

Svend Hollensen

GLOBAL MARKETING

5th Edition

Introduction Part I and Chapter 1 Global marketing in the firm

PART I

The decision whether to internationalize

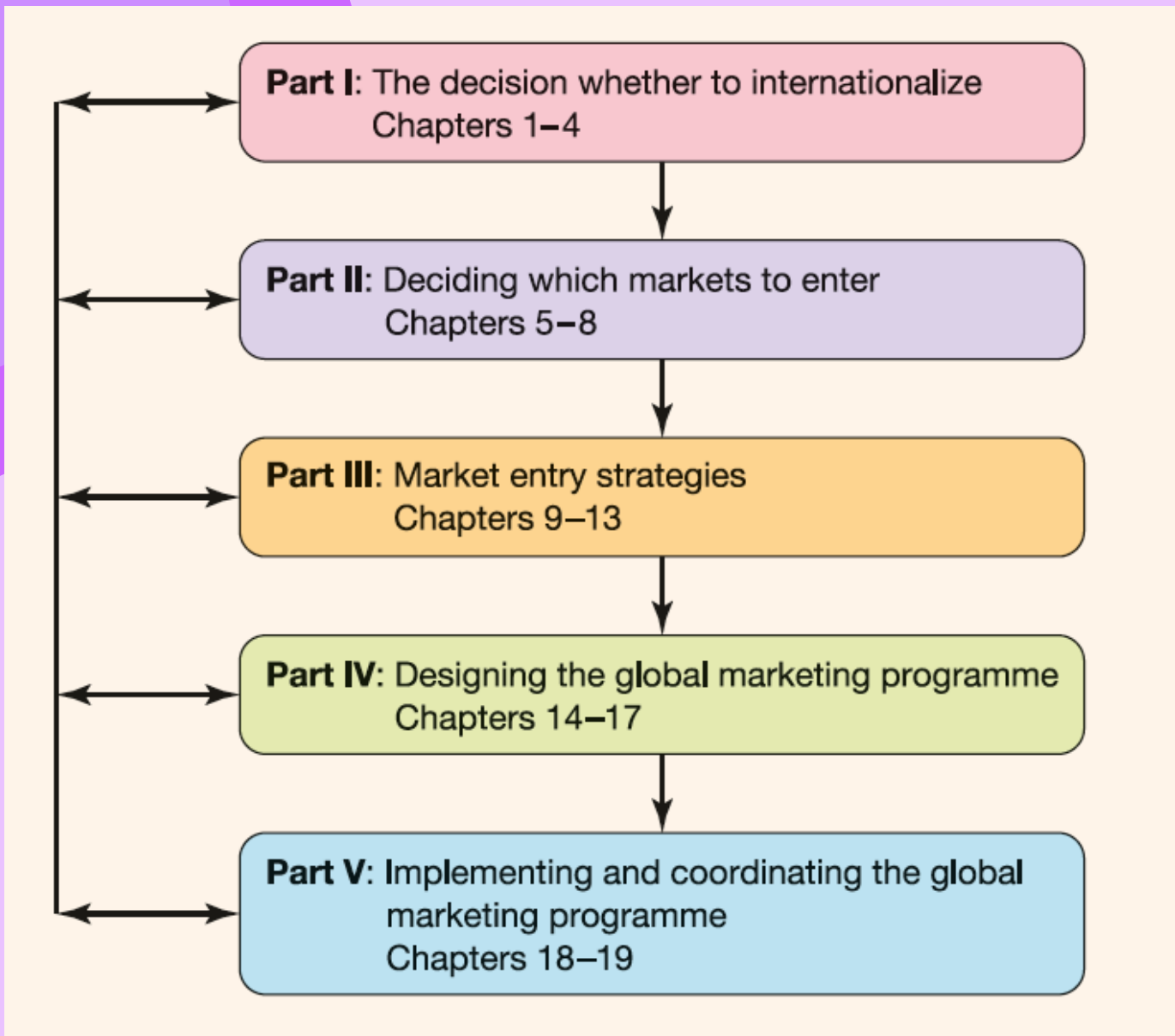
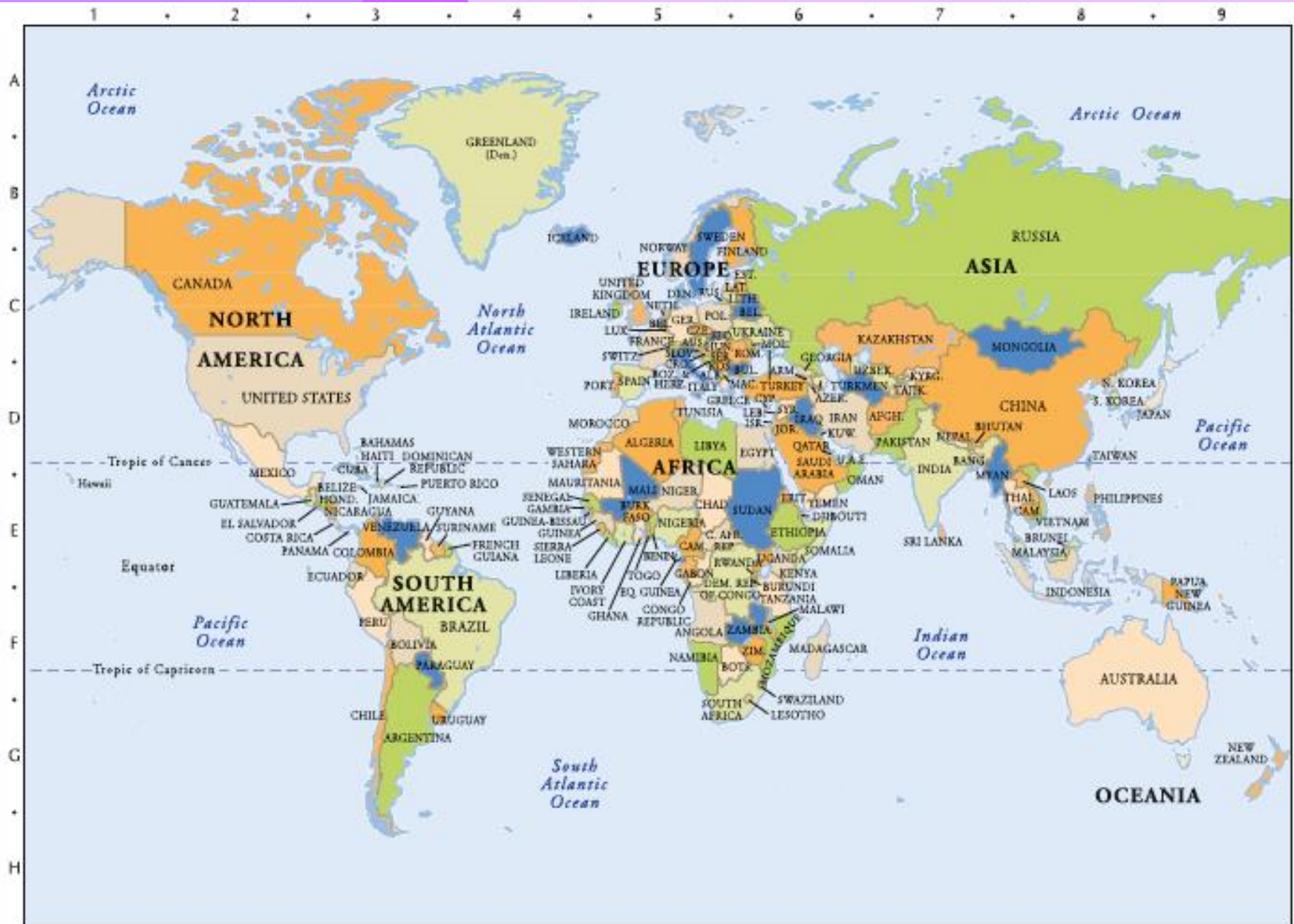


Figure 1.1 The five-stage decision model in global marketing



Source: DANIELS, JOHN; RADEBAUGH, LEE; SULLIVAN, DANIEL, *INTERNATIONAL BUSINESS*, 12th © 2009. Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

