Chapter 9

Global Marketing Management: Planning and Organization

Chapter Learning Objectives

1. How global marketing management differs from international marketing management.
2. The need for planning to achieve company goals.
3. The important factors for each alternative market-entry strategy.

Introduction

Increasingly firms are entering foreign markets.

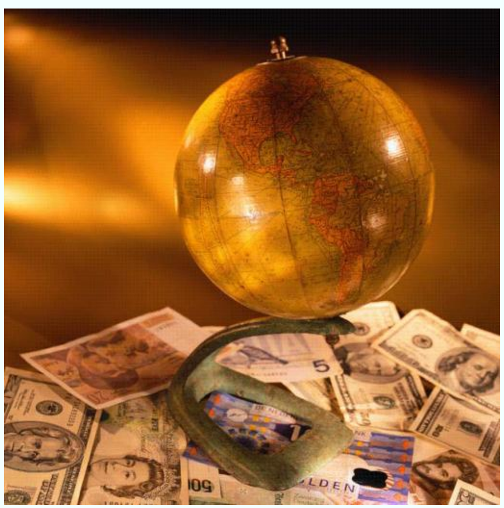
Acquiring a global perspective is easy, but execution requires planning, organization, and a willingness to try new approaches.

This chapter discusses global marketing management, competition in the global marketplace, strategic planning, and alternative market-entry strategies.

Global Marketing Management

Global Marketing Management: An Old Debate and a New View.

Global Marketing Management thought has undergone substantial revision.



- **In the 1970s the argument was framed as "*standardization vs. adaptation*".**
- **In the 1980s it was "*globalization vs. localization*" or "Think local, act local".**
- **In the 1990s it was "*global integration vs. local responsiveness*".**

Global Marketing Management

Global Integration - The extent to which a firm uses the same strategies, products, marketing, etc throughout the world.

Why might a firm lean toward global integration?

Gains from economies of scale, relatively uniform markets in host countries, high development costs incurred if the product will be adapted to each country, etc.

Global Marketing Management

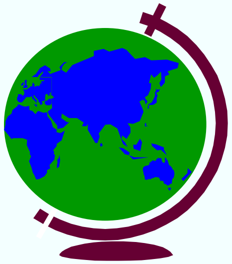
Local Responsiveness - The extent to which a firm tailors a specific strategy, product, marketing campaign, etc to meet the unique environment of every market.

Why might a firm lean toward local responsiveness?

Culture/Tastes of the host market differ from country to country, specific market entry requirements differ from country to country, etc.

The basic issue is whether the global homogenization of consumer tastes allowed global standardization of the marketing mix.

