15.12 Summary

In deciding the product policy abroad, it is important to decide what parts (product levels) should be standardized and what parts should be adapted to the local environment. This chapter has discussed the variety of factors that are relevant to this decision.

A very important issue is the question of branding. Different branding alternatives have been discussed. For example, because large (often transnational) retail chains have won control over distribution, they try to develop their own labels. For the retailer, private labels provide better profit margins and strengthen the retailer’s image with its customers. Because of the power shift to the retailers the percentage of retail grocery sales derived from private brands has increased in recent years.

This chapter has also discussed two issues that are experiencing increasing interest: total quality management/ISO 9000 and green marketing strategies, including the need for product adaptation in a ‘green’ direction.
CASE STUDY 15.1 Danish Klassic
Launch of a cream cheese in Saudi Arabia

In the spring of 1987 the product manager of Danish Cheese Overseas, KA, was pleased to note that after some decline, e.g. in Iran, feta sales were improving in the Middle East. However, the company was a little concerned that the feta, according to several expert opinions, could lose ground to the cream cheese that was apparently becoming more and more popular among Arabs in both the cities and provincial areas.

Saudi Arabia in general
Because of its immense income from oil, Saudi Arabia has developed fantastically over the past 30 years. With the Islamic tradition as its basis, the country has become more modern.

In 1987 the population was 11.5 million, more than 50 per cent of whom were under 15 years of age, which makes Saudi Arabia a ‘young’ nation. According to the Saudi Arabian Ministry of Agriculture, the population was forecast to rise to 19 million in 2000. The expected development in population in the three biggest cities is shown in Table 1.
The cheese market in Saudi Arabia

Traditionally Danish Cheese Overseas has had a strong position in Saudi Arabia, having been the market leader for several years, especially as regards feta and some other types of cheese. However, Danish Cheese Overseas has had some difficulties in the cream cheese market. The market has risen, but to date two globally large exporters of cheese have dominated the market—that is France and Australia.

Table 1
Development in population in the three biggest cities in Saudi Arabia

<table>
<thead>
<tr>
<th></th>
<th>Population(million)</th>
<th>Population(million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1974</td>
<td>2000</td>
</tr>
<tr>
<td>Riyadh</td>
<td>0.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Jeddah</td>
<td>0.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Dammam</td>
<td>0.2</td>
<td>0.8</td>
</tr>
</tbody>
</table>

The total import of cheese into Saudi Arabia (there is very little local production) is shown in Table 2. So far the share of cheese from Denmark has been about 25 per cent (10 million). On the basis of this Danish Cheese decided to develop a new cream cheese in order to compete with the big exporters of cheese within the cream processed segment. The product was to
be targeted at the Middle East, where Saudi Arabia is the main market, but was also to form the basis for an international brand: *Danish Klassic.*

**Table 2**

**Total import of cheese in 1986(tons)**

<table>
<thead>
<tr>
<th>Type of Cheese</th>
<th>Total Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processed cheese (including cream cheese)</td>
<td>29,500</td>
</tr>
<tr>
<td>Feta</td>
<td>18,400</td>
</tr>
<tr>
<td>Other types of cheese</td>
<td>2,400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50,300</strong></td>
</tr>
</tbody>
</table>

Source: Saudi Arabia import statistic.

In order to plan the specific details of the product parameter, Danish Cheese contacted an international market research bureau that specialized in the Middle East. The objective was to analyse the cream cheese consumption among typical Middle East families living in cities. The final result showed that between 85 and 100 per cent of all family members eat cream cheese on a regular basis (mostly in the middle of the day), and that consumption is especially high among children. Thus the company could set forth on product development of the new cheese. Different product concepts were tested among typical
families, with the final result being a 200-gram cream cheese in brick cartons. This is a new type of packaging – until then cream cheese had mostly been sold in glass packaging.

**Marketing plan for Saudi Arabia**

The following describes the launch actually made by Danish Cheese Overseas in 1987.

An introduction was held in October 1987, in the form of three trade seminars in the three big cities – Riyadh, Jeddah and Dammam. Here the product concept and the advertising campaign were presented to a large number of distributors and whole-salers (see Plates (a)-(e)).

**TV commercials**

In campaign television is considered the most effective medium for mass communication. It therefore became the foundation of the company’s marketing. In total, 128 commercial spots were planned for the first year (plate (b)).

**Print advertisements**

- Consumer oriented: the most popular newspapers and family magazines in the big cities, especially directed at women as the
decisive buyer unit; (plate (c));
- Distributor oriented: trade magazines.
- In-store promotion; displays, taste sample demonstrations etc. (plate (d)).
The campaign material was introduced in both Arabic and English.

The campaign was influenced by a high degree of pull strategy (consumer influenced). In this way distributors were induced to build up stocks in order to meet the expected end-user demand. The risk the distributors would face when buying large quantities was limited because the cheese could be kept for a year without being refrigerated.

Plate (a) can be translated as follows:

**Product information:**
- Danish Klassic-cream cheese spread for the whole family.
- Created form fresh cow’s milk from the vigorous fields of Denmark.

**Product facts:**
- It takes 1.5 litres of fresh cow’s milk to produce a single box of 200g.
Danish Klassic is packed in a practical, unbreakable box.

This cream cheese spread will remain healthy and delicious for a whole year after production—even if not kept under refrigeration.

Danish Klassic, a combination of high nutrition value and a delicious taste.

This enclosure was also used as an advertisement for many consumer-oriented newspapers and magazines.

