

Global Marketing

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Chapter 1 Global Marketing in the Firm

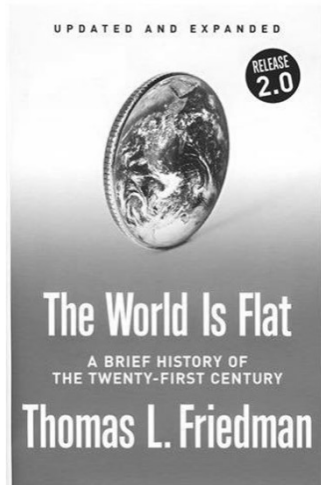
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- 1.3 Comparison of the global marketing and management style of SMEs and LSEs
- 1.4 Should the company internationalize at all?
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- 1.6 Forces for global integration and market responsiveness
- 1.7 The value chain as a framework for identifying international competitive advantage
- 1.8 Value shop and the service value chain
- 1.9 Global experimental marketing
- 1.10 Information business and the virtual value chain

Learning Objectives

- Characterize and compare the management style in SMEs (small and medium-sized enterprises) and LSEs (large-scale enterprises)
- Identify drivers of global integration and market responsiveness
- Explain the role of global marketing in the firm from a holistic perspective
- Describe and understand the concept of the value chain
- Identify and discuss different ways of internationalizing the value chain
- Explain the difference between the 'product value chain' and the 'service value chain'
- Understand how 'customer experience' can extend the traditional value perspective.

1.1 Introduction to Globalization



- World 1.0 – Distinct Nations and States
- World 2.0 – Stateless Ideal
- World 3.0 – Home matters, but so do countries abroad.

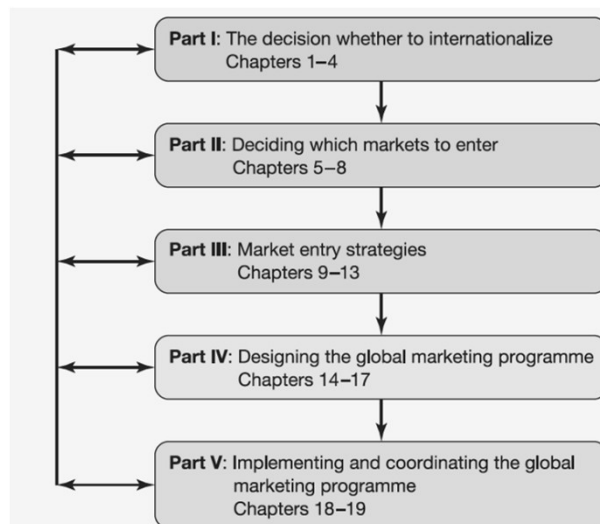
1.1 Introduction to Globalization



- Question and assignment:
How does the trade war between China and US influence the economy of China? What is the world's future?

1.2 The process of developing the global marketing plan

- The purpose of the marketing plan is create sustainable competitive advantages in the global marketplace.



1.3 Comparison of the global marketing and management style of SMEs and LSEs

- **LSES** - According to the EU definition, LSEs (large-scale enterprises) are firms with more than 250 employees. Although LSEs account for less than 1 percent of companies, almost one-third of all jobs in the EU are provided by LSEs.
- **SMES** - SMEs (small and medium-sized enterprises) occur commonly in the EU and in international organizations. The EU categorizes companies with fewer than 50 employees as 'small', and those with fewer than 250 as 'medium'. In the EU, SMEs (250 employees and less) comprise approximately 99 per cent of all firms.

1.3.1 Resources

- Financial.
- Business education/specialist expertise.

2016年，在中国4000万家中小企业中，有500万家专注于外贸，出口额占外贸出口总额的60%以上。

——凤凰财经

2016年，在淘宝、易贝等购物网站开店的韩国中小企业共2036家，出口额达443亿韩元（约合人民币2.68亿元）。有1288家中小企业在中小企业厅的支援下进驻韩国国内跨境直销网站，出口总额达56.2亿韩元。

——新浪财经

1.3.2 Formation of Strategy/decision-making process

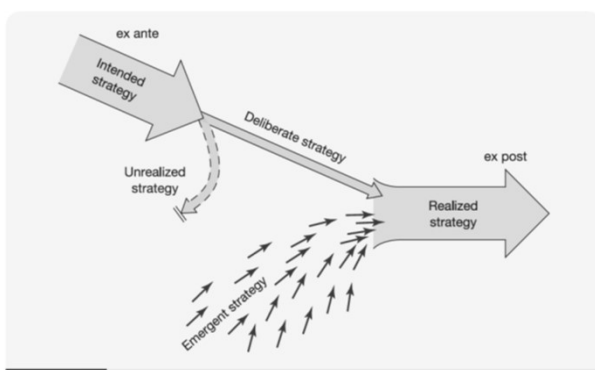


Figure 1.3 The intended and emergent strategy

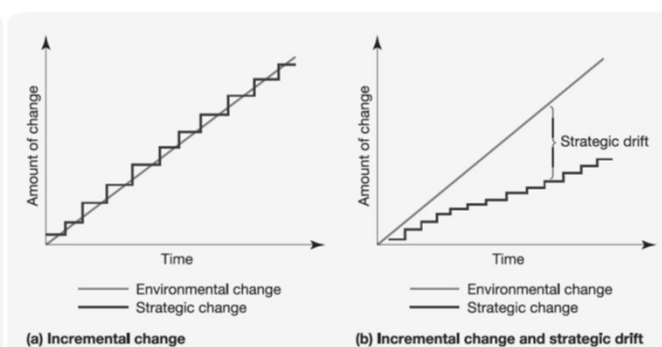


Figure 1.4 Incremental change and strategic drift

Case Study: LEGO's strategic drift



- Today (the beginning of 2013), the Danish family-owned LEGO group (www.lego.com) is the world's third largest toy producer after Mattel (known for the Barbie doll) and Hasbro (known for Trivial Pursuit). But things have not always been so rosy. In 2003, the firm suffered a net loss of approximately US\$3.19 billion.
- LEGO had been trying to extend its traditional concepts and values into media products for children aged 2-16 years. These new categories - including PC and console software, books, magazines, TV, film and music - aimed to replicate the feelings of confidence and trust already long established among children and their parents. It also went high-tech with products such as Mindstorms, and its Bionicles toys appeared in a full-length animated feature film.
- After the huge loss in 2003, LEGO returned to its former core concept. In order to ensure increased focus on the core business, in the autumn of 2004 the LEGO Group decided to sell off the LEGOLAND Parks. It would focus more on building bricks as its main product, concentrating on small kids' eagerness to assemble.

1.3.3 Organization, Risk-taking, Flexibility

- The employees in SMEs are usually closer to the entrepreneur.
- Normally the LSEs will be risk-averse because of their use of a decision-making model that emphasizes small incremental steps with a focus on long-term opportunities.
- SMEs can react in quicker and more flexible way to customer enquiries.

1.3.4 Economies of scale and economies of scope

- **Economies of scale** - Accumulated volume in production, resulting in lower cost price per unit.
- **Economies of scope** - Reusing a resource from one business/country in additional businesses/countries.

1.3.5 Use of information sources

- LSEs rely on commissioned market reports produced by reputable (and wellpaid!) international consultancy firms as their source of vital global marketing information.
- SMEs usually gather information in an informal manner through the use of face-to-face communication.

1.4 Should the company internationalize at all?

		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

1.5 Development of the 'global marketing' concept

EPRG Framework:

- Ethnocentric : the home country is superior and the needs of the home country are most relevant.
- Polycentric (multi-domestic): each country is unique and should therefore be targeted in a different way.
- Regiocentric: the world consists of regions (e.g. Europe, Asia, the Middle East). The firm tries to integrate and coordinate its marketing program within regions, but not across them.
- Geocentric (global): the world is getting smaller and smaller. The firm may offer global product concepts but with local adaptation ('think global, act local').

1.5 Development of the 'global marketing' concept

- **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.

1.5 Development of the 'global marketing' concept



EXHIBIT 1.4 Helly Hansen is using 'localization' through geo-targeting technology

Brands are increasingly seeking to fine-tune their localization strategies by using the newest technology. In June 2015, outdoor apparel maker Helly Hansen from Norway revealed that it had grown sales in some countries by using geo-targeting technology to locate potential customers and lead them to the right Helly Hansen website.

The company pairs local weather forecasts with specific on-site experiences. When rain was forecasted over a five-day period in Germany, for example, the brand used geotargeting to present a rainwear banner on the homepage, rather than promoting winter skiwear. This resulted in a 52 per cent uplift in conversions from awareness of the brand to actual purchase.

Source: based on Bacon (2015).



Source: Convery flowers/Alamy Images.

1.6 Forces for global integration and market responsiveness

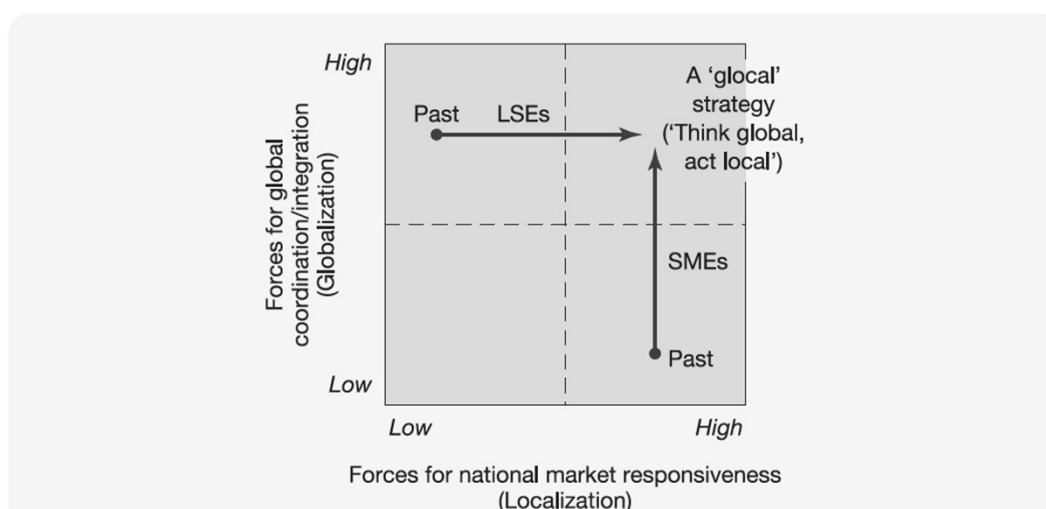


Figure 1.9

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

1.6.1 Forces for global integration

- *Removal of trade barriers (deregulation).*
- *Global accounts/customers.*
- *Relationship management/network organization.*
- *Standardized worldwide technology.*
- *Worldwide markets.*
- *'Global village.'*
- *Worldwide communication.*
- *Global cost drivers.*

1.6.2 Forces for 'market responsiveness'

- *Cultural differences.*
- *Regionalism/protectionism.*
- **Deglobalization trend.**
 - *Deglobalization Moving away from the globalization trends and regarding each market as special, with its own economy, culture and religion.*

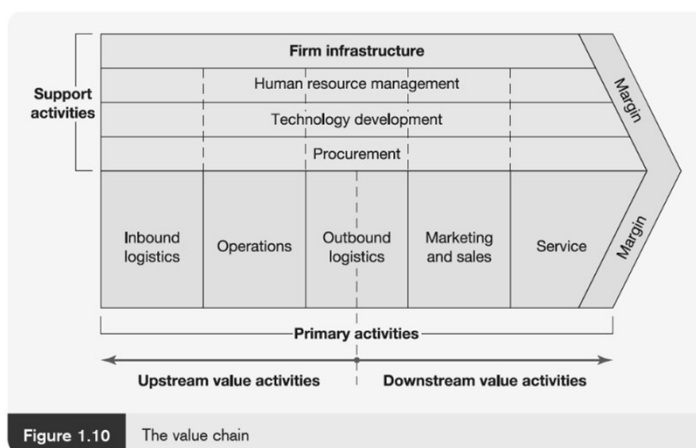
Case Study: ZTE



2018年4月16日，美国商务部宣布立即重启对中兴通讯的制裁禁令（ORDER ACTIVATING SUSPENDED DENIAL ORDER），中兴通讯将被禁止以任何形式从美国进口商品。

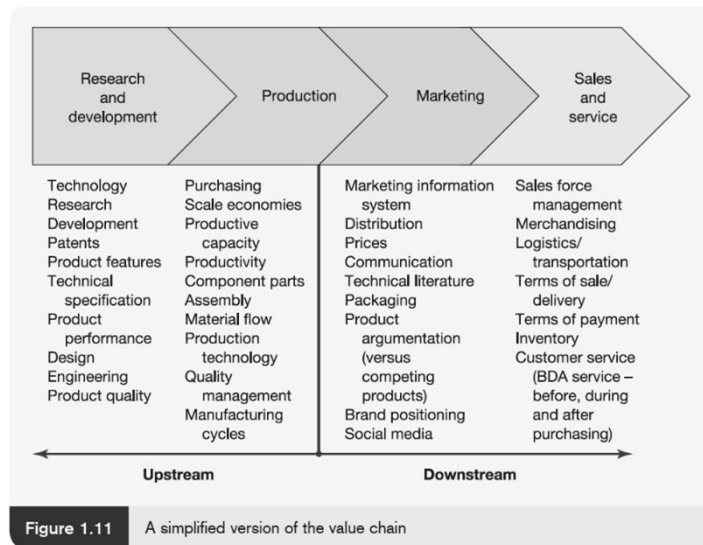
这意味着中兴通讯在2017年3月认罪并签署的和解协议宣告失败，已缴纳的8.92亿美元罚款仍不足以息事宁人，甚至可能还要进一步补缴缓期执行的3亿美元罚款。而更可怕的是，被美全面封杀后，对于严重依赖从美国进口芯片等元器件的中兴通讯来说，无疑是一场灾难。

1.7 The Value Chain as framework for identifying international Competitive Advantage



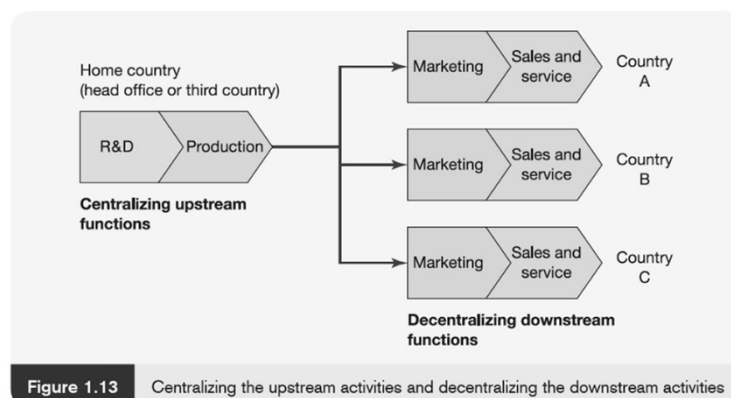
Value chain - A categorization of the firm's activities providing value for the customers and profit for the company.

