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Philip Kotler, Northwestern University, USA

Global Marketing

Sixth Edition

Svend Hollensen

GLOBAL MARKETING

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The background of the cover is an underwater photograph of a blue wave, showing the intricate patterns of water movement and light refraction. The colors range from deep navy blue to bright, shimmering cyan.

Global Marketing

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Svend Hollensen

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PREFACE

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

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

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

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

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

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

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

The task of global marketing management is complex enough when the company operates in one foreign national market. It is much more complex when the company starts operations in several countries. Marketing programmes must, in these situations, adapt to the

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

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

Objectives

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

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

Target audience

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

Prerequisites

An introductory course in marketing.

Special features

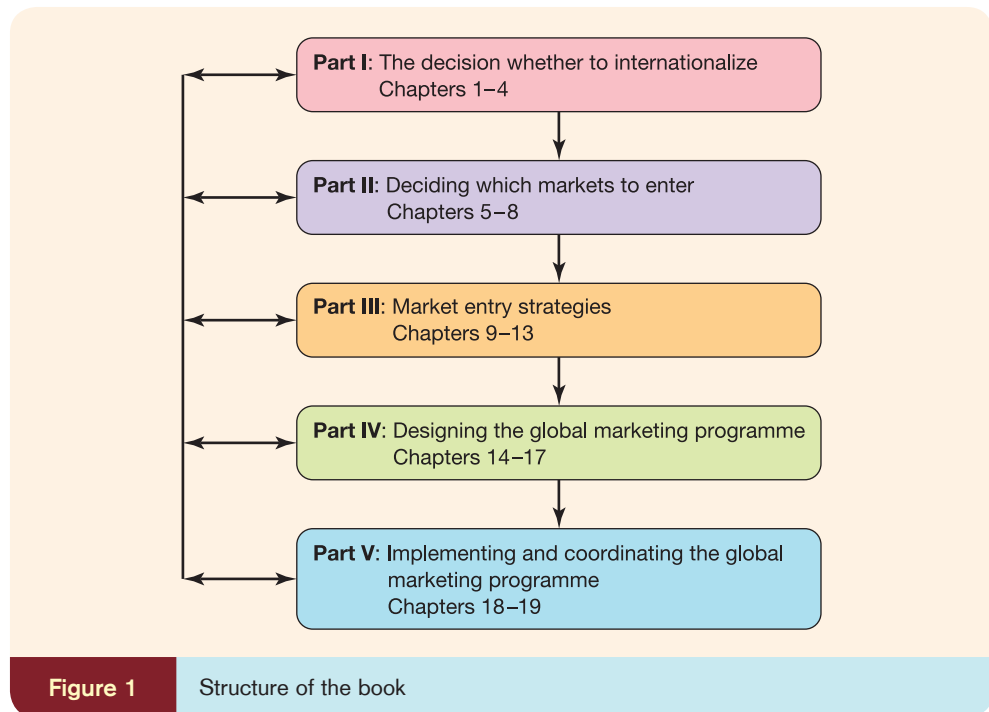
This book has been written from the perspective of the firm competing in international markets, irrespective of its country of origin. It has the following key features:

- a focus on SMEs as global marketing players;
- a decision/action-oriented approach;
- a value chain approach (both the traditional product value chain and the service value chain);
- a value network approach (including different actors vertically and horizontally);
- coverage of global buyer–seller relationships;
- extensive coverage of born globals and global account management (GAM), as an extension of the traditional key account management (KAM);

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

Outline

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



What's new in the sixth edition?

The 'mantra' of the new edition is 'glocalization'. The international marketers can utilize the synergies of both being 'local' and 'global' at the same time. Another important aspect of the new edition is the strengthening of the Web 2.0 theme (social media, e-commerce, etc.), which is now incorporated in all the chapters and in many of the cases and exhibits.

