

SEVENTH EDITION

GLOBAL MARKETING

SVEND HOLLENSEN



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GLOBAL MARKETING

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PREFACE

Globalization is the growing interdependence of national economies – involving primarily customers, producers, suppliers and governments in different markets. Global marketing therefore reflects the trend of firms selling and distributing products and services in many countries around the world. It is associated with governments reducing trade and investment barriers, firms manufacturing in multiple countries and foreign firms increasingly competing in domestic markets.

For many years, the globalization of markets, caused by the convergence of tastes across borders, was thought to result in very large multinational enterprises that could use their advantages in scale economies to introduce world-standardized products successfully.

In his famous 1994 book, *The Global Paradox*, John Naisbitt has contradicted this myth, especially the last part:¹

The mindset that in a huge global economy the multinationals dominate world business couldn't have been more wrong. The bigger and more open the world economy becomes, the more small and middle sized companies will dominate. In one of the major turn-arounds in my lifetime, we have moved from 'economies of scale' to 'diseconomies of scale'; from bigger is better to bigger is inefficient, costly and wastefully bureaucratic, inflexible and, now, disastrous. And the paradox that has occurred is, as we move to the global context: The smaller and speedier players will prevail on a much expanded field.

When the largest corporations (e.g. IBM, ABB) downsize, they are seeking to emulate the entrepreneurial behaviour of successful SMEs (small and medium-sized enterprises) where the implementation phase plays a more important role than in large companies. Since the behaviours of smaller and (divisions of) larger firms (according to the above quotation) are convergent, the differences in the global marketing behaviour between SMEs and LSEs (large-scale enterprises) are slowly disappearing. What is happening is that the LSEs are downsizing and decentralizing their decision-making process. The result will be a more decision- and action-oriented approach to global marketing. This approach will also characterize this book.

In light of their smaller size, most SMEs lack the capabilities, market power and other resources of traditional multinational LSEs. Compared with the resource-rich LSEs, the complexities of operating under globalization are considerably more difficult for the SME. The success of SMEs under globalization depends in large part on the decision and implementation of the right international marketing strategy.

The primary role of marketing management, in any organization, is to design and execute effective marketing programmes that will pay off. Companies can do this in their home market or they can do it in one or more international markets. Going international is an enormously expensive exercise, in terms of both money and, especially, top management time and commitment. Due to the high cost, going international must generate added value for the company beyond extra sales. In other words, the company needs to gain a competitive advantage by going international. So, unless the company gains by going international, it should probably stay at home.

The task of global marketing management is complex enough when the company operates in one foreign national market. It is much more complex when the company starts

¹ Naisbitt, J. (1994) *The Global Paradox*, Nicholas Brealey Publishing, London, p. 17.

operations in several countries. Marketing programmes must, in these situations, adapt to the needs and preferences of customers that have different levels of purchasing power as well as different climates, languages and cultures. Moreover, patterns of competition and methods of doing business differ between nations and sometimes also within regions of the same nation. In spite of the many differences, however, it is important to hold on to similarities across borders. Some coordination of international activities will be required, but at the same time the company will gain some synergy across borders, in the way that experience and learning acquired in one country can be transferred to another.

Objectives

This book's value chain offers the reader an analytic decision-oriented framework for the development and implementation of global marketing programmes. Consequently, the reader should be able to analyse, select and evaluate the appropriate conceptual frameworks for approaching the five main management decisions connected with the global marketing process: (1) whether to internationalize; (2) deciding which markets to enter; (3) deciding how to enter the foreign market; (4) designing the global marketing programme; and (5) implementing and coordinating the global marketing programme.

Having studied this book, the reader should be better equipped to understand how the firm can achieve global competitiveness through the design and implementation of market-responsive programmes.

Target audience

This book is written for people who want to develop effective and decision-oriented global marketing programmes. It can be used as a textbook for undergraduate or graduate courses in global/international marketing. A second audience is the large group of people joining 'global marketing' or 'export' courses on non-university programmes. Finally, this book is of special interest to the manager who wishes to keep abreast of the most recent developments in the global marketing field.

Prerequisites

An introductory course in marketing.

Special features

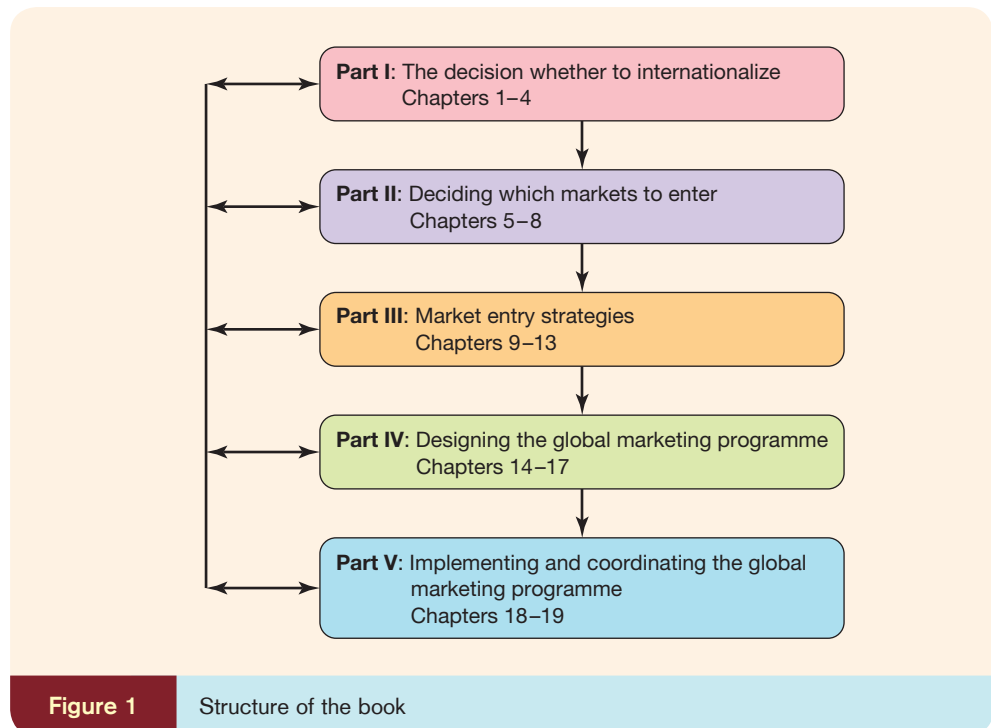
This book has been written from the perspective of the firm competing in international markets, irrespective of its country of origin. It has the following key features:

- a focus on SMEs as global marketing players;
- a decision/action-oriented approach;
- a value chain approach (both the traditional product value chain and the service value chain);
- a value network approach (including different actors vertically and horizontally);
- a social media marketing approach is integrated throughout the book;

- coverage of global buyer–seller relationships;
- extensive coverage of born globals and global account management (GAM), as an extension of the traditional key account management (KAM);
- presents new interesting theories in marketing, for example, service value chain, value innovation, blue ocean strategy, social marketing, corporate social responsibility (CSR), global account management, viral branding and sensory and celebrity branding;
- aims to be a ‘true’ global marketing book, with cases and exhibits from all parts of the world, including Europe, the Middle East, Africa, the Far East, North and South America;
- provides a complete and concentrated overview of the total international marketing planning process;
- many new up-to-date exhibits and cases illustrate the theory by showing practical applications.

Outline

As the book has a clear decision-oriented approach, it is structured according to the five main decisions that marketing people in companies face in connection with the global marketing process. The 20 chapters are divided into five parts. The schematic outline of the book in Figure 1 shows how the different parts fit together. Global marketing research is considered to be an integral part of the decision-making process, therefore it is included in the book (Chapter 5), so as to use it as an important input to the decision about which markets to enter (the beginning of Part II). Examples of the practice of global marketing by actual companies are used throughout the book, in the form of exhibits. Furthermore, each chapter and part ends with cases, which include questions for students.



What's new in the seventh edition?

The new seventh edition is concentrated around two major themes: 'glocalization' and the 'internet of everything'. The glocalization concept which runs throughout this new edition enables international marketers to utilize the synergies arising from being both 'local' and 'global' at the same time. An important aspect of this new edition is its emphasis on the so-called 'internet of everything', which is becoming incorporated in all parts of the daily communication and buying behaviour of consumers around the world. Consequently, this increasing ubiquity of the internet is reflected in its inclusion in every chapter and in most of the cases and exhibits. The book is still structured around the well-known stages that SMEs go through when they internationalize as shown in Figure 1.

The book's chapters and cases are totally updated with newest journal articles and company information. Besides that, the following new issues are introduced in the individual chapters:

- Chapter 1 – the concept of providing customer value through the product value chain and the service value chain is now extended by adding 'customer experiences' as value generator. Augmented reality (AR) can be seen as a form of experiential marketing because it focuses not only on a single product/service, but also on an entire experience created for the customers. AR technology enhances the customer's current perception of reality.
- Chapter 2 – the 'inverted U-shaped curve' is introduced as a means of identifying, in terms of internationalization, the optimum point that results in the maximum number of countries that should be served. Internationalization incurs costs for the expanding company which explains why further internationalization can have a negative influence on profitability and why over-internationalized companies may reduce their degree of internationalization.
- Chapter 4 – introduces the concept of the 'sharing economy', where individuals are able to lease assets (products or services) owned by someone else, typically through an online marketplace. There are several ways of selling use of a product rather than ownership. Hilti is introduced as a company which provides products, systems and services to the global construction industry, but which focuses not only on selling the hand-held power tools but also on selling the use of the products. This chapter also introduces Barney's VRIO analysis in order to determine the competitive potential of a given firm's resource.
- Chapter 5 – here Amazon is used as an example of how companies can use big data and analytics in order to create competitive advantage. Amazon is now offering and selling their algorithm services to other companies, e.g. through Amazon Web Services (AWS).
- Chapter 6 – shows how a company like Google is confronted with political risks. In China, the company experienced political risks, and the chapter shows how they coped with it. Google's involvement in an EU antitrust case is also examined.
- Chapter 8 – introduces the GLOBE model, which is an updated extension of Hofstede's original work. This chapter also discusses the effects of cultural dimensions on ethical decision-making.
- Chapter 12 – presents a framework for analysing the cultural interaction between organizations in different countries, i.e. between HQ and the specific subsidiary/the host country.
- Chapter 14 – introduces e-services through 'cloud computing'. Furthermore, 3-D printing is introduced as a possible new industrial revolution in customization. In the last part, global mobile app marketing is discussed as the new global marketing tool – one which is attracting increasing attention due to the global roll out of 3G and 4G mobile services, together with the increasing penetration of smartphones and tablets. Mobile value-added services (MVAS) represent a special case where the app offers services that are not directly tied to sales but are designed to help customers solve problems or make decisions. Such an app enriches the total customer experience of a product/service offering.

- Chapter 15 – introduces the Freemium (Free + Premium = Freemium) pricing strategy, a pricing strategy by which a product or service is provided free of charge (Free), but changes are introduced afterwards for more advanced features or functionality (Premium).
- Chapter 16 – in connection with the introduction of the omnichannel retailing (or multichannel retailing) approach, a 2×2 matrix is introduced, based on two basic dimensions: information delivery and transaction fulfilment.
- Chapter 17 – now contains the transition from the traditional one-way market communication – playing ‘bowling’ – to playing ‘pinball’. In a social media marketing world, the bowling metaphor no longer fits. In this new arena, marketing can be better described as playing ‘pinball’: companies serve up a ‘marketing ball’ (the brand) into a dynamic and chaotic market environment.
- Several new exhibits with real updated company examples are added to various chapters.
- Many completely new and exciting chapter case studies are now available:
 - Case 4.2: **DJI Technology Co. Ltd** – a Chinese ‘born global’ is dominating the world market for drones with its Phantom
 - Video case 5.3: **BMW i3** – the electric car
 - Video case 7.3: **Allergan** – the maker of Botox and breast implants
 - Video case 8.3: **Oreo Mondelez**
 - Video case 13.3: **Kone elevators and escalators**
 - Video case 14.3: **Burberry** branding
- Two new part introduction video case studies are now available:
 - Part I Video case study: **Uber**
 - Part II Video case study: **HondaJets**
- Furthermore, completely new part cases have been added:
 - Case II.1: **SodaStream** – managing profitable growth in an increasingly competitive global environment
 - Case II.3: **Zalando** – how can the online apparel retailer turn financial losses into positive profits?
 - Case II.4: **Ferrari** – international market selection (IMS) for the exclusive sports car brand
 - Case III.2: **Netflix Inc.** – the US internet subscription service company is dominating the television and movies and streaming world
 - Case IV.3: **Dyson** – the iconic vacuum cleaner manufacturer launches the robotic version
- In total 6 (chapter cases) + 2 (part video cases) + 5 (part cases) = **13 new cases** have been added to the book, making a total of:
- 38 chapter case studies (two per chapter) + 5 part video case studies (one per part) + 19 chapter video case studies (one per chapter) + 25 part case studies (five per part) = **87 case studies** in all.
- Furthermore **16 completely new exhibits** have been added to the book. The total number of exhibits is now **72**.