1.7 The Value Chain as framework for identifying international Competitive Advantage

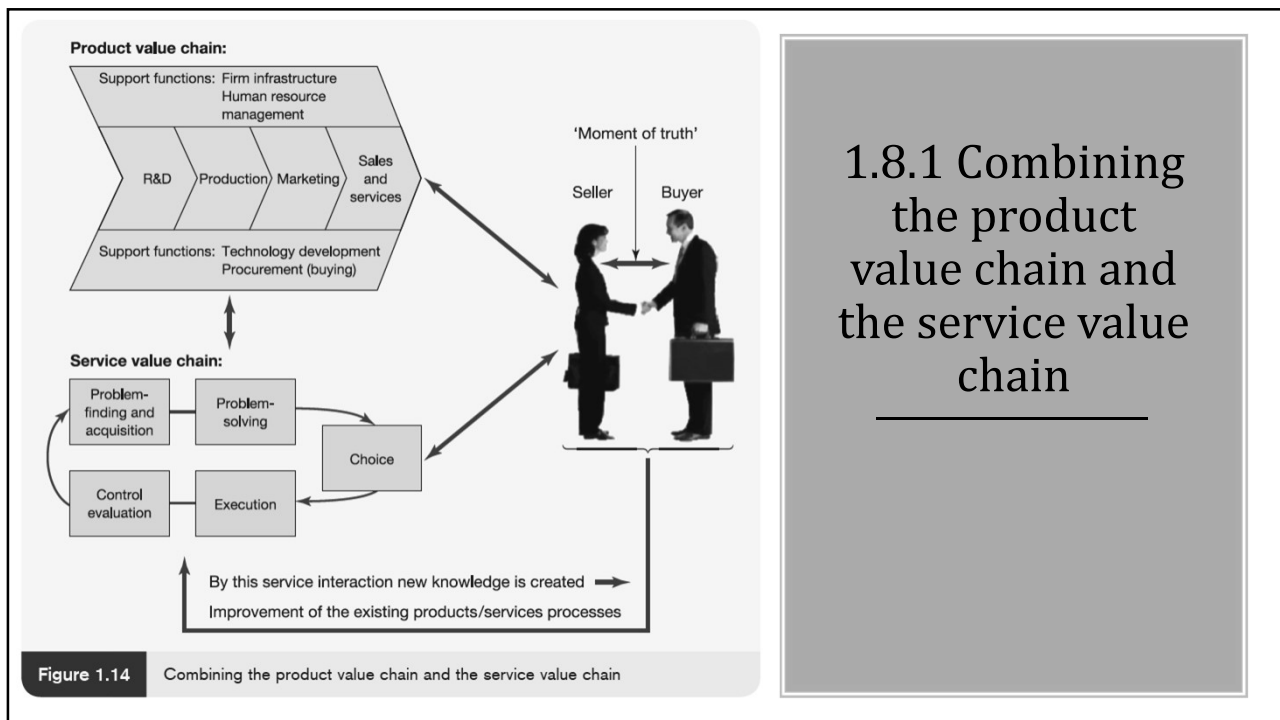
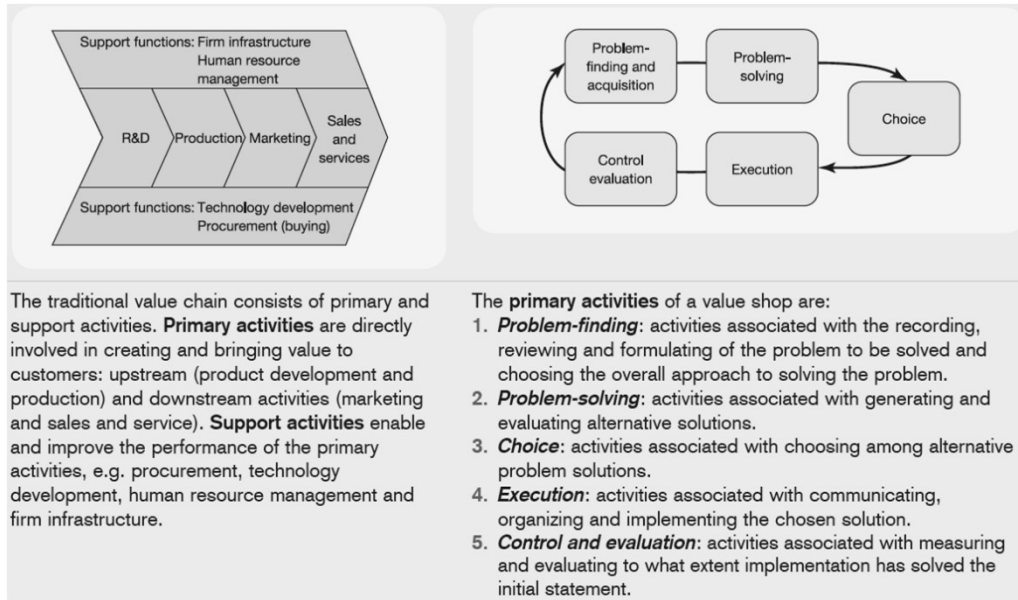


1.7.1 Internationalizing the value chain

- *The firm must decide whether the responsibility for the single value chain function is to be moved to the export markets or is best handled centrally from head office. Principally, the value chain function should be carried out where there is the highest competence (and the most cost-effectiveness), and this is not necessarily at head office.*



1.8 Value shop and the 'service value chain'



1.8.1 Combining the product value chain and the service value chain

1.9 Global Experimental Marketing

Customer experience - The use of products in combination with services to engage the individual customer in a way that creates a memorable event. This can be characterized into one of four groups: entertainment, educational, aesthetic or escapist.

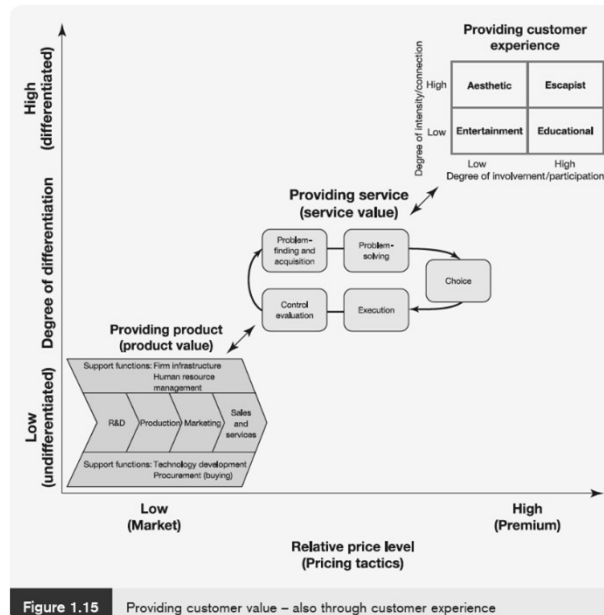


Figure 1.15 Providing customer value – also through customer experience

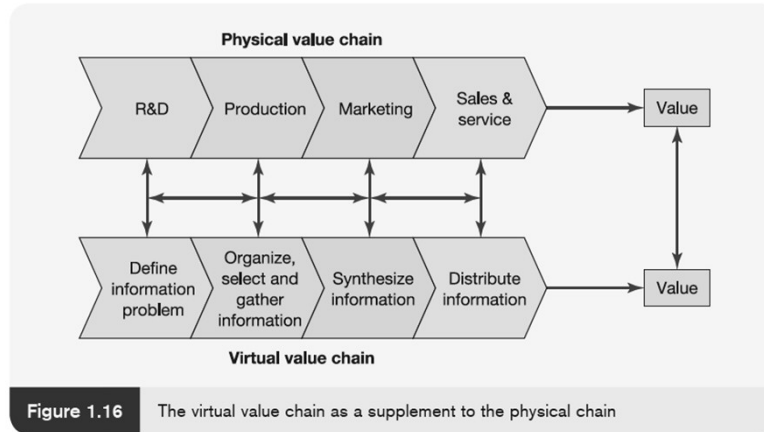
1.9.1 Augmented Reality (AR)

- **Augmented Reality (AR)** - Augmented Reality is a live view of a physical, realworld environment whose elements are augmented (or supplemented) by computer-generated sensory input such as sound, video, graphics or GPS data. AR technology allows consumers to virtually interact with three-dimensional product visualizations displayed on users' screens.

In the 2014 catalogue, IKEA has produced an interactive online catalogue based on AR, in which viewers can actually see a piece of furniture in their home before buying it. Viewers can accelerate their decision-making by easily dragging an item from the catalogue and placing it anywhere in the simulated space on their smartphone or tablet screen, and then immediately taking a screenshot of that selection. Such technology allows for more personally interactive catalogues and enhances playfulness and convenience, as well as stimulating consumers buying intentions and impressions of a brand.



1.10 Information business and the virtual value chain



Virtual value chain

An extension of the conventional value chain, where the information processing itself can create value for customers.

Four ways of using information to create business value:

- (1) Managing risks
- (2) Reducing costs
- (3) Offering products and services
- (4) Inventing new products

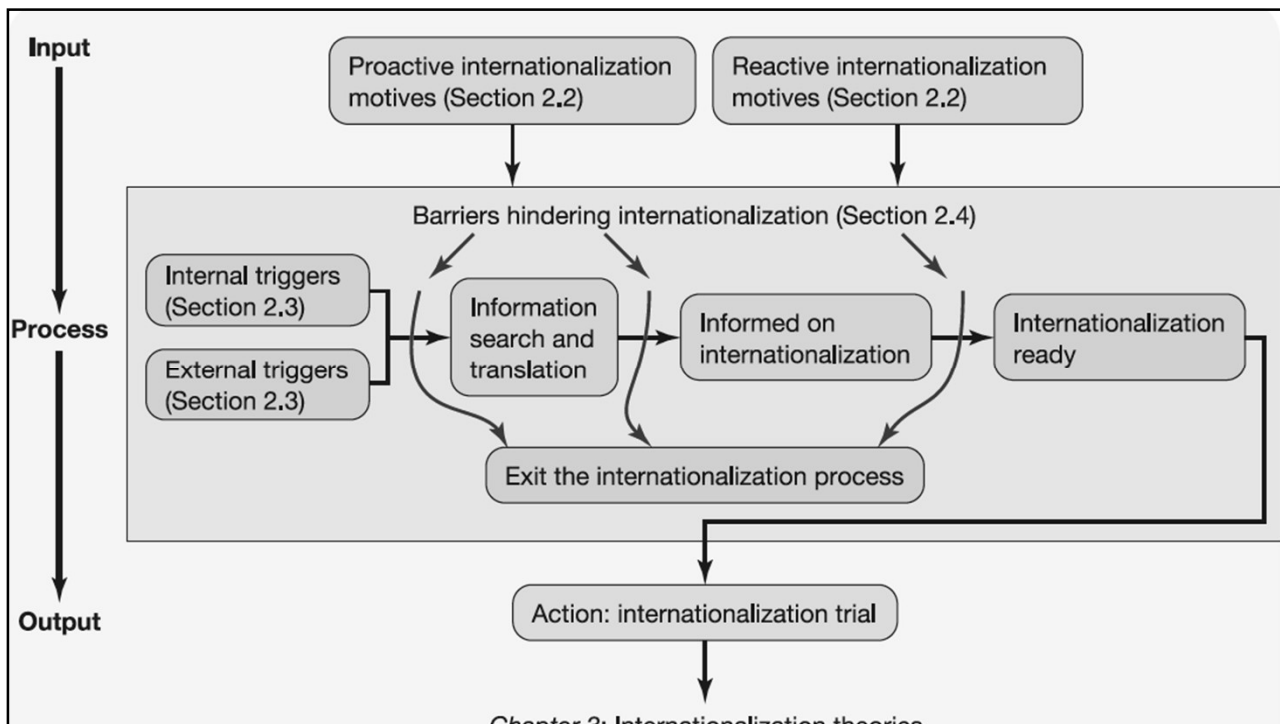
Chapter 2 Initiation of Internationalization

Contents

- 2.1 Internationalization motives
- 2.2 Triggers of export initiation (change agents)
- 2.3 Internationalization barriers/risks
- 2.4 Summary

Learning Objectives

- Discuss the reason (motives) why firms go international
- Explain the difference between proactive and reactive motives
- Analyze the triggers of export initiation
- Explain the difference between internal and external triggers of export initiation
- Describe different factors hindering export initiation
- Discuss the critical barriers in the process of exporting.



2.1 Internationalization Motives

- *Proactive motives* represent stimuli to attempt strategy change, based on the firm's interest in exploiting unique competences (e.g. a special technological knowledge) or market possibilities.
- *Reactive motives* indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time.

Table 2.1 Major motives for starting export

Proactive motives	Reactive motives
<ul style="list-style-type: none"> • Profit and growth goals • Managerial urge • Technology competence/unique product • Foreign market opportunities/market information • Economies of scale • Tax benefits 	<ul style="list-style-type: none"> • Competitive pressures • Domestic market: small and saturated • Overproduction/excess capacity • Unsolicited foreign orders • Extend sales of seasonal products • Proximity to international customers/psychological distance

2.2 Triggers of Export Initiation

Internationalization triggers -Internal or external events taking place to initiate internationalization.

Triggers of Export Initiation	
Internal triggers	External Triggers
• Perspective management	• Market demand
• Specific internal event	• Network partners
• Importing as inward internationalization	• Competing firms
	• Trade associations and other outside experts
	• Financing

2.3 Internationalization barriers/risks

- Barriers hindering internationalization initiation
 - Insufficient finances
 - Insufficient market knowledge
 - Lack of foreign market connections
 - Lack of export commitment
 - Lack of productive capacity to dedicate to foreign markets
 - Lack of capital to finance expansion into foreign markets
 - Lack of foreign channels of distribution
 - Management emphasis on developing domestic markets
 - Cost escalation due to high export manufacturing, distribution and financing expenditures.

2.3 Internationalization barriers/risks

- **De-internationalization** - A process, determined by internal and external factors, where the multinational company shifts to a strategic configuration that has a lower international presence.

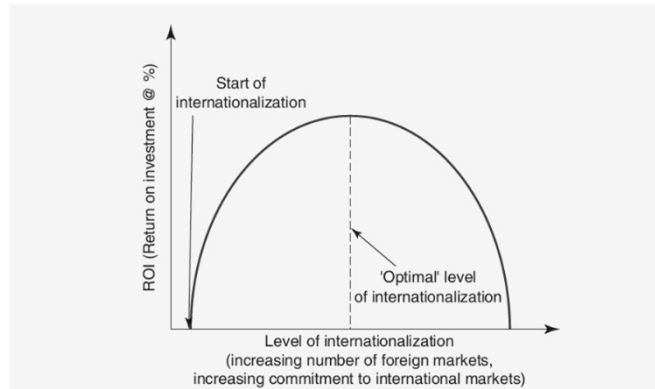


Figure 2.3 The inverted U-shaped curve of internationalization

2.4 Summary



Chapter 3

Internationalization Theories

Contents

- 3.1 Introduction
- 3.2 The Uppsala internationalization model
- 3.3 The transaction cost analysis (TCA) model
- 3.4 The network model
- 3.5 Born globals
- 3.6 Summary

Learning Objectives

- Analyze and compare the three theories explaining a firm's internationalization process:
 - (i) the Uppsala internationalization model
 - (ii) the transaction cost theory
 - (iii) the network model
- Explain the most important determinants for the internationalization process of small and medium- sized enterprises (SMEs)
- Discuss the different factors that influence internationalization of services
- Explain and discuss the relevance of the network model for an SME serving as a subcontractor.
- Explain the term 'born global' and its connection to internet marketing

3.1 Introduction

- Historical development of internationalization
 - The traditional marketing approach
 - 'Life cycle' concept for international trade
 - The Uppsala internationalization model
 - The internationalization/transaction cost approach
 - Dunning's eclectic approach (Ownership-location-internationalization, OLI)
 - The network approach

3.1 Introduction

- **Cultural distance** (discussed in Chapter 7) refers to the (macro) cultural level of a country and is defined as the degree to which (factual) cultural values in one country are different from those in another country, i.e. 'distance' between countries.
- **Psychic distance** can be defined as the individual manager's perception of the differences between the home and the foreign market, and it is a highly subjective interpretation of reality. 'Psychic distance' should consist of two dimensions of 'distance':
 - *Country characteristics distance*: level of economic development, communication infrastructure, marketing structure, technical requirements, market competitiveness and legal regulations.
 - *People characteristics distance*: per-capita income, purchasing power of customers, customer lifestyles and preferences, level of education, language and cultural values (beliefs, attitudes and traditions).