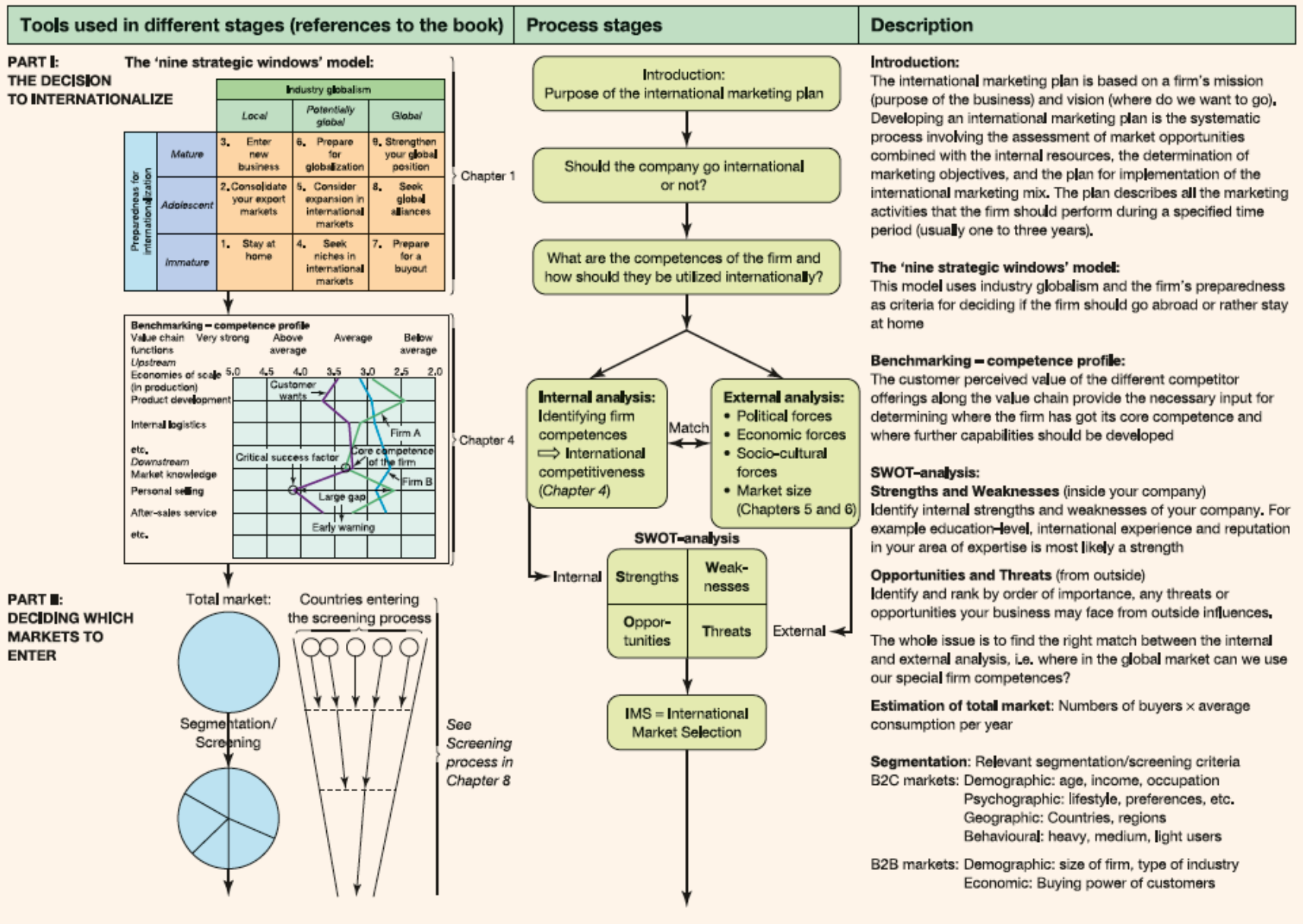


Figure 1.2 Development of the global marketing plan

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, pp. 6 –9

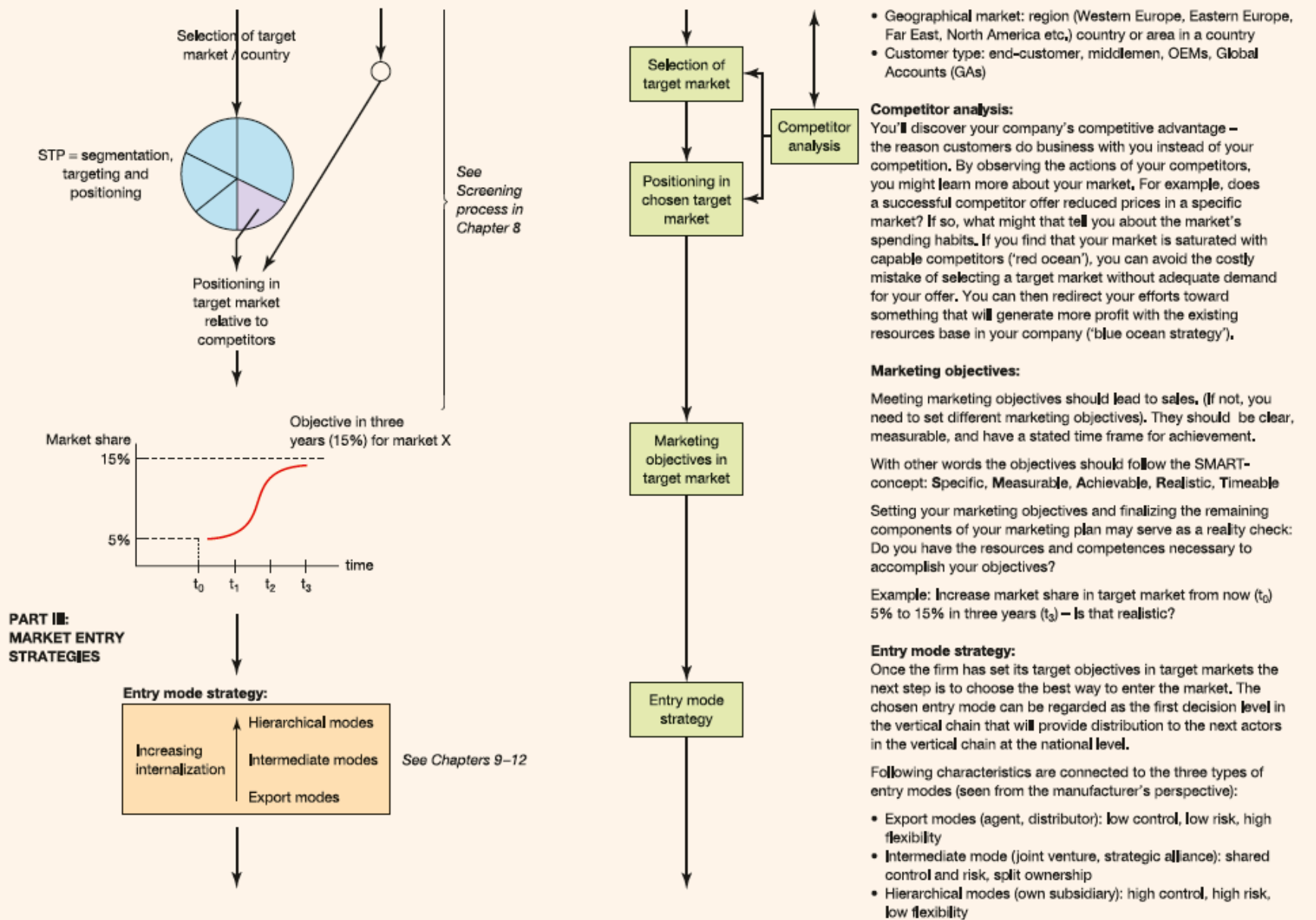


Figure 1.2 Development of the global marketing plan (Continued)

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, pp. 6–9

**PART IV:
DESIGNING
THE GLOBAL
MARKETING
PROGRAMME**
Marketing mix plan (per country and overall)

Marketing mix (activities)	Year 1 (t ₁)	Year 2 (t ₂)	Year 3 (t ₃)
Product Features, quality, name, guarantees, packaging, support services	New variant	New product line and services	Develop new technology / product
Price List price, additional services prices, credit facilities, terms/conditions, allowances	Keep skimming price	Lower price	Stabilize price
Place Distributors, wholesalers, retailers, locations, transport	Selective dist.	Expand distr. with new partners	New int. Markets
Promotion Advertising, direct mail, e-mail, publicity, sales promotion, personal selling, company literature, Internet	Keep current advertising Media	Development of e-mail campaign	Personal selling

 See Chapters
14–17

**PART V:
IMPLEMENTING
AND
COORDINATING
THE GLOBAL
MARKETING
PROGRAMME**

Implementation of marketing activities	Year 1	Year 2	Year 3	Responsible
(Q = Quarter)	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	Q1 Q2 Q3 Q4	
Advertising	■ ■ ■ ■			XX
E-mails		■ ■ ■ ■		XY
Demonstrations		■ ■ ■ ■		YX
Personal selling	■ ■ ■ ■	■ ■ ■ ■	■ ■ ■ ■	YY
...				

 See
Chapter 18

Development of the marketing mix:

The international marketing mix section of your plan (the 4 Ps or alternatively the 7 Ps) outlines your game plan to achieve your marketing objectives internationally. It is, essentially, the heart of the marketing plan. The marketing mix section should include information about:

- Product – your offering: product(s) and services
- Price – what you'll charge customers for regarding delivered products and services
- Promotion – how you will promote or create awareness and interest for your product in the marketplace
- Place (distribution) – how you will bring your product(s)/services together with your customers? How can you create extra value by developing relationships with your customer?

Implementation:

To translate the strategy into action (organizing):

- Assemble the 4P-mix for each product/service (SBU)
- Organize the marketing effort
- *Who* is responsible for the implementation of the activities?
- *When* will the activities take place?
- Internal marketing plan: Sell the the marketing plan inside the organization before going outside. Are there any internal barriers that should be considered?

Cross-border negotiation:

The most fundamental gap influencing the negotiation climate between buyer and seller is the *cultural distance*, represented by differences in communication and negotiation behaviour, the concepts of time, space and work patterns, and the nature of social norms. The cultural distance can be reduced by cultural training and market research.