Standardization versus Adaptation



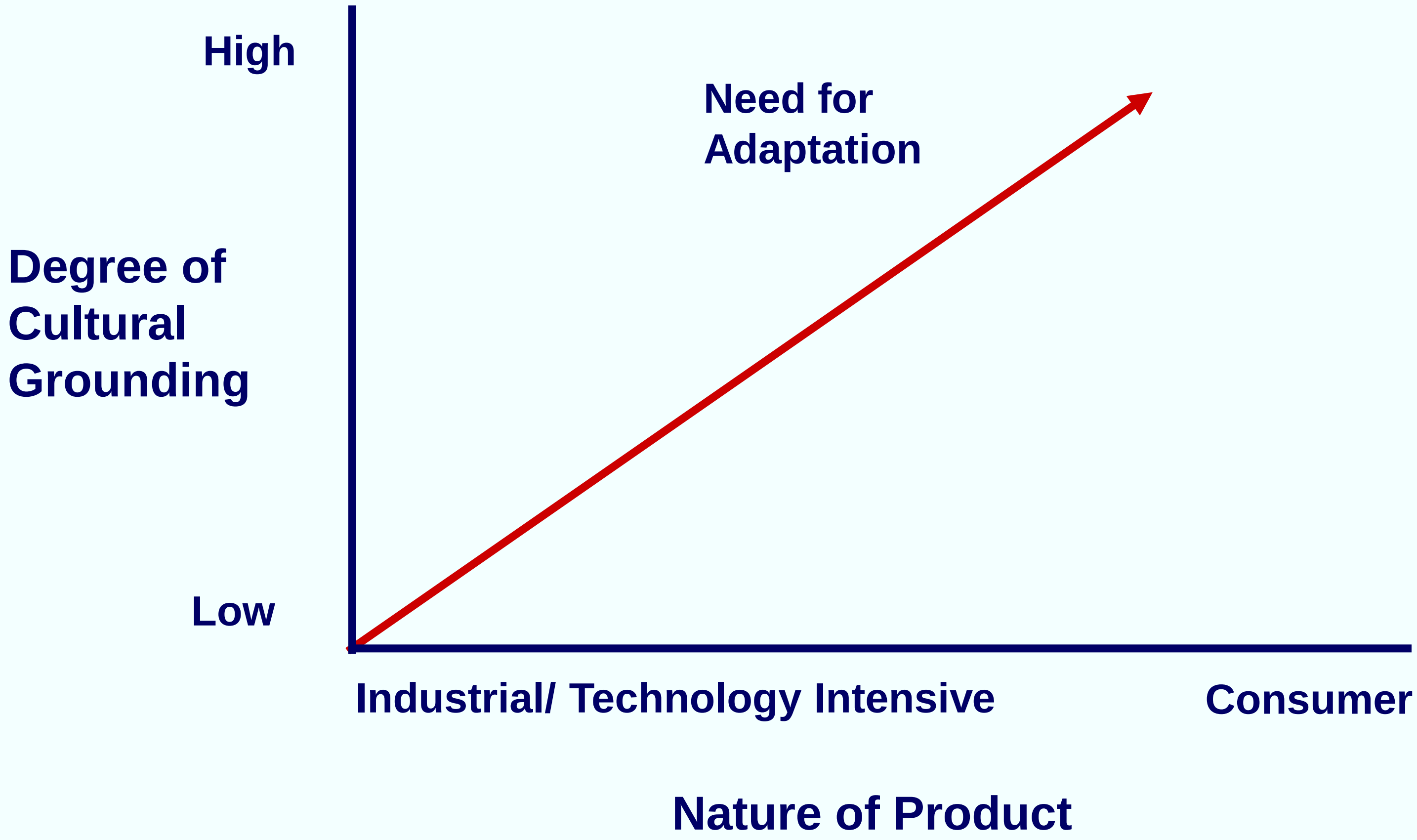
FACTORS ENCOURAGING STANDARDIZATION

- Economies of scale in production
- Economies in product R&D
- Economies in marketing
- “Shrinking” of the world marketplace/economic integration
- Global competitions

FACTORS ENCOURAGING ADAPTATION

- Differing use conditions
- Government and regulatory influences
- Differing consumer behavior patterns
- Local competition
- True to the marketing concept

Strategic Adaptation to Foreign Markets



Source: Adapted from W. Chan Kim and R. A. Mauborgne, “Cross-Cultural Strategies,” *Journal of Business Strategy* 7 (Spring 1987): 31; and John A. Quelch and Edward J. Hoff, “Customizing Global Marketing,” *Harvard Business Review* 64 (May-June 1986): 92-101.

Factors Affecting Adaptation

Regional, Country, or Local Characteristics

Government Regulations
Nontariff Barriers
Customer Characteristics, Expectations, and Preferences
Purchase Patterns
Economic Status of Potential Users
Stage of Economic Development
Competitive Offerings
Climate and Geography

Product Characteristics

Product Constituents
Brand
Packaging (e.g., Size, Styling, Color)
Functions, Attributes, Features
Method of Operation or Usage
Durability, Quality
Ease of Installation
Maintenance, After-Sale Service
Country of Origin

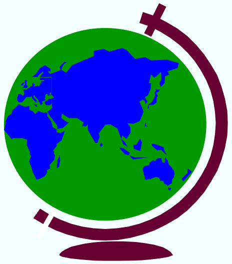
Company Considerations

Profitability
Market Opportunity (e.g., Market Potential, Product-Market Fit)
Cost of Adapting
Policies (e.g., Commonality, Consistency)
Organization
Resources

