

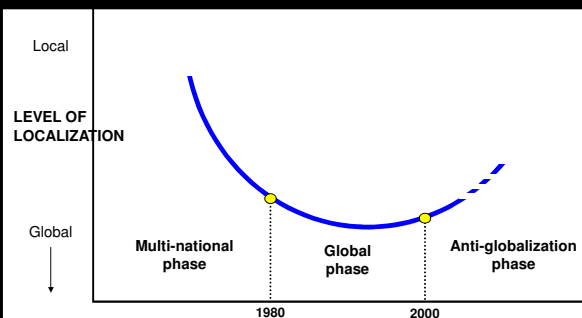
A Historical Perspective

- The Multinational Phase
 - Foreign markets could be penetrated easily
 - Since production was often localized, products could be adapted to local markets
 - Multinational Marketing
 - Marketing to different countries with local adaptation of products and promotions
- The Global Phase
 - The appearance of strong foreign competitors in the U.S. was a major force behind the emergence of the global perspective
 - Japanese companies had entered the U.S. market with spectacular success in markets such as autos and consumer electronics

A Historical Perspective

- The Antiglobalization Phase
 - The antiglobalization forces gained steam throughout the year 2000
 - Questioning of the economic and social benefits of globalization continued
 - The antiglobalization arguments involve a mix of economic, political, and social issues
 - One main complaint is that globalization has failed to lift the standard of living of many third-world countries while multinational companies have profited significantly

Local to Global ...and Back?



Key Concepts

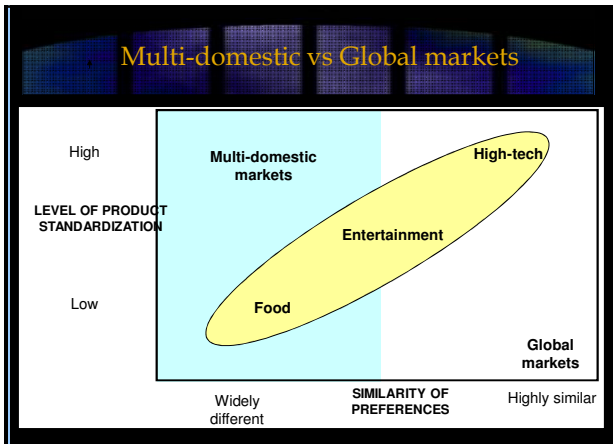
- **Global Marketing**
 - Refers to marketing activities coordinated and integrated across multiple country markets
 - The integration can involve standardized products, uniform packaging, identical brand names, synchronized product introductions, similar advertising messages, or coordinated sales campaigns across markets in several countries
- **International Marketing**
 - An older term encompassing all marketing efforts in foreign countries, whether coordinated or not, involving recognition of environmental differences and foreign trade analysis

Key Concepts

- **“Foreign” Marketing**
 - Many global companies have banned use of the term “foreign” in their communications
 - These companies want to avoid the sense that some countries are separate and strange
 - The companies want their employees to view the world as an integrated entity and not favor the home country over others
- **Multidomestic Markets**
 - Product markets in which local consumers have preferences and functional requirements widely different from one another’s and others’ elsewhere
 - The typical market categories include products and services such as foods, drinks, clothing, and entertainment

Key Concepts

- **Global Markets**
 - Markets in which buyer preferences are similar across countries
 - Within each country, several segments with differing preferences may exist, but the country borders are not important segment limits
- **Global Products**
 - The key to success of the globally standardized products is that they are often the best-value products because they offer higher quality and more advanced features at better prices
 - Global products tend to be stronger on the intangible extras such as status and brand image
 - Global products embody the best in technology with designs from leading markets and are manufactured to the highest

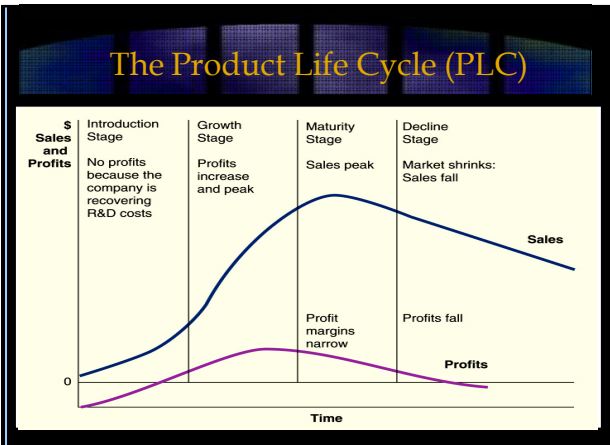


- ### Key Concepts
- Global Brands
 - Brands which are available, well known, and highly regarded through the world's markets
 - Examples of global brands include Swatch, Mercedes, Nestlé, Coca-Cola, Nike, McDonald's, Sony, and Honda
 - In global markets, with standardized products, a global brand name is necessary for success
 - This is why many firms consolidate their brand portfolios around a few major brands as globalization proceeds

