GLOBAL MARKETING

Practical Insights & International Analysis

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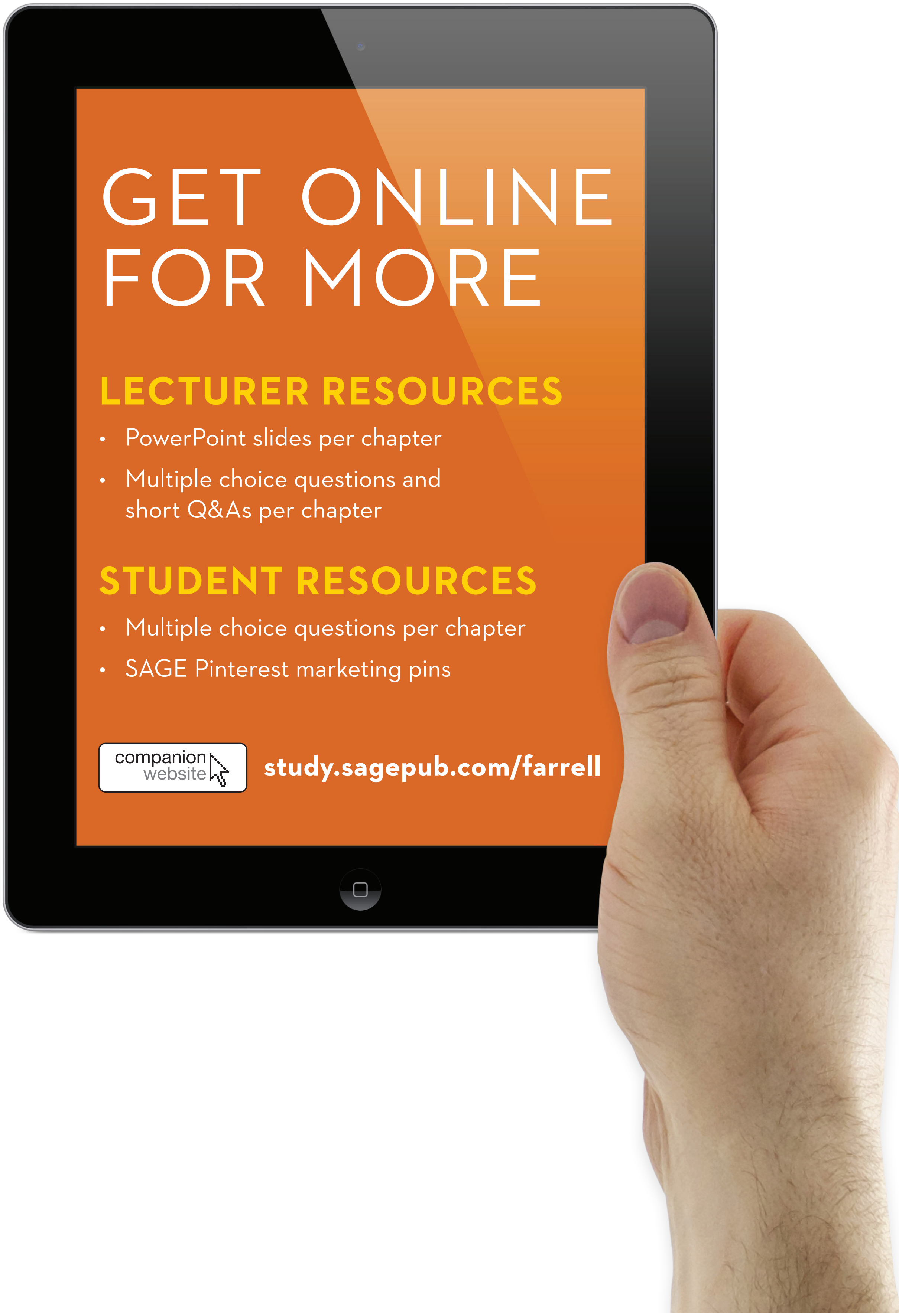
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GLOBAL MARKETING EXPLAINED

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- Define the term 'global marketing' and explain how it differs from other terms such as 'international marketing', 'multi-domestic marketing' and 'glocal marketing'
- Explain the EPRG framework
- Define the term 'globalization'
- Discuss the major forms of globalization
- Discuss the main drivers of globalization
- Explain the perspective of the anti-globalization movement.

INTRODUCTION

In today's business environment, firms may face competition from companies located in their own home market as well as from those based halfway around the world. Also, customer trends which take root in one country may quickly spread to other parts of the world, creating either new marketing opportunities or potential threats to a firm's established products and business models. In addition, political and economic crises in one region may have important implications for consumer and business confidence around the world. One need look no further than the sovereign debt crisis in Europe that began to unfold in 2009 or the sub-prime mortgage crisis in the USA that first came to light some two years earlier, to appreciate the impact of such events on economic growth, consumer spending and prosperity. Economic and political events taking place around the world may have a profound effect on a company's prospects for survival and growth. It should be noted that whether or not a firm elects to operate internationally, it is still vulnerable to changes taking place in the global marketplace. A focus only on its domestic market does not make a firm immune to global competitive pressures or exogenous shocks that stem from political and economic events originating outside the borders of its home country.

This text will introduce you to the field of global marketing. As you read through the following chapters, you will learn how to identify opportunities in foreign markets and develop effective strategies to capitalize on those opportunities. You will begin to appreciate the cultural differences between consumers in your home market and those in markets around the world, and you will learn how those differences impact a company's ability to succeed abroad.

You will also learn how to formulate and execute effective marketing strategies in foreign countries while mitigating the political and economic risks involved in doing business abroad.

