Eighth Edition

GLOBAL MARKETING MANAGEMENT

Warren J. Keegan

Professor Emeritus, Lubin School of Business, Pace University, New York City and Westchester Fellow, Academy of International Business

With Elyse Arnow Brill

International Editions contributions by

Sandeep Puri

Institute of Management Technology Ghaziabad



CONTENTS

Preface	17	
Acknowledgements		19

Part I Introduction and Overview 23

Chapter 1 INTRODUCTION TO GLOBAL MARKETING 23

Introduction 23

Marketing: A Universal Discipline 25

The Marketing Concept 25

The Three Principles of Marketing 28

Customer Value and the Value Equation 28

Competitive or Differential Advantage 29

Focus 29

Global Marketing: What It Is and What It Is Not 29

The Standardization Debate 30

Globalization and Global Marketing 34

Management Orientations 37

Ethnocentric Orientation 38

Polycentric Orientation 39

Regiocentric and Geocentric Orientations 39

Driving and Restraining Forces 40

Driving Forces 41

Restraining Forces 48

Outline of This Book 49

Chapter Summary 49 • Discussion Questions 50 •

Suggested Readings 50

Appendix: The 18 Guiding Principles of Legacy Marketing 51

Part II The Global Marketing Environment 58

Chapter 2 THE GLOBAL ECONOMIC ENVIRONMENT 58

Introduction 58

The World Economy—An Overview 60

The World Economy: Important Trends 61

Economic Activity Will Shift from West to East 62

Aging Worldwide Population Will Demand Increasing Levels of Productivity and Efficiency 63

Shifts and Growth in Consumer Segments Will Result in Changes in the Global Consumer Marketplace 63

Changing Industry Structures and Emerging New Models of Corporate Organization Will be Characteristic of Growing Global Competition 64

The Demand for Natural Resources Will Continue to Grow, Resulting in Growing Pressure on an Already Strained Global, Natural Environment 64

Scrutiny of Global Firms' Worldwide Practices Will Increase as the Reach and Scale of Global Firms Expand; Increasing Regulation Will Shape the Structure and Conduct of Whole Industries 65

The Economics of Information Will Be Transformed as the Ubquitous Nature of Information Expands 66

Talent Pools Have Become Global in Nature; Assimilating Talent into the Leadership Structure of a Global Company Will Be a Competitive Advantage 67

The Market State: Varying Degrees of Economic Freedom 68 Stages Of Market Development 71

Low-Income Countries 75

Lower-Middle-Income Countries 76

Upper-Middle-Income Countries 77

High-Income Countries 78

Income And Purchasing Power Parity Around The Globe 79
International Comparison Program (ICP) of the World Bank 83

Actual Individual Consumption 84

The Location of Population 85

Global Trade And Investment 86

The Balance of Payments 86

Global Trade Patterns 87

Exchange Rates 89

Degrees of Economic Cooperation 91

A Free Trade Area 91

A Customs Union 91

A Common Market 92

Chapter Summary 94 • Discussion Questions 95 • Suggested Readings 95

Chapter 3 THE POLITICAL, LEGAL, AND REGULATORY ENVIRONMENTS OF GLOBAL MARKETING 97

Introduction 97

The Political Environment 98

Nation-States and Sovereignty 98

Political Risk 99

Taxes 100

Dilution of Equity Control 101

Expropriation 102

International Law 102

Common Versus Code Law 103

Sidestepping Legal Problems: Important Business Issues 104

Establishment 105

Jurisdiction 106

Intellectual Property: Patents and Trademarks International Trademark Filings 107 Antitrust 110 Licensing and Trade Secrets 111 Bribery and Corruption 113 Forms of Corruption 114 Estimating the Pervasiveness and Magnitude of Corruption 115 Characteristics of Countries with High Perceived Levels of Corruption 116 Anticorruption Laws and Regulations 117 Conflict Resolution, Dispute Settlement, and Litigation 117 Alternatives to Litigation for Dispute Settlement 118 The Regulatory Environment 120 The European Union 121 The World Trade Organization and Its Role in International Trade 121 Ethical Issues 122

Summary 123 • Discussion Questions 123 •

Chapter 4 THE GLOBAL CULTURAL ENVIRONMENT 125

Suggested Readings 124

Introduction 126 Basic Aspects of Society and Culture 127 The Search for Cultural Universals 131 Communication and Negotiation 132 Social Behavior 132 Analytical Approaches to Cultural Factors 133 Maslow's Hierarchy of Needs 133 Standardized Cultural Classifications 135 Hofstede's National Culture Dimensions 136 Project Globe 137 Inglehart's World Values Survey 138 Schwartz's Cultural Value Orientations 139 Leung and Bond's Social Axioms 143 Ethnographic and Other Nonsurvey Approaches 144 Living, Working, and Thriving in Different Cultures 145 Understanding the Complexity of Identity 145 The Self-Reference Criterion and Perception 147 **Environmental Sensitivity** 148 Cross-Cultural Complications and Suggested Solutions 151 Training in Cross-Cultural Competency 152

