

# global fourth edition MARKETING



*foreign entry, local marketing, & global management*

Johnny K. Johansson

# Global Marketing

**Foreign Entry, Local Marketing,  
& Global Management**

Fourth Edition

**Johnny K. Johansson**

*Georgetown University*



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To my parents,  
Ruth and Nils Johansson

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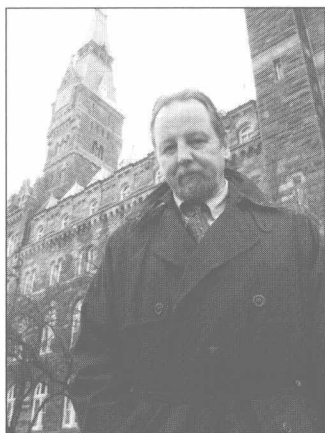
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# About the Author

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Johny K. Johansson was named the McCrane/Shaker Chairholder in International Business and Marketing in the McDonough School of Business at Georgetown University in 1989. An expert in the areas of international marketing strategy and consumer decision making, especially as applied to Japanese and European companies and markets, Johansson has published over 70 academic articles and chapters in books. He is the author of *In Your Face: How American Marketing Excess Fuels Anti-Americanism*, Financial Times/Prentice Hall, 2004, and (with Ikujiro Nonaka) of *Relentless: The Japanese Way of Marketing*, HarperBusiness, 1996. He has conducted numerous executive seminars in many countries, including Japan, Germany, Sweden, Hong Kong, Thailand, and India. He has also been a consultant to companies in many countries, including, General Electric, Marriott, and Xerox in the United States; Beiersdorf and Ford Werke AG in Germany; Volvo and Electrolux in Sweden; and Honda, Dentsu, and Fuji Film in Japan.

Before joining Georgetown's faculty, Professor Johansson held faculty positions at the University of Washington and the University of Illinois. He also has held many visiting appointments in several countries. He was the first Isetan Distinguished Visiting Professor at Keio Business School (Japan) and the first Ford Distinguished Visiting Professor at University of Cologne in Germany. He also has been a visiting professor at New York University, Dalhousie University (Canada), Stockholm School of Economics, the Catholic University of Leuven (Belgium), the National Defense Academy (Japan), and the International University of Japan. In 1988 he was a Phelps scholar at the University of Michigan.

Professor Johansson earned Ph.D. and M.B.A. degrees from the University of California, Berkeley, and his undergraduate degree (Civilekonom) from the Stockholm School of Economics. A Swedish citizen, he lives in Georgetown, Washington, DC, with his wife, Tamiko, and their two daughters, Anna and Sonja.

# Preface

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Global marketing is one of the most exciting fields of business—today perhaps even too exciting. Global marketers and their global brands are really the bull’s-eye target for antiglobalization activists, and multinational capitalism is a red flag in the fabric of the societies attacked by international terrorists. While many people and many companies around the globe still believe in the basic soundness of globalization and free trade, there are clearly countries, companies, and people who have been shortchanged by the globalization process and who, not surprisingly, demand redress. While terrorism cannot—and, fortunately, is not—condoned by anybody sane, the antiglobalization activists are raising issues that the global marketer needs to pay attention to.

But there are other challenges as well. Global marketing is very demanding professionally. This goes for managing it or learning about it, and also for teaching it. It requires not only a good grasp of marketing principles and an understanding of the global environment, but also how the two interact—that is, how the environment impacts the applicability of the marketing principles. Good marketing might be good marketing everywhere—but this does not mean it is necessarily the same.

The challenge when writing a text in global marketing is how to avoid being overwhelmed by all the curious and amazing differences in the marketing environment in foreign countries. These differences make things fun and enjoyable—but also frustrating, since after a while it is difficult to see if any progress has been made. It is hard to see the forest for the trees. The key is to focus on the marketing decisions that have to be made—and then deal with those environmental factors that directly impact those decisions. This is the approach taken in this text. It discusses the complexities of global marketing and clarifies the managerial roles involved, without getting bogged down by the many environmental issues that are only marginally relevant.

