



Global Marketing

Contemporary Theory, Practice, and Cases

Second Edition

Ilan Alon, Eugene Jaffe, Christiane Prange,
and Donata Vianelli



A nice new update for the competitive global marketing textbook marketplace, *Global Marketing* provides a grounded, international perspective on globalization, emerging markets, and strategy. Especially welcome is its strong focus on social media and technology, culture, and critical viewpoints.

—**Jonathan Schroeder**, *Rochester Institute of Technology, USA*

This new edition of *Global Marketing* continues the thorough coverage of the first and includes the most up-to-date information on marketing in the current environment. Cases are varied and interesting and the inclusion of faculty-friendly exercises is especially valuable in the classroom. I highly recommend this book for upper-level undergraduate and MBA global marketing courses.

—**Betty Jane Punnett**, *University of the West Indies, Barbados*

At last, we have a comprehensive global marketing textbook geared toward a contemporary and dynamic marketplace. Rarely does one come across a book in this area that is inclusive of the entire world. Alon, Jaffe, Prange, and Vianelli's book is timely, well thought out, and balanced. The book is a must for academics, students, and global marketing/business executives.

—**Charles Blankson**, *University of North Texas, USA*

A solid text that greatly benefits from the international experience of the author team.

—**Bodo B. Schlegelmilch**, *WU Executive Academy, Austria*

Global Marketing provides up-to-date examples and end-of-chapter cases among the latest marketing theories and frameworks. Useful tools include PowerPoint slides, Test-banks, videos and much more valuable content for students and faculty. The textbook is suitable for undergraduate, graduate and executive students, alike.

—**Marc Fetscherin**, *Rollins College, USA*

This page intentionally left blank

Global Marketing

Global Marketing provides students with a truly international treatment of the key principles that every marketing manager should grasp.

International markets present different challenges that require a marketer to think strategically, and apply tools and techniques creatively in order to respond decisively in a fiercely competitive environment. Alon et al. provide students with everything they need to rise to the challenge:

- Coverage of **small and medium enterprises**, as well as **multinational corporations**, where much of the growth in international trade and global marketing has occurred.
- A shift toward greater consideration of **services marketing** as more companies move away from manufacturing.
- A focus on **emerging markets** to equip students with the skills necessary to take advantage of the opportunities that these rapidly growing regions present.
- Chapters on **social media, innovation, and technology** teach students how to incorporate these new tools into their marketing strategy.
- New material on **sustainability, ethics, and corporate social responsibility**; key values for any modern business.
- Short **cases and examples** throughout the text show students how these principles and techniques are applied in the real world.
- **Longer cases** provide instructors and students with rich content for deeper analysis and discussion.

Covering key topics not found in competing books, *Global Marketing* will equip students with the knowledge and confidence they need to become leading marketing managers.

A companion website features an instructor's manual with test questions, as well as additional exercises and examples for in-class use.

Ilan Alon is a Professor of Strategy and International Marketing at the University of Agder, Norway, as well as a visiting scholar at Georgetown University, USA. The author of several books, Alon has taught at top business schools globally, and consulted in marketing and international business for multinational corporations and government organizations.

Eugene Jaffe is a Professor of Marketing at the School of Economics and Business Administration, Ruppin Academic Center, and Emeritus Professor at the Graduate School of Business Administration, Bar-Ilan University, both in Israel. He has authored seven books, and published in several journals, including the *Journal of Marketing Research*, *Journal of World Business*, *International Marketing Review*, and *International Business Review*.

Christiane Prange is a Professor of Global Strategy and Marketing at Tongji University, China. She has been a visiting professor at top international business schools and has consulted multinational companies on marketing and internationalization strategies, global innovation management, and corporate agility. She has published five books and several journal articles.

Donata Vianelli is a Professor at the University of Trieste, Italy, where she teaches international marketing and international business. She has authored four books and has published in a range of international journals. She researches global distribution and cross-cultural consumer behavior with a focus on Europe and Asia.

Global Marketing **Contemporary Theory, Practice, and Cases**

Second Edition

*Ilan Alon, Eugene Jaffe, Christiane Prange,
and Donata Vianelli*

Please visit the companion website at www.routledge.com/cw/alon

Second edition published 2017
by Routledge
711 Third Avenue, New York, NY 10017

and by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

© 2017 Taylor & Francis

The right of Ilan Alon, Eugene Jaffe, Christiane Prange, and Donata Vianelli to be identified as authors of this work has been asserted by them in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilized in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

First edition published by McGraw-Hill Higher Education 2012

Library of Congress Cataloging in Publication Data
A catalog record for this book has been requested

ISBN: 978-1-138-80787-7 (hbk)
ISBN: 978-1-138-80788-4 (pbk)
ISBN: 978-1-315-75089-7 (ebk)

Typeset in ITC Stone Serif
by Servis Filmsetting Ltd, Stockport, Cheshire

Dedications

To my wife

—Ilan Alon

To my wife Liora

—Eugene Jaffe

To M.A.

—Christiane Prange

To my sons Marco, Alessandro, and Alberto

—Donata Vianelli

This page intentionally left blank

Contents

<i>List of Figures</i>	<i>xix</i>
<i>List of Geo Maps</i>	<i>xxii</i>
<i>List of Tables</i>	<i>xxiii</i>
<i>List of Boxes</i>	<i>xxv</i>

PART I

Global Marketing Environments 1

1 *Understanding Global Markets and Marketing* 3

Learning Objectives	3
Global Markets Today	3
Technology Aids Globalization	7
Globalization: The World Is Becoming Smaller	11
Global Marketing—Tendencies of the Past and Scenarios for the Future	18
Developing Global Marketing Strategies	24
A Global Marketing Management Framework	35
Summary	36
Outline of the Book	36
Discussion Questions	38
Experiential Exercises	38
Key Terms	38
Case 1.1 <i>Evaluerve—Managing International Services Marketing</i>	42

2 *Assessing the Global Marketing Environment—the Global Economy and Technology* 47