Figure 1.2 Development of the global marketing plan (Continued)

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, pp. 6–9

International marketing budgeting (three years):

	Year 3						Σ
	S	D	N	UK	US	...	Σ
	Year 2						Σ
	S	D	N	UK	US	...	Σ
	Year 1						Σ
	S	D	N	UK	US	...	Σ
Total market size (in value)							
× Market share							
↓ Total sales							
– variable costs							
= Total contributions 1							
– Marketing costs:							
• Salary for sales force							
• Advertising (newspapers, journals)							
• Exhibitions							
• Sales training							
• In-store promotions							
• E-mails campaigns							
• other marketing costs							
= Total contribution 2 (Marketing contribution)							

See Chapter 19

The different country managers are each responsible for maximizing this figure

The international marketing manager / director is responsible for maximizing this figure – he/she can only do that by coordinating and negotiating with country managers

**Marketing budget:**

A marketing budget derived from a tactical marketing strategy must have adequate resources allocated to meet the performance objectives of the strategic market plan. An estimate of market and profit performance is made for each year of a 3 year strategic market planning horizon.

Concerning the figure at the left, the international marketing manager / director is responsible for maximizing the total 'Marketing contribution' for the whole world (Σ). In order to optimize this total marketing contribution (Σ), this person has the right to coordinate and transfer marketing resources across borders, by cooperation and negotiation with country managers, who are responsible for maximizing the 'Marketing contribution' for their single countries.

Organization of global marketing activities:

Different options for organizing these activities:

- Ad hoc exporting
- Functional structure
- International division structure
- Product structure
- Geographical (customer) structure
- Matrix structure
- Global Account Management (GAM)

Marketing control:

Planning and budgeting are the main formal control methods. The budget spells out the objectives and necessary marketing costs to achieve these objectives. Control consists of measuring actual figures against budget figures. If there is tolerable variance then no action is usually taken.

Performance is evaluated by measuring actual against planned performance. The problem is setting a performance standard. Usually it is based on historical performance with some kind of industry average.

Problems of international comparison inevitably occur like how budgets in different countries are affected by currency fluctuations during the budget period.

Figure 1.2 Development of the global marketing plan (Continued)

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, pp. 6–9

CHAPTER 1

Global marketing in the firm

Ch. 1: Learning objectives

- Characterize and compare the management style in SMEs (small and medium sized enterprises) and LSEs (large-scale enterprises)
- Identify drivers for global integration and market responsiveness
- Explain the role of global marketing in the firm from a holistic perspective

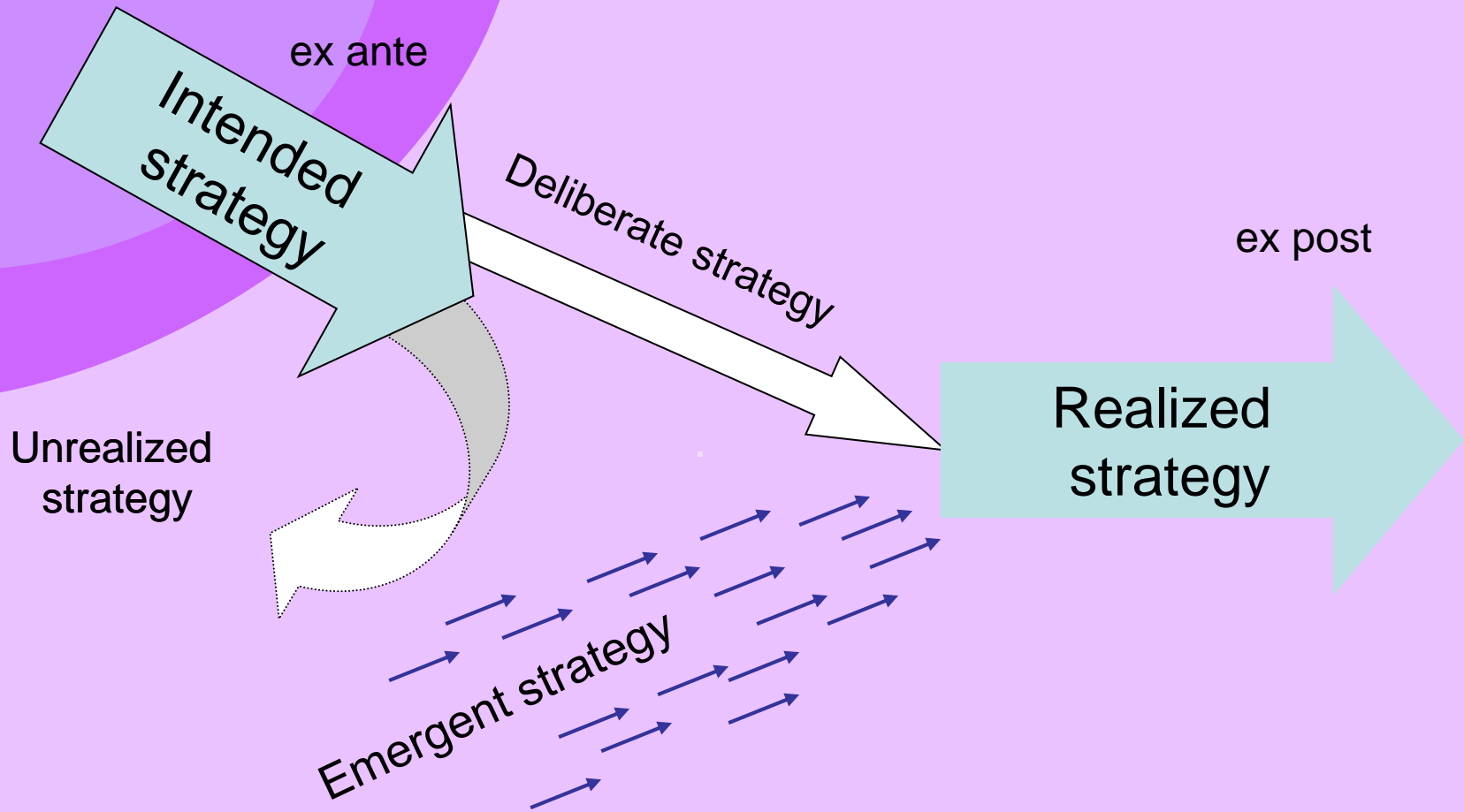
Ch. 1: Learning objectives (2)

- Describe and understand the concept of the value chain
- Identify and discuss different ways of internationalizing the value chain

Globalization

Globalization reflects trend of buying, developing products / services, producing, selling and distributing products / services in many countries and regions of world

Table 1.1		The characteristics of LSEs and SMEs	
	LSEs	SMEs	
<i>Resources</i>	<p>Many resources</p> <p>Internalization of resources</p> <p>Coordination of</p> <ul style="list-style-type: none"> – personnel – financing – market knowledge, etc. 	<p>Limited resources</p> <p>Externalization of resources (outsourcing of resources)</p>	
<i>Formation of strategy/ decision-making processes</i>	<p>Deliberate strategy formation (Mintzberg, 1987; Mintzberg and Waters, 1985) (see Figure 1.3)</p> <p>Adaptive decision-making mode in small incremental steps (logical incrementalism) (e.g. each new product: small innovation for the LSE) (see Figure 1.4)</p>	<p>Emergent strategy formation (Mintzberg, 1987; Mintzberg and Waters, 1985) (see Figure 1.3)</p> <p>The entrepreneurial decision-making model (e.g. each new product: considerable innovation for the SME) (see Figure 1.5)</p> <p>The owner/manager is directly and personally involved and will dominate all decision-making throughout the enterprise</p>	
<i>Organization</i>	<p>Formal/hierarchical</p> <p>Independent of one person</p>	<p>Informal</p> <p>The owner/entrepreneur usually has the power/charisma to inspire/control a total organization</p>	
<i>Risk-taking</i>	<p>Mainly risk-averse</p> <p>Focus on long-term opportunities</p>	<p>Sometimes risk-taking/sometimes risk-averse</p> <p>Focus on short-term opportunities</p>	
<i>Flexibility</i>	Low	High	
<i>Take advantage of economies of scale and economies of scope</i>	Yes	Only limited	
<i>Use of information sources</i>	<p>Use of advanced techniques:</p> <ul style="list-style-type: none"> – databases – external consultancy – Internet 	<p>Information gathering in an informal manner and an inexpensive way:</p> <ul style="list-style-type: none"> – internal sources – face-to-face communication 	



Source: Mintzberg, 1987, p. 14. Copyright © 1987 by the Regents of the University of California. Reprinted from the *California Management Review*, Vol. 30, No. 1. By permission of the Regents.

