



MASAAKI KOTABE • KRISTIAAN HELSEN

GLOBAL MARKETING MANAGEMENT

Seventh Edition

WILEY

DEDICATION

To Lorraine, Akie, Euka, and Hiro
— M.K.

To A.V.
— K.H.

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ABOUT THE AUTHORS



Masaaki “Mike” Kotabe holds the Washburn Chair Professorship in International Business and Marketing at the Fox School of Business at Temple University. Prior to joining Temple University in 1998, he was Ambassador Edward Clark Centennial Endowed Fellow and Professor of Marketing and International Business at the University of Texas at Austin. Dr. Kotabe has been elected to serve on the Executive Board of the Academy of International Business as President-Elect (2015–16), President (2016–17), and President-Immediate Past (2017–18). He also currently serves on the Board of Directors of the Japan Marketing Academy. He received his Ph.D. in Marketing and International Business at Michigan State University. Dr. Kotabe has taught international marketing, global sourcing strategy (R&D, manufacturing, and marketing interfaces) at the undergraduate and MBA levels and theories of international business at the Ph.D. level, among others. He has lectured widely at various business schools around the world, including Austria, Germany, Finland, Norway, Sweden, Turkey, Brazil, Colombia, Mexico, China, Japan, Korea, Taiwan, Indonesia, Vietnam, and New Zealand. For his research, he has worked closely with leading companies such as AT&T, Kohler, NEC, Nissan, Philips, Sony, and Seven & i Holdings (parent of 7-Eleven stores) and served as advisor to the United Nations’ and World Trade Organization’s Executive Forum on National Export Strategies.

Dr. Kotabe has written more than 100 scholarly publications. His numerous research articles have appeared in journals such as *Journal of Marketing*, *Journal of International Business Studies*, *Strategic Management Journal*, and *Academy of Management Journal*. His books include *Global Sourcing Strategy: R&D, Manufacturing, Marketing Interfaces* (1992), *Japanese Distribution System* (with Michael R. Czinkota, 1993), *Anticompetitive Practices in Japan* (with Kent W. Wheeler, 1996), *MERCOSUR and Beyond* (1997), *Market Revolution in Latin America: Beyond Mexico* (with Ricardo Leal, 2001), *Emerging Issues in International Business Research* (with Preet Aulakh, 2002), *Global Supply Chain Management* (with Michael J. Mol, 2006), and *SAGE Handbook of International Marketing* (with Kristiaan Helsen, 2009).

He currently serves as the Editor of the *Journal of International Management* and also serves/has served on the editorial boards of the *Journal of Marketing*, the *Journal of International Business Studies*, the *Journal of International Marketing*, the *Journal of World Business*, the *Journal of the Academy of Marketing Science*, the *Journal of Business Research*, and the *Thunderbird International Business Review*, among others. For his significant contribution to international business research and education, Dr. Kotabe was elected a Fellow of the Academy of International Business in 1998 and a Fellow of the Japan Academy of International Business Studies in 2016.



Kristiaan Helsen has been an associate professor of marketing at the Hong Kong University of Science and Technology (HKUST) since 1995. Prior to joining HKUST, he was on the faculty of the University of Chicago for 5 years. He has lectured at Nijenrode University (Netherlands), the International University of Japan, Purdue University, the Catholic University of Lisbon, and CEIBS (Shanghai). Dr. Helsen received his Ph.D. in Marketing at the Wharton School of the University of Pennsylvania.

His research areas include promotional strategy, competitive strategy, and hazard rate modeling. His articles have appeared in journals such as *Marketing Science*, *Journal of Marketing*, *Journal of Marketing Research*, and *European Journal of Operations Research*, among others. He also coedited the *SAGE Handbook of International Marketing* with Masaaki Kotabe. Dr. Helsen is on the editorial board of the *International Journal of Research in Marketing*.



PREFACE

FOUR FUNDAMENTAL ISSUES ADDRESSED IN THE SEVENTH EDITION



We have continued to receive many letters and e-mail messages as well as user reviews on Amazon.com, among others, from instructors, students, and business executives around the world who used the previous editions of our *Global Marketing Management*. Their comments have been very favorable. Thanks to the increased desire in many parts of the world for access to our book in their own languages, our book has been translated into Chinese, Japanese, Portuguese, and Spanish. However, we just cannot be sitting on our laurels. As the world around us has been constantly changing, the content and context of our book also have to change to reflect the *climate of the time*. As we all know, the Great Recession of 2009—the worst global financial crisis since the Great Depression of 1929—brought the global economy to a screeching halt and has since changed the global marketing environment completely. More recently, even some of the rapidly growing emerging markets such as China and Brazil began to experience a significant economic slowdown in 2015. Furthermore, Britain’s decision to exit the European Union (known as the Brexit) and lingering uncertainties about the decision itself in late June 2016 have cast added economic and political uncertainty not only to Europe but also to the rest of the world. The continued global economic growth that many of us had taken for granted for many years proved to be a false assumption. Along with the global recession also came some serious doubts about the virtue of freer trading environments and unfettered global competition and increased awareness about corporate social responsibility (CSR) due to increased pollution and global warming and their potentially dire consequences. In a way, it is a challenging period with so many changes occurring with unforeseeable consequences. We are fortunate enough to capture various changes in the market environment and describe them in this seventh edition of our book.

In our mind, the role of a textbook is not only to describe today’s realities but also to extrapolate from them on how the future will unfold. After all, that is how marketing executives have to act and make *correct* decisions based on the facts they have gathered. Today’s realities are a serendipitous product of past realities, and the future will be an uncharted course of events lying ahead of us. We constantly strive to help you better understand state-of-the-art marketing practices on a global basis with relevant historical background, current marketing environments, and logical explanations based on a massive amount of knowledge generated by marketing executives as well as by academic researchers from around the world.

Therefore, the seventh edition of our book continues to build on four major changes that have taken place in the past decade or so. *First*, the landscape of the global economy has changed drastically, particularly as a result of the global financial crisis and the ensuing lackluster global market environment. The emergence of Brazil, Russia, India, and China, among others, as economic superpowers has been observed during the same period. So has the recent worrisome deceleration of these new powerhouse economies. Nevertheless, China’s role as the world’s factory is well established; India’s increased role in information technology development is obvious; and Brazil and Russia are still rich in mineral resources that are becoming scarce in the long run.

Second, the explosive growth of information technology tools, including the internet and electronic commerce (e-commerce), has had a significant effect on the way we do business internationally. This still continues to be an evolving phenomenon that we need to investigate carefully. On the one hand, everyone seems to agree that business

transactions will be faster and more global early on. And it is very true. As a result, marketing management techniques such as customer relationship management and global account management have become increasingly feasible. On the other hand, the more deeply we have examined this issue, the more convinced we have become that certain things would not change, or could even become more local as a result of globalization that the internet and e-commerce bestow on us.

Third, it is an underlying human tendency to desire to be different when there are economic and political forces of convergence (often referred to as globalization). When the globalization argument (and movement) became fashionable in the 1980s and 1990s, many of us believed that globalization would make global marketing easier. As we explain later in the text, marketing beyond national borders, indeed, has become easier, but it does not necessarily mean that customers want the same products in countries around the world. For example, many more people around the world try to emphasize cultural and ethnic differences as well as accept those differences than ever before. Just think about many new countries being born around the world as well as the regional unifications taking place at the same time. Another example is that while e-commerce promotion on the internet goes global, product delivery may need to be fairly local in order to address local competition and exchange rate fluctuations as well as the complexities of international physical distribution (export declarations, tariffs, and nontariff barriers). From a supply-side point of view, globalization has brought us more products from all corners of the world. However, from a demand-side (marketing-side) point of view, customers have a much broader set of goods and services to *choose from*. In other words, marketers now face all the more divergent customers with divergent preferences—far from a homogeneous group of customers.