Learning Objectives	47
The Global Economy	50

Explanations of International Trade 56

Economic Systems 61

Market Development and Global Geographics 68

High-Tech Products Lead World Trade 72

Global Countries and Emerging Giant Companies 75

The Green Economy 79

Summary 84

Discussion Questions 85

Experiential Exercises 85

Key Terms 85

Video Material 85

Case 2.1 *Mobile Language Learning: Praxis Makes Perfect in China* 89

3 *Evaluating Cultural and Social Environments* 97

Learning Objectives 97

Big Brother's Big Controversy 97

Cultural Diversity in the Era of Globalization 100

Hofstede's Six Dimensions of National Culture 109

Global Leadership and Organizational Behavior Effectiveness 116

Culture and Cultural Distance 118

Culture and Communication 121

Global Customers 124

Summary 128

Discussion Questions 129

Experiential Exercises 129

Key Terms 129

Appendix—Selected Hofstede Scores 130

Case 3.1 *Three Multicultural Marketing Directors Walk into a Bar: And Why It Was No Laughing Matter* 135

4	<i>Analyzing Political and Legal Environments</i>	138
	Learning Objectives	138
	Legal/Global Political Systems	138
	Legal Issues for Global Marketing	139
	Intellectual Property Issues: Trademarks, Copyrights, and Patents	141
	Trade Regulations	148
	Marketing Mix Regulations	151
	Regulation of Communication	153
	Political Risk	155
	Measuring Political Risk	156
	The Case of Terrorism	160
	Managing Political Risk	162
	Summary	164
	Discussion Questions	164
	Experiential Exercises	164
	Key Terms	165
	Case 4.1 <i>A Tortuous Road Ahead for Proton of Malaysia</i>	167
5	<i>Integrating Global, Regional, and National Markets</i>	173
	Learning Objectives	173
	Introduction	173
	Regionalism or Globalism?	175
	Regional Trade	176
	Regional Economic Blocs	178
	Free-Trade Areas	180
	Customs Unions	182
	Common Markets	182
	How “Free” Is Intra-EU Trade?	183
	Free Versus Fair Trade	188
	Emerging Markets	189
	The BRIC Countries	191

The Future Potential of Emerging Nations	193
Summary	195
Discussion Questions	195
Experiential Exercises	196
Key Terms	196
Case 5.1 <i>Understanding Global Consumer Behavior in Aesthetic Surgery</i>	198

PART II

Global Marketing Functions and Strategies 203

6	<i>Conducting Global Marketing Research</i>	205
	Learning Objectives	205
	Importance of Global Marketing Research	206
	Scope of Global Marketing Research	208
	The Global Marketing Research Process	222
	In-House Versus Outsourcing	228
	Analyzing the Data	228
	Reporting the Data	230
	Summary	234
	Discussion Questions	235
	Experiential Exercises	235
	Key Terms	236
	Case 6.1 <i>Estimating Demand in Emerging Markets for Kodak Express</i>	238
7	<i>Entering Global Markets</i>	247
	Learning Objectives	247
	Introduction	247
	Methods of Entry to International Markets	249
	Export Modes	249
	Intermediate Entry Modes	261
	Intermediate Modes with Contract-Based Agreements	262
	Intermediate Modes—Equity-Based Agreements	277

Hierarchical Modes	283
Factors That Influence Mode of Entry Decision Process	285
Dynamics of Market Entry	288
Summary	290
Discussion Questions	290
Experiential Exercises	291
Key Terms	291
Case 7.1 <i>Huawei Enters the United States</i>	295

8 *International Market Planning* 305

Learning Objectives	305
Internationalization	305
The Ansoff Expansion Model	308
Motivation to Internationalize	310
Theories of Internationalization and Market Entry	314
Patterns and Measures of Internationalization	330
Measures of Internationalization and Competitiveness	332
Concentration Ratios	333
Summary	334
Discussion Questions	335
Experiential Exercises	335
Key Terms	335
Case 8.1 <i>Hummus Bar: Dipping into International Markets</i>	339

9 *Segmenting, Targeting, and Positioning for Global Markets* 347

Learning Objectives	347
Introduction	347
Global Market Segmentation and International Market Selection	348
Macro-Segmentation: First Screening	350
Prioritization: Second Screening	350
Micro-Segmentation	356
Targeting	365

Positioning	372
Summary	377
Discussion Questions	377
Experiential Exercises	378
Key Terms	378
Case 9.1	<i>Hong Kong Disneyland: Chinese Tourists' Behavior and Disneyland's Internationalization Strategy</i> 380

PART III

The Four Ps of Global Marketing 387

10 *Developing Global Products and Brands* 389

Learning Objectives	389
Introduction	389
Looking for New Growth Opportunities: The Product Life Cycle Across Countries	391
The Standardization Versus Adaptation Dilemma	397
Product Use	402
Product Perception and Expected Benefits	403
Product Attributes	405
Regulations and Standards	407
Physical Characteristics	408
Style and Design, Color and Product Quality	409
Packaging	412
Branding	414
Country of Origin and Place Branding	419
Service Attributes	424
Product Strategies in International Markets	425
Management Orientation	427
Summary	428
Discussion Questions	428
Experiential Exercises	428
Key Terms	429
Case 10.1	<i>The Brand Called You: Marketing Yourself for Success Globally</i> 435

11	<i>Setting Global Prices</i>	439
	Learning Objectives	439
	A Challenging Decision	439
	Factors Influencing Pricing Decisions	442
	Cost- Versus Market-Based Approach	457
	New Product Pricing: Skimming Versus Penetration Pricing	459
	Standardization Versus Adaptation of Pricing Policies	460
	Centralization Versus Decentralization	463
	Pricing Strategy Prototypes	464
	Transfer Pricing	465
	Terms and Methods of Payment	466
	Countertrade	467
	Summary	467
	Discussion Questions	468
	Experiential Exercises	468
	Key Terms	468
12	<i>Global Placement and Distribution Channels</i>	473
	Learning Objectives	473
	The Power of Distribution	473
	Factors Influencing International Distribution Decisions	474
	Internal Factors	475
	External Factors	477
	Managing International Distribution Channels	480
	Types of Channel Intermediaries	486
	Internet Retailing	490
	Internationalization of Retailing	491
	Physical Distribution	495
	Summary	499
	Discussion Questions	500
	Experiential Exercises	500