Pedagogical/learning aids

One of the strengths of *Global Marketing* is its strong pedagogical features:

- Chapter objectives tell readers what they should be able to do after completing each chapter.
- Real-world examples and exhibits enliven the text and enable readers to relate to marketing models.

- End-of-chapter summaries recap the main concepts.
- Each chapter contains two case studies, which help the student relate the models presented in the chapter to a specific business situation.
- Questions for discussion allow students to probe further into important topics.
- Part cases studies – for each part there are five comprehensive case studies covering the themes met in the part. To reinforce learning, all case studies are accompanied by questions. Case studies are based on real-life companies. Further information about these companies can be found on the internet. Company cases are derived from many different countries representing all parts of the world. Tables 1 and 2 present the chapter and part case studies.
- Multiple choice questions.
- Part video case studies: each part is introduced by a video case which highlights a general decision problem from the part.

Table 1

Chapter case studies: overview (the video case studies can be viewed at www.pearsoned.co.uk/hollensen)

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Chapter 1 Global marketing in the firm	Case study 1.1 Green Toys, Inc. A manufacturer of eco-friendly toys is going international www.greentoys.com	US	US, World	✓	✓
	Case study 1.2 Hunter Boot Ltd The iconic British brand is moving into exclusive fashion www.hunterboots.com	UK	World		✓
	Video case study 1.3 Nivea (8.56) www.nivea.com	Germany	World		✓
Chapter 2 Initiation of internationalization	Case study 2.1 LifeStraw Vestergaard-Frandsen transforms dirty water into clean drinking water www.vestergaard.com	Switzerland	World (developing countries)	✓	✓
	Case study 2.2 Elvis Presley Enterprises Inc. (EPE) Internationalization of a cult icon www.elvis.com	US	World		✓
	Video case study 2.3 TOMS Shoes www.toms.com	US	World (developing countries)		✓
Chapter 3 Internationalization theories	Case study 3.1 Zumba A dance phenomenon is going global www.zumba.com	US	World	✓	✓
	Case study 3.2 DreamWorks Classics Internationalization of Postman Pat http://classics.dreamworksanimation.com	UK	World		✓



Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Video case study 3.3 Reebok (9.09) www.reebok.com www.adidas-group.com	US	World	✓	✓
Chapter 4 Development of the firm's international competitiveness	Case study 4.1 Nintendo Wii Nintendo's Wii took first place in the world market – but it didn't last www.nintendo.com	Japan	World	✓	✓
	Case study 4.2 DJI Technology Co. Ltd A Chinese 'born global' is dominating the world market for drones with its Phantom www.dji.com	China	World	✓	✓
	Video case study 4.3 Nike (14.03) www.nike.com	US	World		✓
Chapter 5 Global marketing research	Case study 5.1 Teepack Spezialmaschinen GmbH Organizing a global survey of customer satisfaction www.teepack.com	Germany	World	✓	
	Case study 5.2 LEGO Friends One of the world's largest toy manufacturers moves into the girl's domain www.lego.com	Denmark	World		✓
	Video case 5.3 BMW i3 The electric car www.bmw.com	Germany	World		✓
Chapter 6 The political and economic environment	Case study 6.1 G-20 and the economic and financial crises What on earth is globalization about? Protests during a meeting in Brisbane, Australia, November 2014 www.theguardian.com/world/g20-brisbane-2014	US	World	✓	✓
	Case study 6.2 Danfoss Power Solutions Which political/economic factors would affect a manufacturer of hydraulic components? www.powersolutions.danfoss.com	Denmark, US, Germany	World	✓	

Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Video case study 6.3 Debate on globalization No website available	US	US	✓	✓
Chapter 7 The sociocultural environment	Case study 7.1 Cirque du Soleil Inc. The show that revolutionized the circus arts is expanding its global scope www.cirquedusoleil.com	Canada	World		✓
	Case study 7.2 IKEA catalogue Are there any cultural differences? www.ikea.com	Sweden, Holland	World		✓
	Video case study 7.3 Allergan The maker of Botox and breast implants www.allergan.com			✓	✓
Chapter 8 The international market selection process	Case study 8.1 Tata Nano International market selection with the world's cheapest car www.tatamotors.com	India	World (emerging countries)	✓	✓
	Case study 8.2 Philips Lighting Screening markets in the Middle East www.philips.com	Holland	World		✓
	Video case study 8.3 Oreo (Mondelēz) www.oreo.com	US	World		✓
Chapter 9 Some approaches to the choice of entry mode	Case study 9.1 Jarlsberg The king of Norwegian cheeses is deciding on entry modes into new markets www.jarlsberg.com	Norway	World	✓	✓
	Case study 9.2 Ansell condoms Is acquisition the right way to gain market shares in the European condom market? www.anselleurope.com www.lifestyles.com	Australia, Belgium	Europe, World		✓
	Video case study 9.3 Understanding entry modes into the Chinese market No website available	World	China	✓	



Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Chapter 10 Export modes	Case study 10.1 Lysholm Linie Aquavit International marketing of the Norwegian Aquavit brand www.linie.com	Norway	Germany, the rest of the world	✓	✓
	Case study 10.2 Parle Products An Indian biscuit manufacturer is seeking agents and cooperation partners in new export markets www.parleproducts.com	India	World	✓	✓
	Video case study 10.3 Honest Tea www.honesttea.com	US	World, US		✓
Chapter 11 Intermediate entry modes	Case study 11.1 Hello Kitty Can the cartoon cat survive the buzz across the world? www.sanrio.com	Japan	World	✓	✓
	Case study 11.2 Kabooki Licensing in the LEGO brand www.legowear.dk	Denmark	World	✓	✓
	Video case study 11.3 Marriott (9.36) www.marriott.com	US	World	✓	✓
Chapter 12 Hierarchical modes	Case study 12.1 Polo Ralph Lauren Polo moves distribution for South-east Asia in-house www.ralphlauren.com	US	World, Asia	✓	✓
	Case study 12.2 Durex Condoms SSL will sell Durex condoms in the Japanese market through its own organization www.durex.com	UK	World	✓	✓
	Video case study 12.3 Starbucks www.starbucks.com	US	World	✓	✓
Chapter 13 International sourcing decisions and the role of the subsupplier	Case study 13.1 ARM Challenging Intel in the world market of computer chips www.arm.com	UK	World	✓	

Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 13.2 Bosch Indego How to build B2B and B2C relationships in a new global product market – robotic lawnmowers www.bosch.com	Germany	World	✓	✓
	Video case study 13.3 Kone elevators and escalators www.kone.com	Finland	World	✓	
Chapter 14 Product decisions	Case study 14.1 Danish Klassic Launch of a cream cheese in Saudi Arabia www.arla.com (regarding the Puck brand)	Denmark	Saudi Arabia Middle East	✓	✓
	Case study 14.2 Zippo Manufacturing Company Has product diversification beyond the lighter gone too far? www.zippo.com	US	World	✓	✓
	Video case study 14.3 Burberry branding www.burberry.com	UK	World		✓
Chapter 15 Pricing decisions and terms of doing business	Case study 15.1 Harley-Davidson Does the image justify the price level? www.harley-davidson.com	US	US, Europe		✓
	Case study 15.2 Gillette Co. Is price standardization possible for razor blades? www.gillette.com	US	World	✓	✓
	Video case study 15.3 Vaseline pricing strategy www.vaseline.com	US	US, World		✓
Chapter 16 Distribution decisions	Case study 16.1 De Beers Forward integration into the diamond industry value chain www.debeers.com	South Africa, UK, Luxembourg	Europe, World	✓	✓
	Case study 16.2 Tupperware The global direct distribution model is still working www.tupperware.com	US	World	✓	✓
	Video case study 16.3 DHL www.dhl.com	Germany	World	✓	



Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Chapter 17 Communication decisions	Case study 17.1 Helly Hansen Sponsoring fashion clothes in the US market www.hellyhansen.com	Norway	US	✓	✓
	Case study 17.2 Morgan Motor Company Can the British retro sports car brand still be successful after 100 years? www.morgan-motor.co.uk	UK	World (Europe and US)	✓	✓
	Video case study 17.3 BMW Motorcycles www.bmwmotorcycles.com www.bmw.com	Germany	US, World	✓	✓
Chapter 18 Cross-cultural sales negotiations	Case study 18.1 ZamZam Cola Marketing of a 'Muslim' cola from Iran to the European market www.zamzamrefreshment.com	Iran	Europe, Middle East	✓	✓
	Case study 18.2 TOTO The Japanese toilet manufacturer seeks export opportunities for its high-tech brands in the US www.toto.co.jp/en/				
	Video case study 18.3 Dunkin' Donuts www.DunkinDonuts.com www.dunkinbrands.com				
Chapter 19 Organization and control of the global marketing programme	Case study 19.1 Mars Inc. Merger of the European food, pet care and confectionery divisions www.mars.com	US	World	✓	✓
	Case study 19.2 Henkel Should Henkel shift to a more customer-centric organization? www.henkel.com	Germany	World	✓	✓
	Video case study 19.3 McDonald's www.mcdonalds.com	US	World	✓	

Table 2 Part case studies: overview

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Part I The decision whether to internationalize	Part video case study Uber www.uber.com	US	World		✓
	Case study I.1 Zara The Spanish retailer goes to the top of world fashion www.inditex.com/en	Spain	World	✓	✓
	Case study I.2 Manchester United Still trying to establish a global brand www.manutd.com	UK	World, US	✓	✓
	Case study I.3 Adidas The No. 2 in the global sportswear market is challenging the No. 1, Nike www.adidas.com	Germany	World	✓	✓
	Case study I.4 Cereal Partners Worldwide (CPW) The no. 2 world player is challenging the no. 1, Kellogg www.generalmills.com/en/Company/Businesses/international/joint-ventures www.nestle.com/asset-library/documents/media/news-and-features/2011-february/cpw-brochure.pdf	Switzerland, US	World	✓	✓
Part II Deciding which markets to enter	Part video case study HondaJets Honda enters the small-sized business jet market http://www.hondajet.com/	Japan	World	✓	
	Case study II.1 SodaStream Managing profitable growth in an increasingly competitive global environment www.sodastream.com	Israel	World	✓	✓
	Case study II.2 The female Health Company (FHC) The Female condom is seeking a foothold in the world market for contraceptive products www.femalehealth.com	US	World (governmental organizations)	✓	✓
	Case study II.3 Zalando How can the online apparel retailer turn financial losses into positive profits? www.zalando.com	Spain	World		✓



