Martin van Mesdag

Winging it in foreign markets

"The product you have may be just what they need."

What do hamburgers, hot dogs, soft cheeses, portion-packed yogurt, and Scotch whisky have in common besides that they're all edible or drinkable? They all sell like mad in global markets, and one strategy is responsible for their success. As marketers, we have three–and only three–available strategies for taking a product across national boundaries. The method behind these successful products is one of these three:

Phased internationalization appeals enormously to marketing people. It is what we all learned when we became marketers. You go to a foreign country with knowledge of your manufacturing capabilities but with no presuppositions about products. Next, you buy research to find out exactly what people there want within a product area you can cater to. Finally, you come home and get your development people to put together a product with which you can compete in that foreign market.

Global marketing is the trendiest and seemingly most promising approach. From a marketing point of view, it is a highly responsible strategy. Ignoring frontiers, you go out into a part of the world and try to discover newly emerging needs you might respond to with your manufacturing capabilities. You are particularly alert to consumer typology and to the behavior patterns into which your product offering will have to fit. You do a conscientious market segmentation job.

The shot-in-the-dark method is the seemingly crude, even sloppy, process of picking a product that is already successful in the home market and taking it abroad in the hope that it will sell there. It is an "unmarketing" approach since it makes what may be unwarranted assumptions about the behavior of a new and unfamiliar group of customers.

While we marketers are usually most comfortable with the first two approaches, the last–the shot-in-the-dark–is the one we use most often. Phased internationalization and formal global strategies are far less risky, but marketers who use them often miss the golden opportunities for taking products across national borders that may be right on our doorstep.

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Constraints abroad

When transcending national borders, marketers and product development people in all industries face a host of constraints. Some of these are obvious. People in different countries speak different languages. Rules and regulations differ across national borders: in most countries you drive on the right, but in some you drive on the left. Then there are climate, economic conditions, race, topography, political stability, and occupations. The most important source of constraints by far, and the most difficult to measure, is cultural differences rooted in history, education, economics, and legal systems.

Because of all these differences, the international convertibility of products and services varies enormously from one product category to another. Pocket calculators, credit card facilities, and lubricating oils need few international adaptations, whereas toilet soap, phonograph records, and candy require rather more adjustment. I am intrigued by how slow simple

"What I had going last year was the hottest play in tax-deferred bullion transfers. What I have going now is the hottest play in Caribbean sanctuaries."

services like retailing and retail banking are to globalize and yet how standardization in some international hotel chains has gone so far that, as long as you stay inside the hotel, you cannot tell whether you are in Vancouver, Kuala Lumpur, Stockholm, or Torremolinos.

Of all the products I can think of, food and drink are probably the hardest to take global. Two constraints make globalizing food products especially difficult. The first, which is virtually unique to food products, is recognizability. People want to know what their food is made of, and they usually want to know how it's processed. They require recognizability in the appearance, the taste, and – in most cases – the texture of foods. Consumers impose no such requirements when they buy durables (except for textiles to some extent), personal care products, or household goods.

The recognizability constraint means that a food or a beverage product won't sell in countries where the people aren't familiar with its ingredients. It means that the amount of engineering and processing that companies can apply to food is limited. The recognizability requirement also means that extensive processing is more acceptable in countries where the product is not traditional than in countries where it is. Instant coffee is unpopular in Germany, France, and Italy, where people drink a lot of coffee and want it freshly brewed; it is more popular in non-coffee-drinking countries like Britain and Ireland.

The second main constraint on globalizing food products is what I call the age symptom. The more a product is associated with long-standing usage habits, the less internationally marketable it is. Conversely, the more recent the usage pattern, the more likely it is that the product will be marketable in a variety of countries.

The age symptom does not apply just to food products, of course. Garden spades, which have been in use for ages, look quite different in Switzerland, England, and Holland. But gardeners in those countries use identical motor diggers. And although styles do evolve slowly, men's formal clothing is made in response to long-established usage habits. You don't need to be a tailor to tell a German, a Frenchman, and a Briton apart by the suits or the shoes they wear. But with the recent emergence of casual clothing, everybody wears the same jeans, T-shirts, and sneakers.

