

IDENTIFYING PRODUCT & SERVICES FOR INTERNATIONAL BUSINESS

CAPACITY DEVELOPMENT COURSE
ON FOREIGN TRADE & INVESTMENT

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SESSION I [9.30 TO 01.00PM]

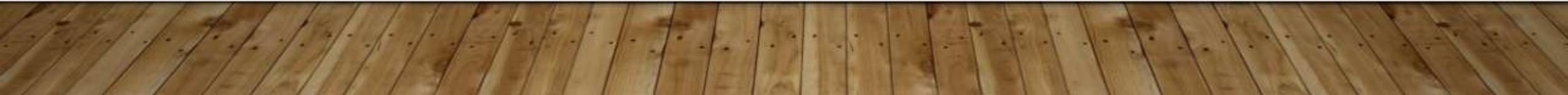
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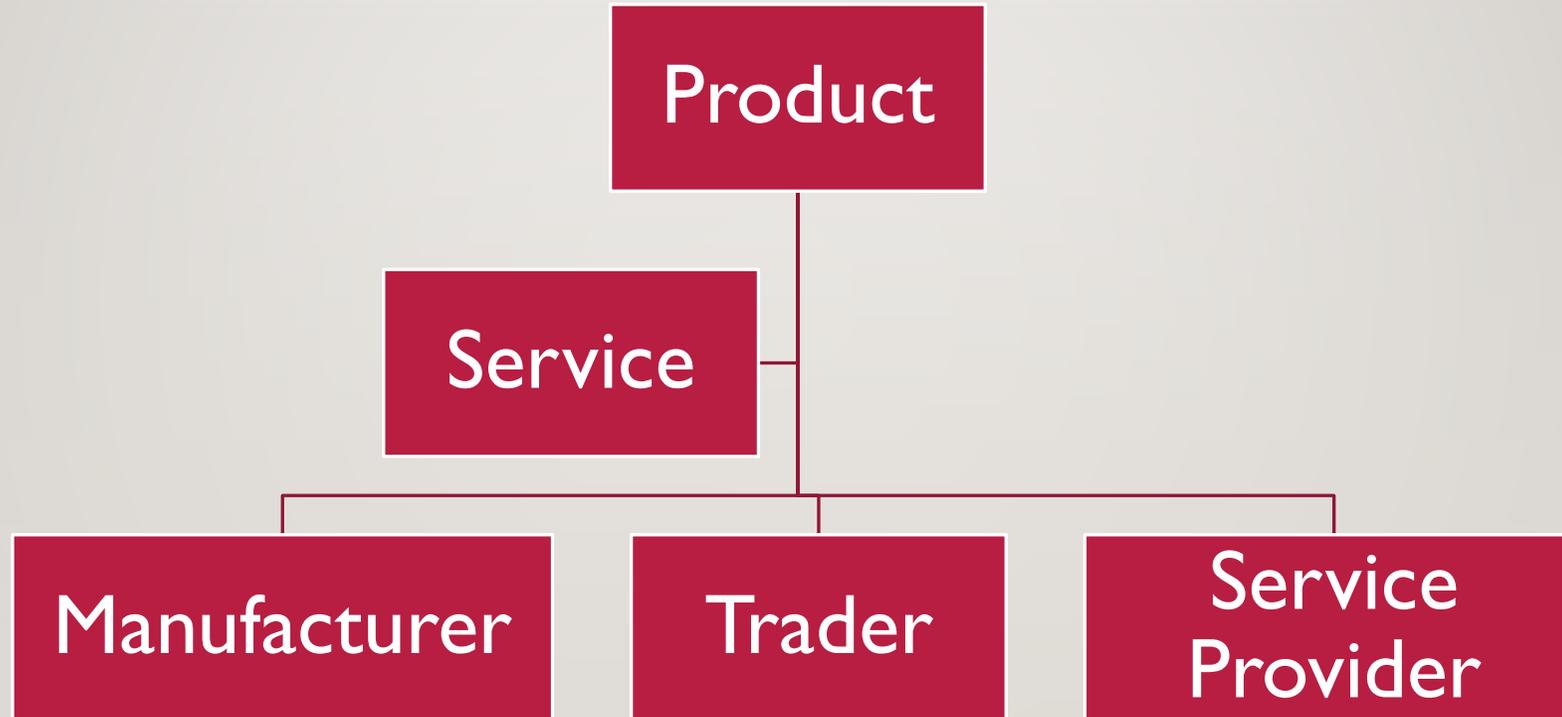
- ❖ Getting Ready for Entry into International Marketing
- ❖ Strategy as a Manufacturer or Trader
- ❖ Product Entry Strategies
- ❖ Summary