Fourth, if not last, we have become increasingly more aware of various consequences of corporate action, ranging from environmental pollution to global warming that could threaten to affect our civilization with rising sea levels around the world, and from food safety to unsafe work environments around the world. Companies realize that they must consider the impact of their decisions and policies on a wide range of stakeholders besides their shareholders. To be successful in the long term, a company must create value for its shareholders and customers and also for local communities and society at large. While the idea that a company has societal obligations has been around for many decades, CSR has never been more prominent on the corporate agenda.

Indeed, these changes we have observed in the last decade or so are more than extraordinary. In this seventh edition, we have expanded on these issues in all chapters, wherever relevant. We have added many new examples that have occurred in this period. However, we do not sacrifice logical depth in favor of brand-new examples. This revision required a lot of work, as it did in the past. But it was well worth the effort because we are confident as to how satisfied and enlightened readers like you will become.

We strongly believe that cases provide students not only with lively discussions of what goes on with many companies but also with in-depth understanding of many marketing-related concepts and tools as used by those companies. In this revision, we added many new cases as well as keeping several cases from the earlier editions that were voted as *favorites* by our textbook users and their students. We have more than 40 cases to go with this edition. The cases represent many products and services and many regions and countries as well as many nationalities. All the cases are placed on the textbook website for easy download (www.Wiley.com/College/Kotabe).

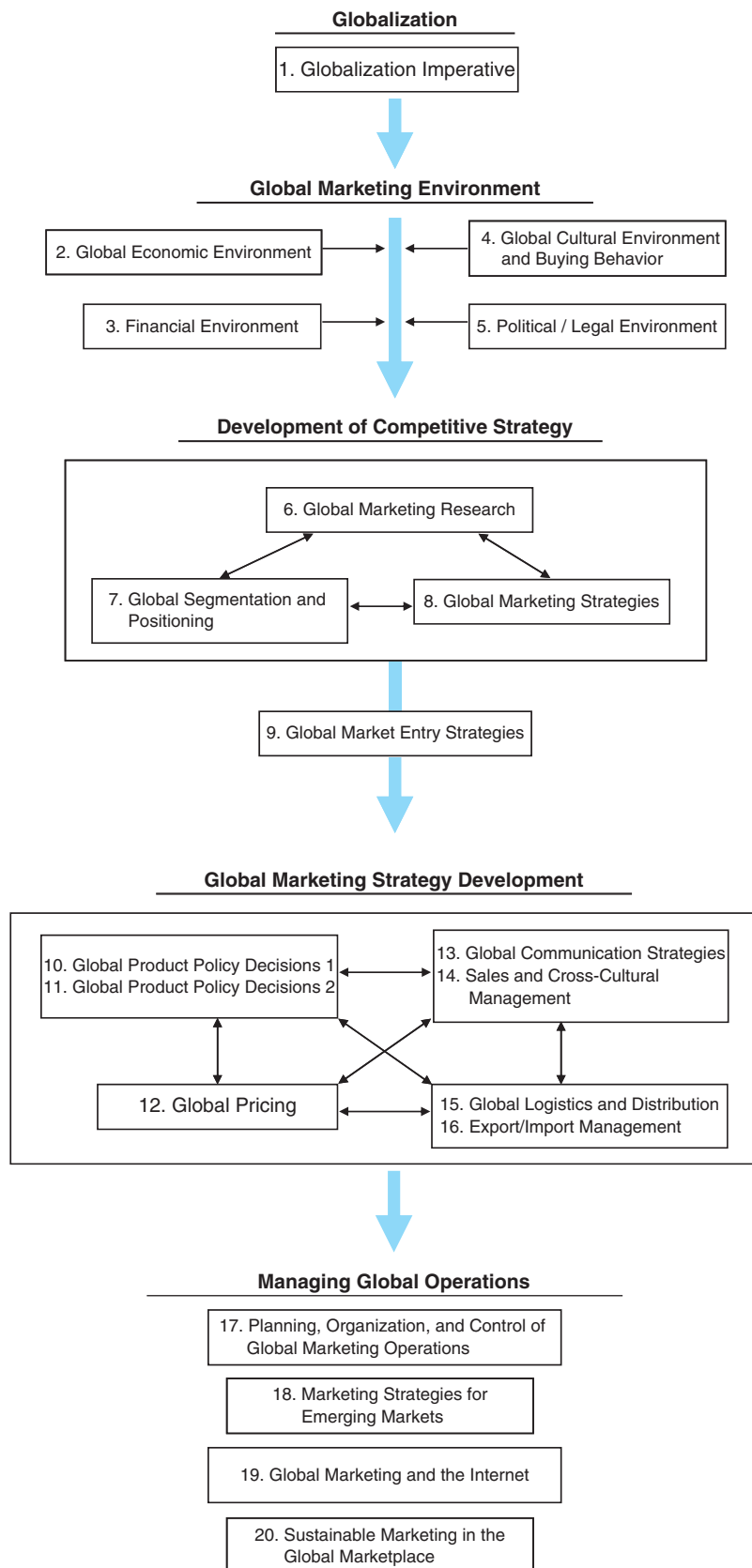
Many users of the previous editions continue to commend us for writing a book that is probably the most academically rigorous and conceptually sound, yet full of lively examples that students can easily identify with in order to drive important points across. We combine the academic rigor and relevance (and fun of reading) of materials to meet both undergraduate and MBA educational requirements. We keep this tradition in our seventh edition.



OUR PEDAGOGICAL ORIENTATION

Marketing in the global arena is indeed a very dynamic discipline. Today, there are many international or global marketing management books vying for their respective niches in the market. It is a mature market. As you will learn in our book, in a mature market,

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firms tend to focus closely—or maybe, too closely—on immediate product features for sources of differentiation and may inadvertently ignore the fundamental changes that may be reshaping the industry. Often, those fundamental changes come from outside the industry. The same logic applies to the textbook market. Whether existing textbooks are titled international marketing or global marketing, they continue to be bound by the traditional bilateral (international) view of competition. While any new textbook has to embrace the traditional coverage of existing textbooks, we intend to emphasize the multilateral (global) nature of marketing with local sensitivity throughout our book.

Some textbooks have replaced the word *international* with *global*. Such a change amounts to only a repackaging of an existing product we often see in a mature product market, and it does not necessarily make a textbook globally oriented. We need some paradigm shift to accomplish the task of adding truly global dimensions and complex realities to a textbook. You might ask, “What fundamental changes are needed for a paradigm shift?” and then, “Why do we need fundamental changes to begin with?”

Our answer is straightforward. Our ultimate objective is to help you prepare for this new century and become an effective manager overseeing global marketing activities in an increasingly competitive environment. You may or may not choose marketing for your career. If you pursue a marketing career, what you will learn in our book will not only have direct relevance but will also help you understand how you, as a marketing manager, can affect other business functions for effective corporate performance on a global basis. If you choose other functional areas of business for your career, then our book will help you understand how you can work effectively with marketing people for the same corporate goal. Our book is organized as shown in the flowchart.

We believe that our pedagogical orientation not only embraces the existing stock of useful marketing knowledge and methods but also sets itself apart from the competition in a number of fundamental ways, as follows.



