

CHAPTER 1

INTRODUCTION TO GLOBAL MARKETING

SUMMARY

- A. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. A company that engages in global marketing focuses resources on global market opportunities and threats. Successful global marketers such as Nestlé, Coca-Cola, and Honda use familiar marketing mix elements – the four Ps – to create global marketing programs.
- B. Marketing, R&D, manufacturing, and other activities compose a firm’s value chain. The value equation ($V = B/P$) expresses the relationship between values and the marketing mix.
- C. Global companies also maintain strategic focus while pursuing competitive advantage. The marketing mix, value chain, competitive advantage, and focus are universal in their applicability, irrespective of whether a company does business only in its home country or has a presence in many markets around the world. However, in a global industry, companies that fail to pursue global opportunities risk being pushed aside by stronger global competitors.
- D. A firm’s global marketing strategy (GMS) can enhance its worldwide performance. The GMS addresses several issues. First is the nature of the marketing program in terms of the balance between a standardization (extension) approach to the marketing mix elements and a localization (adaptation) approach that is responsive to country or regional differences. Second is the *concentration of marketing activities* in a few countries or the dispersal of such activities across many countries. Companies that engage in global marketing can also engage in *coordination of marketing activities*. Finally, a firm’s GMS addresses the issue of *global market participation*.
- E. The importance of global marketing today can be seen in the company rankings compiled by the *Wall Street Journal*, *Fortune*, *Financial Times*, and other publications. Whether ranked by revenues or some other measure, most of the world’s major corporations are active regionally or globally. The size of global markets for individual industries or product categories helps explain why companies “go global”. Global markets for some product categories represent hundreds of billions of dollars in annual sales; other markets are much smaller. Whatever the size of the opportunity, successful industry competitors find that increasing revenues and profits means seeking markets outside the home country.

- F.** Company management can be classified in terms of its orientation toward the world: ethnocentric, polycentric, regiocentric, or geocentric. These terms reflect progressive levels of development or evolution. An ethnocentric orientation characterizes *domestic* and *international companies*; international companies pursue marketing opportunities outside the home market by extending various elements of the marketing mix. A polycentric worldview predominates at a *multinational company*, whose country managers operate autonomously, adapt the marketing mix. When management moves to integrate and coordinate activities on a regional basis, the decision reflects a regiocentric orientation. Managers at *global* and *transnational companies* are geocentric in their orientation and pursue both extension and adaptation strategies in global markets.
- G.** The dynamic interplay of several driving and restraining forces shapes the importance of global marketing. Driving forces include market needs and wants, technology, transportation and communication improvements, product costs, quality, world economic trends, recognition of opportunities to develop leverage by operating globally, and innovation and entrepreneurship. Restraining forces include market differences, management myopia, organizational culture, and national controls such as nontariff barriers (NTBs).

OUTLINE OF THE BOOK

The book is divided into five parts.

Part 1: An overview of global marketing and the basic theory of global marketing.

Part 2: The environment of global marketing.

Part 3: Approaching global markets (global strategy)

Part 4: The global context of marketing mix decisions

Part 5: Issues of corporate strategy and leadership in the 21st century.

LEARNING OBJECTIVES

1-1 Use the product/market growth matrix to explain the various ways a company can expand globally.

1-2 Describe how companies in global industries pursue competitive advantage.

1-3 Compare and contrast a single-country marketing strategy with a global marketing strategy (GMS).

1-4 Identify the companies at the top of the Global 500 rankings.

1-5 Explain the stages a company goes through as its management orientation evolves from domestic and ethnocentric to global and geocentric.

1-6 Discuss the driving and restraining forces affecting global integration today.

DISCUSSION QUESTIONS

1-1. What are the basic goals of marketing? Are these goals relevant to global marketing?

Marketing activities represent an organization's efforts to satisfy customer wants and needs by offering products and services that create value. These goals are relevant in virtually every part of the world; however, when an organization pursues market opportunities outside of its home country (domestic) market, managers need an understanding of additional conceptual tools and guidelines in order to do business in these other countries – in other words, to create value and satisfy consumer needs and wants.

1-2. What is meant by “global localization?” Is Coca-Cola a global product? Explain.

The phrase “global localization” represents an attempt to capture the spirit of the rallying cry for organizations in the 21st century, namely, “think globally, act locally, and manage regionally.” Most students will agree that Coca-Cola is a global product by virtue of the fact that it is available in more than 195 countries in red cans bearing the distinctive signature style. It must be noted, however, that customer service efforts are adapted to the needs of particular markets (for example, vending machines in Japan). Thus, Coca-Cola is both global and local.

1-3. A company's global marketing strategy (GMS) is a crucial, competitive tool. Discuss some of the global marketing strategies available to companies. Give examples of companies that use the different strategies.

Strategies include global branding (Coca-Cola, Apple), product design (McDonald's restaurants and menu items), positioning (Harley-Davidson), packaging (Gillette Sensor), distribution (Benetton), customer service (Caterpillar), and sourcing (Toyota, Gap).

1-4. UK-based Burberry is a luxury fashion brand that appeals to both genders and all ages. To improve Burberry's competitiveness in the luxury goods market, CEO Marco Gobetti must update the marketing program put in place by his predecessor. The strategy should address key markets that Burberry will participate in, as well as the integration and coordination of marketing activities. Research recent articles about Burberry and write a brief summary that outlines Burberry's GMS.

Student answers will vary, but all should contain the new challenges to the company's GMS including the declining popularity of department stores in the US and the slowing sales of luxury goods in China.

1-5. Discuss the differences between the global marketing strategies of Harley-Davidson and Toyota?

Harley-Davidson motorcycles are known the world over as "the" all-American motorcycle. Harley's mystique and heritage are associated with America. The company backs up this positioning with exports from two U.S. manufacturing locations. By contrast, Toyota builds some models (e.g. Camry) for the U.S. market in the U.S., a fact that Toyota stresses in its American advertising. Thus, Harley-Davidson serves global markets while sourcing locally, while Toyota's strategy calls for serving world markets and using the world as a source of supply.

1-6. Describe the differences between ethnocentric, polycentric, regiocentric, and geocentric management orientations.

The premise of an ethnocentric orientation is that home country products and management processes are superior. An ethnocentric company that neither sources inputs from, nor seeks market opportunities in the world outside the home country may be classified as an international company. A company that does business abroad while still presuming the superiority of the home country may be classified as an international company. Such a company would rely on an extension strategy whereby it would export, without adaptation, products designed for the domestic market.

The polycentric orientation that predominates at a multinational company leads to a view of the world in which each country market is different from the others. Local country managers operating with a high degree of autonomy adapt the marketing mix in a polycentric, multinational company. Managers who are regiocentric or geocentric in their orientations recognize both similarities and differences in world markets. Market opportunities are pursued using both extension and adaptation strategies. The regiocentric and geocentric orientations are characteristic of global transnational companies.

1-7. Identify and briefly describe some of the forces that have resulted in increased global integration and the growing importance of global marketing.