## Key Features

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When compared to other texts on the subject, *Global Marketing* has three main distinguishing features:

1. There are no introductory chapters on “the international environment” of politics, finance, legal issues, and economic regions. With the exception of culture, the book covers the environmental variables on an “as needed” basis, in the various chapters.
2. As opposed to the traditional view of one “marketing manager,” the typical global marketing manager’s job consists of three separate tasks: foreign entry, local marketing, and global management. Each requires different skills, as we will see. Our metaphor is that the marketer wears “three hats,” sometimes successively. In foreign entry, in global management, and to a large extent even as a local marketer in a foreign country, the global marketer needs skills that the home market experience—or the standard marketing text—have rarely taught. The recognition of the three roles helps dispel the notion that “there is no such thing as international or global marketing, only marketing.” This sentiment has some truth to it, but mainly in the local marketing portion of the job.
3. The material is based on a foundation of the theory of the multinational firm—for the most practical of reasons, because the theory helps the marketing manager understand what drives the company expansion abroad and how and when to adapt the various marketing functions involved to local conditions.

At the same time much of the excellent research and tried-and-true teaching material that global marketers in business and academe have contributed over the years is reflected in the chapters and in the several cases that can be found at the end of each major section. My intent has been to retain and update much of the teaching and instructional material that has made global marketing such an exciting class in many



business schools—and made for the start of an exciting managerial career—and to fit the material into a structure that reflects the global marketing management tasks. I have focused on material that is timely and up-to-date, and relevant to the global context.

## Target Audience and Possible Courses

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*Global Marketing* is aimed at the executive, the MBA student, or senior undergraduate, none of whom is completely new to marketing or to the global environment. I have in mind a reader who is familiar with the basic marketing principles, and who has had some exposure to the international environment and the thrust toward a global economy. I have avoided unnecessarily complicated jargon—the global marketing job is inherently complex, and any opportunity to “keep it simple” has been capitalized on.

The three-way partition of the book makes it possible to construct several alternative course outlines from the book.

- A complete course on “Global Marketing,” possibly using additional cases, is the “full-course” treatment.
- A shorter “Global Marketing Management” course, perhaps for executives, could go straight from the fundamentals in the first three chapters to Part Four, “Global Management,” starting with Chapter 11. This is one approach I have used at Georgetown.
- An “International Marketing” course could focus on local marketing and global management, Parts Three and Four.
- An “Export Marketing” course could select the foreign entry chapters from Part Two, and then do the local marketing chapters in Part Three plus the pricing and distribution chapters in Part Four, “Global Management.”
- At Georgetown I have also used the text in a second-year MBA class titled “Foreign Market Development,” for which I assign Parts Two and Three on foreign entry and local marketing, and then only the first three chapters of Part Four, “Global Management.”

## New to the Fourth Edition

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The fourth edition keeps the original structure (Foreign Entry, Local Marketing, Global Management) that has proved successful and popular among users. But based upon user and reviewer feedback, several changes have been introduced in order to make the text more relevant, useful, and up-to-date.

The three major changes are:

1. There is a new chapter on “Global Segmentation and Positioning” (Chapter 11), leading off the “Global Management” Part Four. The chapter adds new research on global segmentation, pulls together material from other parts of the book, and serves to introduce and to frame properly the globalizing firms’ strategy choices.
2. The region-specific chapters in Part Three on “Local Marketing”—mature markets in Chapter 8, new growth markets in Chapter 9, and emerging markets in Chapter 10—have been thoroughly updated taking into account not only economic developments such as China’s emergence as a major player, but also the repercussions of 9/11 and the Iraq War.
3. The e-commerce material in Chapter 17 has been updated, revised, and extended, recognizing the rebound that has happened after the dot-com crisis at the beginning of the new millennium.

There are also several other changes that serve to improve the coverage and incorporate new thoughts and research findings in global marketing. The antiglobalization protests and anti-Americanism are discussed and managerial implications presented. The shift to more localization because of these developments is emphasized in several places. The local market research discussion in Chapter 7 has been expanded to incorporate



more of the measurement and sampling difficulties in various countries that jeopardize comparability across markets. New and updated material has been added on transfer pricing in the pricing chapter (Chapter 14). And, of course, most of the illustrations of global marketing practice in the framed boxes have been updated or newly written.

Even with these changes, the basic structure of the text is the same as before. The sequence of an initial “Fundamentals” part followed by the three tasks involved in global marketing—foreign entry, local marketing, and global management—has proven resilient. According to instructor and student feedback, the structure facilitates both learning and teaching because it clarifies naturally the sometimes complex responsibilities and relationships that have to be managed in global marketing.

