



Near East University

INTERNATIONAL MARKETING

MARK 402

***Preliminary Understanding
the Global Marketing Task***

SESSION 1

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Source: Malhotra and Birks, et al. Chp 1

Outline

- Brief history
- Key concepts
- Globalization drivers and obstacles
- Global marketing objectives
- The three roles of the global marketing manager
- Takeaways.

A Historical Perspective

● The Multinational Phase

- Foreign markets could be penetrated easily
- Since production was often localized, products could be adapted to local markets
 - Multinational Marketing
 - Marketing to different countries with local adaptation of products and promotions

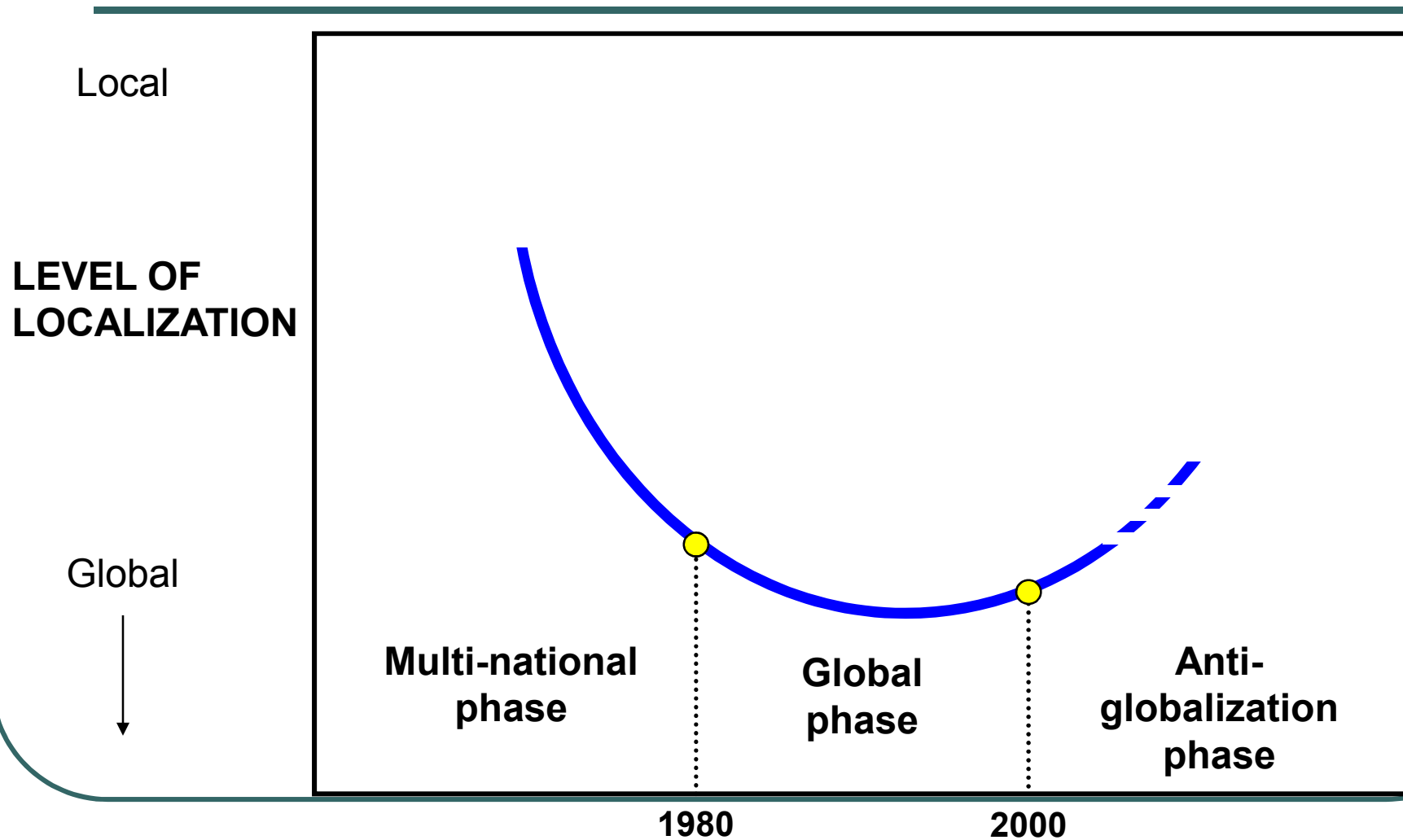
● The Global Phase

- The appearance of strong foreign competitors in the U.S. was a major force behind the emergence of the global perspective
 - Japanese companies had entered the U.S. market with spectacular success in markets such as autos and consumer electronics