The study of global marketing is as exciting as it is important. For many firms based in developed countries, penetrating fast-growing emerging markets such as India and China is a matter of survival. The mature markets of Western Europe and North America offer little prospect for rapid growth with their aging populations and low population growth rates. Firms operating in these established markets also face intense competitive pressures which effectively limit expansion possibilities. These competitive pressures, it should be noted, come not only from established western firms but also from emerging market multinationals headquartered in countries such as Brazil, China and India.

Box 1.1

Foreign direct investment (FDI) and strategic alliances are both institutional arrangements used by firms to penetrate foreign markets. When a firm engages in FDI, it is making a long-term capital investment in a new or existing foreign business. For example, in June 2012 the Belgian company Anheuser-Busch InBev SA agreed to purchase the 50 percent of Mexican brewer Grupo Modelo it did not already own for $20 billion. The deal gave Anheuser-Busch InBev a stronger presence in the fast-growing Mexican beer market. Strategic alliances, on the other hand, involve two or more companies collaborating over the short to medium term in order to achieve some mutually beneficial corporate objective. In February 2011, for example, US-based Microsoft and the Finnish handset maker, Nokia, announced a broad strategic alliance between their firms. As part of the deal, Microsoft developed applications to run on Nokia's handsets and Nokia adopted Windows Phone as its smartphone strategy. Of course, a strategic alliance may be the first step towards FDI. For example, in August 2013 Microsoft opted to deepen its commitment to the handset market by purchasing Nokia's entire hardware business for over $7 billion.

In some cases, firms may be forced to adopt a global marketing perspective simply based on the nature of their products. High research and development (R&D) costs involved in bringing some pharmaceutical drugs to market, for example, necessitate that they be marketed globally if those costs are to be recouped. There is considerable debate around the cost of developing new pharmaceutical drugs. Indeed, one recent study estimated the cost at over $1 billion.[1] To be financially feasible, clearly such products must be marketed globally. Also, some high technology products, such as Apple's iPhone 6, are themselves inherently global and demand that the firm adopt a global marketing perspective. With robust demand from consumers around the world, it would make little sense for Apple to market its products only in its home market of the USA.

GLOBAL MARKETING DEFINED

One may define **global marketing** as the systematic planning, coordination and implementation of the firm's marketing activities across national borders. From this definition, we note that global marketing involves the implementation of marketing activities across national borders, i.e. outside the firm's home country. What this means is that the firm is no longer dealing with the familiar environment of its home country but is now confronted with environments with significant differences in terms of culture and level of economic development, and perhaps major differences in political structures and approaches to government regulation. In attempting to

[1] Adams, C.P. and Brantner, V.V. (2010) 'Spending on new drug development', *Health Econ.*, 19: 130–41.

implement marketing activities in these new host countries, the firm may also face unfamiliar competitors and marketing channels as well as consumers with decidedly different needs and purchasing behaviors. Business practices may also be found to differ significantly from what obtains in the firm's home country. Understanding regulations governing foreign direct investment and dealing with strategic alliances with foreign partners are likely to prove taxing for the firm new to global marketing. These inter-country differences clearly make global marketing considerably more challenging for firms that have historically focussed on their domestic markets.

Global marketers are generally concerned with several issues that are of little relevance to the purely domestic firm. For example, the global marketing firm has to consider issues such as:

- the selection of foreign countries that offer the best prospects for the products marketed by the firm
- the choice of strategies and approaches, e.g. foreign direct investment, exporting or a more loosely structured strategic alliance, which the firm may employ to penetrate international markets
- the need for changes to the firm's products so that they fit more closely with the needs of consumers in the foreign countries selected
- the need for the firm's advertising strategies to be adjusted to better communicate with consumers who are culturally dissimilar to those in its home market
- the need to contract and work with foreign intermediaries in order to get the firm's products into the hands of customers in the various host countries
- the need to adjust the firm's pricing strategies in response to differences in the structure of marketing channels in the foreign countries and differences in the purchasing behavior of consumers in those markets
- the need to identify countries in which to locate the firm's value-added activities, e.g. research and development
- the need to evaluate and mitigate the political risks inherent in doing business in foreign countries
- the need to consider opportunities for the firm to coordinate its marketing activities across the various countries in which it plans to conduct business.

Domestic marketing is not concerned with the issues identified above. In essence, the 'liability of foreignness'[2] a firm faces when operating outside its home market adds an additional layer of complexity and risk to its marketing decisions (Zaheer, 1995).

Box 1.2

The term '**liability of foreignness**' generally refers to the inherent disadvantages that multinational firms face when operating in a new host country. As a foreign entity, the multinational firm will face additional costs which are not borne by other firms which are indigenous to the host country. Local firms have a good understanding of the political, cultural and regulatory environments in which they operate and also have the knowledge necessary to navigate their environment. Foreign firms, on the other hand, do not possess such in-depth knowledge and are put at a competitive disadvantage. Further, some multinational firms may face resistance from consumers who may favor the products of local firms. Host governments too may favor local firms in the tendering of contracts. Foreign multinationals may again be placed at a competitive disadvantage. Building on the work of scholars such as Hymer (1960) and Kindleberger (1969), the term liability of foreignness was coined by Zaheer in 1995. It encapsulates all of the additional costs multinationals must bear in order to compete with local firms in a new host country.

[2] See Box 1.2, as well as the following publications:
Zaheer, S. (1995) 'Overcoming the liability of foreignness', *Academy of Management Journal*, 38, 2: 341–63.
Hymer, S. (1960) *The International Operations of National Firms: A Study of Foreign Direct Investment*. Cambridge, MA: MIT Press.
Kindleberger, C. (1969) *Industry Consolidation and Global Competition: Multiple Market Competition in the Tire Industry*. New Haven, CT: Yale University Press.

