



FOURTH EDITION

# GLOBAL MARKETING

KATE GILLESPIE AND H. DAVID HENNESSEY



# Global Marketing

## Fourth Edition

This textbook introduces students to the important concepts of global marketing today, and their managerial implications. Designed to be shorter than many other textbooks, *Global Marketing* focuses on getting to the point faster.

Increasingly, marketing activities must be integrated at a global level. Yet, the enduring influence of culture requires marketers to adapt local strategies in light of cultural differences. *Global Marketing* takes a similar strategic approach, recognizing the need to address both the forces of globalization and those of localization. Other key features include:

- Coverage of often overlooked topics, such as the competitive rise of China's state-owned enterprises; the importance of diasporas as target markets; and the emerging threat to legitimate marketers from transnational criminal organizations.
- A chapter dedicated to understanding global and local competitors, setting the stage for ongoing discussion of both buyers and competitors in an increasingly competitive global marketplace.
- Extensive real-life examples and cases from developed and emerging markets, including insights into the often-overlooked markets of Africa, Latin America, and the Middle East.

Written in a student-friendly style, previous editions have received praise from both students and instructors. This edition continues to build on this strong foundation, making this the book of choice for students of global marketing classes.

**Kate Gillespie** is Associate Professor of International Business and Marketing at the University of Texas at Austin, USA. She has served as chair of the Global Marketing Special Interest Group of the American Marketing Association, and her research has appeared in top academic journals in the fields of international business, marketing, and area studies.

**H. David Hennessey** is Professor (Emeritus) of Marketing and International Business at Babson College, USA. He has taught courses on global marketing, marketing strategy, and sales strategy, and has participated in executive education programs around the world.



[www.routledge.com/cw/Gillespie](http://www.routledge.com/cw/Gillespie)

This page intentionally left blank

# Global Marketing

Fourth Edition

Kate Gillespie and  
H. David Hennessey

First published 2016  
by Routledge  
711 Third Avenue, New York, NY 10017

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

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

© 2016 Taylor & Francis

The right of Kate Gillespie & H. David Hennessey to be identified as authors of this work has been asserted by him/her in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

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

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

*Library of Congress Cataloguing-in-Publication Data*  
Gillespie, Kate.

Global marketing / by Kate Gillespie and David Hennessey. —  
4th edition.

pages cm

Includes bibliographical references and index.

1. Export marketing. 2. Export marketing—  
Management. I. Hennessey, Hubert D. II. Title.

HF1416.G54 2015

658.8'4—dc23

2014041447

ISBN: 978-0-7656-4295-0 (hbk)

ISBN: 978-1-315-71688-6 (ebk)

Typeset in Sabon  
by Apex CoVantage, LLC

# Brief Contents

Preface	xix
Acknowledgments	xxv
<b>1 Introduction to Global Marketing</b>	<b>1</b>
<b>Part 1</b>	
<b>Understanding the Global Marketing Environment</b>	<b>15</b>
<b>2 The Global Economy</b>	<b>17</b>
<b>3 Cultural and Social Forces</b>	<b>55</b>
<b>4 Political and Regulatory Climate</b>	<b>95</b>
<b>Part 2</b>	
<b>Analyzing Global Opportunities</b>	<b>133</b>
<b>5 Global Markets</b>	<b>135</b>
<b>6 Global Competitors</b>	<b>167</b>
<b>7 Global Marketing Research</b>	<b>199</b>
<b>Part 3</b>	
<b>Developing Global Participation Strategies</b>	<b>239</b>
<b>8 Global Market Participation</b>	<b>241</b>
<b>9 Global Market Entry Strategies</b>	<b>277</b>

## BRIEF CONTENTS

<b>Part 4</b>	
<b>Designing Global Marketing Programs</b>	<b>309</b>
<b>10 Global Product Strategies</b>	<b>311</b>
<b>11 Global Strategies for Services, Brands and Social Marketing</b>	<b>341</b>
<b>12 Pricing for International and Global Markets</b>	<b>373</b>
<b>13 Managing Global Distribution Channels</b>	<b>409</b>
<b>14 Global Promotion Strategies</b>	<b>443</b>
<b>15 Managing Global Advertising</b>	<b>475</b>
<b>Part 5</b>	
<b>Managing the Global Marketing Effort</b>	<b>503</b>
<b>16 Organizing for Global Marketing</b>	<b>505</b>
<i>Country Market Report</i>	537
<i>Glossary</i>	545
<i>Index</i>	559

# Detailed Contents

Preface	xix
Acknowledgments	xxv
<b>1 Introduction to Global Marketing</b>	<b>1</b>
The Importance of Global Markets	3
<i>Why Companies Seek Global Markets</i>	3
The Development of Global Marketing	5
<i>Domestic Marketing</i>	5
<i>Export Marketing</i>	6
<i>International Marketing</i>	6
<i>Pan-Regional Marketing</i>	8
<i>Global Marketing</i>	8
Why Study Global Marketing?	9
<i>A Need for Global Mindsets</i>	9
<i>Organization of This Book</i>	10
<b>Part 1</b>	
<b>Understanding the Global Marketing Environment</b>	<b>15</b>
<b>2 The Global Economy</b>	<b>17</b>
International Trade: An Overview	18
<i>International Dependence of Nations</i>	19
<i>The Growth in World Trade</i>	20
The Basic Theories of World Trade: Absolute, Comparative and Competitive Advantage	20
<i>Absolute Advantage</i>	21
<i>Comparative Advantage</i>	21
<i>Competitive Advantage</i>	23



## DETAILED CONTENTS

Global Outsourcing	24
Balance of Payments	25
Exchange Rates	27
<i>The Foreign Exchange Market</i>	28
<i>Causes of Exchange Rate Movements</i>	29
<i>Managed Currencies</i>	30
<i>Implications for Global Marketers</i>	32
International Agencies for Promoting Economic and Monetary Stability	36
<i>International Monetary Fund (IMF)</i>	36
<i>World Bank</i>	36
<i>Group of Seven</i>	37
Protectionism and Trade Restrictions	37
<i>Tariffs</i>	38
<i>Quotas</i>	38
<i>Orderly Marketing Arrangements and Voluntary Export Restrictions</i>	39
<i>Nontariff Trade Barriers</i>	39
<i>Restrictions on Foreign Exchange</i>	40
<i>General Agreement on Tariffs and Trade (GATT)</i>	40
<i>World Trade Organization (WTO)</i>	41
Economic Integration as a Means of Promoting Trade	41
<i>Free-Trade Areas</i>	42
<i>Customs Unions</i>	43
<i>Common Markets</i>	43
<i>Monetary Unions</i>	43
The Globalization Controversy	44
<b>3 Cultural and Social Forces</b>	<b>55</b>
A Definition of Culture	58
<i>Cultural Influences on Marketing</i>	58
<i>Isolating Cultural Influences</i>	59
Religion	59
<i>Marketing and Western Religions</i>	59
<i>Marketing and Islam</i>	62
<i>Marketing and Eastern Religions</i>	64
The Family	65
<i>Extended Families</i>	67
<i>Beyond the Family</i>	68
Education	69
Attitudes Toward Time	71
<i>Monochronic versus Polychronic Cultures and Temporal Orientation</i>	71
<i>Work and Leisure Time</i>	72
Material Culture and Aesthetics	72
The Hofstede Measures of Culture	73