## Supplements

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Teaching a global marketing course requires more supplementary material than usual because of the amount of information about foreign countries that has to be provided. No one can master it all. I am pleased to say that the editorial staff at McGraw-Hill/Irwin has helped me put together what I think is a very strong resource package.

The supplements are especially designed by marketing professors, colleagues of mine, to help teachers of this course be more effective. We have taken care to offer the best supplements we could make available.

### Instructor's CD-ROM

This supplement contains our Instructor's Manual that is designed to assist instructors in meeting the varied curricular and pedagogical challenges inherent in teaching an International or Global Marketing course. The manual is particularly sensitive to the needs of various kinds of global marketing classroom situations and includes syllabus construction, pacing of topic coverage and other teaching suggestions, lecture outlines, discussion of end of chapter questions and supplemental readings based on the varying perspectives and needs of the instructor. Included in this supplement are discussions of the PowerPoint slides and readings.

The Computerized Test Bank written by Joseph Ballenger of Stephen F. Austin State University, also on the Instructor's CD-ROM, consists of more than 1,400 questions designed to thoroughly test the comprehension of basic terminology and concepts as well as the student's ability to apply those concepts. The material in each of the text's 18 chapters is tested by a battery of 60 multiple-choice, 10 short-answer, and 10 essay questions.

Also included on our CD-ROM is a comprehensive set of PowerPoint slides created by Cipriano de Leon, many new to this edition, including both in-text and out-of-text graphics.

## Acknowledgements

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As in the previous editions, I have tried to make the text as fun and interesting to read as possible! You will of course judge for yourself whether I have succeeded. Many people have helped.

The fourth edition has built upon the contributions and inspiration of many people. First and foremost is my assistant, Cipriano de Leon, an MBA who not only did the research and updating for the edition, but also provided independent ideas and views. I am also deeply grateful to Raul Alvarez of Comcast, an international executive who helped revise, update, and improve the text, especially the local marketing chapters, immeasurably. His experience and insights were truly revelatory. I also must thank a former student, Nick Matthews, now with KPMG in Melbourne, whose material and summaries on transfer pricing were invaluable in revising the pricing chapter. And Gary Bamossy at Utah was very helpful not only with suggestions and reviews, but also with new material and perspectives—and for demonstrating that a true American can also be cosmopolitan.

The environment at Georgetown's School of Business is still ideal, with its emphasis on “international” as a school theme, the support of the Dean, and the resources

made available through the McCrane/Shaker chair, including a reduced teaching load and secretarial assistance. Friends and colleagues like Michael Czinkota, Ilkka Ronkainen, Paul Almeida, Stan Nollen, Rob Grant, Kasra Ferdows, Tom Brewer, Dennis Quinn, and others in marketing and international business always provide a stimulating environment for global work.

The fourth edition owes much to conferences and colleagues at other academic institutions as well. One conference in particular stands out. In May 2003 I took part in a Harvard symposium organized to celebrate the 30 years since Ted Levitt's *The Globalization of Markets* was published. Organized by John Quelch and Rohit Deshpande, with speakers including Sir Martin Sorrell of the WPP ad agency organization, other corporate executives, and a number of Harvard professors, the consensus was that the globalization pendulum is swinging back toward localization, a view that is incorporated into this new edition.

Among international scholars, Hans Thorelli at Indiana, Nick Papadopoulos at Carleton, Tamer Cavusgil at Michigan State, Gary Knight at Florida State, David Tse at University of Hongkong, Bruce Kogut at Wharton, Gert Assmus at Tuck, Bodo Schlegelmilch in Vienna, Jean-Claude Larreche at INSEAD, Craig Smith at London Business School, Jagdish Sheth at Emory, John Farley at Tuck, Tage Madsen at Odense, and Masaaki Kotabe and Preet Aulakh at Temple have had a strong impact on my thinking. So have Jean-Claude Usunier at Universite Louis Pasteur in Strasbourg, Christian Homburg at Mannheim University, Masaaki Hirano at Waseda, Saeed Samie at Tulsa, Tomas Hult at Michigan State, Jens Laage-Hellman at Chalmers in Gothenburg, Mosad Zineldin at Vaxjo University, Israel Nebenzahl at Bar-Ilan University, Bernard Simonin, now at Tutts, and Carlos Garcia-Pont at IESE, Barcelona.

