Global Marketing

WARREN J. KEEGAN

MARK C. GREEN

NINTH EDITION

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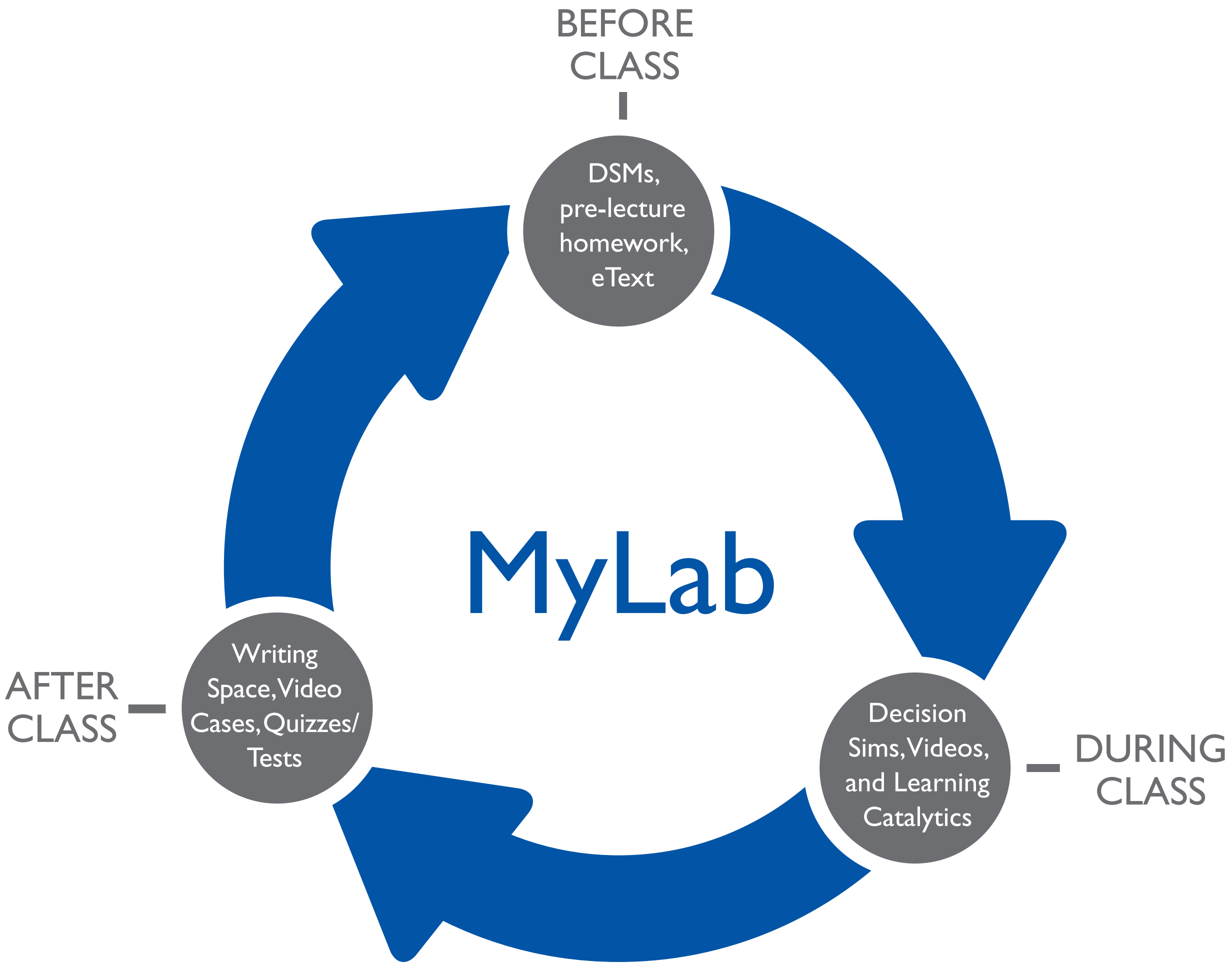

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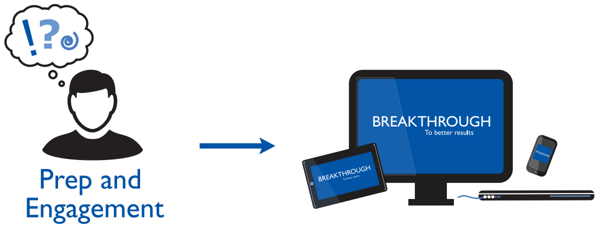

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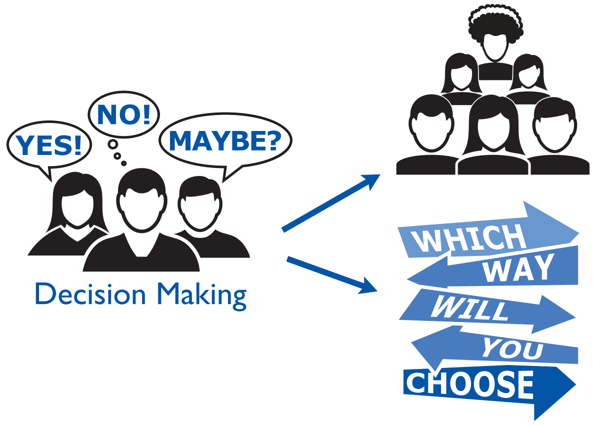

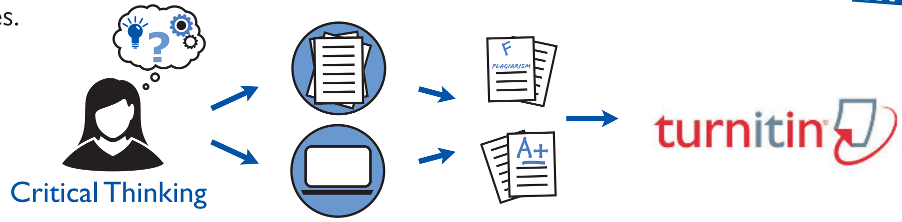

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To Cynthia, my wife, best friend,
and partner in living life creatively.

—WJK

In memoriam:
Warren J. Keegan 1936–2014

—MCG

GLOBAL MARKETING

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Preface

Global Marketing, Ninth Edition, builds on the worldwide success of the previous editions of *Principles of Global Marketing* and *Global Marketing*. Those books took an environmental and strategic approach by outlining the major dimensions of the global business environment. The authors also provided a set of conceptual and analytical tools that prepare students to successfully apply the 4Ps to global marketing.

We are proud that this Ninth Edition marks our 20th anniversary. The first edition appeared in September 1996 and was an immediate success. Our goal for all nine editions has been the same: to write a book that is authoritative in content yet relaxed and assured in style and tone. Here's what students have to say:

- "The textbook is very clear and easy to understand."
- "An excellent textbook with many real-life examples."
- "The authors use simple language and clearly state the important points."
- "This is the best textbook that I am using this term."
- "The authors have done an excellent job of writing a text that can be read easily."

When *Principles of Global Marketing* first appeared in 1996, we invited you to "look ahead" to such developments as the ending of America's trade embargo with Vietnam, Europe's new single market, Daimler AG's Smart car, Volkswagen's global ambitions, and Whirlpool's expansion into emerging markets. Those topics represented "big stories" in the global marketing arena and continue to receive press coverage on a regular basis.

Guided by our experience using the text in undergraduate and graduate classrooms and in corporate training seminars, we have revised, updated, and expanded *Global Marketing*, Ninth Edition. We have benefited tremendously from your feedback and input; we also continue to draw on our direct experience in the Americas, Asia, Europe, Africa, and the Middle East. The result is a text that addresses your needs and the needs of instructors in every part of the world. *Global Marketing* has been adopted at scores of colleges and universities in the United States; international adoptions of the English-language Global Edition include Australia, Canada, China, Ireland, Italy, Japan, Malaysia, Saudi Arabia, South Korea, Spain, and Sri Lanka. The text is also available in Albanian, Chinese (simplified and traditional), Japanese, Korean, Macedonian, Portuguese, Spanish, and Turkish editions.

What's New to the Ninth Edition

Thunderclap Newman once sang,

> "Call out the instigator,
> there's something in the air …
> we've got to get together sooner or later,
> because the revolution's here."

Indeed, something *is* in the air. Pro-democracy demonstrations in Hong Kong drew a harsh response from Beijing. Regional geopolitical developments in North Africa and the Middle East that have dominated headlines around the world continue to have a direct bearing on the content of this textbook. Years after popular uprisings in North Africa upended the long-entrenched political order, the region is still in transition. The political environment in Syria remains toxic. The Arab world is also witnessing the emergence of the Islamic State of Iraq and the Levant (ISIS), which threatens to further destabilize the region.

In addition, the repercussions of the global economic crisis continue to impact global marketing strategies. The lack of credit remains a key issue that is still squeezing companies and consumers; compounding the situation is a shift in consumer tastes and buying behavior.

Sluggish sales in key domestic markets have been a drag on revenues and earnings at global giants such as Coca-Cola, McDonald's, Tesco, and Walmart. The issue of income and wealth disparity has taken on new urgency; the recent best-selling book by French economist Thomas Piketty, *Capital in the Twenty-First Century,* has generated considerable discussion and controversy.

The sovereign debt crisis in the euro zone, while still not resolved, is not as acute today as it was a few years ago. High on the EU's agenda now are broader concerns about high unemployment levels and stagnant demand in Greece, Italy, Spain, and elsewhere. Layoffs are being announced on a weekly basis, including:

- Osram Licht AG (Germany): 7,800 jobs
- Halliburton (United States): 9,000 jobs
- Microsoft (United States): 7,800 jobs

To the east, Russia's dealings with Ukraine, and the tragic downing of a Malaysian passenger jet over Ukrainian air space by Russian-backed separatist rebels, have riveted the world's attention on President Vladimir Putin's leadership. The United States and the European Union responded by imposing trade sanctions. As the global price of oil crashed through the $100 per barrel mark, Russia's currency plunged. Between January 2014 and January 2015, the ruble lost half its value.

In the United States, the economic recovery has been the weakest since World War II despite record low interest rates. Even so, there is some good news. Wall Street is experiencing a bull market, with some stocks hitting record highs. The North American auto industry is rebounding; Europe's automakers, although still plagued by excess capacity, are also enjoying increased demand at home. Other bright spots: the rate of job creation in the United States is steadily improving, real estate values have bottomed out, and the uptick in demand for housing provides grounds for optimism.

Although all of these storylines continue to unfold as this edition goes to press, we have tried to offer up-to-date, original insights into the complexities and subtleties of these shifts in the external environment and their implications for global marketers. Other specific updates and revisions include:

- *Global Marketing* now offers Pearson's MyMarketingLab, an online resource to help students.
- Fifty percent of the chapter-opening vignettes and related end-of-chapter cases are new to the Ninth Edition. Holdover cases have been revised and updated.
- All tables containing key company, country, and industry data have been updated. Examples include Table 2-3, "Index of Economic Freedom"; all the income and population tables in Chapters 3 and 7; Table 10-2, "The World's Most Valuable Brands"; Table 13-1, "Top 25 Global Marketers"; and Table 13-2, "Top 20 Global Advertising Agency Companies."
- The discussion of the BRICS nations has been updated to incorporate the impact of slowing growth in China and the decline of commodity prices.
- New discussion of social media is integrated throughout the Ninth Edition. Chapter 15, "Global Marketing and the Digital Revolution," has been completely revised and updated to include discussion of location-based mobile platforms, cloud computing, tablets, wearable devices, and other cutting-edge topics.
- The Innovation, Entrepreneurship, and the Global Startup sidebar has been expanded to include profiles of more visionary business leaders from around the world.
- Income and population data in Chapter 3 have been reorganized for improved clarity, comparability, and visual impact.
- More infographics have been incorporated into the text to enhance clarity and visual appeal.
- To supplement their use of *Global Marketing*, Ninth Edition, faculty and students can access author updates and comments on Twitter, the microblogging Web site. In addition, the authors have archived hundreds of articles pertaining to global marketing on Delicious.com, the social bookmarking site (www.delicious.com/MarkCGreen).

Time marches on. As this edition goes to press in 2015, the Coca-Cola Company is celebrating the 100th anniversary of its iconic contoured bottle. It was 60 years ago, in July 1955, that Disneyland opened its gates in Anaheim, California. A number of golden anniversaries are also being observed. Moore's Law, named for Gordon Moore, turns 50. Also, it was 1965 when the Grateful Dead emerged from the San Francisco Bay area. As noted in the Chapter 1 sidebar, the Dead were harbingers of a new experimental culture that had far-reaching impact. It was 40 years ago, in 1975, that Vietnam was reunified after the fall of Saigon. April 2015 marked the 10th anniversary of YouTube, the Web site that dramatically impacted the way the world shares video content.

Unifying themes in earlier editions included the growing impact of emerging nations in general, and in Brazil, Russia, India, China, and South Africa in particular. We explored the marketing strategies used by global companies such as Embraer (Brazil), Lukoil (Russia), Cemex (Mexico), Lenovo (China), and India's Big Three—Wipro, Infosys, and Tata—to build scale and scope on the global stage. We then broadened our view to examine emerging markets as a whole. We noted that, prior to the world economic downturn, Mexico, Indonesia, Nigeria, Turkey (the so-called MINTs), and a handful of other emerging nations were rapidly approaching the tipping point in terms of both competitive vigor and marketing opportunity.

The path of the nascent economic recovery and the resulting shifts in global market opportunities and threats have dominated the news for the past several years. Terms such as *austerity, capital flight, currency wars, double-dip recession, global imbalances, global rebalancing, quantitative easing* (*QE*), and *sovereign-debt crisis,* still dominate the business news. New terms such as *tax inversion* are now part of the conversation as well. The euro zone crisis continues to dominate the news; there is ongoing speculation about both a "Grexit" (i.e., Greece leaving the currency bloc) and a "Brexit" (the United Kingdom leaving the EU). Job creation in Greece, Ireland, Italy, Portugal, and Spain continues to be a key issue; this is the opening case in Chapter 3. Meanwhile, the big news in Asia was China's overtaking Japan as the world's second-largest economy. China has also surpassed the United States as the world's leading manufacturer and, in 2014, became number 1 in terms of per capita purchasing power parity.

The above-mentioned trends are central to the Ninth Edition as well. As noted earlier, unprecedented social and political change is underway in North Africa. Sub-Saharan Africa's economies are rebounding from the global financial crisis at a rapid pace. Every day the business press contains another announcement that a global company plans to enter Africa or expand operations there. Bharti-Airtel, Coca-Cola, Ford, General Electric, IBM, Nestlé, and Walmart are among the companies that have joined the "final gold rush" into the world's last untapped market. At the same time, local champions such as United Bank of Africa and Dangote Industries are expanding across the continent and promoting the growth of Africa's middle class. "Africa 3.0," the lead-in case to Chapter 15, explores the way mobile phones are transforming business and home life in Kenya and across the continent. This is clearly a region that bears watching.

