

Global Marketing

WARREN J. KEEGAN MARK C. GREEN

Ninth Edition, Global

Edition

Introduction to Global Marketing

Chapter 1

Learning Objectives

1. Use the product/market growth matrix to explain the various ways a company can expand globally.
2. Describe how companies in global industries pursue competitive advantage.
3. Compare and contrast single-country marketing strategy with global marketing strategy (GMS).
4. Identify the companies at the top of the Global 500 rankings.
5. Explain the stages a company goes through as its management orientation evolves from domestic and ethnocentric to global and geocentric.
6. Discuss the driving and restraining forces affecting global integration today.

Going Global

- The post WWII era brought unparalleled expansion by companies going outside their home markets.
- Four decades ago the phrase *global marketing* did not exist.
- Today companies go global **to survive** as competitors will enter the home market with lower costs, more experience and better products.

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”
- Marketing Mix: The 4 Ps
- Global Marketing: The scope of activities outside the home market

What is Global Marketing

- 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	Market penetration strategy	Product development strategy
	New markets	Market development strategy	Diversification strategy

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

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

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

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~

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

Competitive Advantage

- When a company succeeds in creating more value for customers than its competitors do
- Measured relative to industry rivals
- “Created when a firm has value-creating strategy not simultaneously being implemented by an current or potential competitors.” ~ Jay Barney

Globalization of Pro Sports



The NFL promoted a 2013 game in London with banners across a major street.

- Major league sports like the NBA, NFL, and MLS are finding new fans abroad.
- Soccer is a global sport.
- The National Football League is focusing on Canada, China, Germany, Japan, Mexico, and the UK.

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

2015: The Grateful Dead at 50



The British Invasion of the music world had taken hold of the US by 1965. The counterforce of American music was led by the Grateful Dead.

- Early on, the Dead were too weird to get radio air time, unliked by critics, and not booked for tours by agents.
- They produced their own albums and tours.
- Their business practices foretold concepts like brand equity, brand tribes, CRM, freenomics, niche marketing, the sharing economy, and WOM marketing.

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

Burberry's GMS

- Expand in BRIC, US
- Marketing Mix
 - Product: emphasize handbags, belts, accessories
 - Price: Affordable luxury
 - Place: Independent stores in major cities like Hong Kong, Los Angeles, San Francisco, NYC
 - Promotion: New logo, use social media, Burberry Acoustic for emerging musicians



Global Localization

- “Think globally, act locally”
- May be a combination of standard (product) and nonstandard approaches (distribution or packaging)
- Cinnabon/USA developed dulce de leche flavors for Latin America
- Kraft developed Tang flavors of mango and pineapple for Latin America and the Mideast

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

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***

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

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

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***

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

- 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