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EDITION



GLOBAL MARKETING


TENTH EDITION

Mark C. Green • Warren J. Keegan



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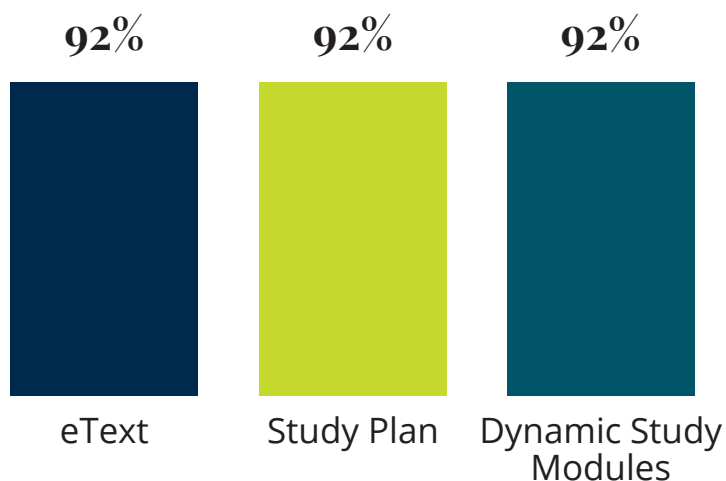
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In Memoriam:
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GLOBAL MARKETING

Mark C. Green

Simpson College

Warren J. Keegan

Late, Pace University



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Preface

We are proud that this Tenth Edition of *Global Marketing* marks more than two decades of publication success. In this new edition, as in prior editions, we take an environmental and strategic approach to global marketing by outlining the major dimensions of the global business environment. We also provide a set of conceptual and analytical tools that prepare students to successfully apply the 4Ps when pursuing careers in global marketing or related areas.

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*. One of our challenges in developing a new edition of *Global Marketing* is the rate of change in the global business environment. Yesterday's impossibility becomes today's reality; new companies explode onto the scene; company leadership changes abruptly. In short, any book can be quickly outdated by events. Even so, we set out to create a compelling narrative that captures the unfolding drama that is inherent in marketing in the globalization era.

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. This newly revised edition also surveys important current developments in the international arena, including Britain's tortuous path towards Brexit, China's ascendance on the world stage, evolving trade relations in the Trump era, achievements by entrepreneurs such as Jack Ma, plus much more.

We are passionate about the subject of global marketing; if our readers detect a note of enthusiasm in our writing, then we have been successful. Our goal for all ten editions has been the same: to write a book that is authoritative in content yet relaxed and assured in style and tone. One instructor using the Ninth Edition wrote us to say, "I love the text, and really like the way it engages students. That is invaluable." We believe that you will find latest edition of *Global Marketing* to be the most engaging, up-to-date, relevant, useful text of its kind.

We recommend pairing the Tenth Edition with Pearson's MyLab Marketing. MyLab Marketing is a teaching and learning platform that empowers you to reach every student. By combining content from *Global Marketing* with digital tools and a flexible platform, MyLab Marketing personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates.

New to This Edition

As with previous editions, the Tenth Edition offers up-to-date, original insights into the complexities and subtleties of shifts in the external environment and their implications for global marketers. Specific updates and revisions include:

- More than fifty percent of the chapter-opening vignettes and related end-of-chapter cases are new to the Tenth Edition. Cases retained from the prior edition have also been revised and updated for this new edition.
- Revised and updated end-of-chapter cases include Case 1-2, "McDonald's Expands Globally While Adjusting Its Local Recipe"; Case 1-3, "Apple versus Samsung: The Battle for Smartphone Supremacy Heats Up"; Case 10-1, "Google"; Case 11-1, "Global Automakers Target Low-Income Consumers"; Case 16-1, "IKEA."
- New cases in the Tenth Edition include Case 2-1, "India's Economy at the Crossroads: Can Prime Minister Narendra Modi Deliver *Acche Din*?"; Case 3-1, "Breaking Up Is Hard to Do: Britons Contemplate 'Brexit'"; Case 4-1, "Cotton, Clothing Consumption, Culture: From Small Beginnings to a Global Cultural System"; Case 5-1, "Travis Kalanick and Uber"; Case 7-2, "The 'Bubbling' Tea Market"; Case 12-1, "Welcome to the World of Fast Fashion"; Case 15-1, "How Do You Like Your Reality? Virtual? Augmented? Mixed?"