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In electronic commerce I have learned a great deal from Bill McHenry at Georgetown, Eric Boyd of InfoCast, and Mikael Karlsson at Reson AB in Stockholm. Among marketing colleagues, I want to single out David Montgomery, now at Singapore Management University, Claes Fornell at Michigan, Philip Kotler at Northwestern, Dominique Hanssens at UCLA, Evert Gummesson at the University of Stockholm, and John Graham at Irvine, who all have helped bridge the gap between international and noninternational research in marketing.

Some of the practitioners I have had the good fortune to meet and learn from should also be thanked. Flip de Jager at Volvo, Chong Lee at LG Korea, Bruce Wolff at Marriott, and John Stabb at Microlog stand out. So do Saburo Kobayashi, Osamu Iida and Takanori Sonoda at Honda, Masumi Natsusaka at Kao-Beiersdorf in Tokyo, Masaaki Eguchi at Kao, Per Surtevall at SIFO, Stockholm, Hermawan Kartajaya of MarkPlus in Jakarta, Ulf Södergren and Lars-Göran Johansson at Electrolux, Casey Shimamoto of ExecNet, Tokyo, and Jan Segerfeldt of Segerfeldt & Partners in Stockholm. Several of my present and former students provided valuable input of one kind or another, especially Paul Lewis and Mitchell Murata at Georgetown.

I am especially grateful to the many people who have given me constructive feedback on the previous editions of the book. In particular I want to thank Martin Cody of AIM International, Larry Cunningham at the University of Colorado in Denver, and

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Finally, I want to acknowledge the debt to my family. Tamiko, my Japanese wife, and Anna and Sonja, our two daughters with U.S. passports, faced firsthand the daily challenges of living in a multicultural and globalized city targeted by terrorists.

To all these people I say thank you. I think all of us hope that the new millennium will deliver on the glowing promises of globalization despite a less than fortunate beginning.