The reason for this phenomenon is not mysterious. Products that have been around a long time respond to long-established usage patterns because people in different countries, and indeed different regions, used to live in isolation. Our modern international communications have proliferated: we can look at each other daily on TV, so our newly emerging usage patterns converge and thereby enhance the globalizability of the new products that respond to those patterns. Some products that respond to long-established usage patterns are natural cheese, popular cuts of meat, and varieties of beers, wines, and spirits. Products that respond to more recent usage patterns are portion-packed yogurts, hamburgers, hot dogs, soft drinks, and light beers. These products have more global potential than those that respond to older usage patterns. Global products like these have often come from the needs or wishes of a new stratum of customers, or – it doesn't matter which way you put it – a new stratum of customers has come along as suppliers have produced low-cost, universally available, integrated products.

Even though a food or a drink product that sells successfully in one country theoretically will not sell in another unless research explicitly predicts otherwise, many food products are, in fact, big successes globally. Moreover, I would argue that their success is overwhelmingly due to a shot-in-the-dark marketing approach.

Look, for example, at British food consumption patterns over the past 20 years. The United Kingdom has a massive debit balance of trade in food. My estimate of the consumer value of products that were new to the U.K. market in the past 20 years is \$4.5 billion – more than 10% of total consumer spending on food. Further estimates show that 85% of those new products have either been imported or based on existing product concepts in other countries. Evidently, Britons like to try foods they're unfamiliar with.

By far the most important source of new product ideas in Britain has been, and is likely to remain, existing products in other countries. In 1985, for example, Britons ate $90 million worth of steaklets and grillsteaks – food products that, 20 years ago, were practically unheard of in Britain. The concept originated in America and is now meeting an enthusiastic response overseas. In the same year, Britons ate $260 million worth of yogurt – a product idea that came from Europe. Other nonindigenous foods popular in Britain now are low-fat cheeses, breakfast cereals, mineral water, pasta, and cookies.

Some of these products came to Britain through phased internationalization and through the formal global approach. Most of them, however, came by the shot-in-the-dark method. True, they were extensively researched and tested before their launch onto the British market. But the important fact is that they were products that had already established themselves in their respective home markets and were brought to Britain with a "let's try and see" attitude.

What doesn't work...

Phased internationalization works best with a single product in a particular market – the Dutch sell feta cheese in the Middle East, the Danes sell British-style bacon in Britain, and the Swiss chocolate makers carefully formulate their products to sell in America. Heinz and Unilever, among many others, have largely built their international business on this approach.

Phased internationalization, though, has a number of disadvantages. Because of the low international convertibility of food products, a product formulated for a single foreign country is unlikely to be salable in another. The Dutch do not sell their feta cheese outside the Middle East, nor do the Danes sell British-style bacon outside Britain. The North American Swiss chocolate recipes are unsuitable for other areas. Consequently, this strategy implies a country-by-country approach to international expansion.

Moreover, the foreign supplier in a market may also have difficulty matching the value/price framework established by the indigenous competition. Finally, the foreign supplier may have difficulty establishing credibility. While some German cheese makers produce a very good Camembert, I imagine they'd have trouble selling it to the French. And despite their status as the world's largest producer of Scotch-type whisky, the Suntory Company in Japan considers it unwise to sell its product in Britain.

To all appearances the global marketing approach solves all these problems. It looks, without a doubt, like the worthiest of the three strategies. It promises all the benefits of economies of scale without the concessions dictated by the need to maximize market penetration. You can afford to skim the cream off your markets. You sell not what the greatest number of consumers finds acceptable; instead you sell what a minority of consumers is very keen on. Some products that were deliberately developed to sell in global markets are margarine (though the originators of the product curiously never adopted a global brand strategy for it), IDV's Bailey's Irish Cream liqueur, Ferrero's Tic Tac candy, and Rocher chocolates. Some global brands have global strategies. Others – Coca-Cola, Kellogg's cornflakes, Heineken beer, and McDonald's hamburgers, for example – have not. In the food and drink arena, brands that succeed in using the global marketing approach are few and far between. The reasons are the low international convertibility of food and drink products mentioned earlier and the increasing difficulty of finding brand names for international use.