- ### Key Concepts
- Leading Markets
 - Characterized by strong and demand customers
 - Free from government regulation measures
 - Products and services incorporate the latest technology
 - Companies are strong at the high-end of the product line
 - Not necessarily the largest markets, although they often are

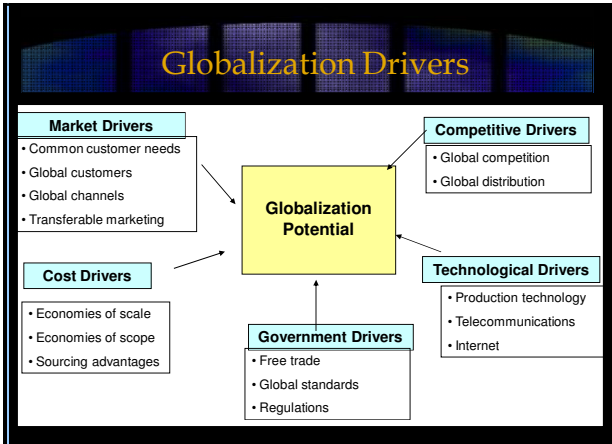
Basic Marketing Concepts

- **Product Life Cycle**
 - The S-curve which depicts how the sales of a product category progress over time
 - The stages typically involve Introduction, Growth, Maturity, Saturation, and possibly Decline
 - Relevant for market segmentation and product positioning
- **Market segmentation**
 - Involves partitioning a given market into similar customer groupings for which uniform marketing strategies can be used
- **Product positioning**
 - Refers to the perceptions or image that target customers have of a product or service or the image that the firm would like the customers to have



Drivers Toward Globalization

- **Five Major Globalization Drivers**
 - **Market Drivers**
 - Customer needs, global customers and channels, transferable marketing
 - **Competitive Drivers**
 - Competitors who go global provide reasons for firms to follow
 - **Cost Drivers**
 - Economies of scale, economies of scope, and sourcing
 - **Technology Drivers**
 - The Internet, global patent diffusion
 - **Government Drivers**
 - ISO 9001 – a global standard of quality certification



-
- Localized Global Marketing**
- **The Limits to Global Marketing**
 - **Negative Industry Drivers**
 - Not all industries have the right characteristics for a global strategy
 - **Lack of Resources**
 - Not all companies have the required resources (managerial, financial) to implement global marketing
 - **Localized Mix Requirements**
 - Not all marketing mix elements lend themselves to a global treatment
 - **Antiglobalization Threats**
 - Close coordination of strategies across countries can make the firm vulnerable to antiglobalization actions

-
- Localized Global Marketing**
- **Global Localization**
 - **Due to the limits of global marketing**
 - A global marketing strategy that totally globalizes all marketing activities is not always achievable or even desirable
 - A more common approach is for a company to globalize its product strategy
 - by marketing the same product lines, product designs, and brand names everywhere but to localize distribution and marketing communications

Developing Knowledge Assets

- Knowledge Assets
 - Basically intangible assets
 - Examples of knowledge assets are brand equity, goodwill, patents, technical and managerial know-how
 - In today's globally competitive environment
 - knowledge assets can be more powerful competitive advantages than access to land, buildings, and machinery
 - Learning Organizations
 - Organizations whose competitive advantage is in the ability of the organization
 - to innovate, to create new products, to develop new markets, to adopt new distribution channels, to find new advertising media, and to discard outdated products and tired sales routines

Global Marketing Objectives

- Exploiting Market Potential and Growth
 - This is the typical marketing objective
- Gaining Scale and Scope Returns at Home
 - Longer production series and capital investment increase productivity
- Learning from a Leading Market
 - Profits may not be made in very competitive markets
 - But information about new technology and about competition can be gained

Global Marketing Objectives (cont'd)

- Pressuring Competitors
 - Increasing the competitive pressure in a competitor's stronghold market might help divert the competitor's attention from other markets
- Diversifying Markets
 - By adding new countries and markets to the company portfolio the firm's dependence on any one market will be lessened
- Learning How to do Business Abroad
 - This is an important spillover effect from marketing in a foreign country

The Manager's Three Roles

1. THE FOREIGN ENTRY ROLE

- Must learn the intricacies of working overseas
- Must find the right middlemen
- Must learn to evaluate other country markets qualitatively and quantitatively
- Must understand the foreign customer's needs and preferences in terms of products/services

The Manager's Three Roles

2. THE LOCAL MARKETING ROLE

- Basic marketing skills needed are the same
- The only thing different is the marketing environment
- Must usually be carried out with a resource person familiar with the local market
- Must be able to leverage marketing skills learned in the home country into the new environment

