

Global marketing argumentative



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Global companies also maintain strategic focus while pursuing competitive advantage. The marketing mix, value chain, competitive advantage, and focus are universal in their applicability, irrespective of whether a company does business only in the home country or has a presence in many markets around the world. However, in a global industry, companies that fail to pursue global opportunities risk being pushed aside by competitors. A firm's global marketing strategy (GSM) can enhance its worldwide performance. The GSM addresses several issues.

First is the nature of the marketing program in terms of the balance between a standardization (extension) approach to the marketing mix and a localization (adaptation) approach that is responsive to country or regional differences. Second is the concentration of marketing activities in a few countries or the dispersal of such activities across many countries. Companies that engage in global marketing can also engage in coordination of marketing activities. Finally, a firm's GSM will address the issue of global market participation.

The importance of global marketing today can be seen in the company rankings compiled by the Wall Street Journal, Fortune magazine, Financial Times, and other publications. Whether ranked by revenues, market capitalization, or some other measure, most of the world's major corporations are active regionally or globally. The size of global markets for individual industries or product categories helps explain why companies go global. Global markets for some product categories represent hundreds of billions of dollars in annual sales; other markets are much smaller.

Whatever the size of the opportunity, successful Industry competitors find that Increasing revenues and profits means seeking markets outside the home country. Company management can be classified in terms of its orientation toward the world: ethnocentric, polytechnic, recognition, or geocentric. An ethnocentric orientation Heraclites domestic and international companies; international companies pursue marketing opportunities outside the home market by extending various multinational company, where the marketing mix is adapted by country managers operating autonomously.

Managers at global and transnational companies are recognition or geocentric in their orientation and pursue both extension and adaptation strategies in global markets. Global marketing importance today is shaped by the interplay of several driving and restraining forces. The former include market needs and wants, technology, remonstration and communication improvements, product costs, quality, world economic trends, and recognition of opportunities to develop leverage by operating globally. Restraining forces include market differences, management myopia, organizational culture, and national controls.

DISCUSSION QUESTIONS 1 . What are the basic goals of marketing? Are these goals relevant to global marketing? Marketing activities represent an organization's efforts to satisfy customer wants and needs by offering products and services that create value. These goals are relevant in virtually every part of the world; however, when an organization pursues market opportunities outside of its home country (domestic) market, managers need an understanding of additional conceptual tools and guidelines. 2. What is meant by “ global localization? ” Is Coca-Cola a global product?

Explain. The phrase “ global localization” represents an attempt to capture the spirit of the rallying cry for organizations in the 21st century, namely, “ think globally, act locally, and manage regionally. ” Most students will agree that Coca-Cola is a global product by virtue of the fact that it is available in more than 195 countries in red cans bearing the distinctive signature style. It must be noted, however, that customer service efforts are adapted to the needs of particular markets (for example, vending machines in Japan). Thus, Coca-Cola is both global and local. 3.

Describe some of the global marketing strategies available to companies. Give examples of companies that use the different strategies. This question invites reference to Table 1-2. Strategies include global branding (Coca-Cola, Marlboro), product design (McDonald’s restaurants and menu items), positioning (Harley-Davidson), packaging (Gillette Sensor), distribution (Benton), customer service (Caterpillar), and sourcing (Toyota, Gap). . How do the global marketing strategies of Harley-Davidson and Toyota differ? Harley-Davidson motorcycles are known the world over as “ the” all-American motorcycle.

Harley mystique and heritage are associated with America. The locations. By contrast, Toyota builds some models (e. G. Camry) for the U. S. Market in the U. S. , a fact that Toyota stresses in its American advertising. Thus, Harley-Davidson serves global markets while sourcing locally, while Toyota’s strategy calls for serving world markets and using the world as a source of supply. 5. Describe the difference between ethnocentric, polytechnic, recognition, and geocentric management orientations. The premise of an

ethnocentric orientation is that home country products and management processes are superior.

