Challenges of Doing Business in a Global Platform

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A perspective on the newer, expanding markets in Asia
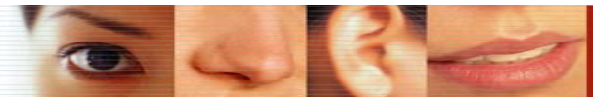
Actually this area was a center of global trade for a very long time; see for example, Marco Polo from Venice to Xanadu (Laurence Bergreen, Knopf, 2007).

Those who think that Globalization is some new force are not familiar with history.
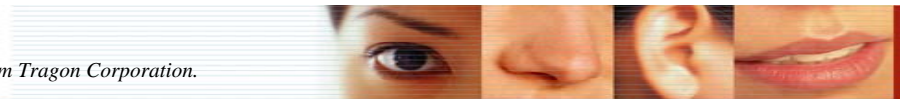
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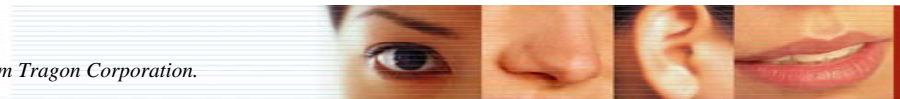
**There are many opportunities as well as challenges in this part of the world.**

Some of the challenges:

a)   identify a target market

b)   what does it take to meet market expectations

c)   can a consistent quality be provided

d)   how do I develop and maintain consumer trust about my product

e)   can I respond quickly to marketplace changes

f)   how do I deal manage risk

* These challenges are not limited to Asia !!

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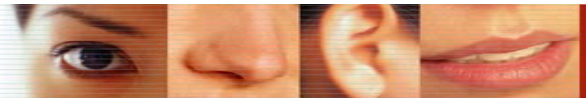
but there are opportunities

a) transition from barter to cash makes processed foods attractive (convenience, imagery, nutrition, etc)

b) the internet effect: younger consumers change from their traditional food habits and more willing to try

c) as choices increase, purchase decisions are influenced by brand and "quality" expectations

d) products of consistent quality dominate the market

e) international brands have advantages because they are known (all about communications)
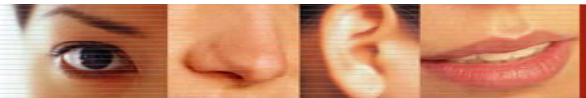
This is easy to describe but more difficult to achieve in today's competitive environment.

1. food safety problems are quickly communicated around the world and factual information is easily lost or ignored.

2. consumers make their purchase decisions based on many criteria

3. consumers, regardless of where they are in the world, exhibit similar attitudes about their likes and dislikes for many products.

4. successful companies learn to adapt and operate in more risky environments.
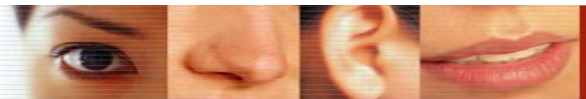
Success in today's environment means better matching product quality with consumer expectations before products arrive in the market.

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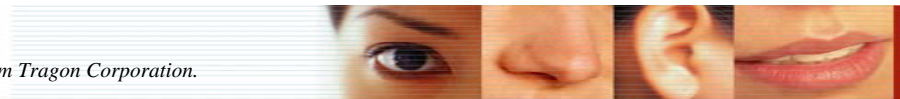
A little background about market success

Ideas lead technology to create products.

Advertising creates interest and expectations,

Marketing enables product purchase through perceived value (imagery), positioning, price, packaging, etc.

A positive use experience completes the cycle to insure that a product will be re-purchased and that business will thrive.

Consumers do not purchase products they do not like !

The problem is that purchase decisions are based on an array of inter-related factors, not just advertising, not just package, not just a low cost, etc,

so

We need to determine how these relationships fit together so the product succeeds in a particular market.

Sensory information is an integral part of the process.

It is the bridge between technology and the marketplace.
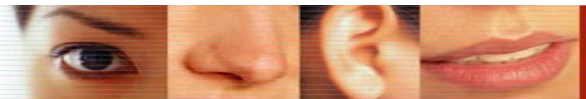
What is sensory evaluation and how do we use it ?

… a science that measures, analyzes and interprets the responses of people to products as perceived by the senses of sight, sound, smell, taste and touch.

