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Svend Hollensen

8th  
edition



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# Global Marketing



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# Global Marketing

8th edition



Svend Hollensen



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### Lecturer Resources

For multiple choice questions to accompany this book, please visit

[go.pearson.com/uk/he/resources](http://go.pearson.com/uk/he/resources)

For password-protected online resources tailored to support the use of this textbook in teaching, please visit

[go.pearson.com/uk/he/resources](http://go.pearson.com/uk/he/resources)



# Preface



Globalization is the growing interdependence of national economies – involving primarily customers, producers, suppliers and governments in different markets. Global marketing therefore reflects the trend of firms selling and distributing products and services in many countries around the world. It is associated with governments reducing trade and investment barriers, firms manufacturing in multiple countries and foreign firms increasingly competing in domestic markets.

For many years, the globalization of markets, caused by the convergence of tastes across borders, was thought to result in very large multinational enterprises that could use their advantages in scale economies to introduce world-standardized products successfully.

In his famous 1994 book, *The Global Paradox*, John Naisbitt has contradicted this myth, especially the last part:<sup>1</sup>

The mindset that in a huge global economy the multinationals dominate world business couldn't have been more wrong. The bigger and more open the world economy becomes, the more small and middle-sized companies will dominate. In one of the major turn-arounds in my lifetime, we have moved from 'economies of scale' to 'diseconomies of scale'; from bigger is better to bigger is inefficient, costly and wastefully bureaucratic, inflexible and, now, disastrous. And the paradox that has occurred is, as we move to the global context: the smaller and speedier players will prevail on a much expanded field.

When the largest corporations (e.g. IBM, ABB) downsize, they are seeking to emulate the entrepreneurial behaviour of successful SMEs (small and medium-sized enterprises) where the implementation phase plays a more important role than in large companies. Since the behaviours of smaller and (divisions of) larger firms (according to the above quotation) are convergent, the differences in the global marketing behaviour between SMEs and LSEs (large-scale enterprises) are slowly disappearing. What is happening is that the LSEs are downsizing and decentralizing their decision-making process. The result will be a more decision- and action-oriented approach to global marketing. This approach will also characterize this book.

In light of their smaller size, most SMEs lack the capabilities, market power and other resources of traditional multinational LSEs. Compared with the resource-rich LSEs, the complexities of operating under globalization are considerably more difficult for the SME. The success of SMEs under globalization depends in large part on the decision and implementation of the right international marketing strategy.

The primary role of marketing management, in any organization, is to design and execute effective marketing programmes that will pay off. Companies can do this in their home market or they can do it in one or more international markets. Going international is an enormously expensive exercise, in terms of both money and, especially, top management time and commitment. Due to the high cost, going international must generate added value for the company beyond extra sales. In other words, the company needs to gain a competitive advantage by going international. So, unless the company gains by going international, it should probably stay at home.

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<sup>1</sup>Naisbitt, J. (1994) *The Global Paradox*, Nicholas Brealey Publishing, London, p. 17.

The task of global marketing management is complex enough when the company operates in one foreign national market. It is much more complex when the company starts operations in several countries. Marketing programmes must, in these situations, adapt to the needs and preferences of customers that have different levels of purchasing power as well as different climates, languages and cultures. Moreover, patterns of competition and methods of doing business differ between nations and sometimes also within regions of the same nation. In spite of the many differences, however, it is important to hold on to similarities across borders. Some coordination of international activities will be required, but at the same time the company will gain some synergy across borders, in the way that experience and learning acquired in one country can be transferred to another.

## Objectives

This book's value chain offers the reader an analytic decision-oriented framework for the development and implementation of global marketing programmes. Consequently, the reader should be able to analyse, select and evaluate the appropriate conceptual frameworks for approaching the five main management decisions connected with the global marketing process: (1) whether to internationalize; (2) deciding which markets to enter; (3) deciding how to enter the foreign market; (4) designing the global marketing programme; and (5) implementing and coordinating the global marketing programme.

Having studied this book, the reader should be better equipped to understand how the firm can achieve global competitiveness through the design and implementation of market-responsive programmes.

## Target audience

This book is written for people who want to develop effective and decision-oriented global marketing programmes. It can be used as a textbook for undergraduate or graduate courses in global/international marketing. A second audience is the large group of people joining 'global marketing' or 'export' courses on non-university programmes. Finally, this book is of special interest to the manager who wishes to keep abreast of the most recent developments in the global marketing field.

## Prerequisites

An introductory course in marketing.

## Special features

This book has been written from the perspective of the firm competing in international markets, irrespective of its country of origin. It has the following key features:

- a focus on SMEs as global marketing players;
- a decision/action-oriented approach;
- a value chain approach (both the traditional product value chain and the service value chain);
- a value network approach (including different actors vertically and horizontally);
- a social media marketing approach is integrated throughout the book;
- coverage of global buyer–seller relationships;
- extensive coverage of born globals and global account management (GAM), as an extension of the traditional key account management (KAM);
- presents new interesting theories in marketing, for example, service value chain, Service Dominant (SD) Logic, value innovation, Blue Ocean Strategy, social media marketing,

- Internet-of-Things (IoT), corporate social responsibility (CSR), global account management, viral branding and sensory and celebrity branding;
- aims to be a ‘true’ global marketing book, with cases and exhibits from all parts of the world, including Europe, the Middle East, Africa, the Far East, North and South America;
  - provides a complete and concentrated overview of the total international marketing planning process;
  - many new up-to-date exhibits and cases illustrate the theory by showing practical applications.

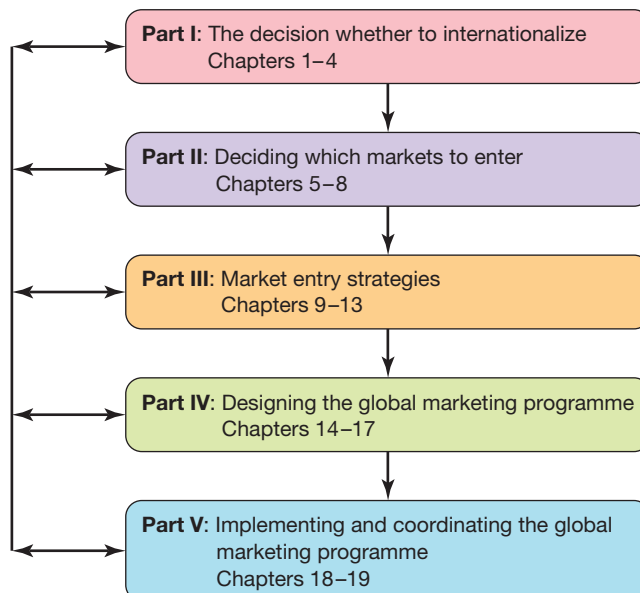
## Outline

As the book has a clear decision-oriented approach, it is structured according to the five main decisions that marketing people in companies face in connection with the global marketing process. The 19 chapters are divided into five parts. The schematic outline of the book in Figure 1 shows how the different parts fit together. Global marketing research is considered to be an integral part of the decision-making process; therefore it is included in the book (**Chapter 5**), so as to use it as an important input to the decision about which markets to enter (**the beginning of Part II**). Examples of the practice of global marketing by actual companies are used throughout the book, in the form of exhibits. Furthermore, each chapter and part ends with cases, which include questions for students.