<i>Power Distance</i>	73	
<i>Individualism-Collectivism</i>	76	
<i>Masculinity-Femininity</i>	77	
<i>Uncertainty Avoidance</i>	77	
<i>Uses and Limitations of the Hofstede Measures</i>	78	
<i>Cultural Change</i>	79	
Language and Communication		81
<i>Forms of Address</i>	81	
<i>The Context of Language</i>	82	
<i>Body Language</i>	83	
<i>Showing Emotion</i>	83	
Overcoming the Language Barrier		84
<i>Translating and Translators</i>	84	
<i>Translation Problems</i>	85	
<i>Which Language to Learn?</i>	85	
Adapting to Cultural Differences		86
<b>4 Political and Regulatory Climate</b>		<b>95</b>
Host Country Political Climate		97
<i>Political Motivations</i>	97	
<i>National Sovereignty and the Goal of Self-Preservation</i>	98	
<i>The Need for National Security</i>	99	
<i>Fostering National Prosperity</i>	99	
<i>Enhancing Prestige</i>	100	
<i>Promoting Ideology</i>	101	
<i>Protecting Cultural Identity</i>	101	
<i>Host Country Pressure Groups</i>	102	
Host Government Actions		102
<i>Government Subsidies</i>	102	
<i>Ownership Restrictions</i>	103	
<i>Operating Conditions</i>	103	
<i>Boycotts of Firms</i>	104	
<i>Takeovers</i>	105	
Home Country Political Forces		105
<i>Home Country Actions</i>	105	
<i>Home Country Pressure Groups</i>	107	
Legal Environments		108
<i>Common Law</i>	108	
<i>Civil Law</i>	108	
<i>Islamic Law</i>	109	
<i>Socialist Law</i>	109	
National Regulatory Environments		110

## DETAILED CONTENTS

<i>Legal Evolution</i>	110	
<i>Attitudes Toward Rules</i>	112	
Regulatory Change		113
<i>Predicting Regulatory Change</i>	113	
<i>Managing Regulatory Change</i>	114	
Political Risk		116
<i>Political Risk Assessment</i>	117	
<i>Risk Reduction Strategies</i>	119	
Global Marketing and Terrorism		122

## **Part 2** **Analyzing Global Opportunities** **133**

### **5 Global Markets** **135**

Understanding Markets and Buyers		136
The Consumer Market		137
<i>Ability to Buy</i>	137	
<i>Consumer Needs</i>	139	
<i>Consumer Behavior</i>	139	
<i>Segmenting Markets</i>	141	
Business Markets		148
<i>The Business Buyer's Needs</i>	148	
<i>Developing Business Relationships</i>	149	
<i>Marketing to Global Buyers</i>	150	
Government Markets		151
<i>The Buying Process</i>	151	
<i>Government Contracts in Developing Countries</i>	152	
<i>Bribery and Government Markets</i>	155	

### **6 Global Competitors** **167**

The Globalization of Competition		169
<i>Global Firm versus Global Firm</i>	169	
<i>Global Firm versus Local Firm</i>	171	
<i>Strategies for Local Firms</i>	172	
Cultural Attitudes Toward Competition		174
<i>Competition in Europe</i>	174	
<i>Competition in Japan</i>	175	
<i>Competition in Emerging Markets</i>	176	
Competitors from Emerging Markets		177
<i>State-Owned Enterprises</i>	178	
<i>Business Groups</i>	181	
<i>New Global Players</i>	182	
Home Country Actions and Global Competitiveness		182

The Country-of-Origin Advantage	183
<i>Managing Country-of-Origin Perceptions</i>	184
<i>Beyond Quality</i>	185
<b>7 Global Marketing Research</b>	<b>199</b>
The Scope of Global Marketing Research	200
Challenges in Planning International Research	203
The Research Process	203
<i>Problem Definition and Development of Research Objectives</i>	203
<i>Data Collection</i>	204
Utilizing Secondary Data	204
<i>Sources of Secondary Data</i>	204
<i>Problems with Secondary Data</i>	205
Analysis by Inference	207
<i>Related Products</i>	207
<i>Relative Market Size</i>	207
<i>Analysis of Demand Patterns</i>	208
Collecting Primary Data	208
<i>Observation</i>	208
<i>Focus Groups</i>	209
<i>Surveys</i>	211
<i>Social Media and Big Data</i>	214
<i>Government Regulation of Data Collection</i>	215
<i>Comparing Studies Across Cultures</i>	216
Studying the Competition	216
Outsourcing Research	219
Developing a Global Information System	220
<b>Part 3</b>	
<b>Developing Global Participation Strategies</b>	<b>239</b>
<b>8 Global Market Participation</b>	<b>241</b>
Internationalizing Marketing Operations	243
<i>Opportunistic Expansion</i>	243
<i>Pursuing Potential Abroad and Diversifying Risk</i>	243
<i>Exploiting Different Market Growth Rates</i>	244
<i>Following Customers Abroad</i>	244
<i>Globalizing for Defensive Reasons</i>	245
<i>Born Globals</i>	245
<i>Is There a First-Mover Advantage?</i>	246
Evaluating National Markets	246
<i>Standalone Attractive Markets</i>	246
<i>Globally Strategic Markets</i>	247

## DETAILED CONTENTS

Geographic Market Choices	248
<i>Targeting Developed Economies</i>	249
<i>Targeting Developing Countries and Emerging Markets</i>	250
<i>Targeting BRIC and Beyond</i>	253
Country Selection	254
<i>The Screening Process</i>	254
<i>Criteria for Selecting Target Countries</i>	255
<i>Listing Selection Criteria</i>	258
<i>Psychic Distance</i>	259
<i>Grouping International Markets</i>	261
In-Country Expansion	262
Limits to Expansion	262
Exit Strategies	263
<i>Tough Competition</i>	264
<i>Financial Difficulties</i>	264
<i>Refocus on the Home Market</i>	264
<i>Political Considerations</i>	264
Re-entry	265
<b>9 Global Market Entry Strategies</b>	<b>277</b>
Exporting as an Entry Strategy	279
<i>Indirect Exporting</i>	279
<i>Direct Exporting</i>	281
Foreign Production as an Entry Strategy	284
<i>Licensing</i>	284
<i>Franchising</i>	286
<i>Local Manufacturing</i>	288
Ownership Strategies	290
<i>Wholly Owned Subsidiaries</i>	290
<i>Joint Ventures</i>	291
<i>Strategic Alliances</i>	295
Entering Markets through Mergers and Acquisitions	296
<b>Part 4</b>	
<b>Designing Global Marketing Programs</b>	<b>309</b>
<b>10 Global Product Strategies</b>	<b>311</b>
Product Design in a Global Environment	313
<i>Benefits of Product Standardization</i>	313
<i>Benefits of Product Adaptation</i>	314
<i>Climatic, Infrastructure and Use Conditions</i>	315
<i>Adapting Products to Cultural Preferences</i>	316
<i>Product Size and Dimensions</i>	317