Current research findings have been integrated into each chapter of *Global Marketing*, Ninth Edition. For example, we have incorporated key insights from Seung Ho Park and Wilfried R. Vanhonacker's article "The Challenge for Multinational Corporations in China: Think Local, Act Global" that appeared in *MIT Sloan Management Review* in 2007. Similarly, we found Arindam K. Bhattacharya and David C. Michael's 2008 *Harvard Business Review* article, "How Local Companies Keep Multinationals at Bay," to be extremely insightful. And our thinking about the global/local market paradox has been influenced by John Quelch's 2012 book, *All Business is Local.*

Throughout the text, we have added scores of current examples of global marketing practice as well as quotations from global marketing practitioners and industry experts. Organizational Web sites are referenced for further student study and exploration. A Companion Web site (www.pearsonhighered.com/keegan) is integrated with the text as well.

End-of-Chapter Cases and Chapter Sidebars

Each chapter opens with a brief case study introducing a company, a country, a product, or a global marketing issue that directly relates to chapter themes and content. The cases vary in length from a few hundred words to more than 2,600 words, yet they are all short enough to be covered in a single class period. The cases were written with the same objectives in mind: to raise issues that will encourage student interest and learning; to stimulate class discussion; to give students a chance to apply theory and concepts while developing critical-thinking skills; and to enhance the classroom experience for students and instructors alike. Every chapter and case has been classroom-tested in both undergraduate and graduate courses.

The end-of-chapter case set strikes a balance between revisions and updates of cases from the Eighth Edition and cases that are new to this edition. Revised and updated cases include Case 1-2, "McDonald's Expands Globally While Adjusting Its Local Recipe"; Case 1-3, "Apple versus Samsung: The Battle for Smartphone Supremacy Heats Up"; Case 4-1, "Will Tourism Ruin Venice?"; Case 5-2, "President Barack Obama's 2014 'Christmas Surprise,'"; Case 5-3, "Gambling Goes Global on the Internet"; Case 8-1, "How Can the United States Double Its Exports?"; Case 9-1, "Starbucks Expands Abroad"; Case 11-1, "Global Automakers Target Low-Income Consumers"; Case 12-1, "Walmart's Adventures in India"; Case 15-1, "Africa 3.0"; and Case 16-1, "Volkswagen Aims for the Top."

New cases in the Ninth Edition include Case 2-1, "Venezuela After Chavez: The Case for Economic Freedom"; Case 3-1, "Global Trading Partners Look East and West for Economic Growth"; Case 5-1, "Will Western Sanctions Hurt Putin's Russia?"; Case 6-1, "Big Data: 'Number One with a Bullet' in the Music Industry"; Case 7-1, "Segmenting the Chinese Luxury Goods Market"; Case 10-1, "Google"; Case 13-1, "Coca-Cola: Using Advertising and Public Relations to Respond to a Changing World"; and Case 14-1, "Milan Expo 2015."

In addition, every chapter contains two sidebars on the following themes: Emerging Markets Briefing Book; Innovation, Entrepreneurship, and the Global Startup; and The Cultural Context. Among the entrepreneurs profiled are Kevin Plank (Under Armour), Blake Mycoskie (TOMS), Reed Hastings (Netflix), Diego Della Valle (Tod's), Travis Kalanick (Uber), Daniel Ek (Spotify), Oscar Farinetti (Eataly), Elon Musk (Tesla and SpaceX), Malcom McLean (containerization), Harry Gordon Selfridge (Selfridge & Company), and Jack Ma (Alibaba).

Instructor Resources

At the Instructor Resource Center, www.pearsonhighered.com/irc, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit http://247.pearsoned.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- **Instructor's Resource Manual**
- **Test Bank**
- **TestGen® Computerized Test Bank**
- **PowerPoint Presentation**
- **Student Companion Website**
- **Student Study Guide**

One of our challenges is the rate of change in the global business environment. Yesterday's impossibility becomes today's reality; new companies explode onto the scene; company leadership changes abruptly. In short, any book can be quickly outdated by events. Even so, we set out to create a compelling narrative that captures the unfolding drama that is in inherent in marketing in the globalization era. The authors are passionate about the subject of global marketing; if our readers detect a note of enthusiasm in our writing, then we have been successful. We believe that you will find 20th Anniversary Edition of *Global Marketing* to be the most engaging, up-to-date, relevant, useful text of its kind.

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This book reflects the contributions, labor, and insights of many persons.

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Finally, I wish to thank my wife, Dr. Cynthia MacKay, who is a constant source of inspiration, support, and delight, as well as my companion in global market field research trips (many by motorcycle).

Warren J. Keegan

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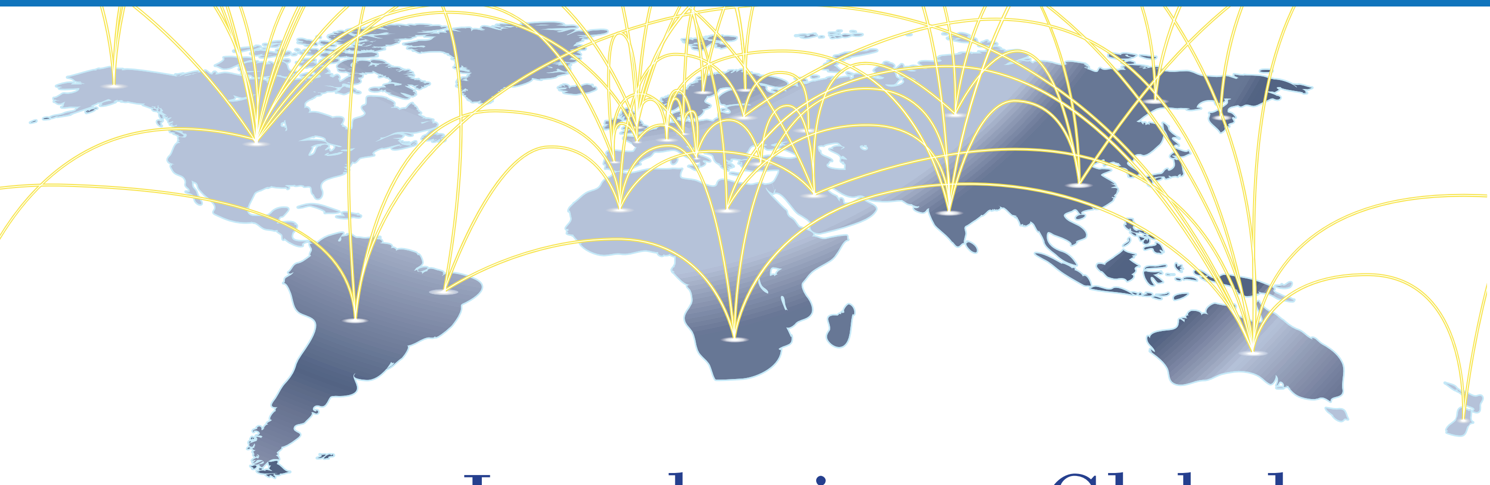

1 Introduction to Global Marketing

LEARNING OBJECTIVES

1-1 Use the product/market growth matrix to explain the various ways a company can expand globally.

1-2 Describe how companies in global industries pursue competitive advantage.

1-3 Compare and contrast single-country marketing strategy with global marketing strategy (GMS).

1-4 Identify the companies at the top of the Global 500 rankings.

1-5 Explain the stages a company goes through as its management orientation evolves from domestic and ethnocentric to global and geocentric.

1-6 Discuss the driving and restraining forces affecting global integration today.

CASE 1-1
The Global Marketplace Is Also Local

Consider the following proposition: *We live in a global marketplace.* Apple iPhones, Burberry trench coats, Caterpillar earthmoving equipment, Facebook, LEGO toys, McDonald's restaurants, Samsung HDTVs, and Swatch watches are found practically everywhere on the planet. Global companies are fierce rivals in key markets. For example, American auto industry giants General Motors and Ford are locked in a competitive struggle with Toyota, Hyundai, and other global Asian rivals as well as European companies such as Volkswagen. United States (U.S.)–based Intel, the world's largest chip maker, competes with South Korea's Samsung. In the global smartphone market, Apple (U.S.), BlackBerry (Canada), Motorola (China), and Samsung are dominant players. The globalization of the appliance industry means that Bosch, Electrolux, Haier Group, LG, and Whirlpool all compete for precious retail floor space and consumer awareness and preference.

Now consider a second proposition: *We live in a world in which markets are local.* In China, for example, Yum! Brands' East Dawning fast-food chain competes with local restaurants such as New Asia Snack and Haidi Lao. Likewise, the best-selling smartphone in China isn't marketed by Samsung or Apple; rather, Beijing-based Xiaomi enjoys that distinction. In Taiwan, 85C has

Exhibit 1-1 Salvatore Ferragamo, based in Florence, Italy, is one of the world's leading fashion brands. Emerging markets represent important opportunities for luxury goods marketers. As Ferruccio Ferragamo notes, "We cannot make enough to keep up with demand from the Chinese. They want their shoes not just 'Made in Italy' but often 'Made in Florence.'"
Source: Roussel Bernard/Alamy.

overtaken Starbucks as the largest chain of coffee shops. In India, Dunkin' Donuts goes head to head with local chain Mad Over Doughnuts. In Poland, many consumers frequent small, family-owned shops rather than huge stores operated by France's Carrefour and United Kingdom (UK)–based Tesco.[1] In Germany, the children's television powerhouse Nickelodeon competes with local broadcaster Super RTL. In Brazil, many consumers are partial to Guaraná Antarctica and other local soft drink brands made from guaraná, a berry that grows in the Amazon region.

The "global marketplace versus local markets" paradox lies at the heart of this textbook. In later chapters, we will investigate the nature of local markets in more detail. For now, however, we will focus on the first part of the paradox. Think for a moment about brands and products that are found throughout the world. Ask the average consumer where this global "horn of plenty" comes from, and you'll likely hear a variety of answers. It's certainly true that some brands—McDonald's, Dos Equis, Swatch, Waterford, Ferragamo, Volkswagen, and Burberry, for instance—are strongly identified with a particular country. In much of the world, Coca-Cola and McDonald's are recognized as iconic American brands, just as Ferragamo and Versace are synonymous with classic Italian style (see Exhibit 1-1).

However, for many other products, brands, and companies, the sense of identity with a particular country is becoming blurred. Which brands are Japanese? American? Korean? German? Indian? Where is Nokia headquartered? When is a German car *not* a German car? Can a car be both German *and* American?

At the end of this chapter, you will find the rest of Case 1-1. Taken together, the two parts give you the opportunity to learn more about the global marketplace and test your knowledge of current issues in global marketing. You may be surprised at what you learn!

[1] Jan Cienski, "The Man Who Bet on Tradition," *Financial Times* (January 14, 2015), p. 12.

1-1 Introduction and Overview

As the preceding examples illustrate, the global marketplace finds expression in many ways. Some are quite subtle; others are not. While shopping, you may have noticed more multilanguage labeling on your favorite products and brands. Chances are you were one of the millions of people around the world who tuned in to television coverage of the World Cup Soccer championship in 2014. On the highway, you may have seen a semitrailer truck from FedEx's Global

Supply Chain Services fleet. Or perhaps you are one of the hundreds of millions of iTunes customers who got a free download of U2's latest album—whether you wanted it or not! When you pick up a pound of Central American coffee at your favorite coffee café, you will find that some beans are labeled Fair Trade Certified. You have surely followed media reports about the Occupy Wall Street movement in New York City and related protests in Great Britain, Germany, Greece, and Italy.

The growing importance of global marketing is one aspect of a sweeping transformation that has profoundly affected the people and industries of many nations during the past 160 years. International trade has existed for centuries; beginning in 200 B.C., for example, the legendary Silk Road was a land route connecting China with Mediterranean Europe. From the mid-1800s to the early 1920s, with Great Britain the dominant economic power in the world, international trade flourished. However, a series of global upheavals, including World War I, the Bolshevik Revolution, and the Great Depression, brought that era to an end. Then, following World War II, a new era began. Unparalleled expansion into global markets by companies that previously served only customers located in their respective home countries is one hallmark of this new global era.

Four decades ago, the phrase *global marketing* did not exist. Today, businesspeople use global marketing to realize their companies' full commercial potential. That is why, no matter whether you live in Asia, Europe, North America, or South America, you may be familiar with the brands mentioned in the opening paragraphs. However, there is another, even more critical reason why companies need to take global marketing seriously: survival. A management team that fails to understand the importance of global marketing risks losing its domestic business to competitors with lower costs, more experience, and better products.

But what is global marketing? How does it differ from "regular" marketing as it is typically practiced and taught in an introductory course? **Marketing** can be defined as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.[2] Marketing activities center on an organization's efforts to satisfy customer wants and needs with products and services that offer competitive value. The **marketing mix** (the four Ps of product, price, place, and promotion) comprises a contemporary marketer's primary tools. Marketing is a universal discipline, as applicable in Argentina as it is in Zimbabwe.

This book is about *global marketing.* An organization that engages in **global marketing** focuses its resources and competencies on global market opportunities and threats. A fundamental difference between regular marketing and global marketing is the scope of activities. A company that engages in global marketing conducts important business activities outside the home-country market. The scope issue can be conceptualized in terms of the familiar product/market matrix of growth strategies (see Table 1-1). Some companies pursue a *market development strategy*; this involves seeking new customers by introducing existing products or services to a new market segment or to a new geographical market. Global marketing can also take the form of a *diversification strategy* in which a company creates new product or service offerings targeting a new segment, a new country, or a new region.

Starbucks provides a good case study of a global marketer that can simultaneously execute all four of the growth strategies shown in Table 1-1:

Market penetration: Starbucks is building on its loyalty card and rewards program in the United States with a smartphone app that enables customers to pay for purchases electronically. The app displays a bar code that the barista can scan.

Market development: Starbucks is entering India via an alliance with the Tata Group. Phase 1 calls for sourcing coffee beans in India and marketing them at Starbucks stores throughout the world. The next phase will likely involve opening Starbucks outlets in Tata's upscale Taj hotels in India.[3]

Product development: Starbucks created a new instant coffee brand, Via, to enable its customers to enjoy coffee at the office and other locations where brewed coffee is not

[2]American Marketing Association. www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx. Accessed June 19, 2015.
[3]Paul Beckett, "Starbucks Brews Coffee Plan for India," *The Wall Street Journal* (January 14, 2011), p. B8.

