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HYPERMARKETS

Joint Venture

TRANSPACIFIC PARTNERSHIP

COUNTERTRADE

GCCP

MARKET CAPITALISM

COMMON AGR

FTA

INVESTMENT

IP

GAP

BRICS

FDI

multime

☆ GMS

INVA

FCPA

80/20 Rule

MA

AWTO

TTP



LOGISTIC

COUNTRY-OF-ORIGIN EFFECT

INTERNATIONAL CORPORATION

TRADE MISSIONS

SUSTAINABILITY

INTEGRATED MARKETING

Global Marketing

EIGHTH EDITION

GLOBAL MARKETING

EIGHTH EDITION

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

—WJK

In memoriam:
Peter Nathaniel Green 1964–2013

—MCG

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Preface

Global Marketing, Eighth 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 prepared students to successfully apply the four Ps to global marketing.

Our goal for all eight 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:

- “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 readers 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. These 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*, Eighth Edition. We have benefited tremendously from readers' 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 use of the English-language Global Edition is found in 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 Eighth 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. Two specific geopolitical developments that formed the backdrop to the Seventh Edition continue to dominate the headlines as this revision goes to press. First, after popular uprisings in North Africa upended the long-entrenched political order, the region is still in transition. Tensions remain especially high in Egypt and Syria. Second, the sovereign debt crisis in the euro zone, while still not resolved, is not as acute today as it was in 2011. High on the EU's agenda now are broader concerns about high unemployment levels and stagnant demand in Greece, Italy, and elsewhere.

More generally, the global economic crisis continues to impact global marketing strategies. Virtually every industry sector, company, and country has been affected by the downturn. Although the North American auto industry is rebounding, Europe's automakers are plagued by excess capacity. The lack of credit remains a key issue that is still squeezing companies and consumers. Among the bright spots: Real estate values in the United States appear to have bottomed

out, and the uptick in the demand for housing provides grounds for optimism. Also, Wall Street continues to rebound, with some stocks hitting record highs.

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:

- Fifty percent of the chapter-opening cases and related end-of-chapter cases are new to the Eighth 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 BRIC nations has been expanded to talk about the BRICS countries, reflecting South Africa’s increasing importance as an emerging market.
- New discussion of social media is integrated throughout the Eighth 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, and other emerging topics.
- A new sidebar, Innovation, Entrepreneurship, and the Global Startup, presents profiles of visionary business leaders from around the world.
- Income and population data in Chapter 3 have been reorganized for improved clarity and comparability.
- A new emphasis on developing critical thinking skills when analyzing chapter-ending cases has been included in the Eighth Edition.
- To supplement the use of *Global Marketing*, Eighth Edition, faculty and students can access author updates and comments on Twitter, the microblogging Web site. In addition, the authors have archived nearly 2,000 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 2013, some iconic global brands and companies celebrate golden anniversaries. Among them: the Beatles! Fifty years ago, the Beatles topped the charts in the United Kingdom before fundamentally revolutionizing popular music. Also 50 years ago, the first hypermarket opened in France. Turning 40 this year is the mobile phone; Motorola’s DynaTec mobile handset was the first shot fired in the nascent telecommunications revolution. It was 30 years ago, in 1983, that Theodore Levitt’s classic article “The Globalization of Markets” was published in *Harvard Business Review*. That same year, the compact disc player was introduced, ushering in a new era of digital music. And, in April 2013, Apple’s game-changing iTunes store turned 10.

Unifying themes in earlier editions included the growing impact of emerging nations in general and Brazil, Russia, India, and China in particular. To those four BRIC countries we add South Africa in this edition. Also in earlier editions, 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 wide economic downturn, Mexico, Indonesia, Nigeria, and 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.

In the Seventh Edition previously, we charted the path of the nascent economic recovery and the resulting shifts in global market opportunities and threats. New phrases such as *austerity*, *capital flight*, *currency wars*, *double-dip recession*, *global imbalances*, *global rebalancing*, *quantitative easing (QE)*, and *sovereign-debt crisis* were introduced into the discourse. The crisis in the euro zone was, and remains, one of the top stories of the year. Greece, Ireland, Italy, Portugal, and Spain bear especially close observation; 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.

The aforementioned trends are central to the Eighth Edition as well. As noted previously, 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, IBM, Nestlé, and Walmart are among the companies that have joined the “final gold rush” into the world's last untapped market. “Africa 3.0,” the lead-in case to Chapter 15, explores the way mobile phones are transforming business and home life across the continent. This is clearly a region that bears watching.

Current research findings have been integrated into each chapter of *Global Marketing*, Eighth 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,” which 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.

