

GLOBAL MARKETING MANAGEMENT



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JOHN WILEY & SONS, INC.

New York Chichester Weinheim Brisbane Singapore Toronto

Acquisitions Editor Ellen Ford
Marketing Manager Carlise Paulson
Sr. Production Editor Jeanine Furino
Cover Designer Harry Nolan
Cover Photo William Whitehurst/The Stock Market
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This book was set in Janson by Dignotype and printed and bound by Quebecor.
The cover was printed by Phoenix Color Corporation.

This book is printed on acid-free paper. ∞

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Library of Congress Cataloging in Publication Data:

Kotabe, Masaaki.
Global marketing management / Masaaki Kotabe, Kristiaan Helsen.
p. cm.
Includes index.
ISBN 0-471-59288-9 (alk. paper)
1. Export marketing—Management. 2. International business enterprises—Management. I. Helsen, Kristiaan. II. Title.
HF1416.K68 1998
658.8'48—dc21 97-30942
CIP

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

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Dr. Kotabe has written many scholarly publications, including books and journal articles. His books include *Global Sourcing Strategy: R&D, Manufacturing, Marketing Interfaces* (1992), *Japanese Distribution System* (with Michael R. Czinkota, 1993), *Anti-competitive Practices in Japan* (with Kent W. Wheeler, 1996), *MERCOSUR and Beyond* (1997), and *Marketing Management* (with Michael R. Czinkota and David Mercer, 1997). He is on the editorial boards of the *Journal of Internal Business Studies*, the *Journal of International Marketing*, the *Journal of World Business*, the *Latin American Economic Abstracts*, and the *International Executive*.

In 1994, the *Journal of International Business Studies* ranked Dr. Kotabe the sixth most productive contributor in international business research in the world in the past 25 years. He is an elected member of the New York Academy of Sciences.

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PREFACE

Markets have become truly global. If you stand still in your domestic market, you will likely be trampled by competitors from around the world. As one globe-trotting executive put it, “If you don’t act right now, somebody else will always do it for you at your expense . . . and quickly.” This book is designed to portray this competitive urgency and present how executives should design and execute marketing strategies to optimize their market performance on a global basis.

Marketing in the global arena is a very dynamic discipline. Today, there are many international or global marketing management books vying for their respective niche in the market. It is a mature market. As you will learn in our book, in a mature market, firms tend to focus closely—or maybe, too closely—on immediate product features for sources of differentiation and may inadvertently ignore the fundamental changes that may be re-shaping the industry. Often, those fundamental changes come from outside the industry. The same logic applies to the textbook market. Whether existing textbooks are titled international marketing or global marketing, they continue to be bound by the traditional bilateral (inter-national) view of competition. While any new textbook has to embrace the traditional coverage of existing textbooks, we intend to emphasize the multilateral (global) nature of marketing throughout our book.

We have seen textbooks just replacing the word, “international,” with “global.” Such a change amounts to a repackaging of an existing product we often see in a mature product market, and it does not necessarily make a textbook globally oriented. We need some paradigm shift to accomplish the task of adding truly global dimensions and realities to a textbook. You might ask, “What fundamental changes are needed for a paradigm shift?” and then, “Why do we need fundamental changes to begin with?”

Our answer is straightforward. Our ultimate objective is to help you prepare for the 21st Century and become an effective manager overseeing global marketing activities in an increasingly competitive environment. You may or may not choose marketing for your career. If you pursue a marketing career, what you will learn in our book will not only have direct relevance but also help you understand how you, as a marketing manager, can affect other business functions for effective corporate performance on a global basis. If you choose other functional areas of business for your career, then our book will help you understand how you will work effectively with marketing people for the same corporate goal.

We believe that our pedagogical orientation not only embraces the existing stock of useful marketing knowledge and methods but also sets itself apart from the competition in a number of fundamental ways, as follows:

Global Orientation

As we indicated at the outset, the term, “global,” epitomizes the competitive pressure and market opportunities from around the world and the firm’s need to optimize its market performance on a global basis. Whether a company operates domestically or across national boundaries, it can no longer avoid the competitive pressure and market opportunities. For optimal market performance, the firm should also be ready and willing to take advantage of resources on a global basis.