Plate (d) can be translated as follows:

**Shop demonstrations:**

- To let your customers know Danish Klassic is in town we plan shop demonstrations in a number of supermarkets all over the country.
- The selected shops will be decorated with giant Danish Klassic boxes.
  - Your customers are bound to notice this cream cheese.
  - Samples will be distributed.
  - Taste if. It’s delicious. It’s healthy, and full of energy.

**What happened to Danish Klassic?**

About six months after the introduction in Saudi Arabia,
the following was part of an article in jyllandsposten, a Danish newspaper (24 October 1988):

So far MD foods has shipped 700-800 tons of the new, long-life cheese from the harbour of Esbjerg, but sales are expected to rise to 5,000 tons per year during the next ten years…According to the plan, ‘Danish Klassic’ is to be marketed in Denmark and in other parts of the world such as South America, where it has scored top market recent taste tests.

The new long-life cheese that comes in completely sealed 200g packages is marketed massively through TV spots, the company’s own sales representative, shop promotions and print advertisements. About half of the total investment of DKK30-35 million is allocated to marketing. In this way MD Foods is challenging the multinational food concern, Kraft Food, which, through its various types of cheese in glass packaging, controls the majority of the markets in the Middle East.

However, at the beginning of 1993 MD Foods realized that Danish Klassic could not meet the international sales budgets and therefore, later in 1993, MD Foods withdrew the product from the market.

Today MD Foods sells cheese to the Middle East through its sales company, Chesco Cheese Ltd. The cream cheese and other
types of cheese are now sold under the brand ‘Puck’ (plate (e)) in glass packaging (the 140g and 240g round containers). Its market share of cream cheese is increasing again and today the total sales are very close to those of the market leader Kraft Food.

**Questions**

1 What could be the reasons for Danish Klassic not being able to meet expectations? Comment on the following:

- the change of packaging—from glass to plastic brick carton;
- the consumer-oriented advertisement (Plate 15.5a)—is it targeted at the Saudi Arabian market?

2 What do you think of the brand name Danish Klassic?
CASE STUDY 15.2
Zippo Manufacturing Company

Has product diversification beyond the lighter gone too far?

History
Zippo (www.zippo.com) was founded in Bradford, Pennsylvania in 1932 when George G. Blaisdell decided to create a lighter that would look good and be easy to use. Blaisdell obtained the rights for an Austrian windproof lighter with a removable top, and redesigned it to his own requirements. He made the case rectangular and attached the lid to the bottom with a welded hinge, and surrounded the sick with a windhood. Fascinated by the sound of the name another recent invention, the zipper, Blaisdell called his new lighter ‘Zippo’, and backed it with a Lifetime Guarantee. The 70-year old brand’s fame took off during the Second World War, when Zippo’s entire production was distributed through commercial outlets run by the US military.

Today
Zippo has produced over 375 million windproof lighters since its founding in 1932. Except for improvements in the flint whel and modifications in case finishes, Blaisdell’s original design remains virtually unchanged. The Lifetime Guarantee that accompanies every Zippo lighter still guarantees that it works or we fix it free.

Although the windproof lighter is the most popular Zippo product, Zippo has been hurt by the anti-smoking campaigns. Its business is fundamentally tied to smokers, and it has suffered from US tobacco regulations. Cigarette makers order thousands of Zippos to promote their brands, distributing them to smokers in exchange for coupons. One of the company’s recent advertising campaigns suggested 101 ways to use your Zippo. Warming your hands and de-icing car locks were on the list; lighting a cigarette was not.

The success of this product led Zippo to expand the line to its current product family of tape measures, pocket knives, money clips, writing instruments, key holders and its newest product, the Multi-Purpose Lighter. All of these items can be imprinted with company logos or trademarks.

In 1993 Zippo licensed its name to Itochu Fashion System Co.,
a large clothing manufacturer in Japan. Zippo leather jackets, 
Zippo jeans and Zippo gloves are now available in Tokyo, and 
Zippo may license clothes in the United States too. Today Japan 
is still the biggest export market for Zippo.

Zippo has expanded its sales operations nationally and 
internationally through a wide network of sales representatives. 
In more than 120 countries throughout the world Zippo is 
synonymous with US-made quality and craftsmanship.

Zippo windproof lighters enjoy a widespread and enviable 
reputation as valuable collectibles. The company produces the 
Zippo Lighter Collectors’ Guide, containing illustrations of the 
lighters and descriptions of the series, as well as an explanation 
of the date code found on the bottom of every Zippo lighter. 
Clubs for lighter collectors have been organized in the United 
Kingdom, Italy, Switzerland, Germany, Japan and the United 
States, Zippo also sponsors its own collectors club, Zippo Click.

QUESTIONS

1. What are the pros and cons of the product diversification 
   strategy that Zippo has been following recently?

2. On www.sramarketing/Outdoor/Case_ 
   studies/Zippo_Casestudy.cfm (click on Case studies) you
will find a case story, where Zippo in the late 1990s was repositioned as an essential tool for avid outdoorsmen. However the outdoor market was entirely new to the Zippo salesforce, who were accustomed to calling on tobacconists and convenience stores. How would you use the PLG concept for this case story?

3. What obstacles would Zippo Manufacturing Company face if they repeated the outdoor campaign in other countries?

QUESTIONS FOR DISCUSSION

1. How would you distinguish between services and products? What are the main implications of this difference for the global marketing of services?

2. What implications does the product life cycle theory have for international product development strategy?

3. To what degree should international markets be offered standardized service and warranty policies that do not differ significantly from market to market?