cycle stage, level of inflation • use of non-money payment and leasing

Source: Adapted from Doole/Lowe 2012, pp. 358-359.

There are several options in terms of general price determination. They represent different levels of adaptation to local requirements.

Standard Price

A *standard pricing strategy* is based on setting a uniform price for a product, irrespective of the country where it is sold. This strategy is very simple and guarantees a fixed return. However, no response is made to local conditions (Doole/Lowe 2012, p. 368).

Standard Formula Pricing

With *standard formula pricing*, the company standardises by using the same formula to calculate prices for the product in all country markets. There are different ways to establish such a formula. For example, *full-cost pricing* consists of taking all cost elements (e.g. production plus marketing, etc.) in the domestic market and adding additional costs from international transportation, taxes, tariffs, etc. A *direct cost plus contribution margin formula* implies that additional costs due to the non-domestic marketing process and a desired profit margin are added to the basic production cost. The most useful approach in standard formula pricing is the *differential formula*. It includes all incremental costs resulting from a non-domestic business opportunity that would not be incurred otherwise and adds these costs to the production cost (Mühlbacher/Leihs/Dahringer 2006, p. 664).

Price Adaptation

While these strategies accentuate elements of international standardisation in pricing, in *price adaptation strategies* prices are typically set in a decentralised way (e.g. by the local subsidiary or local partner). Prices can be established to match local conditions. While this ability to comply with *local requirements* constitutes a clear advantage, there can be difficulties in developing a global strategic position.

Parallel Markets/ Grey Markets

Additionally, the potential for price adaptation is limited by *interconnections* between the diverse international markets. Therefore it is necessary to coordinate the pricing strategy across different countries because otherwise *re-imports*, *parallel market* or *grey market* situations can emerge. In these situations, products are sold outside of their authorised channels of distribution. As a specific form of arbitrage, *grey markets* develop when there are price differences between the different markets in which products are sold. If these differences emerge, products are shipped from low-price to high-price markets with the price differences between these markets allowing the goods to be resold in the high-price market with a profit. *Parallel markets*, while legal, are unofficial and unauthorised and can result in the cannibalisation of sales in countries with relatively high prices, damaging relationships with authorised distributors.

Geocentric Pricing

To avoid these drawbacks in totally standardised or differentiated approaches, *geocentric pricing approaches* can be chosen. There is no single fixed price, but local subsidiaries are not given total freedom over setting prices. For example, firms can set *price lines* that set the company's prices relative to competitors' prices (i.e. standardised price positioning) or they can centrally coordinate pricing decisions in the MNC (Doole/Lowe 2012, pp. 368-369).

In this context, it is important to notice that international pricing decisions also depend on the degree of industry globalisation. *Global industries* are dominated by a few, large competitors that dominate the world markets (Solberg/Stöttinger/Yaprak 2006). Which international pricing strategy is appropriate depends on the firm's ability to respond to the diverse external, market-related complexities of international markets (see Figure 21.2).

Taxonomy of International Pricing Practices

Figure 21.2

Source: Adapted from Solberg/Stöttinger/Yaprak 2006, p. 31.

International Marketing Communication

International marketing communication includes all methods companies use to provide information to and communicate with existing and potential customers and other stakeholders. The *international communication process* is affected by many factors that complicate communication in an international (cross-country or cross-cultural) setting (see Chapter 9). In this context, aspects such as language differences, economic differences, socio-cultural differences, legal and regulatory differences or competitive differences are crucial.

The *international communication mix* consists of a diverse set of communication tools such as advertising, personal selling, sales promotions, public relations or direct marketing (see Table 21.3).

The most viable form of communication is *advertising*, which often constitutes the most important part of the communication mix in the consumer goods industry. However, in *business-to-business markets*, advertising is often less important than personal selling.

