

An abstract graphic on the left side of the slide. It features a vertical column of six colored circles: a large green circle at the top, followed by a large yellow circle, a medium red circle, a small cyan circle, a small grey circle, and a small blue circle at the bottom. To the left of these circles, a series of thin, curved lines in various colors (green, yellow, red, cyan, blue, orange) extend horizontally and then curve back towards the circles, creating a sense of flow and connection. The lines are more densely packed for the larger circles and more sparse for the smaller ones.

# Global Marketing

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## Introduction to Global Marketing Chapter 1



*Salvatore Ferragamo*



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

# INTRODUCTION

- Global vs. “Regular” Marketing
  - Scope of activities are outside the home-country market

**TABLE 1-1** Product/Market Growth Matrix

		Product Orientation	
		Existing Products	New Products
Market Orientation	Existing markets	1. Market penetration strategy	2. Product development strategy
	New markets	3. Market development strategy	4. Diversification strategy

# GLOBAL MARKETING

- Create value for customers by improving benefits or reducing price
  - Improve the product
  - Find new distribution channels
  - Create better communications
  - Cut monetary and non-monetary costs and prices

$$\text{Value} = \text{Benefits} / \text{Price}$$

# GLOBALIZATION

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

***~Jagdish Bhagwait~***

# GLOBAL INDUSTRIES

- An industry is global to the extent that a company's industry position in one country is interdependent with its industry position in another country

## Indicators of globalization:

- Ratio of cross-border investment to total capital investment
- Proportion of industry revenue generated by all companies that compete in key world regions
- Ratio of cross-border trade to worldwide production

Coca Cola spent \$5 billion worldwide on promotions and marketing in 2010



# COMPETITIVE ADVANTAGE, GLOBALIZATION & GLOBAL INDUSTRIES

- Focus

- Concentration of attention on core business and competence

***“Nestle is focused: We are food and beverages. We are not running bicycle shops. Even in food we are not in all fields. There are certain areas we do not touch...We have no soft drinks because I have said we will either buy Coca-Cola or we leave it alone. This is focus.”***

~Helmut Maucher, former chairman of Nestlé SA~



# GLOBAL MARKETING: What It Is & What It Isn't

## *Single Country Marketing Strategy*

- Target Market Strategy
- Marketing Mix
  - Product
  - Price
  - Promotion
  - Place

## *Global Marketing Strategy*

- Global Market Participation
- Marketing Mix Development
  - 4 P's: Adapt or Standardize?
- Concentration of Marketing Activities
- Coordination of Marketing Activities
- Integration of Competitive Moves



# STANDARDIZATION vs. ADAPTATION

- Globalization (**Standardization**)

- Developing standardized products marketed worldwide with a standardized marketing mix
- Essence of mass marketing

- Global localization (**Adaptation**)

- Mixing standardization and customization in a way that minimizes costs while maximizing satisfaction
- Essence of segmentation
- Think globally, act locally

# STANDARDIZATION vs. ADAPTATION

## The Faces of Coca-Cola Around the World

Arabic —————→  
Read right to left

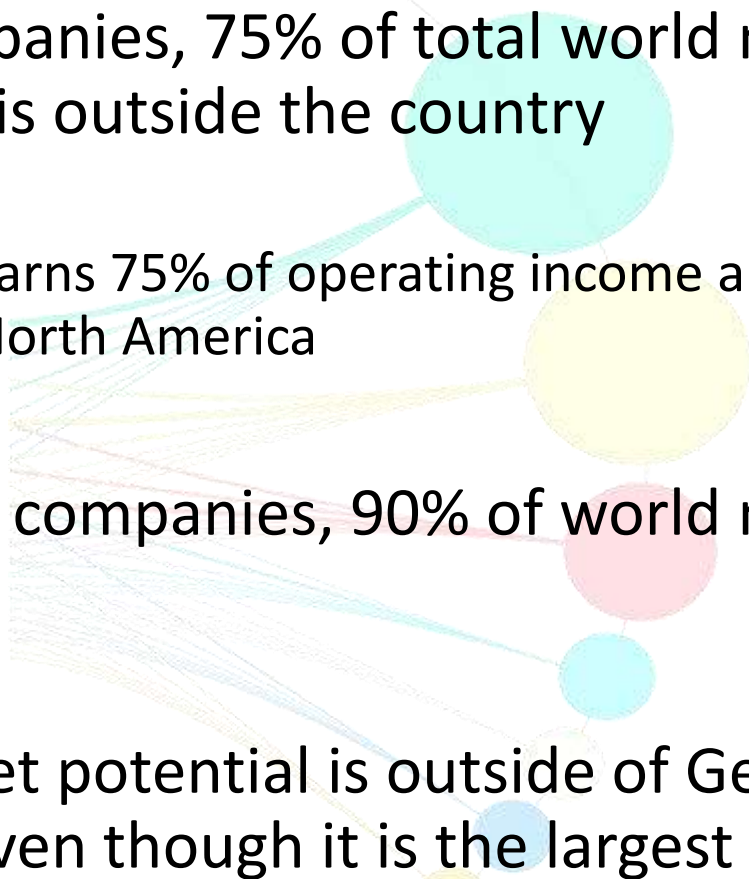
Chinese —————→  
“delicious/happiness”