The dynamic involving driving and restraining forces is shown diagrammatically in Figure 1-1. Driving forces include regional economic agreements such as NAFTA, converging market needs and wants, technology advances such as the Internet and global TV networks, transportation improvements, the need to recoup high product development costs in global markets, the need to improve quality through R&D investment, world economic trends such as privatization and finally, opportunities to use leverage, corporate culture, and the continuing presence of national controls that create trade barriers.

1-8. Define *leverage* and explain the different types of leverage utilized by companies with global operations.

Webster's New World Dictionary defines "leverage" as an "increased means of accomplishing some purpose." A global company can take advantage of several types of leverage in pursuit of corporate goals such as profit or revenue growth. These include experience transfers, scale economies, enhanced resource utilization, and global strategy.

1-9. Each July, *Fortune* publishes its Global 500 listing of the world's largest companies. You can find the current rankings online at: www.fortune.com/global500. Alternatively, you can consult the print edition of *Fortune*. Browse through the list and choose any company that interests you. Compare its 2017 ranking with the most recent ranking. Has the company's ranking changed? Consult additional sources (e.g., magazine articles, annual reports, the company's Web site) to get a better understanding of the factors and forces that contributed to the company's move up or down in the rankings. Write a brief summary of your findings.

Each student's answer will vary based upon the company they chose.

1-10. There's a saying in the business world that "nothing fails like success". Take Gap, for example. How can a fashion retailer that was once *the* source for wardrobe staples such as chinos and white T-shirts suddenly lose its marketing edge? Motorola has also fallen victim to its own success. The company's Razr cell phone was a huge hit, but Motorola struggled to leverage that success. Google acquired Motorola Mobility but then sold it to Lenovo in 2014. Recently, Starbucks CEO Howard Shultz warned that his company and brand risk becoming commoditized. And, as noted in Case 1-3, some industry observers are saying that Apple has "lost its cool". If you were to make separate recommendations to management at each of these companies, what would you say?

Each student's answer will vary but their answers should incorporate such terms as global marketing, marketing mix strategy, value chain, $V = B/P$, strategic focus, global marketing strategy, extension, adaption, ethnocentric, polycentric, regiocentric, or geocentric orientations in their responses. Perhaps, a phrase that could be said to each of these chief executives is "think globally, act locally".

OVERVIEW

The growing importance of global marketing is one aspect of a sweeping transformation that has profoundly affected the people and industries of many nations during the past 160 years.

Four decades ago, the phrase *global marketing* did not even exist. Today businesspeople utilize global marketing to realize their companies' full commercial potential. However, there is another, even more critical reason why companies need to take global marketing seriously: survival. A management team that fails to understand the importance of global marketing risks losing its domestic business to competitors with lower costs, more experience, and better products.

But what is global marketing? How does it differ from “regular” marketing? Marketing can be defined as the activity, set of institutions, and processes for creating, communicating, and delivering value for customers, clients, partners, and society at large.

Marketing activities center on an organization’s efforts to satisfy customer wants and needs with products and services that offer competitive value and for managing customer relationships in ways that benefit the organization and its stakeholders. The marketing mix (product, price, place, and promotion) comprises a contemporary marketer’s primary tools. Marketing is a universal discipline – as applicable in Argentina as it is in Zimbabwe.

✓ **(Learning Objective #1)**

This book is about *global marketing*. An organization that engages in global marketing focuses its resources and competencies on global market opportunities and threats. A fundamental difference between regular marketing and global marketing is the scope of activities. A company that engages in global marketing conducts important business activities outside the home-country market. The scope issue can be conceptualized in terms of the familiar product/market matrix of growth strategies (see Table 1-1). Some companies pursue a *market development strategy*; this involves seeking new customers by introducing existing products or services to a new market segment or to a new geographical market.

Global marketing can also take the form of a *diversification strategy* in which a company creates new product or service offerings targeting a new segment, a new country, or a new region. Four of the growth strategies shown in Table 1-1:

(Chapter 1, Page 4)

Four Stages - Starbucks

Market penetration: Starbucks is building on its loyalty card and rewards program in the United States with a smartphone app that enables customers to pay for purchases electronically. The app displays a bar code that the customer can scan.

Market development: Starbucks is entering Italy in 2011, starting with a 25,000-square-foot flagship Reserve Roastery in Milan. Walking distance from the landmark Duomo, the Roastery will offer pastries by local bakery Princi as well as the aperitivo beverages that are so popular throughout Italy.

Product development: Starbucks created a brand of instant-coffee brand, Via, to enable its customers to enjoy coffee at the office and other locations where brewed coffee is not available. After a successful launch in the United States, Starbucks rolled out Via in Great Britain, Japan, South Korea, and several other Asian countries. Starbucks also introduced its first coffee machine. The Versimo allows Starbucks’ customers to “prepare their favorite beverages at home.”

Diversification: In 2011, Starbucks dropped the word “Coffee” from its logo. It recently acquired a juice maker, Evolution Fresh; the Bay Bread Bakery, and tea

retailer Teavana Holdings. Next up: Revamping stores so they can serve as wine bars and attract new customers in the evening.

Companies that engage in global marketing frequently encounter unique or unfamiliar features in specific countries or regions of the world. In some regions of the world, bribery and corruption are deeply entrenched. A successful global marketer understands specific concepts and has a broad and deep understanding of the world's varied business environments. The global marketer also must understand the strategies that, when skillfully implemented in conjunction with universal marketing fundamentals, increase the likelihood of market success.

ANNOTATED LECTURE/OUTLINE

Principles of Marketing: A Review

Marketing is one of the functional areas of business – distinct from finance and operations.

Marketing is the set of activities and processes that (along with product design, manufacturing, and transportation) composes a firm's value chain.

Decisions at every stage of the process – from idea conceptualization to customer support after the sale – should be assessed in terms of their ability to create value for customers.

The core of marketing is to surpass the competition in creating perceived value for customers. The value equation is the guide to this task:

$$\text{Value} = \text{Benefits} / \text{Price (money, time, effort, etc.)}$$

The marketing mix is integral to the value equation because benefits are a combination of the product, promotion, and distribution components of the mix.

Value to the customer can be increased in two ways – 1) an improved bundle of benefits or 2) a lower price (or both):

- 1) Marketers may improve the product, design new channels of distribution, communicate better – or a combination of all three.
- 2) Marketers may seek ways to cut costs and prices. Nonmonetary costs may be lowered by decreasing the time and effort customers must expend to learn about or acquire a product.

If a company is able to offer a combination of superior product, distribution, and promotion of the benefits AND offer lower prices than its competition, it should enjoy an extremely advantageous position. Recall the definition of a market: *people or organizations that are both able and willing to buy*. In order to achieve market success, a product or brand must measure up to a threshold of acceptable quality and be consistent with buyer behavior, expectations, and preferences.

Competitive Advantage, Globalization, and Global Industries

✓ (Learning Objective #2)

When a company succeeds in creating more value for customers than its competitors, that company is said to enjoy competitive advantage in an industry. Competitive advantage is measured *relative to* rivals with whom you compete in the industry – whether that is on a local, national, or global level.

