Consumer trends and new product opportunities in the food sector

Global Food Product Development

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Globalization is an ongoing process of intensification of economic, political and cultural cross-border relations (Naisbitt 1997).

Globalization is a process in which events taking place in one part of the globe have consequences for persons, enterprises and whole economies in other, often very distant parts of the world (Sztucki 1998).
The Essence of Food Market Globalization

- **Economic globalization** is a process of removing barriers from market operations, resulting in changes in the way in which markets function (Szymański 2004).

- **Economic globalization** is also defined as a progressive integration process of countries and regional markets into a coherent, global market of commodities, capital and services. The process results in the fusion and merging of markets, internationalization of production, distribution and marketing, and adoption of global operational strategies by enterprises (Liberska 2002).
The Essence of Food Market Globalization

The effects of economic globalization:

- integration of markets, forming international and worldwide economic organizations, connecting of regions, companies and societies from different countries and continents,
- the quantitative and qualitative changes in consumption,
- creating new trends illustrating the nature of changes and giving them new directions.
The globalization of food markets means a process in which food chains become more extended and more complex. These chains are no longer limited to the area of a specific country. This results in a significant increase in the gap between place of food production and place of its consumption (Friedland 2003).
The Essence of Food Market Globalization

Factors stimulating globalization:

- market factors,
- cost factors,
- political factors,
- competitive factors.
The Essence of Food Market Globalization

Market factors:

- creation and development of transnational enterprises,
- unification of consumer needs in many countries,
- opportunities to use homogenous elements of marketing at a global level.
The Essence of Food Market Globalization

Cost factors:

- benefits resulting from the scale and range of production and trade,
- benefits resulting from acquiring experiences and know-how,
- benefits resulting from centralized logistics,
- access to cheap sources of supply and labour force.
The Essence of Food Market Globalization

Political factors:
- liberal trade policy,
- international technical, ecological and safety standards,
- integration among countries,
- policy of mother country supporting investment activities.
The Essence of Food Market Globalization

Competitive factors:
- competitive hazard on a domestic market or on previous foreign markets,
- extending economic activity,
- ability to compete with integrated marketing on international markets.
Product Strategies on Global Markets

The strategies implemented on the global market are multidimensional. There are five basic parameters which determining the choice of strategy by the enterprise:

- market choice,
- products,
- localization of the activities,
- marketing,
- competitive moves.
A product is one of the fundamental and most important competitive parameters on the global market.

Product strategy is adopted by an enterprise as a coherent conception of creating offers. The enterprise makes decisions on the kinds of products that will be marketed and, in consequence, also on the other marketing instruments supporting the products within the strategy. These activities must ensure communication of the offer and its accessibility (Sudół et al. 2000).
The marketing concept of a product is composed of a set of features comprising the functional values of the product, its quality, packaging and brand. Before making a decision about the share of product features that may be of a global nature and those that should also consider local requirements of potential customers, an exhaustive analysis of both the product and market should be conducted. Proper shaping of the product strategy is the key issue in this respect and the main problem is the extent of product standardization.
Figure 1. Division of product strategies implemented on the international market according to the degree of changes in the product.
Product standardization is the strategy which assumes that a product can be introduced by an enterprise to new foreign markets unchanged compared to the product offered on the domestic market or on other previously serviced foreign markets (Limański and Drabik 2010).

This strategy can also be adopted if it is a possibility to shape consumer preferences through transforming the consumption pattern, possibly based on a positive image of the country of origin of the product (Oczkowska 2006).
Culture-bound products are strongly connected to the culture of nations, therefore their standardization is difficult. These are, among others, food products and those, whose role is crucial for expressing the cultural identity of nations.