...and what does

I have described the shot-in-the-dark strategy of selling abroad what you happen to be selling in your home market as a sloppy way to approach international marketing. Especially in food and drink products, with their notoriously low levels of international convertibility, you'd think that no responsible marketer would ever employ this strategy. But wait. This strategy, which may look casual, has resulted in an enormous worldwide export business. Practically all the world's wine export businesses and most of the exports of beer and spirits were built on this shot-in-the-dark approach. Dispatching nearly 340,000 tons of cheese per year, Holland is the largest exporter of cheese in the world; nearly all of that volume is in indigenous varieties. West Germany has been building a sizable food and drink export business. In the United Kingdom alone, Germany sold $2 billion of unfamiliar, expensive, high-quality products straight from its home market – a sixfold increase, in real terms, in 12 years. And there's more.

Earlier, I mentioned Bailey's Irish Cream and some Ferrero products as having been deliberately developed for a global market – and they were. Then I mentioned Coca-Cola, Kellogg, Heineken, and McDonald's as other global brands – which they are. Or, strictly speaking, which they became. Those brands and products were not deliberately developed for global markets. They were developed and, for many years, sold only in their home markets. Marketers did not take these domestically successful products to foreign markets willy-nilly. They did extensive research, testing, and reformulation before the international rollout of all these brands, but the product concepts had domestic origins. It follows inescapably that the shot-in-the-dark strategy prompted the global growth of these brands. And when you think about it, the same applies to most global and international products and brands.

So while the shot-in-the-dark strategy is wholly reprehensible in theory, it has proved to be the most successful in practice. And the global marketing strategy – while the most laudable in theory – has proved the most difficult to implement.

Shots in the not-so-dark

While the shot-in-the-dark approach may be the most successful, marketers cannot afford to be lax about their planning and research methods. It is still important for marketers to examine and assess all three strategies since this choice will govern the entire product development process.

Once they've chosen a strategy, marketers can use the knowledge of their available technological resources to assess target markets not only for size and growth rate but also for age-of-usage and recognizability characteristics. A target market sector characterized by long-established usage habits will require a product offering that is closely tailored to expectations about domestic product attributes, and marketers will have to choose a country-by-country development route. The shot-in-the-dark and the global approaches are unlikely to work in this instance.

If, on the other hand, the company aspires after a global strategy, it will need to make a wide geographical sweep to ascertain whether it can discover any newly emerging need patterns that the company can respond to with its technological resources.

While the shot-in-the-dark approach has a high chance of failure, it can form the groundwork for either a phased internationalization or a global strategy; and it should certainly be tested against these possibilities.

No matter what strategy you choose, a rigorous knowledge-gathering program is in order. The resource investment in any serious sales expansion attempt is considerable, and appropriate knowledge can protect the investment. Getting ahold of that knowledge requires several types of inquiry skills:

Scanning, which is the collection of data, trends, judgments, and values that will – directly or indirectly – affect any envisaged marketing operation.

"Inferencing," which is speculating about customer responses to environmental influences and about responses to related influences.

"Propositioning," which is proposing a product offering in response to a particular customer need – whether assumed or ascertained – and measuring customers' assessment of that product offering.

Clearly, a formal global effort will initially concentrate on scanning and inferencing; a phased internationalization approach will start with a scanning exercise, soon to be followed by propositioning-type tests. The shot-in-the-dark approach will go straight to propositioning inquiries.

What about brands?

Of all the marketing mix elements, the product is the most restrictive when a global strategy is considered. Some brands are intrinsically linked with particular products: what applies to the product applies to the brand. Coca-Cola and Kaffee HAG are good examples. In these cases, the globalizability of the brand is confined to the product. Other brands are associated with broad ranges of products: all private-label brands and brands like Hero and Kraft are in that category. In these cases, the brand can be globalized to cover product ranges that are internationalized – that is, product ranges are formulated to local needs, country by country; brands are global.

In the case of food and drink, the opportunities for globalizing products are much more limited than the opportunities for globalizing brands – provided those brands leave enough latitude to encompass product ranges formulated to suit the needs of specific markets.

I have said that products that have actually been designed for global markets are very rare (especially in the food and drink sectors) and that many of today's "global" products were originally intended for, and confined to, their home markets. The success rate of the shot-in-the-dark approach – on top of the fact that it requires the least amount of imagination, time, and development effort – suggests that it will remain a popular strategy. If we evaluate products in *one* market for their ability to answer newly emerging trends and needs in *other* markets, we are, in fact, using a shot-in-the-dark approach to build a global strategy. All sorts of food – and other – products have become global in this way. They have turned out to be shots in the not-so-dark. ⛉