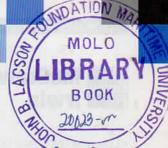


McGRAW-HILL INTERNATIONAL EDITION



# Global Marketing

CONTEMPORARY THEORY, PRACTICE, AND CASES

ILAN ALON Rollins College, USA

EUGENE JAFFE Ruppin Academic Center, Israel

WITH DONATA VIANELLI
University of Trieste, Italy



# CONTENTS

PR	EF/	ACE	XV
TI		TUL	XV

PART 1	GLOBAL MARKETING ENVIRONMENTS 1				
CHAPTER 1	Understanding Global Markets and Marketing 2				
	MARKETS ARE BECOMING GLOBAL 2				
	GLOBALIZATION: THE WORLD IS BECOMING SMALLER 3				
	GLOBALIZATION AND GLOBAL MARKETING 4 Globalization: Opportunity or Threat? 6 The Global Marketing Approach 6				
	GLOBAL MARKETING AND GLOBAL MARKETS 7				
	THE CAGE DISTANCE FRAMEWORK 7				
	Geographic or Spatial Distance 10 Psychic/Cultural Distance 12 The EPRG Framework 13 Developing Global Marketing Strategy 14 The Standardization versus Localization—Adaptation School 14 Levitt and the Globalization of Marketing 16 Standardization versus Mass Customization 17 Managing the Firm's Value Chain 18 Global Value Chain Configuration 19 Integrating the Firm's Competitive Strategy 20 Global Competition 20				
	A GLOBAL MARKETING MANAGEMENT FRAMEWORK 2 Global Marketing Performance 22 Global Vision—The World Is My Oyster 23				
	CASE 1-1 A Tortuous Road Ahead for Proton of Malaysia 2				
	CASE 1-2 Dabur—Developing Values in an Emerging Economy Through Value Chain and Product Line 31				
CHAPTER 2	Assessing the Global Marketing Environment—The Global Economy and Technology 36				
	THE GLOBAL ECONOMY 37  Economic Growth and World Trade 37  Who Are the United States' Major Customers? 38  High Tech Products Lead World Trade 40				

Characteristics of High Technology Markets 42 Technology and Global Financial Services 44 GLOBAL COUNTRIES AND GLOBAL COMPANIES 45

Global Demographics 48

THE GREEN ECONOMY 49

The Green Economy Market Size 49

CASE 2-1 Fueling Indonesians: Window of Opportunity or Regrets? 54

#### CHAPTER 3 Evaluating Cultural and Social Environments 59

BIG BROTHER'S BIG CONTROVERSY 59

CULTURAL DIVERSITY IN THE ERA OF GLOBALIZATION 61

WHAT IS "CULTURE"? 62

Knowing Your Iceberg 62

THE CONCEPT OF NATIONAL CHARACTER 64

THE ROLE OF SUBCULTURES 65

HOFSTEDE'S 5 DIMENSIONS OF NATIONAL

CULTURE 66

APPLYING HOFSTEDE'S MODEL TO GLOBAL

MARKETING 68

THE SCHWARTZ VALUE SURVEY 69

GLOBAL LEADERSHIP AND ORGANIZATIONAL BEHAVIOR

EFFECTIVENESS 71

CULTURE AND COMMUNICATION 72

NONVERBAL COMMUNICATION 75

GLOBAL CUSTOMERS 77

China 77

India 78

CASE 3-1 Starbucks: Forbidden in the Forbidden City 82

CASE 3-2 Hong Kong Disneyland: Chinese Tourists' Behavior and Disneyland's Internationalization Strategy 85

## CHAPTER 4 Analyzing Political and Legal Environments 90

LEGAL/GLOBAL POLITICAL SYSTEMS 90

Muslim Law 91

LEGAL ISSUES FOR GLOBAL MARKETING 91

INTELLECTUAL PROPERTY ISSUES: TRADEMARKS, PAT-

ENTS, AND COPYRIGHTS 92

Trademark Protection 93

Trade Regulations 97

ARBITRATION AND MEDIATION 98

MARKETING MIX REGULATIONS 100

Product Standards 100

The International Organization for Standardization (ISO) 101

REGULATION	OF	COMMUNICATION	101
Cyberlaw 1	01		

POLITICAL RISK 102

The Case of Terrorism 106

Managing Political Risk 107

CASE 4-1 Serious Problems Creating a Partnership in Russia 109
CASE 4-2 An Expanding Dilemma: Between Mubarak and a Hardliner? 112