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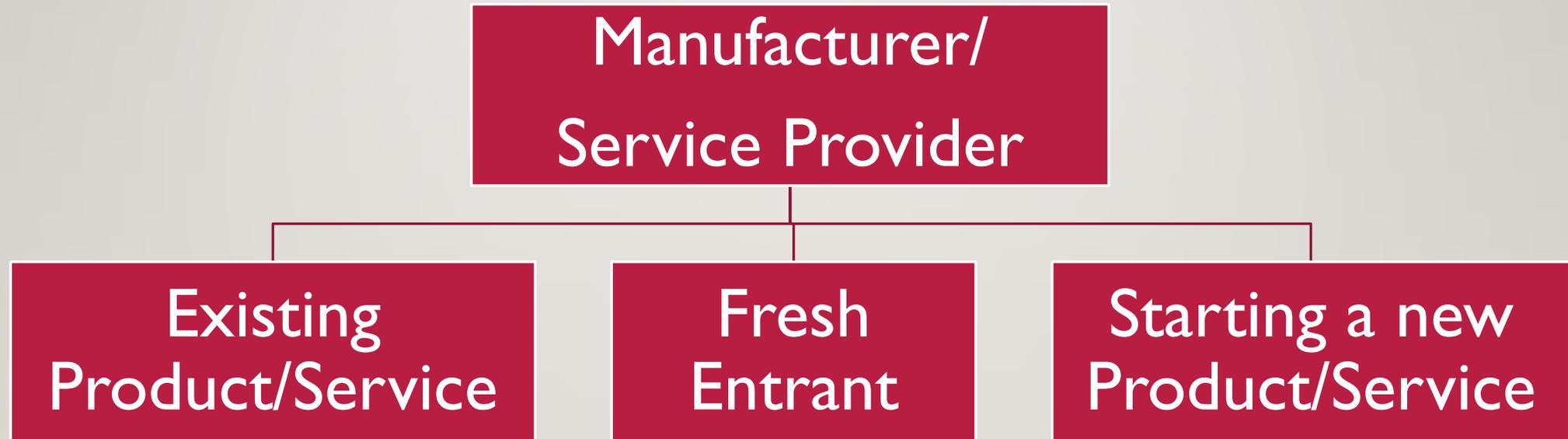
IDENTIFYING PRODUCTS/SERVICES FOR EXPORT & IMPORT