The definition of global marketing presented above implies that the firm is conducting marketing activities in a number of countries outside of its home market. The definition is, however, deliberately silent on the precise number of countries a firm must operate in to be considered a global marketer. One should note that a company does not need to market its products in every country in the world to be considered a global marketing company. Given that there are roughly 200 countries around the world, even major multinationals such as McDonald's, Nike and Coca-Cola would not meet such a strict criterion. Research published in the *Journal of International Business Studies* has shown that the vast majority of large firms generate most of their sales in their home region of the Triad (the USA, Japan and Western Europe), i.e. they do not have the breadth of foreign market coverage to be considered truly 'global' (Rugman and Verbeke, 2004).[3] Of course, despite the above finding, firms do need to market their products in a number of foreign countries simultaneously in order to satisfy the definition of global marketing. It is also necessary for the firm to engage in systematic planning and coordination of its activities in these foreign markets. This systematic planning and coordination may be manifested in, for example, the sale of a standardized product in all international markets, the use of a consistent brand name and advertising message across all foreign markets, or a coherent pricing strategy that must be followed by all of the firm's subsidiary managers, regardless of geographic location. Systematic planning and coordination may also be demonstrated by the firm adopting an integrated approach to foreign market entry and the utilization of resources, such as manufacturing facilities and sales personnel, in ways which maximize efficiency and overall corporate profitability.

The need for systematic planning and coordination of marketing activities across country markets is central to the concept of global marketing but is not at all relevant to purely domestic marketing. There are, however, similarities between domestic and global marketing. Both share a focus on the satisfaction of consumer needs and the exchange of something of value. These basic principles which are, of course, central to the discipline of marketing apply equally whether marketing activities take place in a domestic or global context. In the case of global marketing, transactions take place between entities in different countries, making it significantly more difficult to apply these basic marketing principles. The cross-border nature of global marketing transactions adds an additional layer of complexity to the process of exchange and the satisfaction of customer needs.

Box 1.3

The term **economies of scale** refers to the reduction in per unit cost of production as the firm expands its level of output. Longer production runs and increased output translate into a lower cost per unit. The firm which is able to exploit these scale economies may be more price-competitive in global markets as it faces a lower per unit cost structure than competing firms. The concept differs from **economies of scope** which refers to a reduced cost per unit as the firm spreads its total costs (production, marketing and R&D) over a larger number of brands, product lines or target markets.

EVOLUTION OF THE CONCEPT

The concept of 'global marketing' owes much to the work of Harvard Business School professor and consultant Theodore Levitt.[4] In a 1983 article published in the *Harvard Business*

[3] Rugman, A.M. and Verbeke, A. (2004) 'A perspective on regional and global strategies of multinational enterprises', *Journal of International Business Studies*, 35, 1: 3–18.

[4] This section draws heavily from Czinkota, M., Ronkainen, I., Farrell, C. and McTavish, R. (2009) *Global Marketing: Foreign Entry, Market Development and Strategy Implementation*. Toronto: Nelson Education.

Review[5] titled 'The globalization of markets', Levitt argued in favor of a convergence of cultural and national preferences in consumer markets around the world. The implication of this convergence is that companies need not customize their product offerings but should instead service markets around the world with standardized products and a uniform marketing strategy. There is no need to adapt to unique national differences. Global markets, according to Levitt, could be serviced with standardized products, allowing the firm to exploit the economies of scale that would result from longer production runs. Indeed, doing so would have a positive impact on the firm's price competitiveness in international markets as cost per unit declined in response to increased output. This notion of convergence of national preferences and the new era of 'homogenized demand' would force business executives to re-think their foreign market strategies.

Prior to Levitt popularizing the nation of global marketing, companies would attempt to pursue foreign market opportunities by essentially extending their domestic marketing strategies to international markets. The nuances of individual foreign markets and the preferences of consumers in those markets were largely ignored. Firms expended little intellectual or financial capital to cater to the unique preferences of customers in the various foreign markets in which they did business and viewed international sales as secondary to their core domestic operations. These strategies were largely unsuccessful.

Expand Your Knowledge

Levitt, T. (1983) 'The globalization of markets', *Harvard Business Review* (May–June): 92–102.

This classic article argues that technology is driving the world towards commonality. As consumer tastes and preferences around the world converge, the strategy of tailoring products to the needs of multiple markets may actually put multinational firms at a disadvantage. Levitt suggests that firms should focus on providing standardized products at the right price to consumers around the globe.

Companies pursuing foreign market opportunities would eventually recognize the importance of national differences and would opt to pursue a **multi-domestic** or country-by-country marketing strategy. With this approach, each of the firm's foreign subsidiaries or divisions was viewed as a profit center and individual marketing strategies were developed for each country in which the company operated. Significant differences were observed in the brands marketed in each country, as well as in the approaches used to pricing and advertising. While this strategy was effective in recognizing and catering to the unique characteristics of consumers in each country market, there was little or no coordination of marketing activities across countries – even across those that were closely related. As a result, the potential synergies and cost savings that would derive from more coordinated and integrated approaches to the firm's marketing efforts were foregone.

The inefficiencies inherent in developing and implementing separate marketing strategies in each foreign market would eventually become more apparent and would drive firms to examine ways to exploit the similarities in the various foreign markets they served. Executives began to question whether advertising messages could not be crafted that could be utilized in multiple countries and whether products could not be designed with features that appealed to consumers in all of the countries in which they wished to do business. Questions also began to surface with respect to the duplication of manufacturing facilities across various country markets and the possibilities of leveraging resources

[5] Levitt, T. (1983) 'The globalization of markets', *Harvard Business Review* (May–June): 92–102.

across markets in a more coordinated and integrated manner. Firms also began to recognize that they were facing the same competitors in all of the major markets in which they had operations and that an increasing number of their customers were operating globally. The above insights would lead firms to embrace the notion of global marketing with its focus on the development and implementation of a coordinated and integrated approach to foreign markets.