Small panel procedures, most rely on not more than about 25 consumers, all of whom are qualified based on sensory skill

Products evaluated in an appropriate environment (in a lab, at home, at work, etc)

This enables us to create maps, to see how well products compare on a sensory basis
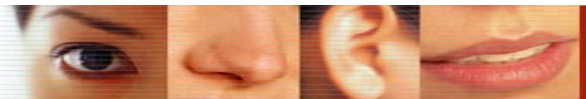
A Sensory Map of Competitive Wines
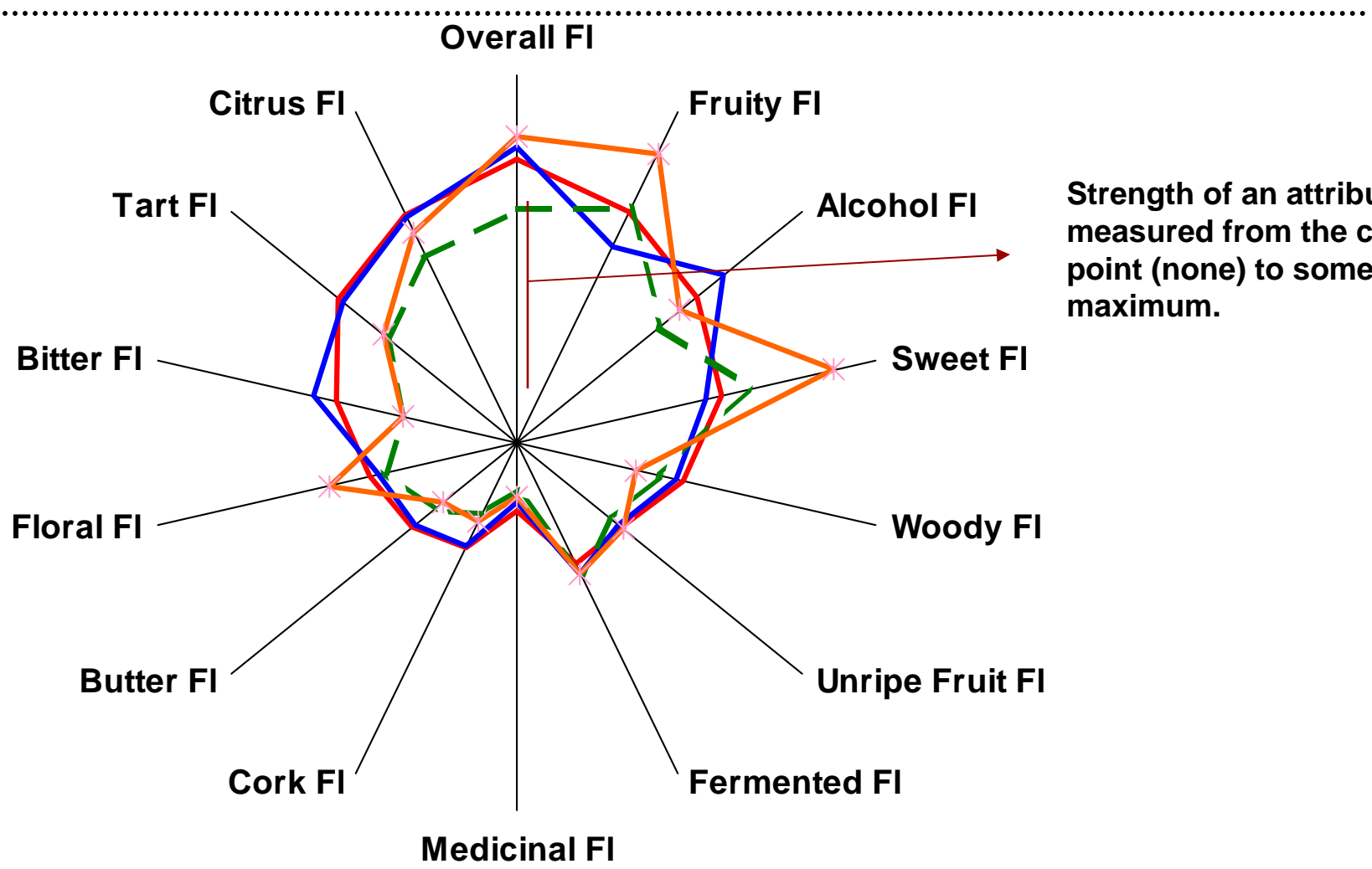
Strength of an attribute is measured from the center point (none) to some maximum.