Key Terms	501
Appendix	501
Case 12.1	<i>FHM—Adapting to Make an International Publishing Brand</i> 509

13 *Launching Global Communication and Advertising* 512

Learning Objectives	512
A Regional Brand Goes International	512
Global Integrated Marketing Communications	517
Globalized Versus Localized Communication	524
Global Advertising Strategy	529
Adapted Advertising	532
Legal Constraints	534
Culture, Symbols, and Traditions in Advertising	539
The Global Advertising Agency	540
Practical Communications Activities	544
Summary	551
Discussion Questions	551
Experiential Exercises	552
Key Terms	552
Case 13.1	<i>Branding Orlando for Global Competitiveness</i> 556

Part IV

New Trends in Global Marketing 577

14 *Using Social Media for Global Marketing* 579

Learning Objectives	579
An Introduction to Social Marketing	580
Social Marketing Networks	580
The Networked Enterprise—Business Use of Social Networks	586
The Growth of Global Social Marketing Advertising	589
Social Media Use in the BRIC Countries	590
Case Studies of Global Social Marketing Campaigns	593

Legal Aspects of Social Marketing: The Privacy Question	594
The Use of Crowdsourcing as Social Media	596
Crowdsourcing Campaigns Around the World	597
Summary	598
Discussion Questions	599
Experiential Exercises	599
Key Terms	599
Case 14.1 <i>In Search of Book Sales—Social Media Marketing as a Tool for Search Engine Optimization</i>	601

15 *Designing and Controlling Global Marketing Systems* 604

Learning Objectives	604
Restructuring for Internationalization	604
Product-Based Organizational Format	606
Regional Organizational Format	607
Functional Organizational Format	609
Matrix Organizational Format	610
New Marketing Organization	612
Customer-Centered Organizations	613
Global Marketing Teams	616
Ambidextrous Marketing	618
Agile Marketing	622
Control Mechanisms	624
Informal Control Mechanisms	629
Corporate Culture	629
Management Selection and Training	629
Leadership	631
Summary	633
Discussion Questions	634
Experiential Exercises	634
Key Terms	634
Case 15.1 <i>Evalueserve Inc.: Establishing a Knowledge Outsourcing and Service Marketing Company</i>	637

16	<i>Defining Ethics and Corporate Social Responsibility in the International Marketplace</i>	645
	Learning Objectives	645
	The Cost of Doing Bad Business	646
	Ethics and the Law	649
	The Multinational as a Good Corporate Citizen	651
	Can a Company Afford Not to Be Ethical?	658
	Social Responsibility Pays	660
	Anti-Bribery Agreements and Legislation	661
	Anti-Corruption Legislation in the BRIC Countries	667
	Summary	672
	Discussion Questions	672
	Experiential Exercises	673
	Key Terms	673
	Case 16.1 <i>A Case on Serious Problems in Creating a Partnership in Russia</i>	676
	<i>Index</i>	681

Figures

1.1	Images of Africa	4
1.2	Internet Contribution to Gross Domestic Product, by Country, 2012, % of GDP	8
1.3	Solar Photovoltaik, Global Export Share in %	10
1.4	Discrepancy Between Rich and Poor	22
1.5	The Need for Localizing Value by Business Function (Global Integration Versus Local Responsiveness Grid)	29
1.6	McDonald's in Malaysia and Russia	31
1.7	Global Marketing in Developed and Emerging Markets	34
1.8	A Framework for Global Marketing	35
1.9	Global Marketing Book Organization	37
2.1	A Typical Tourist Hotel in Tunisia	48
2.2	Parts of the Former Wall in Berlin	64
2.3	Aging Population	72
2.4	Green and Healthy Products	81
3.1	Relationships Matter in India	99
3.2	Spanish-Speaking in the US and Top Spanish-Speaking Countries	101
3.3	Learning Mandarin Has Increased in Attraction	101
3.4	The Stylized S-Symbol Is Used for the "S"parkasse (Savings Bank) and Here Also Serves as the "s" In Haupt"s"tadt (Capital City of Berlin, Germany)	103
3.5	Color Chart	104
3.6	Culture Embedded in Architecture (China and Germany)	105
3.7	Early Conceptions of National Culture	107
3.8	Example of Non-Verbal Communication	121
5.1	"Buy American" Advertisement	174
5.2	Merchandise Trade in the Triad (\$ Billion, 2013)	177
5.3	An Example of Trade Diversion	181
5.4	World Bank, 2011	195
6.1	Impact of Marketing Research	210
6.2	Sources of Data	213
6.3	Health-Care Companies Must Develop a Range of Big-Data Capabilities	216
6.4	The Research Process	223
6.5	A Marketing Information Requirements Model	233
7.1	Investment, Risk, and Control Considerations in Selecting Entry Mode	250
7.2	Indirect and Direct Export	250
7.3	Main Types of Intermediaries in Indirect Export	251
7.4	Example of Cooperative Exporting	253
7.5	Main Types of Intermediaries in Direct Export	254
7.6	Example of Distributor Selection Process	256
7.7	Hard Rock Café in Amsterdam (The Netherlands) and Denver (US): More Than 140 Franchising Stores Worldwide	266
7.8	World of Coca-Cola in Atlanta (Georgia, USA)	266
7.9	Direct and Indirect International Franchising	267