TABLE 1-1 Product/Market Growth Matrix

		Product Orientation	
		Existing Products	New Products
Market Orientation	**Existing markets**	Market penetration strategy	Product development strategy
	New markets	Market development strategy	Diversification strategy

available. After a successful launch in the United States, Starbucks rolled out Via in Great Britain, Japan, South Korea, and several other Asian countries. Starbucks also recently introduced its first coffee machine. The Versimo allows Starbucks' customers to "prepare their favorite beverages at home."

Diversification: In 2011, Starbucks dropped the word "Coffee" in its logo. It recently acquired a juice maker, Evolution Fresh; the Bay Bread bakery, and tea retailer Teavana Holdings. Next up: Revamping stores so they can serve as wine bars and attract new customers in the evening.[4]

To get some practice applying Table 1-1, create a product/market growth matrix for another global company. IKEA, LEGO, and Walt Disney are all good candidates for this type of exercise.

Companies that engage in global marketing frequently encounter unique or unfamiliar features in specific countries or regions of the world. In China, for example, product counterfeiting and piracy are rampant. Companies doing business there must take extra care to protect their intellectual property and deal with "knockoffs." In some regions of the world, bribery and corruption are deeply entrenched. A successful global marketer understands specific concepts and has a broad and deep understanding of the world's varied business environments. He or she also must understand the strategies that, when skillfully implemented in conjunction with universal marketing fundamentals, increase the likelihood of market success. And, as John Quelch and Katherine Jocz assert, "The best global brands are also the best local brands." That is, managers at global companies understand the importance of local excellence.[5] This book concentrates on the major dimensions of global marketing. A brief overview of marketing is presented next, although the authors assume that the reader has completed an introductory marketing course or has equivalent experience.

1-2 Principles of Marketing: A Review

As defined in the previous section, marketing is one of the functional areas of a business, distinct from finance and operations. Marketing can also be thought of as a set of activities and processes that, along with product design, manufacturing, and transportation logistics, comprise a firm's **value chain**. Decisions at every stage, from idea conception to support after the sale, should be assessed in terms of their ability to create value for customers.

For any organization operating anywhere in the world, the essence of marketing is to surpass the competition at the task of creating perceived value—that is, a superior value proposition—for customers. The **value equation** is a guide to this task:

Value = Benefits/Price (money, time, effort, etc.)

The marketing mix is integral to the equation because benefits are a combination of the product, the promotion, and the distribution. As a general rule, value, as the customer perceives

[4]Bruce Horovitz, "Starbucks Remakes Its Future with an Eye on Wine and Beer," *USA Today* (October 22, 2010), p. 1B.
[5]John Quelch and Katherine Jocz, *All Business Is Local* (New York: Portfolio/Penguin, 2012).

it, can be increased in these ways. Markets can offer customers an improved bundle of benefits or lower prices (or both!). Marketers may strive to improve the product itself, to design new channels of distribution, to create better communications strategies, or a combination of all three. Marketers may also seek to increase value by finding ways to cut costs and prices. Nonmonetary costs are also a factor, and marketers may be able to decrease the time and effort that customers must expend to learn about or seek out the product.[6] Companies that use price as a competitive weapon may scour the globe to ensure an ample supply of low-wage labor or access to cheap raw materials. Companies can also reduce prices if costs are low because of process efficiencies in manufacturing or because of economies of scale associated with high production volumes.

Recall the definition of a market: *people or organizations that are both able and willing to buy.* In order to achieve market success, a product or brand must measure up to a threshold of acceptable quality and be consistent with buyer behavior, expectations, and preferences. If a company is able to offer a combination of superior product, distribution, or promotion benefits *and* lower prices than the competition does, it should enjoy an extremely advantageous position. Toyota, Nissan, and other Japanese automakers made significant gains in the American market in the 1980s by creating a superior value proposition: They offered cars with higher quality, better mileage, and lower prices than those made by General Motors, Ford, and Chrysler. Today, the auto industry is shifting its attention to emerging markets such as India and Africa. Renault and its rivals are racing to offer middle-class consumers a new value proposition: high-quality vehicles that sell for the equivalent of $10,000 or less. On the heels of Renault's success with the Dacia Logan come the $2,500 Nano from India's Tata Motors and a $3,000 Datsun from Nissan (see Case 11-1).

Achieving success in global marketing often requires persistence and patience. Following World War II, some of Japan's initial auto exports were market failures. In the late 1960s, for example, Subaru of America began importing the Subaru 360 automobile and selling it for $1,297. After *Consumer Reports* judged the 360 to be unacceptable, sales ground to a halt. Similarly, the Yugo automobile achieved a modest level of U.S. sales in the 1980s (despite a "don't buy" rating from a consumer magazine) because its sticker price of $3,999 made it the cheapest new car available. Low quality was the primary reason for the market failure of both the Subaru 360 and the Yugo.[7] The Subaru story does have a happy ending, however, due in no small measure to the company's decades-long efforts to improve its vehicles. In fact, in 2015, *Consumer Reports* put Subaru near the the top of its quality rankings, after Lexus, Mazda, Toyota, and Audi.[8] History has not been so kind to the Yugo, however; it ended up on *Time* magazine's list of the "50 Worst Cars of All Time."

Even some of the world's biggest, most successful companies stumble while pursuing global opportunities. Walmart's recent exit from the German market was due, in part, to the fact that German shoppers could find lower prices at stores known as "hard discounters." In addition, many German consumers prefer to go to several small shops rather than seek out the convenience of a single, "all-in-one" store located outside a town center. Likewise, UK-based Tesco's attempts to enter the U.S. market with its Fresh & Easy stores failed, in part, because U.S. consumers were unfamiliar with the private-label goods that make up much of the merchandise stock (see Case 12-2). And, in 2015, American "cheap chic" retailer Target terminated its operations in Canada, a victim of missteps in terms of store locations and pricing. The cost for closing 133 stores: more than $5 billion.

Competitive Advantage, Globalization, and Global Industries

When a company succeeds in creating more value for customers than its competitors do, that company is said to enjoy **competitive advantage** in an industry.[9] Competitive advantage is measured relative to rivals in a given industry. For example, your local laundromat is in a

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[6]With certain categories of differentiated goods, including designer clothing and other luxury products, higher price is often associated with increased value.
[7]The history of the Subaru 360 is documented in Randall Rothman, *Where the Suckers Moon: The Life and Death of an Advertising Campaign* (New York: Vintage Books, 1994), p. 4.
[8]"Best and Worst Car Brands," *Consumer Reports* (April 2015), p. 12.
[9]Jay Barney notes that "a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors." See Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (1991), p. 102.

local industry; its competitors are local. In a national industry, competitors are national. In a global industry—consumer electronics, apparel, automobiles, steel, pharmaceuticals, furniture, and dozens of other sectors—the competition is, likewise, global (and, in many industries, local as well). Global marketing is essential if a company competes in a global industry or one that is globalizing.

The transformation of formerly local or national industries into global ones is part of a broader economic process of *globalization*, which Jagdish Bhagwati defines as follows:

> Economic globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology.[10]

From a marketing point of view, globalization presents companies with tantalizing opportunities—and challenges—as executives decide whether to offer their products and services everywhere. At the same time, globalization presents companies with unprecedented opportunities to reconfigure themselves; as John Micklethwait and Adrian Wooldridge put it, the same global bazaar that allows consumers to buy the best that the world can offer also allows producers to find the best partners.[11] For example, globalization is presenting significant marketing opportunities for professional sports organizations such as the National Basketball Association, the National Football League, and Major League Soccer (Exhibit 1-2). As Major League Soccer commissioner Don Garber noted, "In the global culture the universal language is soccer. That's the sweet spot. If it weren't for the shrinking world caused by globalization, we wouldn't have the opportunity we have today."[12]

"We believe a company can only think in one set of terms. If you are premium, you have to focus on it."[13]

Helmut Panke, former chairman, Bayerische Motoren Werke (BMW) AG

Is there more to a global industry than simply "global competition"? Definitely. As defined by management guru Michael Porter, a **global industry** is one in which competitive advantage can be achieved by integrating and leveraging operations on a worldwide scale. Put another way,

Exhibit 1-2 The National Football League (NFL) promotes American football globally. The NFL is focusing on a handful of key markets, including Canada, China, Germany, Japan, Mexico, and the United Kingdom. In fall 2013, the NFL draped banners on London's Regent Street to create awareness of the game between the Pittsburgh Steelers and the Jacksonville Jaguars.
Source: Amer Ghazzal/Alamy.

[10]Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004), p. 3.
[11]John Micklethwait and Adrian Wooldridge, *A Future Perfect: The Challenge and Hidden Promise of Globalization* (New York: Crown Publishers, 2000), p. xxvii.
[12]Grant Wahl, "Football vs. Fútbol," *Sports Illustrated* (July 5, 2004), pp. 68–72.
[13]Scott Miller, "BMW Bucks Diversification to Focus on Luxury Models," *The Wall Street Journal* (March 20, 2002), p. B4.

an industry is global to the extent that a company's industry position in one country is interdependent with its industry position in other countries. Indicators of globalization include the ratio of cross-border trade to total worldwide production, the ratio of cross-border investment to total capital investment, and the proportion of industry revenue generated by companies that compete in all key world regions.[14] One way to determine the degree of globalization in an industry sector is to calculate the ratio of the annual value of global trade in the sector—including the value of components shipped to various countries during the production process—to the annual value of industry sales. In terms of these metrics, the consumer electronics, apparel, automobile, and steel industries are highly globalized.[15]

Achieving competitive advantage in a global industry requires executives and managers to maintain a well-defined strategic focus. **Focus** is simply the concentration of attention on a core business or competence. The importance of focus for a global company is evident in the following comment by Helmut Maucher, former chairman of Nestlé SA:

> Nestlé is focused: We are food and beverages. We are not running bicycle shops. Even in food we are not in all fields. There are certain areas we do not touch. For the time being we have no biscuits [cookies] in Europe and the United States for competitive reasons, and no margarine. We have no soft drinks because I have said we either buy Coca-Cola or we leave it alone. This is focus.[16]

However, company management may choose to initiate a change in focus as part of an overall strategy shift. Even Coca-Cola has been forced to sharpen its focus on its core beverage brands. Following sluggish sales in 2000 and 2001, former chairman and chief executive Douglas Daft formed a new alliance with Nestlé that jointly developed and marketed coffees and teas. Daft also set about the task of transforming Coca-Cola's Minute Maid unit into a global division that markets a variety of juice brands worldwide. As Daft explained:

> We're a network of brands and businesses. You don't just want to be a total beverage company. Each brand has a different return on investment, is sold differently, drunk for different reasons, and has different managing structures. If you mix them all together, you lose the focus.[17]

Examples abound of corporate executives addressing the issue of focus, often in response to changes in the global business environment. In recent years, Bertelsmann, Colgate, Danone, Electrolux, Fiat, Ford, Fortune Brands, General Motors, Harley-Davidson, Henkel, LEGO, McDonald's, Royal Philips, Toshiba, Vivendi, and many other companies have stepped up efforts to sharpen their strategic focus on core businesses and brands. Specific actions can take a number of different forms; in addition to alliances, these can include mergers, acquisitions, divestitures, and folding some businesses into other company divisions (see Table 1-2). At Royal Philips, CEO Frans van Houten has shed the electronics and engineering units; instead of marketing TV sets and VCRs, today's Philips is focused on three sectors: health care, lighting, and consumer lifestyle (see Exhibit 1-3). Major changes in the organizational structure such as these must also be accompanied by changes in corporate culture.[18]

Value, competitive advantage, and the focus required to achieve them are universal in their relevance, and they should guide marketing efforts in any part of the world. Global marketing requires attention to these issues on a worldwide basis and utilization of a business intelligence

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[14]Vijay Govindarajan and Anil Gupta, "Setting a Course for the New Global Landscape," *Financial Times—Mastering Global Business*, part I (1998), p. 3.
[15]Diana Farrell, "Assessing Your Company's Global Potential," *Harvard Business Review* 82, no. 12 (December 2004), p. 85.
[16]Elizabeth Ashcroft, "Nestlé and the Twenty-First Century," Harvard Business School Case 9-595-074, 1995. See also Ernest Beck, "Nestlé Feels Little Pressure to Make Big Acquisitions," *The Wall Street Journal* (June 22, 2000), p. B4.
[17]Betsy McKay, "Coke's 'Think Local' Strategy Has Yet to Prove Itself," *The Wall Street Journal* (March 1, 2001), p. B6.
[18]Tony Barber, "Culture Change Is Pivotal as Philips Sheds Its Old Skin," *Financial Times* (July 5, 2013), p. 14.

TABLE 1-2 Strategic Focus

Company/Headquarters	Divestiture/Buyer
General Electric (U.S.)	Appliance division, sold to Electrolux (Sweden) for $3.3 billion (2015); NBC Universal, sold to Comcast for $30 billion (2009).
Vivendi (France)	Activision Blizzard videogame unit, management buyout for $8.2 billion (2013).
Unilever (UK/Netherlands)	American pasta sauce business, sold to Mizkan Group (Japan) for $2.15 billion (2014).
IBM (U.S.)	Microelectronics division, sold to GlobalFoundries for $1.5 billion (2014).

system capable of monitoring the globe for opportunities and threats. A fundamental premise of this book can be stated as follows: Companies that understand and engage in global marketing can offer more overall value to customers than companies that do not have that understanding. There are many who share this conviction. In the mid-1990s, for example, C. Samuel Craig and Susan P. Douglas noted:

> Globalization is no longer an abstraction but a stark reality.... Choosing not to participate in global markets is no longer an option. All firms, regardless of their size, have to craft strategies in the broader context of world markets to anticipate, respond, and adapt to the changing configuration of these markets.[19]

Evidence is mounting that companies in a range of industries are getting the message. For example, three Italian furniture companies have joined together to increase sales outside of Italy and ward off increased competition from Asia. Luxury goods purveyors such as LVMH and Prada Group provided the model for the new business entity, which unites Poltrona Frau, Cassina, and Cappellini.[20] Hong Kong's Tai Ping Carpets International is also globalizing. Top managers have been dispersed to different parts of the world; while the finance and technology

Exhibit 1-3 As the "smart home" becomes a reality, Philips has developed a line of lighting products that are connected to the Internet. Homeowners can control the lighting system with a smartphone app.

