Global Marketing

Warren J. Keegan   Mark C. Green

Introduction to Global Marketing
Chapter 1

INTRODUCTION

• Global vs. “Regular” Marketing
  - Scope of activities are outside the home-country market

GLOBAL MARKETING

• Create value for customers by improving benefits or reducing price
  – Improve the product
  – Find new distribution channels
  – Create better communications
  – Cut monetary and non-monetary costs and prices

\[ \text{Value} = \frac{\text{Benefits}}{\text{Price}} \]

GLOBALIZATION

“Economic globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology.”

~Jagdish Bhagwatt~
GLOBAL INDUSTRIES

• An industry is global to the extent that a company’s industry position in one country is interdependent with its industry position in another country.

Indicators of globalization:
• Ratio of cross-border investment to total capital investment
• Proportion of industry revenue generated by all companies that compete in key world regions
• Ratio of cross-border trade to worldwide production

Coca Cola spent $5 billion worldwide on promotions and marketing in 2010.

COMPETITIVE ADVANTAGE, GLOBALIZATION & GLOBAL INDUSTRIES

• Focus
  – Concentration and attention on core business and competence

  “Nestle is focused: We are food and beverages. We are not running bicycle shops. Even in food we are not in all fields. There are certain areas we do not touch...We have no soft drinks because I have said we will either buy Coca-Cola or we leave it alone. This is focus.”

  ~Helmut Maucher, former chairman of Nestlé SA~

GLOBAL MARKETING: What It Is & What It Isn’t

Single Country Marketing Strategy
• Target Market Strategy
• Marketing Mix
  – Product
  – Price
  – Promotion
  – Place

Global Marketing Strategy
• Global Market Participation
• Marketing Mix Development
  – 4 P’s: Adapt or Standardize?
  – Concentration of Marketing Activities
  – Coordination of Marketing Activities
  – Integration of Competitive Moves

STANDARDIZATION vs. ADAPTATION

• Globalization (Standardization)
  – Developing standardized products marketed worldwide with a standardized marketing mix
  – Essence of mass marketing

• Global localization (Adaptation)
  – Mixing standardization and customization in a way that minimizes costs while maximizing satisfaction
  – Essence of segmentation
  – Think globally, act locally
The Importance of Going Global

- For U.S. companies, 75% of total world market for goods and services is outside the country
  - Coca-Cola earns 75% of operating income and 2/3 of profit outside of North America
- For Japanese companies, 90% of world market is outside the country
- 94% of market potential is outside of Germany for its companies even though it is the largest EU market

How Big Is The Global Market?

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>Size of Market</th>
<th>Key Players and Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>$200 billion</td>
<td>Philip Morris International (USA); British American Tobacco (UK); Japan Tobacco (Japan)</td>
</tr>
<tr>
<td>Luxury goods</td>
<td>$150 billion</td>
<td>LVMH Group (France); Richemont (Switzerland); PPR (France)</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>$200 billion</td>
<td>L’Oréal SA (France); Coty Inc. (USA); Shiseido Co. (Japan); Procter &amp; Gamble (USA)</td>
</tr>
<tr>
<td>Personal care</td>
<td>$1.75 trillion</td>
<td>Unilever (USA); P&amp;G (USA); Henkel (Germany); Reckitt Benckiser (UK)</td>
</tr>
<tr>
<td>Flat-panel TVs</td>
<td>$300 billion</td>
<td>Samsung (South Korea); Sony (Japan); LG (South Korea)</td>
</tr>
<tr>
<td>Bottled water</td>
<td>$100 billion</td>
<td>Nestlé (Switzerland); Orange Juice (The Netherlands); Coca-Cola (USA)</td>
</tr>
<tr>
<td>Home appliances</td>
<td>$70 billion</td>
<td>Whirlpool (USA); Electrolux (Sweden); BSH Hausgeräte (Germany)</td>
</tr>
<tr>
<td>Cell phones</td>
<td>$60 billion</td>
<td>Nokia (Finland); Samsung (Japan); Apple (USA); Sony (Japan); Huawei (China)</td>
</tr>
<tr>
<td>Video games</td>
<td>$40 billion</td>
<td>Nintendo (Japan); Sony (Japan); Microsoft (USA)</td>
</tr>
<tr>
<td>Recorded music</td>
<td>$25 billion</td>
<td>Sony BMG (Japan); Warner Music (USA); SONY BMG Universal Music Group (France)</td>
</tr>
</tbody>
</table>
Management Orientations

- **Ethnocentric Orientation**
  - Home country is superior to others
  - Sees only similarities in other countries
  - Assumes products and practices that succeed at home will be successful everywhere
  - Leads to a *standardized* or *extension approach*

- **Polycentric Orientation**
  - Each country is unique
  - Each subsidiary develops its own unique business and marketing strategies
  - Often referred to as *multinational*
  - Leads to a *localized* or *adaptation approach* that assumes products must be adapted to local market conditions

- **Regiocentric Orientation**
  - A region is the relevant geographic unit
  - Ex: The NAFTA or European Union market
  - Some companies serve markets throughout the world but on a regional basis
  - Ex: General Motors had four regions for decades

- **Geocentric Orientation**
  - Entire world is a potential market
  - Strives for integrated global strategies
  - Also known as a *global or transnational company*
  - Retains an association with the headquarters country
  - Pursues serving world markets from a single country or sources globally to focus on select country markets
  - Leads to a combination of *extension* and *adaptation elements*
Forces Affecting Global Integration & Global Marketing

• Multilateral trade agreements
• Converging market needs and wants and the information revolution
• Transportation and communication improvements
• Product development costs

Driving Forces Affecting Global Integration and Global Marketing

• Quality
  – R&D as a percent of sales
• World economic trends
  – 2008 global crisis
  – Growing middle class in China, India, Brazil, etc.
  – Rapid growth in China pre-2008
  – Movement to free markets worldwide

Driving Forces Affecting Global Integration and Global Marketing

• Leverage
  – Experience transfers
  – Scale economies
  – Resource utilization
  – Global strategy

Restraining Forces Affecting Global Integration and Global Marketing

• Management myopia
• Organizational culture
• National controls
• Opposition to globalization
Book Overview

- Part I: Overview of Global Marketing
- Part II: Environments of Global Marketing
- Part III: Global Strategy
- Part IV: Global Considerations of the Marketing Mix
- Part V: Integrating the Dimensions of Global Marketing

Looking Ahead to Chapter 2

The Global Economic Environment