## What’s new in the eighth edition?

The new eighth edition is concentrated around three major themes: ‘glocalization’, ‘internet of everything’ and ‘social media marketing’. The glocalization concept which runs throughout this new edition enables international marketers to utilize the synergies arising from being both ‘local’ and ‘global’ at the same time. An important aspect of this new edition is its emphasis on the so-called ‘Internet of Everything’ and ‘Internet of Things’ (IoT), which is becoming incorporated in all parts of the daily communication and buying behaviour

**Figure 1** Structure of the book



of consumers around the world. Consequently, this increasing ubiquity of the internet is reflected in its inclusion in every chapter and in most of the cases and exhibits. The integration of ‘social media marketing’ maybe plays the most important role in this edition of *Global Marketing*.

The book is still structured around the well-known stages that SMEs go through when they internationalize as shown in Figure 1.

The book’s chapters and cases are totally updated with newest journal articles and company information. Besides that, the following new issues are introduced in the individual chapters:

- **Chapter 1:** the concept of providing customer value is now extended by adding ‘Artificial Intelligence (AI)’ and its focus on the global marketing planning process (**section 1.11**). AI allows international marketers to adopt a data-driven approach with the objective of making predictive sense of their global digital customers’ diverse behaviours across channels and devices. By analysing historical browsing and transactional patterns, marketers can identify relevant global customer segments.
- **Chapter 4:** The section about the ‘sharing economy’ is expanded by adding the ‘sharing–exchange continuum’ which is a model of consumption whereby goods and services are not owned by a single user, but rather only temporarily accessed by members of a network and underutilized assets are *shared*, either for free or for a fee (**section 4.5**).
- **Chapter 6:** shows the role of home government in the case of Chinese Huawei Technologies Corporation.
- **Chapter 14:** now contains an extended section about how Internet-of-Things (IoT) can be integrated into the global marketing process (**section 14.11**), which is highly dependent on the acquisition of the new skills for the marketer. As the IoT becomes a reality, the interactions between consumers and things undergo emergence and contribute something greater than the sum of the parts resulting in new consumer experiences embodying design and complexity.
- **Chapter 15:** introduces the concept of ‘subscription-based pricing’ (**section 15.5**). ‘Subscription pricing’ is a business model where a customer must pay a (e.g. monthly) subscription to have access to a product or service. The strategy was initially developed by magazines and newspapers, but an increasing number of companies and websites are now using this model for their products and services. The pricing model is illustrated by the Dollar Shave Club example.
- **Chapter 16:** now shows and explains the whole process from the single channel strategy to the omnichannel strategy (**section 16.4**). Rather than working in parallel, omnichannel implies integration and orchestration of channels such that the customer experience of engaging across all the channels is more efficient or pleasant than using single channels in isolation. Also, this chapter contains a section about blockchain technology (**section 16.6**) and its influence on international marketing and SCM. This new technology will change business execution and international marketing strategies. With blockchain, anyone can transfer valuable assets from one person to another person without a third-party trust middleman.
- **Chapter 17:** now contains a totally new way of dividing social media into four categories (Value Play, Value Sell, Value Share and Value Create), in order to optimize the social media marketing mix and maximize the Value Capture (net profit/bottom line) from the social media marketing plan (**section 17.7**). Furthermore, the chapter also presents the ‘social media funnel’ and the key metrics connected to the three stages of a typical customer buying process: Awareness, Engagement and Action (**section 17.8**). Finally, the chapter now contains a more detailed stage plan for the development of the social media marketing plan (**section 17.9**).

Several new exhibits with real updated company examples are added to various chapters. Many completely new and exciting **chapter case studies** are now available:



- Case study 3.1: **Bumble** – the ‘feminist’ Tinder is expanding fast
- Case study 3.2: **BYD electric cars** – the Chinese electric car manufacturer is considering sales worldwide
- Case study 4.1: **William Demant** hearing aids – different threats appear on the horizon
- Case study 5.3: **e-Bikes** in China
- Case study 8.1: **Waymo** – the driverless Google car is finding future growth markets
- Case study 9.2: **Jissbon** – is acquisition the right way to gain market shares in the Chinese condom market?
- Case study 9.4: **Müller Yogurts** entering the US market by Muller Quaker Joint Venture and exiting again two years later

Furthermore, completely new **part cases** have been added:

- Case I.1: **Electrolux** – a white goods manufacturer is considering growth opportunities worldwide
- Case I.2: **Nintendo Switch** – a ‘Blue Ocean Strategy’ come-back in the games console market
- Case II.3: **Rolex** – the luxury watch maker is facing increasing competition in the world market
- Case III.1: **Tinder dating app** – the famous dating app brand is facing increasing competition from e.g. Badoo
- Case III.2: **Spotify** – the online music-streaming company is growing fast but is suffering financial imbalance
- Case IV.1: **Swarovski** – the jewellery/crystal manufacturer is expanding into e-commerce and social media
- Case IV.2: **Levi Strauss** – expanding in new international markets
- Case V.1: **Tencent** – the Chinese online giant is seeking new alliances
- Case V.2: **Huawei smartphones** – expanding into the international markets for smartphones

The following **exhibits** are also new in the book:

- Exhibit 6.1: **Huawei Technologies Corporation** – the role of home government in the internationalization process – good and bad
- Exhibit 14.13: **Google’s** use of IoT in the form of the smart thermostat, Nest
- Exhibit 14.14: **Coca Cola Israel** increases its sales of its Mini Bottle through a ‘Mini Me’ 3-D campaign
- Exhibit 16.3: **Maersk’s** use of blockchains in its shipping
- Exhibit 17.6: **Abena** is using ‘influencer marketing’ for penetrating the US diaper market
- Exhibit 17.7: **Fox Business** is ‘selling’ a political statement

In total **Seven** (chapter cases) and **nine** (part cases) = **16 new cases** have been added to the book. In total the book contains **62** chapter cases + **15** part case studies (three per part) = **77** updated case studies in all.

Furthermore **6 completely new exhibits** have been added to the book.