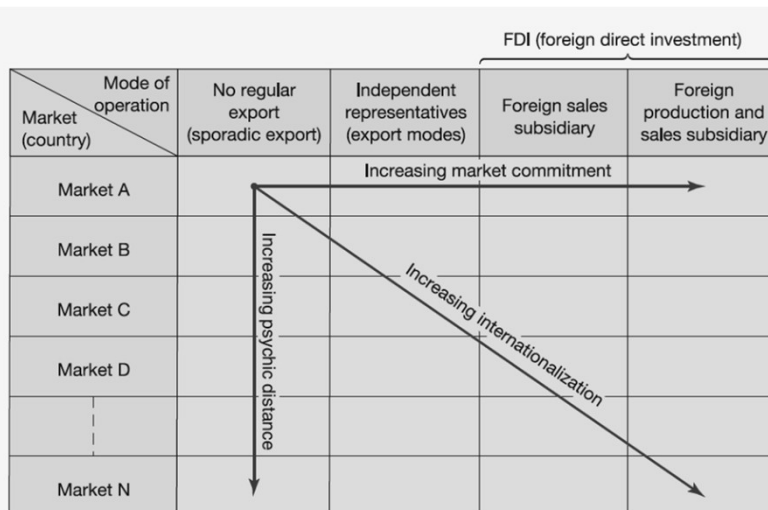


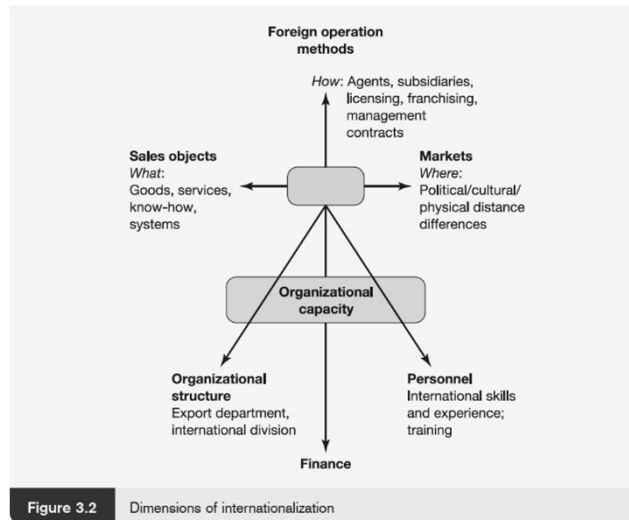
Figure 3.1 Internationalization of the firm: an incremental (organic) approach

3.2 The Uppsala internationalization model

• 3.2.1 The Stage Model

- ✓ Stage 1: no regular export activities (sporadic export)
- ✓ Stage 2: export via independent representatives (export modes)
- ✓ Stage 3: establishment of a foreign sales subsidiary
- ✓ Stage 4: foreign production/manufacturing units.

3.2.1 The Stage Model



The original stage model has been extended by Welch and Loustarinen (1988) with six dimensions. Cerrati et al. (2015) discuss the dimensions as following:

1. internationalization from the demand side (ratio of foreign sales to total sales);
2. resources located abroad (amount of resources that go overseas);
3. geographical scope (number of countries or regions in which the firm operates);
4. international orientation (percentage of managers with international work experience);
5. business networks (percentage of foreign sales that go through external agents/distributors vs own subsidiaries – FDI);
6. financial internationalization (share of foreign ownership). The underlying assumption in the Uppsala model is that internationalization

3.3 The transaction cost analysis (TCA) model

- **Transaction costs** - The 'friction' between buyer and seller, which is explained by opportunistic behavior.
- **Opportunistic behavior** - Self-interest with guile – misleading, distortion, disguise and confusion.
- **Transaction cost analysis** - Transaction cost analysis concludes that, if the 'friction' between buyer and seller is higher than through an internal hierarchical system, then the firm should internalize.

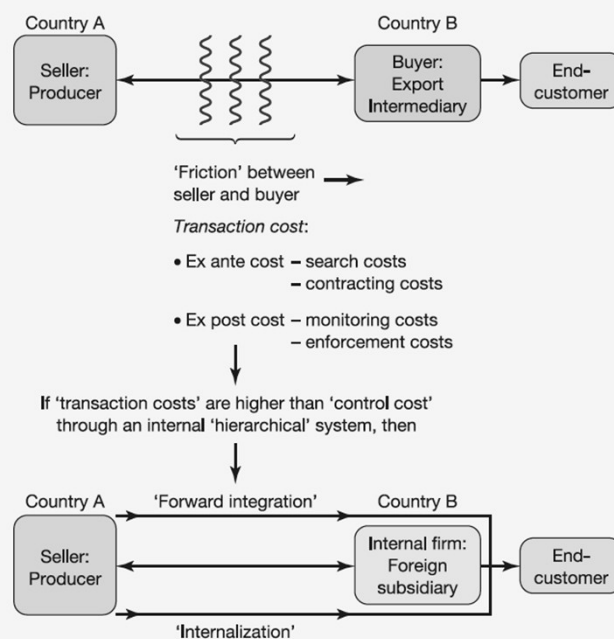


Figure 3.4 The principles of the TCA model

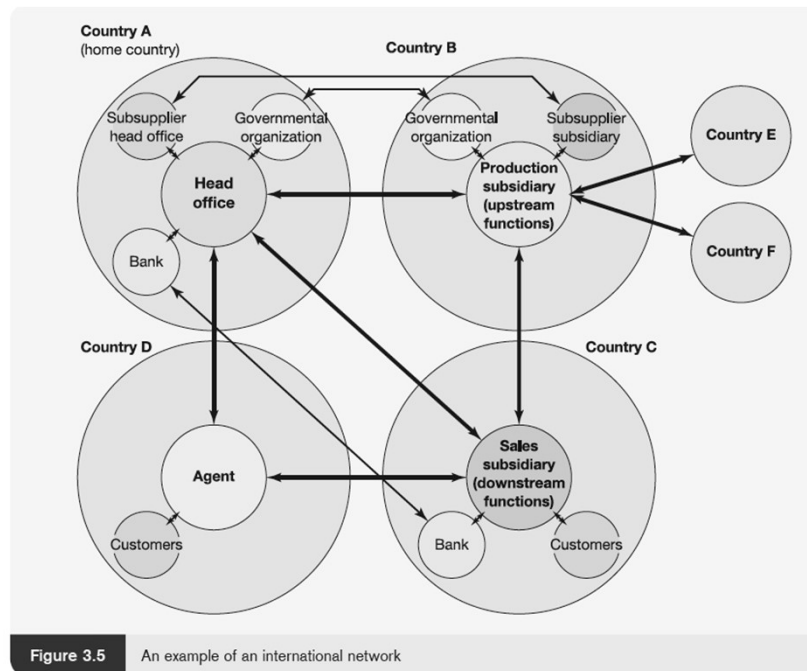
Limitations of the TCA framework

- Narrow assumptions of human nature
- Excluding 'internal' transaction cost
- Relevance of 'intermediate' forms for SMEs
- Importance of production cost is understated

3.4 The network model

- **Business networks** - Actors are autonomous and linked to each other through relationships, which are flexible and may alter accordingly to rapid changes in the environment. The 'glue' that keeps the relationships together is based on technical, economic, legal and, in particular, personal ties.
- **Network model** - The relationships of a firm in a domestic network can be used as bridges to other networks in other countries.

To enter a network from outside requires that other actors be motivated to engage in interaction, something that is resource-demanding and that may require several firms to make adaptations in their ways of performing business.



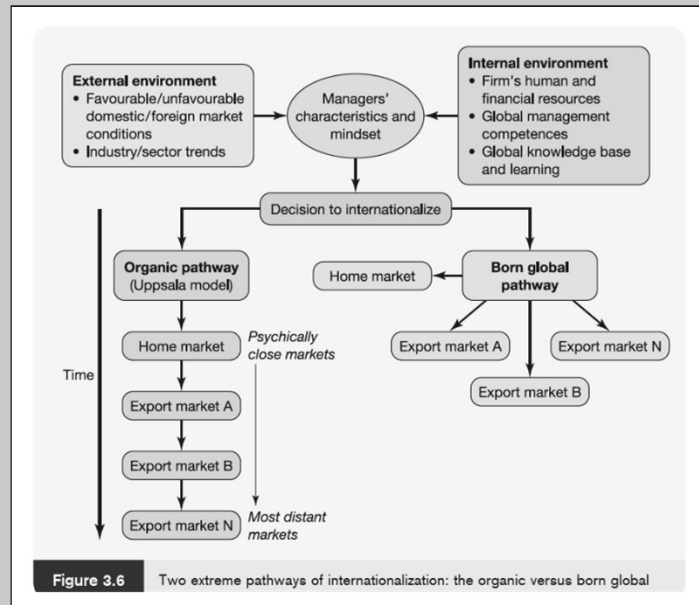
3.5 Born globals

- A **born global** can be defined as 'a firm that from its inception pursues a vision of becoming global and globalizes rapidly without any preceding long-term domestic or internationalization period' (Oviatt and McDougall, 1994; Gabrielsson and Kirpalani, 2004).



3.5.1 Internet-based born globals are emerging

- New media: Social Media, Internet, Mobile etc.
- The internet revolution offers new opportunities for young SMEs to establish a global sales platform by developing e-commerce websites.
- Born globals are challenging traditional theories



Chapter 4 Development of the Firm's International Competitiveness

Contents

- 4.1 Introduction
- 4.2 Analysis of national competitiveness (the Porter diamond)
- 4.3 Competition analysis in an industry
- 4.4 Value chain analysis
- 4.5 The sustainable global value chain
- 4.6 Corporate social responsibility (CSR)
- 4.7 The value net
- 4.8 Blue ocean strategy and value innovation

4.1 Introduction

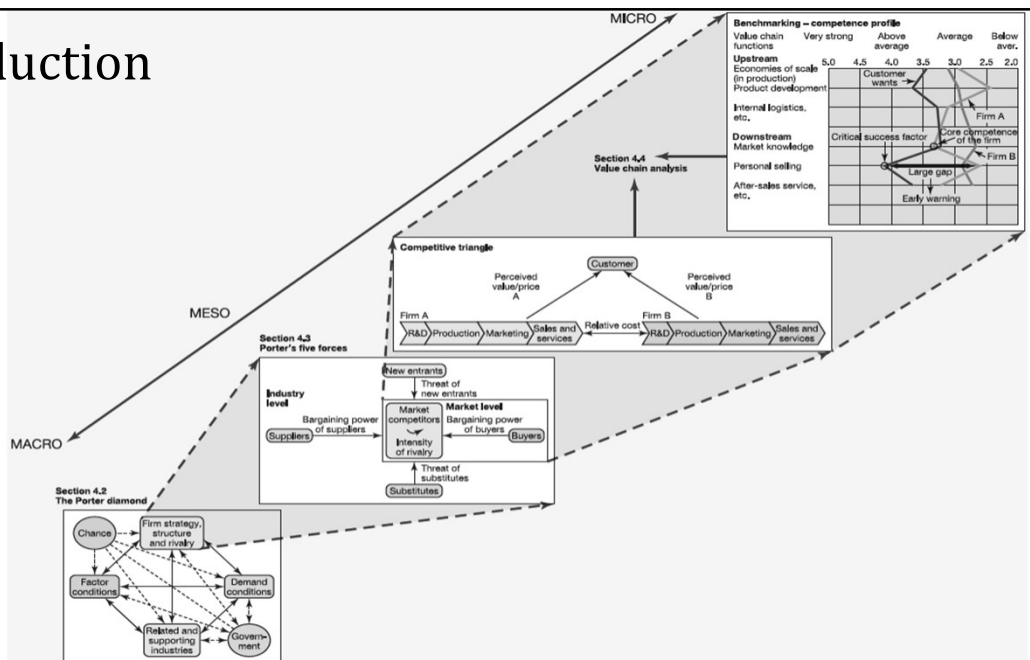


Figure 4.1

Development of a firm's international competitiveness

4.2 Analysis of national competitiveness (the Porter diamond)

- **Porter's diamond** - The characteristics of the 'home base' play a central role in explaining the international competitiveness of the firm – the explaining elements consist of factor conditions, demand conditions, related and supporting industries, firm strategy – structure and rivalry, government and chance.
- Factor conditions
- Demand conditions
- Related and supporting industries
- Firm strategy, structure and rivalry
- Government
- Chance

4.3 Competition analysis in an industry

- **Porter's five-forces model** - The state of competition and profit potential in an industry depends on five basic competitive forces: new entrants, suppliers, buyers, substitutes and market competitors.

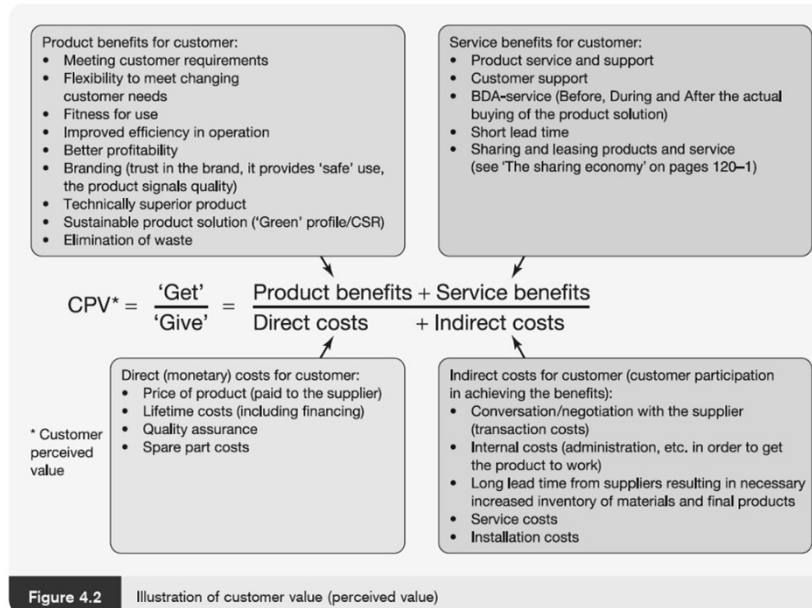
Table 4.1 The five-sources model and the corresponding five forces in the Porter model

Porter's five-forces model	The five-sources model
<i>Market competitors</i>	Horizontal collaborations with other enterprises operating at the same stage of the production process/producing the same group of closely related products (e.g. contemporary global partnering arrangements among car manufacturers)
<i>Suppliers</i>	Vertical collaborations with suppliers of components or services to the firm – sometimes termed vertical quasi-integration arrangements (e.g. the <i>keiretsu</i> formations between suppliers and assemblers that typify the car, electronics and other industries in Japan)
<i>Buyers</i>	Selective partnering arrangements with specific channels or customers (e.g. lead users) that involve collaboration extending beyond standard, purely transactional relationships
<i>Substitutes</i>	Related diversification alliances with producers of both complements and substitutes. Producers of substitutes are not 'natural allies', but such alliances are not inconceivable (e.g. collaborations between fixed-wire and mobile telephone firms in order to grow their joint network size)
<i>New entrants</i>	Diversification alliances with firms based in previously unrelated sectors, but between which a 'blurring' of industry borders is potentially occurring, or a process (commonly due to new technological possibilities) that opens up the prospect of cross-industry fertilization of technologies/business that did not exist before (e.g. the collaborations in the emerging multimedia field)

4.4 Value Chain Analysis

4.4.1 Customer Perceived Value

The customer's overall evaluation of the product/service offered by a firm.



Sources: adapted from Anderson et al. (2007, 2008); McGrath and Keil (2007); Smith and Nagle (2005).

4.4.2 Sharing Economy

- **The sharing economy** - An economic model in which individuals are able to lease assets (products or services) owned by someone else, typically through an online marketplace. The sharing economy model is most likely to be used when the price of a particular asset is high and the asset is not fully utilized all the time.

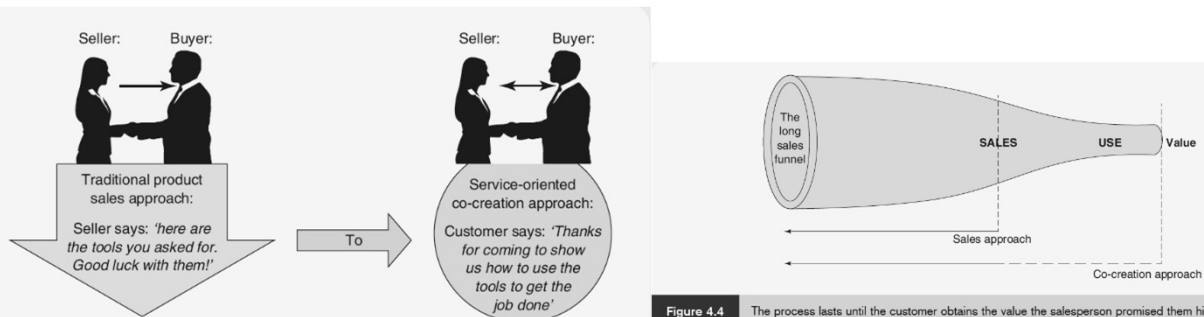


Figure 4.3 Hilti's changing strategy from traditional product sales approach to a service-oriented co-creation approach

Figure 4.4 The process lasts until the customer obtains the value the salesperson promised them him or her.