Legend: BW (red), VRK (blue), TW (green dashed), SEF (orange)

Axes: Overall FI, Fruity FI, Alcohol FI, Sweet FI, Woody FI, Unripe Fruit FI, Fermented FI, Medicinal FI, Cork FI, Butter FI, Floral FI, Bitter FI, Tart FI, Citrus FI
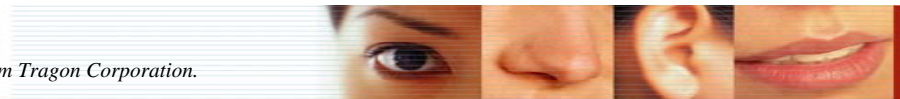
By itself this information is helpful but of limited value from a business strategy perspective.

We want to know if purchase will change

We want to know if advertised benefits will fit with the sensory experience

We want to know what product changes are needed and how much

We ... the price/value, perceived quality, …
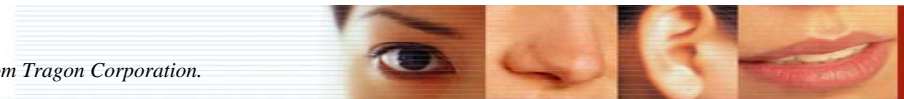
To answer these questions we look to the target consumer market. We measure:

Overall acceptance using the 9-pt hedonic scale, purchase intent, price/value, perceived quality, appropriateness of alternative use situations, purchase intent based on various combinations of brands, prices and benefits (simple and multi-variate conjoint), etc.

Liking   Quality

Product Perceptions

Usage   Price/Value
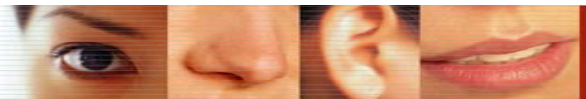
The following is excerpted from a large multi-country study and illustrates both challenges and opportunities.

An array of >15 beverages were tested in 4 countries by 150 – 163 qualified consumers over 3-days .   Every consumer tested every beverage.
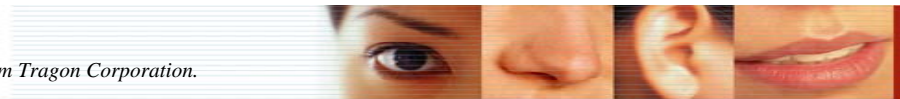
Overall Liking Using the 9-pt Hedonic Scale

A typical result, a spread of about 1.0 to 1.2 scale units.

Correlation among countries was >0.85.

Total Population
(n=622)

on (mean)
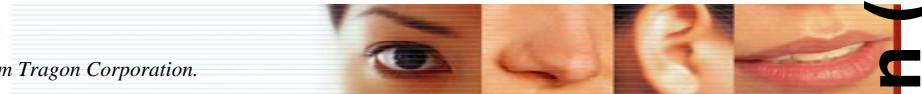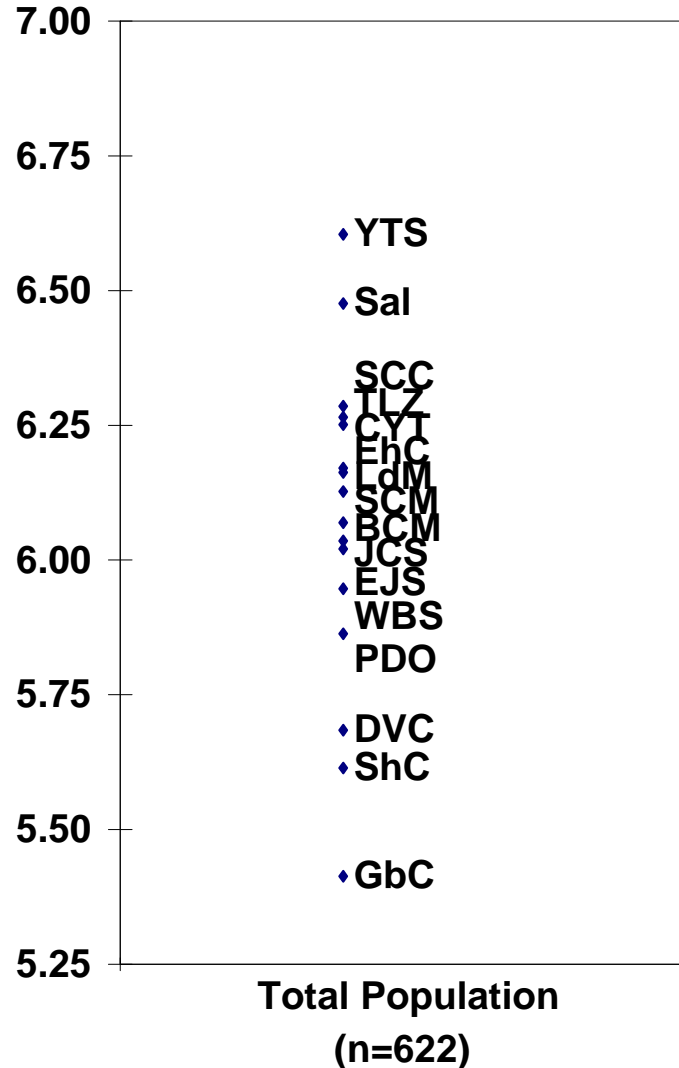
Overall Liking by Country

Some products scored high (YTS & SAL) and others scored low across all countries (GbC & ShC).