<i>Cost and Price Considerations</i>	317
<i>Adapting to Performance and Quality Expectations</i>	318
<i>Global Standards</i>	318
Packaging and Labeling for Global Markets	321
<i>Packaging</i>	321
<i>Labeling</i>	322
Global Warranty and Service Policies	323
<i>Product Warranties</i>	323
<i>Global After-Sales Service</i>	324
Managing a Global Product Line	325
<i>Product-Line Deletions</i>	325
<i>Product-Line Additions</i>	325
<i>Exploiting Product Life Cycles</i>	326
Global Products	327
<i>Modularity</i>	327
Global-Product Development	328
Managing Global Research and Development	328
<i>Centralized Research and Development</i>	328
<i>The Role of Foreign Subsidiaries in Research and Development</i>	329
<i>Outsourcing Options for New Products</i>	331
<i>Acquisitions as a Route to New Products</i>	331
<i>Alliances for New Product Development</i>	331
Introducing New Products to Global Markets	332
<i>Concept Tests</i>	332
<i>Test Marketing</i>	333
<i>Timing of New Product Introductions</i>	333
<b>11 Global Strategies for Services, Brands and Social Marketing</b>	<b>341</b>
Marketing Services Globally	342
<i>Business Services</i>	343
<i>Consumer Services</i>	343
<i>Back-Stage versus Front-Stage Standardization</i>	344
<i>Culture and the Service Experience</i>	344
Branding Decisions	347
<i>Selecting Brand Names</i>	347
<i>Selecting a Global Name</i>	348
<i>Changing Brand Names</i>	349
<i>Global Brand Strategies</i>	349
<i>Pan-Regional Branding</i>	352
<i>Global Brands versus Local Brands</i>	353
<i>Private Branding</i>	354
Trademarks and Brand Protection	354
<i>Trademark Preemption</i>	355

## DETAILED CONTENTS

<i>Counterfeits and Piracy</i>	357
<i>Fighting Counterfeits</i>	358
Social Marketing in the Global Context	360
<b>12 Pricing for International and Global Markets</b>	<b>373</b>
Profit and Cost Factors That Affect Pricing	375
<i>Fixed and Variable Costs</i>	375
<i>Transportation Costs</i>	377
<i>Tariffs</i>	377
<i>Taxes</i>	378
<i>Local Production Costs</i>	378
<i>Channel Costs</i>	379
Market Factors That Affect Pricing	379
<i>Income Level</i>	379
<i>Culture and Consumer Behavior</i>	381
<i>Buyer Power</i>	381
<i>Competition</i>	382
Environmental Factors That Affect Pricing	383
<i>Exchange Rate Fluctuations</i>	383
<i>Inflation Rates</i>	384
<i>Price Controls</i>	384
<i>Dumping Regulations</i>	385
<i>Credit and Collection Infrastructure</i>	385
Managerial Issues in Global Pricing	386
<i>Managing Export Price Escalation</i>	386
<i>Determining Transfer Prices</i>	387
<i>Quoting Prices in a Foreign Currency</i>	389
<i>Dealing with Parallel Imports or Gray Markets</i>	391
<i>Setting Global Prices</i>	395
<i>Noncash Pricing: Countertrade</i>	396
<b>13 Managing Global Distribution Channels</b>	<b>409</b>
The Structure of the Global Distribution System	411
Foreign-Market Channel Members	411
<i>Import Intermediaries</i>	411
<i>Local Wholesalers or Agents</i>	412
<i>Retailers</i>	412
<i>Business-to-Business Channels</i>	413
Analyzing National Channels	413
<i>Distribution Density</i>	415
<i>Channel Length</i>	415
<i>Channel Alignment</i>	416
<i>Distribution Logistics</i>	417
Factors Influencing the Selection of Channel Members	417

<i>Costs</i>	417
<i>Product and Product Line</i>	418
<i>Control and Coverage</i>	419
Locating and Selecting Channel Partners	419
Managing Global Distribution	420
<i>Motivating Channel Participants</i>	420
<i>Controlling Channel Participants</i>	421
Gaining Access to Distribution Channels	422
<i>The “Locked-Up” Channel</i>	422
<i>Alternative Entry Approaches</i>	423
Global Logistics	424
<i>Logistics Decision Areas</i>	424
<i>Global Supply Chain Management</i>	426
Global Trends in Retailing	427
<i>Larger-Scale Retailers</i>	427
<i>Renewed Interest in Smaller-Scale Retailers</i>	428
<i>International Retailers</i>	428
<i>Direct Marketing</i>	432
<i>Online Retailing</i>	433
Smuggling	434
<b>14 Global Promotion Strategies</b>	<b>443</b>
Global Promotion Strategies	445
<i>Pull Strategies</i>	445
<i>Push Strategies</i>	445
Personal Selling	447
<i>International versus Local Selling</i>	447
<i>International Sales Negotiations</i>	450
<i>Local Selling (Single-Country Sales Force)</i>	451
Global Account Management	454
<i>Identifying Worthwhile Global Accounts</i>	454
<i>Implementing Successful Global Account Programs</i>	455
Selling to Businesses and Governments	456
<i>International Trade Fairs</i>	456
<i>Selling Through a Bidding Process</i>	457
<i>Consortium Selling</i>	458
Other Forms of Promotion	458
<i>Sales Promotion</i>	459
<i>Sports Promotions and Sponsorships</i>	461
<i>Telemarketing, Direct Mail and Spam</i>	462
<i>Product Placement</i>	464
<i>Buzz Marketing: Managing Word of Mouth</i>	464
Public Relations	465
Corporate Social Responsibility	466