GLOBAL ORIENTATION

As we indicated at the outset, the term, *global*, epitomizes the competitive pressure and market opportunities from around the world and the firm’s need to optimize its market performance on a global basis. Whether a company operates domestically or across national boundaries, it can no longer avoid the competitive pressure and market opportunities. For optimal market performance, the firm should also be ready and willing to take advantage of resources on a global basis and at the same time respond to different needs and wants of consumers. In a way, global marketing is *a constant struggle with economies of scale and scope needs of the firm and its responsiveness and sensitivity to different market conditions*. While some people call it a *glocal* orientation, we stay with the term, *global*, to emphasize marketing flexibility on a global basis.

Let us take a look at a hypothetical U.S. company exporting finished products to Europe and Japan. Traditionally, this export phenomenon has been treated as a bilateral business transaction between a U.S. company and foreign customers. However, in reality, to the executives of the U.S. company, this export transaction may be nothing more than the last phase of the company’s activities they manage. Indeed, this company procures certain components from long-term suppliers in Japan and Mexico, other components in a business-to-business (B2B) transaction on the internet with a supplier in Korea, and also from its domestic sources in the United States, and assembles a finished product in its Chinese plant for export to Europe and Japan as well as back to the United States. Indeed, a Japanese supplier of critical components is a joint venture majority owned by this American company, while a Mexican supplier has a licensing agreement with the U.S. company that provides most of technical know-how. A domestic supplier in the United States is in fact a subsidiary of a German company. In other words, this particular export transaction by the U.S. company involves a joint venture, a licensing agreement, a B2B transaction, subsidiary operation, local assembly, and R&D—all managed directly or indirectly by the U.S. company. And add the realities of market complexities arising from diverse customer preferences in European, Japanese,

and North American markets. Think about how these arrangements could affect the company's decisions about product policy, pricing, promotion, and distribution channels.

Many existing textbooks have focused on each of these value-adding activities as if they could be investigated independently. Obviously, in reality, they are not independent of each other and cannot be. We emphasize this multilateral realism by examining these value-adding activities as holistically as possible.

At the same time, we are fully aware of the increased importance of the roles that emerging markets and competitive firms from those markets play in fundamentally reshaping the nature of global competition. In this seventh edition, we have expanded Chapter 18 to highlight various marketing issues related to emerging markets.

Furthermore, we also recognize the importance of the sustainability of global marketing. We would like you to be knowledgeable about, and act on, not only ethical but also environmental implications of marketing activities on a global basis. In this seventh edition, we have added Chapter 20 to address various issues related to global CSR.

INTERDISCIPLINARY PERSPECTIVE



To complement our global orientation, we offer an interdisciplinary perspective in all relevant chapters. We strongly believe that you cannot become a seasoned marketing executive without understanding how other functional areas interface with marketing. The reverse is also true for nonmarketing managers. Some of the exemplary areas in which such a broad understanding of the interface issues is needed are product innovation, designing for manufacturability, product/ components standardization, and product positioning. In particular, Japanese competition has made us aware of the importance of these issues, and leading-edge business schools have increasingly adopted such an integrated approach to business education. Our book strongly reflects this state-of-the-art orientation.

PROACTIVE ORIENTATION



Market orientation is a fundamental philosophy of marketing. It is an organizational culture that puts customers' interests first in order to develop a long-term profitable enterprise. In essence, market orientation symbolizes the market-driven firm that is willing to constantly update its strategies using signals from the marketplace. Thus, marketing managers take market cues from the expressed needs and wants of customers. Consequently, the dominant orientation is that of a firm reacting to forces in the marketplace in order to differentiate itself from its competitors. This reactive outside-in perspective is reflected in the typical marketing manager's reliance on marketing intelligence, forecasting, and market research.

While not denying this traditional market orientation, we also believe that marketing managers should adopt an inside-out perspective and capabilities to shape or drive markets. This aspect of the link between strategic planning and marketing implementation has not been adequately treated in existing textbooks. For example, recent trends in technology licensing indicate that it is increasingly used as a conscious, proactive component of a firm's global product strategy. We believe that it is important for marketers to influence those actions of the firm that are some distance away from the customer in the value chain because such actions have considerable influence on the size of the market and customer choice in intermediate and end-product markets.

CULTURAL SENSITIVITY



A book could not be written that was not influenced by its authors' background, expertise, and experiences around the world. Our book represents an amalgam of our truly

diverse background, expertise, and experiences across the North and South Americas, Asia, and Western and Eastern Europe. Given our respective upbringing and work experience in Asia, Western Europe, and Latin America, as well as our educational background in the United States, we have been sensitive not only to cultural differences and diversities but also to similarities.

Realistically speaking, there are more similarities than differences across many countries. In many cases, most of us tend to focus too much on cultural differences rather than on similarities; or sometimes we even completely ignore differences or similarities. If you look only at cultural differences, you will be led to believe that country markets are uniquely different, thus requiring marketing strategy adaptations. If, on the other hand, you do not care about, or care to know about, cultural differences, you may be extending a culture-blind, ethnocentric view of the world. Either way, you may not benefit from the economies of scale and scope accruing from exploiting cultural similarities—and differences.

Over the years, two fundamental counteracting forces have shaped the nature of marketing in the international arena. The same counteracting forces have been revisited by many authors in terms such as “standardization versus adaptation” (1970s), “globalization versus localization” (1980s), “global integration versus local responsiveness” (1990s), “aggregation versus adaptation (vs arbitrage)” (2000s), and, more recently—let us add our own—“online scale versus offline market sensitivity.” Terms have changed, but the quintessence of the strategic dilemma that multinational companies (MNCs) face today has not changed and will probably remain unchanged for years to come. However, these issues are no longer an either/or issue. Forward-looking, proactive firms have the ability and willingness to accomplish both tasks simultaneously. As we explain later in the text, Honda, for example, developed its Accord car to satisfy the universal customer needs for reliability, drivability, and comfort but marketed it as a family sedan in Japan, as a commuter car in the United States, and as an inexpensive sports car in Germany, thereby addressing cultural differences in the way people of different nationalities perceive and drive what is essentially the same car.

With our emphasis on global and proactive orientations, however, we will share with you how to hone your expertise to be both culturally sensitive and able to see how to benefit from cultural similarities and differences.



RESEARCH ORIENTATION

We strongly believe that theory is useful to the extent that it helps practices. And there are many useful theories for international marketing practices. Some of the practical theories are a logical extension of generic marketing theories you may have encountered in a marketing course. Others are, however, very much unique to the international environment.

Many people believe—erroneously—that international or global marketing is just a logical extension of domestic marketing, and that if you have taken a generic marketing course, you would not need to learn anything international. The international arena is like a Pandora’s box. Once you move into the international arena, there are many more facts, concepts, frameworks, and even climate differences you need to learn than you ever thought of in order to become a seasoned marketing manager working globally. To assist you in acquiring this new knowledge, various theories provide you with the conceptual tools that enable you to abstract, analyze, understand, predict phenomena, and formulate effective decisions. Theories also provide you with an effective means to convey your logic to your peers and bosses with a strong, convincing power.

We also apply those theories in our own extensive international work, advising corporate executives, helping them design effective global strategies, and teaching our students at various business schools around the world. Our role as educators is to convey sometimes complex theories in everyday language. Our effort is reflected well in our textbook. This leads to our next orientation.

PRACTICAL ORIENTATION



Not only is this book designed to be user-friendly, but it also emphasizes practice. We believe in experiential learning and practical applications. Rote learning of facts, concepts, and theories is not sufficient. A good marketing manager should be able to put these to practice. We use many examples and anecdotes as well as our own observations and experiences to vividly portray practical applications. This book also contains real-life, lively cases so that you can further apply your newly acquired knowledge to practice and experience for yourself what it takes to be an effective international marketing manager.