A Historical Perspective

- The Antiglobalization Phase
 - The antiglobalization forces gained steam throughout the year 2000
 - Questioning of the economic and social benefits of globalization continued
 - The antiglobalization arguments involve a mix of economic, political, and social issues
 - One main complaint is that globalization has failed to lift the standard of living of many third-world countries while multinational companies have profited significantly

Local to Global ...and Back?



Key Concepts

- **Global Marketing**
 - **Refers to marketing activities coordinated and integrated across multiple country markets**
 - **The integration can involve standardized products, uniform packaging, identical brand names, synchronized product introductions, similar advertising messages, or coordinated sales campaigns across markets in several countries**
- **International Marketing**
 - **An older term encompassing all marketing efforts in foreign countries, whether coordinated or not, involving recognition of environmental differences and foreign trade analysis**

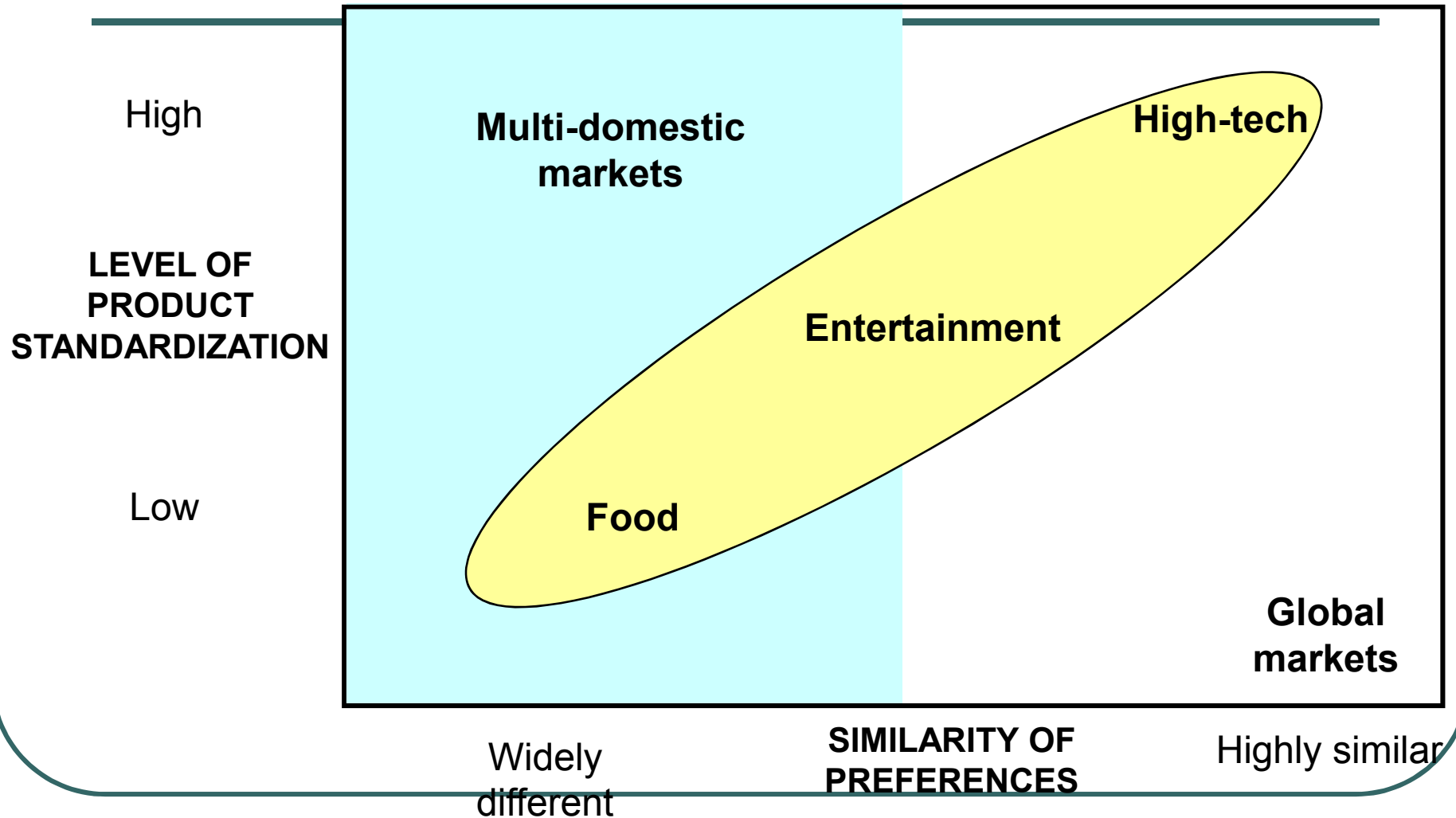
Key Concepts

- **“Foreign” Marketing**
 - Many global companies have banned use of the term “foreign” in their communications
 - These companies want to avoid the sense that some countries are separate and strange
 - The companies want their employees to view the world as an integrated entity and not favor the home country over others
- **Multidomestic Markets**
 - Product markets in which local consumers have preferences and functional requirements widely different from one another’s and others’ elsewhere
 - The typical market categories include products and services such as foods, drinks, clothing, and entertainment

Key Concepts

- **Global Markets**
 - **Markets in which buyer preferences are similar across countries**