Summary 153 • Discussion Questions 154 •

Suggested Readings 155

Part III Analyzing and Targeting Global Market Opportunities 157

Chapter 5 GLOBAL CUSTOMERS 157

Introduction 157

The Global Marketing Plan 160

Regional Market Characteristics 160

European Union 161

Russia 162

North America 164

Asia-Pacific 168

Latin America and the Carribean 175

Middle East and Africa 177

Marketing In Low-Income Countries 180

Global Buyers 181

Customer Value and the Value Equation 182

Diffusion Theory 183

Summary 186 • Discussion Questions 186 •

Experiential Exercise: The Global Marketing Plan 187 •

Application Exercises 187 • Suggested Readings 187

Chapter 6 GLOBAL MARKETING INFORMATION SYSTEMS AND RESEARCH 188

Introduction 188

Overview of Global Marketing Information Systems 190

Information Subject Agenda 191

Scanning Modes: Surveillance and Search 192

Sources of Market Information 194

Human Sources 194

Documentary Sources 195

Internet Sources 195

Web Analytics: Clouds, Big Data, and Smart Assets 197

Direct Perception 198

Formal Marketing Research 199

Step 1: Identify the Research Problem 199

Step 2: Develop a Research Plan 202

Step 3: Collecting Data 202

Primary Data and Survey Research 204

Step 4: Analyze Research Data 207

Step 5: Present the Findings 209

Linking Global Marketing Research to The Decision-Making Process 210

110CE33 210

Current Issues in Global Marketing Research 211

Headquarters Control of Global Marketing Research 213
The Marketing Information System as a Strategic Asset 213
An Integrated Approach to Information Collection 214
Summary 215 • Discussion Questions 215 •
Application Exercises 216 • Suggested Readings 238

Chapter 7 SEGMENTATION, TARGETING, AND POSITIONING 217

Introduction 217

Global Market Segmentation 218

Geographic Segmentation 220

Demographic Segmentation 220

Psychographic Segmentation 222

Behavior Segmentation 226

Benefit Segmentation 226

Vertical Versus Horizontal Segmentation 226

Global Targeting 227

Criteria for Targeting 227

Selecting a Global Target Market Strategy 228

Global Product Positioning 229

High-Tech Positioning 231

High-Touch Positioning 231

Summary 232 • Discussion Questions 232 • Suggested Readings 233

Part IV Global Marketing Strategy 234

Chapter 8 GLOBAL ENTRY AND EXPANSION STRATEGIES 234

Introduction 234

Decision Criteria for International Business 236

Political Risk 236

Market Access 237

Factor Costs and Conditions 237

Country Infrastructure 238

Foreign Exchange 239

Creating a Product-Market Profile 239

Market Selection Criteria 240

Visits to the Potential Market 241

Entry and Expansion Decisions and Alternatives 241

"Going Global" Decision Criteria 242

Exporting and Export Sourcing 244

Organizing for Export Sourcing 245

Licensing 248

Franchising 249

Product Sourcing 251

Investment: Joint Venture and FDI 251
Ownership/Investment 254
Market Expansion Strategies 254
Alternative Strategies: Stages of Development Model 256
Summary 259 • Discussion Questions 260 •
Suggested Readings 260

Chapter 9 COMPETITIVE ANALYSIS AND STRATEGY 262

Introduction 263
Strategy Defined 265
Industry Analysis Forces Influencing Competition 266
Five Forces 267
Global Competition and National Competitive Advantage 270
Factor Conditions 271
Basic Versus Advanced Factors 273

Generalized Versus Specialized Factors 273

Demand Conditions 273

Related and Supporting Industries 274

Firm Strategy, Structure, and Rivalry 275

Other Forces Acting on the Diamond 276

Other Nonmarket Factors 277

Single or Double Diamond? 278

Competitive Advantage and Strategic Models 278

Generic Strategies for Creating Competitive Advantage 279

Broad Market Strategies 281

Narrow Target Strategies 282

Strategic Positions 283

Variety-Based Positioning 283

Needs-Based Positioning 284

Access-Based Positioning 284

Which Position to Take? 285

Competitive Innovation and Strategic Intent 285

Layers of Advantage 286

Changing the Rules 286

Collaborating 287

Hypercompetition? 288

Summary 289 • Discussion Questions 289 • Suggested Readings 289

Part V Creating Global Marketing Programs 291

Chapter 10 PRODUCT DECISIONS 291

Introduction 293
Basic Concepts 293

Products: Definition and Classification 293 Products: Local, National, International, and Global 294 Product Positioning 299 Attribute or Benefit 299 Quality/Price 300 Use/User 300 High-Tech Positioning 300 High-Touch Positioning 301 Product Saturation Levels in Global Markets 301 Product Design Considerations 302 Preferences 302 Cost 303 Laws and Regulations 303 Compatibility 303 Attitudes Toward Country of Origin 304 Global Product Positioning: Strategic Alternatives 305 Strategy 1: Product/Communication Extension (Dual Extension) 306 Strategy 2: Product Extension/Communication Adaptation 307 Strategy 3: Product Adaptation/Communication Extension 307 Strategy 4: Dual Adaptation 308 Strategy 5: Product Invention 308 New Products in Global Marketing 310 Identifying New-Product Ideas 311 New-Product Development Location 311 Testing New Products in National Markets 313 Summary 313 • Discussion Questions 313 • Application Exercises 313 • Experiential Exercises 314 • Suggested Readings 314 Chapter 11 PRICING DECISIONS 316 Introduction 317 Basic Pricing Concepts 317 Cost 317 The Experience Curve 318 Competition 318 Demand 319 Environmental Influences on Pricing Decisions 320 Currency Fluctuations 320 Exchange-Rate Clauses 321 Pricing in an Inflationary Environment 322