<b>15 Managing Global Advertising</b>	<b>475</b>
Global versus Local Advertising	477
Developing Global Campaigns	477
<i>Global Theme Approach</i>	477
The Global–Local Decision	479
<i>Cost Savings</i>	479
<i>Branding</i>	479
<i>Target Market</i>	479
<i>Market Conditions</i>	480
<i>Regulatory Environment</i>	480
<i>Cultural Differences</i>	481
Overcoming Language Barriers	483
Global Media Strategy	484
<i>Global Media</i>	485
<i>Local Media Availability</i>	485
<i>Media Habits</i>	487
<i>Scheduling International Advertising</i>	490
Organizing the Global Advertising Effort	491
<i>Selection of an Advertising Agency</i>	491
<i>Coordinating Global Advertising</i>	493
<b>Part 5</b>	
<b>Managing the Global Marketing Effort</b>	<b>503</b>
<b>16 Organizing for Global Marketing</b>	<b>505</b>
Elements That Affect a Global Marketing Organization	507
<i>Corporate Goals</i>	507
<i>Corporate Worldview</i>	507
<i>Other Internal Forces</i>	509
<i>External Forces</i>	510
Types of Organizational Structures	511
<i>Companies Without International Specialists</i>	512
<i>International Specialists and Export Departments</i>	512
<i>International Divisions</i>	513
<i>Worldwide or Global Organizations</i>	514
<i>Global Mandates</i>	522
<i>Organization of the Born-Global Firm</i>	522
Controlling the Global Organization	523
<i>Elements of a Control Strategy</i>	523
<i>Communication Systems</i>	524
<i>Corporate Culture as Control</i>	525

Conflict Between Headquarters and Subsidiaries	525
Considering a Global Marketing Career	527
<i>Country Market Report</i>	537
<i>Glossary</i>	545
<i>Index</i>	559

This page intentionally left blank

# Preface

Today, virtually every major firm must compete in a global marketplace. Buyers can comprise ordinary consumers or local businesses in international markets, multinational corporations (MNCs) or foreign governments. Competitors can be local firms or global firms. Although some consumer needs and wants may be converging across national markets and multilateral agreements seek to bring order to the international economic and legal environment, global marketers must still navigate among varied cultures where unexpected rules apply. Addressing this varied and increasingly competitive marketplace and developing strategies that are both efficient and effective are the tasks that face the global marketer.

Whether they oversee foreign markets or face international competitors at home, every student who plans to enter marketing as a profession will need to understand and apply the essentials of global marketing. This text prepares them for that challenge.

## Why This Book?

There are a number of global marketing texts on the market. Our approach differs from that of other books in several ways.

*A Dual Focus: International Buyers and Global Competition.* Whereas most texts envisage global marketing as an understanding of international buyers, we envisage it as *competing* for those buyers. Immediately following our chapter on global markets and buyers we present the student with a chapter on global and local competitors. From then on we keep students focused on both buyers and competitors throughout the book.

*A Global View Combined with a Strong Appreciation for Cultural Differences.* Some global marketing texts downplay culture. Others make cultural differences their focus. Our approach is to recognize that cultural differences do exist and influence global marketing in a plethora of ways. To this end, we introduce the student early on to cultural issues and ways of analyzing culture that are reinforced throughout the book. But we also present students with a global view of managing

cultural differences. For example, if you know you are going to sell a new product in 70 countries, why not consider this when you first design the product? What is the best design that will allow for necessary adaptations with the least effort and cost?

**Regional Balance.** For a text to be a true guide to global marketing, it must present students with a regional balance. Most texts concentrate on the markets of the United States, Europe and China. Our book delivers a balance of developed and developing markets including insights into the often-overlooked markets of Africa, Latin America and the Middle East. We also encourage students to think of competitors as coming from all countries, including emerging markets such as China, India, Korea and Mexico.

**Current Coverage Across a Wide Variety of Topics.** Our combined research and consulting experience allows us to speak with enthusiasm and conviction across the many areas covered by a global marketing text, including global strategy, cross-cultural consumer behavior and marketing organization as well as the effects government policy can have on international markets and global marketing. Our text combines recent academic research along with in-the-news corporate stories.

**Gender Representation.** We have taken care to present examples of women as well as men in roles of global marketers. This is apparent in our end-of-chapter cases as well as the many real-life examples in the text.

**Recent Technological Advances.** Technology continues to impact global marketing. We acknowledge its impact throughout the book from the use of social media in marketing research and promotion to the role of the Intranet in a global marketing organization.

**Application Opportunities.** To help students better internalize their knowledge of global marketing, this text offers opportunities to apply knowledge of global marketing concepts and skills to business situations. These opportunities include end-of-chapter cases and a *Country Market Report*.

**End-of-Chapter Cases.** Each chapter concludes with two or three short cases such as:

- *ShanghaiCosmopolitan.com.* Young Chinese cosmopolitans love their social networking site, but can the site's owners attract advertising from MNCs without offending the site's users?
- *Why Did They Do It?* German automaker Volkswagen AG and Japan's Suzuki form an alliance to help bear the costs of massive investments in new technologies and to better position themselves in emerging markets. But is this alliance doomed from the beginning?
- *How Local Should Coke Be?* Coca-Cola has decided to break its European division into several smaller country groupings. But will this reorganization help or hurt its global marketing strategy?
- *Fighting AIDS in Asia.* A former global product manager in packaged foods has turned social marketer and must prioritize markets and programs to help alleviate the spread of AIDS in Asia. Can her skills in global marketing be put to use in this new context? And what can she learn from a major donor that entered the market and then quickly exited the market?
- *Diaspora Marketing.* World migration has doubled in the past 35 years. How can marketers from both host and home countries help meet the needs of the new diaspora markets?
- *Making Products Ethical.* What can global firms do to make their products more socially acceptable? What are the costs and benefits of doing so?

**Country Market Report.** Included at the end of the book is a *Country Market Report* guide. This guide assists students in assessing whether a firm should enter a foreign market. For example, should Marriott hotels enter Uzbekistan? Should Yoshinoya, a Japanese casual dining chain, enter Brazil? The first half of the *Country Market Report* guide assists students in assessing the economic, cultural, political and regulatory environment of their target country and helps them determine how this environment will impact their company's specific business model. Students are then directed to evaluate current and potential competitors, both local and global. Advice is offered on identifying viable modes of entry and choosing the most appropriate one. The guide then walks students through subsequent marketing mix questions such as what adaptations would a U.S.-based dating service have to make if it were to enter the French market. What pricing, promotion and distribution strategies should it employ?

## Content and Organization of the Book

Chapter 1 presents an introduction to global marketing. In this chapter we describe the development of global marketing and the importance of global marketing to both firms and the managers of the future. We explore the need for a global mindset and set forth the structure of the book.

Part 1 is entitled "Understanding the Global Marketing Environment." In this early section we investigate the key ways that the macro environment can affect global marketers. Although the concepts may be macro, we constantly show how they apply to a variety of firms trying to succeed in a vibrant international marketplace. In Chapter 2, "The Global Economy," we present the student with basic theories of trade, explain how exchange rates work and affect marketing decisions, and explore issues of protectionism and trade restrictions as well as economic integration and the challenges of outsourcing. In Chapter 3, "Cultural and Social Forces," we explore the impact on marketing of factors such as religion, family structure, education and attitudes toward time. We describe the Hofstede measures of culture and present ratings for nearly 70 countries—ratings that can be used time and again when analyzing cultural underpinnings of marketing dilemmas later in the book. The chapter continues with a discussion of issues relating to language and communication such as the difference between high- and low-context cultures and the social acceptability (or not) of showing emotion. We explain the dangers of both common and sophisticated stereotyping and conclude with insights into overcoming language barriers and dealing with culture shock. In Chapter 4, "Political and Regulatory Climate," we begin by asking the question, "What do governments want?" We then explore the varied ways that both host and home countries can impact global marketers. We describe how legal systems and attitudes toward rules vary around the world. We continue by explaining the difference to the global marketer between the task of forecasting and managing regulatory change and the task of managing political risk, and we offer concrete ideas on how to do both. The chapter concludes with a discussion of how terrorism can affect global marketing.