Let us take a look at a hypothetical U.S. company exporting finished products to Western Europe and Japan. Traditionally, this export phenomenon has been treated as a bilateral business transaction between a U.S. company and foreign customers. However, in reality, to the executives of the U.S. company, this export transaction may be nothing more than the last phase of the company's activities they manage. Indeed, this company procures certain components from Japan and Mexico, other components from Malaysia, and also from its domestic sources in the United States, and assembles a finished product in its Singapore plant for export to Western Europe and Japan as well as back to the United States. Indeed, a Japanese supplier of critical components is a joint venture majority-owned by this American company, while a Mexican supplier has a licensing agreement with the U.S. company which provides most of technical knowhow. A domestic supplier in the United States is in fact a subsidiary of a German company. In other words, this particular export transaction by the U.S. company involves a joint venture, a licensing agreement, subsidiary operation, local assembly, and R&D, *all managed* directly or indirectly by the U.S. company. Also think about how these arrangements could affect the company's decisions over product policy, pricing, promotion, and distribution channels.

Many existing textbooks have focused on each of these value-adding activities *as if* they could be investigated independently. Obviously, in reality, they are not independent of each other, and cannot be. We emphasize this multilateral realism by examining these value-adding activities as holistically as possible.

Interdisciplinary Perspective

To complement our global orientation, we will offer an interdisciplinary perspective in all relevant chapters. We are of the strong belief that you cannot become seasoned marketing practitioners without your understanding of how other functional areas interface with marketing.¹ The reverse is also true for non-marketing managers. Some of the exemplary areas in which such a broad understanding of the interface issues is needed are product innovation, designing for manufacturability, product/components standardization, and product positioning. In particular, Japanese competition has made us aware of the importance of these issues, and leading-edge business schools are increasingly adopting such an integrated approach to business education.² Our book strongly reflects this state-of-the-art orientation.

Proactive Orientation

Market orientation is a fundamental philosophy of marketing. It is an organizational culture that puts the customers' interest first in order to develop a long-term profitable enterprise.³ In essence, market orientation symbolizes the *market-driven* firm which is willing to constantly update its strategies using signals from the market-

¹John A. Bermingham, "Executive Insight: Roles of R&D and Manufacturing in Global Marketing Management," *Journal of International Marketing*, 4 (4), 1996, 75–84.

²"The Restructured Wharton MBA: Inventing a New Paradigm," *Almanac/The Wharton School*, April 2, 1991, 1–4.

³Rohit Deshpande, John U. Farley and Frederick E. Webster, Jr., "Corporate Culture, Customer Orientation and Innovativeness in Japanese Firms: A Quadrant Analysis," *Journal of Marketing*, 57, January 1993, 23–27.

place. Thus, marketing managers take market cues from the *expressed* needs and wants of customers. Consequently, the dominant orientation is that of a firm *reacting* to forces in the marketplace in order to differentiate itself from its competitors. This reactive “outside-in” perspective is reflected in the typical marketing manager’s reliance on marketing intelligence, forecasting, and market research.

While not denying this traditional market orientation, we also believe that marketing managers should adopt an “inside-out” perspective and capabilities to shape or drive markets.⁴ This aspect of the link between strategic planning and marketing implementation has not been sufficiently treated in existing textbooks.⁵ For example, recent trends in technology licensing indicate that technology licensing is increasingly used as a conscious, proactive component of a firm’s global product strategy. We believe that it is important for marketers to influence those actions of the firm which are some distance away from the customer in the value chain, because such actions have considerable influence on the size of the market and customer choice in intermediate and end product markets.⁶

Cultural Sensitivity

A book could not be written devoid of its authors’ background, expertise, and experiences. Our book represents an amalgam of our truly diverse background, expertise, and experiences across the North and South Americas, Asia, and Western and Eastern Europe. Given our upbringings and work experiences in Japan and Western Europe, respectively, as well as our educational background in the United States, we have always been sensitive not only to cultural differences and diversities but also to similarities.

Realistically speaking, there are more similarities than differences across many countries. In many cases, most of us tend to focus too much on cultural differences rather than similarities; or else, completely ignore differences or similarities. If you look only at cultural differences, you will be led to believe that country markets are uniquely different thus requiring marketing strategy adaptations. If, on the other hand, you do not care about, or care to know about, cultural differences, you may be extending a culture-blind, ethnocentric view of the world. Either way, you may not benefit from the economies of scale and scope accruing from exploiting cultural similarities—and differences.