Table 2

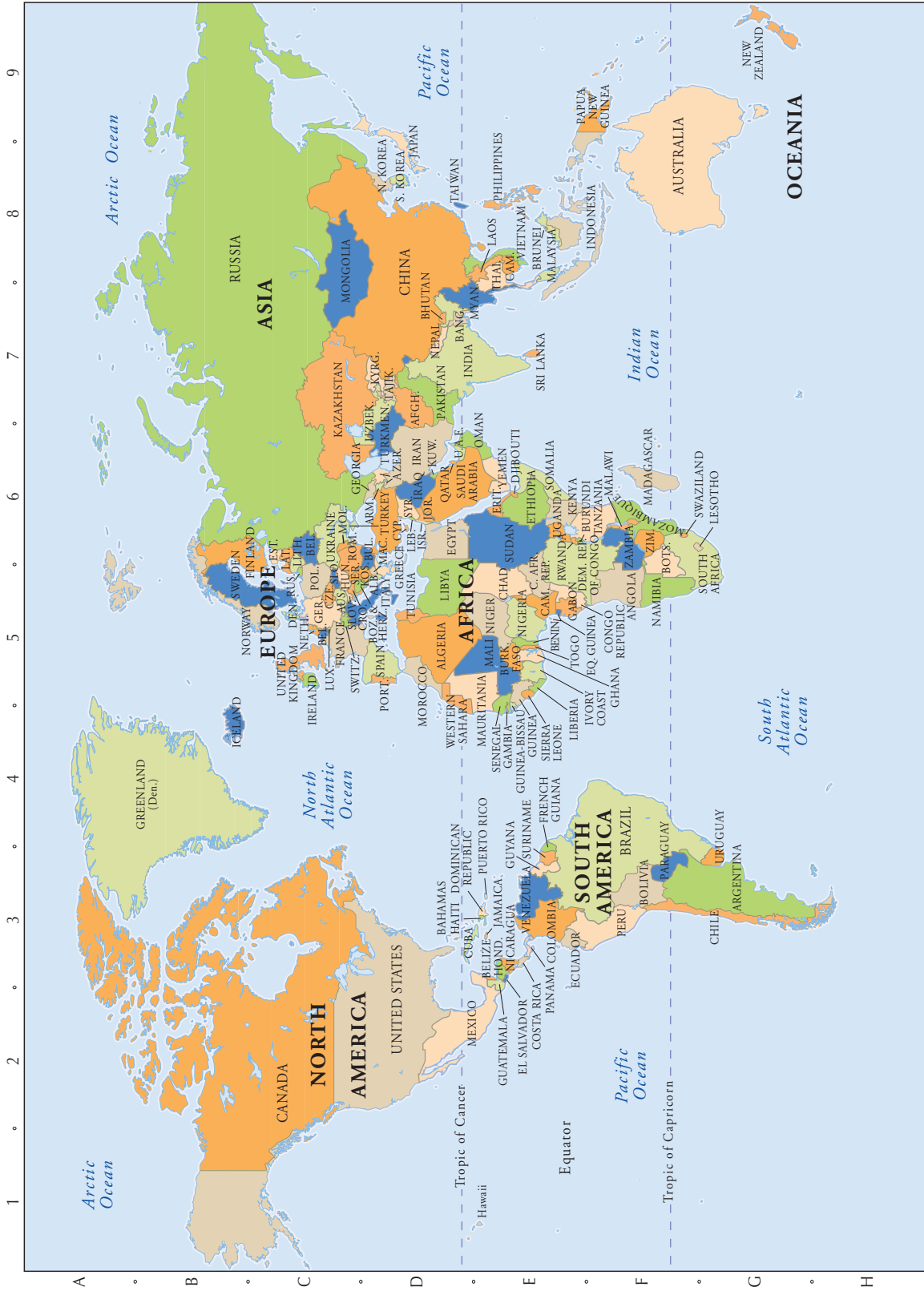
Continued

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study II.4 Ferrari International market selection (IMS) for the exclusive sports car brand	Italy	World		✓
Part III Market entry strategies	Part video case study Müller Yogurts www.muellergroup.com	Germany	US	✓	✓
	Case study III.1 Raleigh Bicycles Does the iconic bicycle brand still have a chance on the world market? www.raleigh.co.uk	UK	World	✓	✓
	Case study III.2 Netflix Inc. The US internet subscription service company is dominating the television and movies and streaming world www.Netflix.com	US	World		✓
	Case study III.3 Autoliv Airbags Transforming Autoliv into a global company www.autoliv.com	Sweden, US	World	✓	
	Case study III.4 IMAX Corporation Globalization of the film business www.imax.com	Canada	World	✓	✓
Part IV Designing the global marketing programme	Part video case study Tequila Avión www.tequilaavion.com	US	World	✓	
	Case study IV.1 Absolut Vodka Defending and attacking for a better position in the global vodka market www.pernod-ricard.com www.pernod-ricard.com/525/brands/see-all-brands/strategic-brands/absolut-vodka	France, Sweden	World, Eastern Europe		✓
	Case study IV.2 Guinness How can the iconic Irish beer brand compensate for declining sales in the home market? www.diageo.com www.guinness.com	UK, Ireland	World	✓	✓
	Case study IV.3 Dyson The iconic vacuum cleaner manufacturer launches the robotic version www.dyson.co.uk	UK	US, the rest of the world	✓	✓

Table 2

Continued

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study IV.4 Triumph Motorcycles Ltd Rising from the ashes in the international motorcycle business www.triumph.co.uk	UK	World		✓
Part V Implementing and coordinating the global marketing programme	Part video case study Stella & Dot www.stelladot.com	US	World	✓	✓
	Case study V.1 Sony Music Entertainment New worldwide organizational structure and the marketing, planning and budgeting of Pink's new album www.sonymusic.com	US, Japan	World	✓	✓
	Case study V.2 Red Bull The global market leader in energy drinks is considering further market expansion www.redbull.com	Austria	World	✓	✓
	Case study V.3 Tetra Pak How to create B2B relationships with the food industry on a global level www.tetrapak.com	Holland	World	✓	
	Case study V.4 Polaroid Eyewear Can the iconic brand achieve a comeback in the global sunglasses industry? www.polaroideyewear.com	Switzerland, Italy	World		✓



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- LEGO, Billund, Denmark on Case 5.2 on LEGO Friends.
- Danfoss Power Solutions for Case 6.2 on Danfoss Power Solutions.
- IKEA, Sweden for Case 7.2 on the IKEA Catalogue.
- Jarlsberg, Norway for Case 9.1 on Jarlsberg.
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Part cases

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- Raleigh Bicycles, UK for Case III.1: Raleigh Bicycles.
- Autoliv AB, Stockholm, Sweden for Case III.3: Autoliv airbags.
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ABBREVIATIONS

ACs	advanced countries
APEC	Asia-Pacific Economic Cooperation
AR	augmented reality
ASEAN	Association of South East Asian Nations
B2B	business to business
B2C	business to consumer
BATNA	best alternative to a negotiated agreement
BDA	before–during–after
BERI	Business Environment Risk Index
BMI	Business Monitor International
BOP	bottom of the pyramid
BRIC	Brazil, Russia, India and China
BT	British Telecommunications
C2C	consumer to consumer
CAGR	compound annual growth rate
CATI	computer-aided telephone interviews
CDB	China Development Bank
CEO	chief executive officer
CFR	cost and freight
CIF	cost, insurance and freight
CIP	carriage and insurance paid to
CMM-SEI	Carnegie Mellon University's Software Engineering Institute
COO	country of origin
CPM	cost per thousand
CPT	carriage paid to
CPV	customer perceived value
CRM	customer relationship management
CSR	corporate social responsibility
DAF	delivered at frontier
DAP	delivered at place
DAT	delivered at terminal
DDP	delivered duty paid
DDU	delivered duty unpaid
DEQ	delivered ex-quay
DES	delivered ex-ship
DMR	digital remastering
DSS	decision support system
EBIT	earnings before interest and taxes
ECB	European Central Bank
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
EMC	export management company
EMEA	Europe, Middle East and Africa
EMU	European Economic and Monetary Union