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

- Chapter 1 – the concept of providing customer value through the product value chain and the service value chain is now extended by adding 'customer experiences' as a value generator. This new section (1.9 Global Experiential Marketing) builds on the new trends in the global 'experience economy' and these are further illustrated with cases throughout the book, e.g. on Zumba (case 3.1) and Cirque du Soleil (case 7.1). Deglobalization is looked at.
- Chapter 2 – de-internationalization trends are now better explained and illustrated. New triggers for internationalization are added.
- Chapter 3 – a new revised definition of 'psychic distance' is added. Furthermore, the internet-based 'born global' and the use of 'hybrid sales channels' are discussed. Firms classified as 'born-again global' and 'born regional' are also further explained, as a supplement to the born global concept.
- Chapter 4 – introduces the concepts of 'strategic groups' and 'value net'. The 'double diamond' model is also introduced, as a supplement to the diamond model. A special corporate social responsibility (CSR) section based on the 'shared value' concept is included.
- Chapter 5 – now introduces international marketing research based on Web 2.0 (social media, e.g. Facebook, Twitter).
- Chapter 6 – special sections about growth in the BRIC (Brazil, Russia, India, China) countries and marketing to bottom of pyramid (BOP) are included and discussed. 'GDP per capita' is now also considered as a 'moderator' in the Big Mac Index, regarding possible over- or undervaluation of foreign currencies against the US\$.
- Chapter 8 – now contains an very comprehensive exhibit about Bosch Fire Detection System's international market selection (IMS), showing in detail how the chapter's models and tools regarding IMS should be used in a real-world example.
- Chapter 14 – the service-dominant logic (S-D logic) is included as a supplement to the traditional goods versus services considerations. There is also an explanation of the importance of 'time-to-market' (TTM) in developing international competitiveness.
- Chapter 15 – an interesting exhibit about the reverse 'buy-in–follow-on' strategy used in the Kodak Printer business is added, as well as some further legal aspects regarding the 'transfer pricing' theme.
- Chapter 16 – in connection with disintermediation of middlemen by the internet, special anti-disintermediation measures are discussed. Smartphone marketing aspects in a distribution perspective are also added, and location-based app services – a niche of mobile marketing – are further explained, in particular location-based mobile marketing services and the implications for international marketers.
- Chapter 17 – now contains comprehensive discussions of the following 'hot' topics: Web 2.0, social media marketing and the '6C' model. Crowdsourcing is extensively discussed as a measure for gaining access to new R&D resources among external users.
- Chapter 18 – introduces the 'Time' perspective in cross-cultural negotiations and the 'gift-giving' practices in different cultures.
- Several new exhibits with real updated company examples have been added to various chapters.
- Many completely new and exciting chapter case studies are now available:
 - **Case 1.1: Green Toys, Inc.** – a manufacturer of eco-friendly toys is going international
 - **Case 1.2: Hunter Boot Ltd** – the iconic British brand is moving into exclusive fashion.
 - **Case 3.1: Zumba** – a dance phenomenon is going global
 - **Case 4.2: Microsoft 'Surface' tablet** – the software producer is moving into the hardware tablet PC market and challenging Apple
 - **Case 5.2: LEGO Friends** – the world's third largest toy manufacturer is moving into the girls' domain
 - **Case 7.1: Cirque du Soleil Inc.** – the show that revolutionized the circus arts is expanding its global scope
 - **Case 13.1: ARM** – challenging Intel in the world market of computer chips

- **Case 13.2: Bosch Indego** – how to build B2B and B2C relationships in a new global product market – robotic lawnmowers
- **Case 16.2: Tupperware** – the global direct distribution model is still working
- **Case 18.1: Zam Zam Cola** – marketing of a Muslim cola from Iran to the European market.
- As a completely new feature, five new part introduction video case studies have been introduced:
 - Part I Video case study: Cisco Systems
 - Part II Video case study: Embraer Business Jets
 - Part III Video case study: Müller Yogurts
 - Part IV Video case study: Tequila Avion
 - Part V Video case study: Stella & Dot
- Furthermore completely new part cases have been added:
 - **Case I.3: Adidas** – the number 2 in the global sportswear market is challenging the number 1, Nike
 - **Case II.3: Gerolsteiner** – a German bottled water manufacturer is trying to increase its global market share
 - **Case II.4: Porsche** – international market selection (IMS) for the exclusive sports car brand
 - **Case V.2: Red Bull** – the global market leader in energy drinks is considering further market expansion
 - **Case V.3: Tetra Pak** – how to create B2B relationships with the food industry on a global level
 - **Case V.4: Polaroid Eyewear** – can the iconic brand achieve a comeback in the global sunglasses industry?
- In total, 10 chapter case studies + five video case studies + six part case studies = **21 new case studies** have been added to the book, making a total of:
 - 38 chapter case studies (two per chapter) + five part video case studies (one per chapter) + 19 chapter video case studies (one per chapter) + 25 part case studies (five per part) + **87 case studies** in all.
- Furthermore, **28 completely new exhibits** have been added to the book. The total number of exhibits is now **67**.