Overall Opinion (mean)

	United States (n=155)	United Kingdom (n=164)	Japan (n=153)	Australia (n=150)
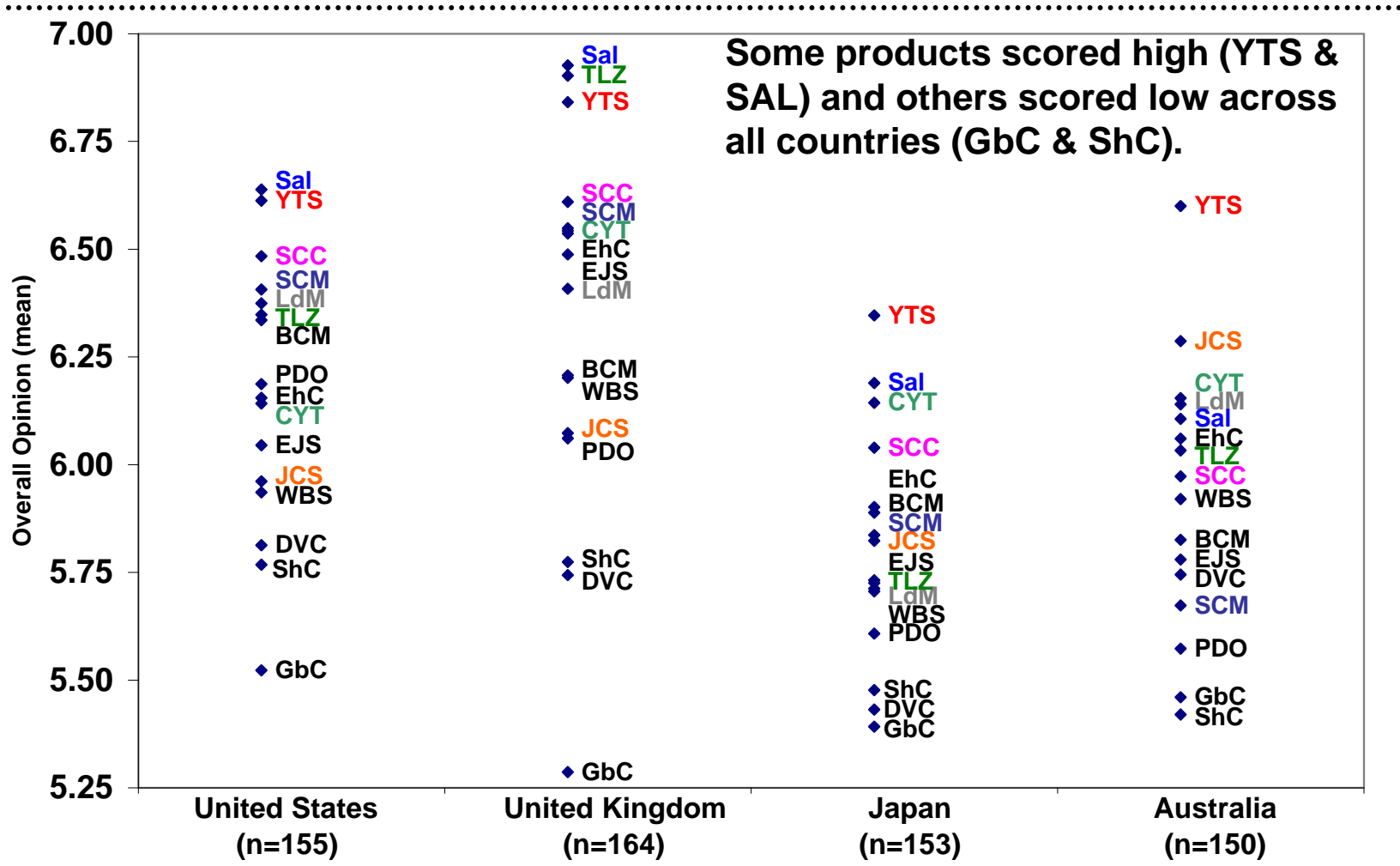
Note that the scale usage was not changed very much