It should be recognized that capitalizing on the notion of global marketing with its emphasis on standardization implied that there was little need to adapt the marketing mix to the unique characteristics of customers in the various country markets. Consumers were essentially homogeneous, all wanting the same product features and brands. This, however, ran counter to the **marketing concept** which espoused the need to identify and satisfy unique customer needs. The marketing concept was, of course, well entrenched in the marketing literature at the time and was at the heart of the strategic approach used by practitioners.

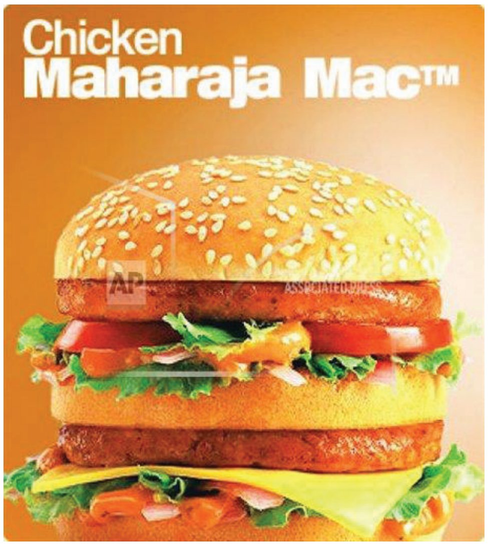


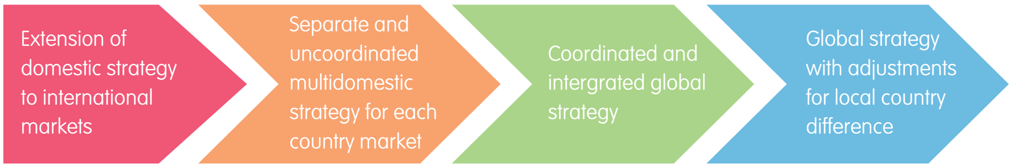
PHOTO 1.1

PHOTO 1.2

By the late 1980s, marketers began to recognize that differences between consumers in the various countries they served could not easily be ignored. These differences were real and demanded that they be considered, if global marketers were to be successful outside their domestic markets. The marketing concept was still relevant and marketers would, therefore, ignore consumer differences at their peril. 'Think global, act local' became the new mantra of global marketers. Companies were now encouraged to 'act local' by, for example, reformulating their products to suit the tastes and preferences of local consumers or acquiring and re-launching well-established local brands. This recognition of the salience of culture and local market differences gave rise to the concept of '**glocal marketing**' which reflects the need for balance between global marketing with its emphasis on standardization and local marketing with its focus on catering to individual country differences (see Figure 1.1). Companies such as McDonald's and Coca-Cola are well known for their efforts to localize their global product offerings. In India, for example, McDonald's serves the Maharaja Mac made with mutton or chicken instead of beef, while in some tropical countries guava juice has been added to the menu. In Latin America, banana pies have found their way onto this US company's menu, while in Germany customers are offered beer with their meals. The latter is, of course, a major departure for a business globally positioned as a family-oriented restaurant. McDonald's recognized, however, that attitudes towards alcohol are very different in Germany, and across Europe, compared to the USA.

Coca-Cola has also recognized that the ability to adapt to local country differences is a source of competitive advantage. New products have been introduced for specific local markets. The firm's Japanese unit, for example, markets Qoo, a noncarbonated beverage which is manufactured in a range of flavors such as grape and orange. Other companies such as Disney have also had to find ways to localize their product in an effort to resonate with local customers (see Case Study 1.1).

FIGURE 1.1 The Evolution of Global Marketing



case study 1.1: Disney Hong Kong theme park

Disney's Hong Kong theme park has finally turned a profit, reporting net earnings of some $14 million during the fiscal year ending September 2012. Jointly owned by Walt Disney (48 percent) and the Hong Kong government (52 percent), the theme park has consistently lost money since it opened in 2005. These latest financial results may be giving the Walt Disney Company and its government partner some hope that measures taken to localize the theme park experience have begun to produce the desired effect. Hong Kong Disney is the smallest of the Disney theme parks and featured just three 'lands' when it first opened – Fantasyland, Tomorrowland and Adventureland. The park is, however, being expanded to keep visitors coming back. A new 'land' based on the Toy Story movies opened to the public in 2011 and a Wild West-themed 'land' dubbed Grizzly Gulch opened in 2012.