## CHAPTER 5 Integrating Global, Regional, and National Markets 118

REGIONALISM OR GLOBALISM? 119
Regional Trade 120

REGIONAL ECONOMIC BLOCS 123

Free Trade Areas 123
Customs Unions 126
Common Markets 126
How "Free" Is Intra-EU Trade? 126
Free versus Fair Trade 128

EMERGING MARKETS 129
BRIC Countries 131

THE FUTURE POTENTIAL OF EMERGING NATIONS 132

APPENDIX 1 137 APPENDIX 2 140

CASE 5-1 Walmart in Japan 141

CASE 5-2 Understanding Global Consumer Behavior in Aesthetic Surgery 146

# PART 2 GLOBAL MARKETING FUNCTIONS AND STRATEGIES 149

## CHAPTER 6 Conducting Marketing Research 150

IMPORTANCE OF GLOBAL MARKETING RESEARCH 150

SCOPE OF GLOBAL MARKETING RESEARCH 152
Conducting Global Marketing Research 152
Online Research 155
The Role of Social Media in Global Marketing Research 156
Differences in Conducting Global Marketing Research 157

# THE GLOBAL MARKETING RESEARCH PROCESS 157 Defining the Research Purpose and Objectives 158 Determining the Research Methodology 159 Designing the Research 159 Global Marketing Intelligence/Information Systems 164

CASE 6-1 Rio Tinto: Can the Concept of "Strictly Business" Be Applied in the Chinese Market? 168

#### CHAPTER 7 Selecting International Markets 173

THE ANSOFF EXPANSION MODEL PRESENT MARKETS/PRESENT PRODUCTS 174 PRESENT MARKETS/NEW PRODUCTS 174

NEW MARKETS/PRESENT PRODUCTS

NEW MARKETS/NEW PRODUCTS 175

INTERNATIONALIZATION AND THE ANSOFF MATRIX 176

MOTIVATION TO INTERNATIONALIZE 176

PROACTIVE MOTIVES 176

REACTIVE MOTIVES 179

THEORIES OF INTERNATIONALIZATION AND MARKET 180 ENTRY

INTERNATIONAL PRODUCT LIFE CYCLE 180 Critique 181

UPPSALA MODEL 181 Critique 183

THE NETWORK APPROACH

TRANSACTION COST ANALYSIS 186 Critique 187

DUNNING'S ECLECTIC OLI MODEL 188 Critique 189

MARKET SELECTION Market Expansion Screening 190

CONCENTRATION VS. DIVERSIFICATION

CASE 7-1 Archer Daniels Midland (ADM) Agricultural Processing Industry 197

#### CHAPTER 8 Entering Global Markets 202

INTRODUCTION 202

FACTORS THAT INFLUENCE THE MODE OF ENTRY DECISION PROCESS 203

The Dynamics of Market Entry 205

Turnkey Operations 211

Management Contracts 212

International Joint Ventures 212

The Wadia-Danone IV (1995) 214

Goodyear-Sumitomo Joint Venture 215

Advantages of the Goodyear-Sumitomo JVs 216

#### INSURING AGAINST JV FAILURE

International Business Alliances

Strategic Alliances 219

Wholly Owned Subsidiaries 220

Advantages and Disadvantages of Alternative Entry Modes 220

GOL: Evaluating the Entry of a Brazilian Airline in CASE 8-1 the Mexican Market 223

CHAPTER 9 Segmenting, Targeting, and Positioning for Global Markets 230

> MAKING APPLES AND CHERRIES "COOL" IN TAIWAN 230

THE NEED FOR STP STRATEGY IN GLOBAL MARKETS 231

GLOBAL MARKET SEGMENTATION STRATEGIES 232

Country-Based Segmentation (Macro-Segmentation) 233 Consumer-Based Segmentation (Micro-Segmentation) 234 B2B Segmentation 237

