

UNIT 8 INTERNATIONAL BRANDING, PACKAGING AND OTHER DECISIONS

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8.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the objectives and advantages of branding
- examine branding strategies for international markets
- describe the scope and limitations of use of Indian brands in international markets
- identify branding problems in international marketing
- discuss the functions and importance of packaging
- analyse the factors influencing the packaging decisions
- discuss the concept of labelling
- describe the importance of warranty and guarantee in marketing.

8.1 INTRODUCTION

"What is produced in a factory is a product; but what is bought by a consumer is a

brand". "Branding shifts the focus from transaction to relationship". "Branding helps you attain market share through mind share". These sayings would indicate the major role played by branding in the success of a product in a market. In fact, the problems faced by most of the developing countries in promoting exports is traced by many to the fact that most of the exports of these countries comprise unbranded items. That is why the Government of India has established a "Brand Equity Fund" to help Indian firms promote exports of branded products. However, the practice of selling products unbranded is undergoing a definite change at least in the domestic market and more and more products such as vegetable oil, milk, rice, wheat flour and even items like broomstick, water and ice are now sold in India under brands which could not have been thought of about two decades ago. Consumers have also become more aware of brands today and are supporting the branding efforts of manufacturers by demanding from the retailer a specific brand of an item such as salt even in rural areas. In this unit, you will learn the objectives and strategies of branding, branding problems and the scope for use of Indian brands. You will be exposed to the functions, importance factors and special considerations in packaging for international marketing. The concept of labelling warranty and guarantee shall be discussed to make you familiar with them.

8.2 BRANDING

The product is recognised by its name. Once the name has been recognised, it may run smoothly among the people. The firm wants to create an awareness and recognition through the branding strategies. The question arises what is a brand? A **brand** is a name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of others. That part of the brand which can be vocalised (the utterable) is known as the brand name.

That part of the brand that is given legal protection for exclusive use by a seller is known as the **trademark**. A trademark may, thus, include any word, name, symbol or design. A trademark registered for a service is known as a service mark.

8.2.1 Objectives and Advantages of Branding

The basic objective of branding is the same everywhere in the world. The major objectives are as follows:

- i) Create identification and brand awareness
- ii) Guarantee a certain level of quality, quantity and satisfaction
- iii) Help in the promotion of the product.

These objectives have the same ultimate goals i.e., to induce repeat purchases. There are several advantages of branding to the customers and sellers. They are as follows:

- 1 It makes shopping feasible to customers since it is a means of identification. In case no brand names are used, for example, for products such as blades, tooth paste, and toilet soaps, every time a shopper shops for these products, he has to inspect each and every piece of the product, and, in some cases, has to test them also. The problems that are to be faced by the shopper in such a situation can be imagined, even after inspection and testing, he may not be sure as to whether he has picked up the right product. Since branding reduces the shopping effort of the customers, it also reduces the selling effort of the manufacturers. The manufacturers need not spend resources every time to convince the shoppers that the former are providing the same type of products which the latter are looking for.
- 2 Brands are treated by shoppers as guide to quality, price of the product, service, etc. Generally, consumers associate each brand with certain quality, price, service etc. Hence, it becomes easy for consumers belonging to different segments to associate certain brands with their requirements and exercise choice. For instance, "Vimal" is associated with high price, high quality textiles and National Textile Corporation is associated with low price, mass consumption textiles. The attitude of the customers helps the manufacturers to segment markets by offering different brands of the same product such as tooth paste, detergents, toilet soaps, etc.

- 3 Brands also satisfy the status need of the customers. It has been noticed that people tend to use certain brands to identify themselves with certain strata of society. For instance, use of different types of credit cards or club membership cards definitely goes to identify the users with different strata of society. For the manufacturer, branding develops customer loyalty and may provide a monopolistic situation in the market enabling him charge higher price.
- 4 For the manufacturer, a successful brand makes the introduction of additional product in the market easy if the same brand name is used for all his products. This is because, the favourable corporate image built up by a successful brand has a 'halo effect'.
- 5 Brands definitely help to convert a "Low Involvement Product" into a "High Involvement Product" and in the process raise profit margins. For example, the unit price of "Bharat Salt" in export market is nearly 10 times more than salt supplied in bulk. The same holds true for branded tea in consumer packs as compared to bulk tea.
- 6 Brands give legal protection to the manufacturer, particularly if the brand name and brand symbol are registered as the sole property of a seller.