## Pedagogical/learning aids

One of the strengths of *Global Marketing* is its strong pedagogical features:

- Chapter objectives tell readers what they should be able to do after completing each chapter.
- Real-world examples and exhibits enliven the text and enable readers to relate to marketing models.
- End-of-chapter summaries recap the main concepts.
- Questions for discussion allow students to probe further into important topics.

- Each chapter contains three or four case studies, which help the student relate the models presented in the chapter to a specific business situation.
- Part cases studies – for each part there are three comprehensive case studies covering the themes met in the part. To reinforce learning, all case studies are accompanied by questions. Case studies are based on real-life companies. Further information about these companies can be found on the Internet. Company cases are derived from many different countries representing all parts of the world. Tables 1 and 2 present the chapter and part case studies.
- Multiple choice questions.
- Part case studies: each part is introduced by a case which highlights a general decision problem from the part.

**Table 1** Chapter case studies: overview

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
<b>Chapter 1</b> <b>Global marketing in the firm</b>	Case study 1.1 <b>Green Toys, Inc.</b> A manufacturer of eco-friendly toys is going international <a href="http://www.greentoys.com">www.greentoys.com</a>	US	US, World	✓	✓
	Case study 1.2 <b>Hunter Boot Ltd</b> The iconic British brand is moving into exclusive fashion <a href="http://www.hunterboots.com">www.hunterboots.com</a>	UK	World		✓
	Case study 1.3 <b>Nivea</b> <a href="http://www.nivea.com">www.nivea.com</a>	Germany	World		✓
	Case study 1.4 <b>Uber</b>	US	World		✓
<b>Chapter 2</b> <b>Initiation of internationalization</b>	Case study 2.1 <b>LifeStraw</b> Vestergaard-Frandsen transforms dirty water into clean drinking water <a href="http://www.vestergaard.com">www.vestergaard.com</a>	Switzerland	World (developing countries)	✓	✓
	Case study 2.2 <b>Elvis Presley Enterprises Inc. (EPE)</b> Internationalization of a cult icon <a href="http://www.elvis.com">www.elvis.com</a>	US	World		✓
	Case study 2.3 <b>TOMS Shoes</b> <a href="http://www.toms.com">www.toms.com</a>	US	World (developing countries)		✓
<b>Chapter 3</b> <b>Internationalization theories</b>	Case study 3.1 <b>Bumble</b> The 'feminist' Tinder is expanding fast <a href="http://www.bumble.com">www.bumble.com</a>	US	World		✓
	Case study 3.2 <b>BYD electric cars</b> The Chinese electric car manufacturer is considering sales worldwide <a href="http://www.byd.cn">www.byd.cn</a>	China	World	✓	✓

Table 1 Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 3.3 <b>Reebok</b> www.reebok.com www.adidas-group.com	US	World	✓	✓
<b>Chapter 4</b> <b>Development of the firm's international competitiveness</b>	Case study 4.1 <b>William Demant hearing aids</b> Different threats appear on the horizon www.demant.com	Denmark	World	✓	✓
	Case study 4.2 <b>DJI Technology Co. Ltd</b> A Chinese 'born global' is dominating the world market for drones with its Phantom www.dji.com	China	World	✓	✓
	Case study 4.3 <b>Nike</b> www.nike.com	US	World		✓
<b>Chapter 5</b> <b>Global marketing research</b>	Case study 5.1 <b>Teepack Spezialmaschinen GmbH</b> Organizing a global survey of customer satisfaction www.teepack.com	Germany	World	✓	
	Case study 5.2 <b>LEGO Friends</b> One of the world's largest toy manufacturers moves into the girl's domain www.lego.com	Denmark	World		✓
	Case study 5.3 <b>e-Bikes in China</b> <a href="https://www.youtube.com/watch?v=NvaO3hP3i7w">https://www.youtube.com/watch?v=NvaO3hP3i7w</a>	China	World		✓
	Case study 5.4 <b>HondaJets</b> Honda enters the small-sized business jet market <a href="http://www.hondajet.com/">http://www.hondajet.com/</a>	Japan	World	✓	
<b>Chapter 6</b> <b>The political and economic environment</b>	Case study 6.1 <b>G-20 and the economic and financial crises</b> What on earth is globalization about? Protests during a meeting in Buenos Aires, Argentina, November, 2018 <a href="https://g20.org/en/">https://g20.org/en/</a>	US	World	✓	✓
	Case study 6.2 <b>Danfoss Power Solutions</b> Which political/economic factors would affect a manufacturer of hydraulic components? www.powersolutions.danfoss.com	Denmark, US, Germany	World	✓	
	Case study 6.3 <b>Debate on globalization</b> No website available	US	US	✓	✓

Table 1 Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
<b>Chapter 7</b> <b>The sociocultural environment</b>	Case study 7.1 <b>Cirque du Soleil Inc.</b> The show that revolutionized the circus arts is expanding its global scope www.cirquedusoleil.com	Canada	World		✓
	Case study 7.2 <b>IKEA catalogue</b> Are there any cultural differences? www.ikea.com	Sweden, Holland	World		✓
	Case study 7.3 <b>Allergan</b> The maker of Botox and breast implants www.allergan.com	Ireland/US		✓	✓
<b>Chapter 8</b> <b>The international market selection process</b>	Case study 8.1 <b>Waymo</b> The driverless Google car is finding future growth markets www.waymo.com	US	World	✓	✓
	Case study 8.2 <b>Philips Lighting</b> Screening markets in the Middle East www.philips.com	Holland	World		✓
	Case study 8.3 <b>Oreo (Mondelēz)</b> www.oreo.com	US	World		✓
<b>Chapter 9</b> <b>Some approaches to the choice of entry mode</b>	Case study 9.1 <b>Jarlsberg</b> The king of Norwegian cheeses is deciding on entry modes into new markets www.jarlsberg.com	Norway	World	✓	✓
	Case study 9.2 <b>Jissbon</b> Is acquisition the right way to gain market shares in the Chinese condom market? www.jissbon.cn	China	Europe, World		✓
	Case study 9.3 <b>Understanding entry modes into the Chinese market</b> No website available	World	China	✓	
	Case study 9.4 <b>Müller Yogurts</b> www.muellergroup.com	Germany	US	✓	✓
<b>Chapter 10</b> <b>Export modes</b>	Case study 10.1 <b>Lysholm Linie Aquavit</b> International marketing of the Norwegian Aquavit brand www.linie.com	Norway	Germany, the rest of the world	✓	✓