The Manager's Three Roles

3. THE GLOBAL MANAGEMENT ROLE

- Must use the learning and experience gained from foreign entry and local marketing to derive global benefits for the firm in various markets
- Must capture the scale advantages and other synergies created by more coordinated marketing
- Involves global segmentation, positioning, standardization of products/services, branding, uniform pricing, global branding, and international logistics

Takeaway

THESE FACTORS:

- increase in international trade & investment
- emergence of free trade blocs
- opening of closed economies

HAVE LEAD TO:

- greater global market opportunities
- threat of disruption by anti-globalization forces

Takeaway

Not all industries are equally fit for global strategies.

Analyze globalization drivers before following the "global imperative".

Takeaway

A company enters a foreign market to do several things:

- challenge a competitor
- learn from lead customers
- diversify its demand base

And, of course,

- seek more revenue & profit growth

Takeaway

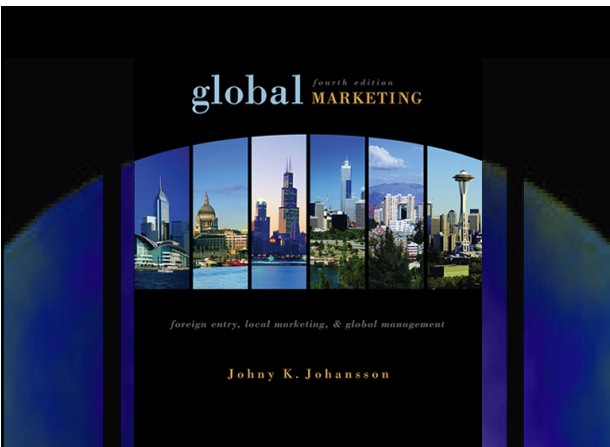
To compete effectively in the global marketplace one must:

- have hands-on marketing experience in one/more foreign countries
 - learn how to enter markets
- manage the local marketing effort in the foreign market

Takeaway

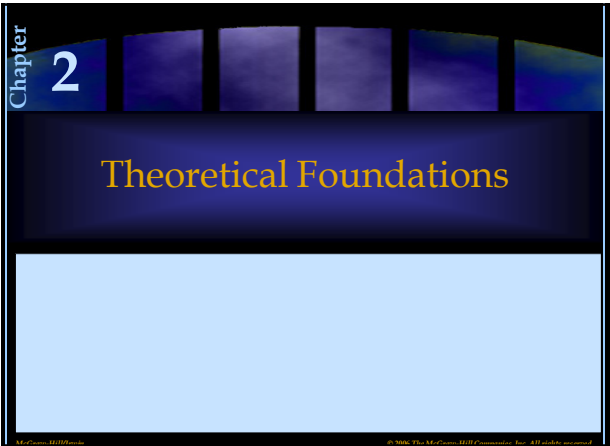
The job of a global marketing manager can be divided into:

- foreign entry
- local marketing abroad
- global management



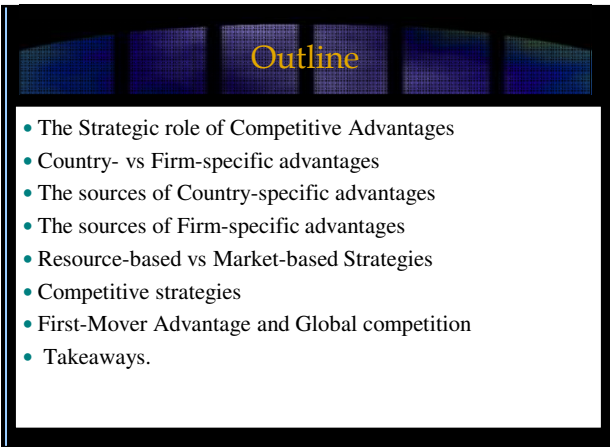
Chapter 2

Theoretical Foundations



Outline

- The Strategic role of Competitive Advantages
- Country- vs Firm-specific advantages
- The sources of Country-specific advantages
- The sources of Firm-specific advantages
- Resource-based vs Market-based Strategies
- Competitive strategies
- First-Mover Advantage and Global competition
- Takeaways.