Table 21.3

Communication Tools in International Marketing

Advertising	Public Relations	Sales Promotion	Direct Marketing	Personal Selling
• newspapers • magazines • journals • directories • television • radio • cinema • outdoor • Internet	• annual reports • house magazines • press relations • events • lobbying • sponsorships	• rebates and price discounts • catalogues and brochures • samples, coupons, gifts • competitions	• direct mail • database marketing • Internet marketing • mobile marketing (SMS, MMS) • social media marketing • viral marketing • location-based marketing • advertising games	• sales presentations • sales force management • trade fairs • exhibitions

Source: Adapted from Zentes/Swoboda/Schramm-Klein 2013, p. 389.

The main decisions for international communication strategy relate to the *choice of communication modes* for each country market and to the *choice of communication themes* in the international context. Both aspects can be standardised or differentiated internationally.

Communication Mode

Similar to price strategies, *standardisation* of *communication tools* or communication *media selection* can be performed either through a totally standardised approach that implies the use of the same tools (or same media) in all countries, or by setting uniform selection methods (e.g. relating to media reach, contact situation or modality) for communication tools and media that are employed in all markets. Usually, a more *differentiated approach* is necessary because of international differences in culture, media use or media availability.

Communication Themes

For *communication themes* or the content of communication *messages*, the optimal degree of standardisation depends on the intended positioning in each country market. The main options for companies are internationally standardised campaigns, locally adapted (differentiated) campaigns or mixed campaigns that use the same communication theme (*"umbrella campaign"*) but adapt the execution to local requirements, for example by adapting media, language, tonality or colours or by adapting testimonials. This strategy is also referred to as *"pattern standardisation"* (Kotabe/Helsen 2014, pp. 435-436).

Standardised Campaigns

There are several advantages in *standardised campaigns*. For example, economies of scale are also relevant in marketing communication. They can result from reduced planning and development costs for marketing campaigns. Additionally, standardised campaigns can help to establish a *uniform* product and company *image* in all markets. This is particularly important with international customers, cross-national sectors or if there is a media overlap between country markets (or globally). Standardised campaigns can be coordinated internationally more easily and allow good ideas and creative talents to be used better. By running global campaigns, it is also possible to benefit from high-quality, creative campaigns for small markets or countries with low subsidiary resources (Kotabe/Helsen 2014, pp. 434-435).

Nevertheless, it is not possible or beneficial to use standardised campaigns in all cases. For example, *cultural barriers*, especially language, are often stronger than expected. Customers do not always understand foreign languages well and problems such as mistakes, misinterpretations or changed meanings can arise when translating standardised messages. Other problems might result,

- if products or the use of products are culture bound (e.g. in the case of food)
- if the communication topic is culture bound (e.g. hygiene products)
- if the communication design is culture bound (e.g. the use of colours or background music)
- if the communication content is culture bound (e.g. gender issues, eroticism).

Additional difficulties might emerge if products are in *different stages of their product lifecycle* in different countries, because different life cycle stages require different communication content (Hollensen 2014, pp. 487-489). Also *legal differences* might restrict certain types of communication or certain communication messages in the diverse countries. Examples include the advertising of pharmaceuticals or "vice products" such as alcohol or cigarettes, the application of comparative advertising or advertising targeting children.

International Branding Strategies

Closely linked to product positioning and communication issues in international marketing are decisions on *international branding strategies*. The main purpose of branding is to differentiate the company's offerings and to create brand identification and awareness. Branding strategies can be distinguished according to the *brand architecture* into single brand strategies or family (or umbrella) brand strategies (for a number of products). Companies may also choose to market several brands in a single market.

Geographic Branding Strategies

The company needs to decide which general branding strategy, in terms of the brand architecture, is to be applied for each country market. The main problem in international branding strategies is whether to choose an integrated, *global branding* approach, which employs a uniform branding approach for all markets, or to use differentiated, regional or *local branding* strategies. In this context, decisions about the geographic extension of brands are necessary.

The basic strategies are *global brands*, i.e. establishing a single brand for all markets ("*universal brand*") and *local brands*, implying the use of individual brands on each country market. Mixed strategies are also possible, for example by establishing several *regional brands* with a focus on several country markets.