 - **Within each country, several segments with differing preferences may exist, but the country borders are not important segment limits**
- **Global Products**
 - **The key to success of the globally standardized products is that they are often the best-value products because they offer higher quality and more advanced features at better prices**
 - **Global products tend to be stronger on the intangible extras such as status and brand image**
 - **Global products embody the best in technology with designs from leading markets and are manufactured to the highest standards**

Multi-domestic vs Global markets



Key Concepts

- **Global Brands**
 - **Brands which are available, well known, and highly regarded through the world's markets**
 - **Examples of global brands include Swatch, Mercedes, Nestlé, Coca-Cola, Nike, McDonald's, Sony, and Honda**
 - **In global markets, with standardized products, a global brand name is necessary for success**
 - **This is why many firms consolidate their brand portfolios around a few major brands as globalization proceeds**

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Key Concepts

- **Leading Markets**
 - **Characterized by strong and demand customers**
 - **Free from government regulation measures**
 - **Products and services incorporate the latest technology**
 - **Companies are strong at the high-end of the product line**
 - **Not necessarily the largest markets, although they often are**

Key IM Concepts: First Mover Advantages (FMAs)

- First-mover advantages refer to the advantage of being the first brand into a new market. It can be a completely new product, or simply be the first in a new overseas market (as Pepsi in Russia).
- Ex: Sony with Walkman,
- Apple with I-Pod



Key IM Concepts: FIRST MOVER ADVANTAGES (FMA's)

- 1. Set standards**
- 2. Tie up suppliers and distributors**
- 3. Create brand loyalty**
- 4. Capitalize on others' advertising**