Over the years, two fundamental counteracting forces have shaped the nature of marketing in the international arena. The same counteracting forces have been revisited by many authors in such terms as “standardization vs. adaptation” (1960s), “globalization vs. localization” (1970s), “global integration vs. local responsiveness” (1980s), and most recently, “scale vs. sensitivity” (1990s).⁷ Terms have changed, but

⁴Frederick E. Webster, Jr., “The Changing Role of Marketing in the Corporation,” *Journal of Marketing*, 56, October 1993, 1–17.

⁵George S. Day and Robin Wensley, “Assessing Advantage: A Framework for Diagnosing Competitive Superiority,” *Journal of Marketing*, 52, April 1988, 1–20.

⁶Masaaki Kotabe, Arvind Sahay, and Preet S. Aulakh, “Emerging Roles of Technology Licensing in Development of Global Product Strategy: A Conceptual Framework and Research Propositions,” *Journal of Marketing*, 60, January 1996, 73–88.

⁷Martin Sorrell, Group Chief Executive, WPP Group, “Globalization: Scale versus Sensitivity,” A speech, Joint Conference of the Korean Marketing Association and the American Marketing Association, May 14–17, 1995.

the quintessence of the strategic dilemma that multinational firms face today has not changed and will probably remain unchanged for years to come. However, they are no longer an either/or issue. Forward-looking, proactive firms have the ability and willingness to accomplish both tasks simultaneously. As we explain later in the text, Honda, for example, developed its Accord car to satisfy the universal customer needs for reliability, drivability, and comfort, but marketed it as a family sedan in Japan, as a commuter car in the United States, and as an inexpensive sports car in Germany, thereby addressing cultural differences in the way people of different nationalities perceive and drive what is essentially the same car.

With our emphasis on global and proactive orientations, however, we will share with you how to hone your expertise to be both culturally sensitive and able to see through the clouds how to benefit from cultural similarities and differences.

Research Orientation

We strongly believe that theory is useful to the extent it helps practices. And there are many useful theories in international marketing practices. Some of these practical theories are a logical extension of generic marketing theories you may have encountered in a marketing course. Others are, however, very much unique to the international environment.

Many people believe—rather erroneously—that international or global marketing is just a logical extension of domestic marketing, and that if you have taken a generic marketing course, you would not need to learn anything international. The international arena is just like a Pandora's box. Once you move into the international arena, there are many more facts, concepts, and frameworks you need to learn than you ever thought of in order to become a seasoned marketing manager working globally. To assist you in acquiring this new knowledge, various theories provide you with the conceptual tools which enable you to abstract, analyze, understand, predict phenomena, and formulate effective decisions. Theories also provide you with an effective means to convey your logic to your peers and bosses with a strong convincing power.

We also apply those theories in our own extensive international work, advising corporate executives, helping them design effective global strategies, and teaching our students at various business schools around the world. Our role as educators is to convey sometimes complex theories in everyday languages. Our effort is reflected well in our textbook. This leads to our next orientation.

Practical Orientation

Not only is this book designed to be user-friendly, but also it emphasizes practice. We believe in experiential learning and practical applications. Rote learning of facts, concepts, and theories is not sufficient. A good marketing manager should be able to put these to practice. We use many examples and anecdotes as well as our own observations and experiences to vividly portray practical applications. This book also contains real-life advanced cases so that you can further apply your newly acquired knowledge to practice and experience for yourself what it takes to be an effective marketing manager internationally.

Therefore, this book has been written primarily for upper-level undergraduate and MBA students who wish to learn practical applications of marketing and related logic and subsequently work internationally. Although we survey foundation materials in our book, we expect that students have completed a basic marketing course.