# McDonald's Global Marketing

Marketing Mix Element	Standardized	Localized
Product	Big Mac	McAloo Tikka potato burger (India)
Promotion	Brand name	Slang nicknames, for example, Mickey D's (USA, Canada), Macky D's (UK, Ireland), Macca's (Australia), Mäkkäri (Finland), MakDo (Philippines); McDo (France)
	Advertising slogan "i'm lovin' it"	"Venez comme vous êtes" ("Come as you are") television ad campaign in France. Various executions show individuals expressing different aspects of their respective personalities. One features a young man dining with his father. The ads' creative strategy centers on sexual freedom and rebellion: The father does not realize that his son is gay.
Place	Free-standing restaurants in high-traffic public areas	McDonald's Switzerland operates themed dining cars on the Swiss national rail system; McDonald's is served on the Stena Line ferry from Helsinki to Oslo; home delivery (India)
Price	Average price of Big Mac is \$3.54 (United States)	\$5.79 (Norway); \$1.83 (China)

# The Importance of Going Global

- For U.S. companies, 75% of total world market for goods and services is outside the country
    - Coca-Cola earns 75% of operating income and 2/3 of profit outside of North America
  - For Japanese companies, 90% of world market is outside the country
  - 94% of market potential is outside of Germany for its companies even though it is the largest EU market
- 
- A decorative graphic consisting of several overlapping circles in light blue, yellow, and pink, with thin, multi-colored lines radiating from them, creating a network-like pattern in the background of the text area.

# How Big Is The Global Market?

**TABLE 1-4** How Big Is the Market? Consumer Products

Product or Service	Size of Market	Key Players and Brands
Cigarettes	\$295 billion	Philip Morris International (USA); British American Tobacco (UK); Japan Tobacco (Japan)
Luxury goods	\$230 billion	LVMH Group (France); Richemont (Switzerland); PPR (France)
Cosmetics	\$200 billion	L'Oréal SA (France); Estée Lauder (USA); Shiseido (Japan); Procter & Gamble (USA)
Personal computers	\$175 billion	Hewlett-Packard (USA); Dell (USA); Acer (Taiwan); Lenovo (China)
Flat-screen TVs	\$100 billion	Samsung (South Korea); Sony (Japan); LG (South Korea)
Bottled water	\$100 billion	Nestlé (Switzerland); Groupe Danone (France); Coca-Cola (USA); PepsiCo (USA)
Home appliances	\$85 billion	Whirlpool (USA); Electrolux (Sweden); Bosch-Siemens (Germany)
Cell phones	\$60 billion	Nokia (Finland); Motorola (USA); Apple (USA); Samsung (South Korea)
Video games	\$43 billion	Nintendo (Japan); Sony (Japan); Microsoft (USA)
Recorded music	\$32 billion	Sony BMG (Japan); Warner Music (USA); EMI (UK); Universal Music Group (France)

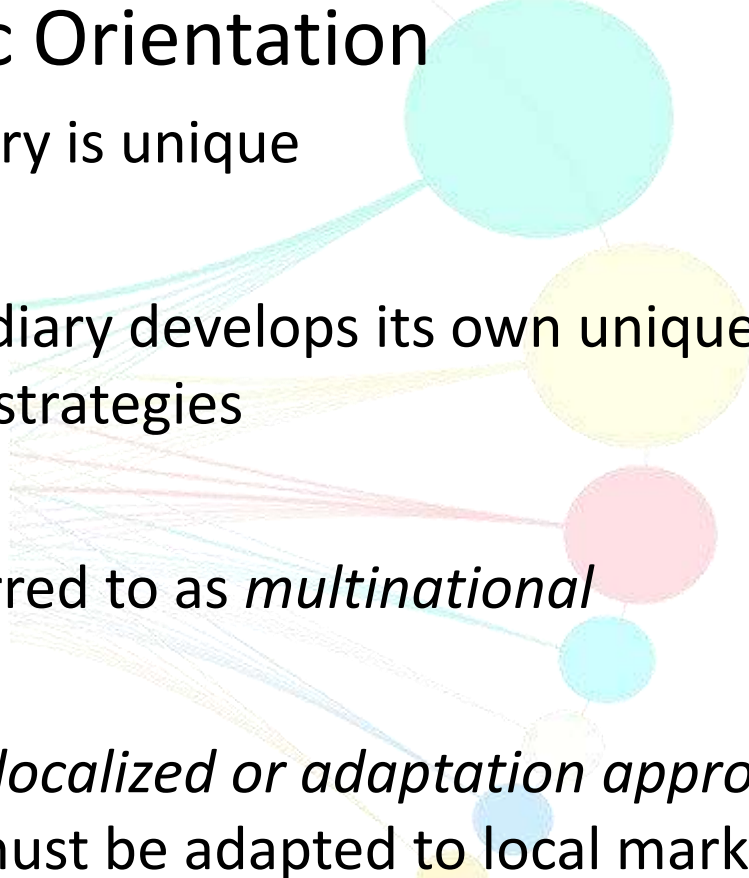
# Management Orientations

## •Ethnocentric Orientation

- Home country is superior to others
- Sees only similarities in other countries
- Assumes products and practices that succeed at home will be successful everywhere
- Leads to a ***standardized*** or ***extension approach***