Based on this information we test the response patterns for homogeneity (cluster analysis).
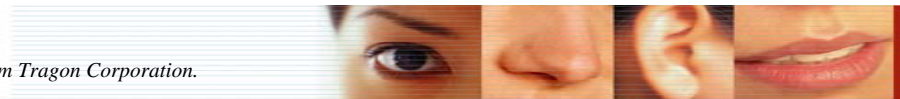
We find preference segments independent of the demographics across the 4 countries.
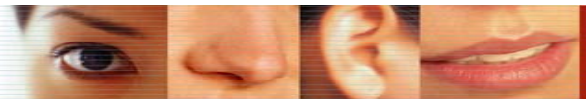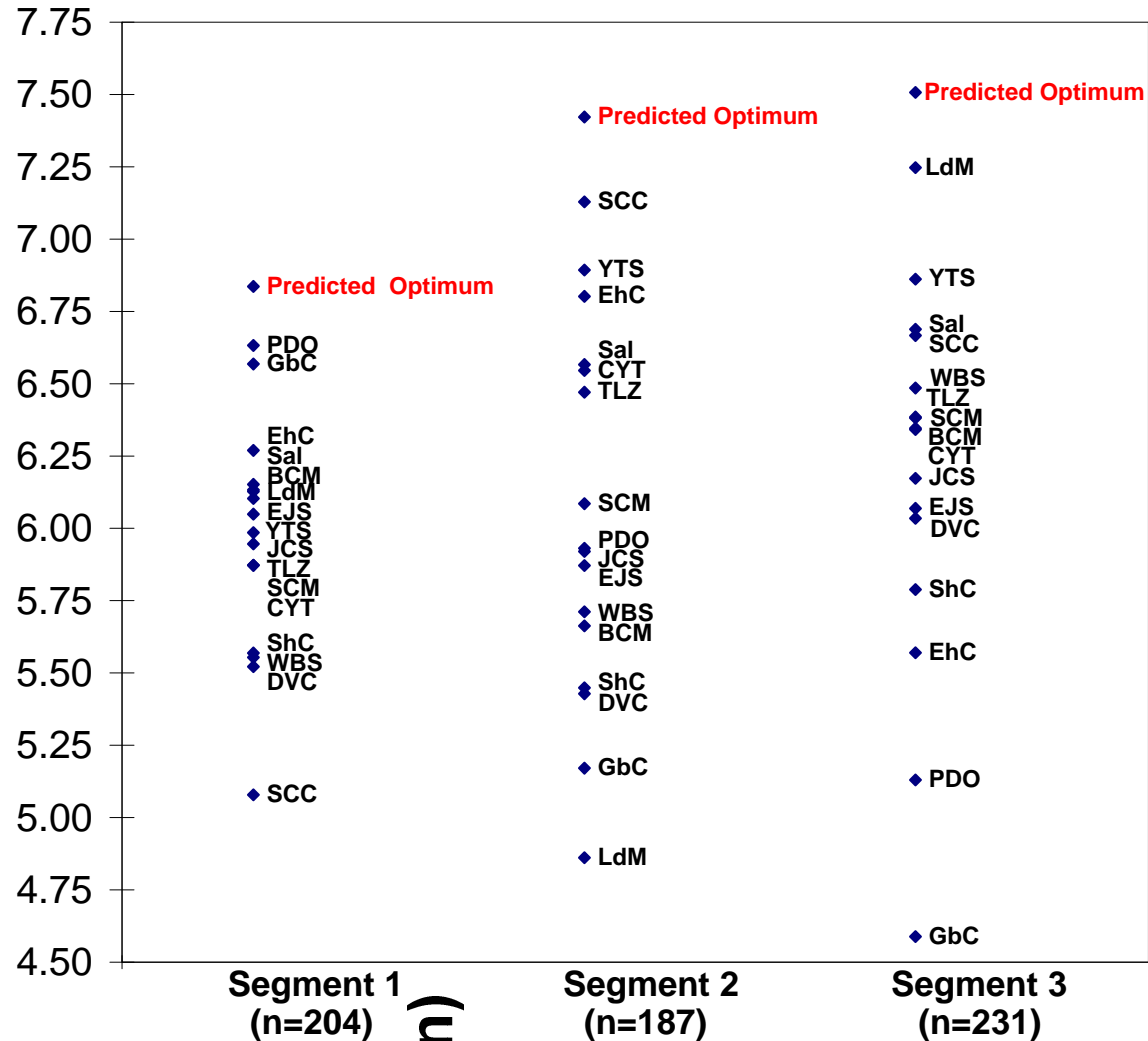
Attributes highly correlated with segments

+ attributes for one segment are – for another.