4.4.3 The Competitive Triangle

- **Competitive triangle** - Consists of a customer, the firm and a competitor (the 'triangle'). The firm or competitor 'winning' the customer's favor depends on perceived value offered to the customer compared with the relative costs between the firm and the competitor.

		Perceived value (compared to the purchase price)	
		Higher for A	Higher for B
Relative costs	Lower for A	I	II
	Lower for B	III	IV

Figure 4.5 Perceived value, relative costs and competitive advantage

4.4.4 The basic sources of competitive advantage

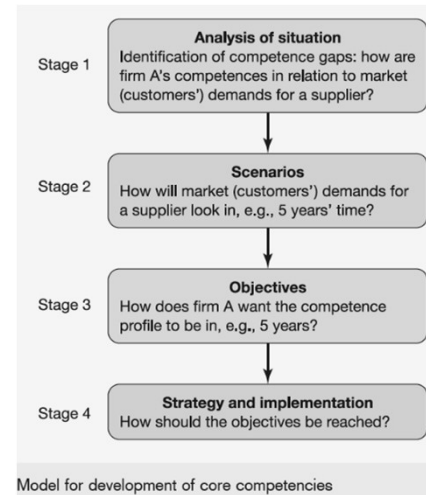
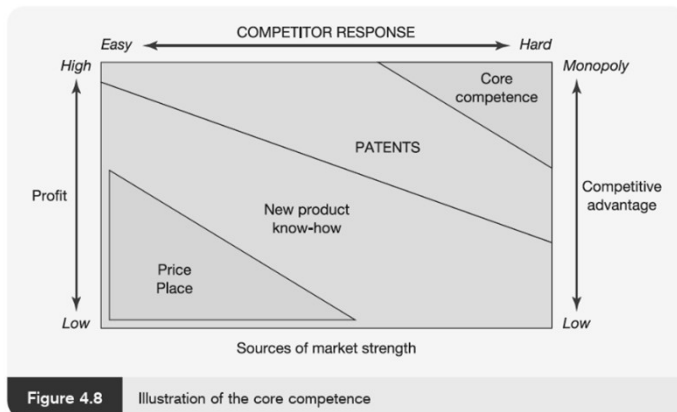
Resources

- **VRIO analysis** - VRIO is an abbreviation for the four questions that the firm asks about a resource to determine its competitive sustainability :
- **V (Value)**: Is the resource valuable to the focal firm?
- **R (Rarity)** Is the resource absolutely unique among a set of competitors?
- **I (Imitability)**: Is the resource difficult to imitate and will there be a significant disadvantage to a firm trying to obtain the resource?
- **O (Organization)**: Is the firm organized, ready and able to exploit the resource in order to capture the value?

4.4.4 The basic sources of competitive advantage

Competences

- **Core competences** – Value chain activities in which the firm is regarded as better than its competitors.

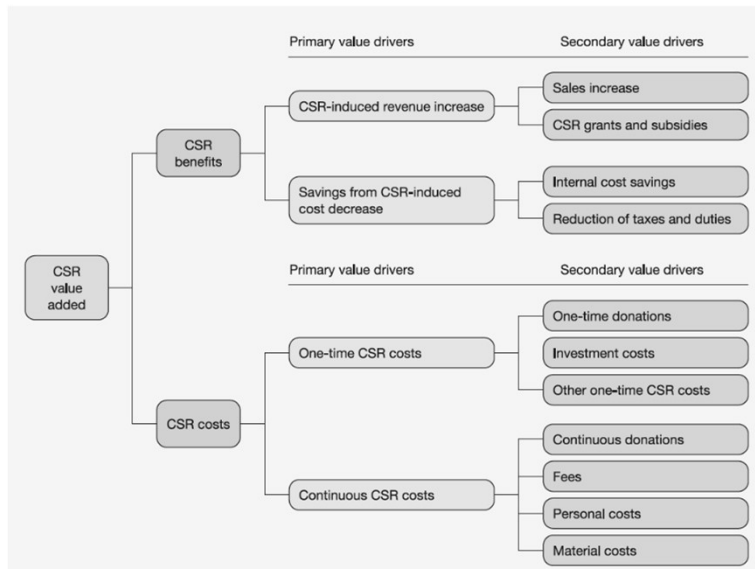


4.4.5 Competitive benchmarking (example with only a few criteria)

Examples of value chain functions (mainly downstream functions)	Customer Importance to customer (key success factors)					Own firm (Firm A) How do customers rate performance of our firm?					Key competitor (Firm B) How do customers rate performance of key competitor?				
	High importance					Low importance					Good				
	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1
Uses new technology															
High technical quality and competence															
Uses proven technology															
Easy to buy from															
Understands what customers want															
Low price															
Delivery on schedule															
Accessible for enquiries															
Takes full responsibility															
Flexible and quick															
Known contact person															
Provides customer training															
Takes account of future requirements															
Courteous and helpful															
Specified invoices															
Gives guarantees															
ISO 9000 certified															
Right first time															
Can give references															
Environment conscious															

4.5 Corporate social responsibility (CSR)

- **Corporate social responsibility (CSR)** - A number of corporate activities that focus on the welfare of stakeholder groups other than investors, such as charitable and community organizations, employees, suppliers, customers and future generations.



4.6 The value net

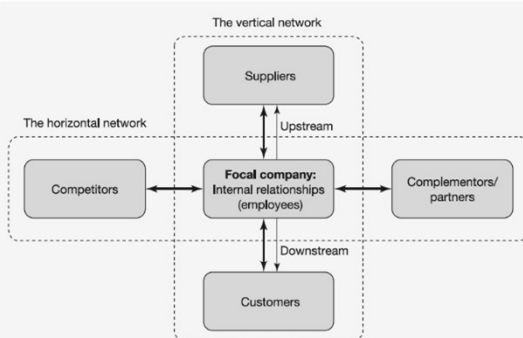


Figure 4.12 The value net

Value net - A company's value creation in collaboration with suppliers and customers (vertical network partners) and complementors and competitors (horizontal network partners).

Star Alliance members	Skyteam members	One World members
Adria Airways Aegean Airlines Air Canada Air China Air New Zealand ANA Asiana Airlines Austrian Avianca AV, TACA Airlines Blue1 Brussels Airlines Copa Airlines Croatia Airlines EGYPTAIR Ethiopian Airlines LOT Polish Airlines Lufthansa Scandinavian Airlines Singapore Airlines South African Airways SWISS TAM Airlines TAP Portugal THAI Turkish Airlines United US Airways	Aeroflot Aeromexico Air Europa Air France Alitalia China Airlines China Eastern China Southern Czech Airlines Delta Air Lines Kenya Airways KLM Korean Air Saudi Arabian Airlines TAROM Vietnam Airlines	airberlin/Niki American Airlines British Airways Cathay Pacific Finnair Iberia Japan Airlines LAN Mexicana Qantas Royal Jordanian S7 Airlines
Key data about the alliances		
Founded in: 1997	2000	1999
Number of passengers (2011) 654 million	487 million	288 million
Total number of aircrafts in the alliance: 4,386	3,542	2,194
Number of daily flights: 21,230	14,500	8,750

4.7 Blue ocean strategy and value innovation

- **Red oceans** - Tough head-to-head competition in mature industries often results in nothing but a bloody red ocean of rivals fighting over a shrinking profit pool.
- **Blue oceans** - The unserved market, where competitors are not yet structured and the market is relatively unknown. Here it is about avoiding head-to-head competition.
- **Value innovation** - A strategic approach to business growth, involving a shift away from a focus on the existing competition to one of trying to create entirely new markets. Value innovation can be achieved by implementing a focus on innovation and creation of new marketspace.

4.7 Blue ocean strategy and value innovation

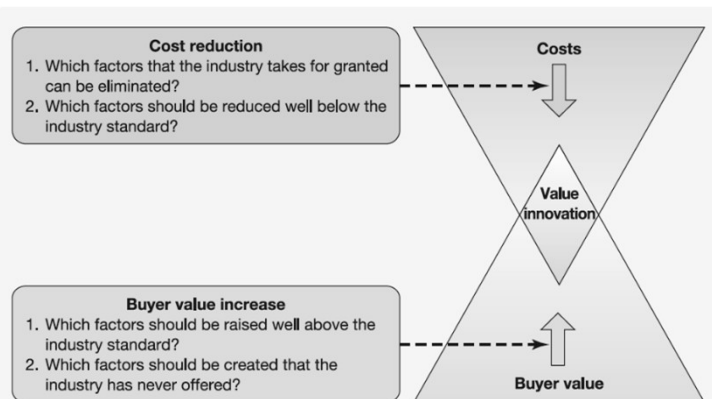
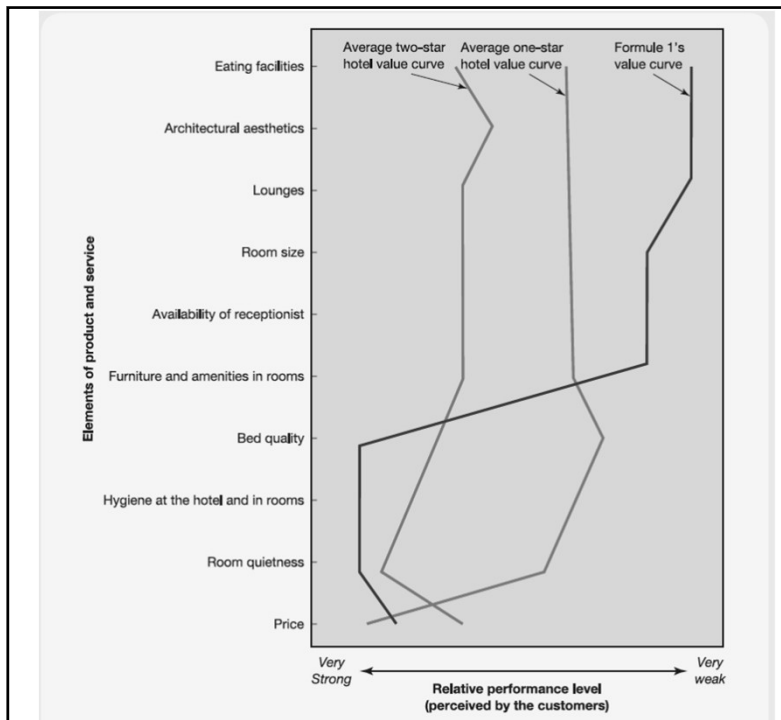
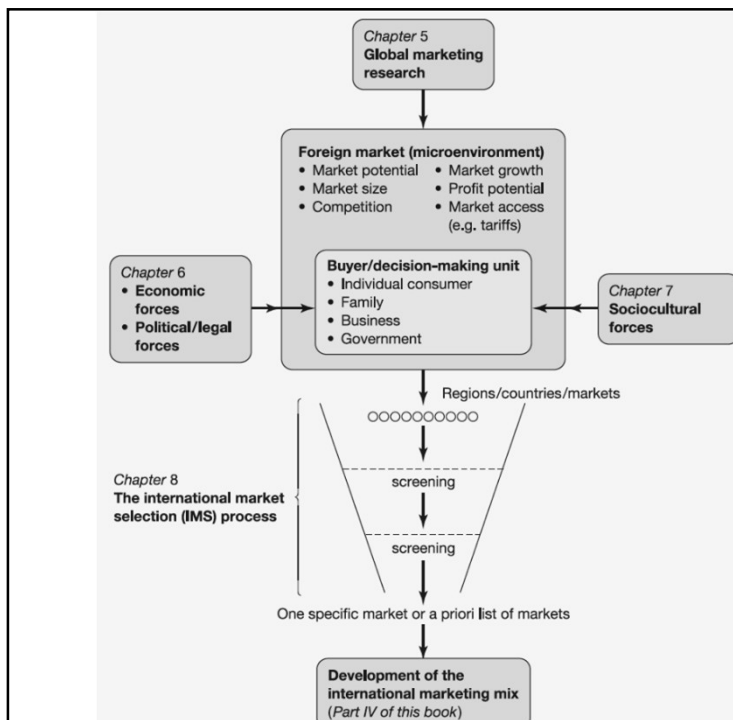


Figure 4.13 Blue ocean strategy framework



Case: Hotel Formule 1 –value innovation in action



Part 2 Deciding which markets to enter

Chapter 5 Global Marketing Research

Contents

- 5.1 Introduction
- 5.2 The changing role of the international researcher
- 5.3 Linking global marketing research to the decision-making process
- 5.4 Secondary research
- 5.5 Primary research
- 5.6 Other types of marketing research
- 5.7 Marketing research based on Web 2.0
- 5.8 Setting up an international marketing information system (MIS)

5.1 Introduction

- Information is a key ingredient in the development of successful international marketing strategies.
- The term 'marketing research' refers to gathering, analyzing and presenting information related to a well-defined problem. Hence the focus of marketing research is a specific problem or project with a beginning and an end.

5.2 The changing role of the international researcher

- The role of international market research is primarily to act as an aid to the decisionmaker.
- Earlier marketing research was regarded as a staff function and not a line function.
- As the line and staff boundary blurs, marketing managers are becoming increasingly involved in marketing research.

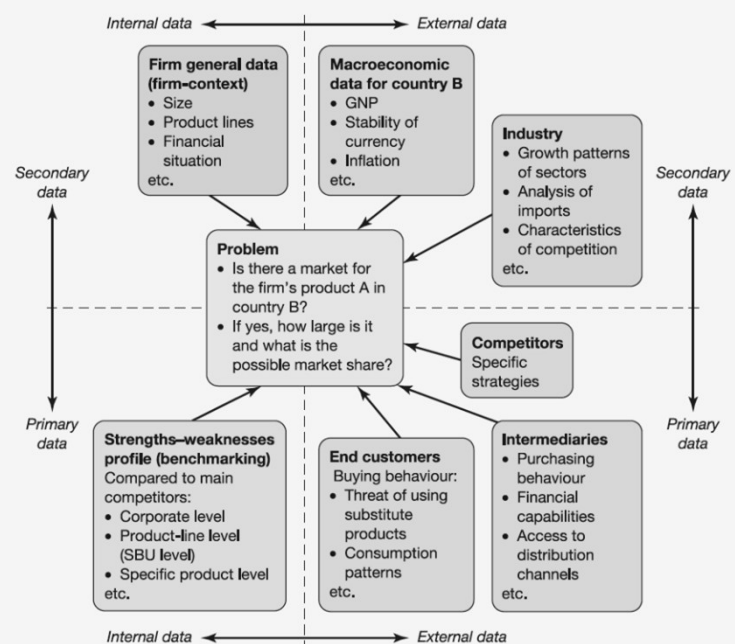
Table 5.1 Information for the major global marketing decisions

Global marketing decision phase	Information needed
1. Deciding whether to internationalize	Assessment of global market opportunities (global demand) for the firm's products Commitment of the management to internationalize Competitiveness of the firm compared with local and international competitors Domestic versus international market opportunities
2. Deciding which markets to enter	Ranking of world markets according to market potential of countries/regions Local competition Political risks Trade barriers Cultural/psychic distance to potential market
3. Deciding how to enter foreign markets	Nature of the product (standard versus complex product) Size of markets/segments Behaviour of potential intermediaries Behaviour of local competition Transport costs Government requirements
4. Designing the global marketing programme	Buyer behaviour Competitive practice Available distribution channels Media and promotional channels
5. Implementing and controlling the global marketing programme	Negotiation styles in different cultures Sales by product line, sales force customer type and country/region Contribution margins Marketing expenses per market

5.3 Linking global marketing research to the decision-making process

- A major reason that firms are reluctant to engage in global marketing research is a lack of sensitivity to cross-cultural customer tastes and preferences. What information should the global marketing research/DSS provide?