Pedagogical/learning aids

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

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

Table 1

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

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Chapter 1 Global marketing in the firm	Case study 1.1 Green Toys, Inc. A manufacturer of eco-friendly toys is going international www.greentoys.com	US	US, World	✓	✓
	Case study 1.2 Hunter Boot Ltd The iconic British brand is moving into exclusive fashion www.hunter-boot.com	UK	World		✓
	Video case study 1.3 Nivea (8.56) www.nivea.com	Germany	World		✓
Chapter 2 Initiation of internationalization	Case study 2.1 LifeStraw Vestergaard-Frandsen transforms dirty water into clean drinking water www.vestergaard-frandsen.com	Switzerland	World (developing countries)	✓	✓
	Case study 2.2 Elvis Presley Enterprises Inc. (EPE) Internationalization of a cult icon www.elvis.com	US	World		✓
	Video case study 2.3 TOMS Shoes www.tomsshoes.com	US	World (developing countries)		✓
Chapter 3 Internationalization theories	Case study 3.1 Zumba A dance phenomenon is going global www.zumba.com	US	World	✓	✓
	Case study 3.2 DreamWorks Classics Internationalization of Postman Pat www.classicmedia.tv	UK	World		✓
	Video case study 3.3 Reebok (9.09) www.reebok.com and www.adidas-group.com	US	World	✓	✓
Chapter 4 Development of the firm's international competitiveness	Case study 4.1 Nintendo Wii Nintendo's Wii took first place in the world market – but it didn't last www.nintendo.com	Japan	World	✓	✓
	Case study 4.2 Microsoft 'Surface' tablet The software producer is moving into the hardware tablet PC market and challenging Apple www.microsoft.com/surface	US	World	✓	✓
	Video case study 4.3 Nike (14.03) www.nike.com	US	World		✓



Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Chapter 5 Global marketing research	Case study 5.1 Teepack Spezialmaschinen GmbH Organizing a global survey of customer satisfaction www.teepack.com	Germany	World	✓	
	Case study 5.2 LEGO Friends The world's third largest toy manufacturer is moving into the girl's domain www.lego.com	Denmark	World		✓
	Video case study 5.3 Ziba www.ziba.com	US	US, World	✓	✓
Chapter 6 The political and economic environment	Case study 6.1 G-20 and the economic and financial crises: what on earth is globalization about? Massive protests during a meeting in Mexico City, June 2012 www.g20.org www.londonsummit.gov.uk	US	World	✓	✓
	Case study 6.2 Sauer-Danfoss Which political/economic factors would affect a manufacturer of hydraulic components? www.sauer-danfoss.com	Denmark, US, Germany	World	✓	
	Video case study 6.3 Debate on globalization (15.44) No website available	US	US	✓	✓
Chapter 7 The sociocultural environment	Case study 7.1 Cirque du Soleil Inc. The show that revolutionized the circus arts is expanding its global scope www.cirquedusoleil.com	Canada	World		✓
	Case study 7.2 IKEA catalogue Are there any cultural differences? www.ikea.com	Sweden, Holland	World		✓
	Video case study 7.3 Communicating in the global world No website available			✓	✓
Chapter 8 The international market selection process	Case study 8.1 Tata Nano International market selection with the world's cheapest car	India	World (emerging countries)	✓	✓
	Case study 8.2 Philips Lighting Screening markets in the Middle East www.philips.com	Holland	World		✓

Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Video case study 8.3 Hasbro (9.42) www.hasbro.com	US	World		✓
Chapter 9 Some approaches to the choice of entry mode	Case study 9.1 Jarlsberg The king of Norwegian cheeses is deciding on entry modes into new markets www.jarlsberg.com	Norway	World	✓	✓
	Case study 9.2 Ansell condoms Is acquisition the right way to gain market shares in the European condom market? www.anselleurope.com www.lifestylesplay.com	Australia, Belgium	Europe, World		✓
	Video case study 9.3 Understanding entry modes into the Chinese market (16.33) No website available	World	China	✓	
Chapter 10 Export modes	Case study 10.1 Lysholm Linie Aquavit International marketing of the Norwegian Aquavit brand www.linie-aquavit.com	Norway	Germany, the rest of the world	✓	✓
	Case study 10.2 Parle Products An Indian biscuit manufacturer is seeking agents and cooperation partners in new export markets www.parleproducts.com	India	World	✓	✓
	Video case study 10.3 Honest Tea (8.25) www.honesttea.com	US	World, US		✓
Chapter 11 Intermediate entry modes	Case study 11.1 Hello Kitty Can the cartoon cat survive the buzz across the world? www.sanrio.com	Japan	World	✓	✓
	Case study 11.2 Ka-Boo-Ki Licensing in the LEGO brand www.kabooki.com	Denmark	World	✓	✓
	Video case study 11.3 Marriott (9.36) www.marriott.com	US	World	✓	✓
Chapter 12 Hierarchical modes	Case study 12.1 Polo Ralph Lauren Polo moves distribution for South-east Asia in-house www.ralphlauren.com	US	World, Asia	✓	✓



Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 12.2 Durex condoms SSL will sell Durex condoms in the Japanese market through its own organization www.durex.com	UK	World	✓	✓
	Video case study 12.3 Starbucks (13.04) www.starbucks.com	US	World	✓	✓
Chapter 13 International sourcing decisions and the role of the subsupplier	Case study 13.1 ARM Challenging Intel in the world market of computer chips www.arm.com	UK	World	✓	
	Case study 13.2 Bosch Indego How to build B2B and B2C relationships in a new global product market – robotic lawnmowers www.bosch.com	Germany	World	✓	✓
	Video case study 13.3 Eaton Corporation (9.52) www.eaton.com	US	World	✓	
Chapter 14 Product decisions	Case study 14.1 Danish Klassic Launch of a cream cheese in Saudi Arabia www.arla.com (regarding the Puck brand)	Denmark	Saudi Arabia Middle East	✓	✓
	Case study 14.2 Zippo Manufacturing Company Has product diversification beyond the lighter gone too far? www.zippo.com	US	World	✓	✓
	Video case study 14.3 Swiss Army (9.07) www.swissarmy.com	Switzerland	US, World		✓
Chapter 15 Pricing decisions and terms of doing business	Case study 15.1 Harley-Davidson Does the image justify the price level? www.harley-davidson.com	US	US, Europe		✓
	Case study 15.2 Gillette Co. Is price standardization possible for razor blades? www.gillette.com	US	World	✓	✓
	Video case study 15.3 Vaseline pricing strategy www.vaseline.com	US	US, World		✓
Chapter 16 Distribution decisions	Case study 16.1 De Beers Forward integration into the diamond industry value chain www.debeers.com	South Africa, UK, Luxembourg	Europe, World	✓	✓

Table 1

Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 16.2 Tupperware The global direct distribution model is still working www.tupperware.com	US	World	✓	✓
	Video case study 16.3 DHL www.dhl.com	Germany	World	✓	
Chapter 17 Communication decisions	Case study 17.1 Helly Hansen Sponsoring fashion clothes in the US market www.hellyhansen.com	Norway	US	✓	✓
	Case study 17.2 Morgan Motor Company Can the British retro sports car brand still be successful after 100 years? www.morgan-motor.co.uk	UK	World (Europe and US)	✓	✓
	Video case study 17.3 BMW Motorcycles (12.04) www.bmwmotorcycles.com www.bmw.com	Germany	US, World	✓	✓
Chapter 18 Cross-cultural sales negotiations	Case study 18.1 ZamZam Cola Marketing of a 'Muslim' cola from Iran to the European market	Iran	Europe, Middle East	✓	✓
	Case study 18.2 TOTO The Japanese toilet manufacturer seeks export opportunities for its high-tech brands in the US www.toto.jp/en/				
	Video case study 18.3 Dunkin' Donuts (10.30) www.DunkinDonuts.com www.dunkinbrands.com				
Chapter 19 Organization and control of the global marketing programme	Case study 19.1 Mars Inc. Merger of the European food, pet care and confectionery divisions www.mars.com	US	World	✓	✓
	Case study 19.2 Henkel Should Henkel shift to a more customer-centric organization? www.henkel.com	Germany	World	✓	✓
	Video case study 19.3 McDonald's (36.55) www.mcdonalds.com	US	World	✓	