An ethnocentric company that neither sources inputs from, nor seeks market opportunities in the world outside the home country may be classified as an international company. A company that does business abroad while still presuming the superiority of the home country may be classified as an international company. Such a company would rely on an extension strategy whereby it would export, without adaptation, products designed for the domestic market. The polytechnic orientation that predominates at a multinational company leads to a view of the world in which each country markets is different from the others.

Local country managers operating with a high degree of autonomy adapt the marketing mix in a polytechnic, multinational company. Managers who are recognition or geocentric in their orientations recognize both similarities and differences in world markets. Market opportunities are pursued using both extension and adaptation strategies. The recognition and geocentric orientations are characteristic of global transnational companies. 6. Identify and briefly describe some of the forces that have resulted in increased global integration and the growing importance of global marketing.

The dynamic involving driving and restraining forces is shown diagrammatically in Figure 1-2. Driving forces include regional economic agreements such as NONFAT, converging market needs and wants, technology advances such as the Internet and global TV networks, transportation improvements, the need to recoup high product development

costs in global markets, the need to improve quality through R&D investment, world economic trends such as prevarication and finally, opportunities to SE leverage, corporate culture, and the continuing presence of national controls that create trade barriers. . Define leverage and explain the different types of leverage utilized by companies with global operations. Webster New World Dictionary defines “ leverage” as an “ increased means of accomplishing some purpose. ” A global company can take advantage of several types of leverage in pursuit of corporate goals such as profit or revenue growth. These include experience transfers, scale economies, enhanced resource utilization, and

CHAPTER 2 THE GLOBAL ECONOMIC ENVIRONMENT

The economic environment is a major determinant of global market potential and opportunity.

In today’s global economy, capital movements are the driving force, production is uncoupled from employment, and capitalism has vanquished communism. Based on patterns of resource allocation and ownership, the world’s economies can be categorized as market capitalism, centrally-planned capitalism, centrally-planned socialism, and market socialism. The final years of the 20th century were marked by transitions toward market capitalism in many countries that had been centrally controlled. However, there still exists a great disparity among the nations of the world in terms of economic freedom.

Countries can be categorized in terms of their stage of economic development: low income, lower middle income, upper middle income, and high income. The 50 poorest countries in the low-income category are sometimes referred to as least- developed countries (Olds). Upper middle-

income countries with high growth are often called newly industrialization economies (Nines). Several of the world's economies are notable for their fast growth; the BRICK nations include Brazil, Russia, India, and China.

The Group of Seven (G7) and Organization for Economic Cooperation and Development (OECD) represent two initiatives by high-income nations to promote democratic ideals and free-market policies throughout the rest of the world. Most of the world's income is located in the Triad, which is comprised of Japan, the United States, and Western Europe. Companies with global aspirations generally have operations in all three areas. Market potential for a product can be evaluated by determining product saturation levels in light of income levels.

A country balance of payments is a record of its economic transactions with the rest of the world; this record shows whether a country has a trade surplus (value of exports exceeds value of imports) or a trade deficit (value of imports exceeds value of exports). The U. S. Merchandise trade deficit was \$780 billion in 2005. However, the U. S. enjoys an annual service trade surplus. Overall, however, the United States is a debtor; Japan enjoys an overall trade surplus and serves as a creditor nation. 1 . Explain the difference between market capitalism, centrally planned capitalism, centrally planned socialism, and market socialism.

Give an example of a country that illustrates each type of system. Resources and production resources are privately owned. Consumers decide what goods they desire and firms determine what and how much to produce; the role of the state in market capitalism is to promote competition. Market

capitalism is found in the United States. Centrally-planned capitalism is an economic system in which command resource allocation is utilized extensively in an environment of private resource ownership can be called. Centrally-planned capitalism is found in Sweden, where two-thirds of all expenditures are controlled by the government.