Products of this type require often adaptation to local conditions, because nutritional habits are durable and stable, so they will not change fast. Nutritional habits are connected to the culture of a given society and a change of nutritional habits may require a change of cultural patterns (Goryńska-Goldman 2009).
The varieties of the adaptation strategy (Adamczyk and Witek 2008):

- voluntary adaptation – is largely controlled by the company; its application is dominated by cultural and economic factors, e.g. the income level, education level, consumer preferences in individual countries,

- market-driven adaptation – adjusting the product features to the foreign market requirements, irrespectively of whether the company wants to make these changes or not; the changes in production are most frequently caused by legal regulations and technical conditions (e.g. the regulations regarding the information placed on the packaging of food products).
## Product Strategies on Global Markets

<table>
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<th>Macro environment</th>
<th>Factors driving product standardization</th>
<th>Factors driving product adaptation</th>
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<td>Economic</td>
<td>Similar level of development</td>
<td>Different level of development</td>
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<tr>
<td>Political and legal</td>
<td>Similar</td>
<td>Different</td>
</tr>
<tr>
<td>Technical and technological</td>
<td>Rapid changes</td>
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<tr>
<td>Cultural</td>
<td>Small cultural distance</td>
<td>Big cultural distance</td>
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Source: Wiktor et al. 2008
# Product Strategies on Global Markets

<table>
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<th>Micro environment</th>
<th>Factors driving product standardization</th>
<th>Factors driving product adaptation</th>
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<tr>
<td>Character of consumer preferences</td>
<td>Homogenous</td>
<td>Heterogeneous</td>
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<tr>
<td>Consumer purchasing power</td>
<td>Equal</td>
<td>Diverse</td>
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<tr>
<td>Demand for diversified products</td>
<td>Low</td>
<td>High</td>
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<tr>
<td>Competition in sector</td>
<td>Weak</td>
<td>Strong</td>
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<tr>
<td>Range of competition</td>
<td>Global</td>
<td>Local</td>
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<tr>
<td>Enterprise market position</td>
<td>Dominant</td>
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Source: Wiktor et al. 2008
# Product Strategies on Global Markets

## Standardization

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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</thead>
<tbody>
<tr>
<td>Using similarities in consumer behaviors in various countries.</td>
<td>Too serious limitation of the offer.</td>
</tr>
<tr>
<td>Possibility of cost reduction due to the economies of scale.</td>
<td>Hazard of a price war on the part of competitors.</td>
</tr>
<tr>
<td>Simplification of management processes</td>
<td>Ignoring the real needs of the local consumers.</td>
</tr>
<tr>
<td>Opportunity to introduce the same promotional campaign.</td>
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<tr>
<td>Merging product image with the company image.</td>
<td></td>
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<tr>
<td>Reduction in R&amp;D expenses.</td>
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</table>

Source: Fonfara 2014
## Product Strategies on Global Markets

<table>
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<th>Adaptation</th>
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<tr>
<td><strong>Advantages</strong></td>
</tr>
<tr>
<td>Possibility of supporting niche markets. Greater possibility to diversify the price level. Diversification of products in relation to competitive firms’ products.</td>
</tr>
</tbody>
</table>

Source: Fonfara 2014
Both standardization and adaptation strategy must be implemented through a more detailed approach to foreign market support called **EPRG**: ethnocentric, polycentric, regiocentric and geocentric strategy.

- **E** - ethnocentric
- **P** - polycentric
- **R** - regiocentric
- **G** - geocentric
Figure 2. EPRG model in standardization and adaptation strategies

