Session Objectives

- How global marketing management differs from international marketing management
- The increasing importance of international strategic alliances
- The need for planning to achieve company goals
- The important factors for each alternative market-entry strategy

Trends in global markets

- Global Marketing Management thought has undergone substantial revision
- 1970s: "standardization vs. adaptation"
- 1980s: "globalization vs. localization" or "Think local, act local"
- 1990s: "global integration vs. local responsiveness"
- The basic issue is whether the global homogenization of consumer tastes allowed global standardization of the marketing mix

The Nestle Way

- Nestlé sells more than 8,500 products produced in 489 factories in 193 countries
- Nestlé is the world’s biggest marketer of infant formula, powdered milk, instant coffee, chocolate, soups, and mineral water
- The “Nestlé way” is to dominate its markets can be summarized in four points:
  - Think and plan long term
  - Decentralize
  - Stick to what you know, and
  - Adapt to local tastes

A Comparison of Assumptions About Global and International Companies

<table>
<thead>
<tr>
<th>Application</th>
<th>Global Companies</th>
<th>International Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Life Cycle</td>
<td>Global product life cycles. All consumers want the most advanced products.</td>
<td>Products are in different stages of the product life cycle in each nation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adjustments to products initially designed for domestic markets.</td>
</tr>
<tr>
<td>Design</td>
<td>International performance criteria considered during design stage.</td>
<td>Product adaptation is necessary in markets characterized by national differences.</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Products are adapted to global wants and needs.</td>
<td>Segments reflect differences.</td>
</tr>
<tr>
<td></td>
<td>Restrained concern for product suitability.</td>
<td>Customized products for each segment.</td>
</tr>
<tr>
<td>Market Segmentation</td>
<td>Segments reflect group similarities. Group similar segments together.</td>
<td>Many customized markets.</td>
</tr>
<tr>
<td></td>
<td>Fewer standardized markets.</td>
<td>Acceptance of regional/national differences.</td>
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<tr>
<td></td>
<td>Expansion of segments into worldwide proportions.</td>
<td></td>
</tr>
</tbody>
</table>

Concept EPRG Schema

<table>
<thead>
<tr>
<th>Domestic Market Extension</th>
<th>Ethnocentric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Domestic Market</td>
<td>Polycentric</td>
</tr>
<tr>
<td>Global Marketing</td>
<td>Regio/Geocentric</td>
</tr>
</tbody>
</table>
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<tbody>
<tr>
<td>Competition</td>
<td>Ability to compete in national markets is affected by a firm’s global position.</td>
<td>Domestic/national competitive relationships.</td>
</tr>
<tr>
<td>Production</td>
<td>Globally standardized production. Adaptations are handled through modular designs.</td>
<td>Standardization limited by requirements to adapt products to national tastes.</td>
</tr>
<tr>
<td>The Consumer</td>
<td>Consumer convergence of consumer wants and needs. Preferences reflect national differences.</td>
<td>Products differentiated on the basis of design, features, functions, style, and image.</td>
</tr>
<tr>
<td>Product</td>
<td>Emphasis on value-enhancing distinction.</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Consumers prefer a globally standardized good if it carries a lower price.</td>
<td>Consumers willing to pay more for a customized product.</td>
</tr>
</tbody>
</table>

Benefits of Global Marketing

- Economies of scale in production and marketing
- Uniform global image
- Transfer of experience and know-how across countries
- Control and coordination of operations
- Diversification of risk

Types of Global Planning

- Strategic Planning
- Tactical Planning
- Operational Planning

The Global Planning Process

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary analysis and screening: Matching company/country needs.</td>
<td>Matching mix requirements</td>
<td>Marketing plan development</td>
<td>Implementation, evaluation, and control</td>
</tr>
</tbody>
</table>

Exhibit 11.1 International Planning Process
### Foreign market entry strategy

- **Choice of market entry depends on:**
  - Market characteristics
  - Company capabilities and characteristics
  - Commitment of management

### Questions which should be asked...

- **Product Markets**
  - Can companies easily obtain reliable data on customer tastes and purchase behaviours? Are there cultural barriers to market research?
  - Do world-class market research firms operate in the country?
  - Can consumers obtain unbiased information on the quality of the goods and services they want to buy? Are there independent consumer organizations and publications that provide such information?
  - Can companies access raw materials and components of good quality? Is there a deep network of suppliers? Are there firms that assess suppliers’ quality and reliability? Do companies enforce contracts with suppliers?
  - How strong are the logistics and transportation infrastructures? Do global logistics companies set up local operations?
  - Do large retail chains exist in the country? If so, do they cover the entire country or only the major cities? Do they reach all consumers or only wealthy ones?