7.10	Master Franchising	268
7.11	Area Developer Agreement	268
7.12	Area Representative Manager	269
7.13	Direct and Indirect Piggyback	271
7.14	Strategic Alliance (Contractual JV) and Equity IJV	277
7.15	Examples of Downstream and Upstream IJV	279
7.16	X-Form Equity Joint Venture	280
7.17	Y-Form Equity Joint Venture	281
7.18	Example of a Sales Subsidiary of a US Company in the Spanish Market	284
7.19	Example of a Sales and Production Subsidiary of a US Company in the Spanish Market	284
8.1	Estée Lauder Cosmetics	307
8.2	Ansoff Matrix	308
8.3	An Incremental Approach to the Internationalization of the Firm	320
8.4	Illustration of a Multinational Firm's Network	322
8.5	Chinese Carmakers Trying to Catch Up	327
9.1	Market Selection Process	350
9.2	First Screening: An Example of Macro-Segmentation	351
9.3	An Example of Second Screening Based on the McKinsey/General Electric Matrix	353
9.4	Segmentation Methods	357
9.5	An Example of Multinational Segmentation	358
9.6	An Example of Global Segmentation and Identification of Horizontal Segments	360
9.7	The Apple Store in Place de l'Opéra in Paris	364
9.8	An Outdoor Advertising of the Fashion Brand Dirk Bikkemberg in Milan	364
9.9	Sales Response Function	369
9.10	Brand Positioning Strategy	373
9.11	An Example of a Positioning Map in the Fashion Industry	374
9.12	Victoria & Albert (2000) An Example of Moroso Famous Creations	376
10.1	Starbucks in China	391
10.2	The Product Life Cycle (PLC)	392
10.3	PLCs Across Different Countries for a Specific Product	393
10.4	A Chinese Child with Kaidangku	394
10.5	Illy in a Cafeteria in Germany	396
10.6	Bulgari in an Outdoor Advertising: An Example of Manufacturer's Brand	417
10.7	A Louis Vuitton Store in the US	418
10.8	An Example of Hybrid Country-of-Origin	421
10.9	Gucci in an Outdoor Advertising in Rome	422
11.1	Bike Department in a Chinese Supermarket in Shanghai	444
11.2	Foreign Car Brands in China	455
12.1	Valentino in Neimann Marcus US Department Stores	476
12.2	International Distribution Channel Options	481
12.3	L'Oréal Advertising in Venice	484
12.4	Examples of Traditional and Modern Retailing Formats in China	489
12.5	LU Biscuit Brand in a Chinese Supermarket	490
12.6	A Dior Boutique in China	493
12.7	Local Assortment in a Carrefour Store in China	495
12.8	Transportation of Goods in Beijing	496
12.9	Flora Holland Flower and Plants Ready to Be Delivered After the Auctions	499
13.1	L'Occitane en Provence	513
13.2	Individual Elements in Integrated Marketing Communications	517
13.3	McDonald's: An Example of a Global Brand	525
13.4	Localization Road Map	529
13.5	Worldwide Major Media Channel Totals in 2014	530

13.6	Pattern Advertising: Vodafone in Spain and Germany	535
13.7	The Communications Development Process	545
13.8	Brand Key Model	546
14.1	A Social Network	583
14.2	Benefits of Social Media Marketing	587
14.3	Business Use of Social Marketing	587
14.4	Social Network Ad Revenues Worldwide	589
14.5	Objectives of Social Media Engagement	592
15.1	Global Product Lines Structure	607
15.2	Global Regional Structure	608
15.3	Global Functional Structure	609
15.4	Global Matrix Structure	610
15.5	Shopping Mall in Beijing with an Advertisement for Aimer	618
15.6	Variants of Marketing Ambidexterity	619
15.7	Customer Lifetime Value as a Measure for ROMI	628
15.8	The CTO at the Nexus of Marketing Roles	632
16.1	Law and Ethics	650
16.2	Home and Host Countries Influence Ethical Decisions	650
16.3	Who's Doing Well by Doing Good	660
16.4	2014 Corruption Perceptions Index	662
16.5	Global Spread of Sedex Members	667

Geo Maps

1.1	Embrapa	10
1.2	NowFloats	16
2.1	Map of Europe	66
2.2	Samsung	70
2.3	BYD	78
3.1	Häagen-Dazs	113
3.2	Grameenphone	117
4.1	Cuba	141
4.2	Eurasian Patent Organization	144
4.3	Geneva	153
5.1	European Union	175
5.2	Asunción, Paraguay	185
5.3	Association of Southeast Asian Nations	186
5.4	Gulf Cooperation Council (GCC)	188
6.1	Tesco	208
6.2	Toyota	231
7.1	Diageo	259
7.2	Benetton	263
7.3	Parkson	274
8.1	VW	317
8.2	Arcor	321
8.3	Chang'an Automotive	324
9.1	Nielsen	363
9.2	AJE Group	366
10.1	Beiersdorf	395
10.2	Heineken	405
10.3	Ito En Group	409
11.1	Evyap	443
11.2	GlaxoSmithKline	453
12.1	H&M	492
12.2	Inditex	498
13.1	HSBC	526
13.2	VISA	542
15.1	Tektronix	626
15.2	Fiat	630
16.1	Asian Development Bank	648
16.2	International Labor Organization	652

Tables

1.1	Transnational Corporations and Countries: Top 8 World Companies	23
1.2	Major Online Communities Worldwide	23
1.3	EPRG Framework, Mindset, and Strategy	27
1.4	Top-10 Firms in the Global Forbes List 2004 and 2013	32
2.1	A PESTEL Analysis of the Macro-Global Environment	49
2.2	Leading Exporters and Importers in World Merchandise Trade, 2012 (Billion US\$ and Percentages)	51
2.3	Leading Exporters and Importers in World Services, 2012 (Billion US\$ and Percentages)	52
2.4	China's Balance of Payments (2008–12), in US\$ bn	53
2.5	Comparison Between Balance of Trade and Balance of Payment	54
2.6	Overview of Major Trade Theories	57
2.7	Gross National Income Per Capita, 2013, US\$	69
2.8	High-Tech Exports Globally (Adapted from: HSBC)	74
2.9	The World's Top 20 Non-Financial TNCs in 2013	77
2.10	Managerial Guidelines and Policy Implications for Improving the Profitability of Green Products	84
3.1	Countries with the Largest Cultural Diversity Indices	100
3.2	Hofstede's Cultural Dimensions	110
3.3	Hofstede's Cultural Dimensions (Based on Hofstede)	112
3.4	Some Societal Clusters of Countries	117
3.5	GLOBE Cultural Dimensions	118
3.6	Comparison Between Different Concepts of Culture and Distance	120
3.7	What to Do If You Are Late	123
3.8	Some Differences Between Monochronic and Polychronic Action	124
3.9	India's Infrastructure Compared to China and the United States	127
3.A	Hofstede's Dimensions of Culture	130
4.1	Patent Applications by Country (2013)	145
4.2	Top 20 Economies in Commercial Value of Pirated PC Software, 2011	147
4.3	GATT Trade Rounds	149
4.4	Categories (Identification) of Political Risk	155
4.5	Political and Operating Risks, October 2014	157
4.6	A Political Risk Assessment Matrix	159
4.7	Top 10 High Risk Countries	162
4.8	Risk Management Strategies	163
5.1	Who Are the World's Largest Merchandise Exporters and Importers? (US\$ Trillions—2011)	177
5.2	TNCs' Top Prospective Host Economies, 2013–15	179
5.3	The EFTA Network: EFTA Agreements	182
5.4	NAFTA and the EU (\$ Millions, 2011)	183
5.5	Trade Agreement Examples	184
5.6	Population and GDP of ASEAN Members	187
5.7	Strengths and Weaknesses of the BRIC Countries	192