Therefore, this book has been written for both upper-level undergraduate and MBA students who wish to learn practical applications of marketing and related logic and subsequently work internationally. Although we overview foundation materials in this book, we expect that students have completed a basic marketing course.

To further enhance your learning experience, Professor Syed Anwar of West Texas A&M University kindly shares his excellent international marketing one-stop search website, *Marketing & International Links*¹ with you.

INTERNET IMPLICATIONS



As we stated earlier, we extensively address the implications of the internet and e-commerce in global marketing activities. E-commerce is very promising, but various environmental differences—particularly differences in culture and law as well as consumer needs—are bound to prevent it from becoming an instantaneous freewheeling tool for global marketing. What we need to learn is how to manage *online scale and scope economies* and *offline sensitivities to different market requirements*. We try our best to make you become internet-savvy. These issues are addressed in all the chapters where relevant. In particular, Chapter 19 provides an in-depth analysis of global marketing issues in the age of the internet. We admit that there are many more unknowns than knowns about the impact of the internet on global marketing activities. That is why we point out areas in which the internet is likely to affect the way we do business and have you think seriously about the imminent managerial issues that you will have to deal with upon graduation.

Not only is this book designed to be user-friendly, but it also emphasizes practice. We believe in Instructor Support Materials. To accomplish our stated goals and orientations, we have made a major effort to provide the instructor and the student with practical theories and their explanations using examples, anecdotes, and cases to maximize the student's learning experience. Some of the specific teaching features are as follows:

- **The Global Perspectives**, which are inserts in every chapter, to bring concrete examples from the global marketing environment into the classroom. They are designed to highlight some of the hottest global topics that students should be aware of and may actually act on in their career. The instructor can use these inserts to exemplify theory or use them as mini-cases for class discussion.
- **Long Cases** that are designed to challenge students with real and current business problems and issues. They require in-depth analysis and discussion of various topics covered in the chapters and help students experience how the knowledge they have gained can be applied in real-life situations. There are more than 40 cases covering various aspects of marketing situations as well as products, regions, and nationalities of firms. All the cases are placed on the textbook website for easy download.
- **Short Cases** that are designed to address various specific issues explained in the chapters. Short cases at the end of each chapter are useful for showing students how

¹http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#Marketing_&_International_Business_Links

relevant newly learned subject matter can be, as well as for open class discussion with the students.

- **Maps** that provide economic geography of the world. Students should be knowledgeable about where various economic resources are available and how they shape the nature of trade and investment and thus the nature of global competition. Global marketing could not be appreciated without understanding economic geography.
- **Review Questions** that help students test themselves with, and summarize, the facts, concepts, theories, and other chapter materials in their own words. We strongly believe that by doing so, students will gain active working knowledge, rather than passive knowledge by rote learning.
- **Discussion Questions** that help students apply the specific knowledge they learned in each chapter to actual business situations. They are designed to serve as mini-cases. Most of the issues presented in these questions are acute problems facing multinational marketing managers and have been adopted from recent issues of leading business newspapers and magazines.
- **The Instructor's Manual** provides major assistance to the instructor while allowing flexibility in the course scheduling and teaching emphasis. The materials in the manual include the following:
 - a. **Teaching Plans:** Alternative teaching plans and syllabi are included to accommodate the instructor's preferred course structure and teaching schedules. Alternative teaching schedules are developed for the course to be taught in a semester format, on a quarter basis, or as an executive seminar.
 - b. **Discussion Guidelines:** For each chapter, specific teaching objectives and guidelines are developed to help stimulate classroom discussion.
 - c. **Test Bank:** A test bank consists of short essay questions and multiple-choice questions. This test bank is also computerized and available to adopters on IBM compatible computer diskettes.
 - d. **PowerPoint Slides:** Available on the web to assist the instructor in preparing presentation materials.
 - e. **Video Materials:** As indicated earlier, videos provide for students' visualization of critical issues discussed in the cases as well as in the text itself.
 - f. **Home Page on the Web:** Make sure to visit our website www.wiley.com/college/kotabe/ for useful instructional information.

Finally, we are delighted to share our teaching experience with you through this book. Our teaching experience is an amalgam of our own learning and knowledge gained through our continued discussion with our colleagues, our students, and our executive friends. We would also like to learn from you, the instructor and the students, who use our book. Not only do we wish that you learn from our book but we also believe that there are many more things that we can learn from you. We welcome your sincere comments and questions. Our contact addresses are as follows:

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The second coauthor would like to extend his thanks to students at the University of Chicago, Nijenrode University, Hong Kong University of Science and Technology, and the Wirtschaftsuniversität Wien. Professor Niraj Dawar (University of Western Ontario, Canada) offered helpful insights on marketing in emerging markets. A word of gratitude for their feedback and business insights is given to Umang Pabaru (Estée Lauder), Stephan Pudwill (TTI), Kent Wong (Chow Tai Fook), and Tom Muldowney (International Market Access).

The textbook becomes ever more useful when accompanied by good resources for instructors and students. Preparing good resources is no small task. Camille Landau deserves a special credit not only for preparing the excellent Resource Guide and Test Bank to go with the book but also for providing useful examples and insights throughout the revision process. We also acknowledge the professionalism and commitment of our editorial team at Wiley, namely Gladys Soto, Wauntao Matthews, and Ruth Pepper throughout the revision process.

Finally and most importantly, we are deeply grateful to you, the professors, students, and professionals for using this book. We stand by our book, and sincerely hope that our book adds to your knowledge and expertise. We would also like to continuously improve our product in the future.

As we indicated in the Preface, we would like to hear from as you are our valued customers. Thank you!



BRIEF CONTENTS

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GLOBALIZATION IMPERATIVE



CHAPTER OVERVIEW

1. WHY GLOBAL MARKETING IS IMPERATIVE
2. GLOBALIZATION OF MARKETS: CONVERGENCE AND DIVERGENCE
3. EVOLUTION OF GLOBAL MARKETING
4. APPENDIX: THEORIES OF INTERNATIONAL TRADE AND THE MULTINATIONAL ENTERPRISE

Marketing goods and services around the world, transcending national and political boundaries, is a fascinating phenomenon. The phenomenon, however, is not entirely new. Products have been traded across borders throughout recorded civilization, extending back beyond the Silk Road that once connected East with West from Xian to Rome on land and the recently excavated sea trade route between the Roman Empire and India that existed 2,000 years ago. However, since the end of World War II, the world economy has experienced a spectacular growth rate never witnessed before in human history, largely led by large U.S. companies in the 1950s and 1960s, then by European and Japanese companies in the 1970s and 1980s, and most recently joined by new emerging-market firms. In particular, competition coming recently from the so-called BRIC countries (Brazil, Russia, India, and China), among other emerging countries, has given the notion of global competition a touch of extra urgency and significance that you see almost daily in print media such as the *Wall Street Journal*, the *Financial Times*, *Nikkei Shimbun*, and *Folha de São Paulo*, as well as TV media such as Al Jazeera, BBC, and CNN. Some of the emerging-market multinational companies (MNCs) that have come to the forefront are Mexican bread company Bimbo that has overtaken an established company Sara Lee; Chinese manufacturer Haier that has cracked the American market and is now the world's largest household appliance brand; and Suzlon of India, founded as a textile company, that is now exclusively devoted to the development of wind farms. Suzlon has risen to the top of the market in India, number two in the United Kingdom, and third in France and Germany. A new class of formidable competitors is rising.¹

¹See, for example, Alvaro Cuervo-Cazurra and Ravi Ramamurti, R., ed. *Understanding Multinationals from Emerging Markets* (Cambridge: Cambridge University Press, 2014).