Part 2 concentrates on "Analyzing Global Opportunities." Beginning with Chapter 5, "Global Markets," we introduce students to segmentation in international markets and discuss cross-cultural aspects of consumer, business and government markets, including a discussion of bribery and international contracts. Chapter 6, "Global Competitors," introduces students to both issues of

global firm versus global firm as well as global firm versus local firm. In particular, we present ways in which one global firm can successfully engage another as well as ways in which a local firm can respond to an encroaching global firm—including going global itself. We then explore cultural attitudes toward competition that can help explain why government regulation of corporate behavior varies around the world and why firms from different countries can be expected to behave differently. We describe how the actions of home countries can affect the global competitiveness of their firms. In addition to discussing firms from the developed world, we devote a separate section to better understanding firms from the emerging markets of the developing world. We conclude by examining the country-of-origin advantage (or sometimes disadvantage) that affects global competition, and we discuss the increasingly visible phenomenon of consumer animosity toward firms from particular countries. In Chapter 7, “Global Marketing Research,” we present issues of research design and organization in a global setting and discuss the collection of secondary and primary data across cultures.

Part 3, “Developing Global Participation Strategies,” examines the key decisions of determining where and how to compete and how to enter foreign markets. In Chapter 8, “Global Market Participation,” we look at traditional patterns of how firms internationalize as well as the more recent phenomenon of born-global firms that enter foreign markets from their inception. We identify the pros and cons of geographic market choices such as targeting developed versus developing economies and explore the concepts of standalone attractive markets and strategically important markets. We then provide a format for country selection. We also discuss when to exit a market and when to re-enter one. In Chapter 9, “Global Market Entry Strategies,” we cover the varied options of how to enter a foreign market, including production and ownership decisions, as well as e-business entry options.

Part 4, “Designing Global Marketing Programs,” covers the global management of the marketing mix and the cross-cultural challenges involved in decisions concerning products, pricing, distribution and promotion. Chapter 10, “Global Product Strategies,” explores necessary and desirable product (including packaging and warranty) adaptations for international markets, and it explains the importance of managing a global product line. We examine a key paradigm—designing a product with multiple national markets in mind. We also explore the decision to design (rather than adapt) a product for an important foreign market. We identify different sources for new products, whether developed in-house or outsourced, and conclude with an examination of global rollouts for new products. In Chapter 11, “Global Strategies for Services, Brands and Social Marketing,” we present the particular cross-cultural challenges of services marketing and discuss branding decisions, including issues of brand protection. The chapter concludes with a discussion of the possibilities and challenges of applying global marketing concepts to social marketing internationally. In Chapter 12, “Pricing for International and Global Markets,” we examine how cost and market factors as well as environmental factors such as exchange rate movements and inflation can affect pricing in international markets. We then explore managerial issues such as determining transfer prices, quoting prices in foreign currencies, dealing with parallel imports and deciding when and how to participate in countertrade arrangements.

Part 4 continues with Chapter 13, “Managing Global Distribution Channels.” This chapter reviews global channels and logistics and introduces the potential differences that exist among

local channels, with special emphasis on accessing and managing these channels. Recent trends are examined, including the globalization of retail chains and the growth of direct marketing worldwide, as well as the peculiar challenges of smuggling and the increasing presence of transnational organized crime in the global movement of consumer goods. Chapter 14, “Global Promotion Strategies,” begins by exploring global selling and cross-cultural differences in local selling and sales force management. It continues with a discussion of international sports sponsorship and public relations, as well as cross-cultural differences in sales promotions, product placement and managing word of mouth. Part 4 concludes with Chapter 15, “Managing Global Advertising,” which explores issues of global versus local advertising as well as global media strategies and agency selection.

Chapter 16, “Organizing for Global Marketing,” in Part 5, identifies the elements that will determine the most appropriate organization for a firm’s global marketing and outlines the characteristics of various organizational options. The chapter also examines issues of control and discusses the particular problem of conflict between headquarters and national subsidiaries. We conclude with a discussion of global marketing as a career.

## Pedagogical Advantages

Our book has incorporated several features to help students learn about global marketing:

- **Chapter-Opening Stories.** Each chapter begins with a short recap of a marketing experience that illustrates key issues from the chapter that follows. This helps students grasp immediately the real-life relevance and importance of issues presented in the chapter.
- **Chapter Outlines and Learning Objectives.** At the beginning of each chapter we present both a chapter outline and a list of clear learning objectives to help focus students on the understanding they can expect to take away from the chapter.
- **“World Beat” Boxed Inserts.** Numerous and timely examples of market challenges from around the world help students further explore international issues.
- **Managerial Takeaways.** Each chapter concludes with a list of key managerial takeaways—advice that students can take to the workplace.
- **Discussion Questions.** We provide discussion questions at the end of each chapter that challenge a student’s creativity to stretch beyond the chapter.
- **Short but Evocative End-of-Chapter Cases.** We believe cases can be short but conceptually dense. We have included two or three such cases at the end of each chapter. These cases were written or chosen to work with the chapter content. The end-of-case questions often refer specifically to chapter content in order to test a student’s ability to apply the chapter to the case.
- **Country Market Report.** This exercise presents students with an opportunity to apply concepts from the chapters in the book as well as introduces them to Internet sites that are useful to global marketers.
- **Glossary.** The textbook includes a glossary of terms relating to global marketing and its environment.



## Complete Teaching Package

A variety of ancillary materials are designed to assist the instructor in the classroom.

- **Online Instructor's Resource Manual.** An instructor's manual provides ideas pertaining to discussion questions and teaching notes for end-of-chapter cases. Suggestions for assigning the Country Market Report are also provided.
- **Test Bank.** The test bank has been completely updated. We provide more than 1,500 questions in the test bank. Approximately 450 are application-oriented questions. The test bank includes true/false, multiple-choice, fill-in-the-blank and essay questions, complete with answers and text-page references. In addition, there are mini-cases with questions. These mini-cases can be used to test a student's ability to apply knowledge to new situations and to think across chapters.
- **Power Points.** Downloadable Power Points for each chapter are also available.

# Acknowledgments

We very much appreciate the contributions of cases studies from Anna Andriasova, William Carner, Michael Magers, Liesl Riddle and K.B. Saji. In addition, we are grateful to Harry Briggs of M.E. Sharpe for his insights and guidance and to Sharon Golan and Jabari LeGendre at Routledge for their kind assistance in bringing this fourth edition to fruition.