**CASE 1-3**
Apple versus Samsung: The Battle for Smartphone Supremacy Heats Up

When Steve Jobs died in October 2011, the world lost one of the towering figures of the modern business era (see Exhibit 1-14). Apple, the company Jobs cofounded, was a pioneer in the consumer electronics world. Its key product reproductions included the Apple II (1977), the Macintosh (1984), the iPod and iTunes (2001), the Apple Store (2003), the iPhone (2007), and the iPad (2009). At the time of Jobs's death, Apple was the most valuable tech company in the world. By September 2012, Apple stock had soared to record levels, with its price briefly rising above \$700 per share. In addition, Apple had amassed more than \$100 billion in cash, most of it held abroad as foreign earnings. Meanwhile, rival consumer tech industry giants such as Nokia, Sony, Dell, and BlackBerry were struggling.

Despite strong 2012 sales for the iPhone 5, industry observers began to wonder whether Apple's hot streak of hit product introductions was starting to cool. Apple's reputation was based on its proven ability to disrupt existing markets (e.g., the music and telecommunications industries) and to create new markets through the introduction of technical and design innovations. However, some viewed the 2012 launch of the iPhone 5 as an evolutionary step rather than a revolutionary breakthrough. In fact, many consumers opted to buy the slower, cheaper iPhone 4s or 4i rather than upgrade to the iPhone 5. Without Jobs, who was considered by many to be the heart and soul of the company, were Apple's best days behind it?

The Competitive Threat

As growth in the key smartphone sector began to slow, Apple's most formidable competitor was Samsung Electronics, a division of Korean industrial giant Samsung Group, whose products range from semiconductors to household appliances to smartphones. Samsung's popular Galaxy series of phones are powered by Android, an operating system developed by Google. Some Galaxy models, including the Galaxy Note (also known as a "phablet"), have larger screens than the iPhone—a point of difference that has helped drive sales of those devices. The rivalry between Apple and Samsung has been heated, with the two sides squaring off in court over alleged patent infringement.

China and Europe are two of Samsung's key markets. In 2012, the company launched the Galaxy S III in Europe. In 2013, however, Samsung staged a launch event at Radio City Music Hall in New York to launch the Galaxy S4. Why the change? As J. K. Sin, the executive in charge of Samsung's mobile business, noted, "We're a global player in the smartphone market and a global company, and the U.S. is an important market for us...I'm not satisfied with our U.S. market share."

In many developing countries, there is strong demand for inexpensive mobile phones. Some Android-based models from Samsung and other companies sell for much less than Apple's cheaper models. For many years, Apple did not offer a lower-cost version of the iPhone. In the United States, wireless carriers such as Verizon and AT&T subsidized the price of the iPhone for consumers who signed multiyear service contracts—a factor that explained why an American iPhone 5 sold for \$199. By contrast, in other countries consumers paid the full, unsubsidized price of the iPhone but were not tied to a contract. Moreover, the iPhone 5 was the same in every world market. By contrast, Samsung made several versions of its Galaxy S4—using different processors, for example—to suit the needs of different regions.

Not surprisingly, smartphone makers are setting their sights on China, India, and other emerging markets. For example, Greater China, which includes China, Hong Kong, and Taiwan, is now Apple's second-largest market. In 2013, Cook announced that China Mobile, the largest carrier in the region and the world's largest carrier overall, would begin selling the iPhone. Apple faces strong competition from local competitors such as Oppo and Xiaomi. Oppo's Oppo N1 beat the iPhone 6 as the top-selling smartphone in 2016. Distribution is critical, and Cook is aggressively expanding the number of outlets in China that sell iPhones.

As growth in China and Europe slows, India, the number 2 smartphone market, is becoming increasingly important. Here, however, Apple's 3 percent market share means that it lags far behind Samsung and Chinese producers in terms of smartphone shipments. Two-thirds of the phones sold in India cost less than \$180. By contrast, Indian consumers pay about \$300 for an iPhone 5S, the older model that Apple launched in 2013. These devices are sold through small, independent retailers, for entry-level buyers. Apple's Web site offers only the iPhone 5S and iPhone 6. In May 2017, Apple began manufacturing the 5S in India, bringing the price down to approximately \$225. Local manufacturing will also allow Apple to open its own flagship stores in India.