Figure 1.3 The intended and emergent strategy

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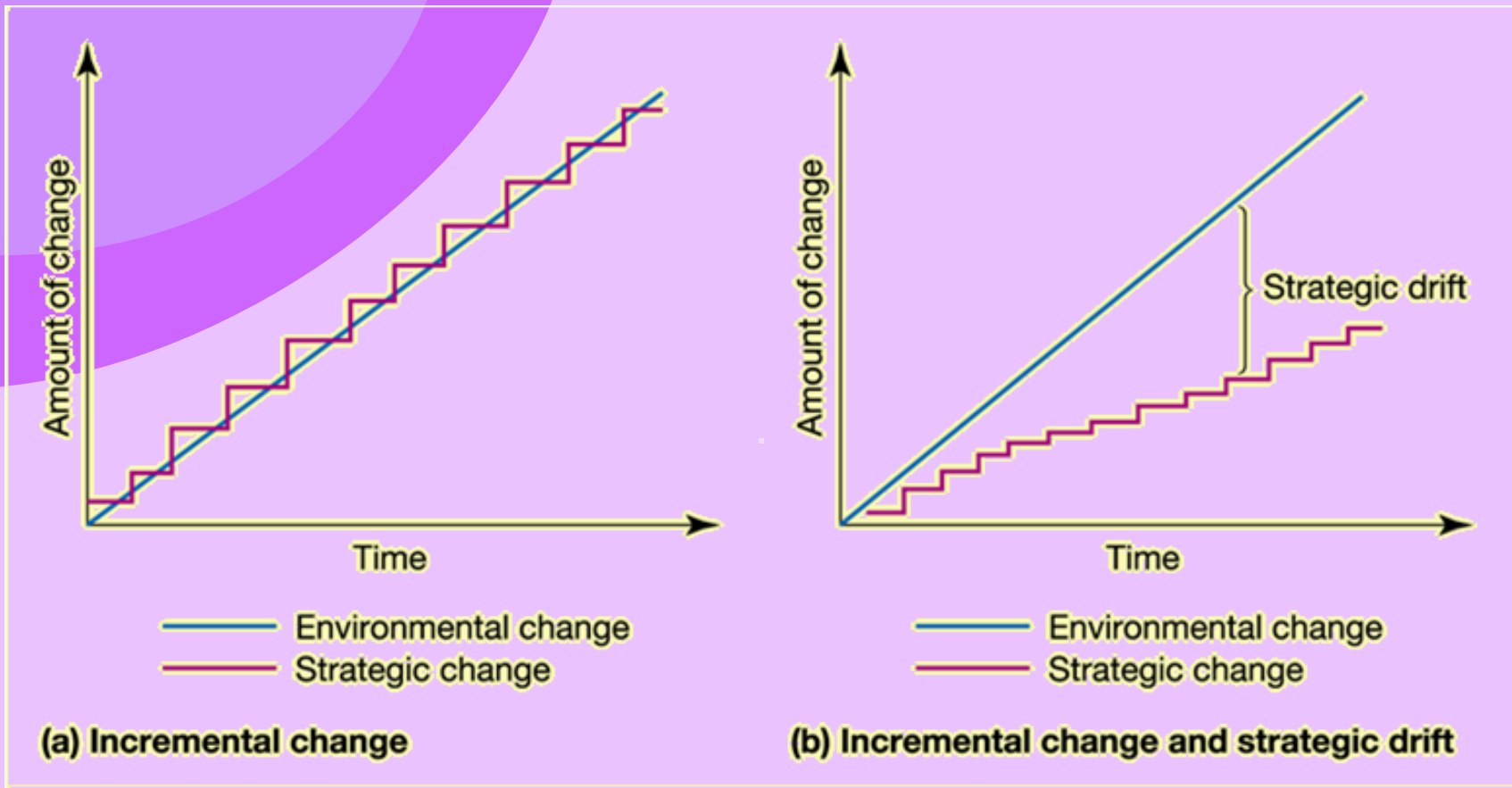


Figure 1.4 Incremental change and strategic drift

Source: Johnson, G. (1988) 'Rethinking incrementalism', Strategic Management Journal, 9, pp. 75–91. Copyright 1988 © of John Wiley & Sons Ltd. Reproduced with permission

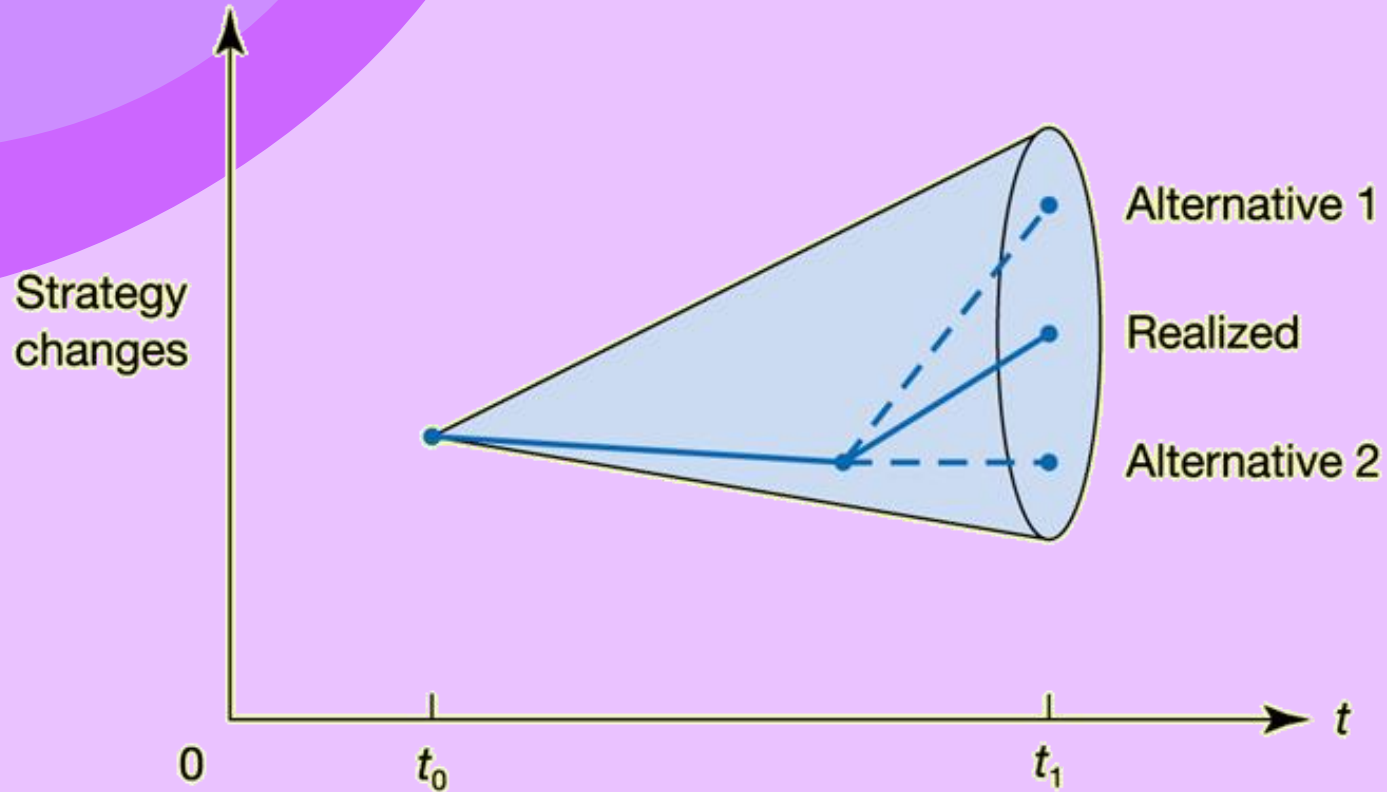


Figure 1.5 The entrepreneurial decision-making model

EXHIBIT 1.2 Economies of scale with Nintendo Game Boy

Having sold 200 million Game Boys worldwide from 1989 to mid-2009, Nintendo dominates the hand-held game market, even as it is losing market share in console systems to Sony and Microsoft. Over the past 15 years, such companies as Sega, NEC, SNK and most recently cellphone giant Nokia have launched nine competing portable game systems without much success.

The economies of scale primarily relate to the manufacturing of the hardware. In the software, economies of scale were limited. Many different types of game have to be offered and the popularity of most of them was short-lived. This is especially so in the case of software linked to a film: the popularity of the game diminished as the film ceased to be shown in cinemas.



Bildagentur-online/Alamy

		Industry globalism		
		<i>Local</i>	<i>Potentially global</i>	<i>Global</i>
Preparedness for internationalization	<i>Mature</i>	3. Enter new business	6. Prepare for globalization	9. Strengthen your global position
	<i>Adolescent</i>	2. Consolidate your export markets	5. Consider expansion in international markets	8. Seek global alliances
	<i>Immature</i>	1. Stay at home	4. Seek niches in international markets	7. Prepare for a buyout

Figure 1.6 The nine strategic windows

Source: Solberg (1997, p. 11). Reprinted with kind permission. In the original article Solberg has used the concept 'globality' rather than 'globalism'

Definition of 'Global Marketing

Global marketing is defined as the firm's commitment to coordinate its marketing activities across national boundaries in order to find and satisfy global customer needs better than the competition. This implies that the firm is able to:

- develop a global marketing strategy, based on similarities and differences between markets;
- exploit the knowledge of the headquarters (home organization) through worldwide diffusion (learning) and adaptations;
- transfer knowledge and 'best practices' from any of its markets and use them in other international markets.