5.8	Relative Time to Register Property and to Finalize Real Estate Contracts in Selected Countries	193
5.9	globalEDGE Market Potential Index	194
6.1	Traditional Versus Emerging Marketing Research Industry	207
6.2	Comparing Qualitative and Quantitative Research	213
6.3	Preferred Methods of Conducting Global Marketing in Different Countries	222
6.4	Selecting Research Instruments	227
6.5	Global Marketing Research Organizations	229
7.1	Advantages and Disadvantages of Export-Based Modes	255
7.2	International Licensing: Advantages and Disadvantages for Licensor	264
7.3	International Franchising: Advantages and Disadvantages for Franchisor	269
8.1	Differences in the Outward Direct Investment Motives of Chinese SOEs and Non-SOEs	311
8.2	A Comparison Between Different International Sportswear Companies and Their Internationalization Strategies	314
8.3	Summary of Theoretical Perspectives to Explain Emerging Market Firms' Internationalization Processes	315
8.4	Network Versus Market-Based Relationships	323
8.5	Different Internationalization Patterns	330
8.6	A Matrix with Internationalization Patterns and Examples from Retailing	331
9.1	An Example of Prioritization of Countries on Market Attractiveness and Competitive Position	352
9.2	An Example of Second Screening Based on Portfolio: Analysis	354
9.3	An Example of Calculation of Market Potential by Analogy	355
9.4	Main Segmentation Variables in Global Marketing	358
10.1	Anheuser-Busch InBev Product Portfolio: Global, International, and Local Brands in North America and Europe	416
10.2	Heartbrand Ice Creams by Unilever: A Unique Logo for Different Brand Names	419
11.1	Export Price Escalation: An Example for Coffee in the Retail Channel	450
11.2	The Economist's Big Mac Index: Some Examples	452
11.3	Profit Contribution Pricing: An Example of a French Company Exporting Wine in the German Market	458
12.1	Distribution Channels for L'Oréal Brands	484
13.1	Classic Versus Integrated Marketing Communications	523
13.2	Top Global Brands in the World (2013)	524
13.3	Country-Specific Advertising Styles	539
13.4	Net US Digital Ad Revenue Share, by Company, 2012–16 (% of Total Media Ad Spending)	541
13.5	Preferred Advertising Agencies as Rated by CMOs	542
13.6	Factors Determining Advertising Agency Selection and Termination	544
13.7	Example of a Brief	550
14.1	Top Social Networking Websites	581
14.2	Young Much More Likely to Use Social Networking	585
14.3	Owners of Social Media Accounts as a Percentage of Internet Users	590
14.4	Motivation to Use Social Media	591
14.5	Daily Visits to Social Media in the BRIC Countries	591
16.1	Countries and the Prevalence of Bribery	649
16.2	Ethical Philosophies for Making Ethical Decisions	650
16.3	The Shifting Landscape of CSR in China	656
16.4	CSR in India	657
16.5	Ten Largest Companies in India (2012)	657
16.6	Anti-Bribery Organizations	662
16.7	Examples of Signatories to the "Call"	664
16.8	Moral Values and Principles of Selected Firms	671

Boxes

1.1	Country-in-Focus	South Africa	7
1.2	Person-in-Focus	Thomas Friedman	12
1.3	Company-in-Focus	VW Versus Toyota	13
2.1	Country-in-Focus	Brazil	52
2.2	Person-in-Focus	Mikhail Gorbachev	65
2.3	Company-in-Focus	Alibaba	78
3.1	Company-in-Focus	An Issue of Sub-Cultures	99
3.2	Person-in-Focus	Carlos Ghosn	108
3.3	Technology-in-Focus	Lenovo	122
3.4	People-in-Focus	The Chuppies Are Here	126
4.1	Country-in-Focus	China	142
4.2	Company-in-Focus	McDonald's	143
4.3	Technology-in-Focus	Trade Secret Protection	148
5.1	Country-in-Focus	China Loses Its Allure	178
5.2	Technology-in-Focus	Emerging Markets	189
5.3	Company-in-Focus	Whirlpool	191
6.1	Company-in-Focus	Attensity Europe GmbH	211
6.2	Country-in-Focus	Conducting Research in India	219
6.3	Technology-in-Focus	Online Communication and Text Messaging	221
7.1	Company-in-Focus	Diageo	258
7.2	Technology-in-Focus	Fujitsu and Cisco	276
7.3	Country-in-Focus	India	289
8.1	Country-in-Focus	Africa and China	312
8.2	People-in-Focus	John Dunning	318
8.3	Company-in-Focus	Seaflex AB	329
9.1	Technology-in-Focus	Consumer Segments and Technology Adoption	363
9.2	Country-in-Focus	Targeting Kids in the Global Toys Market	367
9.3	Company-in-Focus	Moroso	376
10.1	Country-in-Focus	Africa	406
10.2	Technology-in-Focus	Nokia	410
10.3	Company-in-Focus	Pasta Barilla	423
11.1	Company-in-Focus	Coca-Cola and Wahaha	443
11.2	Country-in-Focus	Japan and China	446
11.3	Technology-in-Focus	Using Big Data to Make Pricing Decisions	456
12.1	Company-in-Focus	Procter & Gamble in China	479
12.2	Technology-in-Focus	Multichannel Coordination Requires IT Investments	485
12.3	Country-in-Focus	China and India	497
13.1	Technology-in-Focus	Adapting B2B Sales Promotions to Local Tastes	520
13.2	Country-in-Focus	Advertising in Cuba	533
13.3	Company-in-Focus	Venable LLP	538
14.1	People-in-Focus	Orkut Büyükkökten	582
14.2	Company-in-Focus	Chilean Wines in China	588