EPAC	electronically power-assisted cycles
EPRG	ethnocentric, polycentric, regiocentric, geocentric
EU	European Union: title for the former EEC used since the ratification of the Maastricht Treaty in 1992
EURATOM	European Atomic Energy Community
EXW	ex-works
FAB	flavoured alcoholic beverages
FAS	free alongside ship
FCA	free carrier
FDA	Food and Drug Administration (US)
FDI	foreign direct investment: a market entry strategy in which a company invests in a subsidiary or partnership in a foreign market (joint venture)
FHI	Family Health International
FMCG	fast-moving consumer goods
FOB	free on board: the seller quotes a price covering all expenses up to the point of shipment
FSC	Foreign Sales Corporation
G-D	goods dominant
GA	global account
GAM	global account management
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GEL	General Electric Lighting
GNI	gross national income
GNP	gross national product: the total 'gross value' of all goods and services produced in the economy in one year
GPC	global pricing contract
GRP	gross rating point
GSM	global system for mobile communications (wireless mobile)
GWD	guinea worm disease
HHP	household penetration
HLL	Hindustan Latex Ltd
HOG	Harley Owners Group
ICC	International Chamber of Commerce
IDR	intermediation–disintermediation–reintermediation
IMC	integrated marketing communications
IMF	International Monetary Fund
IMS	international market selection
IMUSA	Independent Manchester United Supporters Association
IP	intellectual property
IPLC	international product life cycle
ISO	International Standards Organization
ISP	internet service provider
IT	information technology
KAM	key account management
KSF	key success factor
L/C	letter of credit
LCC	low-cost car
LDCs	less developed countries
LSEs	large-scale enterprises
LTO	long-term orientation
M&A	merger and acquisition

MACS	market attractiveness/competitive strengths
MFN	most-favoured nation
MIS	marketing information system
MNCs	multinational corporations
MNE	multinational enterprise
MS	market share
MSRP	manufacturer's suggested retail price
MVAS	mobile value-added services
NAFTA	North American Free Trade Agreement: a free trade agreement to establish an open market between the US, Canada and Mexico
NASSCOM	National Association of Software and Service Companies
NGO	non-governmental organization
NICs	newly industrialized countries
NPD	new product development
NSB	National Standards Board
OE	operational effectiveness
OECD	Organization for Economic Cooperation and Development: a multinational forum that allows the major industrialized nations to discuss economic policies and events
OEM	original equipment manufacturer (outsourcer)
OLI	ownership-location-internalization
OPEC	Organization of Petroleum Exporting Countries
OTC	over the counter
OTS	opportunity to see
PEST	political/legal, economic, social/cultural, technological
PLB	private-label brand
PLC	product life cycle: a theory that characterizes the sales history of products as passing through four stages: introduction, growth, maturity, decline
PPP	purchasing-power parity
PR	public relations
QDF	quality deployment function
R&D	research and development
RM	relationship marketing
RMC	regional management centre
ROA	return on assets
ROI	return on investment
RTD	ready to drink
S-D	service-dominant
SaaS	software-as-a-service
SBU	strategic business unit: a single business or a collection of related businesses that can be planned separately from the rest of the company
SEM	search-engine marketing
SGVC	sustainable global value chain
SMEs	small and medium-sized enterprises
SMS	short message service
SRC	self-reference criterion
STD	sexually transmitted disease
STP	software technology park
SWOT	strengths, weaknesses, opportunities, threats
TC	transaction cost
TCA	transaction cost analysis

TF	trade fair
TLC	technological life cycle
TQM	total quality management
TTM	time to market
ULCC	ultra low-cost car
UNAIDS	Joint United Nations Programme on AIDS
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
USP	unique selling proposition
VAT	value added tax
VER	voluntary export restraint
VRIO	value, rarity, imitability, organization
WHO	World Health Organization
WoM	word-of-mouth
WTO	World Trade Organization (successor to GATT)

ABOUT THE AUTHOR

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After working in industry, Svend received his PhD in 1992 from Copenhagen Business School.

With Pearson Education he has published *Marketing Management – A Relationship Approach* (the third edition was published in 2015) as well as *Marketing Research – An International Approach* (2006), together with Marcus Schmidt. *Essentials of Global Marketing* was published in 2008 with a second edition in 2012. *Global Marketing* has been translated into Russian and Chinese. An Indian edition (co-authored with Madhumita Banerjee) was published in September 2009 and a Spanish edition (co-authored with Jesus Arteaga) was published in May 2010.

Furthermore, Svend has published in internationally well-recognized journals, like *California Management Review*, *Journal of Family Business Strategy*, *Journal of Brand Strategy* and *Marketing Intelligence & Planning*.

Svend has also worked as a business consultant for several multinational companies, as well as global organizations such as the World Bank.

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PART I

The decision whether to internationalize



Introduction to Part I

It is often the case that a firm going into an export adventure should have stayed in the home market because it did not have the necessary competences to start exporting. Chapter 1 discusses competences and global marketing strategies from the value chain perspective. Chapter 2 discusses the major motivations of the firm to internationalize. Chapter 3 concentrates on some central theories that explain firms' internationalization processes. Chapter 4 discusses the concept of international competitiveness from a macro level to a micro level.

PART I VIDEO CASE STUDY Uber

download from www.pearsoned.co.uk/hollensen

Uber Technologies Inc. (www.uber.com) is an American international transportation network company headquartered in San Francisco, California. The company develops, markets and operates the Uber mobile app, which allows consumers with smartphones to submit a trip request which is then routed to Uber drivers who use their own cars. Uber now operates in 311 cities in 58 countries, providing more than 1 million rides each day. On 1st August 2015, Uber's market value was around US\$51 billion with expected revenues for 2015 around US\$2 billion. However, since it began operation in 2012, Uber's net income has been negative.

Consumers appreciate Uber, and rival services like Lyft in the US, Didi Kuaidi in China and GrabTaxi in South-east Asia, because they are cheaper than conventional taxis, clean and reliable. Uber's freelance drivers (who typically pay Uber around 20 per cent of their fares) enjoy flexible working hours and are spared the formalities of qualifying as a conventional cabbie.