- Primary data** - Information that is collected first-hand, generated by original research tailor-made to answer specific research questions.
- Secondary data** - Information that has already been collected for other purposes and is thus readily available.

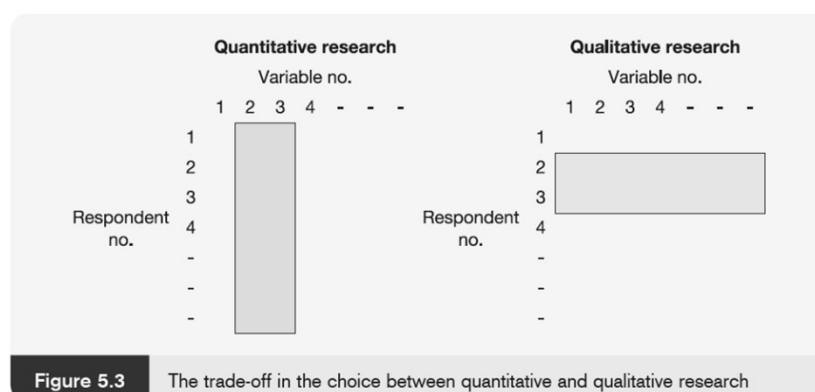
**Figure 5.1** Categorization of data for assessment of market potential in a country

5.4 Secondary research

- Advantages of secondary research in foreign markets
 - Secondary research conducted from the home base is less expensive and less time-consuming than research conducted abroad.
 - Secondary research can quickly generate background information to eliminate many countries from the scope of enquiries.
- Disadvantages of secondary research in foreign markets
 - Non-availability of data
 - Reliability of data
 - Data classification
 - Comparability of data

5.5 Primary Research

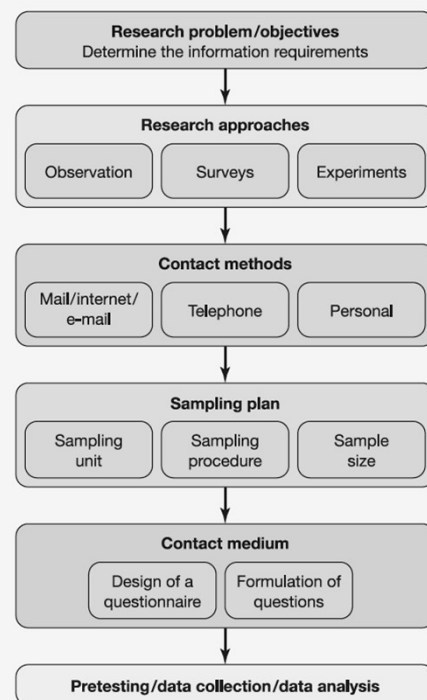
- **Quantitative research** - Data analysis based on questionnaires from a large group of respondents.
- **Qualitative research** - Provides a holistic view of a research problem by integrating a larger number of variables, but asking only a few respondents.



Comparison dimension	Quantitative research (e.g. a postal questionnaire)	Qualitative research (e.g. a focus group interview or the case method)
<i>Objective</i>	To quantify the data and generalize the results from the sample to the population of interest	To gain an initial and qualitative understanding of the underlying reasons and motives
<i>Type of research</i>	Descriptive and/or casual	Exploratory
<i>Flexibility in research design</i>	Low (as a result of a standardized and structured questionnaire: one-way communication)	High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)
<i>Sample size</i>	Large	Small
<i>Choice of respondents</i>	Representative sample of the population	People with considerable knowledge of the problem (key informants)
<i>Information per respondent</i>	Low	High
<i>Data analysis</i>	Statistical summary	Subjective, interpretative
<i>Ability to replicate with same result</i>	High	Low
<i>Interviewer requirements</i>	No special skills required	Special skills required (an understanding of the interaction between interviewer and respondent)
<i>Time consumption during the research</i>	<i>Design phase:</i> high (formulation of questions must be correct) <i>Analysis phase:</i> low (the answers to the questions can be coded)	<i>Design phase:</i> low (no 'exact' questions are required before the interview) <i>Analysis phase:</i> high (as a result of many 'soft' data)

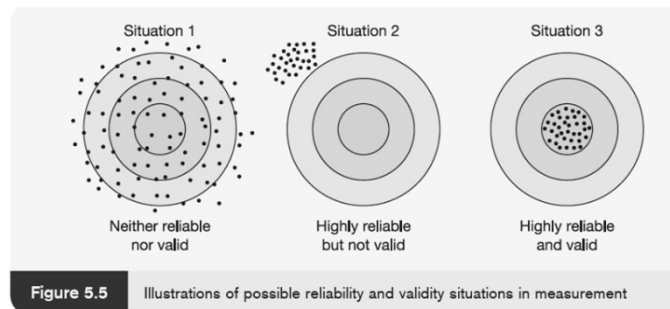
Primary data collection: research design

- Quantitative and qualitative research methods often complement each other. Sometimes it is relevant to use qualitative data collected by, for example, in-depth interview of a few key informants as exploratory input to the construction of the best possible questionnaire for the collection of quantitative data.



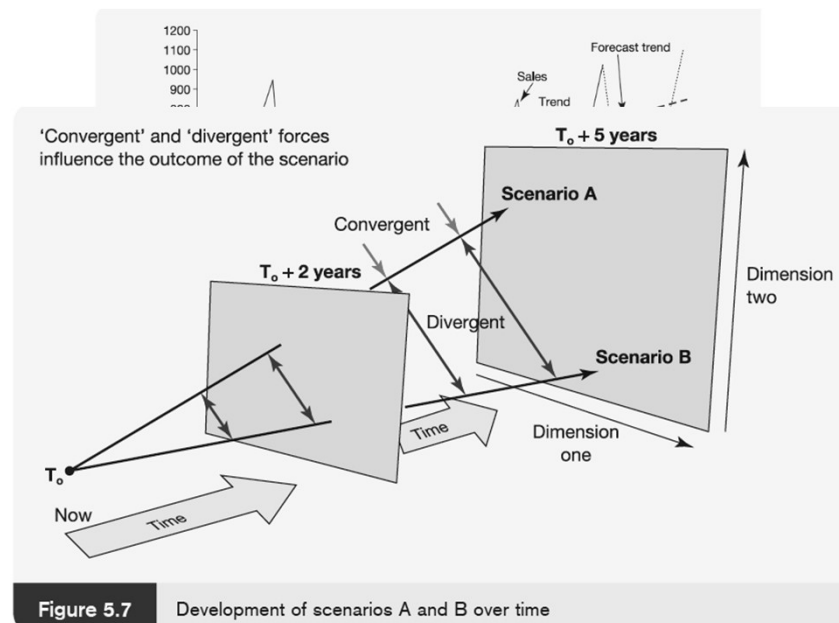
Problems with using primary research

- Sampling in field surveys
- Non-response
- Language barriers
- Measurement
 - ✓ **Reliability** - If the same phenomenon is measured repeatedly with the same measurement device and the results are similar then the method is reliable (the 'how' dimension).
 - ✓ **Validity** - If the measurement method measures what it is supposed to measure, then it has high validity (the 'what' dimension). There are three types of validity: construct, internal and external.



5.6 Other types of marketing research

- ad hoc research
- Custom-designed studies
- Multi-client studies
- Delphi studies
- Continuous research (longitudinal designs)
- Sales forecasting
- Scenario planning



5.7 Marketing research based on Web 2.0

- Mobile data
- User-generated content and text mining
- Web browsing
- Social networks and online communities
- Customer decision-making data
- Consumer usage data
- Neuromarketing

5.8 Setting up an international marketing information system (MIS)

- **International marketing information system** - An interacting organization of people, systems and processes devised to create a regular, continuous flow in information essential to the international marketer's problem solving and decision making activities around the world.

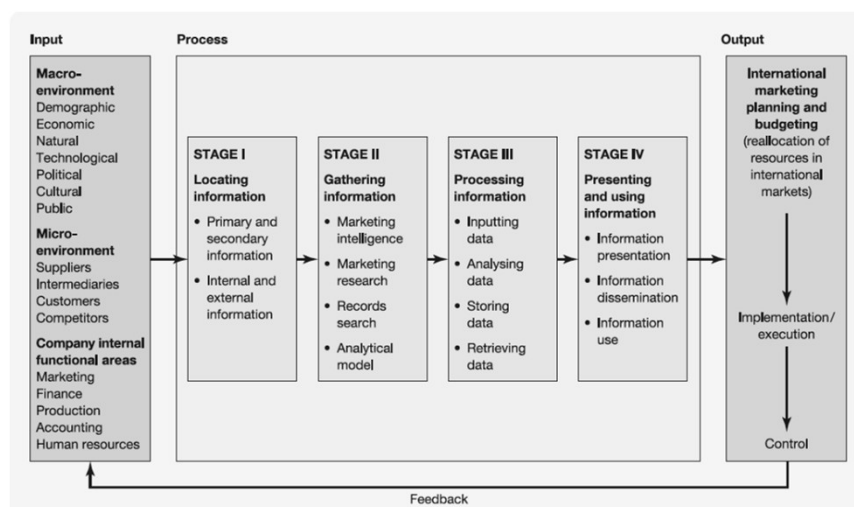
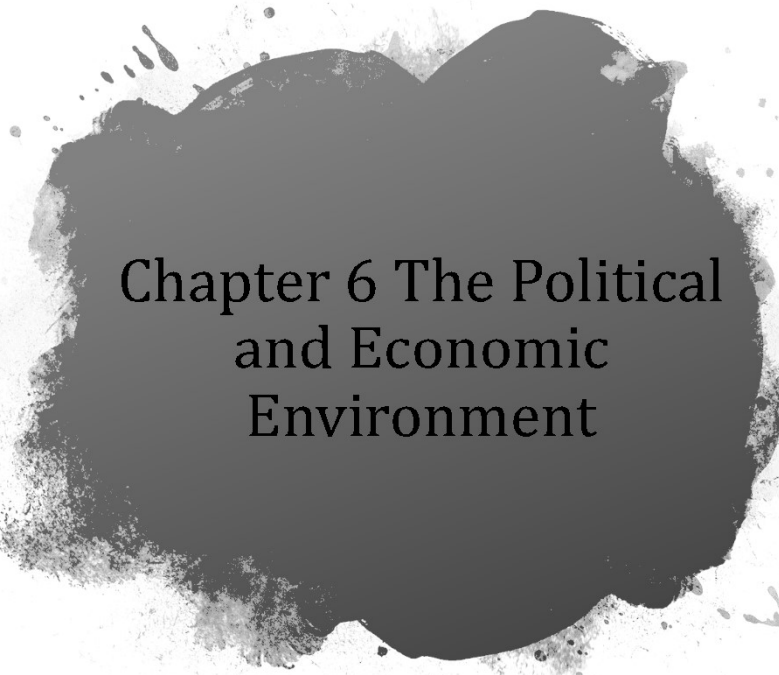


Figure 5.8 International marketing information system



Chapter 6 The Political and Economic Environment

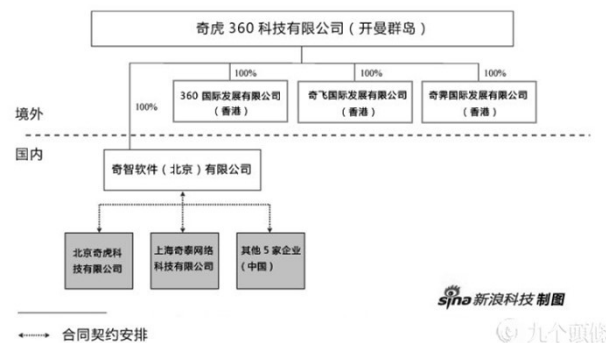
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- 6.1 Introduction
- 6.2 The political/legal environment
- 6.3 The economic environment
- 6.4 The European economic and monetary union and the euro
- 6.5 BRIC – slow growth is hitting the emerging countries
- 6.6 ‘Bottom of pyramid’ (BOP) as a market opportunity

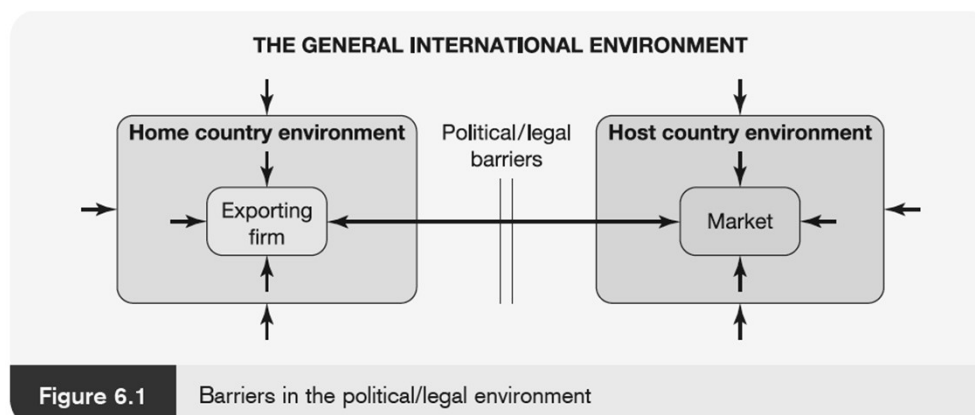
6.1 Introduction

注册开曼群岛公司的条件和优势：

- 1、任何国籍年满18周岁的人都可以注册。
- 2、注册资本只需要50000美金，且不需要验资。
- 3、一般注册开曼豁免公司，只要公司业务经营地不在当地，就不用在当地交税。
- 4、开曼群岛的股东资料非常保密，国内的任何机构和个人无法获取。
- 5、开曼群岛不需要在开曼开股东会议。
- 6、开曼公司只需要一位股东、一位董事，且股东和董事可以是同一人。
- 7、开曼公司名字选取自由，像国际、集团、联邦、大学、研究所都可以用。
- 8、除了银行、保险、军事等用途等申请注册，其他公司注册无限制。
- 9、在国内可以享受外资的待遇，且注册成功后可以直接用来投资。



6.2 The political/legal environment



6.2.1 Home country environment

鼓励

- 1.有利于“一带一路”建设和周边、互联互通的基础设施
- 2.带动优势产能、优质装备和技术标准输出的海外投资
- 3.高新技术和先进制造
- 4.油气、矿产等能源资源勘探和开发
- 5.农业、渔业
- 6.文化、物流等服务领域、服务网络

限制

- 1.与我国未建交、发生战乱或者与相关条约、协议需要限制的敏感国家
- 2.房地产、酒店、影城、娱乐业、体育俱乐部等。
- 3.无具体实业项目的股权投资基金或平台
- 4.使用不符合投资国技术标准要求的落后生产设备
- 5.不符合投资国的环保、能耗、安全标准的

禁止

- 1.涉及未经国家批准的军事工业核心技术和产品输出
- 2.运用我国禁止出口技术、工艺、产品
- 3.赌博业、色情业等
- 4.我国缔结或参加的国际条约规定禁止的海外投资
- 5.其他危害或可能危害国家利益和国家安全的

6.2.2 Host country environment

• Political Risk

- Import restrictions
- Local-content laws
- Exchange controls
- Market control
- Price controls
- Tax controls
- Labour restrictions
- Change of government party
- Nationalization (expropriation)
- Domestication



Google is experiencing political risk in China

After a long period of planning and negotiating with the Chinese government, Google created its Chinese domain Google.cn in January 2006. At first, Google was quite successful, quickly grabbing about one-third of the Chinese search engine market. However, just a few years after Google's entry, Google became unhappy with the Chinese government's censorship demands and suspected that the government might be behind hacker attacks on Google originating from China. Google and the Chinese government were on poor terms almost from the start. Shortly after the initial bargain was struck, Google indicated that it viewed these terms of entry as temporary terms that would be revisited, perhaps with 'guidance' from the Chinese government. This was likely not received favourably by the Chinese government, which views censorship as non-negotiable. Furthermore, Google upset the Chinese government by explicitly alerting users that their search results were being censored in accordance with Chinese law. As the conflict escalated, Google took steps in 2010 to reduce its presence in China after threatening to pull out entirely. As a result, Google has seen its market share in China plummet. After capturing approximately 35 per cent of the market by the fourth quarter of 2009, Google dropped to under 2 per cent of search engine volume in China by the start of 2014, falling into fourth place behind Chinese competitors Baidu, Qihoo 360 and Sogou.