[19]C. Samuel Craig and Susan P. Douglas, "Responding to the Challenges of Global Markets: Change, Complexity, Competition, and Conscience," *Columbia Journal of World Business* 31, no. 4 (Winter 1996), pp. 6–18.
[20] Gabriel Kahn, "Three Italian Furniture Makers Hope to Create a Global Luxury Powerhouse," *The Wall Street Journal* (October 31, 2006), p. B1.

functions are still in Hong Kong, the marketing chief is based in New York City and the head of operations is in Singapore. As company director John Ying noted, "We're trying to create a minimultinational."[21]

1-3 Global Marketing: What It Is and What It Isn't

The discipline of marketing is universal. It is natural, however, that marketing practices will vary from country to country for the simple reason that the countries and peoples of the world are different. These differences mean that a marketing approach that has proven successful in one country will not *necessarily* succeed in another country. Customer preferences, competitors, channels of distribution, and communication media may differ. An important managerial task in global marketing is learning to recognize the extent to which it is possible to extend marketing plans and programs worldwide, as well as the extent to which adaptation is required.

The way a company addresses this task is a reflection of its **global marketing strategy (GMS)**. In single-country marketing, strategy development addresses two fundamental issues: choosing a target market and developing a marketing mix. The same two issues are at the heart of a firm's GMS, although they are viewed from a somewhat different perspective (see Table 1-3). *Global market participation* is the extent to which a company has operations in major world markets. *Standardization versus adaptation* is the extent to which each marketing mix element is standardized (i.e., executed the same way) or adapted (i.e., executed in different ways) in various country markets. For example, Nike recently adopted the slogan "Here I am" for its pan-European clothing advertising targeting women. The decision to drop the famous "Just do it" tagline in the region was based on research indicating that college-age women in Europe are not as competitive about sports as men are.[22]

GMS has three additional dimensions that pertain to marketing management. First, *concentration of marketing activities* is the extent to which activities related to the marketing mix (e.g., promotional campaigns or pricing decisions) are performed in one or a few country locations. *Coordination of marketing activities* refers to the extent to which marketing activities related to the marketing mix are planned and executed interdependently around the globe. Finally, *integration of competitive moves* is the extent to which a firm's competitive marketing tactics in different parts of the world are interdependent. The GMS should enhance the firm's performance on a worldwide basis.[23]

The decision to enter one or more particular markets outside the home country depends on a company's resources, its managerial mind-set, and the nature of opportunities and threats.

TABLE 1-3 Comparison of Single-Country Marketing Strategy and Global Marketing Strategy (GMS)

Single-Country Marketing Strategy	Global Marketing Strategy
Target market strategy	Global market participation
Marketing mix development	Marketing mix development
Product	Product adaptation or standardization
Price	Price adaptation or standardization
Promotion	Promotion adaptation or standardization
Place	Place adaptation or standardization
	Concentration of marketing activities
	Coordination of marketing activities
	Integration of competitive moves

[21] Phred Dvorak, "Big Changes Drive Small Carpet Firm," *The Wall Street Journal* (October 30, 2006), p. B3.
[22] Aaron O. Patrick, "Softer Nike Pitch Woos Europe's Women," *The Wall Street Journal* (September 11, 2008), p. B6.
[23] Shaoming Zou and S. Tamer Cavusgil, "The GMS: A Broad Conceptualization of Global Marketing Strategy and Its Effect on Performance," *Journal of Marketing* 66, no. 4 (October 2002), pp. 40–56.

THE CULTURAL CONTEXT

A Long, Strange Trip: The Grateful Dead at 50

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By 1965, the British Invasion was well underway in the United States. The Beatles, the Animals, the Kinks, and the Rolling Stones were just a few of the music groups that dominated the American radio airwaves, appeared on numerous television shows, and toured extensively. However, 1965 also saw the emergence of a musical counterforce that was distinctly American. Jerry Garcia, Bob Weir, Phil Lesh, Ron "Pigpen" McKernan, Bill Kreutzmann, collectively known as the Grateful Dead, emerged as part of the burgeoning San Francisco music scene that included the Jefferson Airplane, Quicksilver Messenger Service, and many others (see Exhibit 1-4).

The Grateful Dead created a new art form with a sound that incorporated blues, jazz, rock, jug band, folk, and other cultural influences. In 2015, as the band observed its 50th anniversary, many industry observers hailed the Dead for innovations that continue to impact the music scene in the present day. Precursors of contemporary marketing concepts such as brand equity, freenomics, brand tribes, the sharing economy, customer relationship management, niche marketing, and word-of-mouth marketing can be seen in their business practices.

Early in the band's career, its music was deemed "too weird" by radio programmers and there were no hit singles. Moreover, the Dead were not critics' darlings, and booking agents were sometimes reluctant to book tours for them. Undeterred, the Dead recorded albums and produced their own concerts, often in out-of-the-way locations that were not on the main touring routes. As drummer Mickey Hart has noted, the Dead invented their own world out of necessity.

Parallels can be seen in today's electronic dance music (EDM) scene, which for years operated on an "underground" basis with concerts taking place in warehouses and other spaces conducive to an alternative art form. Skrillex, Diplo, and other masters of the EDM form are enjoying widespread popularity, due in part to independently produced festivals that are squarely in the spirit of the Grateful Dead.

Decades before the term "brand tribes" entered the marketing vocabulary, the Dead attracted a self-identified community known as Deadheads. For these loyal fans, being a Deadhead was a badge of identity. Deadheads typically attended multiple concerts, moving from city to city in sync with the band. Part of the Dead's legacy was creating customer value with marathon live concerts that lasted three hours or more—a template for contemporary jam bands such as Phish.

A direct-to-fan ticketing approach brought the Grateful Dead closer to their fans. Thanks to its direct approach, the band accumulated an extensive database that kept it in close communication with fans—via mail and telephone—and facilitated merchandise marketing. The Dead's social network innovation happened in the pre-Internet/social media era. However, the direct-to-fan model has been adopted in the present day by artists working in the EDM scene and other genres that operate somewhat out of the industry mainstream.

Sonic perfectionists, the Dead toured with a custom-built sound system that produced a "wall of sound" renowned for its clarity and volume. While music piracy is an industry hot-button issue in the twenty-first century, the Dead actually *encouraged* their fans to record their live concerts. The fans then traded the tapes amongst themselves, creating a sense of connection and community. As John Perry Barlow, a lyricist and member of the Dead's extended family, noted succinctly, "We invented file sharing!" Allowing fans to tape their concerts and take the experience home with them created brand equity, and the Dead redefined the relationship between artists and their fans.

Sources: Joshua Green, "Management Secrets of the Grateful Dead," *The Atlantic* (March 10, 2010), pp. 64–67; David Cavanagh, "Return of the Living Dead," Cover Story, *Uncut* (April 2009), pp. 43–45.

Exhibit 1-4 The Grateful Dead were marketing innovators. The band was inducted into the Rock & Roll Hall of Fame in 1994.

Source: INTERFOTO/Alamy.

Exhibit 1-5 England's Burberry Group celebrated its 160th anniversary in 2016. The Burberry trademark is registered in more than 90 countries.
Source: Oli Scarff/Getty Images.

Today, most observers agree that Brazil, Russia, India, China, and South Africa—five emerging markets known collectively as BRICS—represent significant growth opportunities. Mexico, Indonesia, Nigeria, and Turkey—the so-called MINTs—also hold great potential. Throughout this text, marketing issues in these countries are highlighted in "Emerging Markets Briefing Book" boxes.

We can use Burberry as a case study in global marketing strategy. The UK-based luxury brand is available in scores of countries, and Burberry's recent expansion plans emphasize several geographical areas (Exhibit 1-5). First are the BRICS nations, where growing numbers of middle-class consumers are developing a taste for luxury brands. Second is the United States, dotted with shopping malls whose managers are anxious to entice crowd-pulling luxury goods retailers by sharing fit-out costs and offering attractive, rent-free periods. Under former CEO Angela Ahrendts, Burberry's marketing mix strategy included the following:

Product: Intensify focus on accessories. Boost sales of handbags, belts, and accessories—products whose sales are less cyclical than clothing's. Burberry Bespoke allows customers to design their own coats.

Price: "Affordable luxury" is central to the value proposition: more expensive than Coach, less expensive than Prada.

Place: Burberry is opening more independent stores in key U.S. cities including flagship stores in Los Angeles, San Francisco, and New York; they are also expanding in London and Hong Kong. Such locations generate more than half the company's revenue and profit.[24]

Promotion: Encourage advocacy and sharing via social media and online channels such as Twitter, Instagram, and www.artofthetrench.com. Launch Burberry Acoustic to enhance brand relevance and to provide exposure for emerging music talent via www.burberry.com/acoustic.

As you can see in Table 1-3, the next part of the GMS involves the concentration and coordination of marketing activities. At Burberry, haphazard growth had led to a federation of individual operations. Company units in some parts of the world didn't talk to each other. In some cases they competed *against* each other, and sometimes designed their own products for their own markets and wouldn't share ideas with other parts of the business. During her tenure

[24]Paul Sonne and Kathy Gordon, "Burberry Refocusing on World's Big Cities," *The Wall Street Journal* (November 8, 2012), p. B9.

as CEO, Angela Ahrendts was very clear in articulating her core strategic vision: Leverage the Franchise; in other words: "One company, one brand."[25]

New CEO Christopher Bailey is refining and updating Ahrendts' strategies with an approach he calls "Inspire with the Brand." Using data analytics, Bailey intends to leverage consumer insights gleaned from Burberry's strong digital presence (e.g., coach.com, Coach app, Facebook, Instagram, Pinterest, and Twitter) and its worldwide network of brick-and-mortar stores to project a consistent brand voice. Key points include realizing product potential by adding new categories, including shoes, to Burberry's product mix. Another priority: investing in underpenetrated markets. Bailey also intends to optimize distribution channels, adding more mobile marketing to the current mix of retail and wholesale channels.[26] Overall, the goal is to provide a seamless, uniform online and offline consumer experience.

The issue of standardization versus adaptation in global marketing has been at the center of a long-standing controversy among both academicians and business practitioners. Much of the controversy dates back to Professor Theodore Levitt's 1983 article "The Globalization of Markets" in the *Harvard Business Review*. Levitt argued that marketers were confronted with a "homogeneous global village." He advised organizations to develop standardized, high-quality world products and market them around the globe by using standardized advertising, pricing, and distribution. Some well-publicized failures by Parker Pen and other companies that had tried to follow Levitt's advice brought his proposals into question. The business press frequently quoted industry observers who disputed Levitt's views. As Carl Spielvogel, chairman and CEO of the Backer Spielvogel Bates Worldwide advertising agency, told *The Wall Street Journal* in the late 1980s, "Theodore Levitt's comment about the world becoming homogenized is bunk. There are about two products that lend themselves to global marketing—and one of them is Coca-Cola."[27]

Global marketing is the key to Coke's worldwide success. However, that success was *not* based on a total standardization of marketing mix elements. For example, Coca-Cola achieved success in Japan by spending a great deal of time and money to become an insider; that is, the company built a complete local infrastructure with its sales force and vending machine operations. Coke's success in Japan is a function of its ability to achieve global localization, by being as much of an insider as a local company but still reaping the benefits that result from world-scale operations. Although the Coca-Cola Company has experienced a recent sales decline in Japan, it remains a key market that accounts for about 20 percent of total worldwide operating revenues.[28]

What does the phrase *global localization* really mean? In a nutshell, it means that a successful global marketer must have the ability to "think globally and act locally." Kenichi Ohmae summed up this paradox as follows:

> The essence of being a global company is to maintain a kind of tension within the organization without being undone by it. Some companies say the new world requires homogeneous products—"one size fits all"—everywhere. Others say the world requires endless customization—special products for every region. The best global companies understand it's neither and it's both. They keep the two perspectives in mind simultaneously.[29]

As we will see many times in this book, *global* marketing may include a combination of standard (e.g., the actual product itself) and nonstandard (e.g., distribution or packaging) approaches. A global product may be the same product everywhere and yet different. Global marketing requires marketers to think and act in a way that is both global *and* local by responding to similarities and differences in world markets.

But it is important to bear in mind that "global localization" is a two-way street, and that there is more to the story than "think globally, act locally." Many companies are learning that it is equally important to *think locally and act globally*. In practice, this means that companies are discovering the value of leveraging innovations that occur far from headquarters and

[25] Angela Ahrendts, "Burberry's CEO on Turning an Aging British Icon into a Global Luxury Brand," *Harvard Business Review* 91, no. 1/2 (January–February 2013), pp. 39–42.
[26] Vanessa Friedman, "Christopher Bailey Reveals His Plan for Burberry," *The New York Times* (November 13, 2014).
[27] Joanne Lipman, "Ad Fad: Marketers Turn Sour on Global Sales Pitch Harvard Guru Makes," *The Wall Street Journal* (May 12, 1988), p. 1.
[28] Chad Terhune, "Coke Tries to Pop Back in Vital Japan Market," *The Wall Street Journal* (July 11, 2006), pp. C1, C3.
[29] William C. Taylor and Alan M. Webber, *Going Global: Four Entrepreneurs Map the New World Marketplace* (New York: Penguin Books USA, 1996), pp. 48, 49.

TABLE 1-4 Think Locally/Act Globally

Company/Headquarters Country	Product
Cinnabon/USA	Cinnabon customers in Central and South America prefer dulce de leche. Products developed for those regions are being introduced in the United States, where the Hispanic population is a key segment.[30]
Starbucks/USA	Starbucks opened an experimental store in Amsterdam that serves as a testing ground for new design concepts such as locally sourced and recycled building materials. The best concepts will be extended to other parts of Europe. *Fast Company* magazine included Liz Muller, Director of Creative Design at Starbucks, in its "Most Creative People 2013" ranking.
Kraft Foods/USA	Tang drink powder became a $1 billion brand as regional managers in Latin America and the Middle East moved beyond orange (the top-seller) into popular local flavors such as mango and pineapple. Kraft plans to reboot Tang in the U.S. market using lessons learned abroad.[31]

transporting them back home. For example, McDonald's restaurants in France don't look like McDonald's restaurants elsewhere. Décor colors are muted, and the golden arches are displayed more subtly. After seeing the sales increases posted in France, some American franchisees began undertaking similar renovations. As *Burger Business* newsletter editor Scott Hume has noted, "Most of the interesting ideas of McDonald's are coming from *outside* the U.S. McDonald's is becoming a European chain with stores in the U.S."[32] (see Case 1-2).