Instructor Support Materials

To accomplish our stated goals and orientations, we have made a major effort to provide the instructor and the student with practical theories and their explanations using examples, anecdotes, and cases to maximize the student's learning experience. Some of the specific teaching features are:

- **The Global Perspectives** which are inserts in every chapter to bring concrete examples from the global marketing environment into the classroom. They are designed to highlight some of the hottest global topics that students should be aware of and may actually act upon in their career. The instructor can use these inserts to exemplify theory or use them as mini-cases for class discussion.
- **Cases** that are designed to challenge students with real and current business problems and issues. They require in-depth analysis and discussion of various topics covered in the chapters and help students experience how the knowledge they have gained can be applied in real life situations.
- **Videoboxes** provide contemporary, yet fundamental, business problems and issues facing the international marketing managers today. These Videoboxes and video clips may be used effectively as lively "short cases" for class discussions.
- **Maps** which provide economic geography of the world. Students should be knowledgeable about where various economic resources are available and how they shape the nature of trade and investment and thus the nature of global competition. Global marketing could not be appreciated devoid of understanding of economic geography.
- **Review Questions** which help students test themselves with, and summarize, the facts, concepts, and theories and other chapter materials in their own words. We strongly believe that by doing so, students will gain the active working knowledge, rather than passive knowledge by rote learning.
- **Discussion Questions** which help students apply the specific knowledge they learned in each chapter to actual business situations. They are designed to serve as mini-cases. Most of the issues presented in these questions are acute problems facing multinational marketing managers and have been adopted from recent issues of leading business newspapers and magazines.
- **Information Sources for Global Marketing Management** are added at the end of the book as an appendix. This comprehensive list of sources includes not only published information compiled by various international agencies, governments, and corporations, but also various useful Web sites for accessing international business information on the Internet. A brief description is also provided about the types of information available from each information source.
- **The Instructor's Manual** that is designed provide major assistance to the instructor while allowing flexibility in the course scheduling and teaching emphasis. The materials in the manual include the following:
 - a) **Teaching Plans:** Alternative teaching plans and syllabi are included to accommodate the instructor's preferred course structure and teaching schedules. Alternative teaching schedules are developed for the course to be taught in a semester format, on a quarter basis or as an executive seminar.
 - b) **Discussion Guidelines:** For each chapter, specific teaching objectives and guidelines are developed to help stimulate classroom discussion.

- c) **Exercises Using Various Web Sites on the Internet:** The explosion of information available on the Internet has changed a milieu for intelligence gathering for business decision making for ever. Students need to be well versed in this new information technology. We strongly believe that actual hands-on use of Web site materials on the Internet for solving business problems will provide students with a systematic opportunity to learn how to find and how to use available information for competitive advantage.
- d) **Test Bank:** A test bank consists of short essay questions and multiple choice questions. This test bank is also computerized and available to adopters on IBM compatible computer diskettes.
- e) **Power Point Slides:** Available on the Web to assist the instructor in preparing presentation materials.
- f) **Video Materials:** As indicated earlier, videos provide for students' visualization of critical issues discussed in the cases as well as in the text itself.

Finally, we are delighted to share our teaching experience with you through this book. Our teaching experience is an amalgam of our own learning and knowledge gained through our continued discussion with our colleagues, our students, and our executive friends. We would also like to learn from you, the instructor and the students, who use our book. Not only do we wish that you can learn from our book but we also believe that there are many more things that we can learn from you. We welcome your sincere comments and questions. Our contact addresses are as follows:

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◆ ◆ ◆ ◆ ◆ **ACKNOWLEDGEMENTS**

This book would not have ever materialized without guidance, assistance, and encouragement of many of our mentors, colleagues, students, and executives we have worked with and learned from over the years. We are truly indebted to each one of them. We also thank the many reviewers for their constructive comments and suggestions which helped us improve our argument and clarity and raise the quality of our book.

Preet S. Aulakh
Michigan State University

John R. Brooks
Houston Baptist University

Wendy Bryce
Western Washington University

Peggy Cunningham
Queen's University, Kingston, Ontario

K. C. Dhawan
Concordia University, Montreal, Quebec

P. Everett Ferguson
Iona College

James W. Gentry
University of Nebraska-Lincoln

Braxton Hinchly
University of Massachusetts-Lowell

Alfred C. Holden
Fordham University

Ann T. Kuzma
Mankato State University

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New York University

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Sukgoo Pak
University of Nebraska-Omaha