6.2.3 Trade barriers from home country to host country

- **Trade barriers** - Trade laws (often tariffs) that favour local firms and discriminate against foreign ones.

- **Tariff barriers**

- **Non-tariff barriers**

- ✓ Quotas (配额)
- ✓ Embargoes (禁运)
- ✓ Administrative delays (管理延迟)
- ✓ Local-content requirements (当地成分要求)

特朗普将对苹果加收关税：让你的产品在美国生产，而不是在中国！

央视网新闻
百家号 09-10 16:48



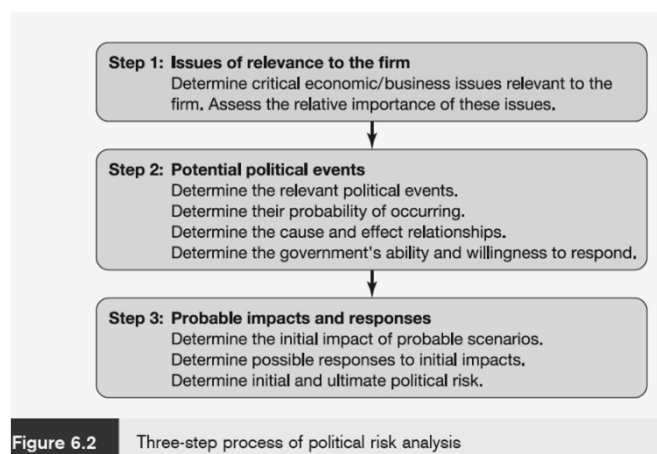
据美国ABC电视台消息，近日，苹果公司致信美国贸易代表办公室表示，美国继续加征关税将导致其产品涨价。

苹果公司在信中说，美国的征税计划涵盖了公司的一系列产品，Apple Watch、Air Pods等产品价格将有所提高，并且强调，加征关税后，将严重打击美国经济增长，使其竞争力下降，贸易战增加的成本将更多地落在美国消费者身上。

对于苹果的“呐喊”，特朗普作出了回应：苹果公司如果要避免中国进口产品的征税问题，就应该在美国境内生产产品。

6.2.4 The political risk analysis procedure

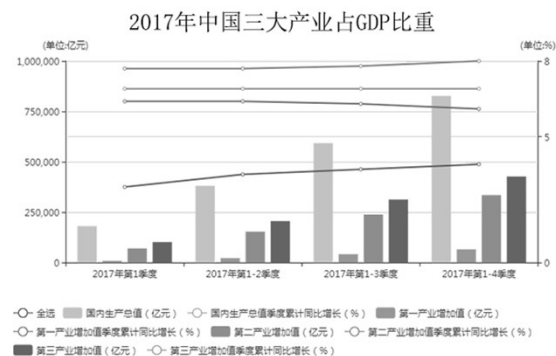
- Generally political risks are addressed through the building of relationships with the various stakeholders of the company:
 - the government
 - customers
 - employees
 - the local community



6.3 The economic environment

- Economic development results from one of three types of economic activity:
- 1. *Primary* – activities are concerned with agriculture and extractive process.
- 2. *Secondary* – manufacturing activities
- 3. *Tertiary* – activities are based upon service

习近平总书记指出：“产业结构优化升级是提高我国经济综合竞争力的关键举措。要加快改造提升传统产业，深入推进信息化与工业化深度融合，着力培育战略性新兴产业，大力发展服务业特别是现代服务业，积极培育新业态和新商业模式，构建现代产业发展新体系。”



6.3.1 How exchange rates influence business activities

- Exchange rates affect demand for a company's products in the global marketplace.
- When a country's currency is *weak* (valued low relative to other currencies), the price of its exports on world markets declines and the price of imports increases. Lower prices make the country's exports more appealing on world markets. They also give companies the opportunity to take market share away from companies whose products are highly priced in comparison.

随着土耳其里拉暴跌，土耳其也成为奢侈品的购物天堂。7月份，里拉对人民币汇率为1: 1.4，如果预算两万元人民币买包包，可以兑换14285.7里拉；而8月10号起，里拉对人民币汇率为1: 1.065，两万元人民币可以兑换18779.3里拉，差价近4500里拉，甚至可以再买一个包包。

6.3.3 Big Mac Index/Big MacCurrencies

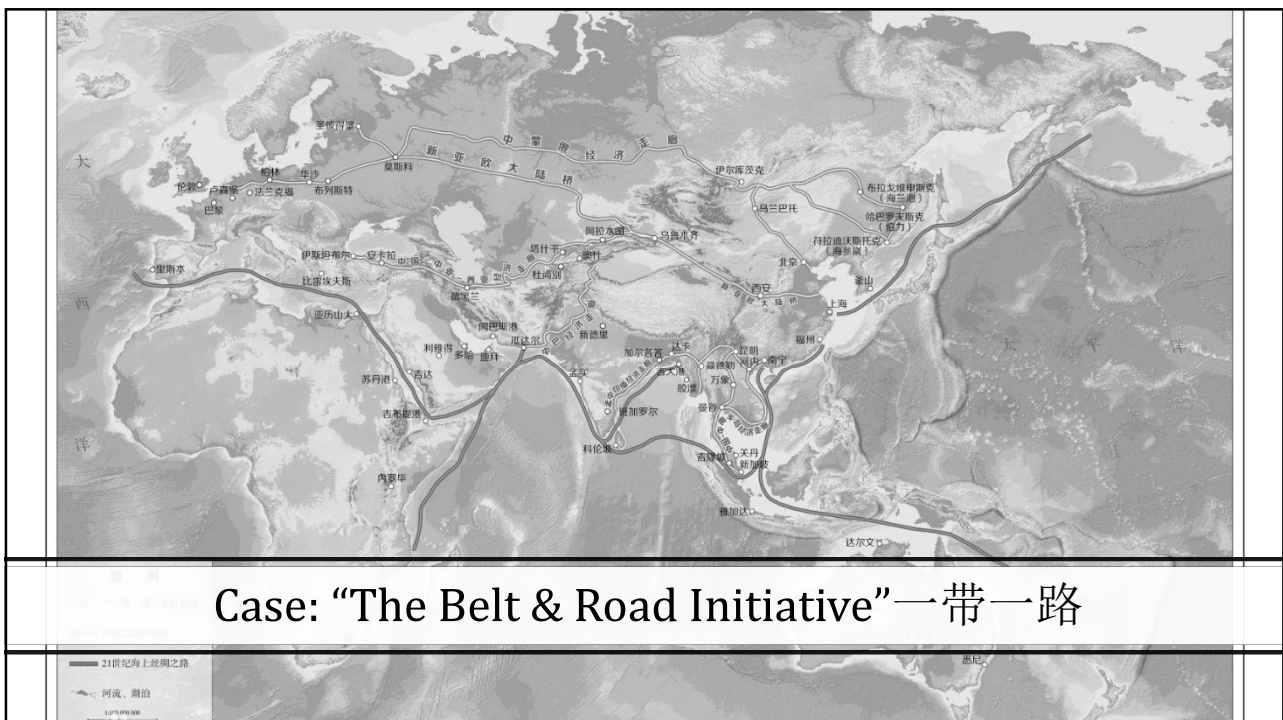
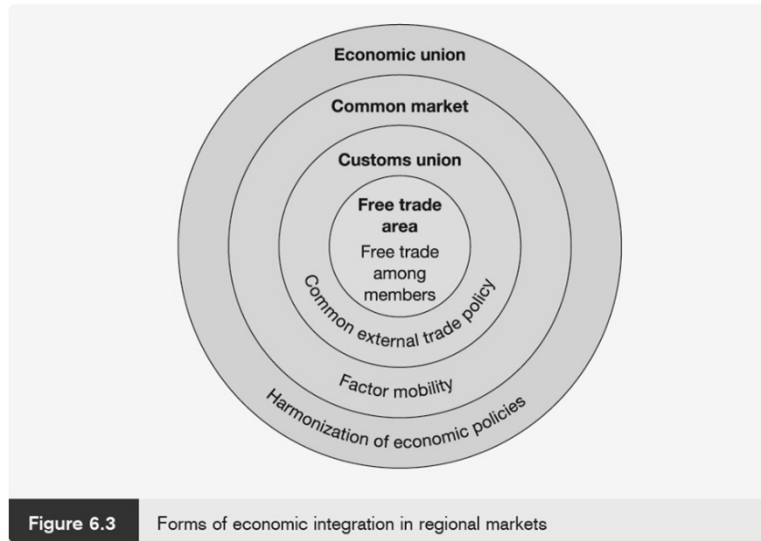
- ‘Big MacCurrencies’ exchange-rate index is based on the theory of purchasing-power parity (PPP), the notion that a dollar should buy the same amount in all countries.



6.3.4 Classification by income

- **GNP** - Gross national product is the value of all goods and services produced by the domestic economy over a one-year period, including income generated by the country's international activities.
- **GNP per capita** - Total GNP divided by its population.
- Less developed countries (LDCs) - less than US \$3,000
- Newly industrialized countries (NICs) - 'tigers' of South-east Asia
- Advanced industrialized countries

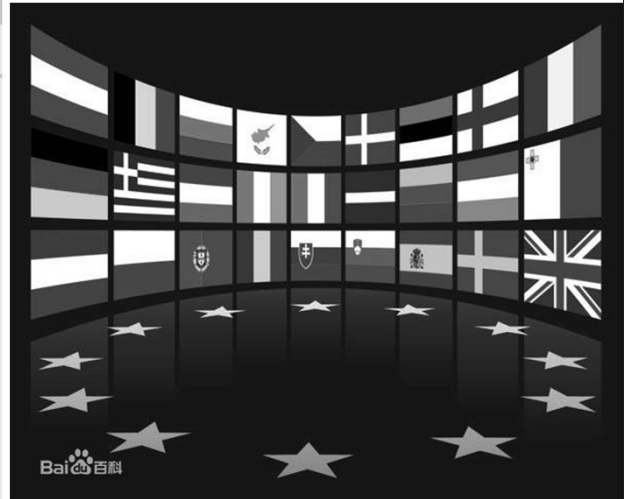
6.3.5 Regional economic integration



6.4 The European Economic and Monetary Union and the euro

Table 6.1 Major trading blocs as of 1 January 2015 (figures are from 2014 – World Bank)

Organization	Type	Members	Population (million)	GNI (US \$ billion)	GNI per capita (US \$)
European Union	Political and economic union	Austria	8.5	427.3	50,390
		Belgium	11.2	528.0	47,030
		Bulgaria	7.2	53.6	7,420
		Croatia	4.2	55.2	13,020
		Cyprus	1.2	22.5	26,370
		Czech Republic	10.5	199.4	18,970
		Denmark	5.6	345.8	61,310
		Estonia	1.3	24.3	18,530
		Finland	5.5	266.0	48,910
		France	66.2	2,851.7	43,080
		Germany	80.9	3,853.5	47,640
		Greece	11.0	242.0	22,090
		Hungary	9.9	132.9	13,470
		Ireland	4.6	206.0	44,660
		Italy	61.3	2,102.8	34,280
		Latvia	2.0	31.2	15,660
		Lithuania	2.9	45.0	15,380
		Luxembourg	0.6	38.0	69,880
		Malta	0.4	8.9	21,000
		Netherlands	16.9	863.0	51,210
		Poland	38.0	521.8	13,730
		Portugal	10.4	221.7	21,320
		Romania	19.9	186.6	9,370
		Slovakia	5.4	96.4	17,810
		Slovenia	2.1	47.8	23,220
		Spain	46.4	1395.9	29,940
		Sweden	9.7	596.9	61,600
		UK	64.5	2754.1	42,690
		Total	508.3	18,133	35,673



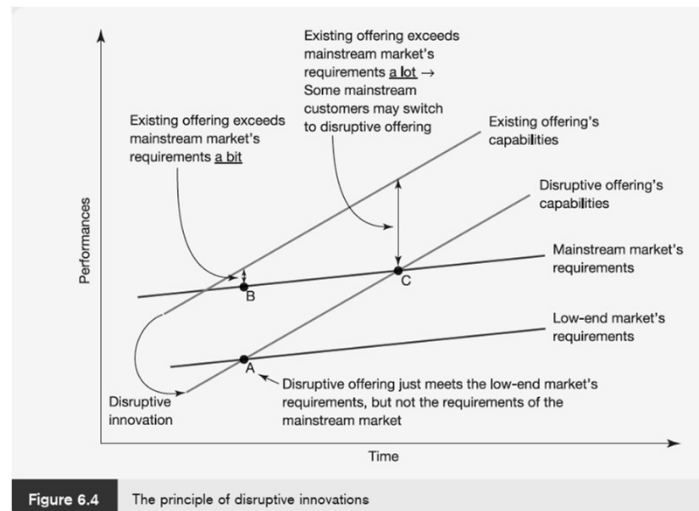
6.5 BRIC – the slowing growth is hitting the emerging countries

- In the future, BRIC economies will face challenges from:
 - a slow-growing global economy
 - a reversal of investor risk appetite moving capital from the BRICs (and other emerging markets) to safe havens
 - a loss of confidence in the BRICs

6.6 'Bottom of pyramid' (BOP) as a market opportunity

Four key elements to thrive in the low-income market:

1. creating buying power;
2. shaping aspirations through product innovation and consumer education;
3. improving access through better distribution and communication systems;
4. tailoring local solutions.



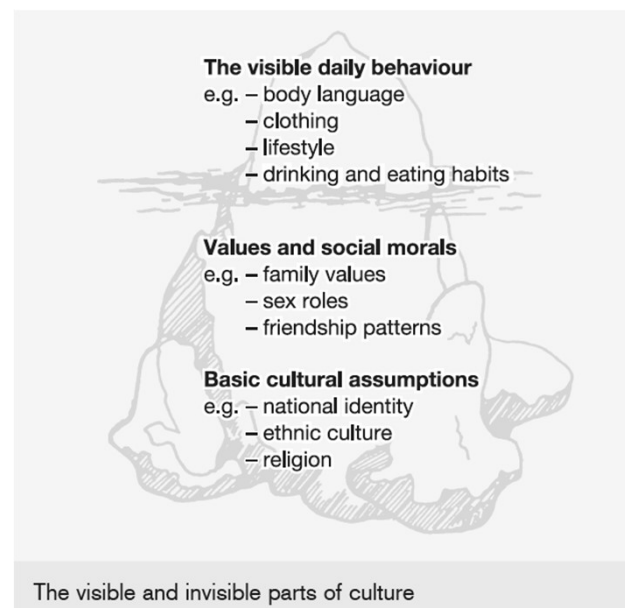
Chapter 7 The Sociocultural Environment

Contents

- 7.1 Introduction
- 7.2 Layers of culture
- 7.3 High- and low-context cultures
- 7.4 Elements of culture
- 7.5 Hofstede's model (the '4 + 1' dimensions model) versus the GLOBE model
- 7.6 Managing cultural differences
- 7.7 Convergence or divergence of the world's cultures
- 7.8 The effects of cultural dimensions on ethical decision-making

7.1 Introduction

- A culture must have these three characteristics:
 - It is learned!
 - It is interrelated!
 - It is shared!
- **Culture** - The learned ways in which a society understands, decides and communicates.