Decision to Alter Domestic Product

SOURCE: Adapted from V.Yorio, Adapting Products for Export (New York; Conference Board, 1983), 7. Reprinted with permission

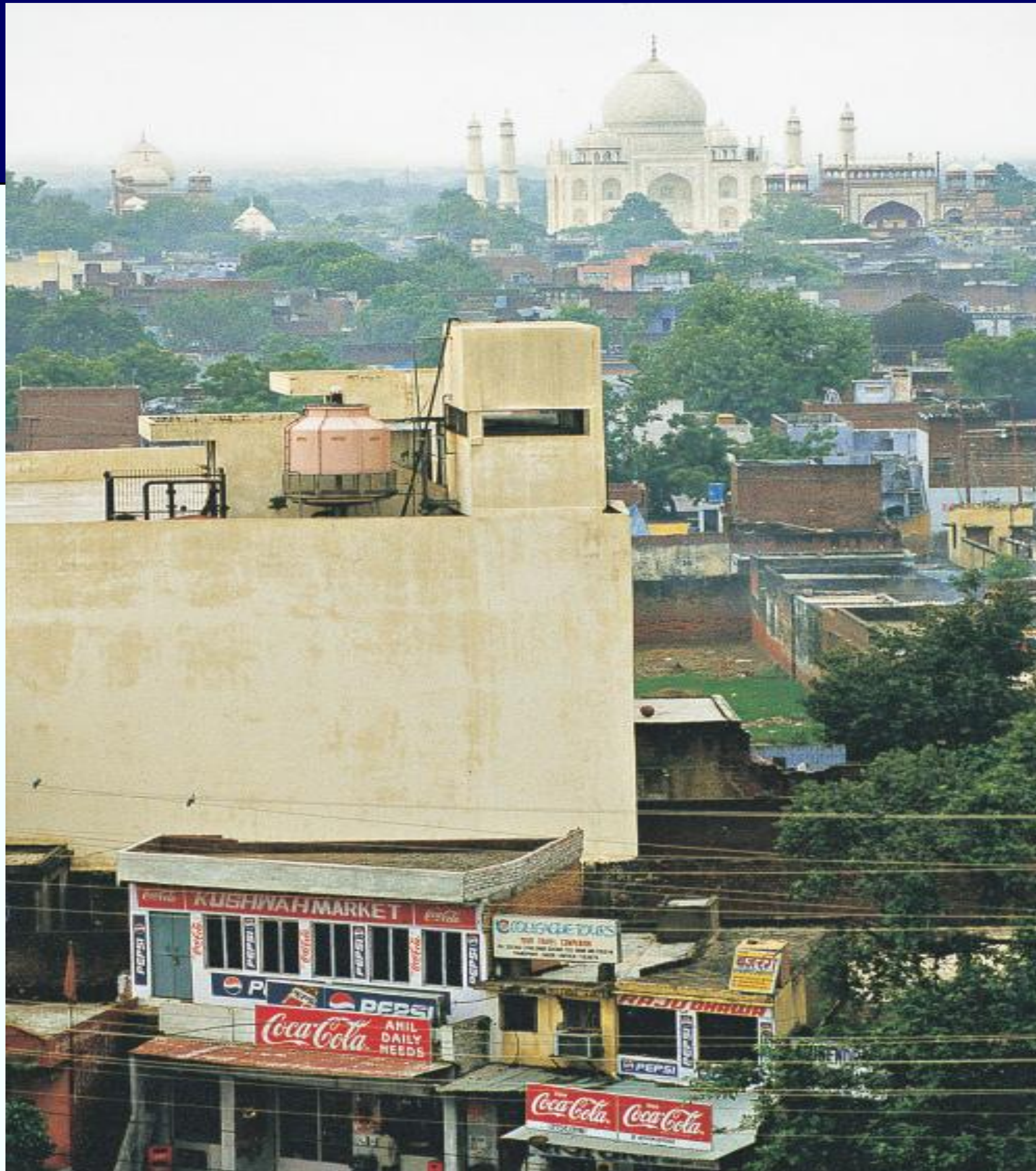
Global Marketing Management



Global Versus International marketing Management

- Global marketing management is guided by the global marketing concept, which views the world as one market and is based on identifying and targeting cross-cultural similarities.