The above advantages do not mean that there are no problems associated with branding. For one thing, branding is a very costly exercise in today's environment; branding for export markets is more expensive. For example, it has been established that introduction of a new brand in the Indian market today could cost a company a couple of crores of rupees in the first year. The promotion bill for the launch of "Super Kohinoor" brand basmati rice in Mumbai alone is said to be Rs.2.5 crores. The cost to introduce a new brand in USA is said to be not less than US \$ 50 million. Secondly, the success rate of new brands is also not very high. Generally it takes at least three years for a new brand to establish itself and seven out of every 10 new brands launched in India in recent years are known to have failed and nine out of 10 relaunches have been consigned to the dustbin. In more competitive overseas markets, the conditions are likely to be tougher.

It may not be necessary to resort to branding to sell all types of products or to all types of markets. In selling products such as raw materials and products where functional quality is the most important attribute looked for by the customers and are bought after extensive testing and trials, the role of branding may be only marginal. Similarly to sell to segments, which are illiterate, poor and underdeveloped, branding may not be of much help.

8.2.2 Brand Familiarity Levels

Generally there are considered to be four levels of brand familiarity. They are:

- i) **Brand non-recognition:** Some brands are not recognised by the customers, though this may not be the case in respect of many products;
- ii) **Brand recognition:** Customers remember having seen or heard of the brand;
- iii) **Brand preference:** Customers choose a particular brand out of past experience or habit or deliberately, after collecting information; and
- iv) **Brand insistence:** Customers insist on having a particular brand and are willing to search and wait for it.

The ideal objective of every manufacturer should be to ensure that his products attain the fourth level i.e. brand insistence. That is why some firms, even when their products are not available in a particular geographical area or during a particular period, continue to advertise, the main objective being that their brands do not pass into a level of non-recognition among the consumers.

8.2.3 Branding Strategies

Branding strategies refer to the pattern of actions to be taken by the firm to brand its products. The firm has to decide about the family v/s individual brand, manufacturers v/s distributors brand, local vs. global brands, etc. depending upon suitability and other factors affecting the product. Let us discuss them in detail.

Family Brand versus Individual Brand

Family brands for example, Philips, GEC, Bajaj, Weston etc. are resorted to if basically all the products are more or less of the same type. The advantages of family branding are:

- i) It tends to build customer franchise and paves the way for the introduction of other products with the same brand name.
- ii) One promotional campaign may be sufficient to sell the entire line of products of a company leading to economic use of resources. In general, the costs involved in developing and introducing a new brand is saved.

Since family brand builds customer franchise, it is important that the products that are introduced in the market initially receive favourable consumer reaction. Otherwise, a product which does not find consumer acceptance, under a family brand, may spoil the market for other products even if they are better.

Individual brands like Lever Bros are normally resorted to when products of varying types and quality are sold by the firm so that the higher price and quality of one product does not get mixed up with the lower price and quality of another product. This has the following advantages:

- i) Failure of one brand does not damage the chance of success of another brand;
- ii) Individual brands may stimulate competition within the organisation (since each brand is a responsibility of a different group) and thus contribute to the total efficiency of the firm; and
- iii) Individual brands may also be an effective means of exploring different market segments.

Generally when a firm is producing either varied types of products and/or different types of the same product meant for different segments family brand cannot be used and necessarily individual brands should be used. The consumer will be able to differentiate one product from another only on the basis of branding (how many will pay higher price for Pears Soap as compared to Lifebuoy soap if they cannot be differentiated on the basis of brand names). Family brands are not advisable if dissimilar products are sold and dissimilar market segments are catered to.

Manufacturers' Brand versus Distributors' Brand

While manufacturers normally use their brand name on their products, the practice of permitting distributors to use their own brand names in some of the manufacturer's products is also prevalent. Manufacturer's brand is also known as the national brand, while the distributor's brand is also referred to as regional or private brand. The advantages to the manufacturer in using his own brand name are as follows:

- i) A manufacturer can make use of a successful brand as a central point around which he can build his sales promotion for the entire range of his products, particularly when a family brand is used.
- ii) Customers confidence in a brand name of a successful product can be transferred with relative ease to a new product if the manufacturer uses his own brand name.
- iii) The manufacturer, if he uses his own brand name, can exercise better control over the prices of his products than would be the case if a distributor's brand name is used.