Preference Segment 1 (n=204)		Preference Segment 2 (n=187)		Preference Segment 3 (n=231)	
Art.Fruit/Candy Fl	0.48	Fruity Aft	0.72	Mouthfeel/Body	0.69
ABS 640	-0.41	Sweet	0.65	Berry/Cherry Fl	0.65
Blk.Pepper Fl	-0.43	Berry/Cherry Fl	0.65	Wood Aft	0.62
Earthy/Tobacco Fl	-0.47	Residual Sugar	0.59	Alcohol	0.61
Duration Flavor Aft	-0.55	Spice/Brown Fl	0.53	Spice/Brown Fl	0.53
Mouthfeel/Body	-0.56	Purple Tint	0.48	Color Intensity	0.50
Alcohol	-0.56	Mouthfeel/Body	0.47	ABS 640	0.42
Wood Ar	-0.59	Blk.Pepper Ar	-0.41	Volatile Acidity	-0.43
Wood Fl	-0.72	Sour	-0.46		
Wood Aft	-0.80	Bitter	-0.47		
		Brick/Brown Tint	-0.56		
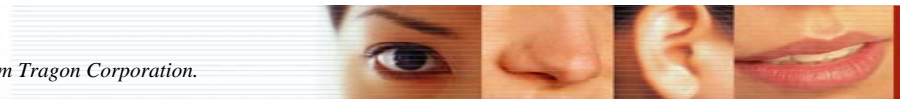
Relationship to Preference Segments

r = 0.83

r = -0.78

Overall Acceptance

QDA Attribute

- ◆ Preference Segment 1 (n=73)
- ■ Preference Segment 2 (n=77)
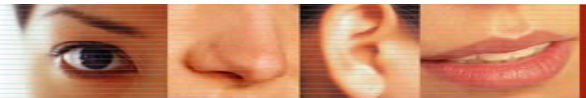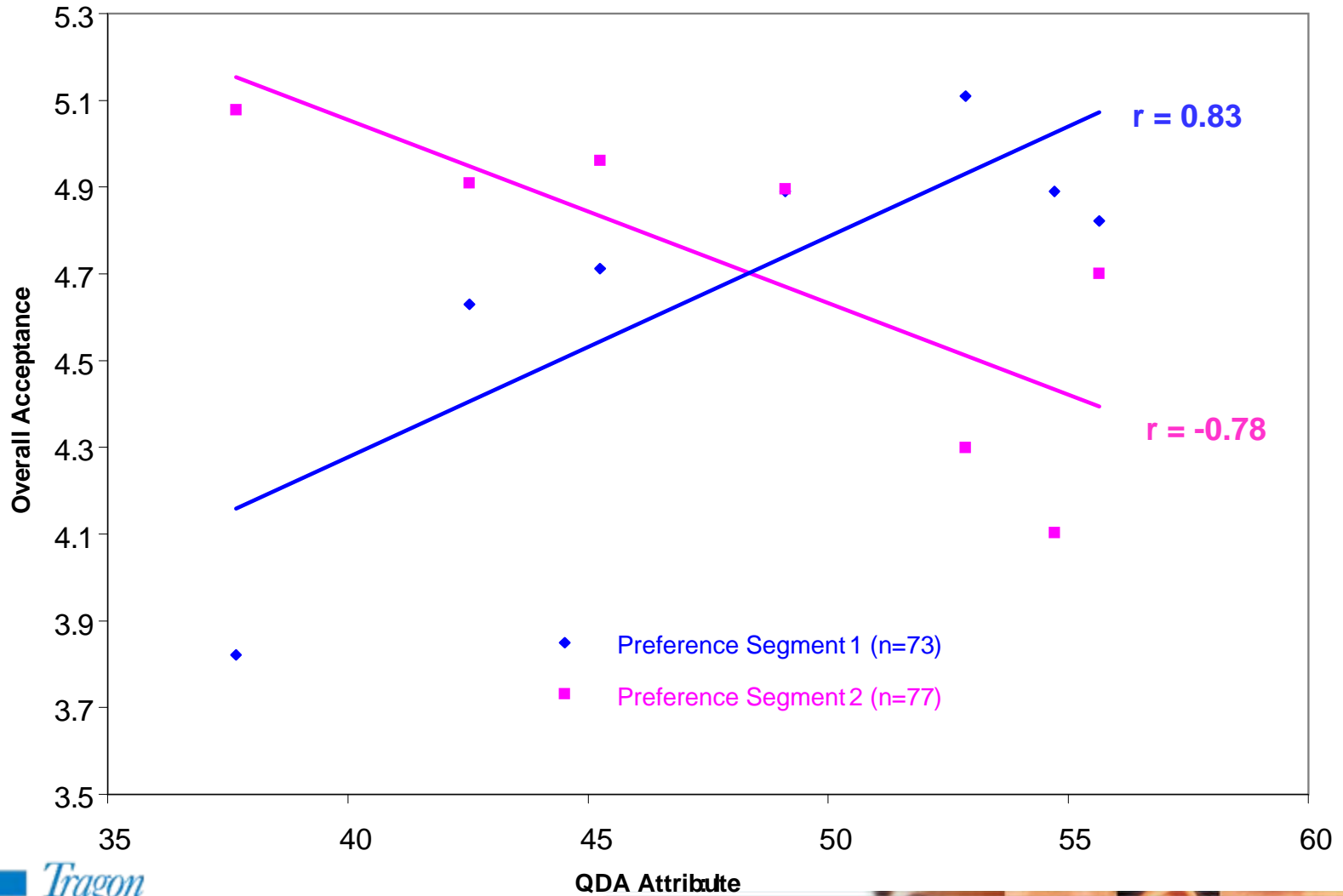
We also learn more about the consumers in those segments