Current Thinking on Segmentation Methods 239

SEGMENTATION IN THE WORLD OF UNLIMITED CHOICES 240

TARGETING 241 Criteria for Targeting 241

SELECTING A GLOBAL TARGET MARKET

STRATEGY 242 Undifferentiated Approach 242 Differentiated Approach 243 Concentrated Approach 245 Customized Approach 245

CASE 9-1 Moda Textile Factory: Bishkek, Kyrgyzstan 250 CASE 9-2 Marketing Corona in Japan 253

#### PART 3 THE FOUR PS OF GLOBAL MARKETING 259

Positioning 246

#### CHAPTER 10 Developing Global Products and Brands 260

LOOKING FOR NEW GROWTH OPPORTUNITIES: THE PRODUCT LIFE CYCLE ACROSS COUNTRIES 262 THE STANDARDIZATION VERSUS ADAPTATION DILEMMA 266

PRODUCT USE 272

PRODUCT PERCEPTION AND EXPECTED BENEFITS 273

PRODUCT ATTRIBUTES 274 Regulations and Standards 275 Style and Design, Color and Product Quality 277

PACKAGING 280 Branding 282

COUNTRY OF ORIGIN 288 Service Attributes 290

PRODUCT STRATEGIES IN INTERNATIONAL MARKETS 293

MANAGEMENT ORIENTATION 295

CASE 10-1 Lux: The Art of Cross-Cultural Branding 298

## CHAPTER 11 Setting Global Prices 301

A CHALLENGING DECISION 301

FACTORS INFLUENCING PRICING DECISIONS 302

COMPETITIVE FACTORS 303

CONSUMER FACTORS 303

Price and the Internet 305

Product Factors and Distribution Channels 305

Country Factors 310

# OBJECTIVES, STRATEGIES, AND PRICING POLICIES 313

Cost versus Market-Based Approach 315

New Product Pricing: Skimming versus Penetration Pricing 316

Standardization versus Adaptation 317

Centralization versus Decentralization 319

Taxonomy of Pricing Practices 322

TRANSFER PRICING 323

TERMS AND METHODS OF PAYMENT 323

COUNTERTRADE 324

CASE 11-1 Price Wars in the Chinese TV Manufacturing Industry: The Case of Hisense 329

CASE 11-2 Can Long Haul Be Low Cost in the Traditional Airline Market? 334

## CHAPTER 12 Global Placement and Distribution Channels 336

THE POWER OF DISTRIBUTION 336

FACTORS INFLUENCING INTERNATIONAL

DISTRIBUTION DECISIONS 337

Internal Factors 338

External Factors 339

# MANAGING INTERNATIONAL DISTRIBUTION CHANNELS 342

Direct and Indirect Distribution Channels 343

Conventional versus Vertical Marketing Systems 344

Multichannel Strategies 345

Types of Channel Intermediaries 346

Agents and Wholesalers 347

Retailers 349

Selection of Channel Members 352

CHANNEL MANAGEMENT AND CONTROL 354

PHYSICAL DISTRIBUTION 356

APPENDIX 361

CASE 12-1 The Chinese Online B2C Market 365

## CHAPTER 13 Launching Global Communication and Advertising 369

GLOBAL PROMOTIONAL STRATEGY 370
Globalized vs. Localized Communication 372

GLOBAL ADVERTISING STRATEGY 379

Global Campaigns and Their Media Mix 380

GLOBAL ADVERTISING REGULATIONS 382
THE GLOBAL ADVERTISING AGENCY 383

CASE 13-1 Entrepreneurship in Jordan: Founding an Advertising Business 388

#### PART 4 NEW TRENDS IN GLOBAL MARKETING 391

### CHAPTER 14 Using Social Media for Global Marketing 392

AN INTRODUCTION TO SOCIAL MARKETING 392
Social Marketing Networks 393
Behavioral Implications of Networks 394