The disadvantages of using a manufacturer's brand name are:

- i) Customer unhappiness with any one product may affect the sales of other products because the manufacturer of branded goods, particularly when a family brand is used, can be easily traced and identified by the customer.
- ii) Promotional expenditure needed to establish and maintain a brand name, particularly in cases of individual brands, is considerable and some manufacturers may not be able to afford the same.

The advantages and disadvantages of using private brands are, in general, the reverse of those of using manufacturer's. Specifically the advantages are:

- i) Since distributor's brands are generally expected to be sold in limited areas and not nation wide, the cost of promotion of the brand may be less and consequently the distributor may be able to sell the product cheaper than the manufacturer making the product competitive, price wise.
- ii) Since in a distributor's brand, the customers may not be able to trace the product to the manufacturer, the negative effects associated with a poor product may not affect very much the sales of the manufacturer's other products. Customers might blame the distributor and not the manufacturer for a poor product;
- iii) In distributor's brand, the area of operation of the distributor is relatively small as compared to the area of operation of the manufacturer, hence, it can be more easily tailored to the requirements of the customers.

The disadvantages of allowing the distributor to put his brand on the manufacturer's product are:

- i) There is always a threat of competition between the manufacturer's brand and the distributor's brand in the same product. If the manufacturer sells part of his production on his own brand name and allows the distributor to put the latter's brand on the rest of the production, this may lead to brand war.
- ii) Sometimes the sales volume of a distributor may not be sufficiently high to justify the distributor using his own brand name. Hence care should be taken to ensure that only those distributors who are expected to generate sufficient sales volume in a product must be allowed to use their own brand names.
- iii) Apart from sizeable sales volume, the distributor should have been well established in the area and must have acquired the prestige required to put a private brand in the market. By putting his brand, he should not spoil the image of the manufacturer.

In practice, all the three practices, i.e. (a) manufacturers using their own brand names in all their products; (b) letting distributors put their brand names on all the products of the manufacturer, and (c) the manufacturer using his brand name for part of his production and allowing the distributor brand the rest, are prevalent. Manufacturers generally tend to consider distributors' financial standing, the area of their operation, their prestige in their area of operation, the volume of sales likely to be generated by distributors etc. before allowing the products to be sold on private brands.

Local Brands versus Global Brands

Another major decision is whether to use a single worldwide brand, known as **global**, **international** or **universal** brand or local brand. Some brands like Coca Cola, Pepsi, McDonalds, etc. have become so popular all over the world that they are regarded as **global brands**. Such globalisation certainly gives definite advantage in gaining significant share of the global market.

As stated earlier, there are many global brands. For a brand to be global, it must have a commonly understood set of characteristics, benefits and appeal in all the markets where it is intended to be marketed. The advantages of such global brands are as follows:

- i) It provides economies of scale in advertising as well as access to distribution channels.
- ii) It makes market entry easy, for example, Pepsi was well known in India even before it came to India.
- iii) It reduces the promotional expenditure as the brand is well known.
- iv) It helps to generate good sales since the very beginning.
- v) It provides a competitive edge over other firms.

One important thing, however, about some of these global brands is that although the product is sold throughout the world under the same brand, the product does not remain the same everywhere. For example **lux** marketed in India is different from the product in other countries. It is known that the alcoholic content of Coca Cola varies from country to country depending on the local preferences and laws.

It may not always be possible to use the same branding strategy in all the markets because of cultural and other factors. For example, colours, numbers, symbols etc., have

different connotations in different cultures. Similarly, some times the same word has different meanings in different languages. For example, the brand name *Nova* in Spanish means 'it does not move'. Therefore, the firm may tend to choose local brand to suit local tastes and preferences. The major advantages of local brand are:

- i) Local brand is easily understood by the consumers.
- ii) It helps in quick market penetration.
- iii) The problem of negative connotation may be avoided by using the local brands.
- iv) The local brand may be less expensive for the firm from the developing countries.
- v) Local tastes and preferences are taken care of.