*Washington, DC, January 2005*

*Johnny K. Johansson*

# Contents

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## PART ONE

### FUNDAMENTALS 1

#### Chapter 1

##### The Global Marketing Job 3

Going Global 5

A Historical Perspective 6

*The Multinational Phase 6*

*The Global Phase 7*

*The Antiglobalization Phase 8*

*An Anti-American Phase? 10*

Key Concepts 11

*Global Marketing 11*

*International Marketing 11*

*“Foreign” Marketing 11*

*Multidomestic Markets 12*

*Global and Regional Markets 13*

*Global Products 13*

*Global Brands 15*

*Leading Markets 15*

*The Product Life Cycle 16*

Drivers toward Globalization 17

*Market Drivers 17*

*Competitive Drivers 18*

*Cost Drivers 19*

*Technology Drivers 19*

*Government Drivers 20*

Localized Global Marketing 21

*The Limits to Global Marketing 21*

*Global Localization 21*

Developing Knowledge Assets 22

*New Products 23*

*Advertising 23*

*Distribution 24*

*Skill Benefits 24*

Global Marketing Objectives 24

Three Hats 25

*The Foreign Entry Role 25*

*The Local Marketing Role 26*

*The Global Management Role 27*

A Guide to the Chapters 27

Summary 28

#### Chapter 2

##### Theoretical Foundations 31

Introduction 33

Country-Specific Advantages (CSAs) 34

*Comparative and Absolute Advantages 34*

*The International Product Cycle (IPC) 35*

*National Competitive Advantages 36*

*The New Trade Theory 38*

*Country-of-Origin Effects 38*

Firm-Specific Advantages (FSAs) 40

*Knowledge-Based FSAs 41*

*Marketing FSAs 42*

*Transferability of FSAs 43*

*FSAs and Internalization 44*

*FSAs and Transaction Costs 45*

*FSAs in the Value Chain 47*

Extending Porter’s “Five Forces” Model 48

*Rivalry 48*

*New Entrants 50*

*Substitutes 51*

*Buyer Power 51*

*Supplier Power 51*

Rivalry between Global Competitors 51

*Competitive Strength 52*

*Competitive Repertoire 52*

*Global Rivalry 52*

*Hypercompetition 54*

Strategy and The Three Hats 55

Summary 56

#### Chapter 3

##### Cultural Foundations 61

Introduction 63

The Meaning of Culture 65

Cultures across Countries 65

*High versus Low Context Cultures 65*

*“Silent Languages” 66*

*Avoid Self-Referencing 67*

*Hofstede’s Cultural Dimensions 67*

*Gannon’s Metaphors 68*

Culture and “How to Do Business” 71

*Culture and Managerial Skills 72*

*Managerial Styles 72*

*Managing Subordinates 73*

Culture and Negotiations 74

*Know Whom You Are Dealing With 75*

*Know What They Hear 76*

*Know When to Say What 77*

The Limits to Cultural Sensitivity 78

*Nonadaptation 78*

*Keeping One’s Center 79*

Culture and The Three Hats 79

*Foreign Entry 79*

*Local Marketing 80*

*Global Management 81*

Summary 82

CASE 1-1: IKEA's Global Strategy: Furnishing the World	85
CASE 1-2: Globalization Headaches at Whirlpool	90

## PART TWO

### FOREIGN ENTRY 97

#### Chapter 4

##### Country Attractiveness 99

Introduction	101
Political Risk Research	102
Environmental Research	103
Physical Environment	104
Sociocultural Environment	104
Economic Environment	105
Regulatory Environment	105
Researching Competitors	106
Strengths and Weaknesses	106
Competitive Signaling	107
Entry Evaluation Procedure	107
Stage 1—Country Identification	107
Stage 2—Preliminary Screening	108
Stage 3—In-Depth Screening	109
Stage 4—Final Selection	110
Personal Experience	111
Country Data Sources	111
Forecasting Country Sales	114
A Basic Equation	114
Stage of the Product Life Cycle	115
Industry Sales	115
The Build-Up Method	115
Forecasting by Analogy	115
An Illustration: TV Penetration	116
Judgmental Forecasts	117
Time Series Extrapolation	118
Regression-Based Forecasts	118
Forecasting Market Share	119
Predicting Competition	119
Identifying Competitors	120
Domestic Competitors	120
Foreign Competitors	121
Summary	121

#### Chapter 5

##### Export Expansion 125

Introduction	127
Four Modes of Entry	127
Exporting	127
Licensing	128
Strategic Alliances (SAs)	128
Wholly Owned Manufacturing	
Subsidiary	129

The Impact of Entry Barriers	129
Entry Barriers Defined	129
The Cost of Barriers	131
The Importer's View	131
Tariff and Nontariff Barriers	131
Government Regulations	132
Distribution Access	132
Natural Barriers	134
Advanced versus Developing Nations	134
Exit Barriers	134
Effect on Entry Mode	135
The Exporting Option	135
Indirect Exporting	136
Direct Exporting	137
The Exporting Job	137
Product Shipment	138
Export Pricing	139
Local Distribution	143
Payment	144
Legal Issues	146
After-Sales Support	148
Cultural Distance and Learning	149
The "Cultural Distance" Effect	149
The International Learning Curve	150
Internationalization Paths	151
The Internationalization Sequence	151
Born Globals	152
Export Expansion Strategy	153
Waterfall versus Sprinkler Strategies	153
A Comparison of Two Industries	154
Importers as Trade Initiators	155
Summary	155

#### Chapter 6

##### Licensing, Strategic Alliances, FDI 159

Introduction	161
Licensing	161
Franchising	163
Original Equipment Manufacturing (OEM)	163
Strategic Alliances	164
The Rationale for Nonequity SAs	165
Distribution Alliances	166
Manufacturing Alliances	166
R&D Alliances	167
Joint Ventures	167
Manufacturing Subsidiaries	168
Outsourcing	170
Financial Analysis	170
Acquisitions	171
Entry Modes and Marketing Control	172
Optimal Entry Strategy	174
The Entry Mode Matrix	174
Optimal Modes	175
Real-World Cases	176

Summary	179
CASE 2-1: Toys “R” Us Goes to Japan	181
CASE 2-2: Illycaffè (A): Internationalization	185
CASE 2-3: Illycaffè (B): The Starbucks Threat	189
CASE 2-4: AOL: International Expansion	192