14.3	Country-in-Focus	Egypt	595
15.1	Company-in-Focus	Allianz Global Corporate & Specialty	611
15.2	Person-in-Focus	Mike Lawrie	622
15.3	Technology-in-Focus	Agile Marketing in Marketing Technology	624
16.1	Country-in-Focus	Brazil	653
16.2	Company-in-Focus	Lenovo China	656
16.3	Company-in-Focus	Indian Institute of Management	669

PART I

*Global Marketing
Environments*

This page intentionally left blank

CHAPTER 1

Understanding Global Markets and Marketing

Marketing is not a function, it is the whole business seen from the customer's point of view.

Peter F Drucker, US management consultant

LEARNING OBJECTIVES

After Reading This Chapter, You Should Be Able to:

- Understand the history of globalization and how it impacts marketing strategy.
- Define what is meant by “global marketing.”
- Identify major trends of the past and the future that influence global marketing.
- Understand the general discussion of adaptation versus standardization.
- Adapt global marketing for high-technology firms.
- Understand how to adapt global marketing to emerging market countries (4As).
- Adopt a Global Marketing Management framework that helps structure decisions.

GLOBAL MARKETS TODAY

Africa's economic performance has improved greatly since the turn of the century, leading to notable gains in gross domestic product (GDP) per capita and lower levels of poverty. Several African countries are expected to be among the fastest growing countries in the world over the next decade. The following countries are expected to have the most potential for luxury goods demand expansion: Angola, Egypt, Ethiopia, Ghana, Kenya, Morocco, and Nigeria. The baseline expectation is that economic activity will expand by more than 5 percent per annum (p.a.) in all selected countries except Egypt by 2020. While on the aggregate, the African luxury good sector remains in its infancy, taking into account the demographic dividend and rising per capita GDP levels, the potential for expansion remains vast.¹ Especially, small African companies have the ambition to introduce luxury products to the outside world. Often, these products have a strong link to their home country and also want to sell the African spirit or experience (Figure 1.1).

FIGURE 1.1

Images of Africa
 Source: www.pixabay.com (Free Pictures,
 Compiled by Author)



For instance, African company YSWARA, founded in 2013 by entrepreneur Swaady Martin-Leke, is a South African boutique that first focused on selling tea and now also sells candles of soy wax and essential oils that can be used as a moisturiser once they have melted. Some 13,000 tins of tea and more than 3,000 candles have been sold at outlets in 10 countries, from Nigeria to Norway and Kenya to Sierra Leone, mainly to hotels and other businesses but also directly to retail customers. The company's strategy for the future is to expand the product range to include honey, chocolate and other gourmet items that would have a distinctly African feel.² YSWARA is a luxury brand and delivers little pieces of Africa every day. Founder and CEO Swaady Martin-Leke explains that "we have a worldly and soulful approach that encompasses a prevailing monthly theme such as 'identity', 'love', 'passions and dreams', 'knowledge and learning' and happiness. Through these themes we will explore meaningful topics under the 4 main categories of style, art and culture, travel and soul." She goes on to say that "many people perceive luxury brands in a materialistic sense, but true luxury brands have deeper meanings and aims; they are vital for culture's survival and renewal."³

Increasing luxury demand is also present in other countries. Just have a look at one of the Prada shops in Beijing's major shopping streets. The increasing interest of Asian customers in luxury products is more than a shallow indicator of how the purchasing power in different parts of the world changes. Especially Chinese customers are increasingly exposed to luxury goods through the Internet, overseas

travel, and first-hand experience. As a result, they have become more discerning. Once a country has a middle class, luxury in the form of status symbols will sell. In fact, China accounted for about 20 percent, or 180 billion renminbi (\$27 billion⁴), of global luxury in 2015, according to new McKinsey research.⁵ There are many other examples outside the luxury sector that illustrate how the world's largest companies have reconsidered their major target markets and how they have been forced to compete with companies from emerging markets, such as China, Russia, Brazil, India, and others. For instance, Brazil's JBS and Cosan are the global number one in food processing and biofuels respectively. Or take Russia's Gazprom as number one in energy (excluding oil) and India's Infosys and Wipro, both number five in information and outsourcing services. And finally, have a look at the Chinese automotive market, where traditional US-American and European brands like Ford, Daimler, VW, Audi and others are fiercely competing for market share. As Ford reports, China sales surged to about 840,000 vehicles in the first 11 months in 2014, up more than 50 percent from a year earlier amid an effort to double production capacity in the country by 2015. The carmaker has said it introduced 15 new models in China between 2011 and 2015, including for the luxury brand Lincoln and the classic Mustang muscle car.

It seems that products are selling everywhere, with consumers becoming similar in preferences, life-style, and aspirations. Kenichi Ohmae calls this the **"Californization of Need."**⁶ In essence, it means that whatever their nationality, global citizens get the same information and want the prestige that comes with certain kinds of consumer products—fashion, international cuisine, electronics, entertainment, and news. Furthermore, outside the luxury segments, they often want the products for the lowest prices which emerging market multinationals are more likely to offer given their favorable labor conditions. That is, global competition is becoming tougher in a world without boundaries.