8.2.4 Branding Problems in International Marketing

There are number of difficulties involved in branding in international marketing as discussed below:

- i) It may be difficult for a small firm to promote its brand in foreign markets because of the heavy cost of brand promotion.
- ii) Established foreign importers and distributors may discourage use of exporter's brand because they might prefer to sell the products under their own brand name. Using the exporter's brand name might mean undermining the market power of the importers/distributors. So they may strongly resist the use of exporter's brand name.
- iii) As pointed out earlier, the cultural and other factors make branding decision complicated in international marketing.
- iv) In some countries, there are restrictions on use of foreign brands. In the past, there were such restrictions in India also. However, companies attempted to overcome this problem by prefixing or suffixing an India word to the foreign brand name. The examples are: **Lehar Pepsi**, **LML Vespa**, **Swaraj Mazda**, etc.

8.2.5 Scope for Use of Indian Brands

Although there are problems in selling abroad Indian brands, there is considerable prospects for promoting Indian brands abroad.

- i) Indian brand can definitely be used when **niche marketing** strategy is employed. For example, typical Indian items like ayurvedic preparations, basmati rice etc. can be promoted on Indian brands and in fact, one being promoted "Kohinoor" basmati and "Darjeeling" Tea are some instances of this strategy.
- ii) Indian brand names may be used when export is made to foreign firms who do not have their own brands or when goods are sold by distributors who do not have their own brand names. In this case the push strategy will be necessary to push the unknown Indian brands.
- iii) After gaining credibility and experience in export business by acting as suppliers to foreign firms, the Indian exporter may consider selling under his own brand name while at the same time continuing the supplies to overseas firms.
- iv) An Indian firm may buy a foreign brand or take over a foreign firm with established brand name. This is an easy way of possessing a brand name in the foreign markets. It may be noted that some times, firms take over even sick units in foreign countries because of the marketing infrastructure, market share or brand. The Arvind Mills, for instance, bought over in 1994, **The Big Mill** one of Europe's largest and most premium denim brands, and their entire marketing network so that today it sells 10 million metres of branded denim across the Europe.
- v) There are several Indian industrial houses and firms which enjoy higher reputation in foreign countries. It will be relatively easier for them to promote their brands in the foreign markets.
- vi) Indian companies may also use mixed brands, that is, combining their brands with foreign brands; for example Tata-Tetley. This is perhaps advisable and easier particularly in joint ventures including strategic alliances.

- vii) Another possibility for promotion of Indian brands is the consortium approach. In this approach, several firms may jointly promote a common brand. The success of Darjeeling Tea in UK is an example of this type of strategy.
- viii) Promotion of a logo by export promotion agencies and permission to use this logo along with the brands of firms who will strictly adhere to the quality and other norms, will also help promotion of Indian brands abroad. The logo assures quality and improves the image of the Indian product. The Tea Board has, for example, successfully promoted the **Darjeeling** logo in the foreign market. Similarly, the Spices Board has promoted the **Indian Spice** logo.

8.2.6 Brand Name

The name of the brand must be selected carefully. While selecting the brand name, the following features of brand name should be taken into consideration.

- i) The brand name should be short, simple, easy to read, spell, remember and pronounce in all languages. This is particularly important for export items, because they are sold in a number of countries. A short name will also enable it to be printed prominently on the package or label and spread by word of mouth. Kodak, Rin and Surf are some brand names which are said to meet this criterion.
- ii) It should be pronounceable in only one way.
- iii) The brand name should not go out of date. The name should not be related to a development in any particular year or period, with which the consumers at a later date may not be able to relate.
- iv) It should not be offensive, or negative or disagreeable sounding.
- v) It should provide selling suggestions and product benefits. Some examples are Kwality, Fair & Lovely, Kissan, Thirty Plus, Angel Face and Maharani Sandal Soap.
- vi) It should not be generic such as soap, automobile etc., Cola is a generic name and brand names are added to it such as Coca Cola, Pepsi Cola etc.
- vii) It should be free for use by the company without any legal restriction.
- viii) The feature of "uniqueness" should be reflected. "Apple" Computers is generally cited as a good example in this regard.
- ix) The shocking name is supposed to make an impact. "Poison" perfume, perhaps, is an example of brand name of this type.
- x) It should be rhyming, if possible. This is said to make the brand name easy to remember.