- **Ethnocentrism (E)**
  Home standards applied on markets

- **Geocentrism (G)**
  Universal standards applied on markets

- **Polycentrism (P)**
  Local standards applied on local markets

- **Regiocentrism (R)**
  Regional standards applied in regions
The **ethnocentric strategy** assumes that it is possible to transfer the product strategy realized on a domestic market to a foreign market. The assumption results from the enterprise’s conviction that its offer is much better than the one accessible on the foreign market and that the way by which consumers evaluate products on the foreign market is similar to the one used on the domestic market. However, these assumptions are quite risky, especially when an enterprise is entering the market that is significantly different culturally and socially from the mother country market. The differences may affect consumer behaviors considerably, and they may not be able to accept the product (Drachal 2014; Wiktor 2006).
The polycentric strategy (multi-local strategy) assumes a strict adjustment of the enterprise's offer to specific conditions of the markets where it intends to operate. It takes local specificity of level of economic development, social and cultural circumstances, but also other factors of the external environment into consideration. The enterprise must create as many different offers, as many foreign markets it wants to support, because each market is treated differently than the other. It is a quite expensive strategy, but provides big chances of success and gaining competitive advantage (Drachal 2014).
The *regiocentric strategy* is a variety of the polycentric strategy. In this case an enterprise's offer targets a group of countries constituting a region for the international operation of the enterprise. The strategy assumes that groups of countries may constitute a common market for the enterprise's activities, because there are more similarities among them than differences, so they are equally susceptible to the nature of stimuli, which the marketing offer contains. This strategy treats all countries in a given region equally (Wiktor 2006).
The geocentric strategy denotes that an enterprise uses a uniform offer for all national markets targeted, irrespectively of their social and economic differences. These markets are treated as a global market and the existing differences are ignored purposefully. The premise for the success of this approach is universalism of the offer and likelihood of consumer acceptance. It means that consumers have similar needs and want to satisfy them in a similar way. The strategy is characteristic for transnational corporations conducting their economic activities on the world market (Wiktor 2006).
The innovation strategy is the most difficult aspect of the product strategy on international markets. Product innovations can include modernized or new products with enriched functional features that better satisfy customer requirements. New food products may be classified according to whether they are a development of an existing line of products, a change in the intended product use, a new form of an existing product, a change of packaging, a change of value added to the product, etc. (Lenart 2008).
Innovation Strategies on Global Markets

Figure 3. Distinction of product innovation strategies on international market according to their degree of innovation originality

Product innovation strategies on international market

- Creative imitation strategy
- Early imitation strategy
- Flexible specialization strategy
- Contractual innovation strategy
- Late imitation strategy

Innovation leadership strategy

Imitation strategy
The innovation leadership strategy is an on-going and systematic process of putting a new product on the international market. It is used by large enterprises that are market leaders, able to get and maintain their advantage resulting from applied innovations over a longer period of time. The enterprises that implement an innovation leadership strategy may expect benefits concerning:

- the strengthening of their position on the market,
- improvement of the company’s image,
- possibility to impose some standards on the competition,
- achievement of positive financial results, due to higher prices for their innovative products.
The innovation leadership strategy may be realized in many ways, among others through:

- activities aimed at shortening the product life cycle, e.g. through suspending production or sales of older product lines to other companies (the enterprise is not waiting to reach the saturation stage or decline in sales, but sells the license at the final phase of sales growth),

- sales of licenses for new products,

- forming strategic alliances with other enterprises to work together in order to create new products.
Innovation Strategies on Global Markets

The imitation strategies involve that an enterprise responds to the activities of a market leader. They have various forms depending on the enterprise’s goals, its market position, resources and potential.
The creative imitation strategy relies on gaining a strong position on a developing new product market. It happens as a result of the innovation diffusion process initiated by the innovator enterprise, i.e. popularization of a new product among consumers on foreign markets. While implementing this strategy, the enterprise uses the experience of the innovator and its new product in order to market improved products or products with alternative characteristics. The strategy requires a well-developed R&D department at the enterprise, considerable outlays on research and other well developed marketing activities (Wiktor et al. 2008).
The early imitation strategy implies that an enterprise supplies new products to the market due to purchases of licenses, patents, know-how or by copying the solutions of other companies as early as possible. Implementation of this strategy is connected with relatively high outlays on acquisition of new technologies and requires a considerable efficiency in starting up the manufacturing of new products (Adamczyk and Witek 2008).
The flexible strategy is applied mainly by medium-sized and small enterprises, because they have relatively small resources and should seek niche markets. The enterprise using the flexible specialization strategy modifies the features and properties of products previously offered by the innovator. These activities aim to adjust these features to the needs of specific market segments.
Innovation Strategies on Global Markets

The contractual innovation strategy involves introducing new product innovations commissioned by other enterprises, usually following the patterns and prototypes of the contracting party. The enterprise that implements this strategy indirectly participates in marketing novelties on the foreign market, but not always at its own initiative (Wiktor et al. 2008).
Innovation Strategies on Global Markets

The late imitation strategy involves the gradual introduction of small improvements supported by other measures diversifying the product, but much later than the innovator. The company competes mainly on price and the strategy may be efficient for the market segments which accept the novelties later on, the so-called marauders. This may also be applied on the markets in countries with a lower level of technical development.
It should be remembered that not all product innovation activities are successful. In the food sector failure rate of new products is between 60 and 80% (Grunert and Valli 2001).