Country and Firm Specific Advantages

- The fundamental aim of business strategy is to create and sustain competitive advantage
- When doing competitive analysis in the global context it is important to identify whether a company's strength is firm-specific or country-specific
- If the company's strength is not firm-specific, the competitive advantage is usually less sustainable since the company cannot prevent imitation



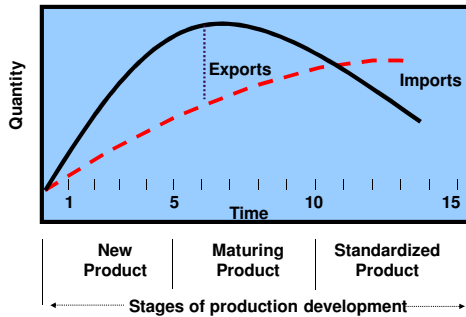
Country and Firm Specific Advantages

| Level | Synonym |
|-----------------|---|
| COUNTRY (CSA's) | Comparative advantages; Location-specific advantages |
| FIRM (FSA's) | Differential advantages; ownership-specific advantages |

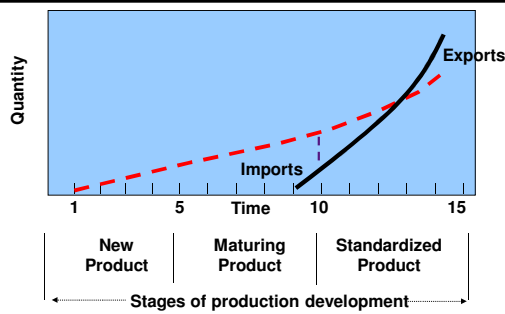
- ### Country Specific Advantages (CSAs)
- Comparative and Absolute Advantages
 - Provides the fundamental rationale for the existence of international trade
 - Free trade between two countries yields economic payoffs to the countries (in terms of higher welfare)
 - provided the countries have different COMPARATIVE advantages
 - It is not important if one country is better than another in producing all kinds of products, i.e. has an ABSOLUTE advantage.
 - It is necessary that trade be free
 - In the absence of free trade, each country has to be more self-sufficient, and less specialization is possible

- ### CSAs: The International Product Cycle
- The CSAs change over time:
 - The IPC demonstrates how the manufacturing of new products has shifted over time to new locations overseas
 - The IPC Stages
 - Stage 1 – the innovator produces and markets the product at home
 - Stage 2 –the firm exports and markets to other developed countries
 - Stage 3 – the firm exports from these countries to third-world markets
 - Stage 4 – the third-world markets develop their own manufacturing capability
 - Stage 5 – third-world market exports back to the original country's market

The IPC: Advanced Countries

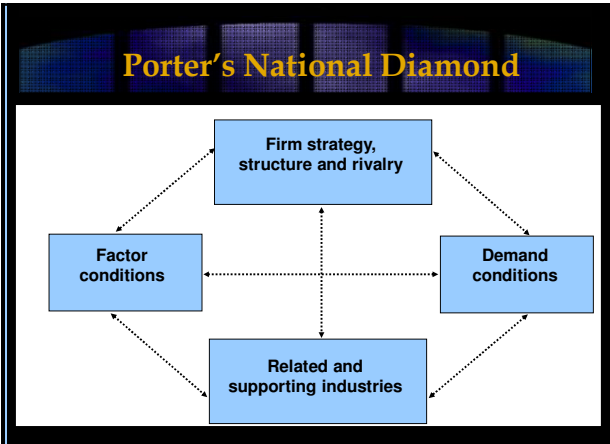


The IPC: Developing Countries



CSAs: Porter's National Advantages

- Four factors determine the competitive advantage of a country
 - Factor Conditions
 - The nation's position in factors of production, such as skilled labor or infrastructure, necessary to compete
 - Demand Conditions
 - The nature of the home demand for the industry's product or service
 - Related and Supporting Industries
 - The presence or absence in the nation of supplier industries and related industries that are internationally competitive
 - Firm Strategy, Structure, and Rivalry
 - The conditions governing how companies are created, organized, and managed, and the nature of domestic rivalry



CSAs: Country-of-Origin

- Country-of-Origin Effects
 - The effect refers to the impact on customers of a product's "made-in" label or the home country of a brand.
 - Products or services from countries with a positive image tend to be favorably evaluated
 - Products from less positively perceived countries tend to be downgraded

Firm-Specific Advantages (FSAs)

- Firm-specific advantages refer to those competitive advantages which are controlled by the individual firm alone.
- Firm-specific advantages may be of several kinds
 - Examples include a patent, trademark, or brand name or the control of raw materials required for the manufacturing of the product.
 - From a marketing perspective
 - It is important to recognize that the source of a firm-specific advantage can depend on specific market know-how

FSAs in Marketing

1. BRAND – Coca Cola, Mercedes Benz, Sony
2. TECHNOLOGY – Ericsson, BMW, Canon
3. ADVERTISING – Marlboro, Unilever, Absolut Vodka
4. DISTRIBUTION – Kodak, Panasonic, Gillette
5. VALUE – Toyota, IKEA, Compaq

FSAs and Marketing Strategy

- A clear understanding of the FSAs is a key to the formulation of a successful marketing strategy in a country
- Differing levels of market acceptance of the firm-specific advantages limits the degree to which a company can be successful abroad
 - The level of acceptance also limits the degree to which the marketing effort can be standardized
- Not all FSAs can be transferred to foreign markets.