Check Your Progress A

1. What is a Brand?
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2. Distinguish between local brand and global brand.
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3. Enumerate any three branding problems in international marketing.
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4. State whether the following statements are True or False.
 - i) The ultimate goal of branding is to induce repeat purchase.
 - ii) Branding enhances the shopping effort of the customers.
 - iii) The success rate of new brand is very high.
 - iv) Manufacturer's brand is also known as the national brand.
 - v) For a brand to be global, it must have a commonly understood set of characteristics.

8.3 PACKAGING AND LABELLING

Although the terms packing and packaging are generally used in a broad sense and synonymously, they are distinct in the marketing parlance. Packing (also known as transport packing) refers to the protective covering used for transport of the goods, while packaging (also known as product packaging or consumer packaging) refers to the package in which the product reaches the consumer. In export marketing, packaging includes packing demands very careful attention. It is widely believed that poor packaging is a serious handicap from which the exports from developing countries suffer. There are reported to be instances where the exports were handicapped due to poor packaging although the quality of goods was upto the mark. Packaging in international marketing is a much more crucial factor than in domestic marketing because of the varying physical conditions and situations the cargo is exposed to and subjected to, difference in the customer likes and dislikes, differences in legal requirements and regulations, etc.

8.3.1 Functions and Importance of Packaging

Packaging has grown in importance over the years. Apart from the basic functions of packaging, certain developments in the marketing system and market characteristics have enlarged the role of packaging. The important functions and reasons for the growing importance of packaging are given below:

Protection: Protection to the product is an essential function of packaging. Apart from the nature of the product, handling requirements and methods of handling, climatic, topographical and weather conditions, etc. are, therefore, among important considerations in packaging decision making.

Preservation: The packaging should preserve the quality of the product. The packaging material should not pass to or absorb from the product any flavour or odour or react with it. This is particularly important in the case of food and pharmaceutical products. The interaction between the product and packaging should be totally eliminated.

Promotion/Presentation: Packaging has been widely recognised as an independent and potential selling tool. In other words, packaging also performs a promotional function.

The need to make packaging attractive and acceptable is, thus, obvious. These can be achieved by giving proper attention to packaging features like shape, design, size, surface-graphics, colour schemes, labelling, branding packaging materials, etc.

The following developments have increased the importance of packaging and the need to make packaging very impressive:

- i) **Self-service:** Shopping through self-service is spreading over in developing countries. Under such an environment, instead of confronting a salesman, the consumer first confronts a package. The package must now perform many of the sales tasks. It must attract attention, provide information, give the consumer confidence, make a favourable overall impression, and influence the purchase decision favourably.
- ii) **Consumer Affluence:** The steady rise in incomes, particularly in the developed countries, has caused the consumers to attach increasing importance to non-price features. They are willing to pay a little more for convenience, appearance,

disposability/reusability, dependability and prestige. Packaging is an important vehicle for providing these attributes.

- iii) **Integral Marketing Concept:** Companies are increasingly trying to endow their brands with distinctive personalities. Packaging must support and reinforce the brand personality the company is trying to build.

On account of the above, it is truly said that "packaging protects what it sells and sells what it protects". In fact, many consider packaging as the fifth 'P' of marketing.

8.3.2 Factors Influencing Packaging Decision

There are a number of factors that influence decision in respect of packaging features like size, shape, surface graphics, colour schemes, labelling materials, etc. The major factors influencing the packaging decisions are as follows:

- i) **Physical Characteristics:** Packaging decisions are influenced by certain physical characteristics of the product like the physical shape, weight, stability, fragility, rigidity, surface finish, etc.
- ii) **Chemical Characteristics:** Certain physio-chemical factors like the effect of moisture, oxygen, light, flame, bacteria, fungi, chemical action, etc., on the product are very important factors to be considered while making packaging decisions.
- iii) **Economy:** While packaging is very important in marketing, it also involves cost. Indeed, there are a number of cases where the cost of packaging is more than that of the content. The rising cost of packaging has become a matter of serious concern. Every effort should, therefore, be made to reduce the packaging costs as much as possible without impairing the packaging requirements.
- iv) **Convenience:** Packaging should also necessarily possess the quality of convenience from the point of view of consumers, distributors and producer. Hence, apart from the functional needs, a good package should possess certain features, like ease to open and close, ease to dispense, ease to dispose of, ease to recycle, ease to identify, ease to handle, convenience to pack, convenience to stack, convenience to display, etc.
- v) **Miscellaneous Factors:** Apart from the factors mentioned above, packaging decisions may be influenced by a number of other factors. For example, if there is any statutory regulation in respect of packaging, it will have to be abided by. As has already been indicated elsewhere, the socio-cultural factors could influence packaging decision. Consumer attitudes also have to be given due consideration. The growth of consumerism in a number of countries, inter alia, also suggests that packaging decisions should be made with meticulous care.