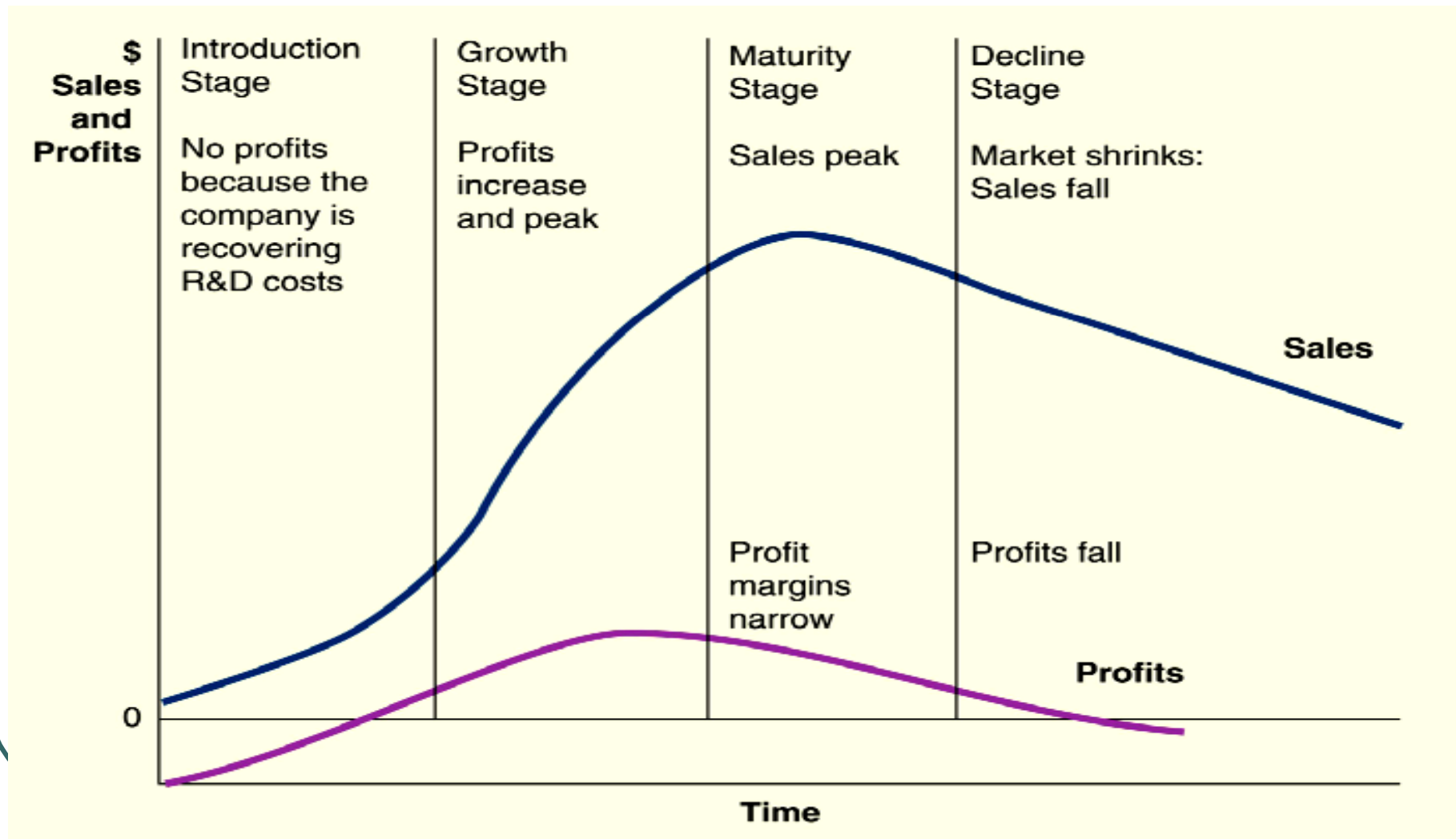
FIRST MOVER DISADVANTAGES (FMA's)

- 1. Higher risk**
- 2. More upfront spending on educating buyers, developing infrastructure, promoting generically**

Basic Marketing Concepts

- **Product Life Cycle**
 - **The S-curve which depicts how the sales of a product category progress over time**
 - **The stages typically involve Introduction, Growth, Maturity, Saturation, and possibly Decline**
 - **The “Chasm” is the gap that can open up between the early adopters and the mainstream market required for growth.**
 - **The chasm is especially prominent for high technology product in new markets.**

The Product Life Cycle (PLC)