## PART THREE

### LOCAL MARKETING 201

#### Chapter 7

#### Understanding Local Customers 203

Introduction	205
Local Culture and Buyer Behavior	206
<i>Marketing and Materialism</i>	207
<i>The Meaning of a Product</i>	208
<i>A Universal Trait in Local Form</i>	209
Buyer Decision Making	209
<i>Problem Recognition</i>	210
<i>Search</i>	211
<i>Evaluation of Alternatives</i>	212
<i>Choice</i>	213
<i>Outcomes</i>	214
<i>A “No-Nationality” Global Consumer?</i>	214
Local Buyer Research	215
<i>Problem Definition</i>	215
<i>Qualitative Research</i>	217
<i>Consumer Surveys</i>	218
<i>Trade Surveys</i>	219
<i>Observational Studies</i>	219
<i>Causal Research</i>	220
<i>Measurement and Scaling</i>	220
<i>Questionnaire Construction</i>	222
<i>Sampling</i>	222
<i>Fieldwork</i>	223
Industrial Buyers	224
<i>The Business Marketing Task</i>	224
<i>Cultural Conditioning</i>	224
<i>Organization Culture</i>	225
<i>Relationship Marketing</i>	226
<i>Culture and Networks</i>	228
Three Local Marketing Environments	229
<i>Market Environment</i>	229
<i>Marketing Tasks</i>	229
<i>Country Markets</i>	230
Summary	231

#### Chapter 8

#### Local Marketing in Mature Markets 235

Introduction	237
Local Marketing in Mature Markets	237
<i>Market Segmentation</i>	237
<i>Product Positioning</i>	237

<i>Marketing Tactics</i>	238
<i>Customer Satisfaction</i>	241
Close-Up: Pan-European Marketing	242
<i>Market Environment</i>	242
<i>Foreign Trade Agreements</i>	243
<i>Competition</i>	244
<i>Market Segmentation</i>	245
<i>Product Positioning</i>	246
<i>Marketing Tactics</i>	247
Close-Up: Marketing in Japan	251
<i>Market Environment</i>	251
<i>Foreign Trade Agreements</i>	251
<i>Competition</i>	252
<i>Market Segmentation</i>	252
<i>Product Positioning</i>	253
<i>Marketing Tactics</i>	253
Close-Up: Marketing in Australia and New Zealand	256
<i>Market Environment</i>	256
<i>Foreign Trade Agreements</i>	256
<i>Competition</i>	257
<i>Market Segmentation</i>	257
<i>Product Positioning</i>	258
<i>Marketing Tactics</i>	258
Close-Up: Marketing in North America	259
<i>Market Environment</i>	259
<i>Foreign Trade Agreements</i>	261
<i>Competition</i>	261
<i>Market Segmentation</i>	262
<i>Product Positioning</i>	262
<i>Marketing Tactics</i>	262
Summary	264

#### Chapter 9

#### Local Marketing in New Growth Markets 267

Introduction	269
<i>Two Kinds of Markets</i>	269
<i>The Role of Trade Blocs</i>	270
<i>Market Segmentation</i>	271
<i>Product Positioning</i>	271
<i>Marketing Tactics</i>	272
Close-Up: Marketing in Latin America	273
<i>Market Environment</i>	273
<i>Foreign Trade Agreements</i>	274
<i>Market Segmentation</i>	275
<i>Product Positioning</i>	275
<i>Marketing Tactics</i>	276
<i>Major Country Markets</i>	279
<i>Pan-Regional Marketing</i>	281
Close-Up: Marketing in the New Asian Growth Markets	283
<i>Market Environment</i>	283
<i>Foreign Trade Agreements</i>	285

<i>Market Segmentation</i>	285
<i>Product Positioning</i>	286
<i>Marketing Tactics</i>	286
<i>Major Country Markets</i>	289
<i>Pan-Regional Marketing</i>	290
Summary	291

## Chapter 10

### Local Marketing in Emerging Markets 295

Introduction	297
Local Marketing in Developing Countries	297
<i>Market Segmentation</i>	298
<i>Product Positioning</i>	299
<i>Pricing</i>	299
<i>Distribution</i>	300
<i>Promotion</i>	300
Close-Up: Marketing in Russia and the NDCs	300
<i>Market Environment</i>	301
<i>Political and Legal Risks</i>	302
<i>Market Segmentation</i>	303
<i>Product Positioning</i>	304
<i>Marketing Tactics</i>	305
<i>Russia at the Crossroads</i>	309
Close-Up: Marketing in China	309
<i>Market Environment</i>	310
<i>Foreign Entry</i>	310
<i>Hong Kong's Role</i>	313
<i>Market Segmentation</i>	314
<i>Product Positioning</i>	314
<i>Marketing Tactics</i>	314
<i>Continuous Change</i>	316
Close-Up: Marketing in India	317
<i>Market Environment</i>	317
<i>Foreign Entry</i>	318
<i>Market Segmentation</i>	319
<i>Product Positioning</i>	320
<i>Marketing Tactics</i>	320
Summary	322