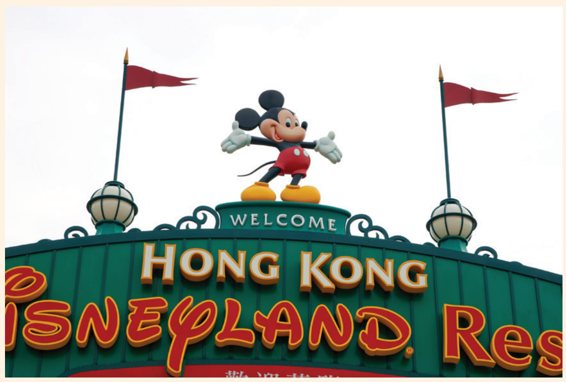


PHOTO 1.3

In addition to the physical expansion, Hong Kong Disney has had to make other changes to localize its content and customer experience. The company is now incorporating Feng Shui, an ancient Chinese discipline that governs spatial arrangement and the flow of energy, into the design of its parks. This necessitated, for example, that the main entrance to the park be moved so that it faced the 'right' direction. The company also added a curve from the train station to the new entrance in order to trap chi (or energy) and prevent it flowing into the South China Sea. Feng Shui experts were also brought in to lay out the design of the rides. While Disney kept its globally recognized characters such as Mickey and Minnie Mouse, they were given a make-over to appeal to the local audience. Mickey was outfitted in a red Mao suit and Minnie in a cherry blossom red dress to appeal to a Chinese audience. Cast members speak both English and the local Hong Kong and Chinese dialects (Cantonese and Putonghua) and maps and brochures are printed in simplified and traditional Chinese characters, in Japanese and English. In addition, various shows incorporate local scenes such as Victoria Harbor and Honk Kong skyscrapers to foster a connection with an Asian audience. Park restaurants serve primarily Chinese foods such as sushi and roast suckling pig. Also, when Disney executives recognized that Chinese patrons take 10 minutes more to eat their meals, compared to American visitors, they decided to add 700 more seats to the park dining areas.

Sources

Business Week (2013) Disney's Hong Kong Theme Park Finally Turns a Profit. Available at: www.businessweek.com/articles/2013-02-19/disneys-hong-kong-theme-park-finally-turns-a-profit, accessed May 24, 2013.

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Matusitz, J. (2011) 'Disney's successful adaptation in Hong Kong: A glocalization perspective', *Asia Pacific Journal of Management*, 28: 667–81.

Discussion Questions

1. Given that there are a number of competing theme parks in mainland China, do you believe that Disney's glocalization strategy will provide the company with a competitive advantage in this market?
2. From your own research on Disney's Hong Kong theme park, are there elements of the firm's global strategy, other than those discussed above, that should be localized?

MANAGEMENT ORIENTATION

A firm's approach to global markets is heavily dependent on its management orientation. The EPRG framework illustrates various management orientations and how these translate into strategic approaches for the management of foreign affiliates (Perlmutter, 1969;[6] Chakravarthy and Perlmutter, 1985[7]). Some firms take the position that headquarters should exercise a significant degree of control over international operations. Important decisions are localized at head office and the firm is largely driven by the needs of consumers in its home market. Foreign subsidiaries utilize technologies and business processes transferred from headquarters in serving their local customers. Described as an **ethnocentric** management orientation, this approach differs markedly from that used by firms that provide their foreign affiliates with substantial latitude to make decisions in their local markets. Firms which have adopted a **polycentric** management orientation essentially provide their foreign subsidiary managers with considerable flexibility to make decisions with respect to marketing, production and technology choices in serving their local customers. Head office views each foreign market as unique and distinct and exercises little centralized authority over its operation.

Firms subscribing to a polycentric (or multi-domestic) management orientation make little attempt to coordinate the activities of their foreign affiliates. In some cases, however, firms may take a **regiocentric** approach to the management of their foreign operations. Such firms view the world as a set of distinct regional markets, such as Europe, Latin America, North America and Asia. Regiocentric firms attempt to coordinate their activities and business strategies within these defined regions but not across them. A UK-based subsidiary manager, for example, would have little opportunity to coordinate her activities with those of counterparts in Asia but would be expected to execute on the firm's pan-European business strategy. In contrast, some companies may view the world as a global market but recognize the importance of catering to local cultural differences. **Geocentric** firms, therefore, attempt to offer standardized global products with adaptations to the various country markets they serve.

GLOBALIZATION DEFINED

The term **globalization** refers to the increasing integration and inter-dependence of economies, national institutions, firms and individuals around the world. The trend became obvious during the

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6 Perlmutter, H.V. (1969) 'The tortuous evolution of the multinational corporation', *Columbia Journal of World Business*, 4, 1: 9–18.

7 Chakravarthy, B.S. and Perlmutter, H.V. (1985) 'Strategic planning for a global business', *Columbia Journal of World Business*, XX, 2: 3–10.

oil price shocks in the 1970s during which the Arab members of the Organization of Petroleum Exporting Countries (OPEC) imposed an embargo on western nations to protest their support of Israel in the Yom Kippur war against Egypt. The trend towards integration has continued to intensify ever since. The Asian financial crisis of 1997 and the Argentine crisis of 2002 are also important reminders of our growing interconnectedness. More recent manifestations of the phenomenon that may be cited include the US sub-prime financial crisis which began in 2007 and which sent shock waves around the world, adversely affecting countries as far away from the epicenter of the crisis as Iceland. One may also cite the European sovereign debt crisis which began in 2009 and initially only impacted the peripheral EU countries of Greece and Ireland but which quickly spread to other countries of the eurozone including Spain and France.