THE NETWORKED ENTERPRISE—BUSINESS USE OF SOCIAL NETWORKS 397

The Growth of Global Social Marketing Advertising 399

CASE STUDIES OF SOCIAL MARKETING CAMPAIGNS 400

The Starbucks Fan Page 400
Bringing the "Like" Button into the Real World: Coca-Cola (Israel) 400
Kraft Foods' Aladdin Chocolate Box 401
Legal Aspects of Social Marketing: The Privacy Question 402

CASE 14-1 In Search of Book Sales 405

## CHAPTER 15 Designing and Controlling Global Marketing Systems 408

NORTEL HIRES A TURNAROUND CMO 408

PRODUCT-BASED ORGANIZATIONAL FORMAT 410

REGIONAL ORGANIZATIONAL FORMAT 410

FUNCTIONAL ORGANIZATIONAL FORMAT 411

MATRIX ORGANIZATIONAL FORMAT 412

NEW ORGANIZATIONAL DIRECTIONS 413

CUSTOMER-CENTERED ORGANIZATIONS 413

GLOBAL MARKETING TEAMS 415

BORN-GLOBAL FIRMS 415

CONTROL MECHANISMS 417

FORMAL CONTROL MECHANISMS 417

Planning 417

Budgeting 418

Reporting 418

INFORMAL CONTROL MECHANISMS 420

Corporate Culture 420

Management Selection and Training 421

Leadership 421

CASE 15-1 Developing Shanghai into a World Fashion Center 426

CHAPTER 16 Defining Ethics and Corporate Social Responsibility in the International Marketplace 436

THE COST OF DOING BAD BUSINESS 437

ETHICS AND THE LAW 438

THE MULTINATIONAL CORPORATION AS A GOOD

CORPORATE CITIZEN 440

CSR IN THE BRIC COUNTRIES 441

CSR IN RUSSIA 441

CSR IN CHINA 442

CSR IN INDIA 443

CAN A COMPANY AFFORD NOT TO BE ETHICAL? 444

THE FIGHT AGAINST CORRUPTION AND BRIBERY 446

THE OECD BRIBERY CONVENTION 447

UN CONVENTION AGAINST CORRUPTION 448

GOVERNMENT ANTI-CORRUPTION AND BRIBERY

ENFORCEMENT 449

UNITED STATES FOREIGN CORRUPT PRACTICES ACT OF

1977 449

UK BRIBERY BILL 449

ANTI-CORRUPTION AND ETHICS POLICY BY BUSINESS

FIRMS 450

GLOBAL CORPORATE CITIZENSHIP 450

CASE 16-1 The Sanlu Case 454

CASE 16-2 Empowering the People: Lessons from a New Trend in Political Marketing 459

## PART 5 COMPREHENSIVE GLOBAL MARKETING CASES 465

#### PART 1 GLOBAL MARKETING ENVIRONMENTS

CASE P1-1 International Marketing at Marks & Spencer: A UK Retailer 466

CASE P1-2	MacEwan Goes Global: Internationalization at a Canadian School of Business 477
CASE P1-3	Estimating Demand in Emerging Markets for Kodak Express 488
PART 2	GLOBAL MARKETING FUNCTIONS AND STRATEGIES
CASE P2-1	Ruth's Chris: The High Stakes of International Expansion 495
CASE P2-2	A Speed Race: Benelli and QJ Compete in the International Motorbike Arena 502
CASE P2-3	Riviera Radio (RR): Developing a Market in a Highly Diverse Community 517
PART 3	THE FOUR Ps OF GLOBAL MARKETING
CASE P3-1	Master International Franchising in China: The Athlete's Foot, Inc. (A) 523
CASE P3-2	San Francisco Coffee House: An American Style Franchise in Croatia 533
CASE P3-3	Euro Disney 542
PART 4	NEW TRENDS IN GLOBAL MARKETING
CASE P4-1	Mobile Language Learning: Praxis Makes Perfect in China 553
CASE P4-2	Birzeit Pharmaceutical Company: Marketing from Palestine 560
CASE P4-3	Social Entrepreneurship and Sustainable Farming in Indonesia 575