Advantages of Global Brands

Many companies strive for *global brands* because of the advantages associated with this strategy. Global brands offer the highest possibility of achieving a *consistent image* across the world and are also a necessary requirement for global advertising campaigns. Global brands have much higher *visibility* than local brands and their global nature often adds to the image of a brand, and global brands reach the highest (overall) *brand equity* (Kotabe/Helsen 2014, p. 367). Also, *economies of scale* are associated with global branding. For example, the cost of creating and strengthening the brand can be spread over large sales volumes.

Advantages of Local Brands

However, there are limitations to global branding. For example, if companies offer a diverse product range in international markets, the product offer in the host country does not always fit the global brand's image, thus limiting its applicability. *Local brand names* might also be easier to understand, and not all global brand names are suitable for internationalisation. Also, if other elements of the international marketing mix are adapted to local conditions, local branding might be more appropriate. For example, if advertising messages are adapted to each market or if products are changed through customisation, product design or recipes to meet local requirements, these strategies are easier to implement under different *local brand names*.

This also applies to price differentiation, which is easier with different brand names. Thus, brand differentiation can be used as a strategy to limit parallel or grey markets. In this context, companies can also implement *mixed strategies*, in which a global corporate brand is used in all markets but product brand names are adapted to the local requirements.

International Distribution Strategies

The international distribution strategy is closely connected to the foreign operation modes the MNC applies in the diverse markets. It mainly relates to decisions on the structure of the marketing channels and to marketing logistics:

- *International channel structure and channel design*: e.g. types of intermediaries (alternative distribution channels), coverage (intensive, selective, exclusive), length (number of levels), control resources and degree of integration
- *International marketing logistics*: physical movement of goods through the international channel systems, e.g. order handling, transportation, inventory, storage, warehousing.

International Channel Configuration

International *channel configuration* is highly dependent on the availability of marketing channels on each country market and on customer characteristics and culture that determine channel use. Additionally, factors relating to channel costs, channel control or continuity of channel relationships are important.

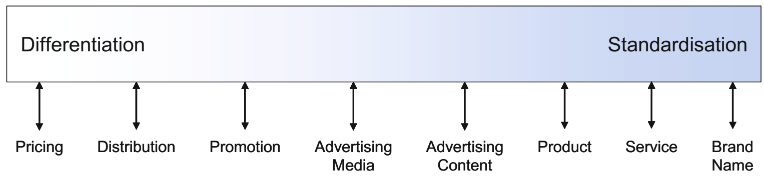
Channels can vary from direct channels to multilevel channels, employing many types of intermediaries that each serve a particular purpose (Doole/Lowe 2012, p. 327). *International channel relationships* are complicated by many factors such as those relating to product ownership, geographic, cultural and economic distance and different rules of law.

Conclusion and Outlook

The *key decisions* in international marketing strategy relate to the standardisation or the adaptation of the marketing mix to local conditions. In practice, few marketing mixes are totally standardised or totally differentiated, and mixed strategies are usually applied.

Also, the degree of standardisation and adaptation differs between the diverse instruments of the marketing mix. Figure 21.3 shows the *general standardisation level* for different elements of the international marketing mix.

Figure 21.3 *General Standardisation Level for Different Elements of the Marketing Mix*



Source: Adapted from Zentes/Swoboda/Schramm-Klein 2013, p. 449.

Interrelatedness in the Marketing Mix

In this context, it is important to note that the decisions relating to each element of the international marketing mix cannot be taken separately. The efficiency and effectiveness of sub-strategies such as international product strategy, international pricing strategy or branding decisions, depend on their fit with all elements in the marketing mix. Thus, it is important to take into account the *interrelationship* between all elements in the marketing mix. Additionally, the *coordination* between the diverse country markets in which the company is present is important.

Further Reading

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Case Study: Nestlé*

Profile, History, and Status Quo

In 1867 the pharmacist *Henri Nestlé* invented a formula for baby and infant food that ultimately led to the foundation of *Nestlé S.A.* The world's largest food and beverage company has been based in Vevey, Switzerland ever since. Through further investments in the last years of the 19th century, nutrition became the cornerstone of *Nestlé*. An immigrant from Germany, *Henri Nestlé* immediately sought to expand onto international markets. After merging with one of the biggest competitors in the Swiss market in 1905, further growth was initiated.