These reverse flows of innovation are not occurring just between developed regions such as Western Europe and North America. The growing economic power of China, India, and other emerging markets means that many innovations originate there (see Table 1-4). For example, Nestlé, Procter & Gamble, Unilever, and other consumer products companies are learning that low-cost products with less packaging developed for low-income consumers also appeal to cost-conscious consumers in, say, Spain and Greece (see Exhibit 1-6).[33]

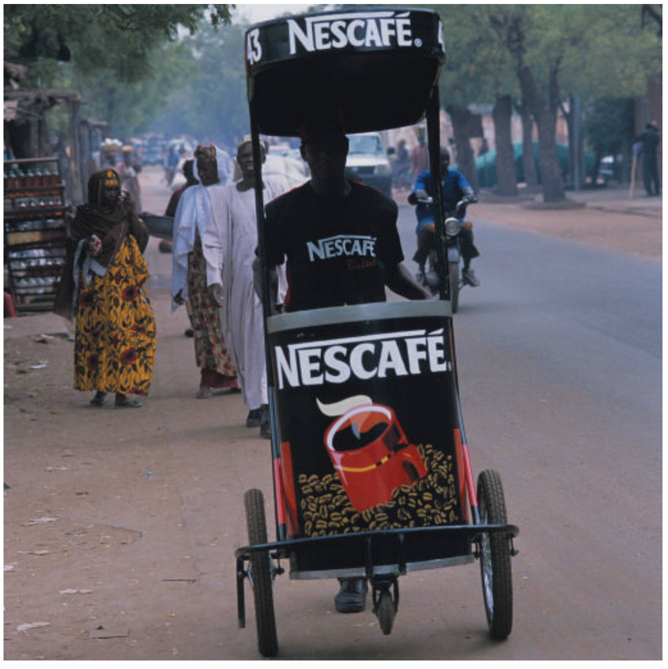

Exhibit 1-6 For Nestlé, innovation is the key to an expanded presence in emerging markets such as Thailand, Sri Lanka, and Mali. Recently, Nestlé introduced mobile coffee carts from which vendors sell single servings of Nescafé brand coffee. Some of these innovations are being transferred to high-income countries in Europe and elsewhere.

Source: adrian arbib/Alamy.

[30] Leslie Kwoh, "Cinnabon Finds Sweet Success in Russia, Mideast," *The Wall Street Journal* (December 26, 2012), p. B5.
[31] E. J. Schultz, "To the Moon and Back: How Tang Grew to Be a Billion-Dollar Global Brand," *Advertising Age* (June 16, 2011).
[32] Greg Farrell, "McDonald's Relies on Europe for Growth," *Financial Times* (April 20, 2010).
[33] Louise Lucas, "New Accent on Consumer Tastes," *Financial Times* (December 14, 2010), p. 14.

The Coca-Cola Company supports its Coke, Fanta, and Powerade brands with marketing mix elements that are both global and local. Dozens of other companies also have successfully pursued global marketing by creating strong global brands. This has been accomplished in various ways. In consumer electronics, Apple is synonymous with hardware and software integration, ease of use, cutting-edge innovation, and high-tech design. In appliances, Germany's reputation for engineering and manufacturing excellence is a source of competitive advantage for Bosch (see Exhibit 1-7). Italy's Benetton utilizes a sophisticated distribution system to quickly deliver the latest fashions to its worldwide network of stores. The backbone of Caterpillar's global success is a network of dealers who support a promise of "24-hour parts and service" anywhere in the world. As these examples indicate, there are many different paths to success in global markets. In this book, we do *not* propose that global marketing is a knee-jerk

Exhibit 1-7 Bosch, Germany's largest privately held industrial group, celebrated its 130th anniversary in 2016. The company uses the slogan "Invented for life" in its advertising and has more than 350 subsidiaries and a market presence in more than 150 countries.

Source: Courtesy of BSH Home Appliance Corporation.

TABLE 1-5 Examples of Effective Global Marketing—McDonald's

Marketing Mix Element	Standardized	Localized
Product	Big Mac	McAloo Tikka potato burger, Chicken Maharaja Mac (India); Rye McFeast (Finland); Adagio (Italy)
Promotion	Brand name	Slang nicknames, for example, Mickey D's (USA, Canada), Macky D's (UK, Ireland), Macca's (Australia), Mäkkäri (Finland), MakDo (Philippines), McDo (France)
	Advertising slogan "i'm lovin' it"	"*Venez comme vous êtes*" ("Come as you are") television ad campaign in France. Various executions show individuals expressing different aspects of their respective personalities. One features a young man dining with his father. The ad's creative strategy centers on sexual freedom and rebellion: The father does not realize that his son is gay.
Place	Freestanding restaurants in high-traffic public areas	McDonald's Switzerland operates themed dining cars on the Swiss national rail system; McDonald's is served on the Stena Line ferry from Helsinki to Oslo; home delivery (India)
Price	Average price of Big Mac is $4.20 (USA)	$6.79 (Norway); $2.44 (China)

attempt to impose a totally standardized approach on marketing around the world. A central issue in global marketing is how to tailor the global marketing concept to fit particular products, businesses, and markets.[34]

As shown in Table 1-5, McDonald's global marketing strategy is based on a combination of global and local marketing mix elements. For example, a vital element in McDonald's business model is a restaurant system that can be set up virtually anywhere in the world. McDonald's offers core menu items—hamburgers, French fries, and soft drinks—in most countries, and the company also customizes menu offerings in accordance with local eating customs. The average price of a Big Mac in the United States is $4.20. By contrast, in China Big Macs sell for the equivalent of $2.44. In absolute terms, Chinese Big Macs are cheaper than American ones. But is it a fair comparison? Real estate costs vary from country to country, as do per capita incomes.

The particular approach to global marketing that a company adopts will depend on industry conditions and its source or sources of competitive advantage. For example:

> Harley-Davidson's motorcycles are perceived around the world as *the* all-American bike. Should Harley-Davidson start manufacturing motorcycles in a low-wage country such as Mexico?
>
> The success of Honda and Toyota in world markets was initially based on exporting cars from factories in Japan. Today, both companies operate manufacturing and assembly facilities in the Americas, Asia, and Europe. From these sites, the automakers supply customers in the local market and also export to the rest of the world. For example, each year Honda exports tens of thousands of Accords and Civics from U.S. plants to Japan and dozens of other countries. Will European consumers continue to buy Honda vehicles exported from America? Will American consumers continue to snap up American-built Toyotas?

[34] John A. Quelch and Edward J. Hoff, "Customizing Global Marketing," *Harvard Business Review* 64, no. 3 (May–June 1986), p. 59.

> Uniqlo, a division of Japan's Fast Retailing, operates about 850 stores in Japan and 300 stores in 12 overseas countries. The company sources 90 percent of its clothing from China. Uniqlo currently has 6 stores in the United States; plans call for a total of 200 U.S. stores by 2020. Can the company achieve its goal of reaching $50 billion in sales by 2020, thus becoming the world's number 1 apparel retailer?

The answer to these questions is: It all depends. Because Harley-Davidson's competitive advantage is based, in part, on its "Made in the USA" positioning, shifting production outside the United States is not advisable. The company has opened a new production facility in Kansas, and ceased production of Buell Motorcycles. It also sold MV Augusta, an Italian motorcycle manufacturer that it had acquired in 2008.

Toyota's success in the United States was originally attributable to its ability to transfer world-class manufacturing skills—"the Toyota Way"—to America while using advertising to inform prospective customers that American workers build the Avalon, Camry, and Tundra models, with many components purchased from American suppliers. The U.S. market generates approximately two-thirds of Toyota's profits. However, in its drive to become the world's top automaker, Toyota's insular corporate culture and focus on cost cutting compromised overall product quality. Under the leadership of Akio Toyoda, the company has rebounded. It sold 10 million cars in 2014 and posted record profits; an innovation production system, dubbed Toyota New Global Architecture, is designed to ensure that Toyota can respond quickly to market changes in any part of the world.[35]

As noted, about one-quarter of Uniqlo's 1,200 stores are located outside Japan; key country markets include the United States, China, Russia, Singapore, and South Korea. Shoppers have responded favorably to Uniqlo's colorful designs and the high service standards for which Japanese retailers are famous. According to A. T. Kearney's 2013 Global Retail Development Index for Apparel, China is the number 1–ranked emerging market opportunity for apparel. In China, Uniqlo's management team selectively targets cities with high population densities such as Beijing and Shanghai (see Exhibit 1-8).[36]

Exhibit 1-8 Japan's Fast Retailing competes with global companies such as Inditex (Spain), H&M (Sweden), and GAP (U.S.). Fast Retailing founder Tadashi Yanai intends to create the world's biggest apparel retail operation by 2020.

Source: Photo Courtesy of Fast Retailing Co., Ltd.

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[35]Kana Inagaki, "Rebirth of a Brand," *Financial Times* (June 5, 2015), p. 5.

[36]Mayumi Negishi, Dana Mattioli, and Ryan Dezember, "Japan's Uniqlo Sets Goal: No. 1 in the U.S.," *The Wall Street Journal* (April 12, 2013), p. B7. See also Hiroyuki Kachi and Kenneth Maxwell, "Uniqlo Woos the World but Falters at Home," *The Wall Street Journal* (October 12, 2012), p. B8.

1-4 The Importance of Global Marketing

The largest single market in the world in terms of national income is the United States, representing roughly 25 percent of the total world market for all products and services. U.S. companies that wish to achieve maximum growth potential must "go global," because 75 percent of world market potential is outside their home country. Management at Coca-Cola clearly understands this; about 75 percent of the company's operating income and two-thirds of its operating revenue are generated outside North America. Non-U.S. companies have an even greater motivation to seek market opportunities beyond their own borders; their opportunities include the 300 million people in the United States. For example, even though the dollar value of the home market for Japanese companies is the third largest in the world (after the United States and China), the market *outside* Japan is 90 percent of the world potential for Japanese companies. For European countries, the picture is even more dramatic. Even though Germany is the largest single-country market in Europe, 94 percent of the world market potential for German companies is outside Germany.

Many companies have recognized the importance of conducting business activities outside their home country. Industries that were essentially national in scope only a few years ago are dominated today by a handful of global companies. In most industries, the companies that will survive and prosper in the twenty-first century will be global enterprises. Some companies that fail to formulate adequate responses to the challenges and opportunities of globalization will be absorbed by more dynamic, visionary enterprises. Others will undergo wrenching transformations and, if their efforts succeed, will emerge from the process greatly transformed. Some companies will simply disappear.

Each year, *Fortune* magazine compiles a ranking of the 500 largest service and manufacturing companies by revenues.[37] Walmart stands atop the 2014 Global 500 rankings, with revenues of $476 billion; it currently generates only about one-third of its revenues outside the United States. However, global expansion is key to Walmart's growth strategy. In all, 6 companies in the top 10 compete in the oil or energy sectors. Toyota and Volkswagen, the only global automakers in the top 10, are locked in a fierce competitive struggle as the German company tries to unseat its Japanese rival as the world's number 1 car company.

Examining the size of individual product markets, measured in terms of annual sales, provides another perspective on global marketing's importance. Many of the companies identified in the *Fortune* rankings are key players in the global marketplace.

1-5 Management Orientations

The form and substance of a company's response to global market opportunities depend greatly on management's assumptions or beliefs—both conscious and unconscious—about the nature of the world. The worldview of a company's personnel can be described as ethnocentric, polycentric, regiocentric, or geocentric.[38] Management at a company with a prevailing ethnocentric orientation may consciously make a decision to move in the direction of geocentricism. The orientations are collectively known as the EPRG framework.

Ethnocentric Orientation

A person who assumes that his or her home country is superior to the rest of the world is said to have an **ethnocentric orientation**. Ethnocentrism is sometimes associated with attitudes of national arrogance or assumptions of national superiority; it can also manifest itself as indifference to marketing opportunities outside the home country. Company personnel with an ethnocentric orientation see only similarities in markets and *assume* that products and practices that succeed in the home country will succeed anywhere. At some companies, the ethnocentric orientation means that opportunities outside the home country are largely ignored. Such companies are sometimes called *domestic companies.* Ethnocentric companies that conduct business outside the home country can be described as *international companies*; they adhere to the notion that the products that succeed in

[37] The complete list can be found online at www.fortune.com/global500/.
[38] Adapted from Howard Perlmutter, "The Tortuous Evolution of the Multinational Corporation," *Columbia Journal of World Business* (January–February 1969).

the home country are superior. This point of view leads to a **standardized or extension approach** to marketing based on the premise that products can be sold everywhere without adaptation.

As the following examples illustrate, an ethnocentric orientation can take a variety of forms:

> Nissan's earliest exports were cars and trucks that had been designed for mild Japanese winters; the vehicles were difficult to start in many parts of the United States during the cold winter months. In northern Japan, many car owners would put blankets over the hoods of their cars. Nissan's assumption was that Americans would do the same thing. As a Nissan spokesman said, "We tried for a long time to design cars in Japan and shove them down the American consumer's throat. That didn't work very well."[39]
>
> Until the 1980s, Eli Lilly and Company operated as an ethnocentric company: Activity outside the United States was tightly controlled by headquarters, and the focus was on selling products originally developed for the U.S. market.[40]
>
> For many years, executives at California's Robert Mondavi Corporation operated the company as an ethnocentric international entity. As former CEO Michael Mondavi explained, "Robert Mondavi was a local winery that thought locally, grew locally, produced locally, and sold globally. . . . To be a truly global company, I believe it's imperative to grow and produce great wines in the world in the best wine-growing regions of the world, regardless of the country or the borders."[41]
>
> The cell phone divisions of Toshiba, Sharp, and other Japanese companies prospered by focusing on the domestic market. When handset sales in Japan slowed a few years ago, the Japanese companies realized that Nokia, Motorola, and Samsung already dominated key world markets. Atsutoshi Nishida, president of Toshiba, noted, "We were thinking only about Japan. We really missed our chance."[42]

In the ethnocentric international company, foreign operations or markets are typically viewed as being secondary or subordinate to domestic ones. (We are using the term *domestic* to mean the country in which a company is headquartered.) An ethnocentric company operates under the assumption that headquarters' "tried-and-true" knowledge and organizational capabilities can be applied in other parts of the world. Although this assumption can sometimes work to a company's advantage, valuable managerial knowledge and experience in local markets may go unnoticed. Even if customer needs or wants differ from those in the home country, those differences are ignored at headquarters.

Sixty years ago, most business enterprises—and especially those located in a large country like the United States—could operate quite successfully with an ethnocentric orientation. Today, however, ethnocentrism is one of the major internal weaknesses that must be overcome if a company is to transform itself into an effective global competitor.