In this chapter, we introduce you to the complex and constantly evolving realities of global marketing. The term *global marketing* refers to a strategy to achieve one or more of four major categories of potential globalization benefits: cost reduction, improved quality of products and programs, enhanced customer preference, and increased competitive advantage on a global basis. The objective is to make you think beyond exporting and importing. As you will learn shortly, despite wide media attention to them, exporting and importing are a relatively small portion of what constitutes international business. We are not saying, however, that exporting and importing are not important.

It was conventional wisdom that world merchandise trade would on average grow by twice the annual growth rate of global GDP. It was so until 2008. Total merchandise trade volume reached \$16.3 trillion in 2008, compared to \$6 trillion in 2000.² Since the devastating aftermaths of the September 11, 2001, terrorist attacks in the United States, the improved market conditions in the United States and Europe as well as strong growth in the emerging markets, including China and India, had steadily improved the world economy. However, the unprecedented global recession triggered by the sub-prime mortgage crisis in the United States in 2008–2009, the aftermath of the U.S.-led war against global terrorism, and high oil prices, among other things, continue to curb the world economy from a full-fledged recovery. As a result of the worst recession since the Great Depression of 1929–1932, world trade volume did shrink in 2009 for the first time in over 25 years. Despite the sharp drop of world merchandise exports down to \$12.5 trillion in 2009, total merchandise trade volume bounced back to \$19 trillion in 2014—a growth of 52 percent over the last 5 years. On the other hand, exports of commercial services also grew 44 percent from \$3.4 trillion in 2009 to \$4.9 trillion in 2014.³

At the time of this writing in mid-2016, however, the world economy has come into an uncertain and vulnerable period as China's stock market crash in mid-2015 has caused contagion effects for both developed and developing countries. Europe seems to have entered recession; the Brexit (Britain's decision to exit the European Union) and lingering uncertainties about the decision itself in late June 2016 have cast added uncertainty not only to Europe but to the rest of the world.⁴ Some major emerging countries (Brazil, India, Russia, South Africa, and Turkey) have also experienced slower growth as well. The World Bank reported a meager annual growth rate of 2.4 percent in world trade in 2015, and predicts a continued slow growth in world trade of 2.9 percent in 2016 and 3.1 percent in 2017–18. Developing countries face tough challenges ahead. Some of the challenges are due to such factors as higher borrowing costs and a new era of low prices of oil. Resulting in a fourth consecutive year of disappointing economic growth, they had a post-crisis low of 4.3 percent in 2014, and are projected to grow by 4.8 percent in 2016 and likely to rise to 5.3 percent in 2016 and 2017.⁵

Whenever the growth of the global economy slows down, however, the specter of economic nationalism—each country's urge to protect domestic jobs and keep capital at home instead of promoting freer international trade—tends to hamper further globalization.⁶ Although sometimes bumpy, it is expected that the drive for globalization will continue to be promoted through more free trade; more internet commerce; more networking of businesses, schools, and communities; and more advanced technologies.⁷

²*The World Factbook 2011*, <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

³*WTO International Trade and Market Access Data*, www.wto.org, 2014.

⁴"Britain and the EU: A Tragic Split," *Economist*, www.economist.com, June 24, 2016; "The UK's Referendum: All You Need to Know," *BBC News*, www.bbc.com, June 24, 2016.

⁵World Bank, *Global Economic Prospects*, www.worldbank.org, January 2016.

⁶"The End of Globalization?" *The Financialist*, <http://www.thefinancialist.com/>, October 5, 2015.

⁷The reader needs to be cautioned that there may be limits to the benefit of globalization for two primary reasons. First, firms in poor countries with very weak economic and financial infrastructure may not be able to (afford to) adjust fast enough to the forces of globalization. Second, poor countries could be made worse off by trade liberalization because trade tends to be opened for high-tech goods and services exported by rich countries—such as computers and financial services—but remains protected in areas where those poor countries could compete, such as agricultural goods, textiles, or construction. See, for example, Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W.W. Norton & Co., 2003). For an excellent treatise on various paradoxes of globalization, refer to Terry Clark, Monica Hodis, and Paul D'Angelo, "The Ancient Road: An Overview of Globalization," in Masaaki Kotabe and Kristiaan Helsen, ed., *The SAGE Handbook of International Marketing* (London: Sage Publications, 2009), pp. 15–35.

WHY GLOBAL MARKETING IS IMPERATIVE



We frequently hear terms such as *global markets*, *global competition*, *global technology*, and *global competitiveness*. In the past, we heard similar words with *international* or *multinational* instead of *global* attached to them. What has happened since the 1980s? Are these terms just fashionable concepts of the time without some deep meanings? Or has something inherently changed in our society?

Saturation of Domestic Markets. First and at the most fundamental level, the saturation of domestic markets in the industrialized parts of the world forced many companies to look for marketing opportunities beyond their national boundaries. The economic and population growth in developing countries also gave those companies an additional incentive to venture abroad. Companies such as Lenovo are not seeing smartphone growth in its home country of China. Starting in 2012, Lenovo began selling smartphones outside of China to emerging markets located in Europe, Middle East, and Africa. Lenovo is now expected to rank as the world's third largest smartphone vendor behind Samsung and Apple.⁸ The same logic applies equally to companies from developed countries. For example, a Japanese sushi chain has big plans for Asia and the United States. Kura, the operator of Japan's third-largest chain of carousel-style sushi restaurants, opened its first store in Taipei in 2014. In the United States, Kura opened locations in California and elsewhere. The Japanese sushi chain is planning to open a processing site in the United States once it has opened 10 stores there.⁹

Emerging Markets. During the twentieth century, the large economies and large trading partners had been located mostly in the Triad Regions of the world (North America, Western Europe, and Japan), collectively producing over 80 percent of world GDP with only 20 percent of the World's population.¹⁰ However, in the next 10–20 years, the greatest commercial opportunities are expected to be found increasingly in 10 Big Emerging Markets (BEMs)—the Chinese Economic Area, India, the Commonwealth of Independent States (Russia, Central Asia, and Caucasus states), South Korea, Mexico, Brazil, Argentina, South Africa, Central European countries, Turkey, and the Association of Southeast Asian Nations (Indonesia, Brunei, Malaysia, Singapore, Thailand, the Philippines, and Vietnam). Accordingly, an increasing number of competitors are expected to originate from those 10 emerging economies. In the past 20 years, China's real annual GDP growth rate has averaged 9.5 percent a year; while India's has been 5.7 percent, compared to the average 3 percent GDP growth in the United States. Clearly, the milieu of the world economy has changed significantly, and over the next two decades, the markets that hold the greatest potential for dramatic increases in U.S. exports are not the traditional trading partners in Europe, Canada, and Japan, which now account for the overwhelming bulk of the international trade of the United States. But there will be those BEMs and other developing countries that constitute some 80 percent of the “bottom of the pyramid.”¹¹ As the traditional developed markets have become increasingly competitive, such emerging markets promise to offer better growth opportunities to many firms.

However, it does not necessarily mean that BEMs and other developing countries will continue to grow without a hitch. Starting in the second half of 2015, however, the largest emerging market China started to falter. China, while still a large presence in the global economy, is now an exporting uncertainty. Around the world, industrial and commodity multinationals are scrambling to stem profit slides from weaker Chinese consumption. The pain has been particularly acute for Brazil. The weaker Chinese imports

⁸“With China Saturated, Lenovo Focuses on Foreign Markets for Smartphone Growth,” *PC World*, pcworld.com, November 6, 2014.

