

# Global Marketing

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## Introduction to Global Marketing Chapter 1

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## INTRODUCTION

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

**TABLE 1-1 Product/Market Growth Matrix**

		Product Orientation	
		Existing Products	New Products
Market Orientation	Existing markets	1. Market penetration strategy	2. Product development strategy
	New markets	3. Market development strategy	4. Diversification strategy


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## Marketing and Global Marketing Defined

- Marketing: “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”
- Global Marketing: The scope of activities outside the home market


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## Value Chain and Value Proposition

- Value Chain: Marketing, along with all other functional business areas, create value for the customer
- Value Proposition
  - Perceived value to the customer
  - The firm’s promise to the customer

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## Customer Perceived Value

- 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

$$\text{Value} = \text{Benefits} / \text{Price}$$

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## 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 Bhagwati~*

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## 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



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## 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~

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## GLOBAL MARKETING: What It Is & What It Isn't

<h3 style="text-align: center;">Single Country Marketing Strategy</h3> <ul style="list-style-type: none"> <li>Target Market Strategy</li> <li>Marketing Mix                             <ul style="list-style-type: none"> <li>Product</li> <li>Price</li> <li>Promotion</li> <li>Place</li> </ul> </li> </ul>	<h3 style="text-align: center;">Global Marketing Strategy</h3> <ul style="list-style-type: none"> <li>Global Market Participation</li> <li>Marketing Mix Development                             <ul style="list-style-type: none"> <li>4 P's: Adapt or Standardize?</li> </ul> </li> <li>Concentration of Marketing Activities</li> <li>Coordination of Marketing Activities</li> <li>Integration of Competitive Moves</li> </ul>
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## The Beatles: Global Marketing Strategy



- U.K. vs. U.S. Markets
  - EMI U.K label Parlophone
  - EMI U.S. label Capitol
- U.K albums had different names, number and order of tracks
- U.S. singles had Side B songs not available in the U.K.
- Songs remixed for U.S. market with different studio effects (reverb and compression)

The British Invasion of the music world was led by the Beatles who first toured the U.S. in 1964.

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## 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

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## Standardization Vs. Adaptation

### The Faces of Coca-Cola Around the World

Arabic →		
Read right to left		
Chinese →		
"delicious/happiness"		

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## McDonald's Global Marketing

**TABLE 1-4** Examples of Effective Global Marketing—McDonald's

Marketing Mix Element	Standardized	Localized
Product	Big Mac	McAloo Tikka potato burger (India)
Promotion	Brand name	Slang nicknames, for example, Mickey D's (USA, Canada), Mucky D's (UK, Ireland), Macca's (Australia), Mikkin (Finland), Ma'Do (Philippines), M.D. (France)
	Advertising slogan "I'm lovin' it"	"I'mee; comee vooe; rice" ("Come as you are") television ad campaign in France. Various executives show individuals expressing different aspects of their respective personalities. One features a young man dining with his father. The ad's creative strategy centers on sexual freedom and rebellion. The father does not realize that his son is gay.
Place	Free-standing restaurants in high-traffic public areas	McDonald's Switzerland operates themed dining cars on the Swiss national rail system. McDonald's is served on the Stone Line ferry from Helsinki to Oslo; home delivery (India)
Price	Average price of Big Mac is \$4.20 (United States)	\$6.79 (Norway); \$2.44 (China)

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## Burberry's GMS



- Expand in BRIC, US
- Marketing Mix
  - Product: emphasize handbags, belts, accessories
  - Price: Affordable luxury
  - Place: Key major cities including Hong Kong, NYC
  - Promotion: New logo, use social media, Burberry Acoustic for emerging musicians

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## 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

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## How Big Is The Global Market?

Product or Service	Size of Market	Key Players and Brands
Cigarettes	\$295 billion	Philip Morris International (USA); British American Tobacco (UK); Japan Tobacco (Japan)
Luxury goods	\$230 billion	LVMH Group (France); Richemont (Switzerland); Kering (France)
Cosmetics	\$200 billion	L'Oréal S.A. (France); Estée Lauder (USA); Shiseido (Japan); Procter & Gamble (USA)
Personal computers	\$175 billion	Hewlett-Packard (USA); Lenovo (China); Dell (USA); Acer (Taiwan)
Flat-screen TVs	\$100 billion	Samsung (South Korea); Sony (Japan); LG (South Korea)
Bottled water	\$100 billion	Nestlé (Switzerland); Groupe Danone (France); Coca-Cola (USA); PepsiCo (USA)
Home appliances	\$85 billion	Whirlpool (USA); Electrolux (Sweden); Bosch-Siemens (Germany)
Cell phones	\$60 billion	Nokia (Finland); Motorola (USA); Apple (USA); Samsung (South Korea)
Video games	\$43 billion	Nintendo (Japan); Sony (Japan); Microsoft (USA)
Recorded music	\$32 billion	Sony BMG (Japan); Warner Music Group (USA); Universal Music Group (France)

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## 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**

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## Management Orientations

- 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

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## Management Orientations

- **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

European Union 

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## Management Orientations

- **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**



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## 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



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## 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



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## Driving Forces Affecting Global Integration and Global Marketing

- **Leverage**
  - Experience transfers
  - Scale economies
  - Resource utilization
  - Global strategy

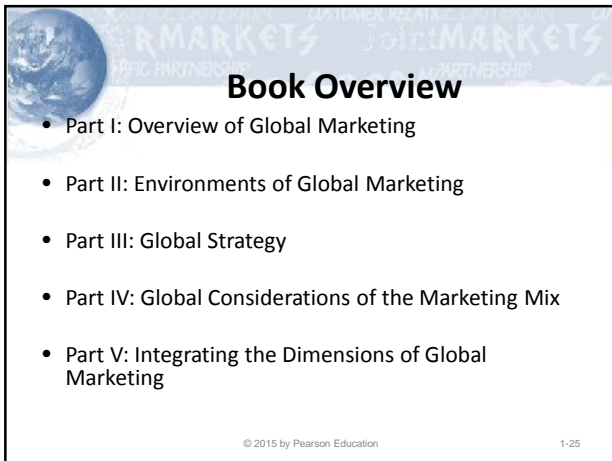


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## Restraining Forces Affecting Global Integration and Global Marketing

- Management myopia
- Organizational culture
- National controls
- Opposition to globalization

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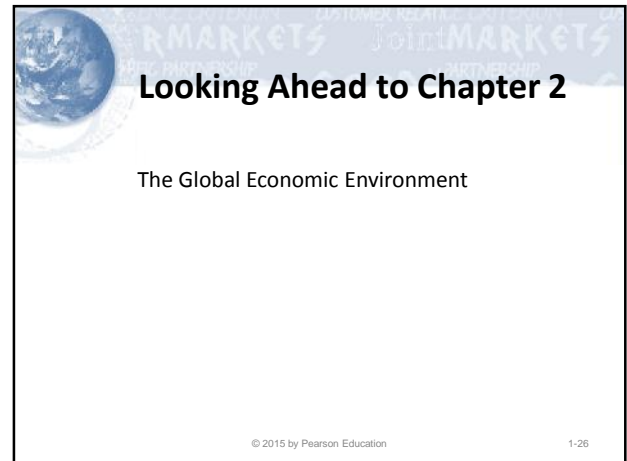


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### Book Overview

- 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

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### Looking Ahead to Chapter 2

The Global Economic Environment

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