Global marketing is essential if a company competes in a global industry or one that is globalizing.

The process of *globalization* is the transformation of formerly local or national industries into global ones.

From a marketing point of view, globalization presents companies with tantalizing opportunities—and challenges—as executives decide whether to offer their products and services everywhere.

As defined by management guru Michael Porter, a global industry is one in which competitive advantage can be achieved by integrating and leveraging operations on a worldwide scale. Put another way, an industry is global to the extent that a company's industry position in one country is interdependent with its industry position in other countries. Indicators of globalization include the ratio of cross-border trade to total worldwide production, the ratio of cross-border investment to total capital investment, and the proportion of industry revenue generated by companies that compete in all key world regions. One way to determine the degree of globalization in an industry sector is to calculate the ratio of the annual value of global trade in the sector—including components shipped to various countries during the production process—to the annual value of industry sales.

Achieving competitive advantage in a global industry requires executives and managers to maintain a well-defined strategic focus. Focus is simply the concentration of attention on a core business or competence. Companies that understand and engage in global marketing can offer more overall value to customers than companies that do not have that understanding.

Value, competitive advantage, and the focus required to achieve them are universal in their relevance, and they should guide marketing efforts in any part of the world. Global marketing requires attention to these issues on a worldwide basis and utilization of a business intelligence system capable of monitoring the globe for opportunities and threats. A fundamental premise of this book can be stated as follows: Companies that understand and engage in global marketing can offer more overall value to customers than companies that do not have that understanding.

Global Marketing: What It Is and What It Isn't

The discipline of marketing is universal. It is natural, however, that marketing practices will vary from country to country, for the simple reason that the countries and peoples of the world are different. A successful marketing approach in one country may not *necessarily* succeed in another. Customer preferences, competitors, channels of distribution, and communication media may differ. An important managerial task in global marketing is learning to recognize the extent to which it is possible to extend marketing plans and programs worldwide, as well as the extent to which adaptation is required.

✓ (Learning Objective #3)

The way a company addresses this task is a manifestation of its global marketing strategy (GMS). In single-country marketing, strategy development addresses two fundamental issues: choosing a target market and developing a marketing mix. The same two issues are at the heart of a firm's GMS, although they are viewed from a somewhat different perspective (see Table 1-3).

THE CULTURAL CONTEXT

"1-2-3-4!" 40 Years of Punk Rock, 1976 - 2016

In 1976, a new sound emerged. Punk Rock was both a musical and a cultural movement. Punk also offered an outlet for voices of disenfranchised young people and an opportunity to rebel against the establishment.

In the United Kingdom in the mid-1970's, the country's economic stagnation meant there were few job opportunities for young people – as well as their elders. During the same period, New York City was in social and economic decline. Across America, the energy crisis meant rising prices for gasoline and shortages.

It was in this musical and economic context that young people in both the United States and the United Kingdom discovered that it was relatively easy to learn to play two or three guitar chords. Who needs technique? Who cares what the notes are?

Vivian Goldman, a former features editor who covered punk for Sounds, a weekly British music paper, notes that punk's relevance and impact continue today. "In Indonesia, Russia, South Africa, and elsewhere, people use punk to rage against the system," she said recently. "Punk's rebel consciousness represents a flag for a new way of thinking."

- a) *Global market participation* – is the extent to which a company has operations in major world markets.
- b) *Standardization versus adaptation* – is the extent to which each marketing mix element can be standardized (used the same way) or must be adapted (used in different ways) in different country markets.

- c) *Concentration of marketing activities* – is the extent to which activities related to the marketing mix (such as pricing decisions) are performed in one or only a few country locations.
- d) *Coordination of marketing activities* – is the extent to which marketing activities related to the mix are planned and executed interdependently around the globe.
- e) *Integration of competitive moves* – the extent to which a firm’s competitive marketing tactics in different parts of the world are interdependent.

The decision to enter one or more particular markets outside the home country depends on a company’s resources, its managerial mind-set, and the nature of opportunities and threats.

The five emerging markets of Brazil, Russia, India, China, and South Africa represent significant growth opportunities. They are known as BRICS. Mexico, Indonesia, Nigeria, and Turkey—the so-called MINTs—also hold great potential.

We can use Burberry as a case study in global marketing strategy. The U.K.-based luxury brand is available in scores of countries, and Burberry’s current expansion plans emphasize several geographical areas. First are the BRICS nations and the second is the United States. Burberry’s marketing mix strategy includes the following:

Product: Boost sales of handbags, belts, and accessories—products whose sales are less cyclical than clothing.

Price: More expensive than Coach, less expensive than Prada. “Affordable luxury” is central to the value proposition.

Place: Burberry intends to open more independent stores in the United States as well as expansion in London and Hong Kong.

Promotion: Encourage advocacy and sharing social media and online channels such as Twitter, Instagram, and www.artofthetrench.com. Launch Burberry Acoustic to enhance brand relevance and to provide exposure for emerging music talent via www.burberry.com/acoustic.

The issue of standardization versus adaption has been at the center of a long-standing controversy among both academicians and business practitioners. Much of the controversy dates back to the days of Theodore Levitt’s (1983) article “The Globalization of the Markets.” Levitt envisioned a global community where standardized, high-quality world products would be marketed in a standardized manner.

The “homogenized global market” view didn’t work. Even those companies that have become global successes have not done so through total standardization of the product.

Global marketing made Coke a worldwide success. However, that success was *not* based on a total standardization of marketing mix elements.

Coca-Cola succeeded through the application of global localization. What does the term “global localization” really mean? Global localization: A successful global marketer must have the ability to “think globally and act locally.” See Table 1-4.

- a) For example, Cinnabon’s customers in Central and South America prefer dulce de leche. Products developed in those regions being introduced in the U.S., where the Hispanic population is a key segment.
- b) Starbucks opened an experimental store in Amsterdam that serves as a testing ground for new design concepts such as locally sourced and recycled building materials.
- c) Kraft’s Tang powder became a \$1 billion brand as regional managers in Latin American and the Middle East moved beyond orange (the top-seller) into popular local flavors such as mango and pineapple. Kraft plans to use these lessons learned on the U.S. market.

Global marketing may include a combination of standard and nonstandard approaches. Global marketing requires marketers to think and act in a way that is both global *and* local by responding to similarities and differences in world markets.

The particular approach to global marketing that a company employs will depend on industry conditions and its sources of competitive advantage.

For example, McDonald’s global marketing strategy is based on a combination of global and local marketing mix elements (refer to Table 1-5).

- a) For example, Harley-Davidson’s motorcycles are perceived around the world as the All-American bike. Their competitive advantage is based in part on “Made in the USA.” Moving production to a low-wage country would tarnish its image.
- b) Toyota’s and Honda’s success in the US has come through its ability to transfer world-class manufacturing skills to the America, Asia, and Europe. Each year Honda exports tens of thousands of Accords and Civics from U.S. plants to Japan and dozens of other countries.
- c) Uniqlo, a division of Japan’s Fast Retail operates about 850 stores in Japan and 300 stores in 12 overseas countries. Uniqlo currently has 46 stores in the U.S. but plans call for a total of 200 stores by 2020.