⁹“Japanese Chain Has Big Plans for Asia, US,” *Nikkei Asian Review*, asia.nikkei.com, December 16, 2014.

¹⁰L. Bryan, *Race for the World: Strategies to Build a Great Global Firm* (Boston: Harvard Business School Press, 1999).

¹¹C.K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Philadelphia: Wharton School Publishing, 2004).

of minerals and soybeans have affected all of Latin America. Added to the worries are recent events like the deadly explosion in August 2015 of hazardous chemicals in Tianjin, China, which delayed shipments through one of China's largest ports. China was supposed to be a financial savior for Russia. In 2014, Russia signed a \$400 billion natural gas deal with China to build a 2,500 mile long pipeline to ship fuel from Siberia. But prices that China is willing to pay for the gas are dropping so low that it may no longer be worthwhile to build the pipeline.¹²

Unfavorable Domestic Economy. The ongoing global economic downturn has forced businesses to outsmart unfavorable economies in their domestic markets. In addition to fast-growing markets in some regions of the world, such as Asia, venturing abroad in search of marketing opportunities would be an alternative solution to the problem. Large-scale business such as Yum! Brands, the proprietor of KFC and Pizza Hut, which operated 2,497 stores in China in 2009 (compared with 5,253 in the United States), reached soaring global total sales of 31 percent in 2008 in China, helping the company shrug off the U.S. recession.¹³ This global expansion decision has not only been large businesses' priority but also small businesses'. The declining value of U.S. dollars in 2008 forced small businesses to think globally as the decline actually provided an opportunity to take advantage of the exchange rate. In 2010, a total of 286,661 small businesses with less than 500 employees exported from the United States, accounting for 97.8 percent of all U.S. exporters.¹⁴

Since mid-2015, emerging economies have started to falter due to subdued global growth and uncertainties around the world economy. Growth is faltering in Turkey because of high inflation. Brazil, Russia, China, and Mexico are also slowing down economically and were hurt by low oil prices. India at the time of this writing in early 2016 is the only major emerging economy with a positive growth outlook due to low inflation rates.¹⁵ As a result, even firms from emerging economies may have to expand their sales efforts further outside their countries.

Global Competition. We believe something profound has indeed happened in our view of competition around the world. About 40 years ago, the world's greatest automobile manufacturers were General Motors, Ford, and Chrysler. Today, companies such as Toyota, BMW, Renault, and Hyundai, among others, stand out as competitive nameplates in the global automobile market. Similarly, personal computers used to be almost synonymous with IBM, which dominated the PC business around the world. Today, the computer market is crowded with Dell and Hewlett-Packard (HP) from the United States, Sony and Toshiba from Japan, Samsung from Korea, Acer and ASUS from Taiwan, Lenovo from China, and so on. Indeed, Lenovo acquired the IBM PC division in 2005 and now sells the ThinkPad series under the Lenovo brand. The deal not only puts Lenovo into the industry's third place but also challenges the world top players, Dell and HP, respectively.¹⁶ Even in a low-tech area, creative firms from emerging economies are expanding overseas. For example, the VietMac burger from Vietnam has taken the country by storm. Made from two rice patties over your choice of additive-free meat and salad, the meal is touted as a healthy alternative to its bread-bun rivals such as McDonald's and Burger King. Just 1 year after the first restaurant opened, VietMac has 12 outlets nationwide and is already going global with a franchise opening in Germany in 2012.¹⁷ In the not distant future, VietMac might

¹²"China Falters, and the Global Economy Is Forced to Adapt," *New York Times*, www.nytimes.com, August 26, 2015.

¹³Todd Guild, "Think Regionally, Act Locally: Four Steps to Reaching the Asian Consumer," *McKinsey Quarterly*, September 2009, pp. 25–35.

¹⁴http://www.trade.gov/mas/ian/smeoutlook/tg_ian_001925.asp, accessed March 25, 2013.

¹⁵"The State of the World's Big Emerging Markets," *Business Insider*, www.businessinsider.com, May 26, 2015.

¹⁶"Can China's Lenovo Brand in the Land of Dell?" *B to B*, October 10, 2005, p. 1 and p. 5.

¹⁷"It's All in a Bun: Vietnamese Fast Food," *Southeast Asia Globe*, <http://sea-globe.com>, June 25, 2012.

even pose a competitive threat to the global giants in fast food industry. In a similar vein, a startup video game company from Kenya, Planet Rackus, released Ma3Racer, a video game in which a gamer maneuvers a homicidal minibus swerving around potholes, seldom signaling and using its iffy brakes only at the last second with the sole goal of not hitting pedestrians in congested and chaotic Nairobi, Kenya's capital. Within a month, a quarter of a million people in 169 countries had downloaded the game. Its success differs from its Silicon Valley sisters as this Kenyan company has designed the game for mobile phones rather than for computers. Kenya is still a poor country with very limited computer ownership but almost 75 percent of Kenyans have mobile phones.¹⁸

As many firms in emerging economies have gained their competitive advantage based on “frugal innovations” that emphasize value for the money, firms in traditionally developed countries also have to learn to develop similar products. Whether developed-country firms market frugal products or not in their own markets, emerging-market firms will. For example, India's Mahindra & Mahindra now markets many small garden tractors to American hobby farmers, forcing John Deere, a dominant U.S. farming equipment company, to do the same with its small tractors emphasizing value for the money.¹⁹ Nike is a U.S. company with a truly all-American shoe brand, but its shoes are all made by its contract manufacturers in foreign countries and exported to many countries. Pillsbury (known for its Betty Crocker's recipes and Häagen-Dazs ice cream brand) and 7-Eleven convenience stores are two American institutions owned and managed, respectively, by Diageo from the United Kingdom and Seven & i Holdings Co. from Japan. On the other hand, the world of media, although historically led by the U.S. media giants, has become equally global in reach. In a globalized international TV business, there are no limits to the ambition of even the world's smaller countries. Chile, despite its relatively small size economy, is a TV production force, thanks to its partnership with Telemundo and Chile's high-level writers who create excellent TV series. Telemundo has produced versions of Chilean TV shows that have sold to more than 45 countries.²⁰



Courtesy Maseaki Kotabe

Globetrotting companies are vying for customers' “mind share” in many parts of the world such as Piccadilly Circus, London, England.

Global Cooperation. Global competition also brings about global cooperation. In the automobile industry, for example, BMW and Toyota are already working together on fuel-cell technology and recently showed a prototype vehicle, a converted BMW-5 with a hydrogen engine. Under increasing pressure to invest in new technology and from slower growth in the industry, such alliances are becoming

¹⁸“Upwardly Mobile: Kenya's Technology Start-Up Scene Is About to Take Off,” *Economist*, August 25, 2012, p. 53.

¹⁹“Frugal Ideas Are Spreading from East to West,” *Economist*, March 24, 2012, p. 68.