> **"What unites us through our brands, markets, and businesses is the group's identity, which we refer to as 'a worldwide business with local presence.' Everywhere we operate, our priority is to create or develop a strong brand that reflects consumer needs in that market as closely as possible."[43]**
>
> Franck Riboud, chairman and CEO of Groupe Danone

Polycentric Orientation

The **polycentric orientation** is the opposite of ethnocentrism. The term *polycentric* describes management's belief or assumption that each country in which a company does business is unique. This assumption lays the groundwork for each subsidiary to develop its own unique business and marketing strategies in order to succeed; the term *multinational company* is often used to describe such a structure. This point of view leads to a **localized or adaptation approach** that assumes that products must be adapted in response to different market conditions. Examples of companies and business units with a polycentric orientation include the following:

> At Procter & Gamble, one of Pampers' many problems in the 1990s was that various regional groups and 80-plus country teams were all acting independently. P&G executives knew they had to address the issue in Pampers' two biggest organizations, Pampers Europe (run by an Austrian), and Pampers North America (run by an American). The two

[39]Norihiko Shirouzu, "Tailoring World's Cars to U.S. Tastes," *The Wall Street Journal* (January 1, 2001), pp. B1, B6.
[40]T. W. Malnight, "Globalization of an Ethnocentric Firm: An Evolutionary Perspective," *Strategic Management Journal* 16, no. 2 (February 1995), p. 125.
[41]Robert Mondavi, *Harvests of Joy: My Passion for Excellence* (New York: Harcourt Brace & Company, 1998), p. 333.
[42]Martin Fackler, "A Second Chance for Japanese Cell Phone Makers," *The New York Times* (November 17, 2005), p. C1.
[43]Franck Riboud, "Think Global, Act Local," *Outlook* no. 3 (2003), p. 8.

executives were not collaborating, thereby stifling any potential for their organizations to cooperate in solving the global challenges Pampers faced in research and development, design, manufacturing, and marketing.[44]

Unilever, the Anglo-Dutch consumer products company, once exhibited a polycentric orientation. For example, its Rexona deodorant brand had 30 different package designs and 48 different formulations. Advertising was also executed on a local basis. Top management has spent the last decade changing Unilever's strategic orientation by implementing a reorganization plan that centralizes authority and reduces the power of local country managers.[45]

Regiocentric Orientation

In a company with a **regiocentric orientation**, a region becomes the relevant geographic unit; management's goal is to develop an integrated regional strategy. What does *regional* mean in this context? A U.S. company that focuses on the countries included in the North American Free Trade Agreement (NAFTA)—namely, the United States, Canada, and Mexico—has a regiocentric orientation. Similarly, a European company that focuses its attention on Europe is regiocentric. Some companies serve markets throughout the world, but do so on a regional basis. Such a company could be viewed as a variant of the multinational model discussed previously. For decades, a regiocentric orientation prevailed at General Motors: Executives in different parts of the world—Asia-Pacific and Europe, for example—were given considerable autonomy when designing vehicles for their respective regions. Company engineers in Australia, for example, developed models for sale in the local market. One result of this approach: A total of 270 different types of radios were being installed in GM vehicles around the world. As GM Vice Chairman Robert Lutz told an interviewer in 2004, "GM's global product plan used to be four regional plans stapled together."[46]

Geocentric Orientation

"These days everyone in the Midwest is begging Honda to come into their hometown. It is no longer viewed as a 'Japanese' company, but a 'pro-American-worker corporation' flush with jobs, jobs, jobs."[48]

Douglas Brinkley, Professor of History, Tulane University

A company with a **geocentric orientation** views the entire world as a potential market and strives to develop integrated global strategies. A company whose management has adopted a geocentric orientation is sometimes known as a *global* or *transnational company.*[47] During the past several years, long-standing regiocentric policies at GM, such as those just discussed, have been replaced by a geocentric approach. Among other changes, the new policy calls for engineering jobs to be assigned on a worldwide basis, with a global council based in Detroit determining the allocation of the company's $7 billion annual product development budget. One goal of the geocentric approach: to save 40 percent in radio costs by using a total of 50 different radios.

It is a positive sign that, at many companies, management realizes the need to adopt a geocentric orientation. However, the transition to new structures and organizational forms can take time to bear fruit. As new global competitors emerge on the scene, management at long-established industry giants such as GM must face up to the challenge of organizational transformation. More than a decade ago, Louis R. Hughes, a GM executive, said, "We are on our way to becoming a transnational corporation." Basil Drossos, former president of GM de Argentina,

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[44] Jim Stengel, *Grow: How Ideals Power Growth and Profit at The World's Greatest Companies* (New York: Crown Business, 2011), p. 167.
[45] Deborah Ball, "Too Many Cooks: Despite Revamp, Unwieldy Unilever Falls Behind Rivals," *The Wall Street Journal* (January 3, 2005), pp. A1, A5.
[46] Lee Hawkins, Jr., "New Driver: Reversing 80 Years of History, GM Is Reining in Global Fiefs," *The Wall Street Journal* (October 6, 2004), pp. A1, A14.
[47] Although the definitions provided here are important, to avoid confusion we will use the term *global marketing* when describing the general activities of global companies. Another note of caution is in order: Usage of the terms *international, multinational*, and *global* varies widely. Alert readers of the business press are likely to recognize inconsistencies; usage does not always reflect the definitions provided here. In particular, companies that are (in the view of the authors as well as numerous other academics) global are often described as *multinational enterprises* (abbreviated MNEs) or *multinational corporations* (abbreviated MNCs). The United Nations prefers the term *transnational company* rather than *global company.* When we refer to an "international company" or a "multinational," we will do so in a way that maintains the distinctions described in the text.
[48] Douglas Brinkley, "Hoosier Honda," *The Wall Street Journal* (July 18, 2006), p. A14.

echoed his colleague's words, noting, "We are talking about becoming a global corporation as opposed to a multinational company; that implies that the centers of expertise may reside anywhere they best reside."[49] For the moment, GM is still the world's number 1 automaker in terms of revenue. In 2008, Toyota sold more vehicles worldwide than GM for the first time. As GM emerged from bankruptcy in 2009, it did so as a smaller, leaner company.

A global company can be further described as one that either pursues a strategy of serving world markets from a single country, or sources globally for the purposes of focusing on select country markets. In addition, global companies tend to retain their association with a particular headquarters country. Harley-Davidson serves world markets from the United States exclusively. Similarly, all the production for luxury goods marketer Tod's takes place in Italy. By contrast, Uniqlo sources its apparel from low-wage countries; a sophisticated supply chain ensures timely delivery to its network of stores. Benetton pursues a mixed approach, sourcing some of its apparel from Italy and some from low-wage countries. Harley-Davidson, Tod's, Uniqlo, and Benetton may all be thought of as global companies.

Transnational companies serve global markets and use global supply chains, which often results in a blurring of national identity. A true transnational would be characterized as "stateless." Toyota and Honda are two examples of companies that exhibit key characteristics of transnationality. At global and transnational companies, management uses a combination of standardized (extension) and localized (adaptation) elements in the marketing program. A key factor that distinguishes global and transnational companies from international or multinational companies is *mind-set*: At global and transnational companies, decisions regarding extension and adaptation are not based on assumptions. Rather, such decisions are made on the basis of ongoing research into market needs and wants.

One way to assess a company's "degree of transnationality" is to compute an average of three ratios: (1) sales outside the home country to total sales, (2) assets outside the home country to total assets, and (3) employees outside the home country to total employees. Viewed in terms of these metrics, Nestlé, Unilever, Royal Philips Electronics, GlaxoSmithKline, and the News Corporation can also be categorized as transnational companies. Each is headquartered in a relatively small home-country market, a fact of life that has compelled management to adopt regiocentric or geocentric orientations to achieve revenue and profit growth.

The geocentric orientation represents a synthesis of ethnocentrism and polycentrism; it is a "worldview" that sees similarities and differences in markets and countries and seeks to create a global strategy that is fully responsive to local needs and wants. A regiocentric manager might be said to have a worldview on a regional scale; the world outside the region of interest will be viewed with an ethnocentric or a polycentric orientation, or a combination of the two. However, research suggests that many companies are seeking to strengthen their regional competitiveness rather than move directly to develop global responses to changes in the competitive environment.[50]

The ethnocentric company is centralized in its marketing management; the polycentric company is decentralized; and the regiocentric and geocentric companies are integrated on a regional and global scale, respectively. A crucial difference among the orientations is the underlying assumption for each. The ethnocentric orientation is based on a belief in home-country superiority. The underlying assumption of the polycentric approach is that there are so many differences in cultural, economic, and marketing conditions in the world that it is futile to attempt to transfer experience across national boundaries. A key challenge facing organizational leaders today is managing a company's evolution beyond an ethnocentric, polycentric, or regiocentric orientation to a geocentric one. As noted in one highly regarded book on global business, "The multinational solution encounters problems by ignoring a number of organizational impediments to the implementation of a global strategy and underestimating the impact of global competition."[51]

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[49] Rebecca Blumenstein, "Global Strategy: GM Is Building Plants in Developing Nations to Woo New Markets," *The Wall Street Journal* (August 4, 1997), p. A4.

[50] Allan J. Morrison, David A. Ricks, and Kendall Roth, "Globalization Versus Regionalization: Which Way for the Multinational?" *Organizational Dynamics* (Winter 1991), p. 18.

[51] Michael A. Yoshino and U. Srinivasa Rangan, *Strategic Alliances: An Entrepreneurial Approach to Globalization* (Boston: Harvard Business School Press, 1995), p. 64.

INNOVATION, ENTREPRENEURSHIP, AND THE GLOBAL STARTUP

Kevin Plank, Under Armour

Kevin Plank is an entrepreneur. He developed an innovative product, created a brand, and started a company to manufacture and market it. By applying the basic tools and principles of modern marketing, Plank achieved remarkable success (see Exhibit 1-9). As is true with many entrepreneurs, Plank's idea was based on his own needs and wants. As a football player at the University of Maryland, Plank was dissatisfied with the traditional cotton T-shirts he wore during practice. Convinced that "there had to be something better," Plank's insight was to adapt the type of synthetic material used to make women's lingerie—typically a polyester/Lycra blend—for a new purpose: athletic performance. The lightweight fabric holds its shape, wicks moisture away from the body, dries quickly, and offers a snug, glove-like fit.

During his senior year, Plank bought a bolt of material and hired a tailor to sew some T-shirts. He then gave them away to teammates at Maryland and to friends who had joined the NFL. After graduation in 1996, Plank set up shop in a townhouse his family owned in Georgetown. After giving away several hundred shirts to equipment managers at various universities, Plank booked his first order: Georgia Tech bought 200 shirts for $12 each. Less than 20 years later, Plank's company is on track to reach $2.0 billion in sales.

Under Armour is a contender in the $37 billion sports apparel industry that has been dominated, until recently, by industry titans Nike and Adidas. Plank's company is the leader in the specialty category known as compression wear; now, Under Armour has surpassed Adidas to become the number 2 athletic brand in the United States. As the owner of a rival manufacturer notes admiringly, "Whether product innovation, packaging, or 'right-time, right-place,' or all of the above, they basically were able to light the fuse." Or, as another industry observer puts it, "They saw something no one else saw and built a business around it." In Plank's own words, "All we're trying to do is change the way people think about fitness."

Evidence of the company's ongoing commitment to innovation can be seen in recent product introductions. For example, Spine is a lightweight running shoe that was launched in 2012. Nike dominates the running-shoe market; it also has 95 percent share of the basketball shoe market. To jump-start Under Armour's shoe business, Plank hired Gene McCarthy as senior vice president of footwear and Dave Dombrow as creative director. Both McCarthy and Dombrow came from Nike. Dombrow was instrumental in the design of the Stephen Curry signature basketball shoe that was launched in 2014. Plank also holds open competitions that allow inventors from outside the company to present ideas to the Under Armour team. Known as "open innovation," this approach helps keep new ideas flowing.

Plank is unwavering in his strategic intention of building Under Armour into "the biggest brand in the land!" To do this, he must expand his company's global presence. In 2012, only 6 percent of Under Armour's revenues were generated outside North America. By contrast, 60 percent of Nike's business is international; for Germany-based Adidas, 60 percent of sales come from outside Europe. Some industry observers think Under Armour is planning significant global product introductions timed to coincide with the 2016 Summer Olympic Games in Brazil. Plank estimates that, by 2020, Under Armour will be a $10 billion brand, with more than half its sales outside the United States.

Meanwhile, the momentum keeps building. *Advertising Age* magazine named Under Armour "Marketer of the Year" for 2014. One reason: a highly acclaimed TV ad for Under Armour's women's line that featured ballet star Misty Copeland. Having surpassed Adidas as the number 2 athletic brand in the United States, Plank now has his eyes on a bigger prize: Nike.

Sources: Bruce Horovitz, "Under Armour Kicks Grass," *USA Today* (December 23, 2014), pp. 1B, 2B; Bruce Horovitz, "Under Armour to Let There Be Light," *USA Today* (October 21, 2013), p. 6B; John Kell, "Under Armour Arrives on Global Stage," *The Wall Street Journal* (June 3, 2013), p. B2; Bruce Horovitz, "Under Armour Races to Discover Innovative Fitness Gear," *USA Today* (July 9, 2012), pp. 1B, 2B.

Exhibit 1-9 Innovation and global expansion are central to Under Armour founder Kevin Plank's strategic vision for increasing annual sales from $2 billion to $3 billion. In pursuit of the "third billion," Under Armour's product development teams are working on water-repellent sweatshirts and fitness gear that monitors heart rate and other athletic performance data.

Source: Bill O'Leary/The Washington Post/Getty Images.

1-6 Forces Affecting Global Integration and Global Marketing

The remarkable growth of the global economy over the past 65 years has been shaped by the dynamic interplay of various driving and restraining forces. During most of those decades, companies from different parts of the world in different industries achieved great success by pursuing international, multinational, or global strategies. During the 1990s, changes in the business environment presented a number of challenges to established ways of doing business. Today, despite calls for protectionism as a response to the economic crisis, global marketing continues to grow in importance. This is due to the fact that, even today, driving forces have more momentum than restraining forces. The forces affecting global integration are shown in Figure 1-1.

Regional economic agreements, converging market needs and wants, technological advances, pressure to cut costs, pressure to improve quality, improvements in communication and transportation technology, global economic growth, and opportunities for leverage all represent important driving forces; any industry subject to these forces is a candidate for globalization.

Multilateral Trade Agreements

A number of multilateral trade agreements have accelerated the pace of global integration. NAFTA is expanding trade among the United States, Canada, and Mexico. The General Agreement on Tariffs and Trade (GATT), which was ratified by more than 120 nations in 1994, created the World Trade Organization (WTO) to promote and protect free trade. In Europe, the expanding membership of the European Union is lowering boundaries to trade within the region. The creation of a single currency zone and the introduction of the euro have led to increased intra-European trade in the twenty-first century.