Government Controls and Subsidies 322

Price and Quality Relationships 323

Competitive Behavior 323

Global Pricing Objectives and Strategies 323 Market Skimming 323 Penetration Pricing 324 Market Holding 324 Cost Plus/Price Escalation 325 Using Sourcing as a Strategic Pricing Tool 326 Gray Market Goods 327 Dumping 328 Transfer Pricing 330 Cost-Based Transfer Pricing 331 Market-Based Transfer Price 331 Negotiated Transfer Prices 331 Tax Regulations and Transfer Prices 331 Duty and Tariff Constraints 334 Joint Ventures 334 Global Pricing—Three Policy Alternatives 335 Extension/Ethnocentric 335 Adaptation/Polycentric 336 Invention/Geocentric 336 Actual Pricing Practices 337 Summary 338 • Discussion Questions 338 • Suggested Readings 338 Appendix 1: Section 482, US Internal Revenue Code 339 Appendix 2: Trade Terms 339 Appendix 3: Trade Documentation and Getting Paid 340

Chapter 12 GLOBAL MARKETING CHANNELS 345

Introduction 345 Global Marketing Channels—Historical Development and Current Trends 346 Channel Strategy 348 Customer Characteristics 353 Product Characteristics 353 Middleman Characteristics 354 **Environmental Characteristics 357** Distribution Channels: Terminology and Structure 357 Consumer Products 357 Industrial Products 361 Global Retailing 362 Global Channel Innovation 363 Channel Strategy for New Market Entry 364 Physical Distribution and Logistics 365

Order Processing 366

Warehousing and Inventory Management 366

Transportation 366

Case Example: Japan 368

Devising a Japanese Distribution Strategy 369

Summary 370 • Discussion Questions 370 •

Suggested Readings 370

Chapter 13 GLOBAL INTEGRATED MARKETING COMMUNICATIONS 372

Introduction 372

Global Integrated Marketing Communications 374

The Extension Versus Adaptation Debate 377

Customer Engagement 380

Encouraging Social Engagement 382

Online Reputation Management 384

Social Media Content and Targeting 385

Using Data to Drive Business Value 391

Advertising Strategy 393

Advertising Appeals 394

Art 396

Copy 396

Cultural Considerations 398

Summary 399 • Discussion Ouestions 399 •

Suggested Readings 400

Part VI Managing the Global Marketing Program 401

Chapter 14 GLOBAL ORGANIZATION AND LEADERSHIP: MANAGING THE GLOBAL MARKETING EFFORT 401

Introduction 401

Great Companies Think Differently 402

Organization 404

International Division Structure 407

Regional Management Centers 408

Geographic Structure 409

Global Product Division Structure 410

The Integrated Structure 411

Relationship Among Structure, Foreign Product Diversification,

and Size 415

Organizational Structure and National Origin 415

The Myth of the Ideal Organization Structure 417

Impact of Emerging Markets on Global Structure 418

Global Marketing Audit 418

The Global Marketing Audit Defined 418

Planning and Budgeting 421

Evaluating Performance 422

Influences on Marketing Plans and Budgets 423

Summary 425 • Discussion Questions 425 • Suggested Readings 425

Chapter 15 GLOBAL CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL SUSTAINABILITY 427

Introduction 427

Historical Context 428

Shared Value: The Big New Idea in Marketing 430

Great Companies Think Differently 432

Environmental Sustainability 434

Can CSR Be Measured? 436

Sustainability and Innovation 436

Stakeholders 437

Management 438

Shareholders 438

Employees 439

Customers 440

Suppliers 441

Society 441

Summary 441 • Discussion Questions 442 • Suggested Readings 442

Chapter 16 THE FUTURE OF GLOBAL MARKETING 444

Introduction 445

Eight Major Trends 446

Globalization and Information Technology 447

Marketing and the Web: The End of Distance 447

Technological Convergence and Connecting to the Customer 448

World Economic Growth and the Rise of the Rest 450

Population Changes 452

Trade-Cycle Model Clarified 454

Shared Value: The Big New Idea in Marketing 456

The Cs of Marketing: Three Times Four = Twelve 456

Sustainability 456

Careers in Global Marketing 458

Summary 458 • Discussion Questions 459 •

Suggested Readings 459

Appendix: The Twelve Cs of New Wave Marketing 460

Name Index 465 Subject Index 471