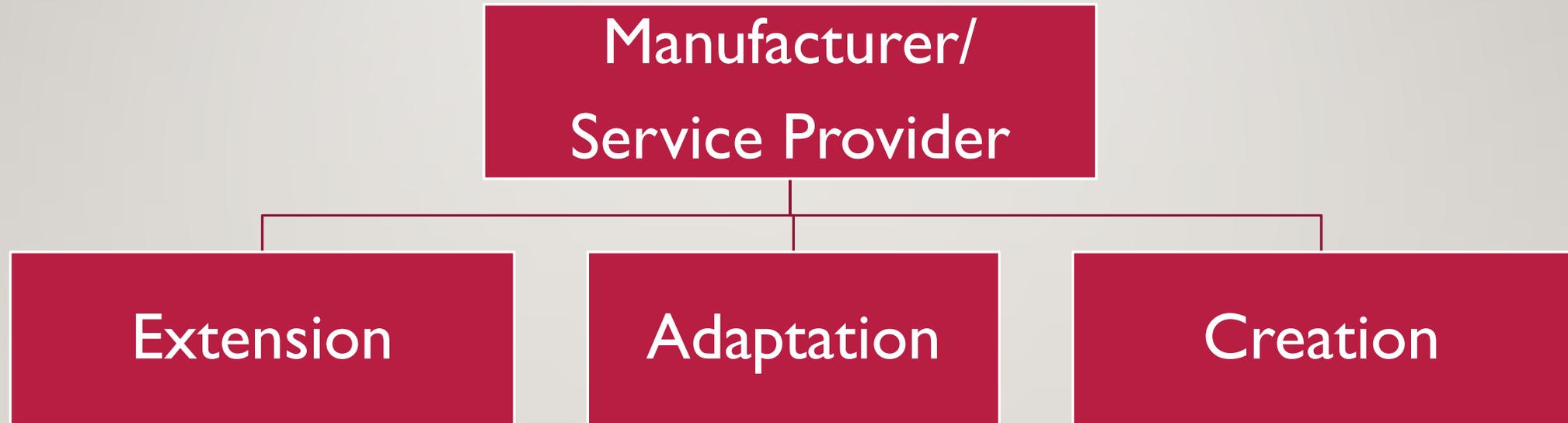
IDENTIFYING PRODUCTS AND SERVICES FOR EXPORT AND IMPORT



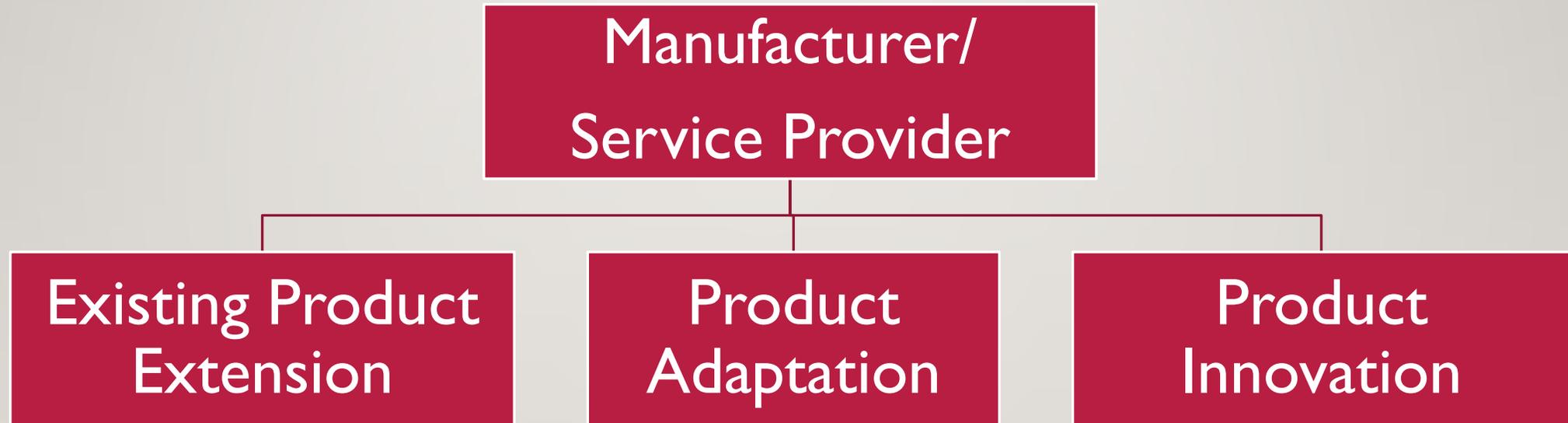
IDENTIFYING PRODUCTS AND SERVICES FOR EXPORT AND IMPORT



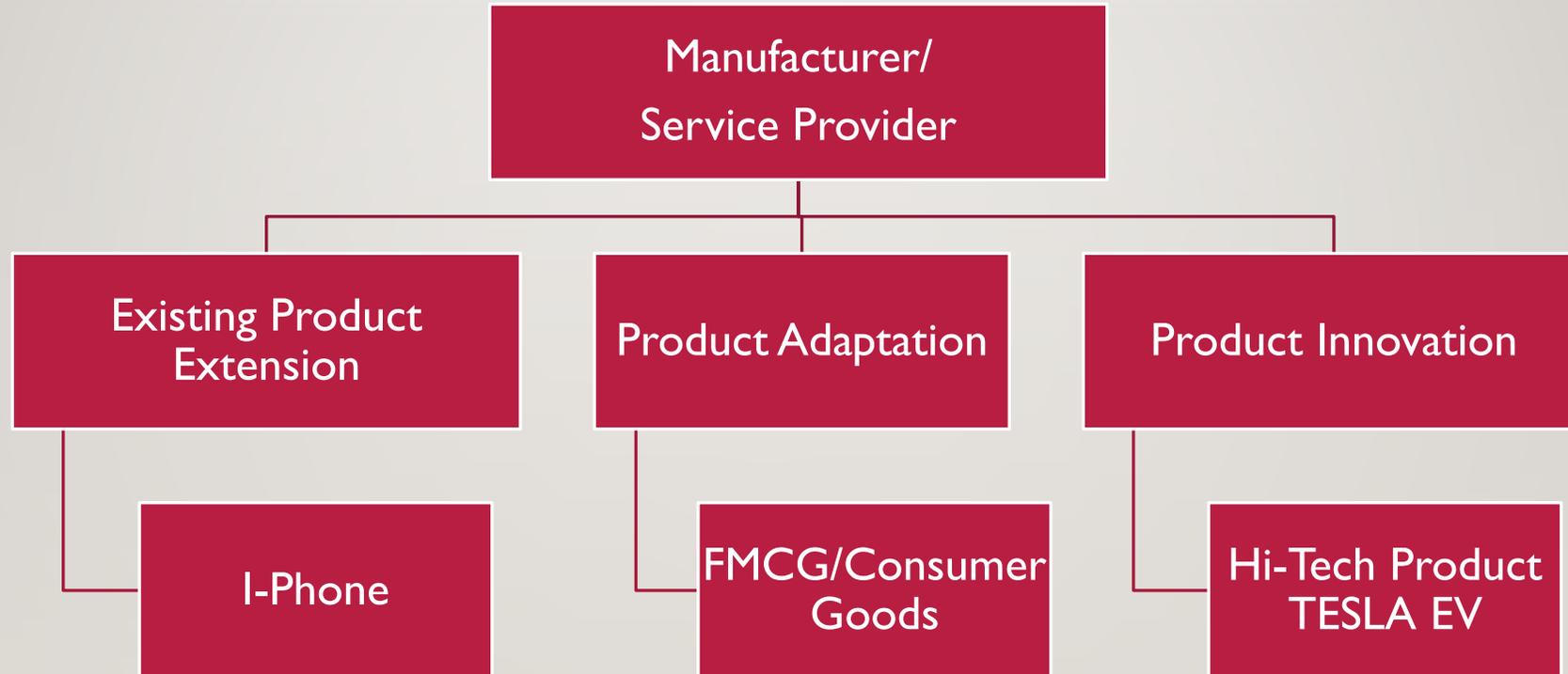
STRATEGY FOR EXPORT AND IMPORT



IDENTIFYING PRODUCTS AND SERVICES FOR EXPORT AND IMPORT



IDENTIFYING PRODUCTS AND SERVICES FOR EXPORT AND IMPORT



STRATEGY FOR PRODUCTS AND SERVICES FOR EXPORT AND IMPORT

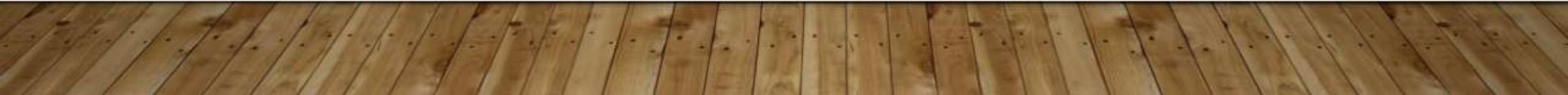
- ✓ The **strategic alternative(s)** that a particular company chooses will depend
- ✓ on the product and the **need it serves**,
- ✓ customer **preferences** and **purchasing power**, and
- ✓ the **costs of adaptation versus standardization**.
- ✓ **Product transformation** occurs when a product that has been introduced into new country markets serves a different function or is used differently than originally intended.

STRATEGY FOR PRODUCTS AND SERVICES FOR EXPORT AND IMPORT

- ✓ **Global competition** has put pressure on companies to excel at developing **standardized product** platforms that can serve as a foundation for cost-efficient adaptation.
- ✓ Today, many new products are launched in multiple national markets as product development cycles shorten and product development costs soar.



PRODUCT EXTENSION



STRATEGY FOR PRODUCTS AND SERVICES FOR EXPORT AND IMPORT

- ✓ Companies deciding to market their products in different countries typically have a choice of three common strategies to pursue.