Similarly, our thinking about the global/local market paradox has been influenced by John Quelch's 2012 book, *All Business Is Local*. We have added scores of current examples of global marketing practice as well as quotations from global marketing practitioners and industry experts. Throughout the text, 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 the chapter's 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 cases strike a balance between revisions and updates of cases from the Seventh 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 7-1, “Global Companies Target Low-Income Consumers”; Case 8-1, “Can the United States Double Its Exports by 2015?”; Case 9-1, “Starbucks Expands Abroad”; Case 15-1, “Africa 3.0”; and Case 16-1, “Volkswagen Aims for the Top.”

New cases in the Eighth Edition include Case 1-3, “Apple Versus Samsung: The Battle for Smartphone Supremacy Heats Up”; Case 3-1, “Global Trading Partners Look East and West for Economic Growth”; Case 4-1, “Will Tourism Ruin Venice?”; Case 5-1, “Mr. President—Free Pussy Riot!”; Case 12-1, “Walmart's Adventures in India”; and Case 14-1, “Red Bull.”

In addition, every chapter contains two or more sidebars on three themes: Emerging Markets Briefing Book; Innovation, Entrepreneurship, and the Global Startup; and The Cultural Context. Among the entrepreneurs profiled are Kevin Plank (Under Armour), Reed Hastings (Netflix), and Diego Della Valle (Tod's).

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One of our challenges in writing new editions of this textbook 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 current events. Even so, we set out to create a compelling narrative that captures the unfolding drama that is 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 *Global Marketing*, Eighth Edition, to be the most engaging, up-to-date, relevant, and useful text of its kind.

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Warren J. Keegan
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Mark C. Green
September 2013



1 Introduction to Global Marketing



CASE 1-1

The Global Marketplace Is Also Local

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Consider the following proposition: *We live in a global marketplace.* Apple iPhones, McDonald's restaurants, Samsung HDTVs, LEGO toys, Swatch watches, Burberry trench coats, and Caterpillar earthmoving equipment 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. U.S.-based Intel, the world's largest chip maker, competes with South Korea's Samsung. In the global cell phone market, Nokia (Finland), Apple (United States), Motorola (United States), and Samsung are key players. Appliances from Whirlpool and Electrolux compete for precious retail space with products manufactured and marketed by Germany's Bosch, China's Haier Group, and South Korea's LG.

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.'"

To show its support for socially responsible initiatives, Ferragamo recently introduced a new shoe line called Ferragamo WORLD that utilizes eco-friendly production processes. A portion of the proceeds from every pair sold supports Acumen Fund's anti-poverty efforts in East Africa, India, and Pakistan.

Source: Roussel Bernard/Alamy.



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.¹ France's domestic film industry generates about 40 percent of local motion picture box office receipts; U.S.-made movies account for about 50 percent. In Turkey, local artists such as Sertab account for more than 80 percent of recorded music sales. *Kiki*, a Japanese magazine for teenage girls, competes for newsstand sales with *Vogue Girl*, *Cosmo Girl*, and other titles from Western publishers. 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 text book. 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, 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? Consider:

- An American-built Ford Mustang has 65 percent American and Canadian content; an American-built Toyota Sienna XLE minivan has 90 percent American and Canadian content.²
- China's Shanghai Automotive (SAIC) owns the rights to the MG, the legendary two-seat British sports car. In 2008, SAIC began manufacturing a limited-edition TF model at a plant in Longbridge, UK. In 2011, production of the MG6 sedan began in Birmingham.³ India's Tata Group recently paid \$2.4 billion to acquire Land Rover and Jaguar from Ford.
- German carmaker BMW exports the X5 sport-utility vehicle that it builds in Spartanville, South Carolina, to more than 100 countries.

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!

¹Laurie Burkitt, "China Loses Its Taste for Yum," *The Wall Street Journal* (December 3, 2012), p. B9.

²Jathon Sapsford and Norihiko Shirouzu, "Mom, Apple Pie and...Toyota?" *The Wall Street Journal* (May 11, 2006), p. B1.

³Norihiko Shirouzu, "Homecoming Is Set for MG," *The Wall Street Journal* (March 16, 2011), p. B8.

LEARNING OBJECTIVES

- 1 Use the product/market growth matrix to explain the various ways a company can expand globally.
- 2 Describe how companies in global industries pursue competitive advantage.
- 3 Compare and contrast single-country marketing strategy with global marketing strategy (GMS).
- 4 Identify the companies at the top of the Global 500 rankings.
- 5 Explain the stages a company goes through as its management orientation evolves from domestic and ethnocentric to global and geocentric.
- 6 Discuss the driving and restraining forces affecting global integration today.