The Importance of Global Marketing

The largest single market in the world in terms of national income is The United States, representing roughly 25 percent of the total world market for all products and services.

U.S. companies that wish to achieve maximum growth potential must “go global” because 75 percent of the world market potential is outside of their home country.

Non-US companies have an even greater incentive to “go global;” their potential markets include the 325 million people in the US.

Management Orientations

✓ (Learning Objective #5)

The form and substance of a company's response to global market opportunities will depend greatly on its management's assumptions and beliefs – both conscious and unconscious - about the nature of the world.

The worldview of a company's personnel can be described as ethnocentric, polycentric, regiocentric, and geocentric. The orientations are collectively known as the EPRG framework.

Ethnocentric Orientation:

- a) A person who assumes that his/her home country is superior to the rest of the world.
- b) Associated with national arrogance or feelings of national superiority.
- c) At some companies, the ethnocentric orientation means that opportunities outside of the home country are routinely ignored (*domestic* companies).
- d) Ethnocentric companies that conduct business outside their home country are known as *international* companies – they believe products that succeed in the home country are superior.
- e) Leads to a standardized or extension approach – the belief that products can be sold everywhere without adaptation.
- f) Foreign operations or markets are viewed as inferior or subordinate to the home market.
- g) Headquarters knowledge is applied everywhere; local knowledge is viewed as unnecessary.

Polycentric Orientation:

- a) The opposite view of ethnocentrism.
- b) The belief that each country in which you do business is unique.
- c) This assumption allows each subsidiary to develop its own unique marketing strategies so as to succeed.
- d) The term *multinational company* is often used to describe such a structure.
- e) Leads to a localized or adaptation view that assumes products **MUST** be adapted to succeed.

Regiocentric Orientation:

- a) The region becomes the relevant geographic unit.
- b) Management's goal is to develop a regionally integrated strategy (e.g. NAFTA or the EU).
- c) May be viewed as a variant of the multinational view (polycentric).

Geocentric Orientation:

- a) Views the entire world as a potential market and strives to develop integrated global strategies.
- b) These companies are known as *global* or *transnational* companies.
- c) Serves world markets from a single country or sources globally for the purposes of focusing on specific country markets.

- d) Tend to maintain their association with a particular headquarters country. (Harley-Davidson and Waterford serve world markets from the US and Ireland, respectively.)
- e) Transnational companies serve global markets and utilize global supply chains.
- f) Transnational companies both serve global markets and utilize global supply chains and often have a blurring of national identity. A true transnational would be *stateless*. (Toyota and Honda are examples of companies that exhibit key characteristics of transnationality.)
- g) A key factor that distinguishes global and transnational companies from international or multinational companies is *mind-set*: At global and transnational companies, decisions regarding extension and adaptation are not based on assumptions but rather on made on the basis of ongoing research into market needs and wants.
- h) It is a synthesis of ethnocentrism and polycentrism – it is a “world view.”
- i) Seeks to build a global strategy that is responsive to local needs and wants.

It is a positive sign that, at many companies, management realizes the need to adopt a geocentric orientation. However, the transition to new structures and organizational forms can take time to bear fruit.

A global company can be further described as one that pursues either a strategy of serving world markets from a single country or one that sources globally for the purposes of focusing on specific country markets. In addition, global companies tend to retain their association with a particular headquarters country. At global and transnational companies, management uses a combination of standardized (extension) and localized (adaptation) elements in the marketing program.

One way to assess a company’s “degree of transnationality” is to compute an average of three figures: (1) sales outside the home country to total sales, (2) assets outside the home country to total assets, and (3) employees outside the home country to total employees. Viewed in terms of these metrics, Nestlé, Unilever, Royal Philips Electronics, GlaxoSmithKline, and the News Corporation can also be categorized as transnational companies.

Each is headquartered in a relatively small home country market, a fact of life that has compelled management to adopt regiocentric or geocentric orientations to achieve revenue and profit growth.

The geocentric orientation represents a synthesis of ethnocentrism and polycentrism; it is a “worldview” that sees similarities and differences in markets and countries and seeks to create a global strategy that is fully responsive to local needs and wants.

A regiocentric manager might be said to have a worldview on a regional scale; the world outside the region of interest will be viewed with an ethnocentric or a polycentric orientation, or a combination of the two.

However, recent research suggests that many companies are seeking to strengthen their regional competitiveness rather than moving directly to develop global responses to changes in the competitive environment

The ethnocentric company is centralized in its marketing management; the polycentric company is decentralized; and the regiocentric and geocentric companies are integrated on a regional and global scale, respectively. A crucial difference between the orientations is the underlying assumption for each.

The ethnocentric orientation is based on a belief in home-country superiority. The underlying assumption of the polycentric approach is that there are so many differences in cultural, economic, and marketing conditions in the world that it is futile to attempt to transfer experience across national boundaries.

A key challenge facing organizational leaders today is managing a company's evolution beyond an ethnocentric, polycentric, or regiocentric orientation to a geocentric one. As noted in one highly regarded book on global business,

“The multinational solution encounters problems by ignoring a number of organizational impediments to the implementation of a global strategy and underestimating the impact of global competition.”

Entrepreneurship Leadership, Creative Thinking, and the Global Startup **Kevin Systrom and Mike Krieger, Instagram**

Kevin Systrom and Mike Krieger are entrepreneurs. They developed an innovative product, created a brand, and cofounded a company to market it. By applying the basic tools and principles of modern marketing, the two Stanford University graduates have achieved remarkable success.

As is true with many entrepreneurs, Systrom's idea was based on his recognition of a problem that needed to be solved and his own wants and needs. Krieger liked Systrom's idea but the two agreed “There has to be a better way.” In October 2010, Systrom and Krieger launched Instagram on Apple's App Store. Within two years, the photo-filtering and photo-sharing app had 30 million users. In 2012, Facebook acquired Instagram for \$1 billion. Today, Instagram has over 600 million users who upload approximately 100 million photographs and videos each day; only 20 percent of users are in the United States. In 2016, Instagram generated more than \$1.5 billion in revenues from mobile ads.

Nearly two-thirds of Instagram users use the app to learn about products and brands.

According to Nielsen, Instagram users spend more time listening to music and are likely to pay for streaming music services than nonusers. Artists use Stories and Live to announce new releases and tours, and to provide behind-the-scenes looks at the creative process. Popular posts can quickly go viral, allowing record companies and the artists themselves to see the impact on music sales.

Forces Affecting Global Integration and Global Marketing

✓ (Learning Objective #6)

The remarkable growth of the global economy over the past 65 years has been shaped by the dynamic interplay of various driving and restraining forces. Regional economic agreements, converging market needs and wants, technology advances, and pressures to cut costs, pressures to improve quality, improvements in communications and transportation technology, global economic growth, and opportunities for leverage, and innovation and entrepreneurship all represent important driving forces; any industry subject to these forces is a candidate for globalization.