- ✓ The first is the **straight product extension**.
- ✓ This means taking the company's current products and selling them in other countries without making changes to the product.



Uncharm, Japan

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT EXTENSION

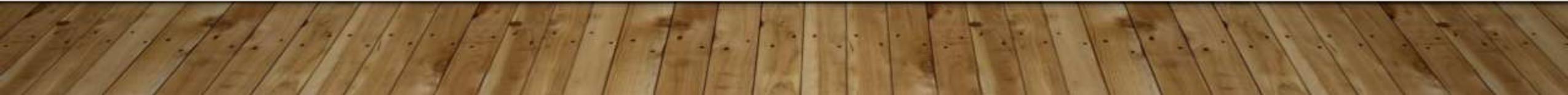
- ✓ **Advantages of this strategy**
- ✓ The company **doesn't need to invest in new research, development, or manufacturing.**
- ✓ **Changes may be made in packaging and labeling,** but these are driven by local regulatory requirements.
- ✓ **Disadvantages,**
- ✓ that its products may not be well suited to local needs and that the products **may be more costly** due to higher manufacturing and labor costs in the **Japan.**



Uncharm, Japan

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PRODUCT ADAPTATION



STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ **Product adaptation** is modifying the company's existing product in a way that makes it fit better with local needs.
- ✓ For example, when Procter & Gamble (P&G) introduced **Tide laundry detergent** in emerging markets like India, it changed the formulation to **remove softeners**.



Procter & Gamble,
USA

STRATEGY FOR PRODUCTS AND SERVICES PRODUCT ADAPTATION

- ✓ The reformulated Tide **cost less** than the original Tide.
- ✓ This change was important because **price** was an **important factor** in India where income levels were lower.
- ✓ Indian **consumers** were more able **to afford** the reformulated Tide.



Procter & Gamble,
USA

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ Another way to **localize** a product is through **packaging**.
- ✓ Locally appropriate packaging doesn't just mean using the country's **language**.
- ✓ It also means creating packaging **sizes** that suit the country.
- ✓ For example, a company wanting to make its products more economical to less-wealthy countries may be tempted to sell larger, **economy-sized packaging**.



Big Pack-size



Sachets

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ But emerging-market consumers often prefer **smaller package sizes**, even if that increases the cost-per-use.
- ✓ They tend to buy **sachets of shampoo** rather than economy-size bottles.
- ✓ These smaller sizes are also easier to transport to local villages or to store in smaller-sized homes.



Big Pack-size



Sachets

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ Mobile-phone maker Nokia went a step further in localizing its phones to different markets.
- ✓ The company uses **local designers** to create mobile-phone handset **models** that are specifically **appropriate** for each country.
- ✓ For example, the handsets designed in **India are dust resistant** and have a built-in flashlight.
- ✓ The models designed in **China** have a touchscreen, stylus, and **Chinese character recognition**.