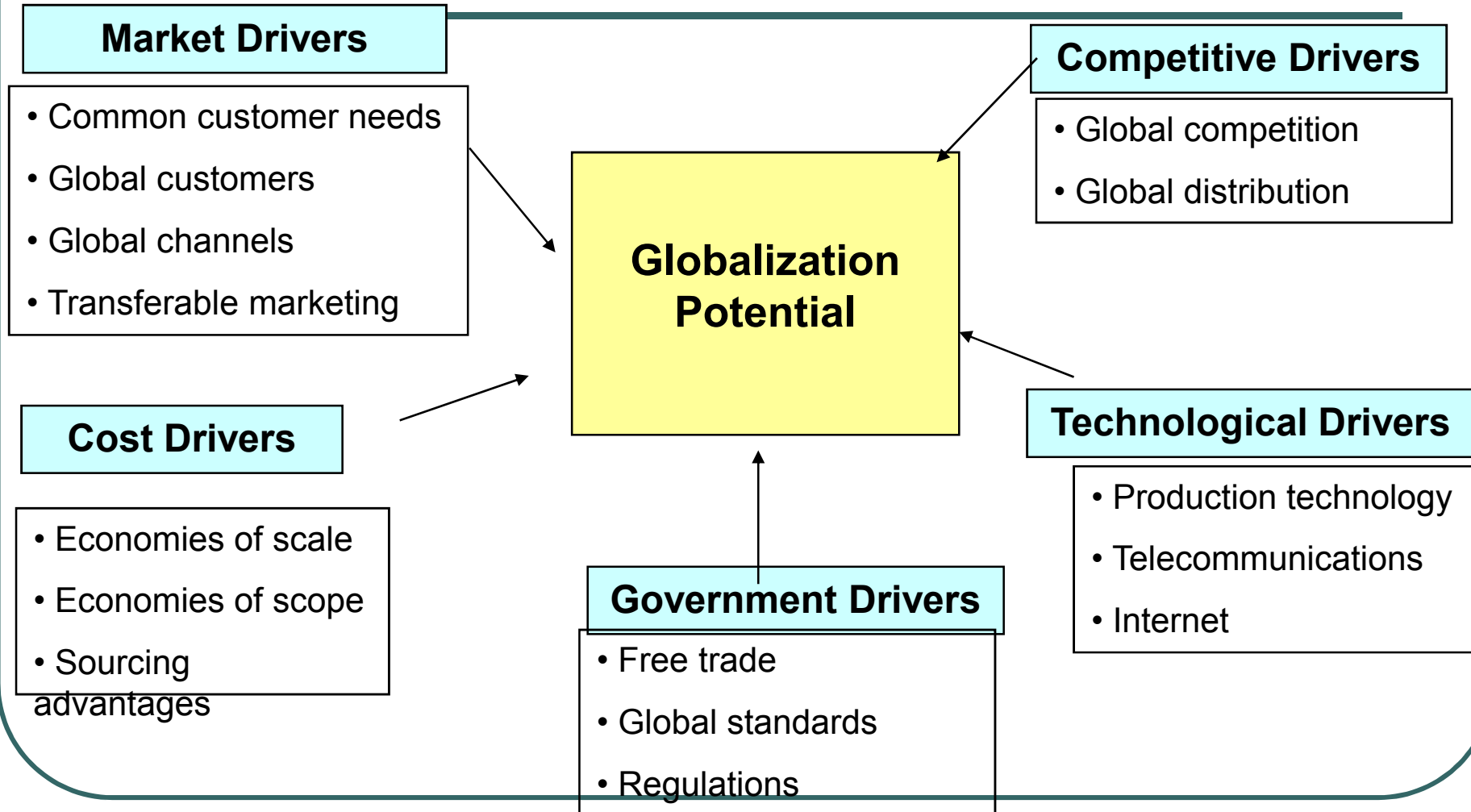
Basic Marketing Concepts

- **Market segmentation**
 - **Involves partitioning a given market into similar customer groupings for which uniform marketing strategies can be used**
- **Product positioning**
 - **Refers to the perceptions or image that target customers have of a product or service or the image that the firm would like the customers to have**

Drivers Toward Globalization

- **Five Major Globalization Drivers**
 - **Market Drivers**
 - Customer needs, global customers and channels, transferable marketing
 - **Competitive Drivers**
 - Competitors who go global provide reasons for firms to follow
 - **Cost Drivers**
 - Economies of scale, economies of scope, and sourcing
 - **Technology Drivers**
 - The Internet, global patent diffusion
 - **Government Drivers**
 - ISO 9001 – a global standard of quality certification

Globalization Drivers



Localized Global Marketing

- **The Limits to Global Marketing**
 - **Negative Industry Drivers**
 - Not all industries have the right characteristics for a global strategy
 - **Lack of Resources**
 - Not all companies have the required resources (managerial, financial) to implement global marketing
 - **Localized Mix Requirements**
 - Not all marketing mix elements lend themselves to a global treatment
 - **Antiglobalization Threats**
 - Close coordination of strategies across countries can make the firm vulnerable to antiglobalization actions

Fair Trade

- Fair trade is a way of doing business that promotes sustainable relationships between consumers and producers.
- Fair trade promotes fair wages, environmentally sustainable practices, and healthy working conditions.
- Fair trade products include commodities from third-world nations (coffee, bananas and chocolate), but also crafts, clothing and jewelry.