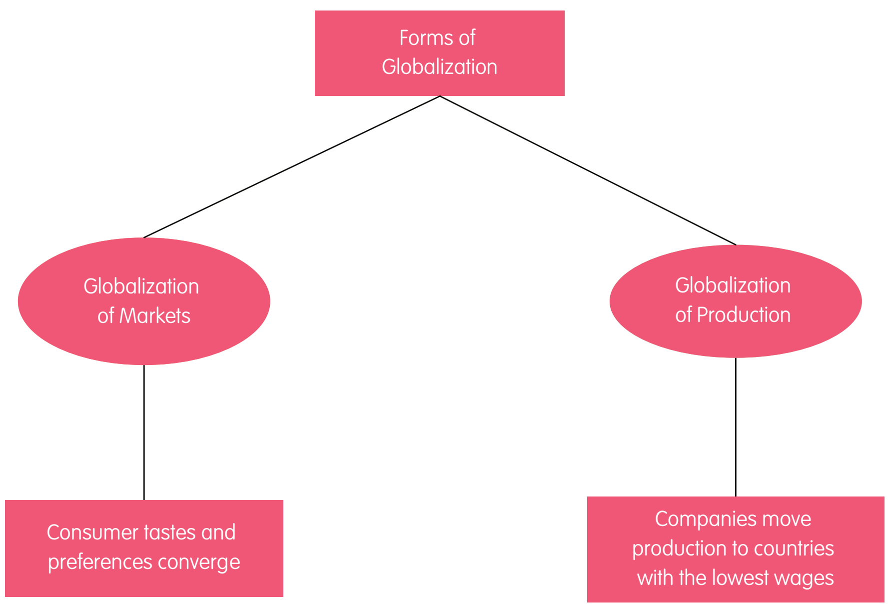
The trend towards increased globalization is unlikely to abate any time soon. Despite the economic dislocations associated with the trend, globalization has also presented firms with unparalleled opportunities to expand and tap into foreign markets. These opportunities are available to both small and large firms and companies headquartered in any country around the world. Indeed, national governments in both the developed and developing worlds are actively positioning their local firms to take advantage of these opportunities. Consumers also benefit from this trend by having access to a wider selection of products at competitive prices, as well as greater access to employment opportunities around the globe.

FORMS OF GLOBALIZATION

One may make a distinction between two basic forms of globalization: the **globalization of markets** and the **globalization of production** (see Figure 1.2). The convergence of consumer tastes and preferences recognized by Levitt in the early 1980s describes what we now refer to as the globalization of markets. Essentially, consumers around the world seem to have similar tastes and demand the same global brands. Major brands such as Nike and Apple are able to capitalize on this phenomenon with standardized products and marketing campaigns that appeal to consumers in countries around the world. Products such as the Apple iPhone and iPad are as popular in Asia and the Middle East as they are in North America.

Globalization of production, on the other hand, refers to the ability of companies to shift the location of their manufacturing operations to any country around the world in response to

FIGURE 1.2 Forms of Globalization



wage rates and government incentives. Nike, for example, has for many years used China as the manufacturing base for its trainers in order to take advantage of that country's low wage rates. In recent years, however, wages in China have begun to increase by as much as 20 percent per year and Nike has seen many of its competitors shift their production to countries with even lower wage rates such as Vietnam, Cambodia, Indonesia and Bangladesh. Nike has followed suit and in 2010 Vietnam became the company's largest production base worldwide.[8] Firms may shift production to any part of the world to take advantage of cost savings in various countries.

THE DRIVERS OF GLOBALIZATION

One may identify five key drivers of the process of globalization: market, cost, environmental, competitive and technological factors[9] (see Figure 1.3).

Market factors

The existence of consumers around the world with similar tastes and preferences is a powerful driver of globalization. These consumers, many with high levels of disposable income, engage in international travel and are exposed to brands not found in their home markets. This puts significant pressure on global marketers to expand their product offerings to those markets. Further, as already noted, some products are inherently global which necessitates a global marketing approach. High technology firms such as Apple continue to see strong global demand for their products, as witnessed by the successful September 2014 launch of the iPhone 6 and iPhone 6 Plus which sold some 10 million new units in the first three days after the models were launched in the USA, Australia, Canada, France, Germany, Hong Kong, Japan, Puerto Rico, Singapore and the UK.

Cost factors

The need to contain cost is a major driver of globalization. Firms are encouraged to expand beyond their home jurisdictions in order to capitalize on low wage rates in other countries. A significant number of North American and European companies, many of them well-known manufacturers of branded consumer products, have elected to move their manufacturing operations to China in order to take advantage of that country's low wage structure. Clothing and shoe manufacturing firms such as Nike have been producing in China for many years but so also have companies in other sectors such as consumer electronics, food and industrial products. While China's wage rates are considerably lower than those in western industrialized economies, they have been rising significantly in recent years. As noted above, this has prompted some companies such as Nike to seek out even lower wage jurisdictions for its manufacturing operations, and interestingly has also encouraged American firms such as Chesapeake Bay Candle and Peerless AV to move production back to the USA.

Environmental factors

As will be shown in Chapter 5, government barriers to trade and investment have fallen dramatically in the last several years and this has further facilitated the globalization of markets. Significant progress made in the reduction of tariff and non-tariff barriers to trade has served to spur the trend towards globalization, as have government efforts to reduce barriers to direct foreign investment.

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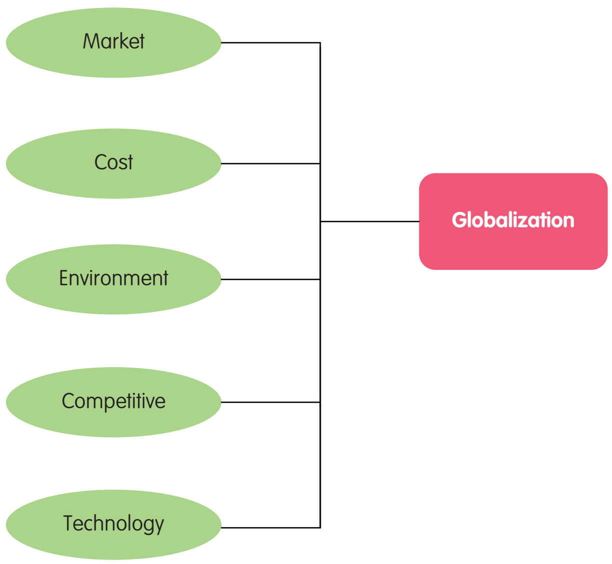
8 *The Economist* (2012) 'The boomerang effect as Chinese wages rise, some production is moving back to the rich world'. Available at: www.economist.com/node/21552898, accessed September 25, 2012.