Global marketing strategies

**Globalization
(Standardization)**

**Localization
(Differentiation)**

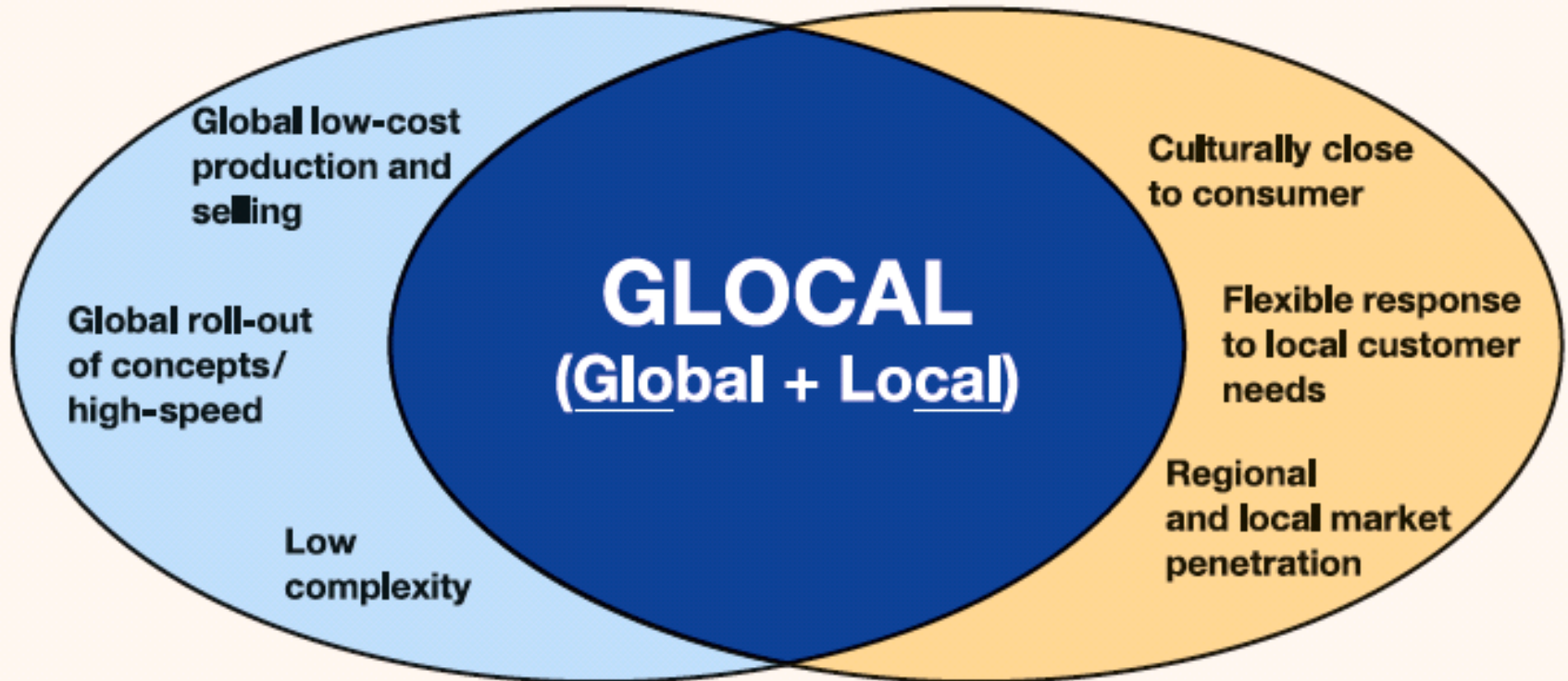


Figure 1.7 The glocalization framework

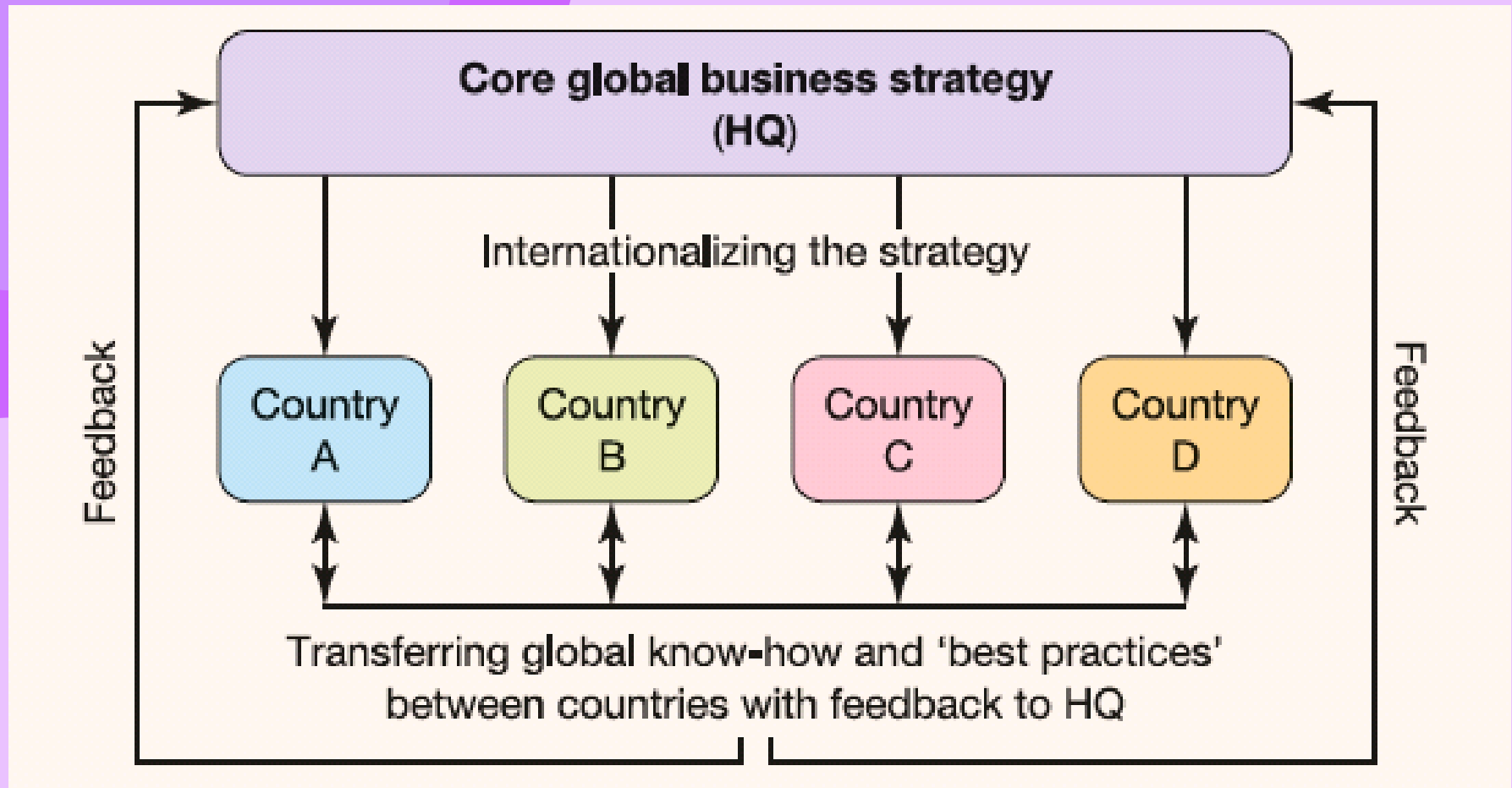


Figure 1.8 The principle of transferring knowledge and learning across borders

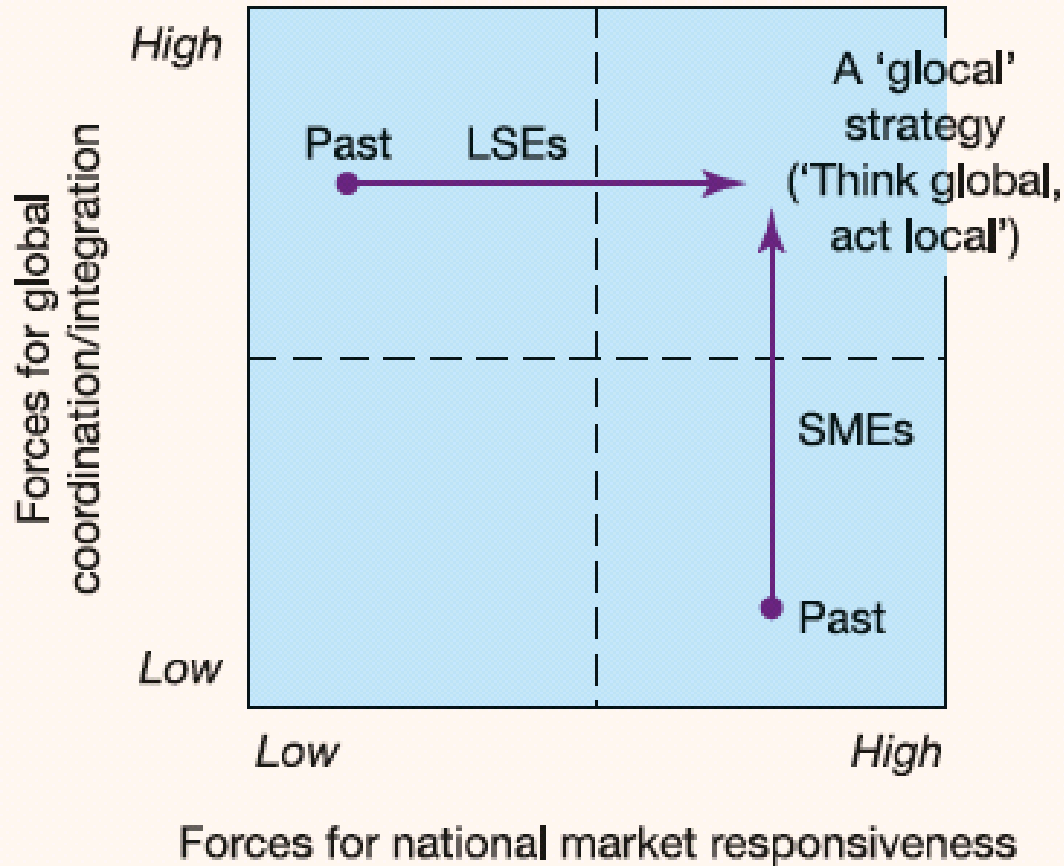


Figure 1.9 The global integration/market responsiveness grid: the future orientation of LSEs and SMEs

What is this?