Centrally-planned socialism is an economic system in which the state has broad powers to serve the public interest as it sees fit. State planners make “top-down” decisions about what goods and services are produced and in what quantities; consumers can spend their money on what is available. The government owns industries as well as individual enterprises. Centrally-planned socialism was found in the former Soviet Union. Market socialism is an economic system in which market allocation policies are permitted within an overall environment of state ownership.

Market socialism is found in China where farmers can offer part of their production in a free market. 2. Why are Brazil, Russia, India, and China (BRICK) highlighted in this chapter? Identify the current stage of economic development for each BRICK nation. Experts predict that the BRICK nations will be key players in global trade even as their track records on human rights, environmental protections and other issues come under closer scrutiny by their trading partners. India is in the Low-Income category. China and Brazil fall within the Lower-Middle- Income category.

Russia is the only BRICK nation to be in the Upper-Middle-income category. 3. Turn to the Index of Economic Freedom (Table 2-3) and identify where the BRICK nations are ranked. What does the result tell you in terms of the

relevance of the index to global marketers? All four BRICK countries fall within the “ Mostly Unfreeze” category. This indicates that, while the index and what it stands for are certainly important to marketers, they are not willing to forego the business opportunities presented by these countries. 4. A manufacturer of satellite dishes is assessing the world market potential for his products.

He asks you if he should consider developing countries as potential arrests. How would you advise him? Saturation levels. High rates of growth in many developing countries suggest that some segments of the population save enough money to afford expensive electronics equipment such as a satellite dish. A satellite entrepreneur might invite neighbors to his home and charge them for the privilege of watching programming that would not otherwise be available. These neighbors might not be able to afford a satellite and related equipment, but they could afford to watch an occasional movie. 5.

A friend is distressed to learn that America’s merchandise trade deficit hit a record 780 billion in 2005. You want to cheer your friend up by demonstrating that the trade picture is not as bleak as it sounds. What do you say? The overall trade balance reflects merchandise as well as services trade as reported in official balance of payments figures. The U. S. Typically runs a trade surplus in services, which serves to offset the merchandise trade deficit. The United States is a major service trader. As shown in Figure 2-5, U. S. Services exports in 2006 totaled approximately \$424 billion.

This represented slightly less than one-third of total U. S. Exports. The U. S. Services surplus stood at \$80 billion. This surplus partially offset the U. S.

Merchandise trade deficit, which reached a record \$838 billion in 2006.

CHAPTER 3 THE GLOBAL TRADE ENVIRONMENT This chapter examines the environment for world trade, focusing on the institutions and regional cooperation agreements that affect trade patterns. The multilateral World Trade Organization, created in 1995 as the successor to the General Agreement on Tariffs and Trade, provides a forum for settling disputes among member nations and tries to set policy for world trade.

The world trade environment is also characterized by preferential trade agreements among smaller numbers of countries on a regional and subregional basis. These agreements can be conceptualized on a continuum of increasing economic integration. Free trade areas such as the one created by the North American Free Trade Agreement (NAFTA) represent the lowest level of economic integration. The purpose of a free trade area is to eliminate tariffs and quotas. Rules of origin are used to verify the country from which goods are shipped.

A customs union (e. g. MERCOSUR) represents a further degree of integration in the form of common external tariffs. On the movement of labor and capital are eased in an effort to further increase integration. An economic union, such as the European Union (EU), the highest level of economic integration is achieved by unification of economic policies and institutions. Other important cooperation arrangements include the Association of Southeast Asian Nations (ASEAN), the Cooperation Council for the Arab States of the Gulf (CCG), and the International Chamber of Commerce (ICC).

In Africa, the two main cooperation agreements are the Economic Community of West African States (COCOAS) and the South African Development Community (SAD). 1 . Explain the role of the World Trade Organization. The World Trade Organization (WTFO) is the successor to GAIT. Based in Geneva, the WTFO has a dispute-settlement body (DOS) representing all member countries that mediates trade complaints concerning unfair trade barriers and other issues. During a 60-day consultation period, parties to a complaint are expected to engage in good-faith negotiations and reach amicable resolution of a given issue.