8.3.3 Special Considerations in International Marketing

In addition to the general considerations in packaging mentioned above, there are certain special factors to be considered in export packaging. They are:

- i) **Regulations in the Foreign Countries:** Packaging and labelling may be subject to government regulations in the foreign countries. Some countries have specified packaging standards for certain commodities as well as labelling standards in regard to the size of the label and the size of each alphabet in the label. It is worth drawing attention here to the laws in countries such as Germany which insist on bio-degradable and environment friendly packages and use of non-chemical dyes on packaging. The trend towards requiring labelling in a country's native language is growing. If such regulations are not strictly followed the goods may be confiscated or may attract some other punitive action.
- ii) **Buyer's Specifications:** In some cases, buyers, like the importers, may give packaging specifications. While incorporating such specifications, it should also be ensured that packaging meets other requirements like statutory requirements.
- iii) **Socio-Cultural Factors:** While designing the packaging for a product, socio-cultural factors relating to the importing country like customs, traditions, beliefs, etc., should also be considered.

- iv) **Retailing Characteristics:** The nature of retail outlets is a very important consideration in packaging decision. For instance, as pointed out earlier, in some of foreign markets, as a result of the spread of super markets and discount houses, a large number of products are sold on a self-service basis. The package has, therefore, to perform many of the sales tasks and hence it must attract attention, describe the product's features, give the consumer confidence and make a favourable overall impression.
- v) **Environmental Factors:** Packaging decisions are also influenced by certain environmental factors like weather and climatic factors. The impact of such factors in the place where the product originates, while the product is in transit and while in the market etc., should be considered. The package should be capable of withstanding the stresses and hazards of handling and transporting, stacking, storing, etc., under diverse conditions. Besides nowadays, there is an increasing tendency to prefer environment friendly packages all over the world.
- vi) **Disposability:** Attention should also be paid to the aspects relating to the disposal of the packaging. One of the attributes required for a good package is that it should be easily disposed of or recycled. In some of the developing countries like India many packaging materials easily find some other use or are recycled. But the situation is different in many other countries. Indeed, the disposal of packaging materials is causing environmental problems in a number of countries. Reusable packages carry the risk of being misused for selling bogus products.
- vii) **Political Factors:** Though may not be a major consideration always, there have been instances where the Governments in certain countries have blocked imports of certain products on the ground that either the colour of the package or the shape of package reminded the citizens of the country of the main opposition party in the country, particularly during an election year.

8.3.4 Importance and Requirements of Export Packing

Appropriate packing facilitates safe and easy transport of the products, particularly in bulk. If the goods are not properly packed, it may cause a lot of problems. For example, the shipping company may issue a claused bill of lading (like "goods not packed properly") which means that the shipping company will not be responsible for damages due to poor packing. Similarly, the insurance company also will not bear the risk arising out of defective packing. Packing, to be satisfactory, should satisfy the following conditions:

- i) It should be capable of withstanding the hazards of handling and transport. The cargo may be handled manually and/or mechanically. The handling methods may differ between places. When manually handled, it may be tilted, dropped, thrown, pulled, pushed, rolled etc. Further it may also be subject to compression due to stacking. The packing should, therefore, be capable of withstanding such hazards of handling and transportation.
- ii) It should be easy to handle. Bulk packs may be provided with handling facilities like hooks, handles, grippers, etc. to facilitate easy handling. In case of products which should not be turned upside down, the position should be clearly indicated like marking "this side up". In case of fragile goods which should not be subject to rough handling, the size, shape and weight of the pack should be amenable for smooth handling. Further, it should also be indicated on the pack (for example, "glass with care").
- iii) It should be amenable to quick examination of contents. The customs authorities of the exporting and importing countries, for instance, may like to examine the contents.
- iv) It should be easy to identify.
- v) It should be adequately marked.
- vi) Unless it is necessary, the contents should not be disclosed (so as to discourage, pilferage and theft).
- vii) It should be easy to dispose of.