Localized Global Marketing

- Global Localization
- Due to the limits of global marketing
 - A global marketing strategy that totally globalizes all marketing activities is not always achievable or even desirable
 - A more common approach is for a company to globalize its product strategy
 - by marketing the same product lines, product designs, and brand names everywhere but to localize distribution and marketing communications

Regional, not Global?

- **Regionalization** means treating regions of the world as the new standardization unit.
- Rugman: Of Fortune 500 firms, only 9 multinationals are truly global with significant sales from three regions of more.

Distance still matters.

- Understanding customers in different parts of the world requires some face-to-face contacts and personal experience.
- Ghemawat's distances:
- Cultural distance - religious and language differences
- Administrative distance - regulatory differences.
- Geographic distance - far-away markets are difficult to manage from home.
- Economic distance - low development means weak infrastructure, payment ability etc.

Developing Knowledge Assets

- Knowledge Assets
 - Basically intangible assets
 - Examples of knowledge assets are brand equity, goodwill, patents, technical and managerial know-how
 - In today's globally competitive environment
 - knowledge assets can be more powerful competitive advantages than access to land, buildings, and machinery
- Learning Organizations
 - Organizations whose competitive advantage is in the ability of the organization
 - to innovate, to create new products, to develop new markets, to adopt new distribution channels, to find new advertising media, and to discard outdated products and tired sales routines

Global Marketing Objectives

- **Exploiting Market Potential and Growth**
 - **This is the typical marketing objective**
- **Gaining Scale and Scope Returns at Home**
 - **Longer production series and capital investment increase productivity**
- **Learning from a Leading Market**
 - **Profits may not be made in very competitive markets**
 - **But information about new technology and about competition can be gained**

Global Marketing Objectives (cont'd)

- **Pressuring Competitors**

- Increasing the competitive pressure in a competitor's stronghold market might help divert the competitor's attention from other markets

- **Diversifying Markets**

- By adding new countries and markets to the company portfolio the firm's dependence on any one market will be lessened

- **Learning How to do Business Abroad**

- This is an important spillover effect from marketing in a foreign country

The Manager's Three Roles

1. THE FOREIGN ENTRY ROLE

- Must learn the intricacies of working overseas
- Must find the right middlemen
- Must learn to evaluate other country markets qualitatively and quantitatively
- Must understand the foreign customer's needs and preferences in terms of products/services

The Manager's Three Roles

2. THE LOCAL MARKETING ROLE

- Basic marketing skills needed are the same
- The only thing different is the marketing environment
- Must usually be carried out with a resource person familiar with the local market
- Must be able to leverage marketing skills learned in the home country into the new environment

The Manager's Three Roles

3. THE GLOBAL MANAGEMENT ROLE

- Must use the learning and experience gained from foreign entry and local marketing to derive global benefits for the firm in various markets
- Must capture the scale advantages and other synergies created by more coordinated marketing
- Involves global segmentation, positioning, standardization of products/services, branding, uniform pricing, global branding, and international logistics

Takeaway

THESE FACTORS:

- increase in international trade & investment
- emergence of free trade blocs
- opening of closed economies

HAVE LEAD TO:

- greater global market opportunities
- threat of disruption by anti-globalization forces

Takeaway

Not all industries are equally fit for global strategies.

Analyze globalization drivers before following the “global imperative”.

Takeaway

A company enters a foreign market to do several things:

- challenge a competitor
- learn from lead customers
- diversify its demand base

And, of course,

- seek more revenue & profit growth

Takeaway

To compete effectively in the global marketplace one must:

- have hands-on marketing experience in one/more foreign countries
- learn how to enter markets
- manage the local marketing effort in the foreign market

Takeaway

The job of a global marketing manager can be divided into:

- foreign entry
- local marketing abroad
- global management