²⁰“Local Competition Heats Up Chile's TV Business,” *Variety.com*, October 2, 2015.

increasingly important. In addition, Daimler has an alliance to build small vehicles with Renault-Nissan.²¹ Starbucks—the world’s largest coffee shop chain (based in Seattle) had established a 50/50 joint venture with Tata Global Beverage—an Indian, Kolkata-based beverage company—in 2012, and already opened 75 stores in India by mid-2015.²² Global cooperation also frequently occurs in higher education. Manchester University (U.K.) has been partnering with Penn State University (U.S.) and Nanyang Technological University (Singapore) in offering Master of Science program in Project Management.²³

Internet Revolution. The proliferation of the internet and e-commerce is wide-reaching. The number of internet users in the world reached 7.3 billion in 2015—a whopping growth rate of 806 percent since 2000. According to internet World Statistics, 55.5 percent of internet users are from Asia, followed by 11.3 percent and 8.5 percent from Europe and Latin America, respectively. North America represents 4.9 percent. Africa accounts for 16.0 percent usage and has seen the most growth since 2012. The Middle East accounts for 3.3 percent usage, which has seen a drop since 2012.²⁴ Although statistics measuring internet usage are hard to be precise due to the fact that different sources use different methods and definitions of e-commerce activities. According to market research firm eMarketer, global e-commerce reached \$1.67 trillion in 2015. That figure represents 7.3 percent of overall global retail sales. By 2019, eMarketer projects online purchases will more than double to \$3.55 trillion or 12.4 percent of total retail sales of \$28.550 trillion.²⁵

Compared to business-to-consumer (B2C) e-commerce, business-to-business (B2B) e-commerce is larger, growing faster, and has less unequal geographical distribution globally.²⁶ Increases in the freedom of movement of goods, services, capital, technology, and people coupled with rapid technological development have resulted in an explosion of global B2B e-commerce. The share of the global B2B e-commerce a country is likely to receive, on the other hand, depends on country-level factors such as income and population size, the availability of credit, venture capital, and telecom and logistical infrastructure, tax and other incentives, tariff/nontariff barriers, government emphasis on the development of human capital, regulations to influence firms’ investment in R&D, organizational level politics, language, and the activities of international agencies.²⁷

Who could have anticipated the e-commerce companies of today, including Amazon, eBay, and Google in the United States; QXL Ricardo and Kelkoo in Europe; Rakuten and 7Dream in Japan, and JD.com, Alibaba, and Baidu in China? The internet opened the gates for companies to sell direct-to-consumers easily across national boundaries. Many argue that e-commerce is less intimate than face-to-face retail, but it could actually provide more targeted demographic and psychographic information.²⁸

Manufacturers that traditionally sell through the retail channel may benefit the most from e-commerce. Most importantly, the data allow for the development of relevant marketing messages aimed at important customers and initiates loyal relationships

²¹“BMW, Toyota May Deepen Alliance,” *Wall Street Journal*, www.wsj.com, September 15, 2015.

²²“Starbucks Strengthens India Commitment with Opening of 75th Store,” *Starbucks Newsroom*, http://www.starbucks.in/about-us/company-information/newsroom, July 23, 2015.

²³“University Gives Project Managers a Boost with Joint Masters Course,” University of Manchester, http://www.manchester.ac.uk/discover/news/article/?id=7480, October 3, 2011.

²⁴http://www.internetworldstats.com/stats.htm, accessed May 10, 2016.

²⁵“Global e-Commerce Set to Grow 25% in 2015,” *Internet Retailer*, www.internetretailer.com, July 29, 2015.

²⁶B2B and B2C, among others, have become trendy business terms in recent years. However, they are fundamentally the same as more conventional terms, consumer marketing, and industrial marketing, respectively, except that B2B and B2C imply the use of the Internet, Intranet, customer relationship these trendy terms unless they are absolutely necessary in making our point.

²⁷Nikhilesh Dholakia, “Determinants of the Global Diffusion of B2B E-commerce,” *Electronic Markets*, 12, March 2002, pp. 120–129.

²⁸Gary Gregory, Munib Karavdic, and Shaoming Zou, “The Effects of E-Commerce Drivers on Export Marketing Strategy,” *Journal of International Marketing*, 15(2), 2007, pp. 30–57; and Ikechi Ekeledo and K. Sivakumar, “The Impact of E-Commerce on Entry-Mode Strategies of Service Firms: A Conceptual Framework and Research Propositions,” *Journal of International Marketing*, 12(4), 2004, pp. 46–70.

on a global basis.²⁹ With the onset of satellite communications, consumers in developing countries are also as familiar with global brands as consumers in developed countries, and as a result, there is tremendous pent-up demand for products marketed by multinational companies (which we also refer to as MNCs).³⁰

What's more, the internet builds a platform for a two-way dialogue between manufacturers and consumers, allowing consumers to design and order their own products from the manufacturers. The customized build-to-order business model is already an established trend. Dell Computer is a pioneer that does business globally by bypassing traditional retail channels. It accepts orders by phone, fax, or on the internet.³¹ General Motors started providing a build-to-order web service for its Brazilian customers in 2000. Mazda's Web Tune Factory site (www.w-tune.com), being one of the first Japanese auto build-to-order models, allows consumers to choose their own engine specifications, transmission type, body color, wheel design, and interior and exterior equipment.³² However, as presented in **Global Perspective 1-1**, we would also like to stress as a caveat that the proliferation of e-commerce and satellite communications does not necessarily mean that global marketing activities are going culture- and human contact-free. Learning foreign languages could probably remain as important as ever.

An examination of the top 100 largest companies in the world also vividly illustrates the profound changes in the competitive milieu and provides a faithful mirror image of broad economic trends that we have seen over the past 40-some years (see **Exhibit 1-1**). Particularly the last two decades were characterized by the long-term recession in Japan and a resurgence of the U.S. economy that had once been battered by foreign competition in the 1980s. Take Japan, which has suffered several recessions since 1995 and many political changes, as an example. The number of Japanese companies on the list fell from 22 in 2000 to 7 in 2015. The number of U.S. and European firms in the largest 100 has also declined somewhat since 1990. Although the United States still boasts the largest number of firms in the top 100 list, a list of countries with large firms is getting more decentralized. One of the biggest changes since 1990 has been the emergence of China. As economic reform has progressed and Chinese companies have improved their accounting standards, their presence has grown steadily. Seventeen Chinese companies are on the 2015 *Fortune Global 100* list. The current world economy has changed so drastically from what it was merely two decades ago.

The changes observed in the past 40 years simply reflect that companies from other parts of the world have grown in size relative to those of the United States despite the resurgence of the U.S. economy in the 1990s. In other words, today's environment is characterized not only by much more competition from around the world but also by more fluid domestic and international market conditions than in the past. As a result, many U.S. executives are feeling much more competitive urgency in product development, materials procurement, manufacturing, and marketing around the world. It does not necessarily mean that U.S. companies have lost their competitiveness, however. The robust economy in the United States in the late 1990s met a slowdown in 2000, due to the crash of dotcom's bubble economy, and was worsened by the terrorist attacks on September 11, 2001. However, the strong consumer demand has saved its economy. On the other hand, many Asian countries have recovered from the 1997 Asian financial crisis (see Chapter 3 for details).

The same competitive pressure equally applies to executives of foreign companies. For example, while its Japanese home market was the incredible shrinking market in the 1990s, Toyota's new strategy has been to de-Japanize its business and make the

²⁹Andrew Degenholtz, "E-Commerce Fueling the Flame for New Product Development," *Marketing News*, March 29, 1999, p. 18.

³⁰D. J. Arnold, and J. Quelch, "New Strategies in Emerging Markets," *Sloan Management Review*, 40(1), 1998, pp. 7-20.

³¹However, Dell's direct sales on the internet fails to work in some emerging markets, particularly where customers want to see products before they buy. Such is the case in small cities in China. See "Dell May Have to Reboot in China," *Business Week*, November 7, 2005, p. 46.

³²Setsuko Kamiya, "Mazda lets buyers fine-tune Rodster," *The Japan Times Online*, www.japantimes.co.jp, January 5, 2002.