Table 1 Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 10.2 <b>Parle Products</b> An Indian biscuit manufacturer is seeking agents and cooperation partners in new export markets www.parleproducts.com	India	World	✓	✓
	Case study 10.3 <b>Honest Tea</b> www.honesttea.com	US	World, US		✓
Chapter 11 Intermediate entry modes	Case study 11.1 <b>Hello Kitty</b> Can the cartoon cat survive the buzz across the world? www.sanrio.com	Japan	World	✓	✓
	Case study 11.2 <b>Kabooki</b> Licensing in the LEGO brand www.legowear.dk	Denmark	World	✓	✓
	Case study 11.3 <b>Marriott</b> www.marriott.com	US	World	✓	✓
Chapter 12 Hierarchical modes	Case study 12.1 <b>Polo Ralph Lauren</b> Polo moves distribution for South-East Asia in-house www.ralphlauren.com	US	World, Asia	✓	✓
	Case study 12.2 <b>Durex Condoms</b> SSL will sell Durex condoms in the Japanese market through its own organization www.durex.com	UK	World	✓	✓
	Case study 12.3 <b>Starbucks</b> www.starbucks.com	US	World	✓	✓
Chapter 13 International sourcing decisions and the role of the subsupplier	Case study 13.1 <b>ARM</b> Challenging Intel in the world market of computer chips www.arm.com	UK	World	✓	
	Case study 13.2 <b>Bosch Indego</b> How to build B2B and B2C relationships in a new global product market – robotic lawnmowers www.bosch.com	Germany	World	✓	✓
	Case study 13.3 <b>Kone elevators and escalators</b> www.kone.com	Finland	World	✓	

Table 1 Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
<b>Chapter 14</b> <b>Product decisions</b>	Case study 14.1 <b>Danish Klassic</b> Launch of a cream cheese in Saudi Arabia www.arla.com (regarding the Puck brand)	Denmark	Saudi Arabia Middle East	✓	✓
	Case study 14.2 <b>Zippo Manufacturing Company</b> Has product diversification beyond the lighter gone too far? www.zippo.com	US	World	✓	✓
	Case study 14.3 <b>Burberry branding</b> www.burberry.com	UK	World		✓
	Case study 14.4 <b>Tequila Aviión</b> www.tequilaavion.com	US	World	✓	
<b>Chapter 15</b> <b>Pricing decisions and terms of doing business</b>	Case study 15.1 <b>Harley-Davidson</b> How should the pricing strategy be affected by the new EU tariffs in 2018? www.harley-davidson.com	US	US, Europe		✓
	Case study 15.2 <b>Gillette Co.</b> Is price standardization possible for razor blades? www.gillette.com	US	World	✓	✓
	Case study 15.3 <b>Vaseline pricing strategy</b> www.vaseline.com	US	US, World		✓
<b>Chapter 16</b> <b>Distribution decisions</b>	Case study 16.1 <b>De Beers</b> Forward integration into the diamond industry value chain www.debeers.com	South Africa, UK, Luxembourg	Europe, World	✓	✓
	Case study 16.2 <b>Tupperware</b> The global direct distribution model is still working www.tupperware.com	US	World	✓	✓
	Case study 16.3 <b>DHL</b> www.dhl.com	Germany	World	✓	
<b>Chapter 17</b> <b>Communication decisions</b>	Case study 17.1 <b>Helly Hansen</b> Sponsoring fashion clothes in the US market www.hellyhansen.com	Norway	US	✓	✓

Table 1 Continued

Chapter	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
	Case study 17.2 <b>Morgan Motor Company</b> Can the British retro sports car brand still be successful after 100 years? www.morgan-motor.co.uk	UK	World (Europe and US)	✓	✓
	Case study 17.3 <b>BMW Motorcycles</b> www.bmwmotorcycles.com www.bmw.com	Germany	US, World	✓	✓
<b>Chapter 18</b> <b>Cross-cultural sales negotiations</b>	Case study 18.1 <b>ZamZam Cola</b> Marketing of a 'Muslim' cola from Iran to the European market www.zamzamrefreshment.com	Iran	Europe, Middle East	✓	✓
	Case study 18.2 <b>TOTO</b> The Japanese toilet manufacturer seeks export opportunities for its high-tech brands in the US www.toto.co.jp/en/				
	Case study 18.3 <b>Dunkin' Donuts</b> www.DunkinDonuts.com www.dunkinbrands.com				
	Case study 18.4 <b>Stella &amp; Dot</b> www.stelladot.com	US	World	✓	✓
<b>Chapter 19</b> <b>Organization and control of the global marketing programme</b>	Case study 19.1 <b>Mars Inc.</b> Merger of the European food, pet care and confectionery divisions www.mars.com	US	World	✓	✓
	Case study 19.2 <b>Henkel</b> Should Henkel shift to a more customer-centric organization? www.henkel.com	Germany	World	✓	✓
	Case study 19.3 <b>McDonald's</b> www.mcdonalds.com	US	World	✓	

**Table 2** Part case studies: overview

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
<b>Part I The decision whether to internationalize</b>	Case study I.1 <b>Electrolux</b> A white goods manufacturer is considering growth opportunities worldwide www.electrolux.com	Sweden	World	✓	✓
	Case study I.2 <b>Nintendo Switch</b> A 'Blue Ocean Strategy' come-back in the games console market? www.nintendo.com	Japan	World		✓
	Case study I.3 <b>Cereal Partners Worldwide (CPW)</b> The no. 2 world player is challenging the no. 1, Kellogg www.generalmills.com/en/Company/Businesses/international/joint-ventures www.nestle.com/asset-library/documents/media/news-and-features/2011-february/cpw-brochure.pdf	Switzerland, US	World	✓	✓
<b>Part II Deciding which markets to enter</b>	Case study II.1 <b>SodaStream</b> Managing profitable growth in an increasingly competitive global environment www.sodastream.com	Israel/US	World	✓	✓
	Case study II.2 <b>The Female Health Company (FHC)</b> The female condom is seeking a foothold in the world market for contraceptive products www.femalehealth.com	US	World (governmental organizations)	✓	✓
	Case study II.3 <b>Rolex</b> The luxury watch maker is facing increasing competition in the world market www.rolex.com	Switzerland	World	✓	✓
<b>Part III Market entry strategies</b>	Case study III.1 <b>Tinder dating app</b> The famous dating app brand is facing increasing competition from e.g. Badoo www.match.com, www.tinder.com	US	World		✓
	Case study III.2 <b>Spotify</b> The online music streaming company is growing fast but is suffering financial imbalance www.spotify.com	Sweden	World		✓
	Case study III.3 <b>Autoliv Airbags</b> Transforming Autoliv into a global company www.autoliv.com	Sweden, US	World	✓	