Multilateral Trade Agreements

A number of multilateral trade agreements have accelerated the pace of global integration. In Europe, the expanding membership of the European Union is lowering boundaries to trade within the region. NAFTA is expanding trade between the United States, Canada and Mexico.

Converging Market Needs and Wants and the Information Revolution

A person studying markets around the world will discover cultural universals as well as differences. The common elements in human nature provide an underlying basis for the opportunity to create and serve global markets. Most global markets do not exist in nature – marketing efforts must create them. (For example, no one *needs* soft drinks.)

Evidence is mounting that consumer needs and wants around the world are converging today as never before. This creates an opportunity for global marketing.

Multinational companies pursuing a strategy of product adaptation run the risk of falling victim to global competitors that have recognized opportunities to serve global customers.

The information revolution — what some refer to as the “democratization of information” — is one reason for the trend toward convergence. Thanks to satellite dishes and globe-spanning TV networks (CNN and MTV), almost everyone has the opportunity to compare their lives against everyone else’s.

The Internet is an even stronger driving force. When a company establishes a presence on the Internet, it is automatically a global company.

Transportation and Communication Improvements

Time and cost barriers associated with distance have fallen tremendously over the past 100 years. The jet airplane revolutionized communication by making it possible for people to travel around the world in less than 48 hours.

In 1970, 75 million passengers traveled internationally. By 2016, that figure rose to almost 3.8 billion.

The newest communication technologies, such as e-mail, video teleconferencing, and Wi-Fi, mean that managers, executives, and customers can link up electronically from virtually any part of the globe without traveling at all.

A similar revolution is occurring in transportation technology. The costs associated with physical distribution – in both money and time – have been greatly reduced.

Product Development Costs

The pressure for globalization is intense when new products require major investment and long periods of development time. The pharmaceutical industry provides a good example of this driving force.

Today, the process of developing a new drug and bringing it to market can span 14 years and exceed \$400 million. Such cost must be recovered globally because no single national market is likely to be large enough to support investments of this size. (Refer to Table 1- 6).

Quality

Global companies “raise the bar” for all competitors in an industry. When a global company establishes a benchmark for quality, competitors must quickly make their own improvement and come up to par. Global marketing strategies can generate greater revenue and greater operating margins, which, in turn, support design and manufacturing quality.

World Economic Trends

Prior to the global economic crisis that began in 2008, economic growth had been a driving force in the expansion of the international economy and the growth of global marketing for three reasons:

- a) Economic growth in key developing countries has created market opportunities that provide a major incentive for companies to expand globally.
- b) Economic growth has reduced resistance that might otherwise have developed in response to the entry of foreign firms into domestic economies. (When a country such as China experiences rapid economic growth, policy makers are more likely to look favorably on outsiders.)
- c) The worldwide movement toward free markets, deregulation, and privatization is the third driving force. (Telephone company privatization is an example.)

Leverage

A global company possesses the unique opportunity to develop leverage. In the context of global marketing, **leverage** means some type of advantage that a company enjoys by virtue of the fact that it has experience in more than one country.

Leverage allows a company to conserve resources when pursuing opportunities in new geographical markets.

Four important types of leverage exist:

- 1) *Experience Transfers* – A global company can leverage its experience in any market in the world by drawing on management practices, strategies, products, advertising appeals, or sales or promotional ideas that have been market-tested in one country and applied to another.
- 2) *Scale Economies* – The global company can take advantage of its greater manufacturing volume to obtain traditional scale advantages. Finished products can be manufactured by combining components manufactured in scale-efficient plants in different countries.
- 3) *Resource Utilization* – A global company has the ability to scan the entire world to identify people, money, and raw materials that will enable it to compete most effectively in world markets.
- 4) *Global Strategy* – The global company’s greatest advantage is its global strategy. A global strategy is built on an information system that scans the world business environment to identify opportunities, trends, threats, and resources. *A global strategy is a design to create a winning strategy on a global scale.* Note: A global strategy is NO guarantee of ongoing organizational success. (Consider InBev’s acquisition of Anheuser-Bush, Daimler-Chrysler, and Deutsche Post’s DHL unit.)

Restraining Forces

Despite the impact of the driving forces previously discussed, several restraining forces may slow a company’s efforts to engage in global marketing. As we have noted, in today’s world the driving forces predominate over the restraining forces. That is why the importance of global marketing is steadily growing.

Important restraining forces include:

- a) *Management Myopia and Organizational Culture* – Management may simply ignore opportunities to pursue global marketing. A company that is ethnocentric (or “nearsighted”) will not expand geographically. Myopia is a recipe for market disaster if headquarters attempts to dictate when it should listen. Successful global marketing requires a strong local team “on the ground” to provide information about local markets.
- b) *National Controls* – Every country protects the commercial interests of local businesses by maintaining control over market access and entry in both low- and high-tech

industries. Today, tariff barriers have been largely removed in high-income countries. Still, nontariff barriers (NTBs), such as “Buy American” campaigns, make it difficult for companies to gain access to local markets.

- c) *Opposition to Globalization* – To many people, globalization represents a threat. *Globophobia* is used to describe an attitude of hostility toward trade agreements or global brands. Opponents of globalization include labor unions, university students and nongovernmental organizations (NGOs).

CASES

Case 1-1: The Global Marketplace: The Assignment

Answers given in the text book.

Case 1-1 Discussion Questions

1-11. Anheuser-Busch (A-B), which has been described as “an American icon,” is now owned by a company based in Belgium. Responding to reports that some consumers planned to boycott Budweiser products to protest the deal, one industry observer said, “Brand nationality is all about where it was born, and also the ingredients of that beer and how they make the beer: Basically, it doesn’t matter who owns it. We are in a global world right now”. Do you agree?

Students answers will vary based on their agreement or disagreement with this statement. Good students will introduce key words like ethnocentric, polycentric, regiocentric, and geocentric in their answers to describe their view of the manufacturer of beer and how they “feel” about the national origin(s) of and about the beer they drink.

1-12. Anheuser-Busch, (A-B) has long enjoyed a reputation as a very desirable place to work. Executives were awarded well-appointed corporate suites and traveled on corporate jets; many had secretaries as well as executive assistants. When managers took commercial flights, they flew first class. Most employees received beer for free and could count on donations of beer and merchandise for community events. Tickets to St. Louis Cardinal home baseball games were also used as a marketing tool. A-B spent heavily on advertising and promotion; various advertising agencies produced about 100 new ads for A-B each year. Given these facts, which changes, if any, would you expect A-B’s new owners to make? Why?

Student answers should explain the differences in / among / between the different management orientations and compare and contrast the ethnocentric orientation of A-B beverage company versus their new Belgium owners. One could argue that A-B InBev, the new owners of A-B practice a polycentric orientation towards selling beer around the world. In that case, the marketing sales and promotional practices previously enjoyed by A-B most likely will continue. However, the executive “perks” will most likely decrease.