When accumulated volume in production results in lower cost price per unit, _____ occur.

Economies of scale

Finding economies of scale

- Reducing operating costs per unit and spreading fixed costs over larger volume due to 'experience curve effects'
- Pooling global purchasing gives the opportunity to concentrate global purchasing power over suppliers
- Building of centres of excellence by using larger scale and focusing talent in one location

What is this?

When resources can be reused from one business/country in additional business/countries, _____ occur.

Economies of scope

McDonald's is moving towards a higher degree of market responsiveness



Forces for global coordination/integration

- Removal of trade barriers
- Global accounts/customers
- Relationship management/network organization
- Standardized worldwide technology
- Worldwide markets
- Global village
- Worldwide communication
- Global cost drivers

Forces for market responsiveness

- Cultural differences
- Regionalism/protectionism
- Deglobalization trend

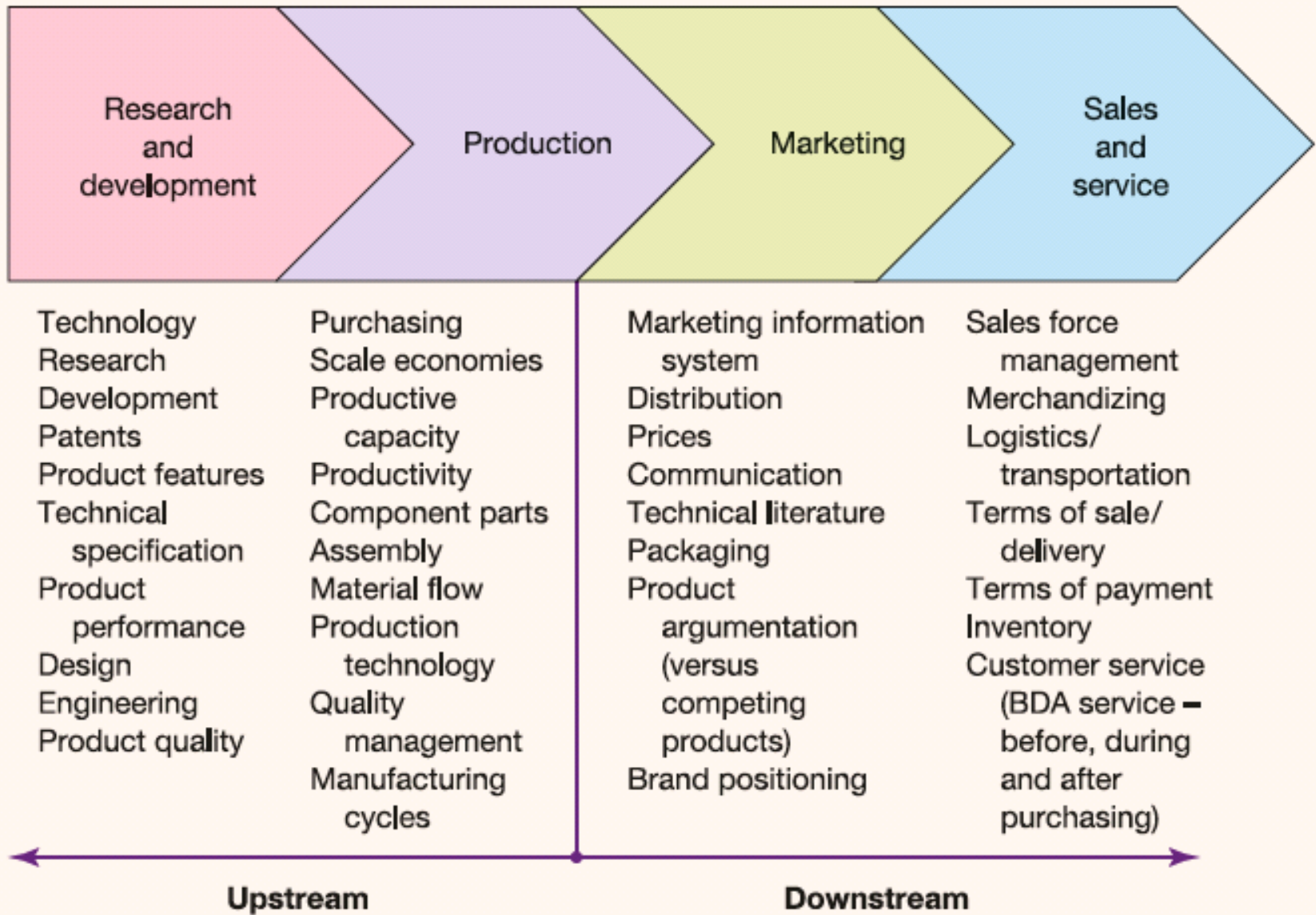


Figure 1.11 A simplified version of the value chain

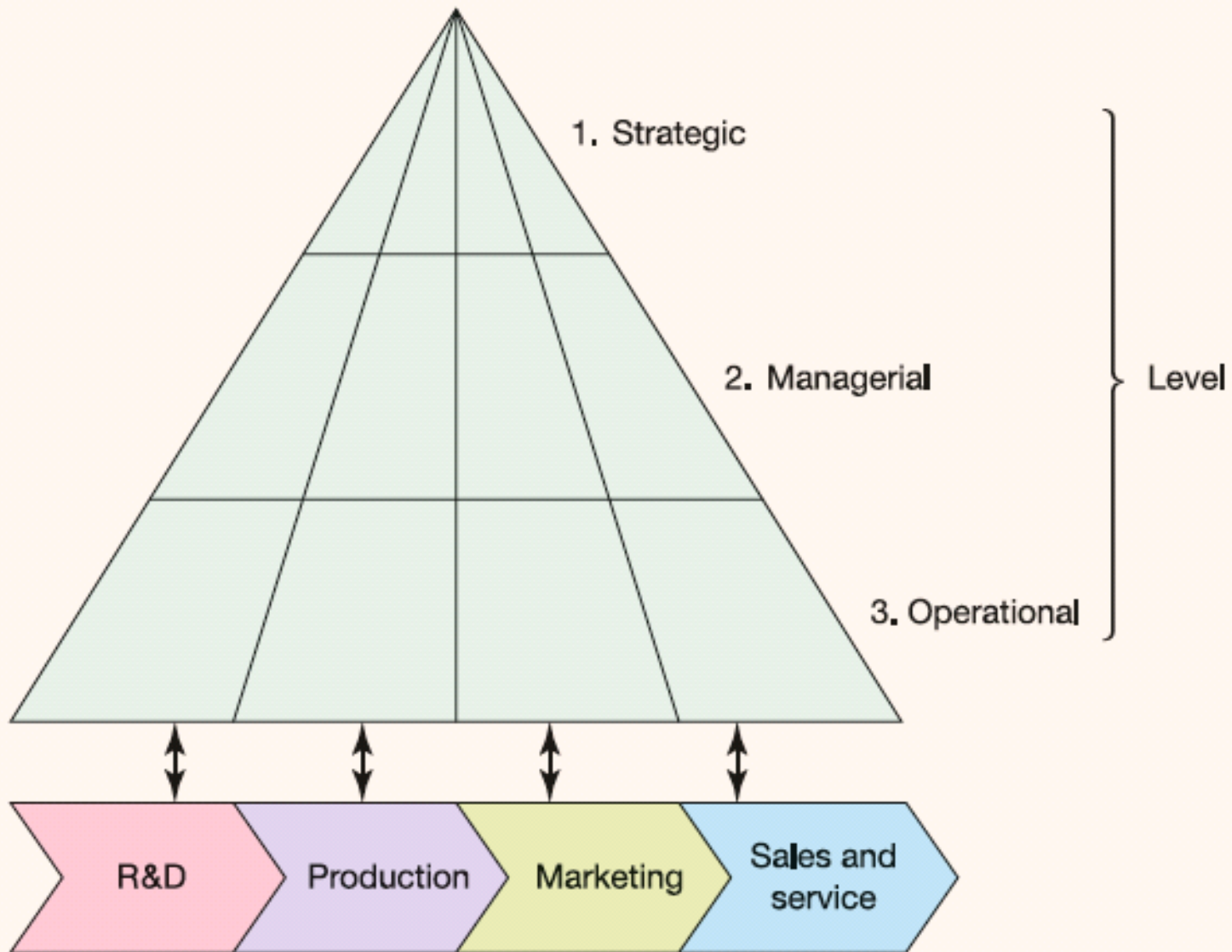


Figure 1.12 The value chain in relation to the strategic pyramid

EXHIBIT 1.4 Pocoyo – upstream–downstream cooperation about globalization of an animated preschool series



Pocoyo Series © Zinkia Entertainment, S.A.