Obtaining additional information about people's attitudes

- General product attitudes
- Product usage and consumption frequency
- Brand awareness and usage
- Variety awareness and consumption

Benefits

General Attitudes

Product Category Perceptions

Emotional

Item-by-Use Example

Product A **Product B**

- To serve to guests
- For special occasions
- To have while entertaining
- To spoil myself
- To give yourself a bit pleasure
- With a meal
- To share among friends, family
- For children
- To have at night
- To eat something nutritious
- As a small snack
- When there is a lot to do
- To have with other foods
- At work, at school
- To have "on the go"

Less Appropriate than Control ← → **More Appropriate than Control**

Differences among products that influence how consumers would use that product.

Products may be liked equally, but one could be better suited for different purposes.

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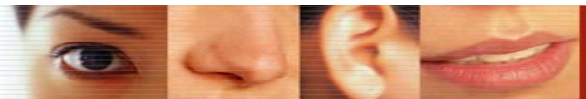
Mapping the Sensory and Brand Information

Strong Product and Concept Fit

Product Ratings

Higher than Average

Lower than Average

Concept Ratings

Lower than Average ← → Higher than Average

- **Is great tasting**
- **Would be good at breakfast**
- **Is what a child would want**
- **Makes me feel good**
- **I would feel good serving this to my family**
- **Has a natural taste**
- Is a good treat
- Is a quick "pick me up"
- **Is wholesome**
- Is for the entire family
- **Is 100% natrual**
- Is made with high quality ingredients
- **Recognizable flavors**
- Is refreshing
- Is for active people
- **Has no added sugar, preservatives, or artificial flavors**
- Is a good source of vitamins and minerals
- Is more appealing to adults

Product sensory attributes affect consumer's perceptions of what are the most appropriate variables to describe a product -- brand, price, use-situation, type of consumer, etc.