GLOBAL PERSPECTIVE 1-1

THE INTERNET WORLD AND CULTURAL AND HUMAN ASPECTS OF GLOBAL MARKETING

Cultural differences greatly affect business relationships in the world of e-commerce, but it is often underestimated, especially in international team-building efforts. The problem is not just language issues. Foreign companies need acceptance by the local market and understanding of the local business culture. The internet's awesome communications power can be turned into a conduit for miscommunication if such cultural factors are ignored. Knowing what level of communication is appropriate for a certain level of trust is particularly important in a web-based environment, where face-to-face contact may be more limited.

Think, for example, a typical mid-sized manufacturer in, say, Taiwan, China, or Thailand. Would it enter into a strategic business relationship with companies and people that they encounter only through computerized interactions? The short answer is yes; they will enter into such relationships. However, we qualify our positive reply by adding that the initial courtship ritual must continue to have personal face-to-face, one-to-one, or what we feel is becoming a new "screen to screen" relationship dimension as with traditional business model. In China which has a long tradition of distrust and a culture of relationship-building known as *guanxi*, information, as a key source of power in Chinese business culture, is only passed selectively to individuals who have been proven trustworthy or as insiders. This kind of culture has considerable impact on B2B e-commerce adoption and diffusion in China. In this context, such sociocultural tensions cannot be solved

Sources: Frank Cutitta, GINLIST@LIST.MSU.EDU, April 17, 1999; Nitish Singh, Vikas Kumar, and Daniel Baack, "Adaptation of Cultural Content: Evidence from B2C E-Commerce Firms," *European Journal of Marketing*, 39 (1/2), 2005, pp. 71–86; Jing Tan, Katherine Tyler, Andrea Manica, "Business-to-Business Adoption of eCommerce in China," *Information & Management*, 44, April 2007, pp. 332–351; Maris G. Martinsons, "Relationship-Based e-Commerce: Theory and Evidence from China," *Information Systems Journal*, Published online, April 15, 2008; Crystal Jiang, Roy Y.J. Chua, Masaaki Kotabe, and Janet Y. Murray, "Effects of Cultural Ethnicity, Firm Size, and Firm Age on Senior Executives' Trust in Their Overseas Business Partners: Evidence from China," *Journal of International Business Studies*, 42, December 2011, pp. 1150–1173; and "In Less Than Two Years, a Smartphone Could Be Your Only Computer," www.wired.com, February 10, 2015.

just with the internet's technical power. In fact, traditional personal face-to-face communications are still critical in building trust and relationships.

However, after the initial mating ritual, you can and already do see tremendous transactional B2B activity in these countries. This is not to say that e-commerce can or should replace the human element to relationship building. In fact, e-commerce is a new form of personalized relationship building that even the highest context cultures engage in. eBay and the other online auction companies are perfect examples of such new electronic relationship and trust building. Even in Eastern cultures, we see numerous gambling sites springing up where the only aspects of the relationship are anonymous e-commerce related.

The first step in developing a personal international business relationship is developing an accessible website. Unless the website makes the first connection based on sensitivity to the cross-cultural aspects of interface design—human factors, navigation currency, time and date conventions, localization, internationalization, and so forth—the ability to "connect" will be stilted.

In the information technology sector, one can look at Dell and Gateway, who both do very strong business in the Asia/Pacific region. The networking company, Cisco Systems, serves as an example of the morphing of electronic and personal relationships. While they have done a tremendous job of building global relationships and partnerships on an in-country face-to-face level, almost 90 percent of their business (i.e., sales transactions) is conducted over the web.

Has the web replaced the need for the personal business courtship? Absolutely not. Has it added a new element to the same relationship after the bonds are formed? Most definitely. Will there be new electronic forms of relationship building that replace the old model of face-to-face in a karaoke bar? Yes, it is happening already. Just think of Facebook or Line using smartphones at your fingertip. Also, think one decade or so ago who would have thought that smartphones would be taking over personal computers for communication via text, Skype, Facetime, and buying things online. This surely will not completely replace face-to-face interaction among global sellers and buyers. However, it will certainly offer a viable substitute for those who grew up chatting online.

U.S. market its corporate priority. By 2001, Toyota had already accomplished its goal by selling more vehicles in the United States (1.74 million) than in Japan (1.71 million), with almost two-thirds of the company's operating profit coming from the U.S. market. Now Toyota's top U.S. executives are increasingly local hires. As Mark Twain once wrote, "if you stand still, you will get run over." This maxim holds true in describing such competitive pressure in this era of global competition.

It is not only this competitive force that is shaping global business today. Particularly in the past 30 years, many political and economic events have affected the nature

EXHIBIT 1-1**CHANGE IN THE WORLD'S 100 LARGEST COMPANIES
AND THEIR NATIONALITIES**

<i>Country</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>2000*</i>	<i>2015*</i>
United States	64	45	33	36	32
China	0	0	0	2	17
Germany	8	13	12	12	8
France	3	12	10	11	8
Japan	8	8	16	22	7
Britain	9	7	8	6	5
Italy	3	4	4	3	4
South Korea	0	0	2	0	3
Netherlands	4	5	3	7	3
Russia	0	0	0	0	3
Switzerland	2	3	3	4	2
Spain	0	0	2	0	1
Brazil	0	1	1	0	1
Mexico	0	1	1	0	1
Norway	0	0	0	0	1
Malaysia	0	0	0	0	1
Venezuela	0	1	1	0	1
Taiwan	0	0	0	0	1
Thailand	0	0	0	0	1
Belgium	0	1	1	1	0
Finland	0	0	1	0	0
Sweden	0	0	2	0	0
Austria	0	0	1	0	0
South Africa	0	0	1	0	0
Canada	0	2	0	0	0
Australia	1	0	0	0	0
Total**	102	103	102	103	100

*Fortune Global 500 criteria changed in 2000 to include services firms (including retailing and trading).

**Up to Year 2000, firms with dual nationality were counted for both countries (so the total exceeded 100), but for Year 2015, only one nationality was counted for firms with dual nationality.

Source: *Fortune*, various issues up to 2015.

of global competition. The demise of the Soviet Union (1991), the establishment of the European Union (EU) (1993), and the North American Free Trade Agreement (1994), the recent Trans-Pacific Partnership Agreement (reached in October 2015),³³ as well as deregulation, and privatization of state-owned industries have also changed market environments around the world. Furthermore, the emerging markets of Eastern Europe and the rapidly re-emerging markets of Southeast Asia also add promises to international businesses.

The fluid nature of global markets and competition makes the study of global marketing not only interesting but also challenging and rewarding. The term *global* epitomizes both the competitive pressure and the expanding market opportunities all over the world. It does not mean, however, that all companies have to operate globally like IBM, Panasonic, Unilever, or Samsung. Whether a company operates domestically or across national boundaries, it can no longer avoid competitive pressure from around the world. Competitive pressure can also come from competitors at home. When Weyerhaeuser, a forest products company headquartered in Seattle, Washington, began exporting newspaper rolls to Japan, it had to meet the exacting quality standard that Japanese newspaper publishers demanded—and it did. As a result, this Seattle-based company now boasts the best newspaper rolls and outperforms other domestic companies in the U.S. market as well. Even smaller firms could benefit from exacting foreign market requirements. When Weaver Popcorn Co. of Van Buren, Indiana, started to export popcorn to Japan, Japanese distributors demanded better quality and fewer

³³The Trans-Pacific Partnership (TPP) is a trade agreement entered into on October 5, 2015 among 12 Pacific Rim countries, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The TPP agreement's goal is to enhance trade and investment among the TPP partner countries and to promote innovation, economic growth, and development. At the time of this writing in early 2016, the TPP agreement has yet to be ratified individually by its member countries before it takes effect.