Converging Market Needs and Wants and the Information Revolution

A person studying markets around the world will discover cultural universals as well as differences. The common elements in human nature provide an underlying basis for the opportunity to create and serve global markets. The word *create* is deliberate. Most global markets do not exist in nature; marketing efforts must create them. For example, no one *needs* soft drinks, and yet today in some countries, per capita soft drink consumption *exceeds* water consumption. Marketing has driven this change in behavior, and today the soft drink industry is a truly global one. Evidence is mounting that consumer needs and wants around the world are converging today as never before. This creates an opportunity for global marketing. Multinational companies pursuing strategies of product adaptation run the risk of failing to be successful against global competitors that have recognized opportunities to serve global customers.

The information revolution—what some refer to as the "democratization of information"—is one reason for the trend toward convergence. The revolution is fueled by a variety of technologies, products, and services, including satellite dishes; globe-spanning TV networks such as CNN and MTV; widespread access to broadband Internet; and Facebook, Twitter, YouTube, and other social media. Taken together, these communication tools mean that people in the remotest corners of the globe can compare their own lifestyles and standards of living with those of people in other countries. In regional markets such as Europe and Asia, the increasing overlap

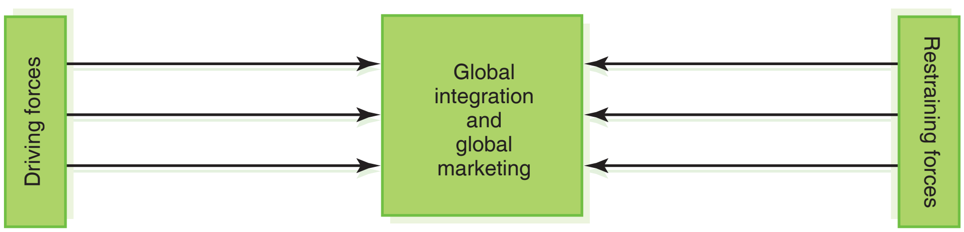

FIGURE 1-1
Driving and Restraining Forces Affecting Global Integration

of advertising across national boundaries and the mobility of consumers have created opportunities for marketers to pursue pan-regional product positioning. The Internet is an even stronger driving force: When a company establishes a site on the Internet, the company automatically becomes global. In addition, the Internet allows people everywhere in the world to reach out, buying and selling a virtually unlimited assortment of products and services.

Transportation and Communication Improvements

The time and cost barriers associated with distance have fallen tremendously over the past 100 years. The jet airplane revolutionized communication by making it possible for people to travel around the world in less than 48 hours. Tourism enables people from many countries to see and experience the newest products sold abroad. In 1970, 75 million passengers traveled internationally; according to figures compiled by the International Air Transport Association, that figure increased to nearly 980 million passengers in 2011. One essential characteristic of the effective global business is face-to-face communication among employees and between a company and its customers. Modern jet travel made such communication feasible. Today's information technology allows airline alliance partners such as United and Lufthansa to sell seats on each other's flights, thereby making it easier for travelers to get from point to point. Meanwhile, the cost of international data, voice, and video communication has fallen dramatically over the past several decades. Today, Skype, Google+, and Cisco Telepresence are powerful new communication channels. They are the latest in a series of innovations—including fax, e-mail, video teleconferencing, Wi-Fi, and broadband Internet—that enable managers, executives, and customers to link up electronically from virtually any part of the world without traveling at all.

A similar revolution has occurred in transportation technology. The costs associated with physical distribution, in terms of both money and time, have been greatly reduced as well. The per-unit cost of shipping automobiles from Japan and Korea to the United States by specially designed auto-transport ships is less than the cost of overland shipping from Detroit to either U.S. coast. Another key innovation has been the increased utilization of 20- and 40-foot metal containers that can be transferred from trucks to railroad cars to ships.

Product Development Costs

The pressure for globalization is intense when new products require major investments and long periods of development time. The pharmaceutical industry provides a striking illustration of this driving force. According to the Pharmaceutical Research and Manufacturers Association, the cost of developing a new drug in 1976 was $54 million. Today, the process of developing a new drug and securing regulatory approval to market it can take 14 years, and the average total cost of bringing a new drug to market is estimated to exceed $400 million.[52] Such costs must be recovered in the global marketplace, because no single national market is likely to be large enough to support investments of this size. Thus, Pfizer, Merck, GlaxoSmithKline, Novartis, Bristol-Myers Squibb, Sanofi-Aventis, and other leading pharmaceutical companies have little choice but to engage in global marketing. As noted earlier, however, global marketing does not necessarily mean operating everywhere; in the pharmaceutical industry, for example, seven countries account for 75 percent of sales. As shown in Table 1-6, demand for pharmaceuticals in Asia is expected to exhibit double-digit growth in the next few years. In an effort to tap that opportunity and to reduce development costs, Novartis and its rivals are establishing research and development (R&D) centers in China.[53]

Quality

Global marketing strategies can generate greater revenue and greater operating margins that, in turn, support design and manufacturing quality. A global and a domestic company may each spend 5 percent of sales on R&D, but the global company may have many times the total

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[52] Joseph A. DiMasi, Ronald W. Hansen, and Henry G. Grabowski, "The Price of Innovation: New Estimates of Drug Development Costs," *Journal of Health Economics* 22, no. 2 (March 2003), p. 151.

[53] Nicholas Zamiska, "Novartis to Establish Drug R&D Center in China," *The Wall Street Journal* (November 11, 2006), p. A3.

TABLE 1-6 World Pharmaceutical Market by Region

	2012	2007–2012	2012–2017
	Market Size (US$ billions)	*CAGR %	Forecast CAGR %
North America	$348.7	3.0%	0.7–3.7%
Europe	222.8	2.4	–0.4–2.6
Asia/Africa/Australia	168.3	15.0	11.4–14.4
Japan	112.1	3.0	1.7–4.7
Latin America	72.5	12.0	10–13
Total world	962.1	5.3	5.3

*Compound annual growth rate
Source: Based on IMS Health Market Prognosis. Courtesy of IMS Health.

revenue of the domestic company because it serves the world market. It is easy to understand how John Deere, Nissan, Matsushita, Caterpillar, and other global companies have achieved world-class quality (see Exhibit 1-10). Global companies "raise the bar" for all competitors in an industry. When a global company establishes a benchmark in quality, competitors must quickly make their own improvements and come up to par. For example, the U.S. auto manufacturers have seen their market share erode over the past four decades as Japanese manufacturers built reputations for quality and durability. Despite making great strides in quality, Detroit now faces a new threat: Sales, revenues, and profits have plunged in the wake of the economic crisis. Even before the crisis, the Japanese had invested heavily in hybrid vehicles that are increasingly popular with eco-conscious drivers. The runaway success of the Toyota Prius is a case in point.

World Economic Trends

Prior to the global economic crisis that began in 2008, economic growth had been a driving force in the expansion of the international economy and in the growth of global marketing for three reasons. First, economic growth in key developing countries creates market opportunities that provide a major incentive for companies to expand globally. Thanks to rising per capita incomes

Exhibit 1-10 With annual sales of $26 billion, Moline, Illinois–based Deere & Company is the world's leading manufacturer of farm equipment. Deere has benefited from booming worldwide demand for agricultural commodities; demand for tractors has been especially strong in Brazil, China, India, and other emerging markets.
Source: Courtesy of John Deere.

in India, China, and elsewhere, the growing ranks of middle-class consumers have more money to spend than in the past. At the same time, slow growth in industrialized countries has compelled management to look abroad for opportunities in nations or regions with high rates of growth.

Second, economic growth has reduced resistance that might otherwise have developed in response to the entry of foreign firms into domestic economies. When a country such as China is experiencing rapid economic growth, policymakers are likely to look more favorably on outsiders. A growing country means growing markets; there is often plenty of opportunity for everyone. It is thus possible for a "foreign" company to enter a domestic economy and establish itself without threatening the existence of local firms. The latter can ultimately be strengthened by the new competitive environment. Without economic growth, however, global enterprises may take business away from domestic ones. Domestic businesses are more likely to seek governmental intervention to protect their local positions if markets are not growing. Predictably, the recent economic crisis creates new pressure on policymakers in emerging markets to protect domestic markets.

The worldwide movement toward free markets, deregulation, and privatization is a third driving force. The trend toward privatization is opening up formerly closed markets; tremendous opportunities are being created as a result. In their book, Daniel Yergin and Joseph Stanislaw described these trends as follows:

> It is the greatest sale in the history of the world. Governments are getting out of businesses by disposing of what amounts to trillions of dollars of assets. Everything is going—from steel plants and phone companies and electric utilities to airlines and railroads to hotels, restaurants, and nightclubs. It is happening not only in the former Soviet Union, Eastern Europe, and China but also in Western Europe, Asia, Latin America, and Africa—and in the United States.[54]

For example, when a nation's telephone company is a state monopoly, the government can require it to buy equipment and services from national companies. An independent company that needs to maximize shareholder value has the freedom to seek vendors that offer the best overall value proposition, regardless of nationality. Privatization of telephone systems around the world created significant opportunities for telecommunications equipment suppliers such as Sweden's Ericsson; Alcatel-Lucent, a Franco-American company; and Canada-based Nortel Networks. After years of growth, however, most telecom suppliers experienced slower growth as customers cut spending in the face of the global recession. In 2009, Nortel Networks filed for bankruptcy; it auctioned thousands of patents to an alliance of companies including Apple and Microsoft.

Leverage

"If we were going to be world-class, we needed to pull together and leverage our global assets around the world to create a powerhouse 'One Ford.' It's exactly why we are here."[55]

Alan Mulally, CEO, Ford Motor Company

A global company possesses the unique opportunity to develop leverage. In the context of global marketing, **leverage** means some type of advantage that a company enjoys by virtue of the fact that it has experience in more than one country. Leverage allows a company to conserve resources when pursuing opportunities in new geographical markets. In other words, leverage enables a company to expend less time, less effort, and/or less money. Four important types of leverage are experience transfers, scale economies, resource utilization, and global strategy.

EXPERIENCE TRANSFERS A global company can leverage its experience in any market in the world. It can draw upon management practices, strategies, products, advertising appeals, or sales or promotional ideas that have been market tested in one country or region and apply them in other comparable markets. For example, Whirlpool has considerable experience in the United States dealing with powerful retail buyers such as Sears and Best Buy. The majority of European appliance retailers have plans to establish their own cross-border "power" retailing systems; as former Whirlpool CEO David Whitwam explained, "When power retailers take hold in Europe, we will be ready for it. The skills we've developed here are directly transferable."[56]

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[54] Daniel Yergin and Joseph Stanislaw, *The Commanding Heights* (New York: Simon & Schuster, 1998), p. 13.
[55] Bill Vlasic, "Ford's Bet: It's a Small World After All," *The New York Times* (January 9, 2010), p. B1.
[56] William C. Taylor and Alan M. Webber, *Going Global: Four Entrepreneurs Map the New World Marketplace* (New York: Penguin USA, 1996), p. 18.

Chevron is another example of a global company that gains leverage through experience transfers. As H. F. Iskander, general manager of Chevron's Kuwait office, explains:

> Chevron is pumping oil in different locations all over the world. There is no problem we have not confronted and solved somewhere. There isn't a rock we haven't drilled through. We centralize all that knowledge at our headquarters, analyze it, sort it out, and that enables us to solve any oil-drilling problem anywhere. As a developing country you may have a national oil company that has been pumping your own oil for 20 years. But we tell them, "Look, you have 20 years of experience, but there's no diversity. It is just one year of knowledge 20 times over." When you are operating in a multitude of countries, like Chevron, you see a multitude of different problems and you have to come up with a multitude of solutions. You have to, or you won't be in business. All those solutions are then stored in Chevron's corporate memory. The key to our business now is to tap that memory, and bring out the solution that we used to solve a problem in Nigeria in order to solve the same problem in China or Kuwait.[57]

SCALE ECONOMIES The global company can take advantage of its greater manufacturing volume to obtain traditional scale advantages within a single factory. Also, finished products can be manufactured by combining components manufactured in scale-efficient plants in different countries. Japan's giant Matsushita Electric Company is a classic example of global marketing in action; it achieved scale economies by exporting VCRs, televisions, and other consumer electronics products throughout the world from world-scale factories in Japan. The importance of manufacturing scale has diminished somewhat as companies implement flexible manufacturing techniques and invest in factories outside the home country. However, scale economies were a cornerstone of Japanese success in the 1970s and 1980s.

Leverage from scale economies is not limited to manufacturing. Just as a domestic company can achieve economies in staffing by eliminating duplicate positions after an acquisition, a global company can achieve the same economies on a global scale by centralizing functional activities. The larger scale of the global company also creates opportunities to improve corporate staff competence and quality.

RESOURCE UTILIZATION A major strength of the global company is its ability to scan the entire world to identify people, money, and raw materials that will enable it to compete most effectively in world markets. For a global company, it is not problematic if the value of the "home" currency rises or falls dramatically, because there really is no such thing as a home currency. The world is full of currencies, and a global company seeks financial resources on the best available terms. In turn, it uses them where there is the greatest opportunity to serve a need at a profit.

GLOBAL STRATEGY The global company's greatest single advantage can be its global strategy. A global strategy is built on an information system that scans the world business environment to identify opportunities, trends, threats, and resources. When opportunities are identified, the global company adheres to the three principles identified earlier: It leverages its skills and focuses its resources to create superior perceived value for customers and achieve competitive advantage. *The global strategy is a design to create a winning offering on a global scale.* This takes great discipline, much creativity, and constant effort. The reward is not just success; it's survival. For example, French automaker Renault operated for many years as a regional company. During that time, its primary struggle was a two-way race with Peugeot Citroën for dominance in the French auto industry. However, in an industry dominated by Toyota and other global competitors, Chairman Louis Schweitzer had no choice but to formulate a global strategy. Initiatives included acquiring a majority stake in Nissan Motor and Romania's Dacia. Schweitzer has also invested $1 billion in a plant in Brazil and is spending hundreds of millions of dollars in South Korea.[58]

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[57]Thomas L. Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 2000), pp. 221–222.

[58]John Tagliabue, "Renault Pins Its Survival on a Global Gamble," *The New York Times* (July 2, 2000), Section 3, pp. 1, 6; Don Kirk and Peter S. Green, "Renault Rolls the Dice on Two Auto Projects Abroad," *The New York Times* (August 29, 2002), pp. W1, W7.

A note of caution is in order: A global strategy is no guarantee of ongoing organizational success. Companies that cannot formulate or successfully implement a coherent global strategy may lose their independence. InBev's acquisition of Anheuser-Busch at the end of 2008 is a case in point. Some globalization strategies do not yield the expected results, as seen in the unraveling of the DaimlerChrysler merger and the failure of Deutsche Post's DHL unit to penetrate the U.S. domestic package delivery market.