- International marketing Management , also known as multinational marketing management, is based on the premise of cross-cultural differences and is guided by the belief that each foreign market requires its own culturally adapted marketing strategy.


KUSHWAH MARKET
Coca-Cola
ANIL DAILY NEEDS
PEPSI
Coca-Cola Coca-Cola


Thums Up
TASTE THE THUNDER
You

Global Segmentation Variables

~~Country~~

Others may Be More Important

- Climate
- Language
- Media Habits
- Age
- Income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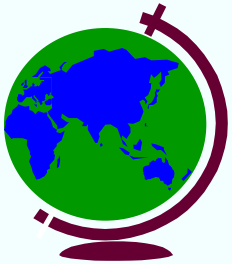
Global Marketing Management

In the twenty-first century, standardization versus adaptation is simply not the right question to ask.

Rather, the crucial question facing international marketer is **what are the most efficient ways to segment markets**.

Country has been the most obvious segmentation variable. But as better communication systems continue to dissolve national borders, other dimensions of global markets are growing in salience.

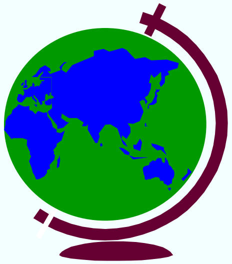
Benefits of Global Marketing



The merits of global marketing include:

- Economies of scale in production and marketing can be important competitive advantages for global companies.
- Transfer of experience and know-how across countries through improved coordination and integration of marketing activities.
- Marketers have access to the toughest customers through global marketing.
- Diversity of markets served brings an important stability of revenues and operations to many global firms.

Planning for Global Markets



- Planning is a systematized way of relating to the future.
- It is an attempt to manage the effects of external, uncontrollable factors on the firm's strengths, weaknesses, objectives, and goals to attain a desired end.

Structurally planning may be viewed as

(1) Corporate

(2) Strategic

(3) Tactical

Planning for Global Markets

- International corporate planning is essentially long term, incorporating generalized goals for the enterprise as a whole.
- Strategic planning is conducted at the highest levels of management and deals with products, capital, and research, and long-term goals of the company.
- Tactical planning, or market planning, pertains to specific actions and to the allocation of resources used to implement strategic planning goals in specific markets.

The Planning Process

The Planning process, which offers a systematic guide to planning for the multinational firm operating in several countries, includes the following 4 phases:

The Planning Process

Phase 2: Adapting the Marketing Mix to Target Markets

The answers to three major questions are sought in Phase 2:

(a) Are there identifiable market segments that allow for common marketing mix tactics across countries?

(b) Which cultural/environmental adaptations are necessary for successful acceptance of the marketing mix?

(c) Will adaptation costs allow profitable market entry?

Exhibit 11.1 International Planning Process

Company character
- Philosophy
- Objectives
- Resources
- Management style
- Organization
- Financial limitations
- Management and marketing skills
- Products
- Other

Home-country constraints
- Political
- Legal
- Economic
- Other

Host-country(s) constraints
- Economic
- Political/legal
- Competitive
- Level of technology
- Culture
- Structures of distribution
- Geography
- Competition

Product
- Adaptation
- Brand name
- Features
- Packaging
- Service
- Warranty
- Style
- Standards

Price
- Credit
- Discounts

Promotion
- Advertising
- Personal selling
- Media
- Message
- Sales promotion

Distribution
- Logistics
- Channels

- Situation analysis
- Objectives and goals
- Strategy and tactics
- Selecting mode of entry
- Budgets
- Action programs

- Objectives
- Standards
- Assign responsibility
- Measure performance
- Correct for error

Foreign Market-Entry Strategies

When a company makes the commitment to go international, it must choose an entry strategy.