CASE 3-1: P&G's Pert Plus: A Pan-European Brand?	327
CASE 3-2: Levi Strauss Japan K.K.: Selling Jeans in Japan	332
CASE 3-3: Colgate-Palmolive: Cleopatra in Quebec?	341

## PART FOUR

### GLOBAL MANAGEMENT 353

## Chapter 11

### Global Segmentation and Positioning 355

Introduction	356
The Global Marketer's Mindset	357
<i>Selling Orientation</i>	357
<i>Standardization</i>	358

<i>Coordination</i>	358
<i>Centralization</i>	359
<i>The New Global Mindset</i>	359
Global Market Segmentation	359
<i>Segmentation Criteria</i>	360
<i>Two-Stage Global Segmentation</i>	363
<i>Macrosegmentation</i>	364
<i>A Case Illustration</i>	367
Targeting Segments	368
<i>Competitive Analysis</i>	368
<i>Profitability Analysis</i>	369
<i>Diversification Versus Focus</i>	370
Global Product Positioning	371
<i>Key Positioning Issues</i>	372
<i>The Product Space</i>	374
<i>Strategic Implications</i>	375
<i>Overcoming Mispositioning</i>	375
<i>Changing the Product Space</i>	375
<i>Changing Customer Preferences</i>	377
Global STP Strategies	377
Summary	379

## Chapter 12

### Global Products 383

Introduction	385
The Pros and Cons of Standardization	385
<i>The Advantages of Standardization</i>	386
<i>The Drawbacks of Standardization</i>	387
Which Features to Standardize?	388
Localization Versus Adaptation	388
<i>Basic Requirements</i>	389
<i>Compatibility Requirements</i>	389
<i>Multisystem Compatibility</i>	389
Pitfalls of Global Standardization	390
<i>Insufficient Market Research</i>	390
<i>Overstandardization</i>	390
<i>Poor Follow-Up</i>	390
<i>Narrow Vision</i>	390
<i>Rigid Implementation</i>	391
Global Product Lines	391
Developing New Global Products	392
<i>Idea Generation</i>	393
<i>Preliminary Screening</i>	394
<i>Concept Research</i>	395
<i>Sales Forecast</i>	397
<i>Test Marketing</i>	397
Globalizing Successful New Products	398
<i>New Product Success Factors</i>	398
<i>Speed of Diffusion</i>	398
Global Brand Management	399
<i>Brand Equity</i>	400
<i>Global Brands</i>	401
<i>The Brand Portfolio</i>	402
<i>Brand Globalization Potential</i>	403



Implementation	404
Changeover Tactics	405
Defending Local Products	405
Counterfeit Products	406
Extent of Problem	407
Counterfeit Demand	408
Actions against Counterfeits	409
Summary	409

## Chapter 13

### Global Services 415

Introduction	417
Services Versus Products	418
Characteristics of Services	418
A Product Equivalence	420
Service Globalization Potential	422
Stage of the Life Cycle	423
Infrastructure Barriers	423
Idiosyncratic Home Market	424
Foreign Entry of Services	424
Foreign Trade in Services	424
Service Entry Modes	425
Entry and Exit Barriers	428
Local Marketing of Global Services	428
Market Segmentation	428
Positioning	428
Product Line	429
Branding	429
Pricing	430
Promotion	431
Distribution	431
Controlling Local Service Quality	431
Critical Incidents in Global Services	432
Satisfaction and Service Quality	434
Close-Up: Two Globalized Services	435
Fast-Food Franchising	436
Professional Services	438
Summary	439

## Chapter 14

### Global Pricing 443

Introduction	444
A Global Pricing Framework	445
Pricing Basics	447
The Role of Costs	447
Experience Curve Pricing	448
Competition	448
Demand	448
Financial Issues	449
Exchange Rates	449
Hedging	451
Government Intervention	452
Transfer Pricing	452
Definition	452
The Arm's Length Principle	453