Thomas Ponzurick
West Virginia University

C. P. Rao
Old Dominion University

Sunanda Sangwan
Aston University, Birmingham, UK

T. N. Somasundaram
University of San Diego

Scott Swan
College of William and Mary

Peter K. Tat
The University of Memphis

Hildy Teegen
George Washington University

Kathy Frazier Winsted
Pace University, Pleasantville

At the University of Texas at Austin, the first co-author would like to extend thanks to his colleagues. Robert T. Green has built a strong network of foreign business schools that have permitted the first co-author to visit and keep sensitized with local developments around the world. Kate Gillespie has kept him informed of regional marketing issues, particularly, in emerging markets. Tomasz Lenartowicz has provided “insider” insights into Latin American issues. Special thanks also go to several of the first co-author’s past and current doctoral students. Aldor Lancot (now with Dell Computer) and Arvind Sahay (now with London Business School) helped us with ever-changing technology and competitive issues in global marketing. Preet Aulakh (now with Michigan State University) provided intellectual insight, in particular, in the area of transaction cost argument and distribution channel management. Brad McBride (now with Instituto Tecnológico Autónomo de México) offered his expertise in managing in developing countries. Jaishanker Ganesh (now with University of Central Florida) provided a critical review of marketing standardization/adaptation debate. We are also happy to recognize that now they are on their own, practicing and conducting research in the same areas, from which we expect to learn more in the future. Maneesh Chandra and Thomas Burnham, two doctoral students at Texas, also kept us informed of many interesting developments and topics in global marketing, which are reflected throughout our book.

Fundação Getúlio Vargas (FGV), São Paulo, Brazil, has served as an occasional intellectual home to the first co-author. Particularly, Maria Cecilia Coutinho de Aruda, Wilton de Oliveira Bussab, and Alain Stempfner of FGV deserve our special word of appreciation for our maintaining and honing a truly global perspective during the course of writing this textbook. The first co-author also benefited from his association with Xavier Martin, Myles Shaver, and Tish Robinson, and Ya-Ru Chen at New York University and Junzo Ishii at Kobe University, Japan.

The second co-author would like to extend his thanks to MBA students at the University of Chicago, Nijenrode University, Hong Kong University of Science and Technology, and MIM students at Thammasat University (Bangkok). Particularly Joe Giblin and Vincent Chan (Baxter) for assisting with two of the case studies and Wiebeke Vuursteen (now with Nestlé), Edmund Wong and Philip Cheung (now with IBM) for their help with some of the exhibits, and Jimmy Erni for clerical assistance. A word of gratitude for their feedback and encouragement is given to two colleagues who spent their sabbatical at HKUST: Jerry Albaum (University of Oregon) and Al Shocker (University of Minnesota).

We would also like to thank some of the day-to-day “warriors” in the global marketing arena for sharing their insights and experiences with us, in particular:

Doug Barrie (Wrigley Company), Mark Boersma (Blistex), Keith Alm (formerly Sara Lee), F.J. Thompson (Heineken), Monika Sturm (Siemens Hong Kong), Bill Hicks and Jim Austin (Baxter Healthcare), and Olivia Kan (PepsiCo China).

We also thank MBA and undergraduate students at New York University for experimentally using the manuscript version of our textbook in their classes in the Spring 1997 semester. Marcelo F. Perez (now with G. E. Capital) is also acknowledged for helping us with updating ever-changing statistics presented in this book. Their enthusiasm, acceptance, and suggestions allowed us to improve on the book's currentness and readability.

A very special word of appreciation goes to the staff of John Wiley & Sons, Inc., particularly Ellen M. Ford for her continued enthusiasm and support throughout the course of this project.

Finally and most importantly, we are deeply grateful to you, the professors, students, and professionals for using this book. We stand by our book, and sincerely hope that our book adds to your knowledge and expertise. We would also like to continuously improve our product in the future.

As we indicated in the **Preface**, we would like to hear from as you are our valued customers. Thank you!