1-13. In 2009, Italy's Fiat acquired a 20 percent stake in Chrysler, another iconic American company. In January 2014, Fiat completed the acquisition and Chrysler is now a subsidiary of Fiat. Are you familiar with Fiat? What do you think CEO Sergio Marchionne hoped to accomplish with this pair of deals? How might Chrysler benefit from the alliance?

CEO Sergio Marchionne hopes to turn Fiat into a transnational company serving global markets and utilizing global supply chains. His strategy might be to turn Fiat into a geocentric company. Chrysler might benefit from the alliance by becoming a "global" brand instead of just an "American icon."

1-14. Ben & Jerry's Homemade is a quirky ice cream marketer based in Burlington, Vermont. Founders Ben Cohen and Jerry Greenfield are legendary for enlightened business practices that include a three-part mission statement: product mission, financial mission, and social mission. When the company was acquired by consumer products giant Unilever, some of the brand's loyal customers were alarmed. What do you think was the source of their concern?

The form and substance of a company's response to global market opportunities depends greatly on the management's assumption or beliefs. In this case, Ben & Jerry consumers were afraid that Unilever's management orientation would be different from the original owners views—either ethnocentric, polycentric, or regiocentric.

Case 1-2: McDonald's Expands Globally While Adjusting Its Local Recipe

Overview: Today, McDonald's golden arches are one of the most recognized symbols in the world, just behind the Olympic rings. While growth within the U.S. has slowed, the picture outside the U.S. has appeared brighter, until recently. However, globally, taste profiles and consumer desires are changing. McDonald's has responded to these changes by altering their basic products (when necessary) to fit the requirements of the local markets. While not always successful, it has proven to be a winning strategy.

1-15. Identify the key elements in McDonald's global marketing strategy. Despite a slowdown in global fast-food consumption, McDonald's continues to be a success story. What is the key to its success? Does McDonald's think globally and act locally? Does it also think locally and act globally?

The core idea is to make McDonald's "better, not just bigger." Five key drivers identified: people, products, place, price and promotion. Students should point out that, in many locations, menu items are adapted according to the customs and tastes of individual countries. McDonald's offers an ideal example of "global localization."

With McDonald's offering of local tastes and a combination of American fare, McDonald's thinks globally (product adaption) and acts globally (standardization).

1-16. Do you think government officials in developing countries such as Russia, China, and India welcome McDonald's? Do consumers in these countries welcome McDonald's? Why or why not?

Despite concerns by governments and citizens in some countries about “cultural imperialism,” McDonald’s and other franchises with well-known brand names are generally welcome. Such businesses provide both much-needed jobs and employee training.

McDonald’s does a good job of earning the support of local authorities and the local population by working with agricultural producers to develop local supply sources for beef, potatoes, and dairy products. Finally, thanks to changing lifestyles around the globe, more people are embracing the whole concept of fast food.

1-17. Is it realistic to expect that McDonald’s – or any well-known company – can expand globally without occasionally making mistakes or generating controversy? Why do anti-globalization protesters – and sometimes government officials - frequently target McDonald’s?

McDonald’s has a reputation for being sensitive to local issues and mentalities. According to the staff director for international human resources in Central Europe, “One of our guiding principles is that our restaurants should always be a reflection of the communities they serve.” Mistakes such as the one in France represent exceptions that can serve as learning experiences. Still, each new nation has the potential to present unique problems. In Israel, for example, McDonald’s must deal diplomatically and appropriately with dietary laws pertaining to kosher foods and operating restaurants on the Sabbath (Friday and Saturday).

Another issue is to maintain the service attitude that was a cornerstone of McDonald’s U.S. reputation. A German student noted that in Germany, good service is not associated with McDonald’s because counter-help consists of immigrants who do not exhibit the cheerful demeanor of their U.S. counterparts.

1-18. Assess the changes McDonald’s is making to its marketing strategy in the United States and around the world.

McDonald’s executives intend to create a modern, streamlined environment that will encourage customers to stay longer and spend more. They have included more salads healthier food options on their ‘better for you’ menus. McDonald’s has pledged that they would ‘listen to the customer’ with a rapid rollout of a menu innovation called ‘Create Your Taste’.

CASE 1-3: Apple versus Samsung: The Battle for Smartphone Supremacy Heats Up

Overview: Apple’s reputation was based on its proven ability to disrupt existing markets and create new markets with technical and design innovations. In some circles the launch of the iPhone 5 was viewed as an evolution, rather than a revolution. Samsung makes several versions of their Galaxy S 4 to suit the needs of different markets, Apple does not. In India, the number

three smart-phone market, Apple lags far behind Samsung, offering an Android phone for about \$ 100. Indian consumers pay \$ 500 for an iPhone 4 and about \$ 850 for the iPhone 5.

1-19. Are you an IOS or an Android user? Which brand of smartphone did you buy, and why?

Student answers will vary based on which phone they own.

1-20. Do you think Apple can continue to grow by developing break-through products that create new markets, as it did with the iPod, iPhone, and iPad?

Apple needs to embrace the concept of formal market research. Steve Jobs downplayed the importance of this concept saying that consumers don't know what they want. Samsung Electronics on the other hand, relies heavily on market research. 60,000 staff members work in dozens of research centers in China, Great Britain, India, Japan, the United States, and elsewhere. Samsung designers have backgrounds in such diverse disciplines as psychology, sociology, and engineering.

1-21. How has Samsung's global marketing strategy enabled it to compete so effectively against Apple?

In many developing countries, there is a strong demand for inexpensive mobile phones. Some Android-based models from Android models from Samsung sell for much less than the iPhone 5. Apple does not offer a lower-cost version of the iPhone. Samsung has done their research and found the unsatisfied needs of the consumers.

1-22. Assess the prospects for the global success of HomePod.

HomePod has been viewed as being "late-to-the-game" response to Amazon's Echo. The prospects seem bleak but many students' answers will vary from this Instructor's opinion.

1-23. Do you think Apple should develop self-driving cars (i.e., hardware) or focus on self-driving systems (i.e., software)?

Students answers will vary but this Instructor believes that software is Apple's core competency.

1-24. Which uses for an AI-enabled iPhone can you think of?

Students answers will vary greatly based on their age and other demographics.

1-25. More than 1.3 billion Apple devices are in use worldwide. The company's goal is to achieve 100 percent renewable energy and to generate and source 4 gigawatts of new clean energy by 2020. What is the update on this initiative? Conduct some exploratory research, and write a short essay or present a brief oral report on your findings. Remember to cite your sources!

On April 9, 2018, Apple announced that all Apple operations are running off 100% renewable energy.

TEACHING TOOLS AND EXERCISES

Additional Cases:

"GENICON: A Surgical Strike into Emerging Markets" by Allen H. Kupetz; Adam P. Tindall; Gary Haberland. June 2010, *HBS*: 910M41-PDF-ENG.