Table 2 Continued

Part	Case study title, subtitle and related websites	Country/area of company headquarters	Geographical target area	Target market	
				B2B	B2C
<b>Part IV Designing the global marketing programme</b>	Case study IV.1 <b>Swarovski</b> The jewelery/crystal manufacturer is expanding into e-commerce and social media	Austria	World	✓	✓
	Case study IV.2 <b>Levi Strauss</b> Expanding in new international markets	US	World	✓	✓
	Case study IV.3 <b>Guinness</b> How can the iconic Irish beer brand compensate for declining sales in the home market? <a href="http://www.diageo.com">www.diageo.com</a> <a href="http://www.guinness.com">www.guinness.com</a>	UK, Ireland	World	✓	✓
<b>Part V Implementing and coordinating the global marketing programme</b>	Case study V.1 <b>Tencent</b> The Chinese online giant is seeking new alliances <a href="http://www.tencent.com">www.tencent.com</a>	China	World		✓
	Case study V.2 <b>Huawei</b> Expanding into the international markets for smartphones <a href="http://www.huawei.com">www.huawei.com</a>	China	World	✓	✓
	Case study V.3 <b>Tetra Pak</b> How to create B2B relationships with the food industry on a global level <a href="http://www.tetrapak.com">www.tetrapak.com</a>	Sweden	World	✓	



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# Abbreviations



ACs	advanced countries
APEC	Asia-Pacific Economic Cooperation
AR	augmented reality
ASEAN	Association of South East Asian Nations
B2B	business to business
B2C	business to consumer
BATNA	best alternative to a negotiated agreement
BDA	before–during–after
BERI	Business Environment Risk Index
BMI	Business Monitor International
BOP	bottom of the pyramid
BRIC	Brazil, Russia, India and China
BT	British Telecommunications
C2C	consumer to consumer
CAGR	compound annual growth rate
CATI	computer-aided telephone interviews
CDB	China Development Bank
CEO	chief executive officer
CFR	cost and freight
CIF	cost, insurance and freight
CIP	carriage and insurance paid to
CMM-SEI	Carnegie Mellon University's Software Engineering Institute
COO	country of origin
CPM	cost per thousand
CPT	carriage paid to
CPV	customer perceived value
CRM	customer relationship management
CSR	corporate social responsibility
DAF	delivered at frontier
DAP	delivered at place
DAT	delivered at terminal
DDP	delivered duty paid
DDU	delivered duty unpaid
DEQ	delivered ex-quay
DES	delivered ex-ship
DMR	digital remastering
DSS	decision support system
EBIT	earnings before interest and taxes
ECB	European Central Bank
ECSC	European Coal and Steel Community
EEA	European Economic Area

EEC	European Economic Community
EFTA	European Free Trade Area
EMC	export management company
EMEA	Europe, Middle East and Africa
EMU	European Economic and Monetary Union
EPAC	electronically power-assisted cycles
EPRG	ethnocentric, polycentric, regiocentric, geocentric
EU	European Union: title for the former EEC used since the ratification of the Maastricht Treaty in 1992
EURATOM	European Atomic Energy Community
EXW	ex-works
FAB	flavoured alcoholic beverages
FAS	free alongside ship
FCA	free carrier
FDA	Food and Drug Administration (US)
FDI	foreign direct investment: a market entry strategy in which a company invests in a subsidiary or partnership in a foreign market (joint venture)
FHI	Family Health International
FMCG	fast-moving consumer goods
FOB	free on board: the seller quotes a price covering all expenses up to the point of shipment
FSC	Foreign Sales Corporation
G-D	goods dominant
GA	global account
GAM	global account management
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GEL	General Electric Lighting
GNI	gross national income
GNP	gross national product: the total 'gross value' of all goods and services produced in the economy in one year
GPC	global pricing contract
GRP	gross rating point
GSM	global system for mobile communications (wireless mobile)
GWD	guinea worm disease
HHP	household penetration
HLL	Hindustan Latex Ltd
HOG	Harley Owners Group
ICC	International Chamber of Commerce
IDR	intermediation–disintermediation–reintermediation
IMC	integrated marketing communications
IMF	International Monetary Fund
IMS	international market selection
IoT	Internet-of-Things
IP	intellectual property
IPLC	international product life cycle
ISO	International Standards Organization
ISP	internet service provider
IT	information technology
KAM	key account management
KSF	key success factor

L/C	letter of credit
LCC	low-cost car
LDCs	less developed countries
LSEs	large-scale enterprises
LTO	long-term orientation
M&A	merger and acquisition
MACS	market attractiveness/competitive strengths
MFN	most-favoured nation
MIS	marketing information system
MNCs	multinational corporations
MNE	multinational enterprise
MS	market share
MSRP	manufacturer's suggested retail price
MVAS	mobile value-added services
NAFTA	North American Free Trade Agreement: a free trade agreement to establish an open market between the US, Canada and Mexico
NASSCOM	National Association of Software and Service Companies
NGO	non-governmental organization
NICs	newly industrialized countries
NPD	new product development
NSB	National Standards Board
OE	operational effectiveness
OECD	Organization for Economic Cooperation and Development: a multi-national forum that allows the major industrialized nations to discuss economic policies and events
OEM	original equipment manufacturer (outsourcer)
OLI	ownership-location-internalization
OPEC	Organization of Petroleum Exporting Countries
OTC	over the counter
OTS	opportunity to see
PEST	political/legal, economic, social/cultural, technological
PLB	private-label brand
PLC	product life cycle: a theory that characterizes the sales history of products as passing through four stages: introduction, growth, maturity, decline
PPP	purchasing-power parity
PR	public relations
QDF	quality deployment function
R&D	research and development
RM	relationship marketing
RMC	regional management centre
ROA	return on assets
ROI	return on investment
RTD	ready to drink
S-D	service-dominant
SaaS	software-as-a-service
SBU	strategic business unit: a single business or a collection of related businesses that can be planned separately from the rest of the company
SEM	search-engine marketing
SGVC	sustainable global value chain
SMEs	small and medium-sized enterprises

<b>SMS</b>	short message service
<b>SRC</b>	self-reference criterion
<b>STD</b>	sexually transmitted disease
<b>STP</b>	software technology park
<b>SWOT</b>	strengths, weaknesses, opportunities, threats
<b>TC</b>	transaction cost
<b>TCA</b>	transaction cost analysis
<b>TF</b>	trade fair
<b>TLC</b>	technological life cycle
<b>TQM</b>	total quality management
<b>TTM</b>	time to market
<b>ULCC</b>	ultra low-cost car
<b>UNAIDS</b>	Joint United Nations Programme on AIDS
<b>UNFPA</b>	United Nations Population Fund
<b>USAID</b>	United States Agency for International Development
<b>USP</b>	unique selling proposition
<b>VAT</b>	value added tax
<b>VER</b>	voluntary export restraint
<b>VRIO</b>	value, rarity, imitability, organization
<b>WHO</b>	World Health Organization
<b>WoM</b>	word-of-mouth
<b>WTO</b>	World Trade Organization (successor to GATT)



# About the author



**Svend Hollensen** is an Associate Professor of International Marketing at the University of Southern Denmark. He holds an MSc (Business Administration) from Aarhus Business School. He has practical experience working as an International Marketing Coordinator in a large Danish multinational enterprise and as an International Marketing Manager in a company producing agricultural machinery.