The choice of entry strategy depends on:

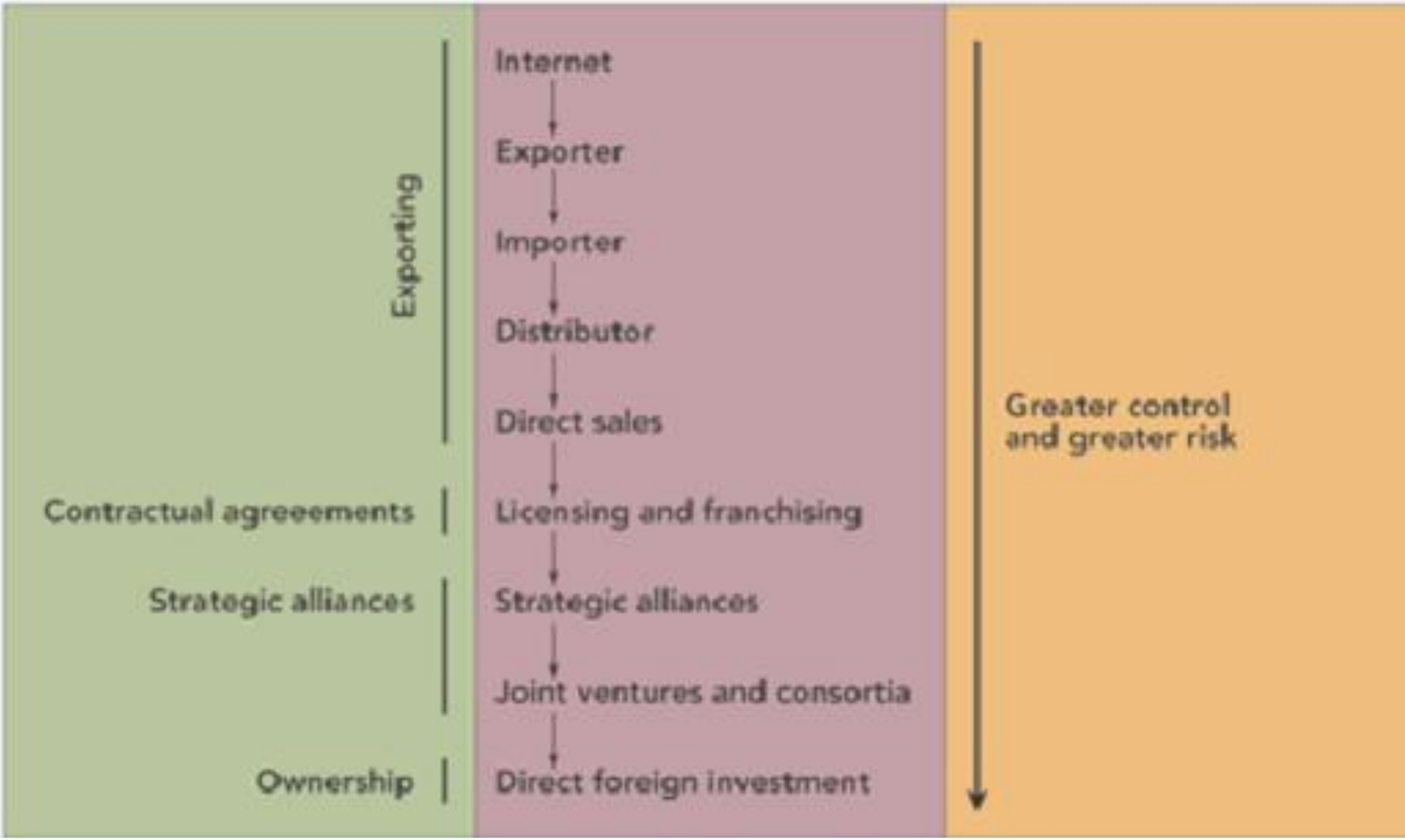
- market characteristics (such as potential sales, cultural differences, and country restrictions).
- company capabilities and characteristics, including the degree of near-market knowledge, marketing involvement.
- commitment that management is prepared to make.