viii) Packing must conform to the buyer's specifications, if any, and the regulations in the exporting and importing countries, guidelines and regulations by the shipping company, etc. Care should be taken to observe the established packing and marking standards. The Bureau of Indian Standards has prescribed packing standards for certain goods. The British Standard Packing Code, published by the British Standards Institution and the Exporter's Encyclopedia, USA gives detailed packing instructions. Shipping companies also give certain packing instructions, especially for highly dangerous cargo.

The Indian Institute of Packaging (IIP) has been set up as a National Institute jointly by the Ministry of Commerce, Government of India, and the Indian Packaging Industry and allied interests with its headquarters and principal laboratories in Mumbai. It endeavours to improve the standards of packaging for export, conservation of resources, prevention of losses and damages to the products distributed in the domestic and export markets and help create infrastructural facilities for achieving overall packaging improvement in India through research and development, problem solving, consultancy, training and education, testing, information dissemination and other promotional efforts.

8.3.5 Labelling

Labelling may be regarded as part of packaging because packaging decision making also involves consideration of labelling requirements. Sanitary obligations are a very important aspect of labelling. Many countries have laid down labelling requirements in respect of a number of commodities. According to the regulations in many countries, labelling of food items should disclose information about a number of aspects like data of manufacturing, expiry date or optimum storage period for goods which do not have an indefinite storage period, composition, storage conditions, if necessary, method of use, if necessary, etc. In some countries, labelling of certain products like cigarettes should also include a statutory warning that cigarette smoking is injurious to health. Besides, there are regulations in certain countries in regard to the size of the label and the size of the alphabets in the label. As indicated earlier, many countries insist that labelling should be done in the popular language of the country. This should preferably be done even in the absence of such a statutory requirement. Besides satisfying the statutory and social requirements, labelling should help promote sales. For example, in self-service stores labelling should perform to the extent desirable and feasible, the services of a salesman in informing and attracting the customers.

8.4 WARRANTY AND GUARANTEE

Warranty is an assurance that the buyer will be compensated if the product does not perform upto reasonable expectations. Companies make use of warranty as a marketing tool. A warranty which is substantially superior than those of the competitors can even be used as a unique selling proposition (USP). Companies often express the warranty in writing. Even when there is no expressed warranty, there is some implied warranty. For example, a consumer who buys an electronic fan expects the fan to perform reasonably satisfactorily and, therefore, if the fan is found defective, he has the right to get it mended or get refund of the money paid. The seller cannot disown the responsibility on the ground that there was no written warranty. The principle now is **caveat venditor** (let the seller beware) as against the old attitude **caveat emptor** (let the buyer beware).

Express warranty, however, makes things clear (for example, the period of warranty, parts/components to which the warranty applies, etc). Express warranty is an important factor the consumers consider in purchase decision making. Most companies, therefore, provide express warranty. In the words of Philip Kotler, warranties are formal statements of expected product performance by the manufacturer. Products under warranty can be returned to the manufacturer or designated repair centre for repair, replacement, or refund. Warranties, whether expressed or implied, are legally enforceable. With a view to reinforcing customer confidence, many sellers go further beyond warranty and offer guarantee. Guarantees are general assurances that the product can be returned if its performance is unsatisfactory.

Warranty and guarantee serve as effective tools for new firms and new products, in particular, because they build up customer confidence in the new firm/product. As products from developing countries generally suffer from lack of consumer confidence in overseas markets, attractive warranties and guarantees could be a very effective sales promotion tool.

Check Your Progress B

- 1 Distinguish between packing and packaging.
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- 2 What is labelling?
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- 3 Distinguish between warranty and guarantee.
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- 4 State whether the following statements are True or False.
 - i) The interaction between the product and packaging should be totally eliminated.
 - ii) Shopping through self-service is not spreading over in developing countries.
 - iii) Packing must conform to the seller's specifications.
 - iv) Shipping company also provides certain packing instructions.
 - v) Companies do not make use of warranty as a marketing tool.