Some of them fail as a result of wrong marketing assumptions (e.g. wrong assessment of potential market, erroneous estimation of promotion and distribution costs, and choice of inappropriate distribution channels, too high or too low a price), technical immaturity of a new product or too long period of innovation implementation in production.
The brand, regarded as one of the basic marketing tools, is the characteristic feature of a global product. Most brands of food products with a global reach belong to transnational corporations (TNCs).

Every day millions of people around the world buy products of such brands as: Coca-Cola, Fanta, Sprite, Pepsi, Lipton, Lays, Milka, Nescafe, Nestle, Tchibo, Jacobs, Wrigley’s, Orbit, Mars, Snikers, M&M, Knor, Gerber, Helmans, Danone, Oreo, McDonald’s, KFC, Burger King, Starbucks and many others.
A good, recognizable brand helps to gain and maintain markets and determines the enterprise’s value. **A brand** is a combination of many elements: **the name, logo, slogan and packaging developed in order to identify a given product.**

The source of the brand strength are:

- communication effects (awareness and image),
- behavioral effects (behaviors composing the brand loyalty).
Brands are equipped with so-called brand capital, composed of:

- the name,
- symbol,
- reputation,
- recognition,
- functionality,
- emotions.
Global Product Brand

Brand globalization processes take place as a result of processes of lifestyle convergence and the occurrence of global consumer segments. Young consumers with positive attitudes to modern technologies, new media and values associated with globality and universal communication are more open to the conception of global brands (Żak 2009).
Global Product Brand

Not all buyers are equally susceptible to the influence of global brands. The attitude of buyers towards global brands allows to identify four main types:

- global citizens,
- global dreamers,
- antiglobalists,
- global agnostics.
Global Product Brand

**Global citizens** - consumers sensitive to brand "globality", expecting pro-social behaviours from the brand.

**Global dreamers** - people who identify global brands with widely disseminated myths about them, they expect that while buying global brands they will become citizens of the world.

**Antiglobalists** - consumers which do not value global brands, they avoid purchasing them.

**Global agnostics** - according to them, the sole fact that a given brand is global is not interesting, it does not guarantee the high quality of the goods (Bachnik 2007).
# Global Product Brand

## Characteristics of global brand (1)

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>User</strong></td>
<td>Cosmopolitan, globalist, man of the world</td>
</tr>
<tr>
<td><strong>Brand concept</strong></td>
<td>Primacy of homogenous needs and preferences of buyers on many markets</td>
</tr>
<tr>
<td><strong>Name and symbol</strong></td>
<td>Refers to a specific product or firm, the name sounding identically in national languages</td>
</tr>
<tr>
<td><strong>Reputation</strong></td>
<td>High loyalty, trust</td>
</tr>
<tr>
<td><strong>Recognition</strong></td>
<td>Brand recognized in the same way on various target markets</td>
</tr>
<tr>
<td><strong>Functionality and emotions</strong></td>
<td>Innovation and standardization emphasized in the area of functionality. Brand referring to universal values and standards held commonly by a majority of people in the world, such as: joy, love, happiness and success</td>
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Source: Badowska 2014
## Global Product Brand

### Characteristics of global brand (2)

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<tr>
<th>Functionality and emotions</th>
<th>Innovation and standardization emphasized in the area of functionality. Brand referring to universal values and standards held commonly by a majority of people in the world, such as: joy, love, happiness and success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>Universalism, standardization, high quality, brand features adjusted to the needs and preferences of wide target groups</td>
</tr>
<tr>
<td>Benefits</td>
<td>Including in the global trends, prestige, global image</td>
</tr>
<tr>
<td>Values</td>
<td>Universal for the mankind, cosmopolitan, liberal, accepted by general community, common for the human population</td>
</tr>
<tr>
<td>Culture</td>
<td>International, open, democratic</td>
</tr>
</tbody>
</table>