FSAs and Transferability

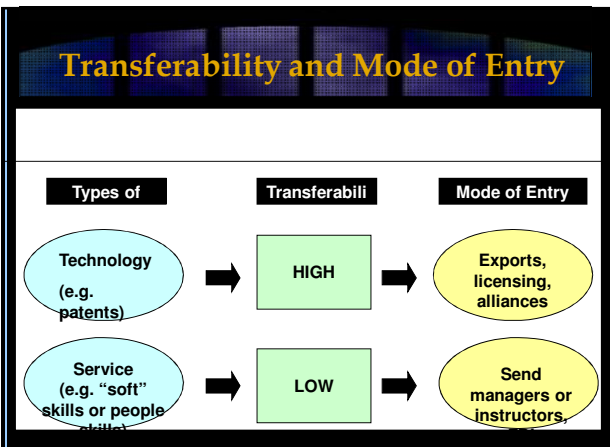
- Various factors can make the application of marketing FSAs difficult in other countries
 - These include limits on TV advertising and in-store promotion.
 - There are also limits on what distribution channels are available.
 - In **services**, a major difficulty in transferring marketing skills abroad is **that service skills often represent intangibles, not skills “embodied” in the product itself (as technology typically is).**

FSAs and Mode of Entry

There are several ways in which a company can enter a given country market:

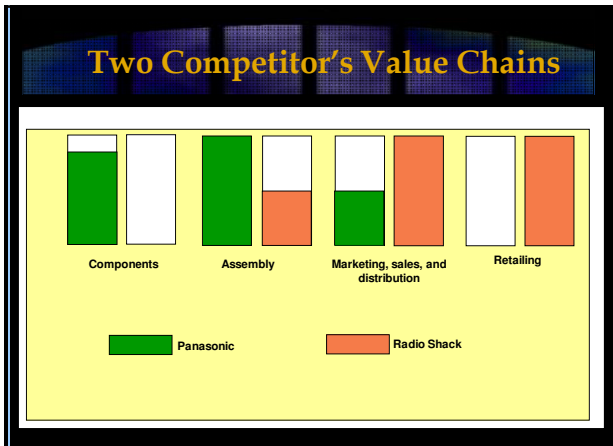
- Straight exporting
 - The product is exported to a distributor in the market country
- Licensing and Alliances
 - Ownership advantages are transferred via a contractual agreement to an enterprise in the market country
- Foreign Direct Investment (FDI)
 - The company invests money and people in subsidiary operations.

• The basic question of choice of entry mode is how the company can get a reasonable payoff or return on its firm-specific advantages



FSAs in the Value Chain

- The value chain concept
 - Suggests that the firm's activities in transforming raw materials and other inputs to final goods can be viewed as a collection of complementary and sequential tasks each adding value to the product
- The value chain is the "internalized" sequence of operations undertaken by the firm.
- *Outsourcing* means the value added activity is performed by an independent supplier.



FSAs: Internalization

- A company that internalizes its FSAs decides to exploit the advantages under its own control.
- In global marketing, this typically means either a wholly owned subsidiary abroad, or exporting of the finished product.
- Licensing and alliances involve “externalizing,” that is, an independent contractor in the foreign country agrees to carry out some of the value added activities.
- There is always a risk of “dissipation” of the FSAs in externalizing, since the foreign firm needs to be shown a blueprint of how to perform the activities.

FSAs and Resource-based Strategy

- **Resource-Based Strategy vs Market-based strategy**
 - A resource-based strategy defines the firm not in terms of the products or services it markets, or in terms of the needs it seeks to satisfy, but in terms of what it is capable of.
 - A market-based strategy focuses on competitive advantages in the marketplace, the resources perspective fosters a view of the company as a leveraging force for its resources.
- **Knowledge-Based FSAs**
 - Knowledge is today recognized as one of the key resources of the firm.

Competitive strategy: Extending the "Five Forces" Model

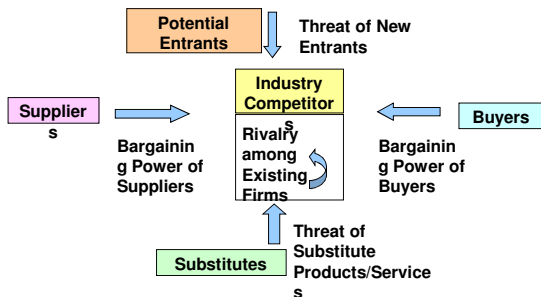
Porter has identified five sources of competitive pressures on the firm:

- Rivalry
 - Intensity of rivalry between firms competing directly in a country market
 - In global marketing the rivalry is particularly strong with other global competitors.
- New Entrants
 - Threat of new entrants applies to potential entrants in a foreign market

Extending Porter's "Five Forces" Model

- Substitutes
 - In new markets where conditions are very different from the home market and consumer preferences differ the product or service can face new varieties of substitutes
- Buyer Power
 - Where buyers are strong they have the power to counter a seller's attempts to raise prices
- Supplier Power
 - If suppliers are large or there are few supply alternative the seller will be forced to pay higher prices for inputs than otherwise, squeezing profit margins

Porter's "Five Forces" Model



First-Mover Advantages (FMAs)

FIRST MOVER ADVANTAGES (FMAs)

1. Set standards
2. Tie up suppliers and distributors
3. Create brand loyalty
4. Capitalize on others' advertising

FIRST MOVER DISADVANTAGES

1. Higher risk
2. More upfront spending on educating buyers, developing infrastructure, promoting generically

Rivalry Between Global Competitors

- **Competitive Strength**
 - Global competitors tend to possess greater financial resources than other companies
 - Primarily because their presence in many countries makes it easier to raise funds in the most favorable locations
 - This is usually where the company has high market share and little competition, using their brands as cash generators
- **Competitive Repertoire**
 - The competitive repertoire of the global competitor includes
 - The capability of attacking a competitor in several markets and the capability of defending a market by countering elsewhere

Rivalry Between Global Competitors

- **Global Rivalry**
 - The increased strength and widened repertoire of the global competitor
 - Means that the scope of marketing competition is enlarged
 - Global competitors can elect in which markets to battle a competitor
- **Hypercompetition**
 - The basic notion underlying hypercompetition
 - Since advantages erode, the firm has to compete by continuously moving to new ground – even, if necessary, in the process possibly replacing its own market leader!

Takeaway

Combine a:

Marketing-oriented perspective

with a:

Resource-based perspective

when developing a global marketing strategy.

Takeaway

Separate a firm's:

Country Specific advantages

from its:

Firm Specific advantages

when formulating a competitive marketing strategy.

Takeaway

A firm must make sure that its competitive advantages are **TRANSFERABLE** to the new country market.

Country Specific advantages are usually non-transferable, and are usually not under the firm's control.

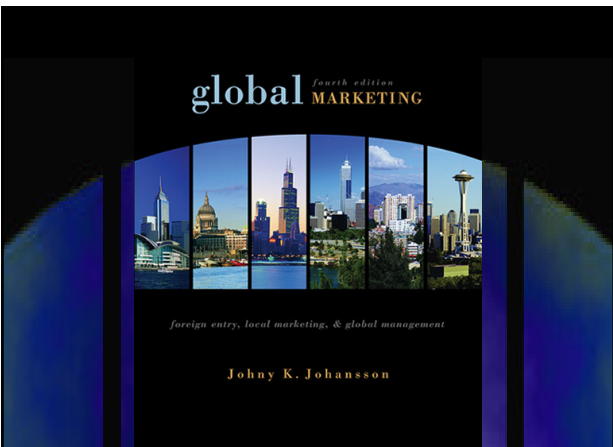
Takeaway

Porter's five-forces model must be extended by:

- evaluating the split between DOMESTIC & FOREIGN competitors
- evaluating the effect of trade barriers or regional treaties

Takeaway

Global competitors tend to have a wider repertoire & greater financial clout which generates intense rivalry & hyper-competition.



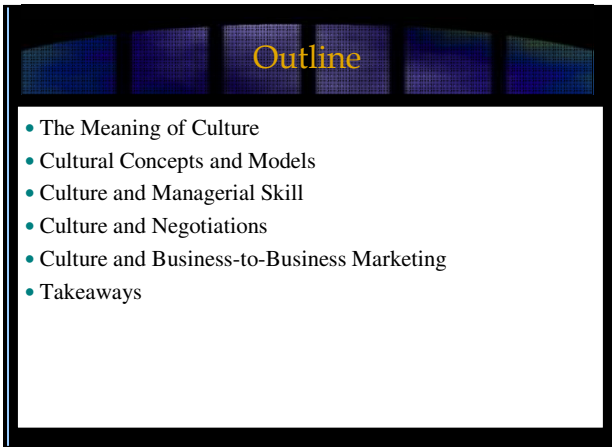
Chapter 3

Cultural Foundations



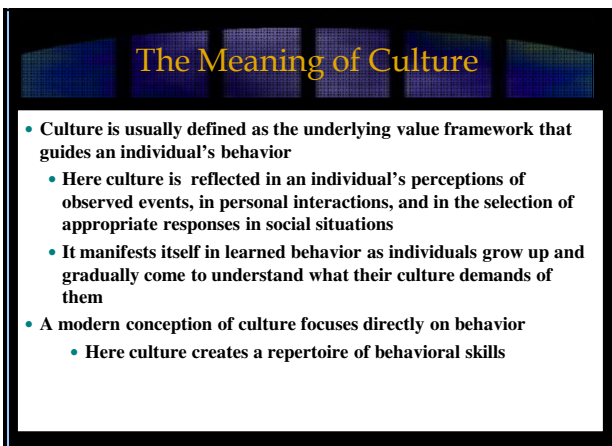
Outline

- The Meaning of Culture
- Cultural Concepts and Models
- Culture and Managerial Skill
- Culture and Negotiations
- Culture and Business-to-Business Marketing
- Takeaways