The Influences of the First World War

The First World War led to severe disruptions to *Nestlé*'s production process but ultimately helped the company as demand for dairy products started to rise thanks to the establishment of governmental contracts. After the necessary adjustments (operations were streamlined) to survive the financial crisis in the 1920s, the company acquired the *Peter*, *Cailler*, *Kohler Swiss Chocolate Company* and made chocolate an important part of their business. As a direct result of this, several new products were introduced, the most important of which was released in 1938: *Nescafé*. The brand's initial launch suffered greatly on the outbreak of the Second World War, but was eventually strengthened when it became an official staple beverage of the United States Servicemen stationed in Europe and Asia.

After the Second World War came to an end, *Nestlé* entered a phase of rapid growth and expansion. Within only a few years numerous new factories were established and acquisitions enhanced the product variety. The merger with *Alimentana S.A.* in 1947 that made the *Maggi* products part of *Nestlé* and the introduction of *Nesquik* both had big impacts on the company.

Gaining Market Power through Diversity

With investments in *L'Oréal*, a global leading producer of cosmetics, *Nestlé* started to diversify its product range. After this first move outside of its traditional product line they added numerous other industries, such as pharmaceutical and ophthalmic products, in the following years. Further additions were also made to the original branches of the company. With the 3 billion USD acquisition of the American Food Supplier *Carnation*, they further strengthened their presence in international markets. New brands like *Nespresso* and *Buitoni* were also added to their product portfolio.

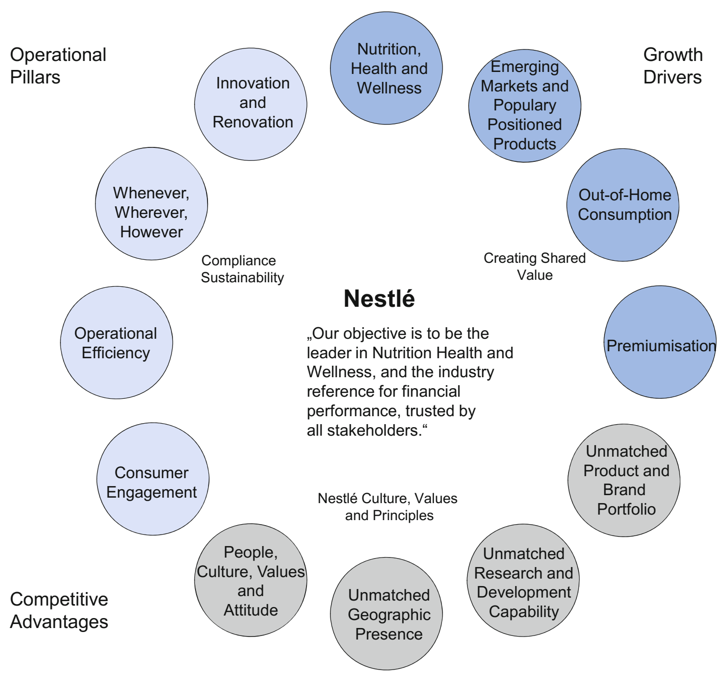
* Sources used for this case study include the websites www.nestle.com, ww.nestle.de, www.nestle-waters.com, as well as explicitly cited sources.

When the 1990s emerged and the fall of the iron curtain opened up Eastern European markets, *Nestlé* immediately began to invest in those regions. Through more recent acquisitions within and outside of their original branches they have grown to a worldwide cooperation with more than 330,000 employees and over 75 billion EUR in annual revenue. Although only 2% of their overall sales are made in Switzerland, *Nestlé* still considers itself a Swiss company.