Uber is a case study in how to construct a 'platform', a digital service on top of which other businesses can be built. As it arrives in a city, it launches a vigorous recruiting programme for drivers, offering them incentives to sign up. Its fares are 'dynamic'—they undercut conventional taxis most of the time, but go up when it rains, or when there is some other reason why demand for rides is high.

This encourages more of its drivers onto the roads when they are most needed. This in turn means that customers can always get a car quickly, even if it sometimes costs a bit more. This encourages them to keep using Uber, in turn providing lots of work for its drivers. Uber has now begun experimenting with local delivery services, with the aim of becoming as



Source: Bloomberg/Getty Images.

disruptive in logistics as it has been in the taxi business.

Uber's presence in cities has provoked a reaction among regulators. Taxi drivers have also taken on the company with protest and violence against Uber drivers. For example, Uber took the decision to suspend its service in France after 65 of its taxi drivers were attacked in the latter half of June 2015. French taxi drivers, who have to pay up to €240,000 for a traditional licence, held demonstrations across the country protesting against the Uber service.

Questions

1. What are the basic principles in the 'sharing economy'?
2. Explain the competitive advantage of Uber.
3. Why is it so important for Uber to get into so many countries so fast?

Source: based on different public sources.

Please look at the video links at www.pearsoned.co.uk/hollensen

CHAPTER 1

Global marketing in the firm



Contents

- 1.1 Introduction to globalization
- 1.2 The process of developing the global marketing plan
- 1.3 Comparison of the global marketing and management style of SMEs and LSEs
- 1.4 Should the company internationalize at all?
- 1.5 Development of the 'global marketing' concept
- 1.6 Forces for global integration and market responsiveness
- 1.7 The value chain as a framework for identifying international competitive advantage
- 1.8 Value shop and the 'service value chain'
- 1.9 Global experimental marketing
- 1.10 Information business and the virtual value chain
- 1.11 Summary

Case studies

- 1.1 Green Toys, Inc.
- 1.2 Hunter Boot Ltd
- 1.3 Video case study: Nivea

Learning objectives

After studying this chapter you should be able to:

- Characterize and compare the management style in SMEs (small and medium-sized enterprises) and LSEs (large-scale enterprises)
- Identify drivers of global integration and market responsiveness
- Explain the role of global marketing in the firm from a holistic perspective
- Describe and understand the concept of the value chain
- Identify and discuss different ways of internationalizing the value chain
- Explain the difference between the 'product value chain' and the 'service value chain'
- Understand how 'customer experience' can extend the traditional value perspective.

1.1 Introduction to globalization

After two years (2008–10) in economic crisis mode, business executives are again looking to the future. As they are re-engaging in global marketing strategy thinking, many executives are wondering if the turmoil was merely another turn of the business cycle or a restructuring of the global economic order. However, although growth in the globalization of goods and services has stalled for a period, because international trade has declined along with demand, the overall globalization trend is unlikely to reverse (Beinhocker *et al.*, 2009).

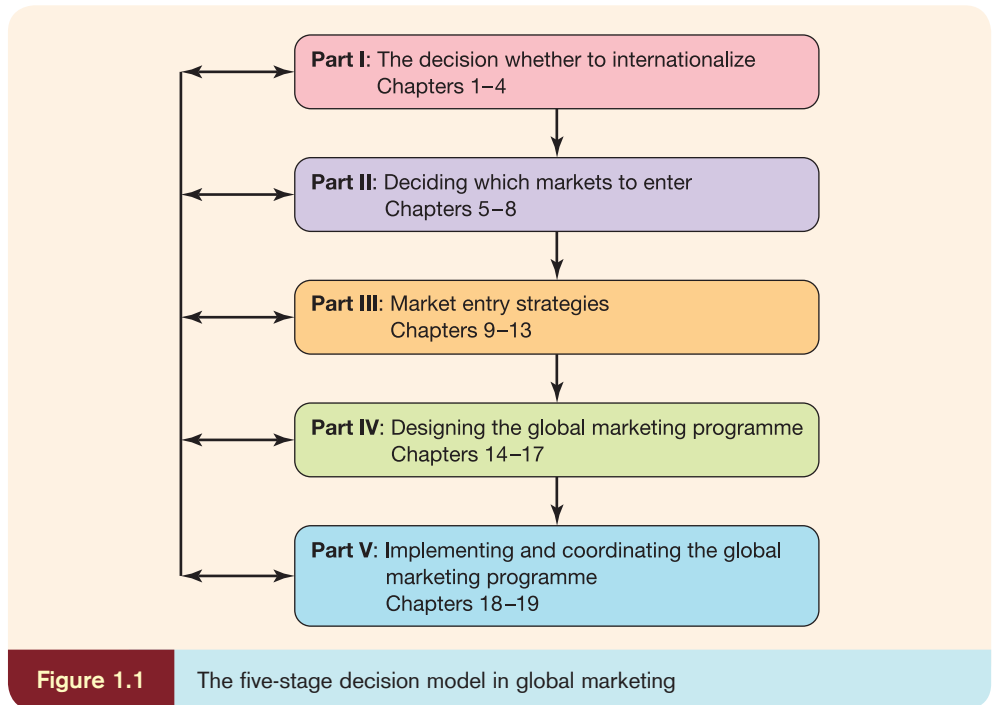
In 2005 Thomas L. Friedman published his international bestselling book *The World is Flat* (Friedman, 2005). It analyses globalization, primarily in the early twenty-first century, and the picture has changed dramatically. The title is a metaphor for viewing the world as a level playing field in terms of commerce, where all players and competitors have an equal opportunity. Companies from every part of the world will be competing with each other in every corner of the world's markets – for customers, resources, talent and intellectual capital. Products and services will flow from many locations to many destinations. Friedman mentions that many companies in, for example, the Ukraine, India and China provide human-based subsupplies for multinational companies. In this way, these companies in emerging and developing countries are becoming integral parts of complex global supply chains for large multinational companies, like Dell, SAP, IBM and Microsoft.