The severe downturn in the business environment in the early years of the twenty-first century wreaked havoc with strategic plans. This proved true for established global firms as well as newcomers from emerging markets that had only recently come to prominence on the world stage. For example, at Swiss-based ABB, Mexico's Cemex, and UK supermarket chain Tesco, the ambitious global visions of the respective chief executives were undermined by expensive strategic bets that did not pay off.[59] Although all three companies survived, they are smaller, more focused entities than before.

Restraining Forces

Despite the impact of the driving forces identified previously, several restraining forces may slow a company's efforts to engage in global marketing. In addition to the market differences discussed earlier, important restraining forces include management myopia, organizational culture, national controls, and opposition to globalization. As we have noted, however, in today's world the driving forces predominate over the restraining forces. That is why the importance of global marketing is steadily growing.

MANAGEMENT MYOPIA AND ORGANIZATIONAL CULTURE In many cases, management simply ignores opportunities to pursue global marketing. A company that is "nearsighted" and ethnocentric will not expand geographically. Anheuser-Busch, the brewer of Budweiser beer, lost its independence after years of focusing primarily on the domestic U.S. market. Myopia is also a recipe for market disaster if headquarters attempts to dictate when it should listen. Global marketing does not work without a strong local team that can provide information about local market conditions.

In companies where subsidiary management "knows it all," there is no room for vision from the top. In companies where headquarters management is all-knowing, there is no room for local initiative or an in-depth knowledge of local needs and conditions. Executives and managers at successful global companies have learned how to integrate global vision and perspective with local market initiative and input. A striking theme emerged during interviews conducted by one of the authors with executives of successful global companies. That theme was respect for local initiative and input by headquarters executives, and the corresponding respect for headquarters' vision by local executives.

NATIONAL CONTROLS Every country protects the commercial interests of local enterprises by maintaining control over market access and entry into both low- and high-tech industries. Such control ranges from a monopoly controlling access to tobacco markets to national government control of broadcast, equipment, and data transmission markets. Today, tariff barriers have been largely removed in high-income countries, thanks to the WTO, GATT, NAFTA, and other economic agreements. However, **nontariff barriers (NTBs)** are still very much in evidence. NTBs are nonmonetary restrictions on cross-border trade, such as the proposed "Buy American" provision in Washington's economic stimulus package, food safety rules, and other bureaucratic obstacles. NTBs have the potential to make it difficult for companies to gain access to some individual country and regional markets.

OPPOSITION TO GLOBALIZATION To many people around the world, globalization and global marketing represent a threat. The term *globaphobia* is sometimes used to describe an attitude of hostility toward trade agreements, global brands, or company policies that appear to result

[59]Joel Millman, "The Fallen: Lorenzo Zambrano; Hard Times for Cement Man," *The Wall Street Journal* (December 11, 2008), p. A1.

Exhibit 1-11 American fashion icon Ralph Lauren created the official uniforms that Team USA wore at the opening and closing ceremonies of the 2012 Olympics in China. Controversy erupted after it was revealed that the uniforms—navy blazers, white trousers and skirts, and berets—were "Made in China" rather than in the United States. Critics linked the outsourcing story to the broader issue of the loss of manufacturing jobs in America. Not surprisingly, the 2014 Olympics uniforms were "Made in the USA."
Source: Ralph Lauren/AP Images.

in hardship for some individuals or countries while benefiting others. Globaphobia manifests itself in various ways, including protests or violence directed at policymakers or well-known global companies (see Exhibit 1-11). Opponents of globalization include labor unions, college and university students, national and international nongovernmental organizations (NGOs), and others. *Shock Doctrine* author Naomi Klein has been an especially outspoken critic of globalization.

In the United States, some people believe that globalization has depressed the wages of American workers and resulted in the loss of both blue- and white-collar jobs. Protectionist sentiment has increased in the wake of the recent economic crisis. In many developing countries, there is a growing suspicion that the world's advanced countries—starting with the United States—are reaping most of the rewards of free trade. As an unemployed miner in Bolivia put it, "Globalization is just another name for submission and domination. We've had to live with that here for 500 years and now we want to be our own masters."[60]

Outline of This Book

This book has been written for students and businesspeople interested in global marketing. Throughout the book, we present and discuss important concepts and tools specifically applicable to global marketing.

The book is divided into five parts. Part One consists of Chapter 1, an overview of global marketing and the basic theory of global marketing. Chapters 2 through 5 comprise Part Two, in which we cover the environment of global marketing. Chapters 2 and 3 examine economic and regional market characteristics, including the locations of income and population, patterns of trade and investment, and stages of market development. In Chapter 4, we examine social and cultural elements, and in Chapter 5 we present the legal, political, and regulatory dimensions. We devote Part Three to topics that must be considered when approaching global markets. We cover marketing information systems and research in Chapter 6. Chapter 7 discusses market segmentation, targeting, and positioning. Chapter 8 surveys the basics of importing, exporting,

[60]Larry Rohter, "Bolivia's Poor Proclaim Abiding Distrust of Globalization," *The New York Times* (October 17, 2003), p. A3.

and sourcing. We devote Chapter 9 to various aspects of global strategy, including strategy alternatives for market entry and expansion. In Part Four we examine the global context of marketing mix decisions. Guidelines for making product, price, channel, and marketing communications decisions in response to global market opportunities and threats are presented in detail in Chapters 10 through 14. Chapter 15 explores the ways that the Internet, e-commerce, and other aspects of the digital revolution are creating new opportunities and challenges for global marketers. The two chapters in Part Five address issues of corporate strategy and leadership, in the twenty-first century. Chapter 16 includes an overview of strategy and competitive advantage. Chapter 17 addresses some of the leadership challenges facing the chief executives of global companies. In addition, the chapter examines the organization and control of global marketing programs as well as the issue of corporate social responsibility.

Summary

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. A company that engages in *global marketing* focuses its resources on global market opportunities and threats. Successful global marketers such as Nestlé, Coca-Cola, and Honda use familiar *marketing mix* elements—the four Ps—to create global marketing programs. Marketing, R&D, manufacturing, and other activities comprise a firm's *value chain*; firms configure these activities to create superior customer value on a global basis. The *value equation* ($V = B/P$) expresses the relationship between value and the marketing mix.

Global companies also maintain strategic *focus* while relentlessly pursuing *competitive advantage*. The marketing mix, value chain, competitive advantage, and focus are universal in their applicability, irrespective of whether a company does business only in the home country or has a presence in many markets around the world. However, in a *global industry*, companies that fail to pursue global opportunities risk being pushed aside by stronger global competitors.

A firm's *global marketing strategy (GMS)* can enhance its worldwide performance. The GMS addresses several issues. First is the nature of the marketing program in terms of the balance between a *standardized (extension) approach* to the marketing mix elements and a *localized (adaptation) approach* that is responsive to country or regional differences. Second is the *concentration of marketing activities* in a few countries or the dispersal of such activities across many countries. Companies that engage in global marketing can also engage in *coordination of marketing activities.* Finally, a firm's GMS addresses the issue of *global market participation.*

The importance of global marketing today can be seen in the company rankings compiled by *The Wall Street Journal, Fortune*, the *Financial Times*, and other publications. Whether ranked by revenues or some other measure, most of the world's major corporations are active regionally or globally. The size of global markets for individual industries or product categories helps explain why companies "go global." Global markets for some product categories represent hundreds of billions of dollars in annual sales; other markets are much smaller. Whatever the size of the opportunity, successful industry competitors find that increasing revenues and profits means seeking markets outside the home country.

Company management can be classified in terms of its orientation toward the world: *ethnocentric, polycentric, regiocentric*, or *geocentric*. The terms reflect progressive levels of development or evolution. An ethnocentric orientation characterizes *domestic* and *international companies*; international companies pursue marketing opportunities outside the home market by extending various elements of the marketing mix. A polycentric worldview predominates at a *multinational company*, where country managers operating autonomously adapt the marketing mix. When management moves to integrate and coordinate activities on a regional basis, the decision reflects a regiocentric orientation. Managers at *global* and *transnational companies* are geocentric in their orientation and pursue both extension and adaptation strategies in global markets.

The dynamic interplay of several driving and restraining forces shapes the importance of global marketing. Driving forces include market needs and wants, technology, transportation and communication improvements, product costs, quality, world economic trends, and a recognition of opportunities to develop *leverage* by operating globally. Restraining forces include market differences, management myopia, organizational culture, and national controls such as *nontariff barriers (NTBs)*.

MyMarketingLab

To complete the problems with the ✪ go to EOC Discussion Questions in the MyLab.

Discussion Questions

1-1. What are the basic goals of marketing? Are these goals relevant to global marketing?

1-2. What is meant by "global localization"? Is Coca-Cola a global product? Explain.

✪ **1-3.** A company's global marketing strategy (GMS) is a crucial competitive tool. Discuss some of the global marketing strategies available to companies. Give examples of companies that use the different strategies.

1-4. UK-based Burberry is a luxury fashion brand that appeals to both genders and to all ages. To improve Burberry's competitiveness in the luxury goods market, CEO Christopher Bailey recently updated the marketing program put in place by his predecessor. The strategy addresses key markets that Burberry will participate in, as well as the integration and coordination of marketing activities. Research recent articles about Burberry and discuss Burberry's GMS.

1-5. Discuss the differences between the global marketing strategies of Harley-Davidson and Toyota.

✪ **1-6.** Describe the differences among ethnocentric, polycentric, regiocentric, and geocentric management orientations.

1-7. Identify and briefly describe some of the forces that have resulted in increased global integration and the growing importance of global marketing.

1-8. Define *leverage* and explain the different types of leverage available to companies with global operations.

1-9. Each July, *Fortune* publishes its Global 500 listing of the world's largest companies. You can find the current rankings online at www.fortune.com/global500/. Alternatively, you can consult the print edition of *Fortune*. Browse through the list and choose any company that interests you. Compare its 2014 ranking with the most recent ranking. Has the company's ranking changed? Consult additional sources (e.g., magazine articles, annual reports, the company's Web site) to get a better understanding of the factors and forces that contributed to the company's move up or down in the rankings. Write a brief summary of your findings.

✪ **1-10.** There's a saying in the business world that "nothing fails like success." Take Gap, for example. How can a fashion retailer that was once *the* source for wardrobe staples such as chinos and white T-shirts suddenly lose its marketing edge? Motorola also fell victim to its own success. The company's Razr cell phone was a huge hit, but Motorola struggled to leverage that success. Google acquired Motorola Mobility but then sold it to Lenovo in 2014. Also, Starbucks CEO Howard Shultz recently warned that his company and brand risk becoming commoditized. And, as noted in Case 1-3, some industry observers are saying that Apple has "lost its cool." If you were to make separate recommendations to management at each of these companies, what would you say?

CASE 1-1 CONTINUED (REFER TO PAGE 2)

The Global Marketplace

Now that you have an overview of global marketing, it's time to test your knowledge of global current events. Some well-known companies and brands are listed in the left-hand column. The question is: In what country is the parent corporation located? Possible answers are shown in the right-hand column. Write the letter corresponding to the country of your choice in the space provided; each country can be used more than once. Answers follow.

_______	1. Firestone Tire & Rubber	a. Germany
_______	2. Ray-Ban	b. France
_______	3. Rolls-Royce	c. Japan
_______	4. RCA	d. Great Britain
_______	5. Budweiser	e. United States
_______	6. Ben & Jerry's Homemade	f. Switzerland
_______	7. Gerber	g. Italy
_______	8. Miller Beer	h. Sweden
_______	9. Rollerblade	i. Finland
_______	10. Case New Holland	j. China
_______	11. Weed Eater	k. Netherlands
_______	12. Holiday Inn	l. Belgium
_______	13. Wild Turkey bourbon	m. India
_______	14. ThinkPad	n. Brazil
_______	15. Wilson Sporting Goods	o. South Korea
_______	16. Right Guard	p. Thailand
_______	17. BFGoodrich	
_______	18. Jaguar	
_______	19. Burger King	
_______	20. Jenny Craig	
_______	21. The Body Shop	
_______	22. Titleist	
_______	23. Swift	
_______	24. Gaggia	
_______	25. Church's English shoes	
_______	26. American Standard Brands	
_______	27. Chicken of the Sea tuna	

Answers:

1. Japan (Bridgestone) **2.** Italy (Luxottica SpA) **3.** Germany (Volkswagen) **4.** China (TTE) **5.** Belgium (Anheuser-Busch InBev) **6.** Great Britain/Netherlands (Unilever) **7.** Switzerland (Nestlé) **8.** Great Britain (SABMiller) **9.** Italy (Benetton) **10.** Italy (Fiat) **11.** Sweden (AB Electrolux) **12.** Great Britain (InterContinental Hotels Group PLC) **13.** Italy (Campari) **14.** China (Lenovo) **15.** Finland (Amer Group) **16.** Germany (Henkel) **17.** France (Michelin) **18.** India (Tata Motors) **19.** Brazil (3G Capital) **20.** Switzerland (Nestlé) **21.** France (L'Oréal) **22.** South Korea (Fila Korea) **23.** Brazil (JBS) **24.** Netherlands (Philips) **25.** Italy (Prada Group) **26.** Japan (Lixil Corp) **27.** Thailand (Thai Union Frozen Products PCL)

Discussion Questions

1-11. Anheuser-Busch (A-B), which has been described as "an American icon," is now under the ownership of a company based in Belgium. Responding to reports that some consumers planned to boycott Budweiser products to protest the deal, one industry observer said, "Brand nationality is all about where it was born, and also the ingredients of that beer and how they make the beer. Basically, it doesn't matter who owns it. We are in a global world right now." Do you agree?

1-12. Anheuser-Busch has long enjoyed a reputation as a very desirable place to work. Executives were awarded well-appointed corporate suites and traveled on corporate jets; many had secretaries as well as executive assistants. When managers took commercial flights, they flew first class. Most employees received beer for free and could count on donations of beer and merchandise for community events. Tickets to Cardinals home games were also used as a marketing tool. A-B spent heavily on advertising and promotion; various advertising agencies produced about 100 new ads for A-B each year. Given these facts, what changes, if any, would you expect A-B's new owners to make? Why?

1-13. In 2009, Italy's Fiat acquired a 20 percent stake in Chrysler, another iconic American company. Are you familiar with Fiat? What do you think CEO Sergio Marchionne hoped to accomplish with this deal? How might Chrysler benefit from the alliance?

1-14. Ben & Jerry's Homemade is a quirky ice cream marketer based in Burlington, Vermont. Founders Ben Cohen and Jerry Greenfield are legendary for their enlightened business practices, which include a three-part mission statement: product mission, financial mission, and social mission. When the company was acquired by consumer products giant Unilever, some of the brand's loyal customers were alarmed. What do you think was the source of their concern?