"Good Food, Good Life"

One of *Nestlé's* major concerns, which is also raised in many campaigns and statements, is their focus on customers' needs. *Nestlé* and their product range cater to people of every age group and they therefore try to incorporate a strict vision for themselves that reflects their companies' goals to the public. Parts of this so-called "Good Food, Good Life" approach incorporate *sustainability* as well as creating shared value (see Figure 21.4).

Figure 21.4 *The Vision of Nestlé*



Ethical Challenges

Although *Nestlé* claims to work according to the same ethical standards and norms worldwide, large environmental organisations (NGOs) such as *Greenpeace* accuse *Nestlé* of using the lack of governmental regulations in developing countries to run production facilities that definitely do not implement normal European business and safety standards (Onkvisit/Shaw 2004, p. 82). A feature documentary by Swiss filmmaker Urs Schnell and journalist Res Gehriger showed, for example, how *Nestlé Waters* took advantage of lower productions costs. To produce the popular water brand *"Pure Life"*, the company exploited the water supply of several small villages. As well as leaving insufficient water to meet the villages' needs, it also had a bad influence on the water quality, especially affecting younger children and seniors (Regenass 2012).

International Marketing Strategy

Peter Brabeck-Letmathe, Chairman of *Nestlé*, stated that the founder's key attitudes like "pragmatism, flexibility, the willingness to learn, an open mind and respect for other people and cultures" are still very much alive in the company's corporate culture. Since its beginnings in the 19th century, *Nestlé* has grown to be one of the world's biggest companies. *Nestlé* products are sold in every country, even in North Korea (Onkvisit/Shaw 2004, p. 2).

Global Identity as Key

To achieve this goal, *Nestlé* managed to build up a single *global identity* that is able to incorporate various products, brands and production strategies. For obvious reasons, *Nestlé* is constantly trying to refine and optimise its line of production to achieve higher revenues and gain larger shares in different markets. One large obstacle to overcome is cultural borders, even more than country borders. *Nestlé* tries to carefully serve various cultural preferences while simultaneously creating economies of scale (Onkvisit/Shaw 2004, p. 2). Examples of this strategy will be given later in this case study.

To provide a more detailed insight to *Nestlé's* marketing strategies, the following part of this case study will describe the "four P s" (product, price, promotion and place) in the context of *Nestlé*.

Product

Nestlé sells over 1.2 billion products worldwide every day. Very important to this figure is the fact that *Nestlé* is home to over 8,000 different brands, which are organised and marketed in very different fashions (see Figure 21.5). In some cases, brands are only offered in one local market and therefore adjusted to the given circumstances. These local brands are designed to perfectly meet the demand in that particular market and are distributed solely in this one region.

Other, global brands are distributed worldwide or at least in several markets at the same time and advertised almost identically in most of those markets. Well-known brands such as *Nespresso*, *Nescafé* or *KitKat* are typical examples. Logos and other basic features may be slightly different from country to country, but the overall look remains similar in most cases.

Figure 21.5 *The Nestlé Brand Tree*

	Examples:		
Around 8,300 Local Brands Responsibility of local markets	• Savory • Sahne-Nuss • McKay • Buxton	• Haoji • Totole • La Vie • Erikli	• Levissima • Minéré • Theodora
140 Regional Strategic Brands Responsibility of strategic business unit and regional management	• Herta • Findus • Alpo • Vittel	• Stouffer's • Arrowhead • Calistoga • Deer Park	• Ice Mountain • Ozarka • Zephyrhills
Around 55 Worldwide Strategic Brands Responsibility of general management at strategic business unit level	• Kit Kat • Polo • Cerelac • Baci	• Mighty Dog • Smarties • After Eight • Coffee-Mate	
10 Worldwide Corporate Brands	• Nestle • Maggi • Perrier	• L'Oreal • Buitoni • Carnatio	

Source: Adapted from Zentes/Swoboda/Schramm-Klein 2013, p. 450.

Supplying products in a single brand to numerous markets is always a challenge. For example, *Nestlé* had problems with communicating and selling its popular powdered infant formula in several developing countries. The marketing campaign was focused on selling breast-milk substitutes to women that were unable to afford those products and often incapable of using them properly. Consumers and several other organisations identified this issue and confronted *Nestlé* in a harmful process (Onkvisit/Shaw 2004, p. 424).