9 This section draws heavily from Czinkota, M., Ronkainen, I., Farrell, C. and McTavish, R. (2009) *Global Marketing: Foreign Entry, Market Development and Strategy Implementation*. Toronto: Nelson Education.

FIGURE 1.3 The Drivers of Globalization



Competitive factors

Companies may have little choice but to pursue global opportunities. With ever-shortening product life cycles, firms must continuously innovate and seek new markets if they are to defend themselves from foreign competition. Firms without an efficient global distribution network will find it increasingly difficult to maintain market share and profitability as rivals execute their aggressive global expansion strategies. Companies headquartered in the mature markets of North America and Western Europe now face more intense competitive pressures from emerging market multinationals, which are rapidly expanding outside their traditional regional bases of operation.

Technological factors

Technological factors are a powerful driver of globalization. Technical innovation makes it possible for firms to operate in multiple countries and connect with consumers in various parts of the world. The Internet, for example, allows firms to create an awareness of their brands among consumers in foreign markets and gain insights into their needs and product preferences. Social media websites such as Facebook and Twitter allow consumers in various countries to not just search for product information but also share ideas and perspectives with others with similar interests. Social media websites are providing global marketing managers with a significant advertising opportunity. The use of social media in a global communication strategy is discussed in Chapter 12.

THE MEASUREMENT OF GLOBALIZATION

The extent of globalization can be measured. One research study authored by Axel Dreher measures overall globalization on three dimensions: economic integration, social integration and political integration.[10] Dreher's KOF[11] globalization index and its three sub-indexes range from 1 to 100, with increasing values denoting greater globalization. The economic integration dimension examines factors such as the trade and investment flows between countries and the

[10] Dreher, A. (2006) 'Does globalization affect growth? Evidence from a new Index of Globalization', *Applied Economics*, 38, 10: 1091–110.

[11] This index is named after the KOF Swiss Economic Institute, an economics think-tank based in Zurich, Switzerland. KOF is an acronym for the German word *Konjunkturforschungsstelle*, which means 'business cycle research institute'.

extent to which the country uses policy measures to restrict these flows. This sub-index is constructed from data on variables such as foreign direct investment, imports and exports, portfolio investment, average tariff rates and income payments to foreign nationals. Social integration reflects the flow and movement of ideas, people and information. This sub-index captures data on variables such as tourism flows between countries, telecom traffic, the numbers of international letters sent, the number of Internet users, percentage of the population with television sets and the number of McDonald's restaurants in various countries. The final dimension of the globalization index is political integration which captures the diffusion of government policies around the world. This sub-index incorporates data on the number of embassies in a country, the number of international organizations to which the country belongs and the number of United Nations peace-keeping missions the country participates in. Table 1.1 presents a ranking of countries on the KOF scale.

TABLE 1.1 Country Ranking on the KOF Globalization Scale, 2012

Overall globalization:

Rank	Country	Globalization score
1	Belgium	92.76
2	Ireland	91.95
3	Netherlands	90.94
4	Austria	90.55
5	Singapore	89.18
6	Sweden	88.23
7	Denmark	88.11
8	Hungary	87.38
9	Portugal	86.73
10	Switzerland	86.64
14	United Kingdom	85.54
15	Canada	85.53
21	Australia	81.60
27	New Zealand	78.31
35	United States	74.88
73	China	59.37

Economic globalization:

Rank	Country	Globalization score
1	Singapore	97.39
2	Luxembourg	94.63
3	Ireland	93.27
4	Malta	92.23
5	Belgium	92.15
6	Netherlands	91.91
7	Hungary	90.50
8	Sweden	88.98
9	Bahrain	88.96
10	United Arab Emirates	88.74
22	New Zealand	80.79
32	Australia	76.26
35	Canada	76.05
44	Germany	72.52
45	France	72.41
79	United States	60.83
107	China	51.25

Social globalization:

Rank	Country	Globalization score
1	Cyprus	91.76
2	Ireland	91.43
3	Singapore	91.04
4	Austria	90.28
5	Belgium	89.75
6	Switzerland	89.43
7	Canada	88.72
8	Netherlands	87.87
9	Denmark	86.19
10	France	85.65
16	Germany	82.16
24	Australia	79.65
29	United States	76.24
35	New Zealand	72.77
51	Japan	64.57
93	China	48.09

Political globalization:

Rank	Country	Globalization score	Rank	Country	Globalization score
1	Italy	98.43	9	Portugal	94.36
2	France	98.21	10	Canada	94.16
3	Belgium	97.91	17	Germany	93.15
4	Austria	97.31	22	United States	92.47
5	Spain	96.68	25	Australia	91.77
6	United Kingdom	96.43	33	Japan	88.91
7	Sweden	95.86	41	China	86.70
8	Poland	95.17	56	New Zealand	82.73

Source: KOF Index of Globalization (2012) Available at: http://globalization.kof.ethz.ch/static/pdf/rankings_2012.pdf, accessed October 5, 2012.