7.2 Layers of culture

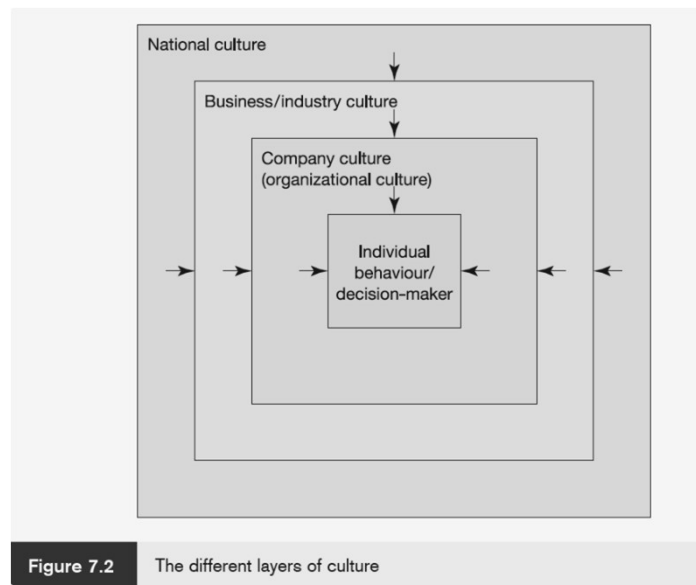
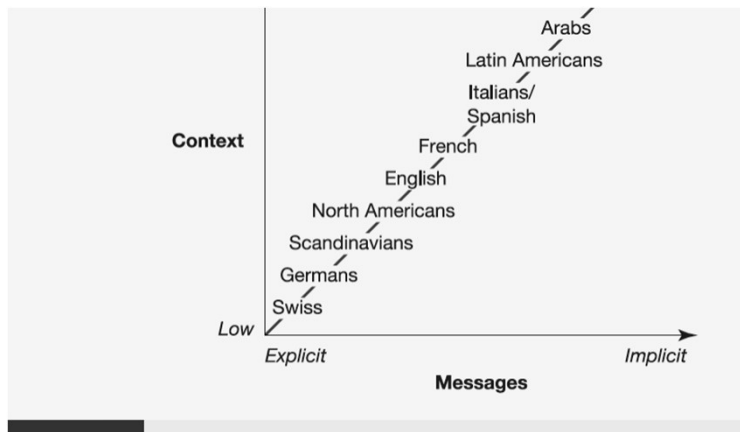


Figure 7.2 The different layers of culture

Case: Organizational Culture

腾讯 VS 阿里			股权 激励			年节 关怀		
开工 红利			员工 晋升	  	 	年终奖 发放时 间	 	 
称呼 直属 领导			人际 关系			新人 培训		
入职 取名	Ponyma	风清扬	公司 理念			合理 避税	 QQQ	 MLGB
			站队			年会		



- **Low-context cultures** - Rely only on spoken and written language ('get everything down in the written contract'). Low degree of complexity in communication.
- **High-context cultures** - Use more elements surrounding the message. The cultural context in where the message is communicated has a lot to say. High degree of complexity in communication.

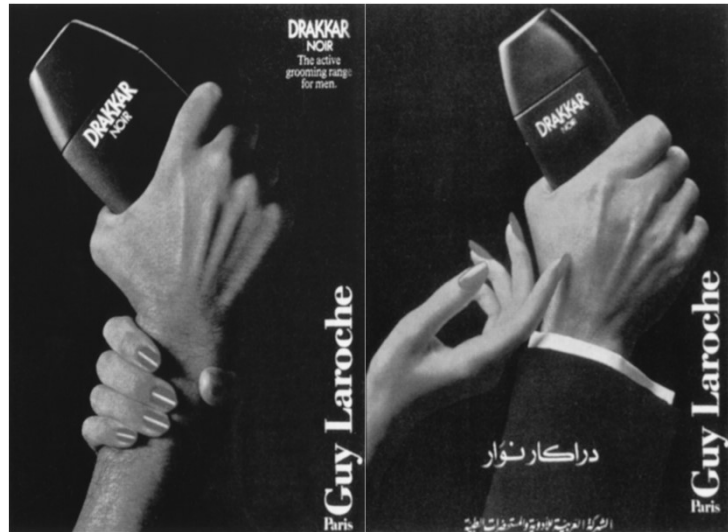
7.3 High- and low-context cultures

Table 7.1 General comparative characteristics of cultures

Characteristic	Low-context/individualistic (e.g. western Europe, US)	High-context/collectivistic (e.g. Japan, China, Saudi Arabia)
<i>Communication and language</i>	Explicit, direct	Implicit, indirect
<i>Sense of self and space</i>	Informal handshakes	Formal hugs, bows and handshakes
<i>Dress and appearance</i>	Dress for individual success, wide variety	Indication of position in society, religious rule
<i>Food and eating habits</i>	Eating is a necessity, fast food	Eating is social event
<i>Time-consciousness</i>	Linear, exact, promptness is valued, time = money	Elastic, relative, time spent on enjoyment, time = relationships
<i>Family and friends</i>	Nuclear family, self-oriented, value youth	Extended family, other oriented, loyalty and responsibility, respect for old age
<i>Values and norms</i>	Independence, confrontation of conflict	Group conformity, harmony
<i>Beliefs and attitudes</i>	Egalitarian, challenge authority, individuals control destiny, gender equity	Hierarchical, respect for authority, individuals accept destiny, gender roles
<i>Mental process and learning</i>	Lateral, holistic, simultaneous, accepting life's difficulties	Linear, logical, sequential, problem-solving
<i>Business/work habits</i>	Deal-oriented ('quickly getting down to business'), rewards based on achievement, work has value	Relationship-oriented ('first you make a friend, then you make a deal'), rewards based on seniority, work is a necessity

7.4 Elements of culture

- Language
- Manners and Customs
- Technology and material culture
- Social institutions
- Education
- Values and attitudes
- Aesthetics
- Religion



7.5 Hofstede's model (the '4 + 1' dimensions model)

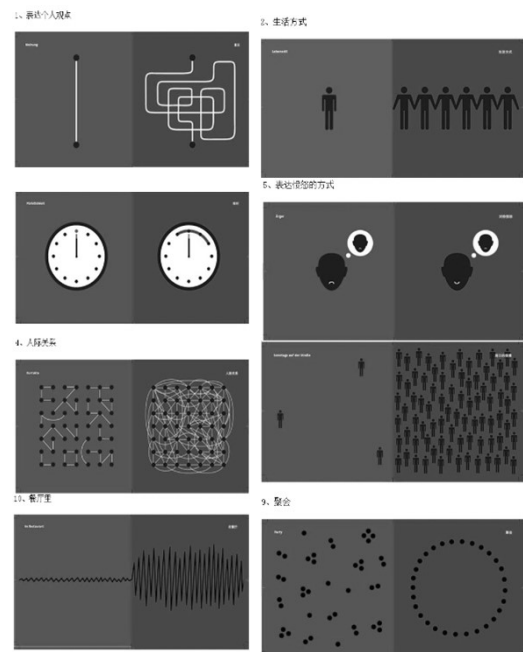
- Power distance – degree of inequality between people in physical and educational terms.
- Uncertainty – the degree to which people in a country prefer formal rules and fixed patterns of life, such as career structures and laws, as means of enhance security.
- Individualism – the degree to which people in a country learn to act as individuals rather than as members of groups.
- Masculinity – the degree to which 'masculine' values, such as achievement, performance, success, money and competition, prevail over 'feminine' values, such as quality of life, maintaining warm personal relationships, service, care for the weak, preserving the environment and solidarity.
- Time perspective

7.5 The GLOBE model

- GLOBE is a long-term programmatic research effort designed to explore the complex effects of culture on leadership, organizational effectiveness, economic competitiveness of societies and the human condition of members of the societies studied (House et al., 2004).
- GLOBE produced a set of nine dimensions:
uncertainty avoidance, power distance, institutional collectivism, in-group collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation and humane orientation.

7.6 Managing cultural differences

- four-step approach to eliminate self-reference criterion (SRC)
1. Define the problem or goal in terms of home country culture, traits, habits and norms.
 2. Define the problems or goals in terms of the foreign culture, traits, habits and norms.
 3. Isolate the SRC influence in the problem and examine it carefully to see how it complicates the problem.
 4. Redefine the problem without the SRC influence and solve for the foreign market situation.



7.7 The effects of cultural dimensions on ethical decision-making

- A classification of a company as 'most ethical' requires that the firm's code of ethics should address the following six major issues:
 1. *Organizational relations*, including competition, strategic alliances and local sourcing.
 2. *Economic relations*, including financing, taxation, transfer prices, local reinvestment, equity participation.
 3. *Employee relations*, including compensation, safety, human rights, non-discrimination, collective bargaining, training and sexual harassment.
 4. *Customer relations*, including pricing, quality and advertising.
 5. *Industrial relations*, including technology transfer, research and development, infrastructure development and organizational stability/longevity.
 6. *Political relations*, including legal compliance, bribery and other corrupt activities, subsidies, tax incentives, environmental protection and political involvement.



Chapter 8 The International Market Selection Process

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- 8.1 Introduction
- 8.2 International market selection: SMEs versus LSEs
- 8.3 Building a model for international market selection
- 8.4 Market expansion strategies
- 8.5 The global product/market portfolio

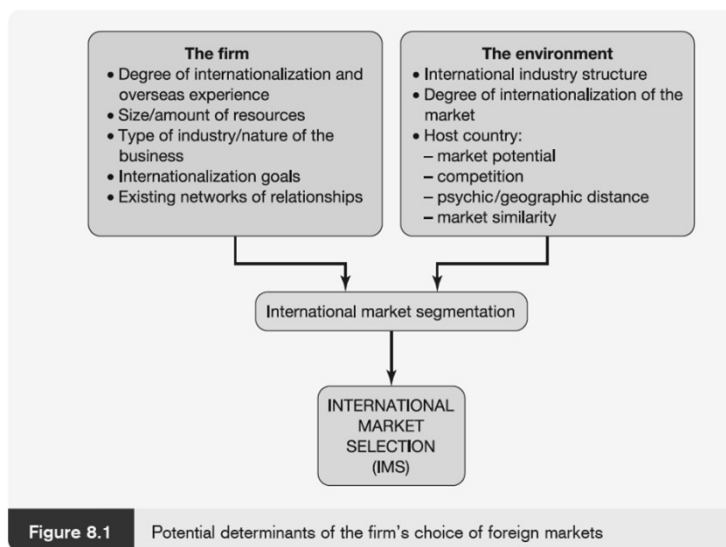
8.1 Introduction

- Identifying the 'right' market(s) to enter is important for a number of reasons:
 - ✓ It can be a major determinant of success or failure, especially in the early stages of internationalization.
 - ✓ This decision influences the nature of foreign marketing programmes in the selected countries.
 - ✓ The geographic location of selected markets affects the firm's ability to coordinate foreign operations.

8.2 International market selection: SMEs versus LSEs

- In SMEs, the IMS is often simply a reaction to a stimulus provided by a change agent.
- In other cases, the IMS of SMEs is based on the following criteria:
 - Low psychic distance: low uncertainty about foreign markets and low perceived difficulty of acquiring information about them. Psychic distance has been defined as differences in language, culture, political system, level of education or level of industrial development.
 - Low cultural distance: low perceived differences between the home and destination cultures (cultural distance is normally regarded as part of psychic distance).
 - Low geographic distance.

8.3 Building a model for international market selection

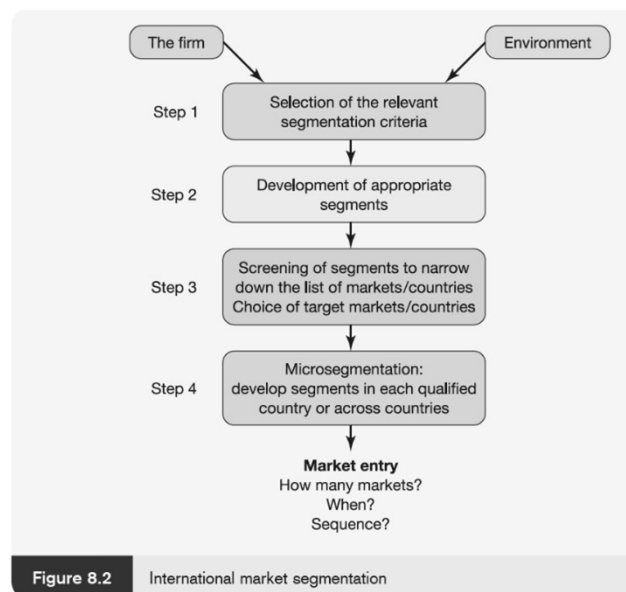


How do we define 'international markets'? The following approach suggests two dimensions:

1. the international market as a country or a group of countries;
2. the international market as a group of customers with nearly the same characteristics.

According to this latter definition, a market can consist of customers from several countries.

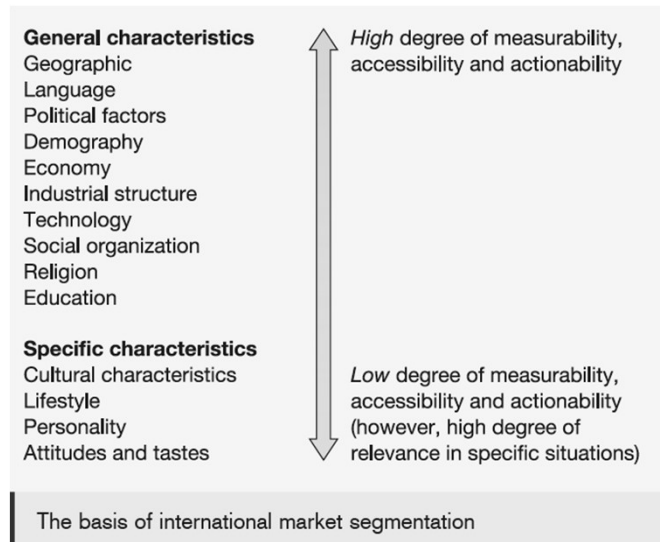
8.3.1 Presentation of a market-screening model



8.3.2 Steps 1 and 2: defining criteria and developing segments

- In general, the criteria for effective segmentation are as follows:
 - ✓ *measurability*: the degree to which the size and purchasing power of resulting segments can be measured;
 - ✓ *accessibility*: the degree to which the resulting segments can be effectively reached and served;
 - ✓ *substantiality/profitability*: the degree to which segments are sufficiently large and/or profitable;
 - ✓ *actionability*: the degree to which the organization has sufficient resources to formulate effective marketing programmes and 'make things happen'.

General characteristics & Specific characteristics



8.3.3 Step 3: screening of segments (markets/countries)

- The screening process can be divided into two stages (Gaston-Breton and Martin, 2011; Sinha et al., 2015):
- **Stage 1: Preliminary screening**
 - population size;
 - gross national product (GNP) in total;
 - gross national product (GNP) per capita;
 - restrictions in the export of goods from one country to another;
 - share of population with access to internet;
 - smartphones owned per 1,000 of the population;
 - cars owned per 1,000 of the population;
 - government spending as a percentage of GNP;
 - population per hospital bed.

8.3.3 Step 3: screening of segments (markets/countries)

- **'knock-out' criteria** - Screening criteria that are used to exclude countries in advance as potential future markets.
 - The country must be politically stable and not be too conservative with regard to religion (Iran was 'knocked out' on this).
 - The country must not already be an established market for Bosch fire detection (Egypt was 'knocked out' on this).
- **BERI (Business Environment Risk Index)** - A tool used in the coarse-grained, macro-oriented screening of international markets.

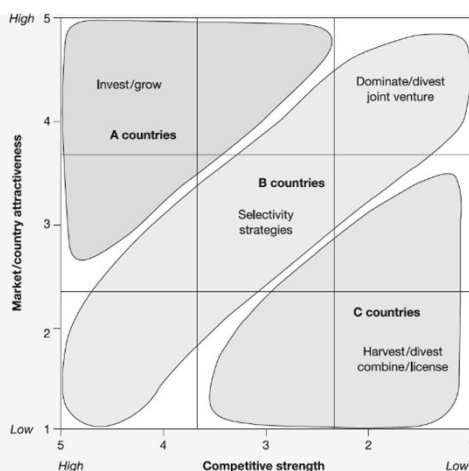
Criteria	Weights	Multiplied with the score (rating) on a scale of 0–4 ^a	
Political stability	3		
Economic growth	2.5		
Currency convertibility	2.5		
Labour cost/productivity	2		
Short-term credit	2		
Long-term loans/venture capital	2		
Attitude towards the foreign investor and profits	1.5		
Nationalization	1.5		
Monetary inflation	1.5		
Balance of payments	1.5		
Enforceability of contracts	1.5		
Bureaucratic delays	1		
Communications: phone, fax, internet access	1		
Local management and partner	1		
Professional services and contractors	0.5		
Total	25	× 4 (max.)	=

^a 0, unacceptable; 1, poor; 2, average conditions; 3, above average conditions; 4, superior conditions.