After working in industry, Svend received his PhD in 1992 from Copenhagen Business School.

With Pearson Education he has published *Marketing Management – A Relationship Approach* (the fourth edition was published in 2019) as well as *Marketing Research – An International Approach* (2006), together with Marcus Schmidt. *Essentials of Global Marketing* was published in 2008 with a second edition in 2012. *Global Marketing* has been translated into Russian and Chinese. An Indian edition (co-authored with Madhumita Banerjee) was published in September 2009 and a Spanish edition (co-authored with Jesus Arteaga) was published in May 2010. In 2017, Svend published the first edition of *Social Media Marketing – A Practitioner Guide* together with marketing gurus, Philip Kotler and Marc Opresnik. It is now in the third edition and is out (or underway) in Italian, Spanish, Chinese and Vietnamese editions.

Furthermore, Svend has published in internationally well-recognized journals, including *California Management Review*, *Thunderbird International Business Review*, *Journal of Family Business Strategy*, *International Journal of Innovation Management*, *Journal of Brand Strategy* and *Marketing Intelligence & Planning*.

Svend has also worked as a business consultant for several multinational companies, as well as global organizations such as the World Bank.

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# Part I

## The decision whether to internationalize



### Part I Contents

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- 1 Global marketing in the firm
- 2 Initiation of internationalization
- 3 Internationalization theories
- 4 Development of the firm's international competitiveness

### Part I Case studies

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- I.1 **Electrolux:** a white goods manufacturer is considering growth opportunities worldwide
- I.2 **Nintendo Switch**
- I.3 **Cereal Partners Worldwide (CPW):** the no. 2 world player is challenging the no. 1, Kellogg

## Introduction to Part I

It is often the case that a firm that goes on an export adventure discovers it should have stayed in the home market because it did not have the necessary competences to start exporting. Chapter 1 discusses competences and global marketing strategies from the value chain perspective. Chapter 2 discusses the major motivations of the firm to internationalize. Chapter 3 concentrates on some central theories that explain firms' internationalization processes. Chapter 4 discusses the concept of international competitiveness from a macro level to a micro level.

# Chapter 1

## Global marketing in the firm



### Learning objectives

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After studying this chapter you should be able to:

- 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

At the time of writing, we are ten years on from the financial crisis, but still we have not enjoyed a broad-based rebound to create a world that is safe and more prosperous.

Global ‘free trade’ has come under criticism in the West from populists who blame it for the loss of factory jobs. In reality, free trade has taken fewer jobs than automation, a force that is much harder to reverse. The reality is that cross-border commerce has played an important role in improving the inclusive global prosperity that the world has enjoyed since the Second World War.

Over the past decade, regional and bilateral trade agreements have become popular – a reflection of the difficulties in finding consensus among all the nations who belong to the WTO. But for the WTO to drive global growth – and for that growth to be shared more widely – governments, companies, NGOs and others have to work more closely together.

In 2005, Thomas L. Friedman published his international bestselling book *The World is Flat* (Friedman, 2005). It analyses globalization, primarily in the early twenty-first century, and the picture has changed dramatically. The title is a metaphor for viewing the world as a level playing field in terms of commerce, where all players and competitors have an equal opportunity. Companies from every part of the world will be competing with each other in every corner of the world’s markets – for customers, resources, talent and intellectual capital. Products and services will flow from many locations to many destinations. Friedman describes how many companies in, for example, the Ukraine, India and China, provide human-based subsupplies for multinational companies. In this way, these companies in emerging and developing countries are becoming integral parts of complex global supply chains for large multinational companies, like Dell, SAP, IBM and Microsoft.

Pankaj Ghemawat has contradicted Friedman’s view of the world being flat. In his book, Ghemawat introduces World 3.0 (Ghemawat, 2008), a world that is neither a set of distinct nation-states (World 1.0) nor the stateless ideal (World 2.0) that seems implicit in the ‘the world is flat’ strategies of so many companies. In such a World 3.0 (Ghemawat, 2011a), home matters, but so do countries abroad. Ghemawat argues that when distances (geographic, cultural, administrative/political and economic) increase, cross-border trade tends to decrease (Ghemawat, 2011b). Ghemawat thinks that it is certainly possible to have a global strategy and a global organization in such a world. But the global strategy must be based not on the elimination of differences and distances among people, cultures and places, but on an understanding of them.

## 1.2 The process of developing the global marketing plan

This book has a clear decision-oriented approach, and is structured according to the five main decisions that marketing people in companies face in connection with the global marketing process. The 19 chapters are divided into five parts (Figure 1.1).

In the end, a firm’s global competitiveness is mainly dependent on the end-result of the global marketing stages: *the global marketing plan* (see Figure 1.2). The purpose of the marketing plan is to create sustainable competitive advantages in the global marketplace. Generally, firms go through some kind of mental process in developing global marketing plans. In small and medium-sized enterprises (SMEs) this process is normally informal; in larger organizations it is often more systematized. Figure 1.2 offers a systematized approach to developing a global marketing plan – the stages are illustrated using the most important models and concepts, which are explained and discussed throughout the chapters. Readers are advised to return to this figure throughout the book.

Figure 1.1 The five-stage decision model in global marketing

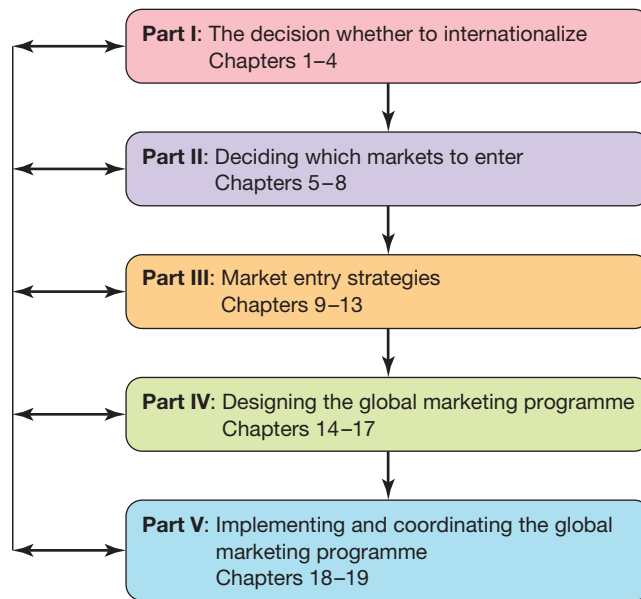


Figure 1.2 Development of an international marketing plan

Source: Hollensen, S. (2008) *Essentials of Global Marketing*, FT/Prentice Hall, pp. 6-9. Copyright © Pearson Education Limited.