The Meaning of Culture

- Culture is usually defined as the underlying value framework that guides an individual's behavior
 - Here culture is reflected in an individual's perceptions of observed events, in personal interactions, and in the selection of appropriate responses in social situations
 - It manifests itself in learned behavior as individuals grow up and gradually come to understand what their culture demands of them
- A modern conception of culture focuses directly on behavior
 - Here culture creates a repertoire of behavioral skills





Cultures Across Countries

- **High versus Low Context Cultures**
 - **High Context Cultures**
 - The meaning of individual behavior and speech changes depending on the situation or context
 - Nonverbal messages are full of important and intended meanings
 - When words are spoken, “reading between the lines” is important
 - High context cultures can be found in most of the European countries, some of Latin American countries, and in Japan and many of the newly industrializing Asian countries

Cultures Across Countries

- **Low Context Cultures**
 - Intentions are expressed verbally
 - A person’s meaning should be explicit
 - not taken for granted
 - Propositions have to be justified
 - and opinions defended openly
 - Low context cultures can be found in culturally diverse countries
 - in the U.S., China, Russia, Australia and New Zealand

Low and High Contexts

| | |
|---|--|
| <p>What you say is what you think - “No, I really mean it...”</p>  <p>Silent language’s role is LOW.</p> | <p>What you say is not really what you think. “As I am sure you understand,...” Read between the lines.</p>  <p>Silent language’s role is HIGH.</p> |
|---|--|

Hall's "Silent Languages"

- Space
 - The comfortable distance between two people conversing differs across cultures
- Material Possessions
 - The possessions that describe a person's station in life differ across cultures
- Friendship Patterns
 - Culture determines what friendship means to a person
- Agreements Between People
 - Contracts are interpreted differently across cultures
- Time
 - Time perceptions vary considerable across cultures - "a little late" in some countries means 5 minutes, elsewhere 2 hours.

Cultural Pitfall

- Avoid Self-Referencing
 - Self-referencing
 - A process by which individuals form judgments about others
 - Involves judging others' behavior
 - Against your own past experiences
 - and your own conception of self
 - Can lead to misperceptions of people from abroad

Hofstede's Cultural Dimensions

- Individualism versus Collectivism
 - In a collective society the identity and worth of the individual is rooted in the social system, less in individual achievement
- High versus Low Power Distance
 - High power distance societies tend to be less egalitarian, while democratic countries exhibit low power distance
- Masculine versus Feminine
 - Captures the degree to which culture is dominated by assertive males, rather than nurturing females and the corresponding values

Hofstede's Cultural Dimensions

- **Uncertainty Avoidance**
 - Rates nations based on the level of risk tolerance or aversion among the people
- **Confucianist Dynamics**
 - Distinguishes the long-term orientation of Asian people from the more short-term outlook of Western people

Hofstede's Cultural Dimensions

| | Japan | Anglo-America (USA, UK, Canada) | W. Europe | |
|----------------|-------|------------------------------------|-----------|-----------|
| | | | Northern | Continent |
| Individualism | low | high | high | low |
| Power distance | high | low | low | high |
| Masculinity | high | high | low | high |
| Risk tolerance | low | high | high | low |
| Context | high | low | high | low |

Gannon's Metaphors

- **Gannon suggested the use of descriptive metaphors for different cultures**
 - Suggestive analogues which characterize cultures in such as way as to help managers anticipate what people's reactions might be in different situations
- **Gannon's Metaphors offer a mental anchor for the manager**
 - Who has to deal with a new culture and cannot foresee all contingencies



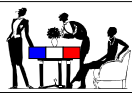

Gannon's Metaphors

1. *American football*: Individualism and competitive speculation; huddling; ceremonial celebration of perfection.
2. *The British house*: Laying the foundations; building the brick house; living in the brick house.
3. *The German Symphony*: Orchestra; conductors; performance society; education, and politics.
4. *The French wine*: Purity; classification; composition; compatibility; maturation.