# Management Orientations

- Polycentric Orientation
    - Each country is unique
    - Each subsidiary develops its own unique business and marketing strategies
    - Often referred to as *multinational*
    - Leads to a *localized or adaptation approach* that assumes products must be adapted to local market conditions
- 



# Management Orientations

## •Regiocentric Orientation

- A region is the relevant geographic unit
  - Ex: The NAFTA or European Union market
- Some companies serve markets throughout the world but on a regional basis
  - Ex: General Motors had four regions for decades

European Union



# Management Orientations

- Geocentric Orientation
  - Entire world is a potential market
  - Strives for integrated global strategies
  - Also known as a ***global or transnational company***
  - Retains an association with the headquarters country
  - Pursues serving world markets from a single country or sources globally to focus on select country markets
  - Leads to a combination of ***extension and adaptation elements***



# Forces Affecting Global Integration & Global Marketing

- Multilateral trade agreements
- Converging market needs and wants and the information revolution
- Transportation and communication improvements
- Product development costs



# Driving Forces Affecting Global Integration and Global Marketing



- Quality
  - R&D as a percent of sales
- World economic trends
  - 2008 global crisis
  - Growing middle class in China, India, Brazil, etc.
  - Rapid growth in China pre-2008
  - Movement to free markets worldwide

# Driving Forces Affecting Global Integration and Global Marketing

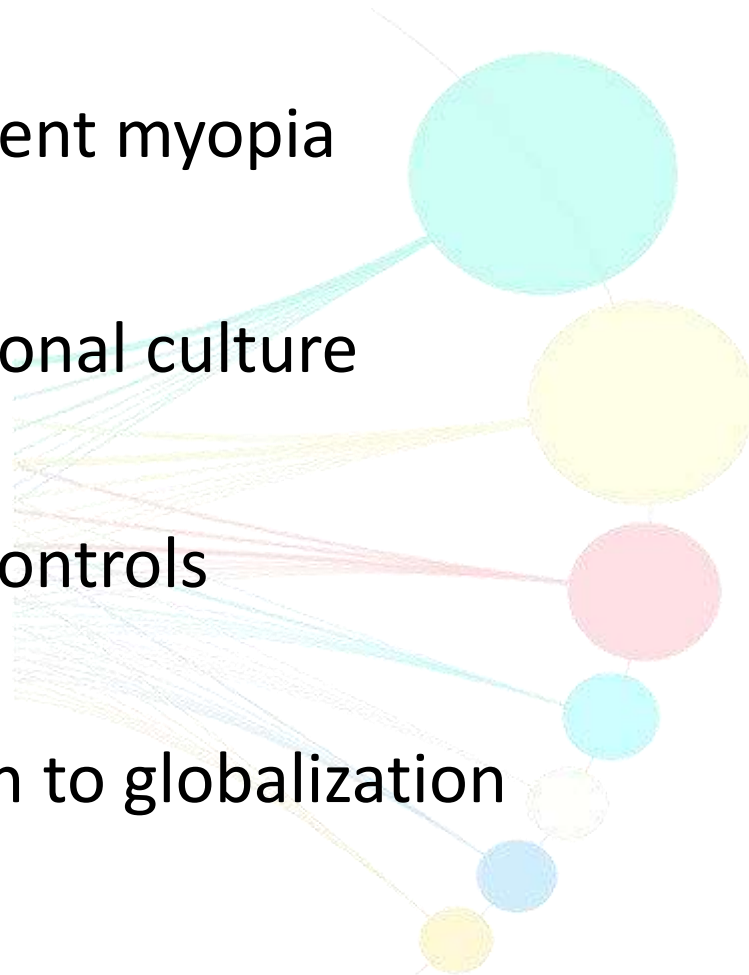
## •Leverage

- Experience transfers
- Scale economies
- Resource utilization
- Global strategy



# Restraining Forces Affecting Global Integration and Global Marketing

- Management myopia
- Organizational culture
- National controls
- Opposition to globalization





# Book Overview

- Part I: Overview of Global Marketing
  - Part II: Environments of Global Marketing
  - Part III: Global Strategy
  - Part IV: Global Considerations of the Marketing Mix
  - Part V: Integrating the Dimensions of Global Marketing
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# Looking Ahead to Chapter 2

## The Global Economic Environment