THE ANTI-GLOBALIZATION MOVEMENT

Globalization has been heavily criticized. This criticism has been centered on the impact of the trend on the poor, the environment, women and the ability of sovereign states to make independent decisions. Anti-globalists have used opportunities presented by international meetings of policy makers to express their concerns and vent their anger. The December 1999 World Trade Organization (WTO) meeting in Seattle, USA, for example, attracted some 50,000 protestors. While their initial objective was to express their displeasure at global trade liberalization and the free movement of capital, their protest quickly turned violent, spilling out into the streets of Seattle in a spate of rioting and looting. A similar protest was organized in Davos, Switzerland, in February 2000 at the World Economic Forum. This protest would also turn violent with angry mobs attacking a McDonald's restaurant – which, to many, is a symbol of globalization and a persistent reminder of the low wages paid to workers by some multinational companies. The protest in Davos was quickly followed by others at the joint IMF–World Bank meeting in Prague, Czech Republic, and the G8 meeting in Genoa, Italy. The latter is usually marked as a low point for the anti-globalization movement. At that meeting, a protestor was shot and killed by police.

More recently, and in the wake of the sub-prime mortgage crisis in the USA, a new global protest movement was formed. The Occupy Movement began on September 17, 2011, when a small group of protestors set up camp in Zuccotti Park in New York's financial district.[12] Inspired by the Arab Spring protests in countries such as Tunisia and Egypt and the Spanish *Indignants*, the protestors vowed to take a stand against corporate greed, social inequality and the influence of big banks and other large corporations on the democratic process. Canada-based Adbusters Media Foundation is reported to have been the catalyst for the movement when it used social media tools such as Twitter and Facebook to urge Americans to occupy Wall Street to protest against economic inequality.[13]

United under the banner of 'We are the 99%', the protests quickly grew, sweeping across the USA, Canada, Europe and Asia. The 99 percent referred to the vast majority of people who were struggling to make ends meet financially, while the 1 percent referred to the investment banks on Wall Street and the corporate elite. Thousands protested in cities around the world including Rome, Frankfurt, Toronto and Sydney. In fact, protests surfaced in some 900 cities around the world and on almost every continent.[14] Visible symbols of capitalism such as the European Central Bank were the scene of large-scale protests. Protestors' attempts to occupy the London Stock Exchange were, however, frustrated by police. The Occupy Movement was clearly a grassroots uprising with no identifiable agenda, mandate or leadership structure. Despite this, the Movement's strong commitment to non-violence and participatory democracy was seen as a core strength and resulted in substantial media attention and public support.

PHOTO 1.4

Anti-globalization protests continue to attract attention by the media. The violence and looting that have become associated with the movement typically make headlines in newspapers around the world and garner much discussion in social media. Many anti-globalists argue, however, that violence at international meetings is not what their movement is about and that those who engage in such activities do not speak for them. It is true that the protestors at anti-globalization events are not monolithic. Various groups are represented, each with its own agenda and approach. Some groups, for example, are concerned with

[12] *New York Times* (2012) Occupy Movement (Occupy Wall Street). Available at: http://topics.nytimes.com/top/reference/timestopics/organizations/o/occupy_wall_street/index.html, accessed October 3, 2012.

[13] *The Guardian* (2011) Occupy America: Protests against Wall Street and Inequality Hit 70 Cities. Available at: www.guardian.co.uk/world/2011/oct/08/occupy-america-protests-financial-crisis, accessed October 4, 2012.

[14] *Washington Post* (2011) Occupy Wall Street Protests Continue Worldwide. Available at: www.washingtonpost.com/world/europe/occupy-wall-street-protests-continue-world-wide/2011/10/16/gIQAcJ1roL_story.html, accessed October 4, 2012.

the impact of globalization on women and children, some are concerned about the impact on the environment, while others are concerned about the poor in developing countries and their working conditions. Some anti-globalization groups advocate for the preeminence of the state, while others are viscerally opposed to any form of state authority and argue in favor of anarchy. While some anti-globalization groups raise valid and serious concerns, the tactics adopted by others are less than constructive and do not contribute to rational debate.

SUMMARY

This chapter has provided an introduction to the field of global marketing. The term global marketing has been defined and the evolution of the concept has been discussed. The chapter has also explored the concept of globalization and has identified its major forms and drivers. The anti-globalization movement has also been discussed in this chapter.

The study of global marketing is important. With increasing globalization, marketing managers can no longer afford to focus solely on their home-country markets. Competition is now global and consumers around the world are more aware of world-class brands and are certainly more demanding. Also, the repercussions of economic and political events taking place in one part of the world can quickly spread to countries around the globe, creating opportunities for, or threats to, a company's established business models. This puts tremendous pressure on today's marketing manager to adopt a global perspective.

This text will provide you with the tools needed to make effective global marketing decisions. Given the practical decision-making orientation of the text, the chapters that follow are written from the perspective of the global marketing manager, i.e. the individual charged with the responsibility for planning and implementing the firm's global marketing strategy. The text also seeks to bridge the gap between theory and practice. This is done throughout the text by highlighting a number of research studies that have attempted to shed light on topics of interest to practicing global marketing managers.

discussion questions

1. What is global marketing and how does it differ from other concepts such as international marketing and multi-domestic marketing?
2. What is the EPRG management orientation framework? From your own research, how would you describe the management orientation of a company such as Apple?
3. What are the key factors driving globalization? Do you think that the globalization trend will eventually fizzle out?
4. Overall, do you see globalization as good or bad for society in the long run?
5. Do you think that the Occupy Movement will have a meaningful impact on global income inequality?
6. In making foreign market entry decisions, how would you use the KOF globalization index?
7. How should firms balance the benefits of standardization with the importance of satisfying the needs of consumers in various country markets?
8. With countries as different as Saudi Arabia and the USA, can marketers really find homogeneous consumer segments in various countries around the world?

FURTHER READING

Freidman, T.L. (2007) *The World is Flat: A Brief History of the Twenty-First Century*. Vancouver, BC: Douglas & McIntyre. (First published by Farrar, Straus and Giroux, 2005.)

Ohmae, K. (1991) *The Borderless World: Power and Strategy*. New York: Harper Perennial.