Approaches to Transfer Pricing	454
Conflicting Objectives	454
Countertrade	455
Business Evaluation	457
Systems Pricing	457
Price and Positioning	459
Price-Quality Relationships	459
The PLC Impact	460
Global Coordination	460
Pricing Actions Against Gray Trade	462
Global Pricing Policies	464
Polycentric Pricing	464
Geocentric Pricing	465
Ethnocentric Pricing	466
Managerial Trade-Offs	466
Summary	467

## Chapter 15

### Global Distribution 471

Introduction	472
Distribution as a Competitive Advantage	473
Rationalizing Local Channels	474
Changing Distributors	474
Dual Distribution	475
Wholesaling	475
Vertical Integration	476
Types of Wholesalers	477
Retailing	478
Retailing and Lifestyles	479
Creating New Channels	480
Global Retailing	482
Global Logistics	484
Competition and Technology	484
Air Express	485
Ocean Carriers	486
Overland Transportation	487
Warehousing	488
Parallel Distribution	488
Gray Trade	488
Effects of Gray Trade	490
Channel Actions against Gray Trade	491
Multiple Distribution Channels	492
Global Channel Design	494
The FSAs Revisited	494
Availability of Channels	494
Channel Tie-Up	495
Coordination and Control	495
Summary	495

## Chapter 16

### Global Advertising 499

Promotion as a Competitive Advantage	501
The Global Advertising Job	503

The International World of Advertising 502

*Advertising Volume* 502

*Media Spending* 504

*Global Media* 504

*Strategic Implications* 506

What Does Global Advertising Involve? 507

*Identical Ads* 508

*Prototype Advertising* 508

*Pattern Standardization* 509

*Globalization Examples* 509

Pros and Cons of Global Advertising 511

*Cost Advantages* 511

*Global Markets* 511

*Global Products and Brands* 511

The Global Advertiser's Decisions 513

*Strategic Objectives* 514

*Budgeting for Global Advertising* 516

The Global Advertising Agency 517

*Agency Globalization* 517

*The Agency's Job* 517

*Message Creation* 520

*Media Selection* 521

Close-Up: Goodyear in Latin America 522

1. *Preliminary Orientation* 522

2. *Regional Meeting to Define Communications Strategy* 523

3. *Advertising Creative Meeting* 523

4. *Qualitative Research Stage* 524

5. *Research Review Meeting* 524

6. *Final Creative Review* 524

*Lessons* 525

Summary 525

**Chapter 17**

**Global Promotion, E-Commerce, and Personal Selling 529**

Introduction 531

Global Sales Promotion 531

*In-Store and Trade Promotions* 532

*Sponsorships* 533

*Cross-Marketing* 535

Publicity 535

*"Good News . . ." 535*

*". . . and Bad News" 536*

*Product Placement* 536

Global Public Relations 537

International Trade Fairs 539

Direct Marketing 540

*Regional Developments* 541

*Global Strategy* 542

Electronic Commerce 543

*E-tailing Growth* 543

*Marketing Strengths and Weaknesses* 547

*Promoting the Site* 547

Global Personal Selling 548

*Managing a Sales Force* 548

*Personal Salesmanship* 550

*Representing the Country* 551

*The Presentation* 552

*Be Prepared!* 553

*Handling Objections* 553

*Closing Tactics* 553

Integrated Marketing Communications 554

Summary 555

**Chapter 18**

**Organizing for Global Marketing 559**

Introduction 561

*The Context* 561

*The Task* 562

Organizational Structure 562

The Global Network as an Asset 567

*Painful History* 567

*The Win-Win View* 567

Globalizing Management 569

*Global Marketing Directors* 570

*Global Teams* 570

Management Systems 571

*Informal Coordination* 571

*Coordinating Committees* 572

*Coordinating Staff* 572

People and Organizational Culture 572

*Local Acceptance* 573

*Corporate Culture* 574

*The Expatriate Manager* 575

Global Customers 576

*Global Account Management* 576

*Retail Trade Groups* 577

Conflict Resolution 578

The Good Global Marketer 580

Summary 581

CASE 4-1: Banyan Tree Hotels and Resorts: Building an International Brand from an Asian Base 585

CASE 4-2: Texas Instruments: Global Pricing in the Semiconductor Industry 597

CASE 4-3: United Colors of Benetton 603

CASE 4-4: Cathay Pacific Airways: China or the World? 614

CASE 4-5: Hewlett-Packard's Global Account Management 622

**APPENDIX: Global Marketing Planning 627**

**Index 633**