Adapting Products to Local Markets

Despite this example, *Nestlé* generally understands how to adapt their global and local brands to the given markets and find a suitable niche to place its products. Through an intense process of research and development in local affiliates, *Nestlé* is able to find certain product variations that are suitable for a given market. For example, their global brands *KitKat* and *Maggi* are very well adjusted to different markets. In Japan, for example, *KitKat* is sold in numerous flavours that cannot be found elsewhere. Even within the country itself, *Nestlé* implemented some variations for only a small part of it. These variations range from yubari melon and baked corn from Hokkaido Island to cherry and bean flavoured chocolate bars in the Tokyo region (Madden 2010). A similar tactic is also used for the *Maggi* brand, where different types of soup are designed to fit individual market preferences.

Figure 21.6

Examples of Various KitKat Flavours

Source: Alimenta 2014.

Think Global – Act Local

By adjusting so well to the given market while keeping the brand on a global level, *Nestlé* successfully gains customers' trust all over the world. This "glocal" (think globally – act locally) approach has proven to be very successful and is the basis for *Nestlé*'s international strategy.

Due to the high number of in-house brands and brands added to the company through acquisitions, *Nestlé* often consolidates them under one unified brand. Doing so is a very long and costly process, which generally takes up to 5 years. Adding the *Nestlé* brand name to the given package design alongside the local brand and slowly enlarging it until it finally replaces the local brand altogether is a process that *Nestlé* has executed numerous times.

Price

Another important instrument in the marketing mix can be seen in price strategies. Since *Nestlé* is home to a vast range of different brands, it is hard to identify one overall strategy for all products. *Nestlé's* brands are positioned in both lower and higher price segments.

Popularly Positioned Products

As mentioned earlier, *Nestlé* is very keen on providing affordable nutrition solutions on a global basis. Their Popularly Positioned Products (PPP) strategy is the direct result of that. The key aspect of this strategy is meeting the specific needs of 3 billion lower-income consumers worldwide and providing affordable brands/products to cater to those needs. Almost 4,000 different products are offered within this strategy, and even global brands like *Nescafé* and *Maggi* are represented. In this case the price is intentionally lowered to meet the demand of the market and reach as many customers as possible.

Nespresso

A very different approach is used for *Nespresso*. This brand is positioned in a very high price segment. Being sold exclusively in special stores and online, this product clearly stands out from most other *Nestlé* brands. Based on a relatively high profit margin of every portion of coffee sold, this price strategy clearly differs from their PPP strategy (Matzler et al. 2013, p. 36). To maintain this advantage *Nestlé* even spread false rumours that their coffee machines could only be used with the original coffee capsules sold by licenced partners (Datamonitor 2007, p. 3). *Nespresso* may not sell as much coffee as most competitors, but by staying within the premium sector it remains one of *Nestlé's* most profitable brands.

Promotion

Promotion, the next marketing mix instrument, focuses on the different ways a company communicates with its audience. *Nestlé*, in this case, uses different methods to do so. As mentioned before, the basic brand layout for internationally sold brands usually remains identical for the different markets, but the package design and some advertising ideas are unique to smaller regions. A combination of globally run campaigns and regional advertisements is therefore used in most markets.

In this vein, *Nestlé* has also engaged in new forms of advertising. One of the more recent campaigns was based on cooperation between *KitKat* and *Google*. To promote both the new version of *Google's* operating system "*Android*" and *Nestlé*'s chocolate bar, they joined forces on a global scale. By naming the newest *Android* version "*KitKat*" and thus generating a worldwide media buzz, both companies generated enormous attention for their brands (Marketo 2014).