Failing that, the complainant can ask the DOS to appoint a three-member panel to hear the case. After convening, the panel has nine months within which to issue its ruling. The DOS is empowered to act on the panel's recommendations. The losing party to a spite can turn to the seven-member appellate body. If a country trade policies are found to violate WTFO rules, it is expected to change those policies and negotiate compensation via lower tariffs with the winning country. If appropriate changes and compensation are not forthcoming, the WTFO can authorize trade sanctions against the loser. 2.

Describe the similarities and differences between a free trade area, a customs union, a common market, and an economic union. Give an example of each. All four forms of economic integration eliminate tariffs and quotas among member nations. At the next level, customs unions, common markets, and economic unions all have common external tariff and quota systems. Common markets and economic unions provide for reducing or eliminating restrictions on people, money, and other factors. An economic

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union is the most highly evolved form of integration, calling for harmonistic of economic policies and institutions.

Examples include: free trade area – NONFAT; customs union – ELI; common market – Central American Common Market (CACM); economic union – ELI. 3. Identify a regional economic organization or agreement in each of the following areas: Latin America, Asia/Pacific, Western Europe, Central Europe, The Middle East, and Africa. Integration System (SICK), Andean Group, and Southern Cone Common Market (Mercury). The Asia/Pacific region is home to the Association of Southeast Asian Nations (SEAN). The European Union (ELI) and European Economic Area (EYE) are the important trading blocs in Western Europe.

Further east, the new Central Cooperation Council (ICC) dates back to 1981; newer agreements include the Arab Cooperation Council (AC) and Arab Manager Union Economic Community of West African States (COCOAS); elsewhere on the continent, the ten-nation South African Development Coordination Conference (CAD) has existed since 1980. CHAPTER 4 SOCIAL AND CULTURAL ENVIRONMENTS Culture, a society “ programming of the mind,” has both a pervasive and changing influence on each national market environment. Global marketers must recognize the influence of culture and be prepared to either respond to it or change it.

Human behavior is a function of a person’s own unique personality and that person’s interaction with the collective forces of the particular society and culture in which he or she has lived. In particular, attitudes, values, and beliefs can vary significantly from entry to country. Also, differences

pertaining to religion, aesthetics, dietary customs, and language and communication can affect local reaction to brands or products as well as the ability of company personnel to function effectively in different cultures. A number of concepts and theoretical frameworks provide insights into these and other cultural issues.

Cultures can be classified as high- or low-context; communication and negotiation styles can differ from country to country. Hypotheses typology sheds light on national cultures in terms of power distance, individualism, masculinity, uncertainty avoidance, and time orientation. By understanding the self-reference criterion, global marketers can overcome the unconscious tendency for perceptual blockage and distortion. Rogers' classic study on the diffusion of innovations helps explain how products are adopted over time by different adopter categories.

Rogers' findings concerning the characteristics of innovations can also help marketers determine whether consumer and industry products must be adapted to the needs of different markets. Recent research has suggested that Asian adopter categories differ from the Western model. An awareness of environmental sensitivity can help marketers determine whether consumer and industry products must be adapted to the needs of different markets. Cultural competency to avoid complications that arise because of cultural differences. 1 .

What are some of the elements that make up culture? How do these find expression in your native culture? This question can be especially interesting if there is multicultural representation among your students. First, this

question is designed to give students a chance to reflect upon and compare attitudes, beliefs, and values. Then students should take up the issue of aesthetics. How relevant are the performing or visual arts, both individually and to the home country population in general? Finally, language and communication issues can be explored. 2.

What is the difference between a low-context culture and a high-context culture? Give an example of a country that is an example of each type, and provide evidence for your answer. In a low-context culture, most of the message weight in a communication is carried on by the verbal component. A priority in such cultures is “ getting it in writing,” and lawyers play an important role in creating and backing up agreements. In a high-context culture, the context of the communication carries more weight. The role of lawyers is reduced, and personal obligation and trust are emphasized proportionately.