This page intentionally left blank

# Chapter 1

---

## Introduction to Global Marketing

THE IMPORTANCE OF GLOBAL MARKETS	3
THE DEVELOPMENT OF GLOBAL MARKETING	5
WHY STUDY GLOBAL MARKETING?	9

**When MTV first** went international, it aired the same videos it used in the United States. In Europe, this strategy worked well in attracting the top 200 largest pan-European advertisers. But to reach other advertisers, MTV had to adopt a more national approach, tailoring music and programming to local tastes and languages. However, over time the rising costs of production (\$200,000–\$350,000 per half-hour episode) caused MTV to reevaluate its original strategy. Now local subsidiaries are encouraged to create products that will play across regions or even globally.<sup>1</sup> Thus global firms must constantly balance the unique needs of national markets with global imperatives.

One important job of global marketers is to address the many different cultures of various international markets. For example, Metro, a free newspaper that targets urban commuters, originated in Sweden then spread to 70 cities across Europe, Asia and the United States. It prospered in spite of copycat competitors. However, when a credit crisis hit and advertisers cut back on spending, Metro saw its profits plummet. In response, the company realized that it needed to better adapt its newspapers to the different markets in which they were sold. So Hong Kong readers were provided more business news and Italian readers received more coverage of politics.<sup>2</sup>

Yet, the demands of local consumers are multifaceted and often changing. The Japanese are now eating more sweets than ever. When Krispy Kreme Doughnuts opened its first store in Japan, 10,000 customers arrived in the first three days alone. The Japanese are craving larger portions as well. McDonald's Mega Macs were a great hit, selling 1.7 million in four days.<sup>3</sup> Therefore global marketers must not only understand the current status of international markets; they must be cognizant of key trends in these markets and prepare for the future. This is true despite the fact that no one ever agrees about the future or what to do about it. When Starbucks entered China it decided to emphasize its premium coffee with the goal of changing China's tea-drinking culture. When Dunkin' Donuts entered the market, however, it announced that it would emphasize new tea drinks at first and only later ease into coffee.<sup>4</sup>

Global marketers must also navigate the different political and legal environments overseas and respond to ever-changing regulations that often challenge their operations in international markets. Mexico is the world's tenth largest market for processed pet food and is dominated by multinational corporations (MNCs) such as Mars Inc. and Nestle SA. The Mexican government recently added a substantial new retail tax on pet food as part of a program to extract more taxes from the middle class. As a result, sales of processed pet food in Mexico are expected to decrease, reversing the upward trend that the industry had enjoyed for many years.<sup>5</sup>

Though national markets remain unique, they are increasingly interdependent. Aided by technology, local consumers are more and more aware of products and prices from around the world, and large retailers and MNCs have become powerful global buyers that demand special attention. Competition increasingly occurs across markets, and competitive moves cross national borders at an alarmingly fast rate. In addition, global marketers must also exploit economies of scale in order to deliver quality and value in a competitive global marketplace. Thus a final job of global marketing is to manage these interdependencies across international markets.

This first chapter introduces you to the field of global marketing. Initially, we explore why companies seek global markets and examine the differences among domestic, international, multi-domestic and global types of marketing. We then explain why mastering global marketing skills can be valuable to your future career. A conceptual outline of the book concludes the chapter.

## Learning Objectives

*After studying this chapter, you should be able to:*

- describe the development of global marketing;
- explain the importance of global marketing and the need for a global mindset.

## The Importance of Global Markets

Global markets are expanding rapidly. The combined value of world merchandise exports has exceeded \$18 trillion annually. In addition, exports of commercial services account for over \$4 trillion. For many years, international trade has grown faster than domestic economies, further contributing to the ever-increasing pace of globalization.

Furthermore, international trade statistics do not reflect a substantial portion of international marketing operations. In particular, overseas sales of locally manufactured and locally sold products produced by foreign investors are not included in world trade figures. Consequently, the total volume of international marketing far exceeds the volume of total world trade. Sales of overseas subsidiaries for U.S. companies are estimated at three times the value of these companies' exports. Although no detailed statistics are available, this pattern suggests that the overall volume of international marketing amounts to a multiple of the world trade volume.

The scope of global marketing includes many industries and many business activities. Boeing, one of the world's two largest commercial airline manufacturers, engages in global marketing when it sells its aircraft to airlines across the world. Likewise, Ford Motor Company, which operates automobile manufacturing plants in many countries, engages in global marketing, even though a major part of Ford's output is sold in the country where it is manufactured. Large retail chains, such as Wal-Mart, search for new products abroad to sell in the United States. As major global buyers, they too participate in global marketing.

A whole range of service industries are involved in global marketing. Major advertising agencies, banks, investment bankers, accounting firms, consulting companies, hotel chains, airlines and even law firms now market their services worldwide. Many of these multinational services companies enjoy more sales abroad than they do at home. India-based Tata Consultancy Services derives over 50 percent of its sales from North America.<sup>6</sup> Leading orchestras from Vienna, Berlin, New York and Philadelphia command as much as \$150,000 per concert. Booking performances all over the world, they compete with new global entrants from St. Petersburg and Moscow.

## Why Companies Seek Global Markets

Companies become involved in international markets for a variety of reasons. Some firms simply respond to orders from abroad without making any organized efforts of their own. Some businesses go international almost by accident. A former University of Michigan student from India approached

the husband and wife owners of his favorite local brewpub and proposed opening a brewpub in Bangalore. After some initial skepticism, the couple agreed to become part owners in the venture and to receive consulting and licensing fees.<sup>7</sup>

Most companies take a more active role when it comes to entering foreign markets. Many firms enter foreign markets to increase sales and profits. Some companies pursue opportunities abroad when their domestic market has reached maturity. For example, Coca-Cola, the worldwide leader in soft drinks, finds that on a per-capita basis most foreign consumers drink only a fraction of the cola that Americans drink. Consequently, Coca-Cola sees enormous growth potential in international markets.

International markets can also reduce the risk of being overly dependent on the domestic market. When a recession hit the United States, Coca-Cola sales declined 1 percent in its home market. But strong sales in developing countries such as Brazil and India pushed corporate profits up 55 percent—despite the fact that margins tend to be lower in such markets. With nearly 80 percent of corporate sales outside the United States, Coca-Cola was able to weather the storm.<sup>8</sup>

Sometimes a domestic competitive shock provides the impetus to globalize. After Mexico joined the North American Free Trade Association (NAFTA), Mexican companies realized that they would face increased competition from U.S. firms. Bimbo, Mexico's market leader in packaged foods, entered the U.S. market to better understand the competition it would inevitably face back home in Mexico.<sup>9</sup>

Other firms launch their international marketing operations by following customers who move abroad. Major U.S. banks have opened branches in key financial centers around the world to serve their U.S. clients better. Similarly, advertising agencies in the United States have created networks to serve the interests of their multinational clients. When Japanese automobile manufacturers opened plants in the United States, many of their component suppliers followed and built operations nearby. Failing to accommodate these important clients could result in the loss not only of foreign sales but of domestic sales as well.