Rapaille's Cultural Marketing Secrets

- Secret 1: People don't buy products and services - they buy relationships.
- Secret 2: Understanding the local culture makes a relationship successful.
- Secret 3: Each culture has a DNA archetype to be decoded.
- Secret 4: After decoding, the strategy can be encoded.
- Secret 5: Decoding and encoding are necessary to succeed in global marketing.

Rapaille: What is "Quality"?

| | |
|-----------|--|
| JAPAN : | ZER  DEFECTS |
| GERMANY : | CONFORMS TO STANDARDS & SPECIFICATIONS  |
| FRANCE : | <i>Luxury</i>  |
| USA : |  It works. |

Culture and "How to do Business"

- **Managerial Styles**
 - Cultures tend to generate different managerial styles – and different managerial skills.
- **Managing Subordinates**
 - Cultural differences suggest that different types of leadership skills will be needed in managing marketing overseas as opposed to in the home market
 - To help managers cope with or avoid cultural clashes most companies offer new expatriate managers (and their families) predeparture workshops and briefings

Culture and How Managerial Skills Are Developed

- **Culture and Managerial Skill Development**
 - General culture defines a set of acceptable and unacceptable behaviors
 - Individuals learn to act out these behavioral norms
 - Over time, individuals become skilled at displaying acceptable behaviors and skilled at avoiding unacceptable behaviors
 - Acceptable behavior in the business firm is usually a reflection of acceptable behavior in society

Culture and How Managerial Skills Are Developed

- **Culture and Managerial Skill Development (cont'd)**
 - Successful managers tend to be good at acceptable behaviors and at avoiding unacceptable behaviors
 - Successes and failures in the past will be repeated elsewhere whether or not applicable.
 - Therefore...
 - The managers successful in one culture will often NOT be successful in very different cultures.

Trompenaars' cultural contrasts

- Individualism vs. Communitarianism
- Neutral vs. Emotional
- Specific vs. Diffuse
- Achievement vs. Ascription
- Attitudes towards time
- Attitudes towards the environment

Culture and Negotiations

- Know Whom You Are Dealing With
 - In most negotiations knowing something about the cultural background of the opposite partner is considered a must
- Know What They Hear
 - The second caution from experts is the possibility of discrepancies between what the manager thinks he or she is communicating and what is actually received by the other party
 - Nonverbal communication is always a mysterious ingredient in negotiations
- Know When to Say What
 - Spend some time to understand the other culture
 - And build a relationship if necessary

The Four Stages of Negotiations

| Stage | Japanese | Americans |
|---|--|---|
| 1. Non-task sounding | • Considerable time and expense devoted to such efforts | • Relatively shorter periods are typical. |
| 2. Task-related exchange of information | • Most important step high first offers with long explanations and in-depth clarifications. | • Information is given briefly and directly. "Fair" first offers are typical. |

The Four Stages of Negotiations

| Stage | Japanese | Americans |
|------------------------------|---|---|
| 3. Persuasion | <ul style="list-style-type: none"> Done primarily behind the scenes. Vertical status dictates bargaining outcomes. | <ul style="list-style-type: none"> Most important step: minds are changed at the negotiations table and aggressive persuasive tactics are used. |
| 4. Concessions and agreement | <ul style="list-style-type: none"> Concessions made only toward the end – holistic approach to decision making. | <ul style="list-style-type: none"> Concessions and commitments are made throughout – a sequential approach to decision making. |

Cultural Negotiators: Type A and B

| Trait | Type A Negotiator | Type B Negotiator |
|--------------------|-------------------|-------------------|
| Goal | Contract | Relationship |
| Attitudes | Win/lose | Win/win |
| Personal styles | Informal | Formal |
| Communications | Direct | Indirect |
| Time sensitivity | High | Low |
| Emotionalism | High | Low |
| Agreement form | Specific | General |
| Agreement building | Bottom-up | Top-down |
| Team organization | One leader | Consensus |
| Risk taking | High | Low |

The Limits to Cultural Sensitivity

- **Nonadaptation**
 - It is important to recognize that when a country is ready for change, a different culture can be attractive
 - There are limits to the effectiveness of cultural sensitivity as an accommodation strategy
 - Attempts at cultural adaptation is prone to misinterpretation and may even create distrust
- **Keeping One's Center**
 - Cultural adaptation runs the risk of the manager losing his or her bearings

Takeaway

Culture is a fundamental dimension of any society, and is a very visible force that affects market demand as well as customer & managerial behavior

Takeaway

Culture affects strategy implementation & execution, "how" things are done, more than strategy formulation.

Takeaway

Our own culture has given us useful behavioral skills. In new situations, these skills may be useless or even counterproductive.

Takeaway

In negotiations, attempting to adapt completely to a new culture may be counterproductive since it is unexpected and might erode trust.

Takeaway

Cultural differences are examples of market entry barriers & can be overcome with sensitivity, hard work, & a superior product or service.