Pankaj Ghemawat has contradicted Friedman's view of the world being flat (Ghemawat, 2008). In his latest book, Ghemawat introduces World 3.0, a world that is neither a set of distinct nation-states (World 1.0) nor the stateless ideal (World 2.0) that seems implicit in the 'The world is flat' strategies of so many companies. In such a World 3.0 (Ghemawat, 2011a), home matters, but so do countries abroad. Ghemawat argues that when distances (geographic, cultural, administrative/political and economic) increase, cross-border trade tends to decrease (Ghemawat, 2011b). Ghemawat thinks that it is certainly possible to have a global strategy and a global organization in such a world. But the global strategy must be based not on the elimination of differences and distances among people, cultures and places, but on an understanding of them.

1.2 The process of developing the global marketing plan

As the book has a clear decision-oriented approach, it is structured according to the five main decisions that marketing people in companies face in connection with the global marketing process. The 15 chapters are divided into five parts (Figure 1.1).

In the end, the firm's global competitiveness is mainly dependent on the end-result of the global marketing stages: *the global marketing plan* (see Figure 1.2). The purpose of the marketing plan is to create sustainable competitive advantages in the global marketplace. Generally, firms go through some kind of mental process in developing global marketing plans. In small and medium-sized enterprises (SMEs) this process is normally informal; in larger organizations it is often more systematized. Figure 1.2 offers a systematized approach to developing a global marketing plan – the stages are illustrated using the most important models and concepts, which are explained and discussed throughout the chapters. Readers are advised to return to this figure throughout the book.



1.3

Comparison of the global marketing and management style of SMEs and LSEs

LSEs

According to the EU definition, LSEs (large-scale enterprises) are firms with more than 250 employees. Although LSEs account for less than 1 per cent of companies, almost one-third of all jobs in the EU are provided by LSEs.

SMEs

SMEs (small and medium-sized enterprises) occur commonly in the EU and in international organizations. The EU categorizes companies with fewer than 50 employees as 'small', and those with fewer than 250 as 'medium'. In the EU, SMEs (250 employees and less) comprise approximately 99 per cent of all firms.

The reason underlying this 'convergence' is that many large multinationals (such as IBM, Philips, GM and ABB) have begun downsizing operations, so in reality many **LSEs** act like a confederation of small, autonomous, entrepreneurial and action-oriented companies. One can always question the change in orientation of **SMEs**. Some studies (e.g. Bonaccorsi, 1992) have rejected the widely accepted proposition that firm size is positively related to export intensity. Furthermore, many researchers (e.g. Julien *et al.*, 1997) have found that SMEs as exporters do not behave as a homogeneous group.

Table 1.1 gives an overview of the main qualitative differences between management and marketing styles in SMEs and LSEs. We will discuss each of the headings in turn.

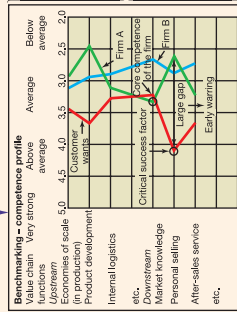
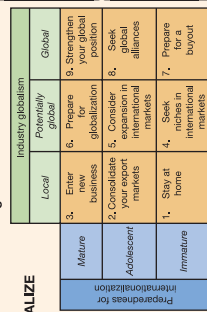
Resources

- **Financial.** A well-documented characteristic of SMEs is the lack of financial resources due to a limited equity base. The owners put only a limited amount of capital into the business, which quickly becomes exhausted.
- **Business education/specialist expertise.** In contrast to LSEs, a characteristic of SME managers is their limited formal business education. Traditionally, the SME owner/manager is a technical or craft expert and is unlikely to be trained in any of the major business disciplines. Therefore specialist expertise is often a constraint because managers in small businesses tend to be generalists rather than specialists. In addition, global marketing expertise is often the last of the business disciplines to be acquired by an expanding SME; finance and production experts usually precede the acquisition of a marketing counterpart. Therefore it is not unusual to see owners of SMEs closely involved in sales, distribution, price setting and, especially, product development.

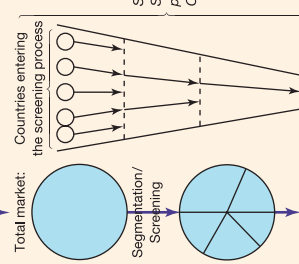
Tools used in different stages (references to the book)

PART I: THE DECISION TO INTERNATIONALIZE

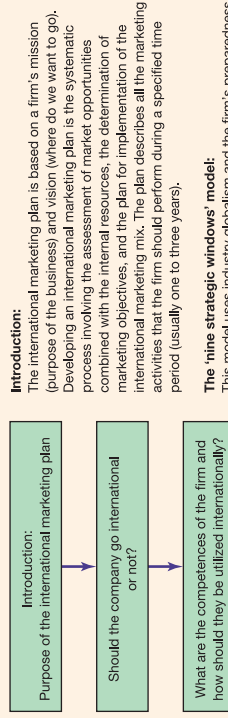
The 'nine strategic windows' model:



PART II: DECIDING WHICH MARKETS TO ENTER



Process stages



Description

Introduction:
The international marketing plan is based on a firm's mission (purpose of the business) and vision (where do we want to go). Developing an international marketing plan is the systematic process involving the assessment of market opportunities combined with the internal resources, the determination of marketing objectives, and the plan for implementing of the international marketing mix. The plan describes all the marketing activities that the firm should perform during a specified time period (usually one to three years).

The 'nine strategic windows' model:
This model uses industry globalism and the firm's preparedness as criteria for deciding if the firm should go abroad or rather stay at home.

Benchmarking - competence profile:
The customer-perceived value of the different competitor offerings along the value chain provides the necessary input for determining where the firm has got its core competence and where further capabilities should be developed.

SWOT-analysis: Strengths and Weaknesses (inside your company)
Identify internal strengths and weaknesses of your company. For example education-level, international experience and reputation in your area of expertise are most likely strengths.

Opportunities and Threats (from outside)
Identify, and rank by order of importance, any threats or opportunities your business may face from outside influences.

The whole issue is to find the right match between the internal and external analysis, i.e. where in the global market can we use our special firm competences?

Estimation of total market: Numbers of buyers x average consumption per year.

Segmentation: Relevant segmentation/screening criteria
B2C markets: Demographic: age, income, occupation
Psychographic: lifestyle, preferences, etc.
Geographic: Countries, regions
Behavioural: heavy, medium, light users

B2B markets: Demographic: size of firm, type of industry
Economic: Buying power of customers