Nokia Phone

With Chinese Font

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ A product may have to be adapted to meet the physical, social, or mandatory requirements of a new market.
- ✓ McDonald's **Big Mac** Burger
- ✓ It may have to be modified to conform to government regulations or to operate effectively in country-specific geographic and climatic conditions.
- ✓ **Left-hand drive in US**



Big Mac (Chicken)



Left hand drive car

STRATEGY FOR PRODUCTS AND SERVICES

PRODUCT ADAPTATION

- ✓ A product's size and packaging may also have to be modified to facilitate shipment or
- ✓ to conform to possible differences in engineering or design standards in a country or in regional markets.



Big Mac (Chicken)

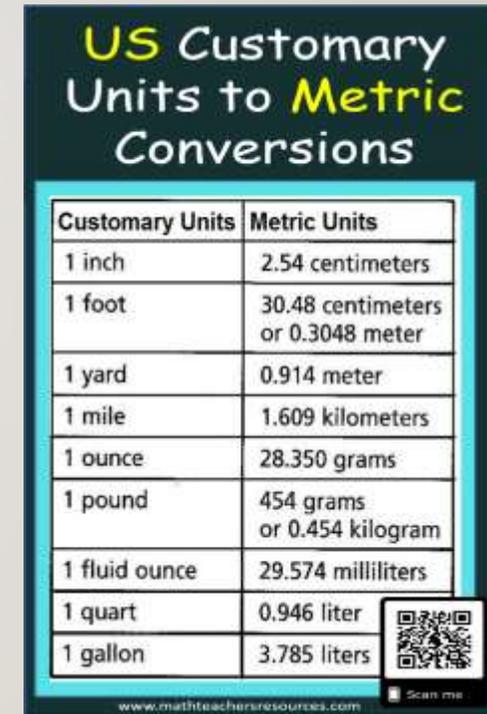


Left hand drive car

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EXAMPLE : PRODUCT ADAPTATION

- ✓ The **United States** follows a **non-metric system**, and
- ✓ For U.S. firms to compete successfully in the global market have found **metric measurement to be an important detail** in selling to overseas customers.
- ✓ Even **instruction or maintenance manuals**, for example, should be made available **in centimeters, weights in grams or kilos**, and temperatures in degrees **Celsius**.



A chart titled "US Customary Units to Metric Conversions" with a dark blue background and yellow and white text. It contains a table with two columns: "Customary Units" and "Metric Units". The table lists conversions for 1 inch, 1 foot, 1 yard, 1 mile, 1 ounce, 1 pound, 1 fluid ounce, 1 quart, and 1 gallon. A QR code is located in the bottom right corner of the table area, and the website "www.mathteachersresources.com" is at the bottom.

Customary Units	Metric Units
1 inch	2.54 centimeters
1 foot	30.48 centimeters or 0.3048 meter
1 yard	0.914 meter
1 mile	1.609 kilometers
1 ounce	28.350 grams
1 pound	454 grams or 0.454 kilogram
1 fluid ounce	29.574 milliliters
1 quart	0.946 liter
1 gallon	3.785 liters

www.mathteachersresources.com Scan me

IDENTIFYING PRODUCTS: **PRODUCT ADAPTATION**

- ✓ Many products must be **adapted to local *geographic and climatic*** conditions.
- ✓ Factors such as **topography, humidity, and energy costs** can affect the performance of a product or even define its use in a foreign market.
- ✓ The **cost of petroleum products**, along with a country's infrastructure, for example, may mandate the need to develop products with a greater level of energy efficiency.

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PRODUCT ADAPTATION: OTHER FEATURES

HOT & DUSTY CLIMATE

- ✓ **For Hot & dusty climates** of countries in the Middle East and other emerging markets compel automakers to
- ✓ **adapt automobiles** with different types of **filters and clutch systems** than those used in North America, Japan, and European countries.