"Market Stretch" by Gavin Price and Margaret Sutherland. June 2009. *HBS*: 909M46-PDF-ENG.

"Global Brand Face-Off", *HBR Case Study and Commentary* RO 306A. Anand P. Raman, Peter M. Thompson, Jennifer L. Aaker; Harish Manwani; Simon Clift; Masaaki Mike Kotabe.

"Mary Kay Inc: Asian Market Entry (B)", John A. Quelch. *HBS* 509067.

Video: This article is from *Management International Review*, March 2011. It is titled "Effective Global Strategy Implementation: Structural and Process Choices Facilitating Global Integration and Coordination."

The abstract states that this article offers "a contingency framework of global strategy implementation effectiveness on firm performance. The research question we seek to address is what the structural and process requirements are for MNEs to successfully implement global strategy through increased efficiency and effectiveness of integration and coordination across world markets. Our central premise is that MNEs' capabilities in establishing supporting structural and process mechanisms will enhance the effectiveness and efficiency of implementing their global strategies which would, in turn, lead to better firm performance."

Link: <http://www.freepatentsonline.com/article/Management-International-Review/256930786.html> and here is a different link to the PDF of this document: <http://www.springerlink.com/content/12181r4440117312/>

This next video is just a quick two-minute video showing Pepsi's marketing throughout the world, and how they differentiate packaging and advertising to adapt to the region in which they are marketing. It provides a good example to show how companies cater their products to different regions.

Film: Assign "The Gods Must Be Crazy." This classic, humor-filled movie examines the life of a bushman unaware of white culture who finds a Coca-Cola bottle in the Kalahari (dropped by a

passing pilot) and promptly has his life turned around by this mystical object. It shows how our simplest acts can have far-reaching impacts. This is a great introduction to global awareness.

Out-of-Class Reading: Zou, Shaoming and S. Tamer Cavusgil, “The GMS: A Broad Conceptualization of Global Marketing Strategy and Its Effect on Performance.” *Journal of Marketing* 66 (October 2002) pp. 40-56.

Internet Exercise: *Fortune* magazine profiled the world’s richest man (<http://money.cnn.com/2007/08/03/news/international/carlosslim.fortune/>). Have students read and summarize this piece and use this as the basis for an in-class discussion on the changing face of world business.

Full Semester Research Assignment and Activity

This is a full semester cultural and marketing plan project designed for individuals or groups. Students should choose a country and a product / service that is *not currently found* in the targeted country and devise a cultural analysis and marketing plan for the chosen country.

For example, students can choose to market an automobile from the United States into a foreign country or can choose to market an automobile into the United States that is not currently available here.

At the Instructors discretion, this project can be spread over the entire semester or used as a “take home” final exam, collected in sections as the material is covered in class or any combination deemed.

Foreign students are especially encouraged to find products / services that they’ve been accustomed to or enjoyed (a favorite type of food product) here in the United States and wish to “export” to their home country.

Cultural Analysis: The data suggested in the cultural analysis includes information that helps the marketer make market-planning decisions. However, its application extends beyond product and market analysis to being an important source of information for someone interested in understanding business customs and other important cultural features of the country. This cultural analysis is composed of two parts: information on the cultural makeup of the country and the economic analysis of the country.

The information in this analysis must be more than a collection of facts. In preparing this material, you should attempt to interpret the meaning of cultural information. With that said, your country analysis should contain at least one paragraph on each of the following areas:

Per the instructor’s discretion, this section could be collected either before or after Part 2 of the text has been discussed in class (Part 2 is chapters 2, 3, 4, and 5).

PART I: Introduction to the Culture of the Country

- I. Include short profiles of the company, the product to be exported and the country with which you wish to trade.
- II. Brief discussion of the country's relevant history
- III. Geographical setting
 - a) location
 - b) climate
 - c) topography
- IV. Social institutions
 - a) Family
 - i) The nuclear family
 - ii) The extended family
 - iii) Dynamics of the family
 - (1) Parental roles
 - (2) Marriage and courtship
 - b) Education
 - i) The role of education in society
 - (1) Primary education (quality, levels of development, etc)
 - (2) Secondary education (quality, levels of development, etc.)
 - (3) Higher education (quality, levels of development, etc.)
 - ii) Literacy rates
 - c) Political System
 - i) Political structure
 - ii) Political Parties
 - iii) Stability of government
 - iv) Special taxes
 - v) Role of local government
 - d) Legal System
 - i) Organization of the judiciary system
 - ii) Code, common, socialist, or Islamic-law country?
 - iii) Participation in patents, trademarks and other conventions
 - e) Organizations
 - i) Group behavior
 - ii) Social classes
 - iii) Clubs, other organizations
 - iv) Race, ethnicity and subcultures
 - f) Business customs and practices

- V. Religion and aesthetics
 - a) Religion and other belief systems
 - i) Orthodox doctrines and structures
 - ii) Relationship with the people
 - iii) Which religions are prominent?
 - iv) Membership of each religion
 - v) Any powerful or influential cults?
 - b) Aesthetics
 - i) Visual arts (fine arts, plastics, graphics, public arts, colors etc.)
 - ii) Music
 - iii) Drama, ballet, and other performing arts
 - iv) Folklore and relevant symbols
- VI. Living conditions
 - a) Diet and nutrition
 - i) Meat and vegetable consumption rates
 - ii) Typical meals
 - iii) Malnutrition rates
 - iv) Foods available
 - b) Housing
 - i) Types of housing available
 - ii) Do most people own or rent?
 - iii) Do most people live in one-family dwellings or with other families?
 - c) Clothing
 - i) National dress
 - ii) Types of clothing worn at work
 - d) Recreation, sports, and other leisure activities
 - i) Types available and in demand
 - ii) Percentage of income spent on such activities
 - e) Social security
 - f) Health Care
- VII. Language
 - a) Official language(s)
 - b) Spoken versus written language(s)
 - c) Dialects

VIII. Executive Summary

After completing all of the other sections, prepare a *two-page* (maximum length) summary of the major points and place it at the front of the report. The purpose of an executive summary is to

give the reader a brief glance at the critical points of your report. Those aspects of the culture a reader should know to do business in the country but would not be expected to know or would find different based on his or her home country should be included in this summary.

- IX. Sources of information
- X. Appendixes

Per the discretion of the instructor, this part could be collected after Part 3 of the textbook has been covered in the class. (Part 3 of the text includes chapter 6, 7, 8, and 9).

PART II: The Economic Analysis of the Country

The reader may find the data collected for the economics analysis guideline are more straightforward than for the cultural analysis guideline. There are two broad categories of information in this guideline: general economic data that serve as a basis for an evaluation of the economic soundness of a country and information on channels of distribution and media availability. As mentioned earlier, the guideline focuses only on broad categories of data and must be adapted to the particular company and its product needs. With that said, write at least one (1) paragraph for each of these sections.