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CONTENTS

PART ONE: GLOBALIZATION

1 ♦ GLOBALIZATION IMPERATIVE 1

Why Global Marketing Is Imperative 2

Globalization of Markets and Competition 4

Evolution of Global Marketing 8

PART TWO: GLOBAL MARKETING ENVIRONMENT

2 ♦ GLOBAL ECONOMIC ENVIRONMENT 25

Intertwined World Economy 26

Economic Environment Within a Nation 30

Role of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) 32

U.S. Position in Foreign Direct Investment and Trade 37

Information Technology and Changing Nature of Competition 42

Regional Economic Arrangements 44

Multinational Corporation 48

3 ♦ FINANCIAL ENVIRONMENT 53

Historical Role of the U.S. Dollar 54

The Gold Standard 55

The Interwar Years: 1919–1939 55

Development of the Current International Monetary System 56

The Bretton Woods Conference 56

The International Monetary Fund 57

The International Bank for Reconstruction and Development 58

Twin Crises: Oil Prices and Foreign Debt 59

Fixed versus Floating Exchange Rates 59

Foreign Exchange and Foreign Exchange Rates 62

Purchasing Power Parity 62

Forecasting Exchange Rate Fluctuation 63

Coping with Exchange Rate Fluctuations 64

Spot versus Forward Foreign Exchange 67

Exchange Rate Pass-Through 68

Balance of Payments 71

The Internal and External Adjustments 77

4 ♦ GLOBAL CULTURAL ENVIRONMENT 81

Defining Culture 83

Elements of Culture 85

Material Life	85
Language	86
Social Interactions	87
Religion	88
Education	94
Value Systems	95
Cross-Cultural Comparisons	96
High- versus Low-Context Cultures	96
Cultural Homogeneity	97
Hofstede's Classification Scheme	98
Adapting to Foreign Cultures	101
Cross-Cultural Negotiations	104
Stages of Negotiation Process	104
Cross-Cultural Negotiation Strategies	106

5 ♦ POLITICAL AND LEGAL ENVIRONMENT 111

Political Environment—Individual Government	112
Home Country versus Host Country	112
Structure of Government	113
Government Policies and Regulations	115
Political Environment—Social Pressures and Political Risk	124
Social Pressures and Special Interests	124
Managing the Political Environment	126
International Agreements	130
G-7 (Group of Seven)	131
COCOM (The Coordinating Committee for Multilateral Controls)	131
International Law and Local Legal Environment	132
International Law	132
Local Legal Systems and Laws	133
Jurisdiction	136
Issues Transcending National Boundaries	137
ISO 9000	137
Intellectual Property Protection	137
Antitrust Laws of the United States	141
U.S. Foreign Corrupt Practices Act of 1977	144

PART THREE: DEVELOPMENT OF COMPETITIVE STRATEGY

6 ♦ GLOBAL MARKETING RESEARCH 151

Research Problem Formulation	153
Secondary Global Marketing Research	154
Secondary Data Sources	154
Problems with Secondary Data Research	157
Primary Global Marketing Research	159
Focus Groups	159
Survey Methods for Cross-Cultural Marketing Research	161
Market Size Assessment	166
Method of Analogy	167
Trade Audit	168
Chain Ratio Method	169

Cross-Sectional Regression Analysis	170
New Market Information Technologies	172
Managing Global Marketing Research	175
Selecting a Research Agency	175
Coordination of Multicountry Research	176
7 ♦ GLOBAL SEGMENTATION AND POSITIONING	183
Reasons for International Market Segmentation	184
Country Screening	185
Global Market Research	185
Entry Decisions	186
Positioning Strategy	186
Marketing Mix Policy	186
International Market Segmentation Approaches	188
Bases for Country Segmentation	192
Demographics	192
The Asian Teenagers Segment: A Boon for the Nikes of the World	193
Socioeconomic Variables	193
Culture	196
Political Conditions	197
Behavior-Based Segmentation	198
Lifestyle	199
Country Segmentation Tools	201
Cluster Analysis	201
Regression	203
Issues in International Market Segmentation	205
Technical Issues	205
Managerial Issues	206
International Positioning Strategies	206
8 ♦ GLOBAL COMPETITIVE ANALYSIS	211
Information Technology and Global Competition	212
Real-Time Management	212
On-Line Communication	213
“Internet” Organization	213
Faster Product Diffusion	214
Global Citizenship	214
Global Strategy	215
Global Industry	215
Competitive Structure	218
Hypercompetition	220
Interdependency	225
Global Marketing Strategy	226
Benefits of Global Marketing	226
Limits to Global Marketing	229
Regionalization of Global Marketing Strategy	231
Cross-Subsidization of Markets	234
Identification of Weak Market Segments	235
“Lead Market” Concept	235
Competitive Analysis	236