Global Campaign with Android

Nestlé was particularly able to boost their appearances in social media platforms such as *Facebook* and *Google+*. With over one billion *Android* activations worldwide and an *Android*-shaped *KitKat* chocolate bar, both companies invested heavily in the campaign's success. As part of this global campaign, *KitKat* also released a special version of their bars in the shape of the world famous *Android* logo. Furthermore, *Google* implemented logos of *KitKat* in their software. Therefore, users all over the world were targeted through this campaign.

Local Campaigns for Selected Markets

A very different marketing approach was applied in Japan, where a local campaign was also quite successful. In Japanese, "*KitKat*" can be translated to "surely win", a fact that *Nestlé* very cleverly used in their promotion strategy. In cooperation with the local postal service they prepared "*Kit Kat Mail*", a chocolate bar looking like a postcard that customers could send as a good-luck charm (Madden 2010). To launch this idea, *Nestlé* also decorated several post offices in a special *KitKat* design. Similar combinations of local and global promotion strategies can be found in numerous cases across very different *Nestlé* brands.

Figure 21.7 *Nespresso Magazine*

Source: Nespresso 2014.

Another global example is *Nespresso*. An exclusive *Nespresso Club* with over seven million members is an important part of this brand's communication success (Matzler et al. 2013, p. 36). A lot of communication is done via TV spots, which are only translated into the requested language. Furthermore, *nespresso.com* is available in over 10 different languages to cover over 60 different countries. Therefore, the same look and feel of this product can be experienced in all those markets.

In addition to the TV spots and the website, a regularly issued magazine is sent out to the members of *Nespresso Club* and can be downloaded to tablets and smartphones. Through these magazines the reader gets additional information about new products. Stories that feature lifestyle ideas surrounding the *Nespresso* look and feel are used to further enhance the exclusivity of the product itself.

Place

Being one of the biggest suppliers of nutrition worldwide and thereby selling products consumed by customers on a daily basis, most *Nestlé* brands can be found all over the world in grocery stores, food markets and other similar places. This is a typical approach for global brands like *KitKat*, *Maggi* and similar brands and products.

As part of their PPP strategy, which tries to reach only lower income customers, *Nestlé* implemented a unique distribution network. By using street markets, vendors and door-to-door distribution, they are able to reach these additional customers.

Exclusive Products at Exclusive Places

A rather atypical example for *Nestlé* can be found in *Nespresso*. *Nespresso* boutiques are being built all over the world. Combined with the numerous languages covered by the official *Nespresso* website, almost every major market has already been entered. The key to the brand's success lies in *Nestlé's* exclusive distribution channels. By selling coffee capsules almost exclusively through their own stores, *Nestlé* has absolute control. To attract new customers they do, however, allow their coffee machines to be sold in other locations (Datamonitor 2007).

Summary and Outlook

Building on its already overwhelming worldwide success, *Nestlé* is further planning on expanding its business. In this vein, with a huge 1 billion USD investment in new infant nutrition factories in Mexico, they are underlining their efforts to further push their original product lines all over the world (WSJ 2014).

Nestlé relies on strong brands and a perfect strategy to remain flexible enough to cater to any customer's demands. With their combination of globally thinking brands and locally acting products they are already very successful, with both a respectable market share and high profits.

Premium Sectors as Possible Future Markets

A further approach that *Nestlé* focuses on is its attempts to gain additional market power in premium sectors. Being a company that usually focuses on economies of scale and high market shares, they are yet to widely succeed with truly high-class products. However, they have tested potential in that area that is less sensitive to the economic decline of recent years through customised treats from their Swiss brand "*Cailler*" (Bloomberg 2012b).

Questions

1. Identify the strengths of *Nestlé's* "glocal" marketing approach.
2. Discuss the advantages of *Nestlé's* combination of local and global brands in its international brand portfolio.
3. Which pricing strategies are best suited to *Nestlé's* global brands? Which are most suitable for their local brands?
4. Nestlé has been subject to several negative campaigns (so-called "*shit-storms*") that highlighted unethical behaviour by the company. What strategy did the company apply to deal with these campaigns? Do you think the brand was harmed?

Hints

1. See the company's websites.
2. See Onkvist/Shaw 2004.
3. See WSJ 2014.

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