Guideline

- I. Introduction
- II. Population
 - a) Total
 - i) Growth rates
 - ii) Number of live births
 - iii) Birth rates
 - b) Distribution of population
 - i) Age
 - ii) Sex
 - iii) Geographic areas (urban suburban, and rural density and concentration)
 - iv) Migration rates and patterns
 - v) Ethnic groups
- III. Economic statistics and activity
 - c) Gross national product (GNP or GDP)
 - i) Total
 - ii) Rate of growth (Real GNP or GDP)
 - (1) Personal income per capita
 - (2) Average family income
 - d) Distribution of wealth
 - i) Income classes
 - ii) Proportion of the population in each class
 - iii) Is the distribution distorted?

- e) Minerals and resources
- f) Surface transportation
 - i) Mode
 - ii) Availability
 - iii) Usage rates
 - iv) Ports.
- g) Communication systems
 - i) Types
 - ii) Availability
 - iii) Usage rates
- h) Working conditions
 - i) Employer-Employee relations
 - ii) Employee participation
 - iii) Salaries and benefits
- i) Principal industries
 - i) What proportion of the GNP does each industry contribute?
 - ii) Ratio of private to publicly owned industries
- j) Foreign Investment
 - i) Opportunities?
 - ii) Which industries?
- k) International trade statistics
 - i) Major exports
 - (1) Dollar value
 - (2) Trends
 - ii) Major imports
 - (1) Dollar value
 - (2) Trends
 - iii) Balance-of-payments situation
 - (1) Surplus or deficit?
 - (2) Recent trends
 - iv) Exchange rates
 - (1) Single or multiple exchange rates?
 - (2) Current rate of exchange
 - (3) Trends
- l) Trade restrictions
 - i) Embargoes
 - ii) Quotas
 - iii) Import taxes
 - iv) Tariffs
 - v) Licensing
 - vi) Customs duties
- m) Extent of economic activity not included in cash income activities
 - i) Counter trades
 - (1) Products generally offered for counter trading
 - (2) Types of counter trades requested (i.e. barter, counter purchase, etc.)

- (3) Foreign aid received
- n) Labor force
 - i) Size
 - ii) Unemployment rates

- o) Inflation rates

IV. Developments in science and technology

- a) Current technology available (computers, machinery, tools etc.)
- b) Percentage of GNP invested in research and development
- c) Technological skills of the labor force and general population

V. Channels of distribution (macro analysis)

This section reports data on all channel middlemen available within the market. Select a specific channel as part of your distribution strategy for your marketing plan

- a) Retailers
 - i) Number of retailers
 - ii) Typical size of retail outlets
 - iii) Customary markup for various classes of goods
 - iv) Methods of operation (cash/credit)
 - v) Scale of operation (large/small)
 - vi) Role of chain stores, department stores specialty shops
- b) Wholesale middlemen
 - i) number and size
 - ii) Customary markup for various classes of goods
 - iii) Method of operation (cash/credit)
- c) Import/Export agents
- d) Warehousing
- e) Penetration of urban and rural markets

VI. Media

This section reports data on all media available within the country or market. Select specific media as part of the promotional mix and strategy for your marketing plan.

- a) Availability of media
- b) Costs
 - i) Television
 - ii) Radio
 - iii) Print
 - iv) Other media (cinema, outdoor etc.)
- c) Agency assistance
- d) Coverage of various media
- e) Percentage of population reached by each of the media

VII. Executive summary

After completing the research for this report, prepare a two-page (maximum) summary of the major economic points and place it at the front of the report

VIII. Sources of information

IX. Appendixes

Per the instructor's discretion, this section can be used as a final exam, a take home writing assignment or group work. It can / could be used in conjunction with Part 4 of the textbook, which are chapters 10, 11, 12, 13, 14, and 15).

THE MARKETING PLAN

Market-oriented firms build strategic market plans around company objectives, markets and the competitive environment. Planning for marketing can be complicated even for one country, but when a company is doing business internationally, the problems are multiplied. Company objectives may vary from market to market and from time to time; the structure of international markets also changes periodically and from country to country; and the competitive, governmental, and economic parameters affecting market planning are in a constant state of flux. These variations require international marketing executives to be especially flexible and creative in their approach to strategic marketing planning.

PART III: Market Audit and Competitive Market Analysis

Of the guidelines presented, this is the most product or brand specific. Information in the other guidelines is general in nature, focusing on product categories, whereas data in this guideline are brand specific and are used to determine competitive market conditions and market potential.

Two different components of the planning process are reflected in this guideline. Information in Parts I and II, Cultural Analysis and Economic Analysis, serve as the basis for an evaluation of the product or brand in a specific country market.

Information in this guideline provides an estimate of market potential and an evaluation of the strengths and weaknesses of competitive marketing efforts. The data generated in this step are used to determine the extent of adaptation of the company's marketing mix necessary for successful market entry and to develop the final step, the action plan.

The detailed information needed to complete this guideline is not necessarily available without conducting a thorough marketing research investigation. Thus, another purpose of this part of the country notebook is to identify the correct questions to ask in a formal market study.

Write at least one (1) paragraph on each in each of these areas.

I. Introduction

- II. The Product
 - A. Evaluate the product as an innovation as it is perceived by the intended market.
 - 1. Relative advantage
 - 2. Compatibility
 - 3. Complexity
 - 4. Trialability
 - 5. Observability
 - B. Major problems and resistance to product acceptance based on the preceding evaluation

- III. The Market
 - A. Describe the market(s) in which the product is to be sold
 - 1. Geographical region(s)
 - 2. Forms of transportation and communication available in that (those) region(s)
 - 3. Consumer buying habits
 - a. Product-use patterns
 - b. Product feature preferences
 - c. Shopping habits
 - 4. Distribution of the product
 - a. typical retail outlets
 - b. Product sales by other middlemen
 - 5. Advertising and promotion
 - a. Advertising media usually used to reach your target market(s)
 - b. Sales promotions customarily used (sampling, coupons, etc.)
 - 6. Pricing strategy
 - a. Customary markup
 - b. Types of discounts available
 - B. Compare and contrast your product and the competition's product(s).
 - 1. Competitor's product(s)
 - a. Brand name
 - b. Features
 - c. Package
 - 2. Competitor's prices
 - 3. Competitor's promotion and advertising methods
 - 4. Competitor's distribution channels
 - C. Market size
 - 1. Estimated industry sales for the planning year
 - 2. Estimated sales for your company for the planning Year
 - D. Government participation in the marketplace
 - 1. Agencies that can help you.
 - 2. Regulations you must follow

- IV. Executive Summary

Based on your analysis of the market, briefly summarize (two-page maximum) the major problems and opportunities requiring attention in your marketing mix, and place the summary at the front of the report

V. Sources of information

VI. Appendixes

SUGGESTED READINGS

Books

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- Lazer, William. "Changing Dimensions of International Marketing Management." *Journal of International Marketing* 1, no. 3 (1993), pp. 93-103.
- Li Jiato, and Stephen Guisinger, "How Well Do Foreign Firms Compete in the United States?" *Business Horizons* 34, No. 6 (November-December 1991), pp. 49-53.

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