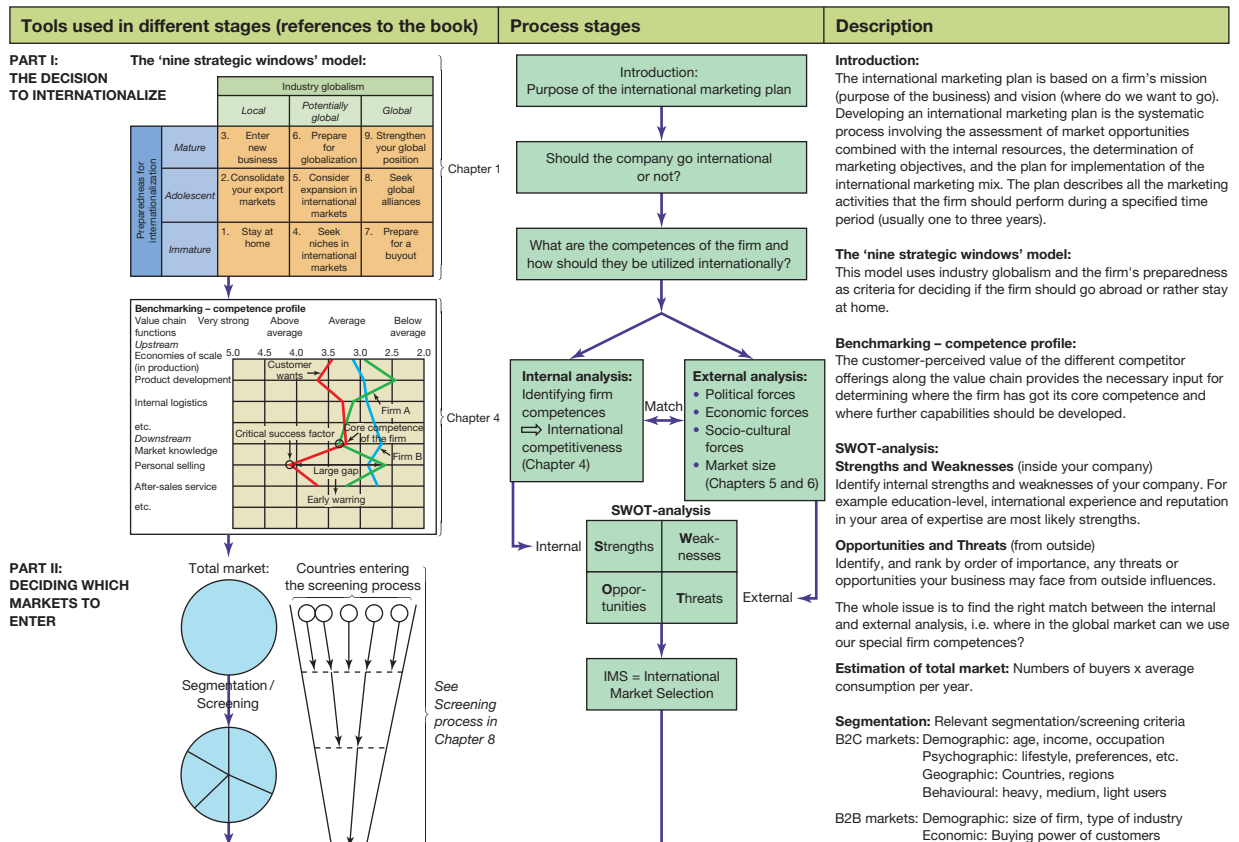


Figure 1.2 Continued

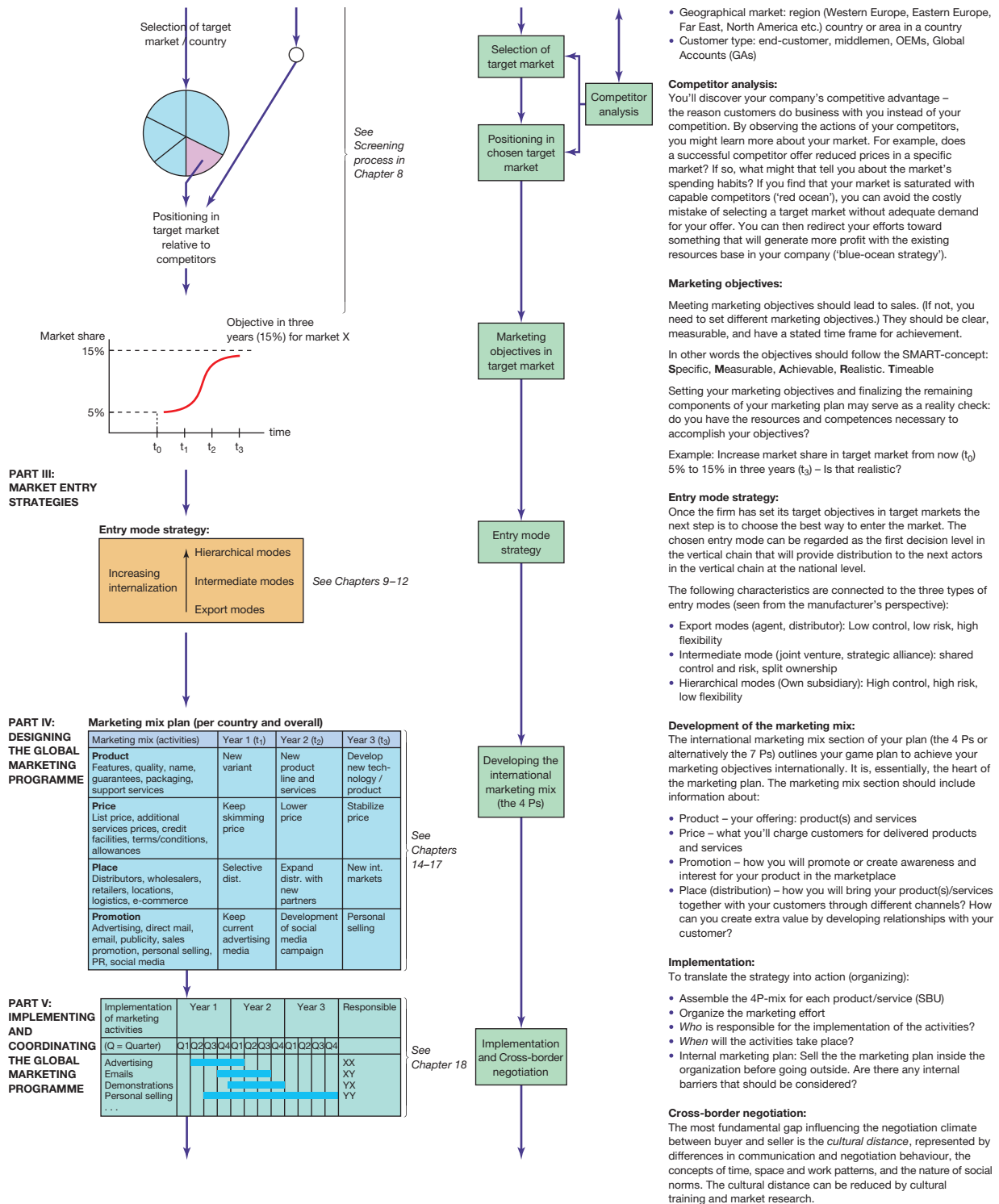
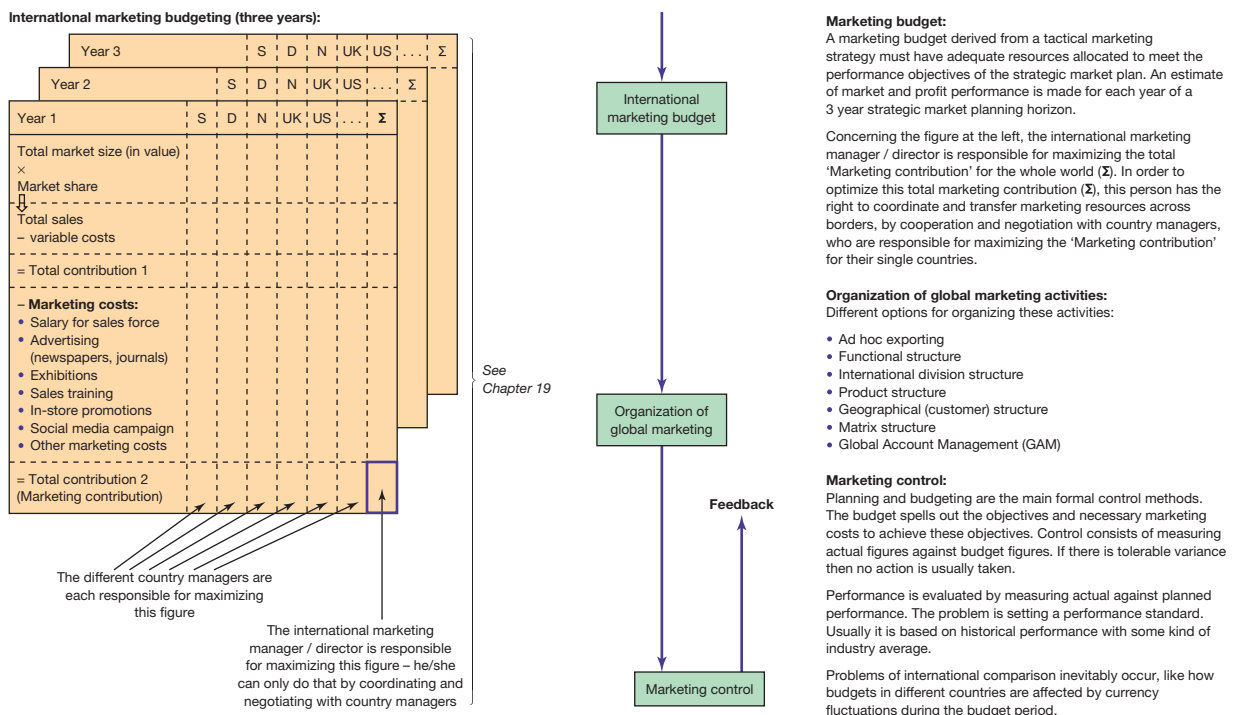


Figure 1.2 Continued



### 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 per cent of companies, almost one-third of all private sector jobs in the EU are provided by LSEs.

**SMEs**  
SMEs (small and medium-sized enterprises) occur commonly in the EU and in other regional economic blocs. 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.

The reason underlying this 'convergence' is that many large multinationals (such as IBM, Philips, GM and ABB) have begun downsizing operations, so in reality many **LSEs** act like a confederation of small, autonomous, entrepreneurial and action-oriented companies. One can always question the change in orientation of **SMEs**. Some studies (e.g. Bonaccorsi, 1992) have rejected the widely accepted proposition that firm size is positively related to export intensity. Furthermore, many researchers (e.g. Julien et al., 1997) have found that SMEs do not behave as a homogeneous group.

Table 1.1 gives an overview of the main qualitative differences between management and marketing styles in SMEs and LSEs. We will discuss each of the headings in turn.

### Resources

- **Financial.** A well-documented characteristic of SMEs is the lack of financial resources due to a limited equity base. The owners put only a limited amount of capital into the business, which quickly becomes exhausted.
- **Business education/specialist expertise.** In contrast to LSEs, a characteristic of SME managers is their limited formal business education. Traditionally, the SME owner/manager is a technical or craft expert and is unlikely to be trained in any of the major business disciplines. Therefore specialist expertise is often a constraint because managers in small businesses tend to be generalists rather than specialists. In