- **Labour Markets**
  - How strong is the country’s education infrastructure, especially for technical and management training? Does it have a good elementary and secondary education system? Is there a local culture support that movement? Do recruitment agencies facilitate executive mobility?
  - What are the major post-recruitment training needs of the people that firms want to hire? Does the local culture accept foreign managers?
  - Can companies use stock options and stock-based compensation schemes to motivate employees?
  - Do data available to help sort out the quality of the country’s educational institutions?
  - Can employees move easily from one company to another? Does the local culture support that movement? Do recruitment agencies facilitate executive mobility?
  - What kind of product-related environmental and safety regulations are in place? How do the authorities enforce those regulations?

- **Labour Markets**
  - How are the rights of workers protected? How strong are the country’s labour laws? Can companies easily restructure, downsize, and then compete against executives who leave the firm?
  - Do all union members want to stay or leave the nation?
  - If a company were to adopt its local rivals’ or suppliers’ business practices, such as the use of child labour, would that tarnish its image overseas?

- **Labour Markets**
  - How effective are the banks, insurance companies, and mutual funds at collecting savings and channelling them into investments?
  - Are financial institutions managed well? Do they focus on risk management and investment criteria?
  - Do large retail chains exist in the country? If so, do they cover the entire country or only the major cities? Do they reach all consumers or only wealthy ones?

- **Labour Markets**
  - How are the rights of workers protected? How strong are the country’s trade unions? Do they defend workers’ interests or only advance a political agenda?
  - If a company were to adopt its local rivals’ or suppliers’ business practices, such as the use of child labour, would that tarnish its image overseas?

- **Capital Markets**
  - How effective are the country’s banks, insurance companies, and mutual funds at collecting savings and channelling them into investments? Are financial institutions managed well? Do their decision-making processes provide transparency?
  - Do world-class market research firms operate in the country? Can consumers easily obtain unbiased information on the quality of the goods and services they want to buy? Are there independent consumer organizations and publications that provide such information?
  - Do large retail chains exist in the country? If so, do they cover the entire country or only the major cities? Do they reach all consumers or only wealthy ones?

- **Capital Markets**
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Questions which should be asked...

- Capital markets
  - How effective are corporate governance norms and standards at protecting shareholder interests?
  - Are corporate boards independent and empowered, and do they have independent directors?
  - Are regulators effective at monitoring the banking industry and stock markets?
  - How well do the courts deal with fraud?
  - Do the laws permit companies to engage in hostile takeovers? Can shareholders organize themselves to remove entrenched managers through proxy fights?
  - Is there an orderly bankruptcy process that balances the interests of owners, creditors, and other stakeholders?

Alternative market entry strategy

- Exporting
  - Internet
  - Contractual Agreements
    - Licensing
    - Franchising
    - Joint Ventures
    - Consortia
  - Direct Foreign Investment
  - Strategic International Alliances

Exporting

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

Contractual agreement

- Contractual agreements generally involve the transfer of technology, processes, trademarks, or human skills
- Contractual forms of market entry include:
  - 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
  - Franchising: In licensing the franchisor provides a standard package of products, systems, and management services, and the franchisees provides market knowledge, capital, and personal involvement in management

International strategic alliance

- 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
- Way to shore up weaknesses and increase competitive strengths
- 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, Air Lingus, and Qantas
Joint ventures

- International joint ventures (IJVs) have been increasingly used since 1970s
- Used as a means of lessening political and economic risks
- Less risky way to enter culturally sensitive markets
- 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
- Joint ventures are different from minority holdings by an MNC in a local firm.

Consortia

- They typically involve a large number of participants, and
- They frequently operate in a country or market in which none of the participants is currently active

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 labour, 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

- An international marketing plan should optimize the resources committed to company objectives by using one of the following three alternative organizational structures:
  - Global product divisions
  - Geographical divisions
  - A matrix organization