HOT & HUMID CLIMATE

- ✓ Even **shampoo and cosmetic** product makers have to
- ✓ **chemically reformulate** their products to make them more suited for people living in hot & humid climates.



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PRODUCT ADAPTATION: PACKAGING DESIGN

INDUSTRIAL PRODUCTS

- ✓ As a general rule, **packaging design** should be based on customer needs.
- ✓ For **industrial** products, **packaging is primarily functional** and
- ✓ should reflect needs for storage, transportation, protection, preservation, reuse, and so on.

CONSUMER PRODUCTS

- ✓ For **consumer products**, packaging has additional functionality and **should be protective, informative, appealing, conform to legal requirements,**
- ✓ and reflect buying habits (e.g., Americans tend to shop less frequently than Europeans, **so larger sizes are more popular in the United States**).

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PRODUCT ADAPTATION: CULTURE BASED

RED COLOUR

- ✓ **Certain colors** used on labels and packages may be found **unattractive** or **offensive**.
- ✓ **Red, for example, stands for**
- ✓ **Good luck** and **Fortune** in China and parts of Africa;
- ✓ **Death** in Turkey.

RED COLOUR

- ✓ **Red, for example, stands for**
- ✓ **Aggression, Danger, or Warning** in Europe, America, Australia, and New Zealand;
- ✓ **Masculinity** in parts of Europe;
- ✓ **Mourning** (dark red) in the Ivory Coast;

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PRODUCT ADAPTATION: CULTURE BASED

BLUE & PURPLE COLOUR

- ✓ **Certain colors** used on labels and packages may be found **unattractive** or **offensive**.
- ✓ **Blue** denotes **immortality** in **Iran**,
- ✓ while **Purple** denotes **mourning** in **Brazil** and is a symbol of **expense** in some **Asian** cultures.

GREEN COLOUR

- ✓ **Green**, for example, stands for
- ✓ **Green** is associated with **high tech** in Japan, luck in the Middle East,
- ✓ connotes **death** in South America and countries with dense jungle areas, and
- ✓ is a **forbidden color** in Indonesia.

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PRODUCT ADAPTATION: CULTURE BASED

YELLOW COLOUR

- ✓ **Yellow** is associated with femininity in the United States and many other countries
- ✓ but denotes **mourning** in Mexico and
- ✓ **strength and reliability** in Saudi Arabia.

BLACK COLOUR

- ✓ **Black** is used to signal **mourning**, as well as style and elegance, in most Western nations,
- ✓ but it stands for **trust and quality** in **China**,

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PRODUCT ADAPTATION: CULTURE BASED

WHITE COLOUR

- ✓ **White**—the symbol for cleanliness and purity in the West;
- ✓ denotes **mourning** in Japan and some other Far Eastern nations.

GREEN COLOUR

- ✓ Colour of your product should be chosen carefully depending on your target country.

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PRODUCT INVENTION



3 |

PRODUCT INVENTION : P&G DIAPERS

- ✓ The third strategy, **product invention**, is creating an entirely new product for the target market.
- ✓ In this strategy, companies go back to the drawing board and **rethink** how best to **design** a product for that **country** to succeed in a new country.
- ✓ When P&G wanted to sell diapers in **BRIC countries** (i.e., Brazil, Russia, India, and China), it started from square one.
- ✓ Rather than merely modifying the existing design, P&G **engaged local knowledge and reconsidered all the key features of the design** in the context of the needs of the emerging markets.



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PRODUCT INVENTION : P&G DIAPERS

- ✓ A major issue was **price/cost**.
- ✓ To make the diaper **affordable**, P&G settled on an **aggressive price target**—each diaper should **cost** as much as **one egg**.
- ✓ P&G designers debated features such as absorbency, color, fit, and packaging to **find a design** that
- ✓ was **acceptable on cost** targets, acceptable to emerging-market consumers, and acceptable as a P&G-branded product



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NUANCES OF PRODUCT EXTENSION, ADAPTATION, AND INVENTION

COUNTRY OF ORIGIN EFFECT

- ✓ The **country-of-origin** effect refers to consumers using the country where the product was made **as a barometer** for **evaluating** the product.
- ✓ Their perceptions influence
- ✓ It will be perceived favorably or unfavorably.
- ✓ It will influence consumers' purchasing decisions.