Overall, Japan is a high-context culture, while the U. S. A low-context culture.

3. How can Hypotheses cultural typologies help Western marketers better understand Asian culture? Westerners seeking a better understanding of Asian culture can benefit from the findings of the Chinese Value Survey. This survey revealed a dimension of Asian culture called “ Confucian Dynamism” that helps explain the growth in Asian economies. Specifically, virtuous behavior in Asian culture is reflected in persistence, observing ordered relationships, thrift, and a sense of shame.

Westerners may enrich their own experience and further their business goals by absorbing some of these cultural dimensions; Westerners should also

realize that it is probably futile to try to change Asian behavior that is rooted in these dimensions. 4. Explain the self-reference criterion. Find examples of product failures that might have been avoided through the application of the ISRC. The self-reference criterion is a conceptual tool that helps a person eliminate ethnocentric as when perceiving other cultures.

You should ask yourself, “ Am I making assumptions or drawing conclusions based on my own home-culture experience and biases? ” This chapter outlines a four-step process for eliminating ISRC bias. Campbell Soup discovered a strong negative opinion toward convenience food. Campbell discovered that the attitude of homemakers toward food preparation is a major cultural factor in marketing prepared foods. Research revealed that Italian housewives devote 4.5 hours per day to food preparation versus 60 minutes a day spent by their U. S. Counterparts.

Increased incomes plus product innovations may have an impact on Italian attitudes toward time and convenience with a corresponding positive effect on the market for convenience foods. 5. Briefly explain the social research of Everett Rogers regarding diffusion of innovations, characteristics of innovations, and adopter categories. How does the adoption process in Asia differ from the traditional Western model? Rogers’ work helps introduced into a culture or country. The adoption process consists of five steps, starting with awareness and ending with adoption.

In the case of inexpensive nonuser products, adoption means repeat purchase. The rate at which buyers proceed through the adoption process depends on the five characteristics of innovations: relative advantage,

compatibility, complexity, divisibility, and communicability. For example, starting in 1991, Russell M. Frederickson successfully launched a chain of coffee outlets in Hong Kong. Frederickson notes that he started by offering a cup of coffee that was better than the rest (“relative advantage”) at a price that encouraged consumers to try it and come back for more (“divisibility”).

The shops generated additional traffic by selling tea; regular tea-drinking patrons eventually “moved up” to coffee (“compatibility”). Finally, Frederickson staffed the outlets with at least 50% Chinese so that local consumers could learn about the products from one of their own. The shops feature posters explaining the various coffee drinks and indicating how they are pronounced (“communicability”). In view of Frederickson’s clear understanding of the diffusion process, it is not surprising that he has received many inquiries from Korea, Taiwan, and Singapore from persons wanting to start franchises.

This demonstrates that both the product itself and the retailing concept exhibit the characteristics of the innovations described by Rogers. (Source: Russell M. Frederickson, “How to Sell Coffee in the Land of Tea,” *Wall Street Journal* Can. 23, 1995), p. AAA. The third aspect of Rogers’ work is adopter categories, a way of classifying individuals in terms of their innovativeness. Marketers should focus special efforts on early adopters, who make up 13.5 percent of the potential market. They exert a great deal of influence on the mass market for a product, which Rogers calls the early and late majority. 6.

Compare and contrast the United States and Japan in terms of traditions and organizational behavior and norms. Since Japan is a high-context,

homogeneous culture, while the U. S. Is a low-context, heterogeneous culture, Japan has faster diffusion rates than the U. S. Adoption would proceed more quickly in Japan where innovation was introduced late, allowing time to assess the relative advantages, compatibility, and other product attributes. Japan has a long-term perspective as opposed to the short-term perspective in the United States. The Japanese adopter categories differ from those for U. S consumers.