Local Preferences in Global Markets

However, there is another, seemingly opposite trend. Consider this: In Copenhagen, 18-year-old Hanna logs on to a Canadian website, orders the latest CD recorded by Madonna, and pays for it in kroner, using a Danish credit card issued by her local bank. Her cousin Jacques, visiting from France, logs on to a consumer electronics site, where he notices an advertisement for a new recording gadget developed in Japan but not available in European stores. Jacques enters a search engine and finds that the gadget is available for sale in Macau. He orders the gadget from a Macau dealer, has it sent to his home address in Paris, pays for it in euros, and receives a receipt for payment sent to his e-mail address. These transactions represent global marketing that permits buyers and sellers the world over to meet and do business online in virtually any language and currency, with ease, precision, security, and reliability. Why is this? Because companies face consumer needs that are, despite all global harmonization, different across countries, religions, peer groups and cultures; marketing channels vary, preferred means of payment are not the same, and

language choice is important for customer satisfaction. Even more, **the identification of local preferences can lead to true innovations**. Take a look at the Swiss company Nestlé. Product “taste adaptation” is something the company is already implementing in China and is now employing in West Africa as well. Nestlé’s local markets are supplied by imported base ingredients, such as onion powder, wheat flour as well as chillies grown in Europe. The R&D centre in Abidjan is looking at ways to prepare Nestlé products using locally sourced ingredients, such as cassava, sorghum, and millet. In addition, it is creating new and improved products that access a previously untapped market—consumers who prefer local products. If these products are successful, they will also create a new market for African farmers.⁷ In each corner of the world, there are inherent characteristics that need to be respected.

In this textbook, we will place a **major focus on emerging markets**, both as a target market for Western companies, and as a driver of innovation and competitiveness in its own right, based on new rules and principles that emerging market firms have introduced in less than a decade. Many emerging market firms have managed to enter the global landscape because they have developed new and unconventional products or business models, often with the help of new technologies or the Internet. These new developments cannot be understood without a thorough appreciation of the underlying technologies. Learning from emerging markets instead of adopting a predominantly Western mantra is our proposition. In addition, there are many other trends that shape our global business landscape.

For instance, **global ethics and social responsibility** have turned into very important subjects. Many international MBA programs have already included an ethics module in their course plan. The reason is obvious. For instance, France’s Société Générale, or Germany’s Siemens (SI), have admitted to nearly \$2 billion in bribes, leading to the resignations of both its board chairman and its CEO in 2007. It is even more critical for companies and individual managers to develop a set of global values and a global code of conduct. Operating ethically requires much more than a code of conduct. The CEO and top management must engage with employees around the world to insist on transparency and compliance. Otherwise, they will never know what’s going on. The company must have a closed-loop system of monitoring and auditing local marketing practices. The “don’t look, don’t tell” approach is bound to destroy your company’s reputation. High standards must be enforced with a zero tolerance policy.⁸ While it is certainly not easy to teach ethics at a business school, it is necessary to sharpen one’s mind about any kind of fraud, corruption or a combination of pressure one is exposed to. This is especially the case when individual managers need to decide against short-term profits and socially responsible behavior, like for instance, the refusal of animal testing (or specific conditions that accompany this procedure) or the initial use of drugs in emerging market countries, where there is no shortage of people willing to receive free treatment despite the risks (Box 1.1). While this tendency may be true for several countries, Africa is a very pertinent case because of its many countries below the poverty line.

The preceding examples illustrate that the global market place exhibits several characteristics and is not always easy to analyze and classify. As a result, many

Box 1.1 Country-in-Focus: South Africa

Drug Testing in South Africa

While many countries have set ethical standards for clinical trials, this is not a guarantee they will be respected by those who perform the trials. “The problem is implementing these [ethical] guidelines and the imperialistic attitude of researchers and sponsors who come to the country and frequently disregard our process,” Ames Dhai, director of the Steve Biko Centre for Bioethics at the University of Witwatersrand, South Africa adds.

By 2008, for example, there were three times as many developing countries participating in clinical trials registered with the US Food and Drug Administration than there were in the entire period between 1948 and 2000, with many “transitional” countries, such as Brazil, China, India, Mexico and South Africa, taking part.

The main incentive for developing countries is the promise of advanced medical science and access to the latest medications. However, the process of putting in place a legal and ethical framework to protect participants is not going at the same pace in many of these countries, the meeting heard.

According to Sonia Shah, author of *The Body Hunters: Testing New Drugs on the World's Poorest Patients*, up to 80 percent of patients recruited in some developing countries are not informed about the nature of the study they are taking part in. In addition, many of them do not feel free to quit the trial, because they think that they or their children will lose out on good healthcare or treatment if they abandon it.

Sources: SciDevNet, The Guardian.com, Monday July 4, 2011, <http://www.theguardian.com/global-development/2011/jul/04/ethics-left-behind-drug-trials-developing> [Accessed: January 15, 2015]; Wemos Foundation (2013). ‘The clinical trials industry in South Africa: Ethics, rules, and realities.’; Fahsi, M. (2013). ‘Medical neocolonialism: Big pharma outsources unethical clinical trials to South Africa.’ Mint Press News, July 22, 2013.

business organizations must choose a global marketing strategy to enable them to win market share and capture and retain current and prospective customers. Marketing is becoming more important as organizations around the world strive to develop products and services that appeal to their customers and aim to differentiate their offering. Global marketing is by no means an easy approach to develop a profitable company but we believe that global marketing strategy is the key to attaining global competitive advantage. Therefore, the objective of this book is to show how a successful global marketing strategy can be developed and sustained.

In this introductory chapter, we will discuss the following questions in detail: How does technology support globalization? What exactly is globalization and how does it affect global marketing? What are the trends that have influenced global marketing so far and what are future developments? How can you develop global marketing strategies, both in developed and in emerging markets?