Source: Badowska 2014
Marketing of a majority of global brands differs in order to fulfill the preferences and needs of consumers. Even though a company promotes its brand all over the world, it is difficult to unify local associations in various countries. The brand is a promise of a set of determined benefits for the consumers, therefore the possibilities of adaptation are very wide.
Global Product Brand

The methods of brand creation and acquisition by an enterprise on an international market:

- the introduction of a brand that has been used so far on the domestic market to a foreign market,
- the creation and the development of a so-called global platform, supplemented with local, adapted elements, following the rule: “think globally, act locally” ,
- the identification of global needs and requirements and developing a new brand to fulfill them,
- the takeover of a local brand through a purchase or merger and its subsequent internationalization,
- the use of various names of brands in different countries (a so-called multilocal strategy).
Globalization of Consumption

Consumption is one of the main conditions for the development of society and it plays a dominant role in comparison with other spheres of social life.

Globalization processes are not without influence on changes of the consumer values system. Globalization is treated both as the cause and effect of changes occurring in consumer behaviors.

Globalization of consumption involves the spreading of identical or similar consumption patterns over the national scale (homogenization of consumption) and creating so called global consumer culture.
Globalization of Consumption

Three main areas of globalization of consumption:

- market environment and the conditions determining fulfillment of consumer needs (increase in the importance of super- and hypermarkets, trade and services infrastructure, popularization of self-service and legal regulations for the consumption sphere and market, in the first place including the laws protecting consumer interests),

- ways of fulfilling needs, purchasing habits and buyers’ and consumer behavior in the individual consumer segments (including the product range and brands of chosen commodities and consumer services),

- hierarchy and structure of the buyers’ needs, their systems of values, attitudes and lifestyles.
# Globalization of Consumption

<table>
<thead>
<tr>
<th>Factors driving globalization of consumption</th>
<th>Factors inhibiting globalization of consumption</th>
</tr>
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<tbody>
<tr>
<td><strong>Demand</strong></td>
<td><strong>Supply</strong></td>
</tr>
<tr>
<td>consumer aspiration for a modern, more attractive lifestyle</td>
<td>growing competition enforcing application of strategy of expansion into the new markets</td>
</tr>
<tr>
<td>seeking convenient global products of high quality</td>
<td>enterprises striving to reach economies of scale</td>
</tr>
<tr>
<td>buying global products as a way to boost consumer self-esteem in the less developed countries</td>
<td>free flow of products, workforce and capital</td>
</tr>
<tr>
<td>increased spatial mobility of consumers</td>
<td>development of information technologies ensuring efficient communication with the market</td>
</tr>
</tbody>
</table>

Source: Mazurek-Łopacińska 2003
The effect of the globalization process on consumer behaviors creates an image of global consumers, perceiving himself as a person who prefers modern consumption patterns and combining a traditional system of values with new patterns of behavior.
Globalization of Consumption

The main reasons for buying global products by consumers:

- global products express a modern and attractive lifestyle, desired by many buyers, moreover they are the carrier and symbol of the system of values and philosophy of life of contemporary consumers,
- global products are usually characterized by functionality, high quality, they are convenient and useful,
- using a global offer facilitates communication among consumers from different countries.
The assessment of globalization of consumption processes is not unanimous. It generates both positive and negative results, the scale and range of which depend on the level of a country’s socio-economic development.

The benefits result from the unification of products and their way of use on the world scale, disregarding local cultures, climate, etc. These phenomena often make life easier and increase human spatial mobility, particularly tourism and migrations.
Globalization of Consumption

Outcomes of globalization of consumption (positive results):
- spreading the ethics of global consumption,
- wider accessibility of high technology products,
- better terms of meeting consumer needs and expectations,
- better life standard,
- strengthening consumer preferences,
- unification of legal regulations on consumer safety,
- development of infrastructure,
- acceleration of interpersonal communication (transfer of information technologies to everyday life).
Globalization of Consumption

Outcomes of globalization of consumption (negative results):

- creolization – artificial import of foreign influence and products to local tradition,
- risk of changing local consumer habits,
- threats to consumers in poorly developed countries due to insufficient information and education,
- dangers resulting from acquisition of global products at the cost of fulfilling basic needs,
- lack of correlation between market globalization and globalization of democratic and citizen institutions.


References


