

# **Introduction to Global Marketing and The Global Economic Environment**

## **Global Marketing Chapter 1**





# 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



# 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

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



# Globalization

***“Globalization is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than every before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper and cheaper than ever before.”***

***Thomas Friedman***



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



# Competitive Advantage, Globalization, and 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**



# Standardization versus 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



# Standardization versus Adaptation

Arabic →  
Read right to left



Chinese →  
"delicious/happiness"





# McDonald's Global Marketing

Marketing Mix Element	Standardization	Localized
Product	Big Mac	McAloo Tikka potato burger (India)
Promotion	Brand name	Slang Macca's (Australia) MakDo (Philippines)
	Advertising Slogan "I'm Loving It"	<i>McJoy</i> magazine, "Hawaii Surfing Hula" promotion (Japan)
Place	Free-standing	Home delivery (India) Swiss rail system dining cars
Price	Big Mac is \$3.10 in U.S. and Turkey	\$5.21 (Switzerland) \$1.31(China)



# 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, 85% of world market is outside the country
- 94% of market potential is outside of Germany for its companies



# The *Fortune* Global 500

**TABLE 1-4** The *Fortune* Global 500: Largest Corporations by Revenues

Company	Revenues (US\$ millions)
1. Wal-Mart Stores (USA)	\$378,799
2. Exxon Mobil (USA)	372,824
3. Royal Dutch/Shell Group (UK/Netherlands)	355,782
4. BP (Britain)	291,438
5. Toyota Motor (Japan)	230,201
6. Chevron (USA)	210,783
7. ING Group (Netherlands)	201,516
8. Total (France)	187,280
9. General Motors (USA)	182,347
10. ConocoPhillips (USA)	178,558



# 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



European Union



# 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*



# Driving Forces Affecting Global Integration and 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