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. Your local gas station may have changed its name from Getty to Lukoil, reflecting the Russian energy giant's expanding global reach. On the highway, you may have seen a semitrailer truck from FedEx's Global Supply Chain Services fleet. Or perhaps you took

“Traditionally, service at Chinese restaurants is not very good and Chinese eat out only for the taste of the food. What Haidi Lao does is to offer a different service experience to make customers feel important. When people are in a good mood, they are willing to spend more, and that is what Haidi Lao gets for its premier service.”⁴

—Professor Yu Hai, Department of Sociology, Fudan University

advantage of Radiohead’s offer to set your own price when you downloaded *In Rainbows* from the Internet. When you pick up a pound of whole-bean Central American coffee at your favorite coffee café, you will find that some beans are labeled Fair Trade Certified. Your toll-free telephone call to a software technical support service or an airline customer service center may be answered in Bangalore or Mumbai. *Slumdog Millionaire*, which received an Oscar in 2009 for Best Picture, was filmed on location in and around Mumbai. 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.⁵ 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.⁶
- **Product development:** Starbucks created a brand of instant coffee, Via, to enable its customers to enjoy coffee at the office and other locations where brewed coffee is not

⁴Jin Jing, “Hotpot Chain Haidi Lao Places Emphasis on Very Personal Customer Service,” *Shanghai Daily* (August 18, 2011).

⁵American Marketing Association. <http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx>. Accessed March 1, 2011.

⁶Paul 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	1. Market penetration strategy	2. Product development strategy
	New markets	3. Market development strategy	4. 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:** Starbucks has launched several new ventures, including music CDs and movie production. Next up: Revamping stores so they can serve as wine bars and attract new customers in the evening.⁷

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.⁸ 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.

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:

$$\text{Value} = \text{Benefits/Price (money, time, effort, etc.)}$$

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 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

⁷Bruce Horowitz, "Starbucks Remakes Its Future with an Eye on Wine and Beer," *USA Today* (October 22, 2010), p. 1B.

⁸John Quelch and Katherine Jocz, *All Business Is Local* (New York: Portfolio/Penguin, 2012).

must expend to learn about or seek out the product.⁹ 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's, 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.¹⁰ 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 2012 *Consumer Reports* put Subaru at the top of its quality rankings, surpassing Mazda, Toyota, Honda, and Nissan.¹¹ 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, United Kingdom (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).

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.¹² Competitive advantage is measured relative to rivals in a given industry. For example, your local laundromat is in a 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.

⁹With certain categories of differentiated goods, including designer clothing and other luxury products, higher price is often associated with increased value.

¹⁰The 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.

¹¹"Who Makes the Best Cars?" *Consumer Reports* (April 2012), pp. 14–18.

¹²Jay 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.

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.¹³

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.¹⁴ 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.”¹⁵

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, 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.¹⁶ One way to determine the degree of globalization in an industry sector is to calculate the ratio of the annual



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 2010 guitar legend Jeff Beck performed “God Save the Queen” at Wembley Stadium in London prior to an NFL exhibition game between the San Francisco 49ers and the Denver Broncos. The final score: 49ers 24, Broncos 16. Sources: Michael Zagaris/Getty Images and James Starling/Alamy.

¹³Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004), p. 3.

¹⁴John Micklethwait and Adrian Wooldridge, *A Future Perfect: The Challenge and Hidden Promise of Globalization* (New York: Crown Publishers, 2000), p. xxvii.

¹⁵Grant Wahl, “Football vs. Fútbol,” *Sports Illustrated* (July 5, 2004), pp. 68–72.

¹⁶Vijay Govindarajan and Anil Gupta, “Setting a Course for the New Global Landscape,” *Financial Times—Mastering Global Business*, part 1 (1998), p. 3.

“We believe a company can only think in one set of terms. If you are premium, you have to focus on it.”¹⁸

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

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.¹⁷

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.¹⁹

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.²⁰

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 Electronics, Toshiba, 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 besides alliances, including mergers, acquisitions, divestitures, and folding some businesses into other company divisions.²¹

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 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.²²

¹⁷Diana Farrell, “Assessing Your Company’s Global Potential,” *Harvard Business Review* 82, no. 12 (December 2004), p. 85.

¹⁸Scott Miller, “BMW Bucks Diversification to Focus on Luxury Models,” *The Wall Street Journal* (March 20, 2002), p. B4.

¹⁹Elizabeth 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.

²⁰Betsy McKay, “Coke’s ‘Think Local’ Strategy Has Yet to Prove Itself,” *The Wall Street Journal* (March 1, 2001), p. B6.

²¹Robert A. Guth, “How Japan’s Toshiba Got Its Focus Back,” *The Wall Street Journal* (December 12, 2000), p. A6.

²²C. 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.

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.²³ 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 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."²⁴

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 1-2). *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.²⁵

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

TABLE 1-2 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

²³Gabriel Kahn, "Three Italian Furniture Makers Hope to Create a Global Luxury Powerhouse," *The Wall Street Journal* (October 31, 2006), p. B1.

²⁴Phred Dvorak, "Big Changes Drive Small Carpet Firm," *The Wall Street Journal* (October 30, 2006), p. B3.

²⁵Aaron O. Patrick, "Softer Nike Pitch Woos Europe's Women," *The Wall Street Journal* (September 11, 2008), p. B6.