Personally, Steve Jobs downplayed the importance of formal market research, saying that consumers don't know what they want. By contrast, Samsung Electronics relies heavily on market research. It has 60,000 staff members working in dozens of research centers in China, Great Britain, India, Japan, the United States, and elsewhere. Samsung designers have backgrounds in such diverse disciplines as psychology, sociology, and engineering. Researchers track trends in cultural and interior design. Also, Samsung spends more on advertising and promotion than does Apple.

The Post-Jobs Era Begins

In the months following Jobs's death, Cook made a number of key strategic decisions. For example, he authorized the introduction of the iPad



Exhibit 1-14 Apple cofounder Steve Jobs views many hats during his illustrious career, including engineer, designer, marketer, and visionary technologist. He was also a master showman, a storyteller, and marketing genius. His appearance at product launches was the stuff of legend, and under his guidance Apple introduced products—including the iPod, the iPhone, and the iPad—new, simply put, the epitome of "cool."



- New discussion of social media is integrated throughout the Tenth Edition. Chapter 15, “Global Marketing and the Digital Revolution,” has been thoroughly revised and updated to include discussion of location-based mobile platforms, cloud computing, tablets, wearable devices, autonomous mobility, and other cutting-edge topics.
- In addition, most chapters contain sidebar features on the following themes: Emerging Markets Briefing Book; Entrepreneurial Leadership, Creative Thinking, and the Global Startup; and The Cultural Context.
- Among the entrepreneurs profiled in these sidebars are Kevin Systrom (Instagram); Reed Hastings (Netflix); Daniel Ek (Spotify); Oscar Farinetti (Eataly); Elon Musk (Tesla); Jack Ma (Alibaba), Sir James Dyson (Dyson), and Brian Chesky and Joe Gebbia (Airbnb).
- The Entrepreneurial Leadership, Creative Thinking, and the Global Startup sidebars also contain expanded coverage of digital entrepreneurship, including financial technology (“fintech”), in this Tenth Edition.
- All tables containing key company, country, and industry data have been updated. Examples include Table 2-3, “Index of Economic Freedom”; all the income and population tables in Chapters 3 and 7; Table 10-2, “The World’s Most Valuable Brands”; Table 13-1, “Top 25 Global Marketers”; and Table 13-2, “Top 20 Global Advertising Agency Companies.”
- The discussion of the BRICS nations has been updated to incorporate the impact of slowing growth in China and the volatility of commodity prices.
- Income and population data in Chapter 3 have been reorganized for improved clarity, comparability, and visual impact.
- More infographics have been incorporated into the text to enhance clarity and visual appeal.

Solving Teaching and Learning Challenges

Today’s Millennial and Generation Z students are networked and technology-savvy. They have access to more content across more platforms than previous generations. Many are also taking on substantial debt loads as they pursue their college degrees. For these and other reasons, it is important to give them a textbook that is “worth the money,” and that provides an experience that is rewarding and motivates them to “keep reading.”

We have been gratified to receive positive feedback from students who have benefited from college courses in which *Global Marketing* was the required text. The following student comments suggest that *Global Marketing* does exactly that:

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

The Tenth Edition helps students develop cross-cultural awareness and engage with issues relating to sustainability and corporate social responsibility. The new edition also profiles some of the most innovative thinkers and entrepreneurial leaders of the modern era.

Each chapter opens with a brief case study introducing a company, a country, a product, or a global marketing issue that directly relates to chapter themes and content. The cases 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.

Throughout the text, we have added scores of current examples of global marketing practice as well as quotations from global marketing practitioners and industry experts. Organizational Web sites are referenced for further student study and exploration.

We have benefited tremendously from adopter feedback and input; we also continue to draw on our direct experience in key world regions. The result is a text that addresses your needs and the needs of instructors in every part of the world.