For some firms, however, the reason to become involved in global marketing has its roots in pure economics. Producers of television shows in Hollywood can spend over \$1.5 million to produce a single show for a typical series. Networks in the United States pay only about \$1 million to air a single show, and the series producers rely on international markets to cover the difference. Without the opportunity to market globally, they would not even be able to produce the shows for the U.S. market.

Online shopping giant eBay is serious about international market opportunities. Nonetheless, expanding into the important Asian market has not been easy. Tough competition from Yahoo forced eBay to exit the Japanese market. In China, eBay shut down its own website and retreated to owning a minority share in a locally owned site. Despite these setbacks, eBay's global sales are expected to increase to \$110 billion by 2015.<sup>10</sup> Like any successful global marketer, eBay must continually rethink its global strategy. Global expansion is not just a decision to venture abroad, it is a commitment to learn from experience.

## The Development of Global Marketing

The term *global marketing* has been in use only since the 1980s. Before that decade, *international marketing* was the term used most often to describe marketing activities outside one's domestic market. Global marketing is not just a new label for an old phenomenon, however. Global marketing provides a new vision for international marketing. Before we explain global marketing in detail, let us first look at the historical development of international marketing as a field in order to gain a better understanding of the phases through which it has passed (see Figure 1.1).

### Domestic Marketing

Marketing that is aimed at a single market, the firm's domestic market, is known as domestic marketing. In domestic marketing, the firm faces only one set of competitive, economic and market issues. It essentially deals with only one set of national customers, although the company may serve several segments in this one market.

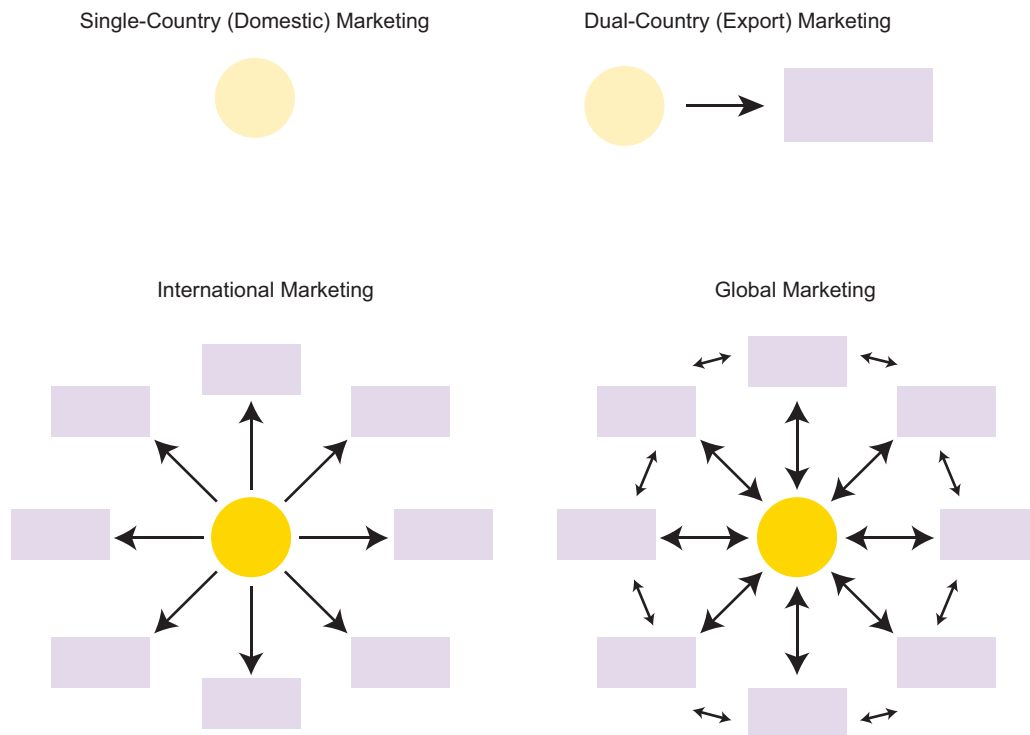


Figure 1.1 International and Global Marketing



## Export Marketing

**Export marketing** covers marketing activities that are involved when a firm sells its products outside its domestic base of operation and when products are physically shipped from one country to another. The major challenges of export marketing are the selection of appropriate markets or countries through marketing research, the determination of appropriate product modifications to meet the demand requirements of export markets and the development of export channels through which the company can market its products abroad. In export marketing, the firm may concentrate mostly on product modifications, running its export operations as a welcome and profitable byproduct of its domestic strategy. Other aspects of marketing strategy, such as pricing, channel management and promotion, may be outsourced either to foreign agents or distributors or to specialist export management companies located in the firm's home country. Although export marketing represents one of the least complicated forms of nondomestic marketing, it remains an important feature for many firms.

## International Marketing

A company that practices international marketing goes beyond exporting and becomes much more directly involved in the local marketing environment within a given country. The firm is likely to have its own subsidiaries abroad and will participate in and develop entire marketing strategies for foreign markets. At this point, the necessary adaptations to the firm's domestic marketing strategies become of greater concern. Table 1.1 illustrates typical adaptations in international marketing. Companies need to decide how to adjust an entire marketing strategy, including how they sell, advertise and distribute products, in order to fit new market demands. Understanding different cultural, economic and political environments becomes increasingly necessary for success. Even when companies successfully enter foreign markets, they must constantly reassess the market, focusing both on buyers and competitors. Japan is one of Starbucks' largest and most successful markets. However, increased price competition forced Starbucks Japan to slash prices and cut costs by procuring more ingredients from local suppliers. Demanding consumers forced the company to customize its menu to local tastes.<sup>11</sup>

Typically, much of the field of international marketing has been devoted to making the many national environments understandable and to helping managers navigate these national differences. The need to understand international marketing grew with the expansion of the MNC. These companies, characterized by extensive investments in assets abroad, operate in foreign countries as though they were local companies. Until recently, most MNCs pursued a multidomestic strategy, wherein the MNC competes by applying many different strategies, each one tailored to a particular local market. Often, MNCs would attempt to appear "local" wherever they competed. The major challenge confronting the multidomestic marketer is to find the best possible adaptation of a complete marketing strategy to each individual country. This more extreme approach to international marketing led to a maximum amount of localization and to a large variety of marketing strategies. Ironically, the traditional multidomestic strategies of MNCs failed to take advantage of the global reach of these firms. Lessons learned in one domestic market were often not applied elsewhere.