8.5 LET US SUM UP

Branding, although not inevitable to market a product, can help establish a distinctive personality for the product and, thereby significantly contribute to sales. Branding strategies require to be formulated in such a way that they accelerate the sale. Various branding strategies include family brand v/s individual brand, manufacturer's brand v/s distributor's brand, and local v/s global brand. The strategy should be decided considering the requirement of the market. Companies from developing countries like India have problems in marketing their products under their own brand because of reasons like resource crunch and information gap. There is, however, scope for using Indian brands in international marketing.

Packaging and labelling also play an important role in international marketing. There are number of factors to be considered in packaging and labelling for international markets such as the natural environment, logistical factors, cultural aspects, legal factors, etc.

Warranty has become an important part of product offering. A warranty may be implied or express. Many companies use warranty and guarantee as marketing tools. They are particularly helpful in building customer confidence in new products and new firms.

8.6 KEY WORDS

Brand: A name, term, sign, symbol, or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of others.

Brand Name: That part of the brand which can be vocalised – the utterable.

Family Brand: Also called Umbrella brand – Brand used in the entire family of products of a firm.

Global Brand: A brand with commonly understood set of characteristics, benefit and appeal, and used worldwide.

Guarantee: An assurance that the product can be returned if its performance is unsatisfactory.

Individual Brand: Separate brand for each one of a member of products from the same firm.

Service Mark: A trade mark registered for a service.

Trade Mark: That part of the brand that is given legal protection for exclusive use by a seller.

Warranty: An assurance that the buyer will be compensated if the product does not perform upto reasonable expectations.

8.7 ANSWERS TO CHECK YOUR PROGRESS

- A 4 (i) True (ii) False (iii) False (iv) True (v) True
B 4 (i) True (ii) False (iii) False (iv) True (v) False

8.8 TERMINAL QUESTIONS

- 1 What do you mean by branding? Explain the importance of branding.
- 2 Do you think that branding is an important marketing tool. Discuss and explain the basic decisions in branding.
- 3 How would you formulate the branding strategies for textile products? Evaluate the advantages and disadvantages of various branding strategies.
- 4 Describe the functions and importance of packaging. What are the special considerations in packaging and labelling in international marketing?
- 5 Differentiate between warranty and guarantee. What are their role in marketing.

UNIT 9 INTERNATIONAL PRICING

Structure

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Objectives of Pricing in International Marketing
- 9.3 Factors Affecting Pricing Decisions
- 9.4 Pricing Methods and Practices in International Marketing
- 9.5 Pricing Process and Strategy
- 9.6 Cost and Price Calculations For Export
- 9.7 Price Quotation and Terms of Sale
- 9.8 Transfer Pricing Concept and Methods
- 9.9 Pricing Angles and Issues in Counter-trade
 - 9.9.1 Main Types of Counter-trade
 - 9.9.2 Pricing Issues in Counter-trade
- 9.10 Let Us Sum Up
- 9.11 Key Words
- 9.12 Answers to Check Your Progress
- 9.13 Terminal Questions

9.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the objectives of pricing in International Marketing
- describe factors affecting pricing decisions
- explain major pricing methods and practices in International Marketing
- discuss pricing process and strategy
- explain the steps involved in export pricing
- illustrate the cost and price calculations for export
- discuss the concept of transfer pricing and methods
- describe the pricing angles and issues in counter-trade.

9.1 INTRODUCTION

You might have noticed when you were travelling abroad that the price of the same branded product (for instance, tooth paste, shaving cream, shampoo, soft drink etc.) varies from country to country. In some cases, the price of an imported product in a country may be less than that in the country of manufacture for the same product. You might have also come across cases of local manufacturers complaining of items being "dumped" into the country by an overseas firm. There are also cases of firms charging low prices as "initial offer" for some items, offering seasonal discounts on some products, selling expensive items on credit or arranging finance to buy products like cars etc. There are also cases of some products being priced say Rs.199 instead of Rs.200. You might have also felt that the prices of some products are very high and perhaps cannot be justified on cost of production considerations alone. What are the reasons for all these? Is there any philosophy behind these? Do firms follow a well planned strategy in regard to pricing?