Alternative Market-Entry Strategies

- A company has four different modes of foreign market entry from which to select:

- exporting
- contractual agreements
- strategic alliances
- direct foreign investment

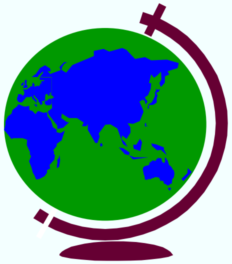
Alternative Market-Entry Strategies



Exporting


- Exporting can be either direct or indirect.
- With direct exporting the company sells to a customer in another country.
- In contrast, indirect exporting usually means that the company sells to a buyer (distributor) in the home country who in turn exports the product.
- The Internet is becoming increasingly important as a foreign market entry method.

Contractual Agreements



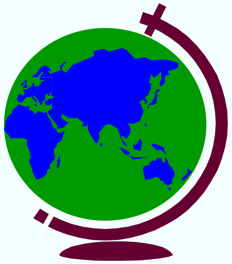
Contractual agreements are long-term, non-equity associations between a company and another in a foreign market.

Contractual agreements generally involve the transfer of technology, processes, trademarks, or human skills. Contractual forms of market entry include:

(1) **Licensing:** A means of establishing a foothold in foreign markets without large capital outlays is licensing of patent rights, trademark rights, and the rights to use technological processes.

(2) **Franchising:** In licensing the franchisor provides a standard package of products, systems, and management services, and the franchisee provides market knowledge, capital, and personal involvement in management.

Strategic International Alliances



Strategic alliances have grown in importance over the last few decades as a competitive strategy in global marketing management.

- A strategic international alliance (SIA) is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective.
- SIAs are sought as a way to shore up weaknesses and increase competitive strengths.
- SIAs offer opportunities for rapid expansion into new markets, access to new technology, more efficient production and marketing costs.

An example of **SIAs** in the airlines industry is that of the Oneworld alliance partners made up of American Airlines, Cathay Pacific, British Airways, Canadian Airlines, Aer Lingus, and Quantas

International Joint Ventures

- **International joint ventures (IJVs)** have been increasingly used since 1970s.
- A joint venture is different from strategic alliances or collaborative relationships in that **a joint venture** is a partnership of two or more participating companies that have joined forces to create a separate legal entity.
- IJVs are used as a means of lessening political and economic risks by the amount of the partner’s contribution to the venture.
- JVs provide a less risky way to enter markets that pose legal and cultural barriers than would be the case in an acquisition of an existing company.

International Joint Ventures

- **Four factors are associated with joint ventures:**

1. JVs are established, separate, legal entities;
2. they acknowledge intent by the partners to share in the management of the JV;
3. they are partnerships between legally incorporated entities, and not between individuals;
4. equity positions are held by each of the partners.

Direct Foreign Investment

- A fourth means of foreign market development and entry is **direct foreign investment.**
- Companies may manufacture locally to capitalize on low-cost labor, to avoid high import taxes, to reduce the high costs of transportation to market, to gain access to raw materials, or as a means of gaining market entry.
- Firms may either invest in or buy local companies or establish new operations facilities.

Organizing for Global Competition

- The organizational plan includes the type of organizational arrangements to be used, and the scope and location of responsibility.
- Organizations need to reflect a wide range of company-specific characteristics, such as size, the level of policy decisions, length of chain of command, staff support, source of natural and personnel resources, degree of control, centralization, and type or level of marketing involvement.
- It is difficult to devise a standard organization structure.

Organizing for Global Competition

- An international marketing plan should optimize the resources committed to company objectives by using one of the following three alternative organizational structures:

(1) global product divisions responsible for product sales throughout the world;

(2) geographical divisions responsible for all products and functions within a given geographical area;

(3) a matrix organization consisting of either of these arrangements with centralized sales and marketing run by a centralized functional staff, or a combination of area operations and global product management.

Exhibit 11.4 Schematic Marketing Organization Plan Combining Product, Geographic, and Functional Approaches