**Table 1.1** Adapting to National Differences

---

Asia	Ray Ban redesigned its sunglasses to better fit Asian facial characteristics.
Brazil	In Latin America, 25 percent of the population lives on less than \$2 a day. Consumers often require smaller packages at lower prices. Sales of Nestlé's Bono cookies increased 40 percent in a single year when the company decreased the package size in Brazil from 200 grams to 149 grams.
China	Cadillacs sold in China provide more legroom for rear-seat passengers, because many wealthy Chinese ride in chauffeur-driven cars.
Finland	Finland wants more Vitamin D added to foods, because Finns are exposed to less sunlight. This is one reason why cereal manufacturer Kellogg has to produce variations of its corn flakes and other cereals for the European market.
France	Apples and pears require different labels across the EU. For example, in France labels on fruit must specify chemical treatments, preservation methods and wax treatments—all in French of course!
India	Disney sells school bags in India that are larger than those sold in the U.S., because Indian schools don't have student lockers.
Japan	The Japanese are said to be in love with the ephemeral. They like products that are here today but gone tomorrow. To tap into this cultural trait, Nestlé offers limited edition candy for each season of the year.
Mexico	To foster loyalty within its distribution system, Coca-Cola has offered life insurance to small retailers in Mexico.
Middle East	When Coty Inc. ran an ad aimed at the Middle East market for its Jennifer Lopez perfume, it placed the ad in the newly launched Middle East edition of Elle. But the ad only showed the singer's face instead of her signature curvy silhouette, which ran in the original ad.
Southeast Asia	Nestlé SA sells its Lipton tea and Nescafé in single-serve sachets to accommodate poorer consumers who view these products as an occasional treat.

---

Sources: Christina Passariello, "Fitting Shades for Chinese," *Wall Street Journal Online*, April 21, 2011; Merissa Marr, "Small World," *Wall Street Journal*, June 11, 2007, p. A1; Antonio Regalado, "Marketers Pursue the Shallow-Pocketed," *Wall Street Journal*, January 26, 2007, p. B3; Mei Fong, "IKEA Hits Home in China," *Wall Street Journal*, March 2, 2006, p. B1; Christina Passariello, "Chic Under Wraps," *Wall Street Journal*, June 20, 2006, p. B1; Gordon Fairclough, "Chinese Cadillac Offers Glimpse of GM's Future," *Wall Street Journal*, November 17, 2006, p. B1; Kenji Hall, "Fad Marketing's Balancing Act," *Business Week*, August 6, 2007, p. 42; and John Revill, "Food Makers Rethink Europe," *Wall Street Journal*, May 29, 2012.

Good ideas in product development or promotions were not always shared among national subsidiaries. Similarly, MNCs often failed to take advantage of their global size in negotiating with suppliers and distributors.

## Pan-Regional Marketing

Given the diseconomies of scale that plague individualized marketing strategies, each tailored to a specific local environment, many companies have begun to emphasize strategies for larger regions. These regional strategies encompass a number of markets, such as pan-European strategies for Europe, and have come about as a result of regional economic and political integration. Such integration is also apparent in North America, where the United States, Canada and Mexico have committed themselves to the far-reaching NAFTA trade pact. Companies considering regional strategies seek synergies in marketing operations in one region with the aim of achieving increased efficiency. Many firms are presently working on such solutions, moving from many multidomestic strategies toward selected pan-regional strategies.

## Global Marketing

Over the years, academics and MNCs alike have become aware that opportunities for economies of scale and enhanced competitiveness are greater if firms can manage to integrate and create marketing strategies on a global scale. A multinational or global marketing strategy involves the creation of a single strategy for a product, service or company for the entire global market. It encompasses many countries simultaneously and is aimed at leveraging the commonalities across many markets. Rather than tailoring a strategy perfectly to any individual market, a firm that pursues global marketing settles on a basic strategy that can be applied throughout the world market, all the while maintaining flexibility to adapt to local market requirements where necessary. Such strategies are inspired by the fact that many markets appear increasingly similar in environmental and customer requirements. The management challenges are to design marketing strategies that work well across multiple markets, while remaining alert to the possible adaptations that may be advisable on a market-to-market basis.

Thinking globally has its advantages. As we will see later in this book, global marketers enjoy several benefits beyond those of international marketers. Global marketing can allow firms to offer better products and services at a lower cost, even when adapting for local market conditions. These lower costs can be passed on to customers in the form of lower prices. Alternatively, global marketers can use their increased profits to invest in product development or promotion. Global marketers can often move more quickly than international marketers, introducing new products rapidly into many foreign markets. They are also better armed to engage competition worldwide.

Even though global marketers face the unique challenge of finding marketing strategies that involve many countries at once, the skills and concepts that have been critical since the earliest stages in the history of marketing remain important and continue to be needed. Firms that pursue global strategies must be adept at international marketing as well, because designing a global strategy does not mean ignoring national differences. Instead, a global strategy must reflect a sound

understanding of the cultural, economic and political environment of many countries. Few global marketing strategies can exist without local tailoring, which is the hallmark of international marketing and multidomestic strategies. Managing global marketing is the last in a series of skills that managers must acquire to be successful in the global marketplace.

## Why Study Global Marketing?

You have probably asked yourself why you should study global marketing. Each year MNCs hire large numbers of marketing professionals. As these firms become increasingly globalized, competence in global marketing will become even more important in the future—and many marketing executives will be pursuing global marketing as a career. Other career opportunities exist with a large number of exporters, where job candidates will require international marketing skills. Even newly formed companies are now entering foreign markets at a young age.

With the service sector becoming increasingly globalized, many graduates joining service industries find themselves confronted with international opportunities at early stages of their careers. Today, consulting engineers, bankers, brokers, public accountants, medical services executives and e-commerce specialists all need global marketing skills to compete in a rapidly changing environment. Consequently, a solid understanding and appreciation of global marketing will benefit the careers of most business students, regardless of the field or industry they choose to enter.

## A Need for Global Mindsets

The Swedish firm IKEA is today one of the world's largest furniture retailing chains. IKEA entered the important U.S. market and quickly become a dominant player. IKEA's success was largely attributable to a new concept that it introduced to the United States: setting up large stores where consumers could browse, buy and take furniture home in disassembled form at the end of their visit. IKEA is but one example of an international global competitor entering a previously "safe" market with new ideas, bringing global competition to the doorstep of strictly domestic companies.

Few firms can avoid the impact of global competition today. Foreign competition has made enormous inroads into the manufacture of apparel, textiles, shoes, electronic equipment and steel. Although foreign competition for many consumer goods has been evident for years, inroads by foreign firms into the industrial and capital goods markets have been equally spectacular.

The need to become more competitive in a global economy will force many changes on the typical company. Firms will have to compete in global markets to defend their own domestic markets and to keep up with global competitors based in other countries. These firms will need an increasing cadre of managers who can adopt a global perspective. This requires not only knowledge of other countries, economies and cultures, but also a clear understanding of how the global economy works. Managers with a global perspective will also have to integrate actions taken in one national market with actions in another national market. This means that global marketers will be required to use ideas and experiences from a number of other countries so that the best products can be marketed