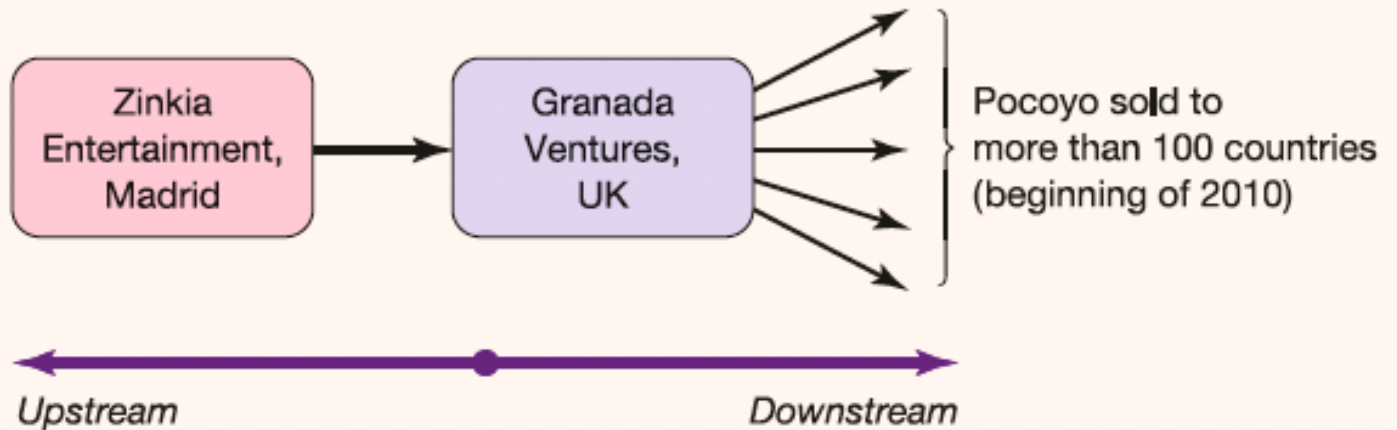


Figure 1.13 The value chain in relation to the strategic pyramid

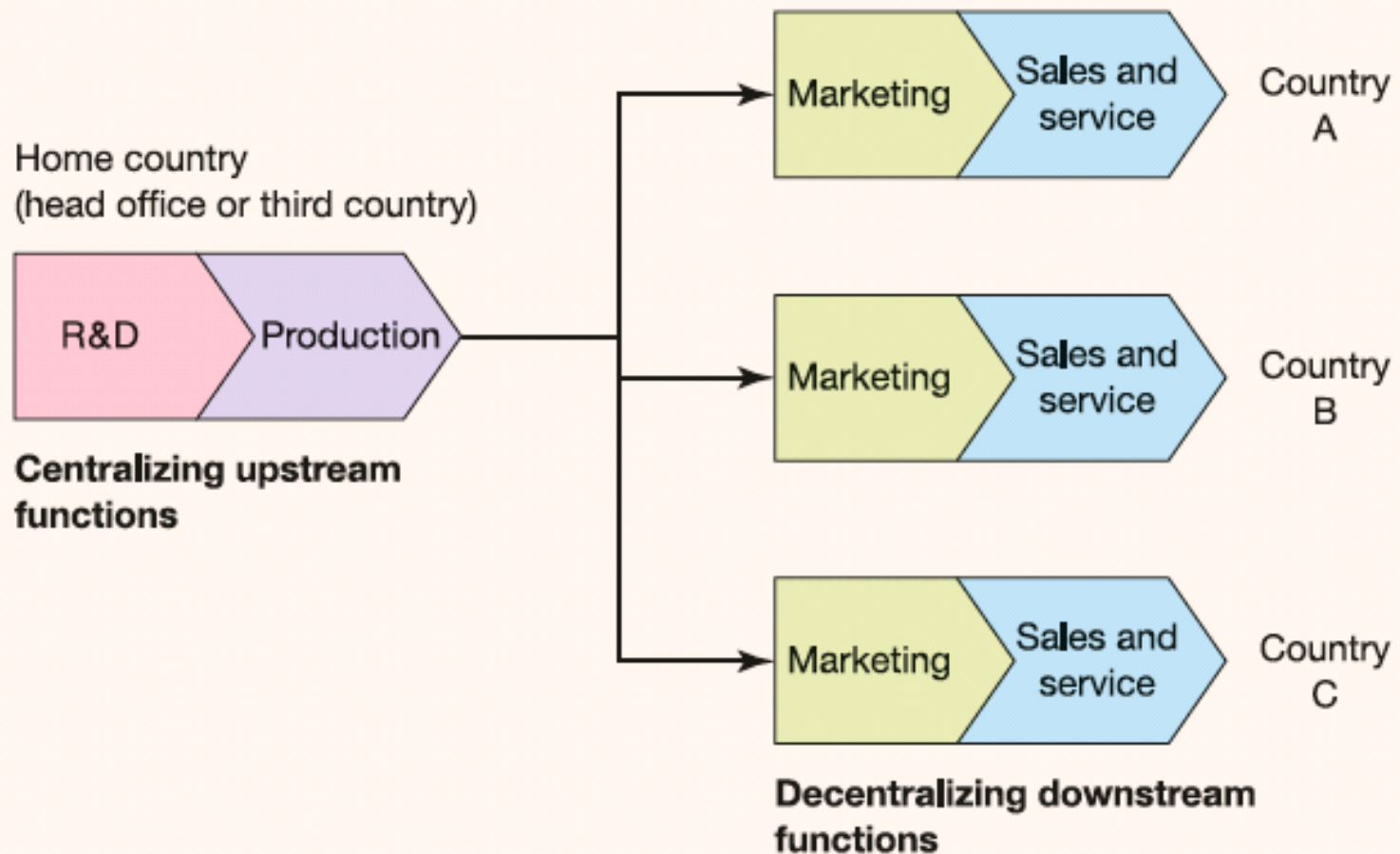


Figure 1.14 Centralizing the upstream activities and decentralizing the downstream activities

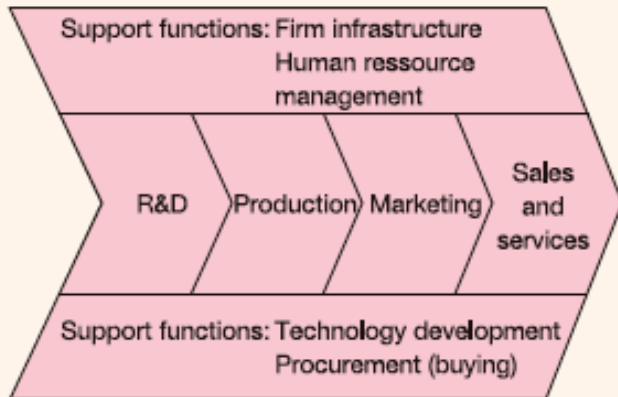
Table 1.2

The traditional value chain versus the service value chain

Traditional value chain model

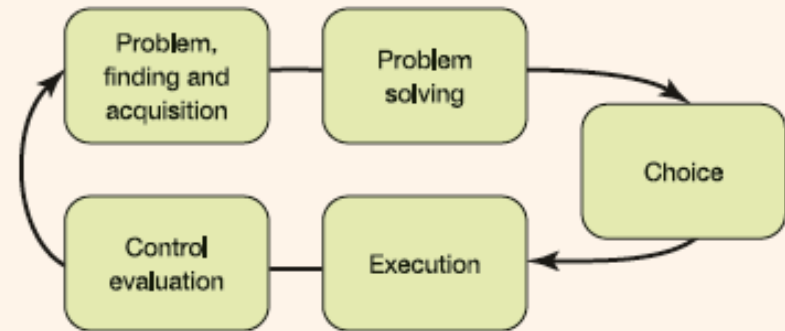
Value creation through transformation of inputs (raw material and components) to products.

Sequential process ('first we develop the product, then we produce it, and finally we sell it').

**Service value chain (value shop) model**

Value creation through customer problem-solving. Value is created by mobilizing resources and activities to resolve a particular and unique customer problem. Customer value is not related to the solution itself but to the value of solving the problem.

Cyclical and iterative process.