Table 2

Part case studies: overview

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
Part I The decision whether to internationalize	Part video case study Cisco Systems www.cisco.com	USA	World	✓	
	Case study I.1 Zara The Spanish retailer goes to the top of world fashion www.inditex.com/en	Spain	World	✓	✓
	Case study I.2 Manchester United Still trying to establish a global brand www.manutd.com	UK	World, US	✓	✓
	Case study I.3 Adidas The No. 2 in the global sportswear market is challenging the No. 1, Nike www.adidas.com	Germany	World	✓	✓
	Case study I.4 Cereal Partners Worldwide (CPW) The No. 2 world player is challenging the No. 1, Kellogg www.cerealpartners.com	Switzerland, US	World	✓	
Part II Deciding which markets to enter	Part video case study Embraer Business Jets www.embraer.com	Brazil	World	✓	
	Case study II.1 Bajaj Auto The Indian motorcycle manufacturer internationalizes its business www.bajajauto.com	India	Emerging countries	✓	✓
	Case study II.2 The female Health Company (FHC) The female condom is seeking a foothold in the world market for contraceptive products www.femalehealth.com	US	World (governmental organizations)	✓	✓
	Case study II.3 Gerolsteiner A German bottled water manufacturer is trying to increase its global market share www.gerolsteiner.com	Tyskland	Europe	✓	✓
	Case study II.4 Porsche International market selection (IMS) for the exclusive sports car brand www.porsche.com	US (Denmark)	World	✓	✓
Part III Market entry strategies	Part video case study Müller Yogurts www.muellergroup.com; www.mullerquaker.com	Germany	USA	✓	✓
	Case study III.1 Raleigh bicycles Does the iconic bicycle brand still have a chance on the world market? www.raleigh.co.uk	UK	World	✓	✓
	Case study III.2 IKEA Expanding through franchising to the South American market? www.ikea.com	Sweden, Holland	South America (Brazil)		✓

Table 2

Continued

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study III.3 Autoliv airbags Transforming Autoliv into a global company www.autoliv.com	Sweden, US	World	✓	
	Case study III.4 IMAX Corporation Globalization of the film business www.imax.com	Canada	World	✓	✓
Part IV Designing the global marketing programme	Part video case study Tequila Avion www.tequilaavion.com	USA	World	✓	
	Case study IV.1 Absolut Vodka Defending and attacking for a better position in the global vodka market www.absolut.com www.pernod.net	France, Sweden	World, Eastern Europe		✓
	Case study IV.2 Guinness How can the iconic Irish beer brand compensate for declining sales in the home market? www.diageo.com www.guinness.com	UK, Ireland	World	✓	✓
	Case study IV.3 Dyson Vacuum Cleaner Shifting from domestic to international marketing with the famous bagless vacuum cleaner www.dyson.co.uk www.dysonairblade.co.uk	UK	US, the rest of the world	✓	✓
	Case study IV.4 Triumph Motorcycles Ltd Rising from the ashes in the international motorcycle business www.triumph.co.uk	UK	World		✓
Part V Implementing and coordinating the global marketing programme	Part video case study Stella & Dot www.stelladot.com	USA	World	✓	✓
	Case study V.1 Sony Music Entertainment New worldwide organizational structure and the marketing, planning and budgeting of Pink's new album www.sonymusic.com	US, Japan	World	✓	✓
	Case study V.2 Red Bull The global market leader in energy drinks is considering further market expansion www.redbull.com	Austria	World	✓	✓
	Case study V.3 Tetra Pak How to create B2B relationships with the food industry on a global level www.tetrapak.com	Holland	World	✓	
	Case study V.4 Polaroid Eyewear Can the iconic brand achieve a comeback in the global sunglasses industry? www.polaroideyewear.com	Switzerland, Italy	World		✓