TECHNOLOGY AIDS GLOBALIZATION

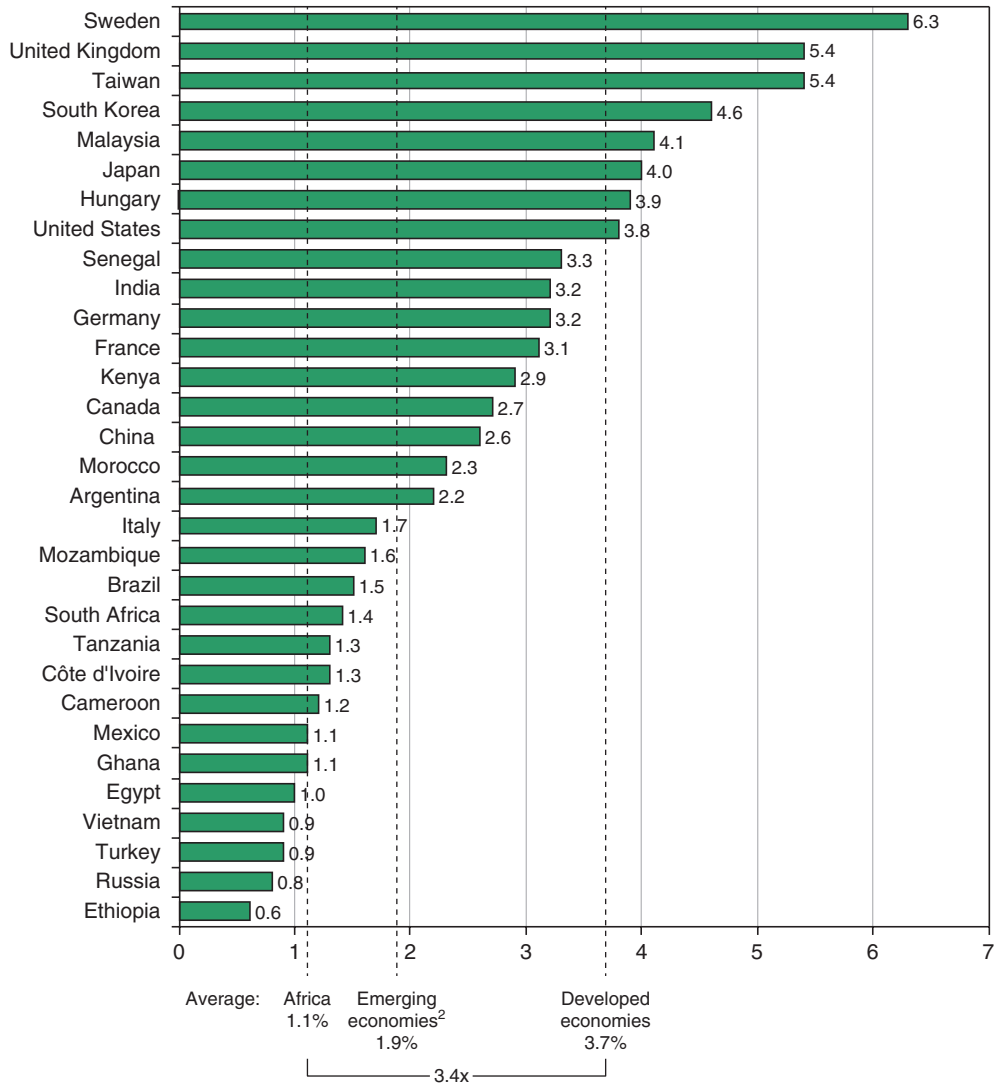
Technology Drives Emerging Market Growth

With many emerging market players becoming global, issues such as co-creating companies' products together with world consumers (i.e. joint idea development, or co-manufacturing), marketing innovative and/or high-tech products, entering new markets with new technologies and managing the digital revolution become

top priorities. In 2012, the Internet contribution to a country's revenues (iGDP) was significantly higher for developed countries, with Sweden leading the ranking. But emerging countries, especially in Africa, are catching up. For instance, Senegal and Kenya, though not the continent's largest economies, have Africa's highest iGDPs, and governments in both countries have made concerted efforts to stimulate Internet demand (Figure 1.2). Consulting firm McKinsey says that by 2025, Africa's iGDP should grow to at least 5 to 6 percent, matching that of leading economies such as Sweden, Taiwan, and the United Kingdom. However, if the Internet achieves the same kind of scale and impact as the spread of mobile phones in Africa, iGDP could account for as much as 10 percent, or \$300 billion, of total GDP while producing a leap forward in economic and social development. Under this scenario, increased Internet penetration and use could propel private consumption 13 times higher than current levels.

FIGURE 1.2
Internet
Contribution to
Gross Domestic
Product, by
Country, 2012,
% of GDP

Source: Adapted from:
McKinsey. (2013).
http://www.mckinsey.com/insights/mgi/research/technology_and_innovation
[Accessed: December
22, 2013]



The impact of technology on the global markets is also manifested in the vitality index of products, i.e. the percentage of current year sales coming from new products. For instance, 3M's financial performance is driven by products based on its 46 technology platforms, and its product vitality index is currently at a healthy 33 percent. A glimpse into the future was presented at the International Consumer Electronics Show in Las Vegas in 2014, where self-driving shuttles and solar cars were on display. And while smartphones and tablets are leading spending in the consumer electronics space, consumer electronics is effectively entering the third industrial revolution, which will be based around mass customization. 3D printing, is a nascent market, as well as wearable high tech, or ultra HD TV. What all these products have in common is that nobody imagined them a couple of years ago—today they start revolutionizing the tech industry. Technological innovations are by no means limited to developing countries. For instance, **India is fast emerging as a global powerhouse economy**. Its leading companies are major players on the world stage, and India exhibits several success stories in innovation including green energy, clean technology, smart cities, sustainable food, and water supplies.

High-Tech as the Backbone for Global Competitiveness

Creating, exploiting and commercializing new technologies is essential in the global race for competitiveness and high-tech sectors and enterprises are key drivers of economic growth, productivity and social protection, and generally a source of high value-added and well-paid employment. High-tech can be defined according to three different approaches:⁹

- **the sector approach** looks at the high-tech manufacturing sector, medium high-tech manufacturing sector, and high-tech knowledge-intensive service sector, focusing on employment, and economic indicators;
- **the product approach** considers whether a product is high-tech or not and examines trade in high-tech products;
- **the patent approach** distinguishes high-tech patents from others.

If we take the first approach, in 2010, the European Union had almost 50,000 enterprises in high-tech manufacturing. High-tech manufacturers were most numerous in Germany, the United Kingdom, Italy and the Czech Republic, all together accounting for around 55 percent of the high-tech sector in the EU-27.¹⁰ The United Kingdom displayed the greatest number of enterprises in the high-tech knowledge-intensive services (KIS) sector (139,017), followed by Italy and France. As for the product approach, we can have a look at the high-tech sector of solar photovoltaic¹¹ and the export development share across countries (Figure 1.3). Chinese companies, including Suntech, JA Solar and Yingli have become major technology producers, with the largest share of their output exported. The solar photovoltaic (PV)