9 ♦ GLOBAL MARKET ENTRY STRATEGIES 241

Target Market Selection	242
Choosing the Mode of Entry	246
Decision Criteria for Mode of Entry	246
Mode-of-Entry Choice: A Transaction Cost Explanation	249
Exporting	250
Indirect Exporting	251
Cooperative Exporting	251
Direct Exporting	252
Licensing	252
Benefits	252
Caveats	253
Franchising	254
Benefits	254
Caveats	255
Contract Manufacturing	255
Benefits	255
Caveats	255
Joint Ventures	256
Benefits	256
Caveats	257
Drivers Behind Successful International Joint Ventures	258
Wholly Owned Subsidiaries	259
Benefits	259
Caveats	260
Acquisitions and Mergers	261
Greenfield Operations	261
Cross-Border Strategic Alliances	262
Types of Strategic Alliances	262
The Logic Behind Strategic Alliances	264
Cross-Border Alliances That Succeed	266

10 ♦ GLOBAL SOURCING STRATEGY: R & D, MANUFACTURING, AND MARKETING INTERFACES 271

Extent and Complexity of Global Sourcing Strategy	273
Trends in Global Sourcing Strategy	275
Trend 1: The Decline of Exchange Rate Determinism of Sourcing	275
Trend 2: New Competitive Environment Caused by Excess Worldwide Capacity	278
Trend 3: Innovations in and Restructuring of International Trade Infrastructure	279
Trend 4: Enhanced Role of Purchasing Managers	280
Trend 5: Trend Toward Global Manufacturing	280
Value Chain and Functional Interfaces	281
R & D/Manufacturing Interface	283
Manufacturing/Marketing Interface	285
Marketing/R & D Interface	287
Logistics of Sourcing Strategy	289
Intra-Firm Sourcing	290
Outsourcing	291
Costs and Consequences of Global Sourcing	292
Need for Coordination	292
Functional Mismatch	293
Long-Term Consequences	294

PART FOUR: GLOBAL MARKETING STRATEGY DEVELOPMENT

11 ♦ GLOBAL PRODUCT POLICY DECISIONS I: DEVELOPING NEW PRODUCTS FOR GLOBAL MARKETS 301

- Global Product Strategies 303
 - Strategic Option 1: Product and Communication Extension—Dual Extension 304
 - Strategic Option 2: Product Extension—Communications Adaption 305
 - Strategic Option 3: Product Adaptation—Communications Extension 305
 - Strategic Option 4: Product and Communications Adaptation—Dual Adaptation 306
 - Strategic Option 5: Product Invention 306
- Standardization Versus Customization 307
- Multinational Diffusion 312
- Developing New Product for Global Markets 314
 - Identifying New Product Ideas 315
 - Screening 317
 - Concept Testing 319
 - Test Marketing 323
 - Timing of Entry: Waterfall versus Sprinkler Strategies 325
- Global New Product Development and Culture 327

12 ♦ GLOBAL PRODUCT POLICY DECISIONS II: MARKETING PRODUCTS AND SERVICES 331

- Global Branding Strategies 332
 - Global Brands 332
 - Global or Local Brands? 336
 - Brand Name Changeover Strategies 340
 - Private Label Branding (“Store Brands”) 341
 - Umbrella (Corporate) Branding 343
 - Protecting Brand Names 344
- Managing Multinational Product Lines 347
- Product Piracy 351
 - Strategic Options Against Product Piracy 353
- Country of Origin Stereotypes 354
 - Country of Origin Influences on Consumers 354
 - Strategies to Cope with Country-of-Origin Stereotypes 356
- Global Marketing of Services 358
 - Challenges in Marketing Services Internationally 358
 - Opportunities in the Global Service Industries 360
 - Global Service Marketing Strategies 361

13 ♦ GLOBAL PRICING 367

- Drivers of Foreign Market Pricing 368
 - Company Goals 368
 - Company Costs 369
 - Customer Demand 370
 - Competition 372
 - Distribution Channels 374
 - Government Policies 374
- Managing Price Escalation 375
- Pricing in Inflationary Environments 376