Mapping the Sensory and Brand Information

Strong Product and Concept Fit

Important sensory attributes (+) of clarity, pale color and floral aroma

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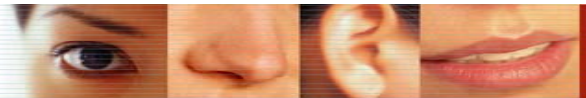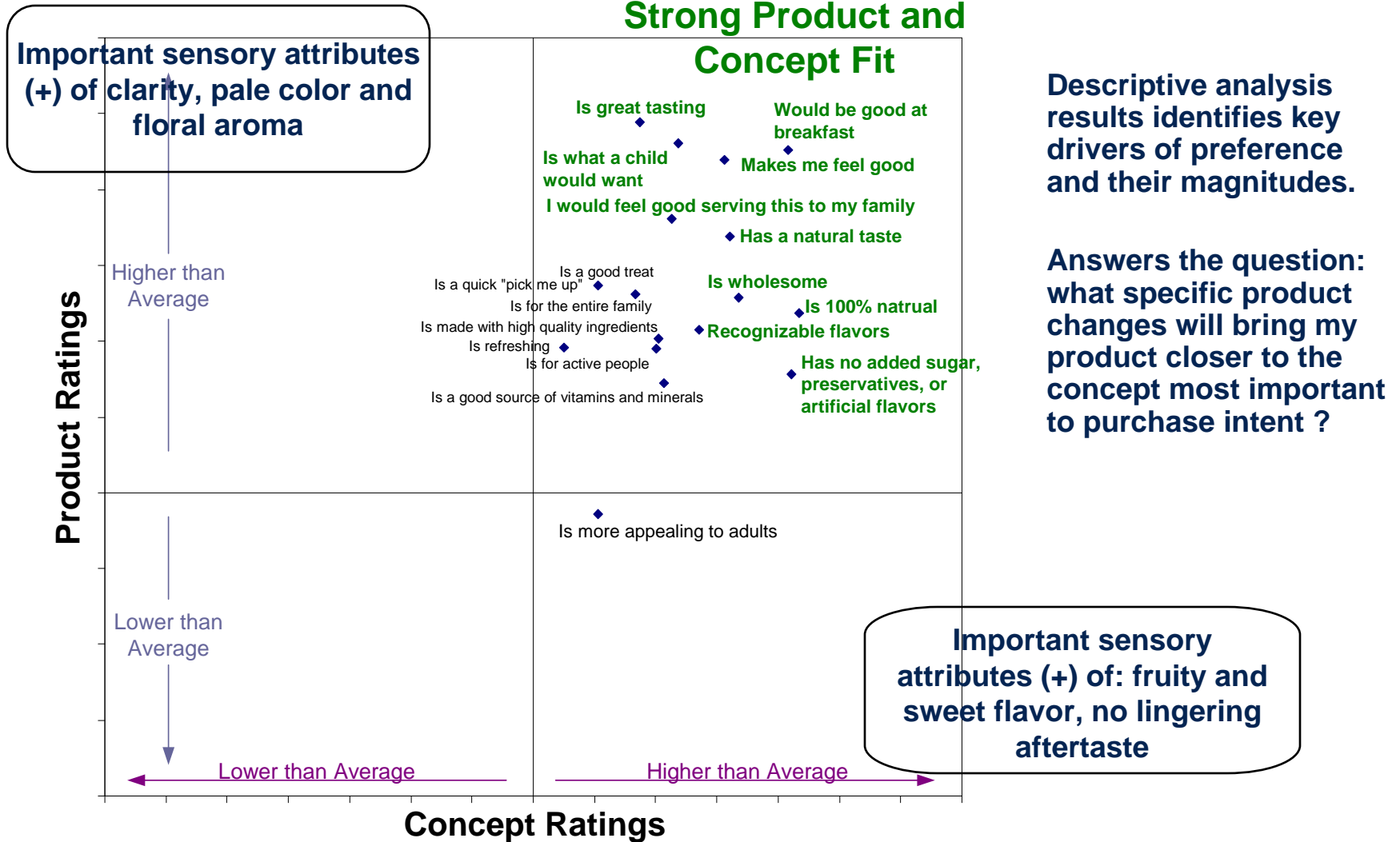
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Descriptive analysis results identifies key drivers of preference and their magnitudes.

Answers the question: what specific product changes will bring my product closer to the concept most important to purchase intent ?

Important sensory attributes (+) of: fruity and sweet flavor, no lingering aftertaste

Lower than Average ← → Higher than Average

Concept Ratings

Some Final Observations

Using sensory resources effectively begins with having the appropriate "instruments" -- qualified subjects, methods, their analysis and interpretation, and ….

Measuring the relationship between attitudes and perceptions (the product) increases the likelihood for success !

    <u>High</u>: when a product provides a positive sensory experience, a good fit expectations brought about by advertising. The "taste" experience reinforces the imagery and encourages repeat purchase.

    <u>Low</u>: when a product does not satisfy expectations, benefits and uses and the sensory characteristics are different from the model.
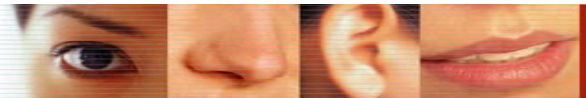
Conclusion

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The ability (and the desire) to integrate the various kinds of information (sensory and marketing research) provides a means for increasing success with developing and marketing new products.

Introducing new products or the re-staging of existing brands is an expensive process and using all resources enhances success.

Once a product is purchased, the sensory characteristics become most important to the future success of that product.

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