Developing Employability Skills

Employers at global companies want to know that the people they hire understand and can think critically about contemporary issues such as the dynamics of globalization and growth opportunities in emerging markets. One MBA student wrote to say that reading *Global Marketing* for coursework in 2017 provided her with a competitive advantage when pursuing a new career opportunity. She said, “I used many of the text’s theories during my interview process, and I incorporate the lessons learned on a daily basis as I work with our offices in 12+ locations around the world!”

The Tenth Edition addresses current global trends and issues, including the economic disruption and social disruption that are among the forces at work in the world today. The resulting shifts in global market opportunities and threats are important themes in this revision, as are the rise of economic nationalism and populism. Terms such as *austerity*, *capital flight*, *currency wars*, *double-dip recession*, *global imbalances*, *global rebalancing*, *quantitative easing (QE)*, *secular stagnation*, *sovereign-debt crisis*, and *negative interest rates* appear regularly in the business news. New terms such as *tax inversion* are now part of the conversation as well.

Recent research findings have been integrated into each chapter of *Global Marketing* to help students be conversant in the most current conversations that are happening in this field. For example, our thinking about the benefits of globalization has been influenced by Richard Baldwin’s 2016 book, *The Great Convergence: Information Technology and the New Globalization*. As Baldwin notes, the process of removing constraints on the costs of moving goods, people, and ideas began in the late 19th century. The first wave of globalization was driven by the falling costs of water transport (e.g., ocean-going freighters) and land transport (e.g., the railroads). In keeping with the theory of competitive advantage, this meant that countries with manufacturing prowess benefited by trading with countries whose primary outputs were agricultural production. The current wave of globalization has resulted in part from the digital revolution that allows supply chains to stretch around the world.

Instructor Teaching Resources

The following supplements are available with this text:

Supplements available to instructors at www.pearsonglobaleditions.com	Features of the Supplement
Instructor’s Manual authored by Kerry Walsh from University of South Florida	<ul style="list-style-type: none"> • Chapter-by-chapter summaries • Examples and activities not in the main book • Teaching outlines • Teaching tips • Solutions to all questions and problems in the book

Supplements available to instructors at www.pearsonglobaleditions.com	Features of the Supplement
Test Bank authored by Mahmood Khan from Pamplin College of Business, Virginia Tech	4,000 multiple-choice, true/false, short-answer, and graphing questions with these annotations: <ul style="list-style-type: none"> • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Type (Multiple-choice, true/false, short-answer, essay) • Topic (The term or concept the question supports) • Learning outcome <hr/> <ul style="list-style-type: none"> • AACSB learning standard (Written and Oral Communication; Ethical Understanding and Reasoning; Analytical Thinking; Information Technology; Interpersonal Relations and Teamwork; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge) Page number in the text
Computerized TestGen	TestGen allows instructors to: <ul style="list-style-type: none"> • Customize, save, and generate classroom tests • Edit, add, or delete questions from the Test Item Files • Analyze test results • Organize a database of tests and student results.
PowerPoints authored by Jill Solomon from University of South Florida	Slides include all the graphs, tables, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but not limited to: <ul style="list-style-type: none"> • Keyboard and Screen Reader access • Alternative text for images • High color contrast between background and foreground colors

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Mark C. Green
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PART ONE INTRODUCTION

1 Introduction to Global Marketing

LEARNING OBJECTIVES

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



CASE 1-1

The Global Marketplace Is Also Local

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

Now consider a second proposition: *We live in a world in which markets are local.* In China, for example, Yum! Brands' East Dawning fast-food chain competes with local restaurants such as New Asia Snack and Haidi Lao. Likewise, the best-selling smartphone in China isn't marketed by Samsung or Apple. In fact, the top four smartphone brands in China—Huawei, Vivo, Oppo, and Xiaomi—are all from domestic producers.

In Taiwan, 85C has overtaken Starbucks as the largest chain of coffee shops. In India, Dunkin' Donuts goes head-to-head with local chain Mad Over Doughnuts. In Poland, many consumers frequent small, family-owned shops rather than huge stores operated by France's Carrefour and U.K.-based Tesco.¹ In Southeast Asia, Uber jockeys for position with ride-hailing service Grab. Similarly, Brazilian companies such as Natura Cosméticos and O Boticário compete with Avon for direct-sale customers. Across Latin America, e-commerce giants eBay and Amazon compete with local market leader MercadoLibre.