Source: based on Stabell and Fjeldstad (1998)

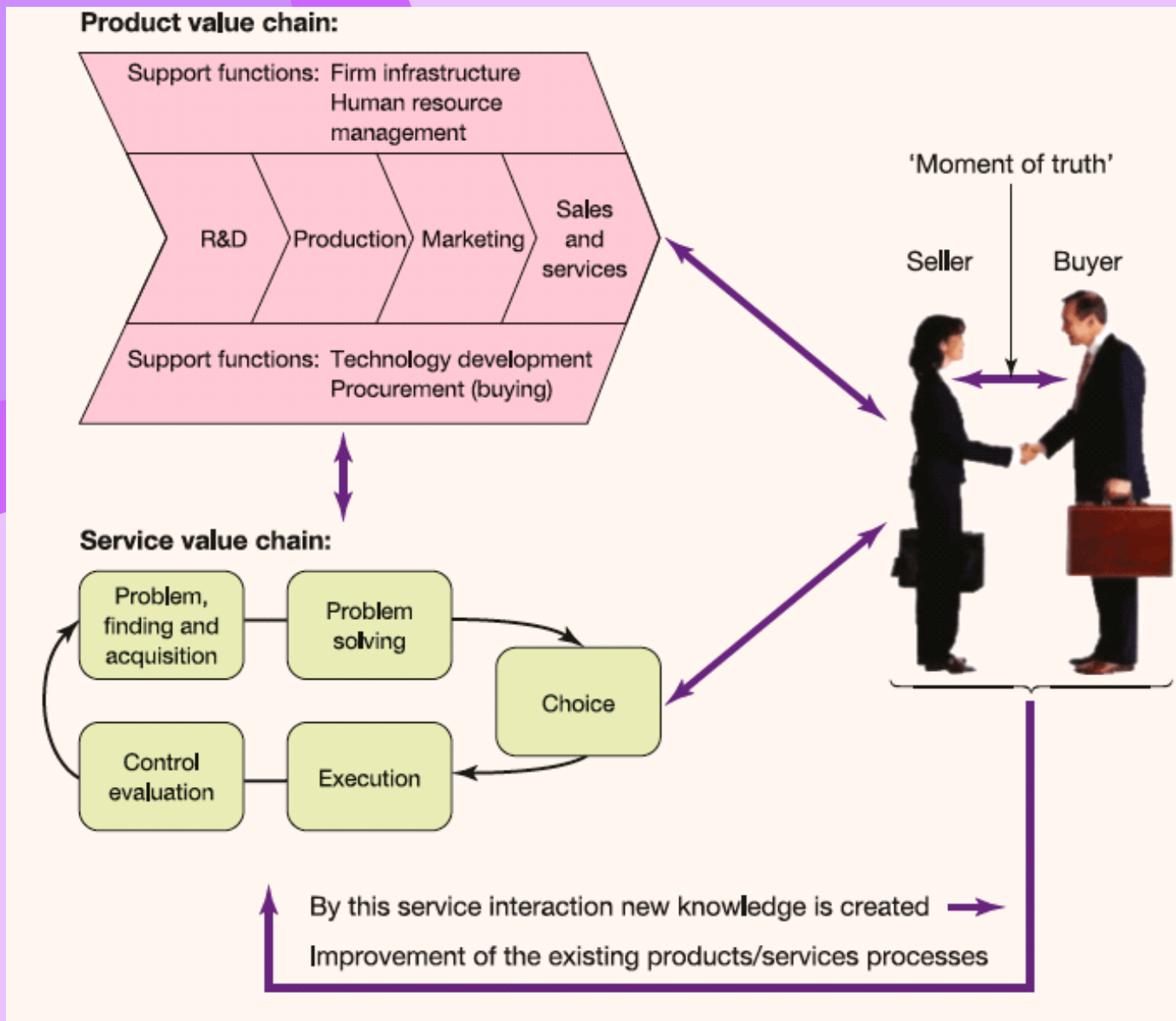


Figure 1.15 Combining the product value chain and the service value chain

What is this?

What term refers to an extension of the conventional value chain, where the information processing itself can create value for customers?

Virtual value chain

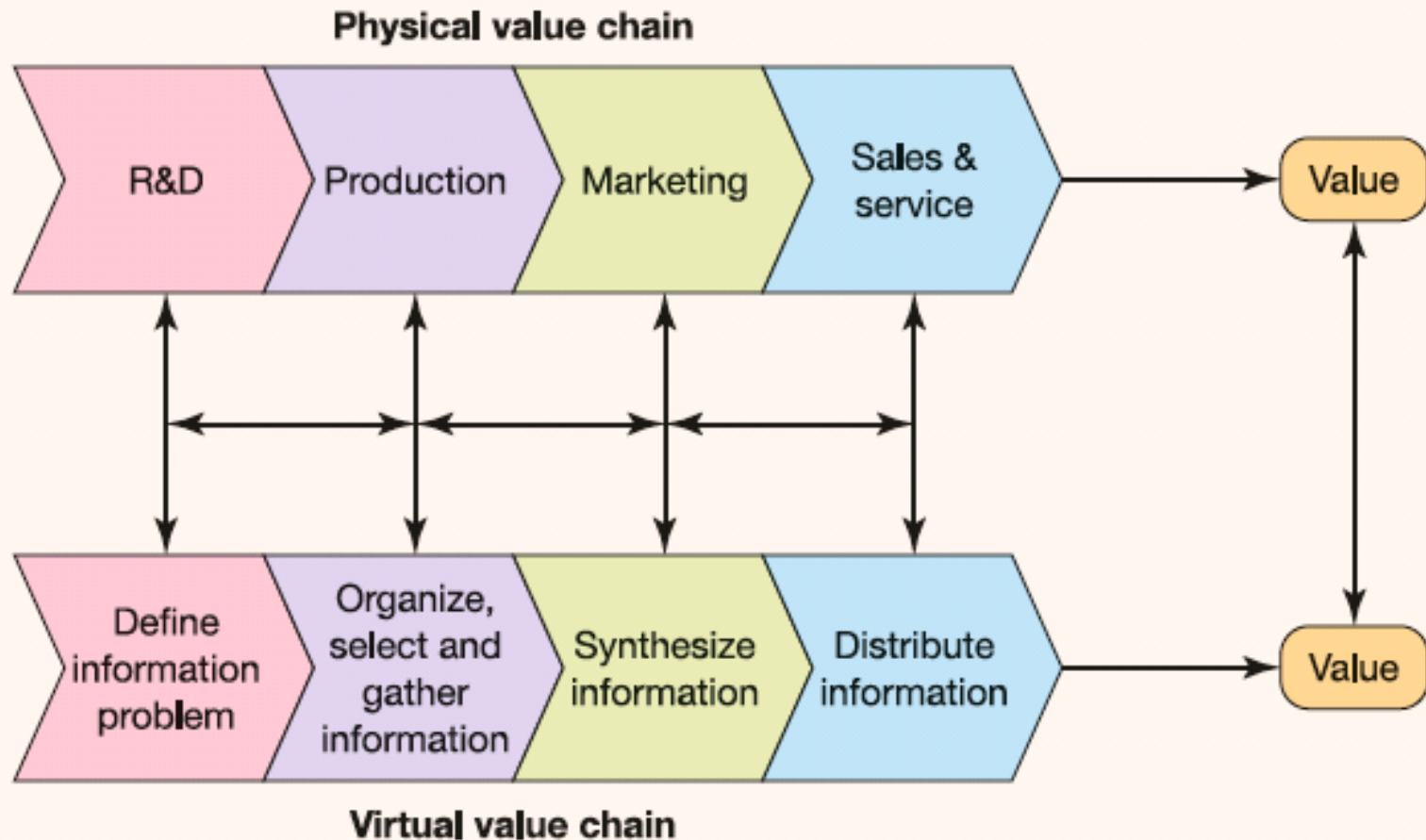


Figure 1.16 The virtual value chain as a supplement to the physical chain

Creating value by using information

Managing risks

Reducing costs

Offering products and services

Inventing new products

CASE STUDY 1.1

Build-A-Bear Workshop (BBW): how to manage the global comeback?



QUESTIONS

1. How would you characterize the current global BBW strategy?
2. Is the headquarters of BBW in the USA following the right mixture of own stores and franchised stores?
3. What would you consider as the main reasons for the BBW failure in Germany?
4. How should BBW manage the global comeback?

CASE STUDY 1.2

Arcor: a Latin American confectionery player is globalizing its business

NUEVO ARCOR CEREAL MIX.

SPONSOR OFICIAL DE TODOS TUS ESFUERZOS.

ARCOR

The advertisement features a black and white photograph of a man in a dark suit and tie, looking slightly to his left. A woman with long hair is kissing him on the cheek from behind. In the foreground, three packages of Arcor Cereal Mix are overlaid on the image, each showing a different flavor: one in a blue wrapper, one in a red wrapper, and one in a yellow wrapper. The Arcor logo is in the bottom right corner.

QUESTIONS

1. What would be the major obstacles to Arcor's attempt to penetrate markets outside Latin America?
2. How could Arcor use the concept of the virtual value chain to increase internationalization?
3. Where are Arcor's competitive advantages in the value chain?

VIDEO CASE STUDY 1.3 Nivea

download from www.pearsoned.co.uk/hollensen

Nivea (www.nivea.com) is Beiersdorf's (www.beiersdorf.com) largest brand in terms of sales, product and geographical reach. The brand is a market leader in a number of product areas, including skin care and sun care, especially in Europe.

Questions

1. Which degree of market responsiveness and global coordination/integration does Nivea represent?
2. Do you think that the Nivea Vital commercial (shown in the video) is able to cross borders without any adaptation? If not, which elements should be adapted?
3. Which marketing problems does Nivea anticipate when penetrating the US market?



Nivea and Beiersdorf UK Ltd.

Questions for discussion (1)

- What is the reason for 'convergence orientation' in LSEs and SMEs?
- How can an SME compensate for its lack of resources and expertise in global marketing when trying to enter export markets?

Questions for discussion (2)

- What are the main differences between global marketing and marketing in the domestic context?
- Explain the main advantages of centralizing upstream and decentralizing downstream activities?
- How is the 'virtual value chain' different from the 'conventional value chain'?