^b Total points: > 80, favourable environment for investors, advanced economy; 70–79, not so favourable, but still an advanced economy; 55–69, an immature investment potential, probably a newly industrialized country (NIC); 40–54, a high-risk country, probably a less developed country (LDC) – quality of management superior to realize potential; < 40, very high risk – would only commit capital if there were some extraordinary justification.

8.3.3 Step 3: screening of segments (markets/countries)

- Stage 2: Fine-grained screening

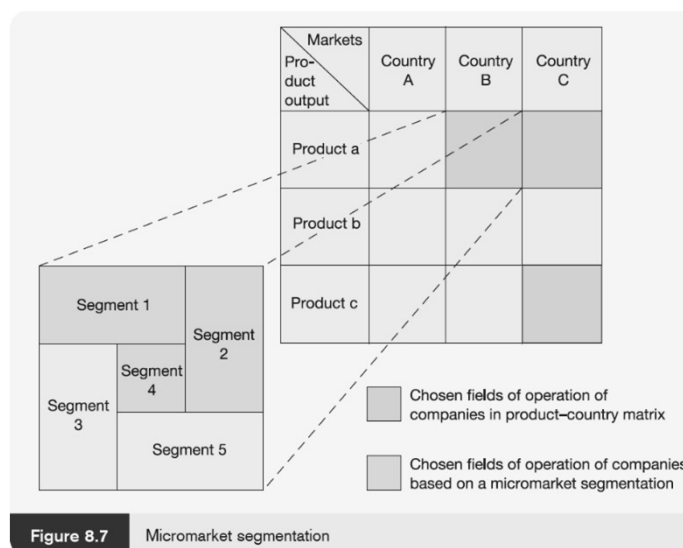
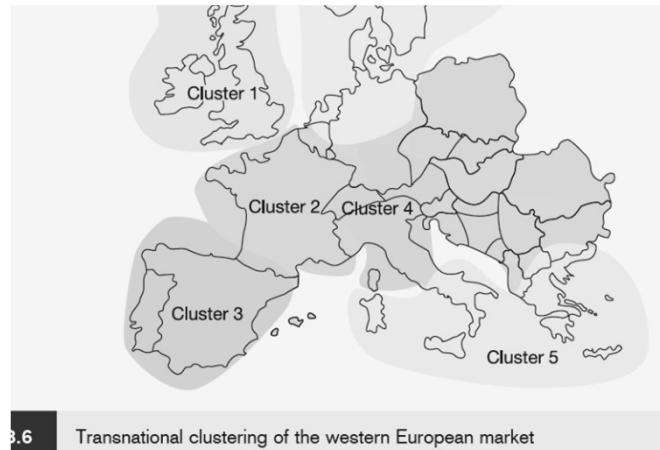


Market/country attractiveness	Competitive strength
Market size (total and segments)	Market share
Market growth (total and segments)	Marketing ability and capacity (country-specific know-how)
Buying power of customers	Product's fit to market demands
Market seasons and fluctuations	Price
Average industry margin	Contribution margin
Competitive conditions (concentration, intensity, entry barriers, etc.)	Image
Market prohibitive conditions (tariff/non-tariff barriers, import restrictions, etc.)	Technology position
Government regulations (price controls, local content, compensatory exports, etc.)	Product quality
Infrastructure	Market support
Economic and political stability	Quality of distributors and service
Psychic distance (from home base to foreign market)	Financial resources, access to distribution channels

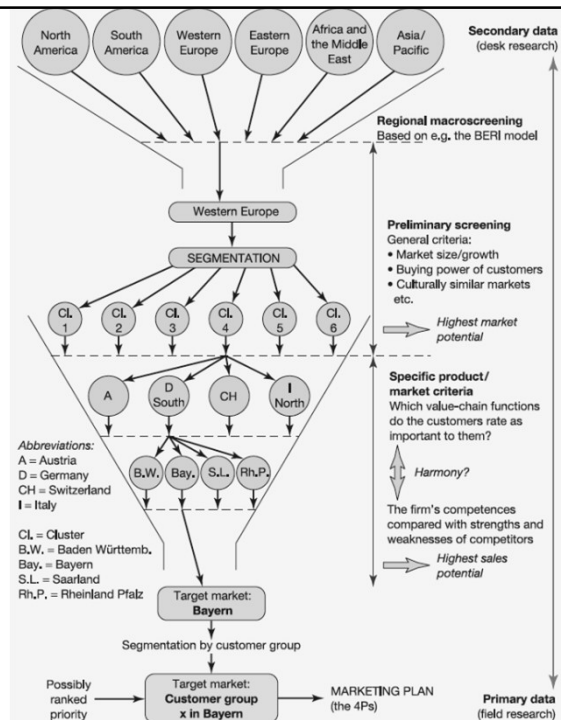
8.3.4 Step 4: Microsegmentation: develop subsegments in each qualified country and across countries

- Once the prime markets have been identified, firms then use standard techniques to segment markets within countries, using variables such as:

- ◆ demographic/economic factors
- ◆ lifestyles
- ◆ consumer motivations
- ◆ geography
- ◆ buyer behaviour
- ◆ psychographics



The international market segmentation/screening process: an example of the proactive and systematic approach



Case: Bosch Security Systems: IMS in the Middle East for fire detection systems

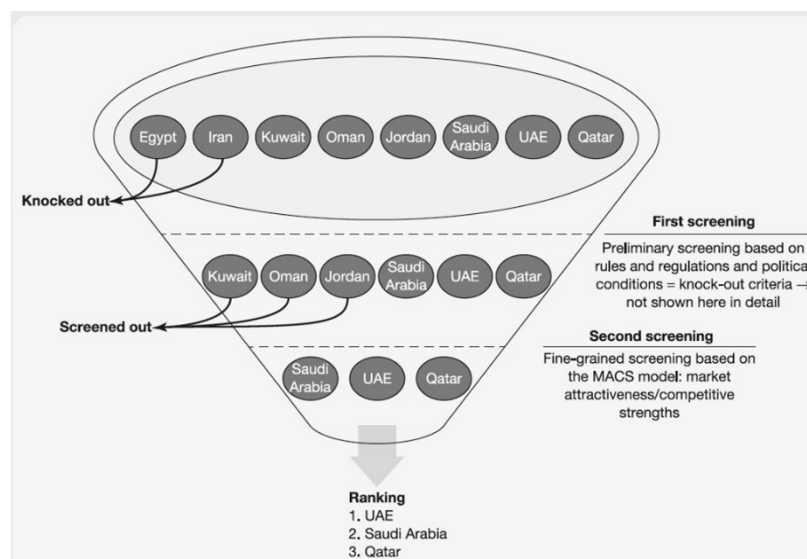
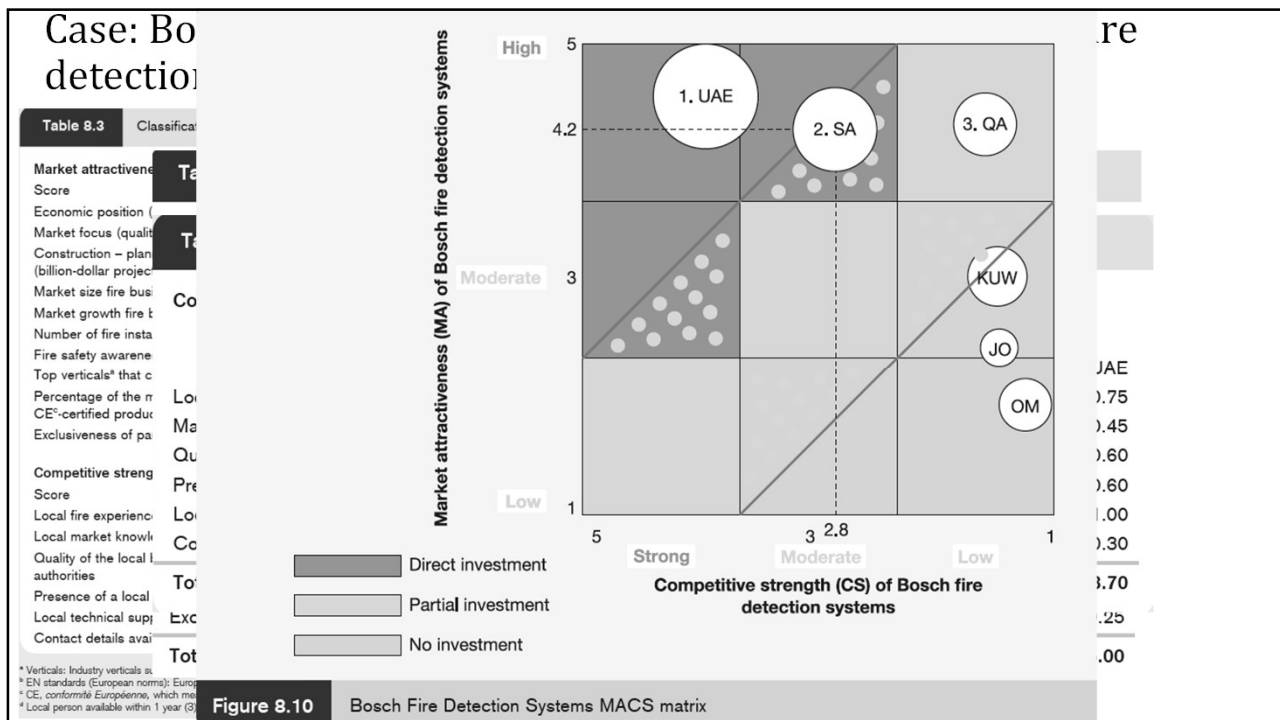


Figure 8.9

International market segmentation for Bosch Security System: Fire Detection Systems in the Middle East

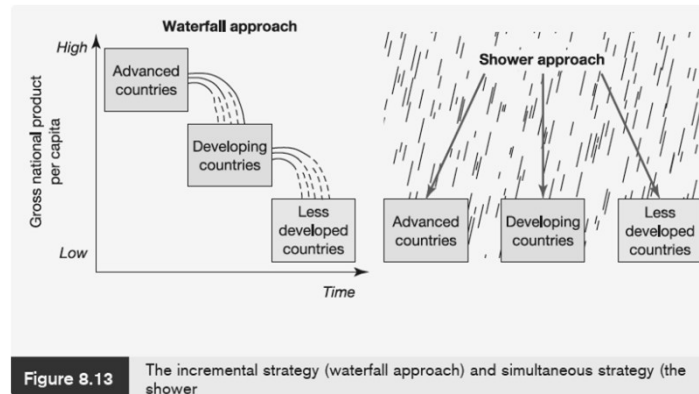


8.4 Market expansion strategies

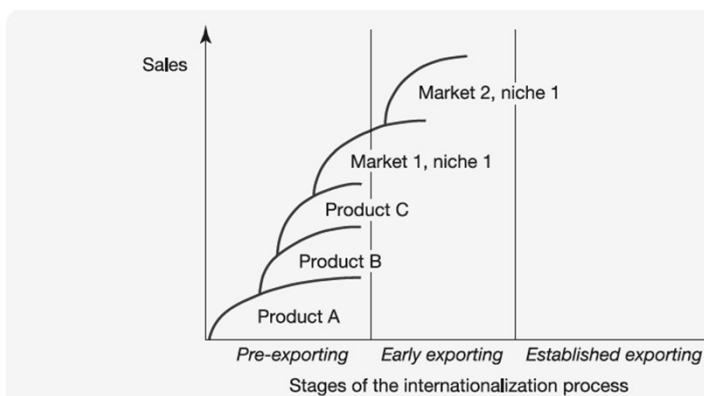
- In designing their strategy firms have to answer two underlying questions:
 - Will they enter markets incrementally (the waterfall approach = trickle-down) or simultaneously (the shower approach)? (See Figure 8.13 .)
 - Will entry be concentrated or diversified across international markets?

8.4.1 Incremental versus simultaneous entry

- The waterfall approach is based on the assumption that, initially, a product or a technology may be so new or expensive that only the advanced (wealthy) countries can use it or afford it.
- Alternatively, a firm may decide to enter a number of markets simultaneously in order to leverage its core competence and resources rapidly across a broader market base.



8.4.2 The appropriate expansion strategy for the SME



The company strategy for market expansion should be concentrated on the product-market segment where the core competences of the company give it a competitive advantage (here product A, B, C and market 1, 2).

8.4.3 Concentration versus diversification

Four expansion alternatives can be identified:

- **1.** few customer groups/segments in few countries;
- **2.** many customer groups/segments in few countries;
- **3.** few customer groups/segments in many countries;
- **4.** many customer groups/segments in many countries.

		Market/customer target group	
		Concentration	Diversification
Country	Concentration	1	2
	Diversification	3	4

Figure 8.15 The market expansion matrix

Table 8.5 International market diversification versus market concentration

Factors favouring country diversification	Factors favouring country concentration
Company factors High management risk consciousness (accept risk) Objective of growth through market development Little market knowledge	Low management risk consciousness (risk-averse) Objective of growth through market penetration Ability to pick 'best' markets
Product factors Limited specialist uses Low volume Non-repeat Early or late in product life cycle Standard product saleable in many markets Radical innovation can trigger new global customer solutions	General uses High volume Repeat-purchase product Middle of product life cycle Product requires adaptation to different markets Incremental innovation – narrow market scope
Market factors Small markets – specialized segments Unstable markets Many similar markets New or declining markets Low growth rate in each market Large markets are very competitive Established competitors have large share of key markets Low customer loyalty High synergy effects between countries Learning can be transferred across markets Short competitive lead time	Large markets – high-volume segments Stable markets Limited number of markets Mature markets High growth rate in each market Large markets are not excessively competitive Key markets are divided among many competitors High customer loyalty Low synergy effect between countries Lack of awareness of global opportunities and threats Long competitive lead time
Marketing factors Low communication costs for additional markets Low order-handling costs for additional markets Low physical distribution costs for additional markets Standardized communication in many markets	High communication costs for additional markets High order-handling costs for additional markets High physical distribution costs for additional markets Communication requires adaptation to different markets

8.5 The global product/market portfolio

By combining the product and geographic dimensions it is possible to analyse the global corporate portfolio at the following levels

1. product categories by regions (or vice versa);
2. product categories by countries (or vice versa);
3. regions by brands (or vice versa);
4. countries by brands (or vice versa).

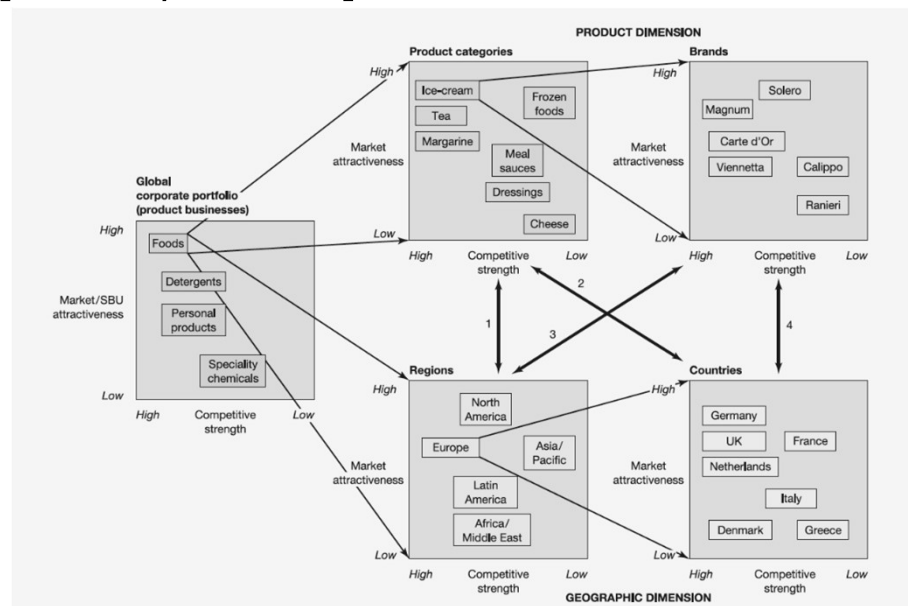


Figure 8.17 Unilever's global portfolio