COUNTRY OF ORIGIN EFFECT

- ✓ France is known for its wines and luxury goods.
- ✓ Wines from **Chile** may be just as good and **more affordably** priced,
- ✓ but consumers **may perceive French wines to be better** due to the country-of-origin effect.



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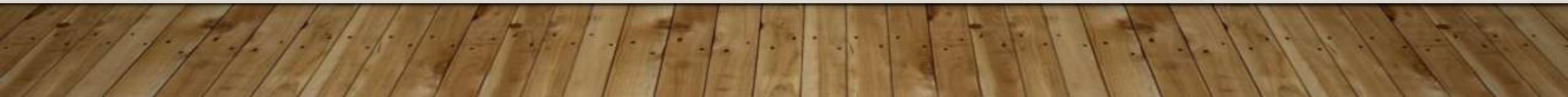
NUANCES OF PRODUCT EXTENSION, ADAPTATION, AND INVENTION

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COUNTRY OF ORIGIN EFFECT

- ✓ Made in Japan
- ✓ Made in China



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WHAT IS **REVERSE** PRODUCT INNOVATION

- ✓ **Reverse Innovation:** How Designing for Emerging Economies Brings Benefits Back Home
- ✓ Reverse innovation means designing a product for a developing country and bringing that innovation back to the home country.
- ✓ Creating new products and services for developing countries requires radical innovation and opens new opportunities in developed-world markets as well.
- ✓ For example, GE Healthcare sells sophisticated medical-imaging devices around the world.

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WHAT IS **REVERSE** PRODUCT INNOVATION

- ✓ Historically, GE has sold these high-end machines in emerging economies like India.
- ✓ But **only 10% of Indian hospitals can afford a \$10,000 electrocardiogram (ECG) machine.**
- ✓ To reach the other 90% of the market required radical innovation and an in-depth understanding of local conditions.



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WHAT IS **REVERSE** PRODUCT INNOVATION **AWARENESS** OF LOCAL CONDITIONS

- ✓ **Most Indians live in rural areas.** That means they don't have a local hospital to visit.
- ✓ Therefore, **medical equipment needs to go to them,**
- ✓ **No rural health care clinic** is going to keep a \$10,000 ECG machine into the field even if it *could* afford the device.
- ✓ Designing a lightweight, reliable, simple-to-use ECG device took radical rethinking.
- ✓ GE eventually built a device that **could fit in a shoulder bag or backpack.**



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WHAT IS **REVERSE** PRODUCT INNOVATION **AWARENESS** OF LOCAL CONDITIONS

- ✓ The device has a built-in replaceable printer and **costs only \$500.**
- ✓ Because the device would be **used in rural locations** with scant access to electricity, **GE designed a battery** that could **do 500 ECGs on one charge.**
- ✓ To make it **easy to use**, GE designed the device to have **only three buttons.** Finally, just because the device is inexpensive doesn't mean it's dumb.
- ✓ GE installed professional-level analysis software to aid rural doctors.



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WHAT IS **REVERSE** PRODUCT INNOVATION **OPENED NEW BUSINESS OPPORTUNITIES**

- ✓ With its new portable ECG device, GE has unlocked a whole new market in developing countries.
- ✓ Beyond that, GE has also opened up new opportunities back home—and that's the reverse innovation side of the story. How?
- ✓ The **portable ECG machine with a \$500** price tag is ideal for **use in ambulances**, saving lives of accident victims in **developed countries** as well.
- ✓ Cheap, portable, and easy-to-use devices are desirable in any country.



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**THANK YOU FOR GIVING ME
A PATIENT HEARING**