addition, global marketing expertise is often the last of the business disciplines to be acquired by an expanding SME; finance and production experts usually precede the acquisition of a marketing counterpart. Therefore it is not unusual to see owners of SMEs closely involved in sales, distribution, price setting and, especially, product development.



**Table 1.1** The characteristics of LSEs and SMEs

	LSEs	SMEs
Resources	Many resources Internalization of resources Coordination of: – personnel – financing – market knowledge, etc.	Limited resources Externalization of resources (outsourcing of resources)
Formation of strategy/decision-making processes	Deliberate strategy formation (Mintzberg, 1987; Mintzberg and Waters, 1985) (see Figure 1.3) Adaptive decision-making mode in small incremental steps (logical incrementalism) (e.g. each new product: small innovation for the LSE) (see Figure 1.4)	Emergent strategy formation (Mintzberg, 1987; Mintzberg and Waters, 1985) (see Figure 1.3) The entrepreneurial decision-making model (e.g. each new product: considerable innovation for the SME) (see Figure 1.5) The owner/manager is directly and personally involved and will dominate all decision-making throughout the enterprise
Organization	Formal/hierarchical Independent of one person	Informal The owner/entrepreneur usually has the power/charisma to inspire/control a total organization
Risk-taking	Mainly risk-averse Focus on long-term opportunities	Sometimes risk-taking/sometimes risk-averse Focus on short-term opportunities
Flexibility	Low	High
Take advantage of economies of scale and economies of scope	Yes	Only limited
Use of information sources	Use of advanced techniques: – databases – external consultancy – internet	Information gathering in an informal manner and an inexpensive way: – internal sources – face-to-face communication

## Formation of strategy/decision-making processes

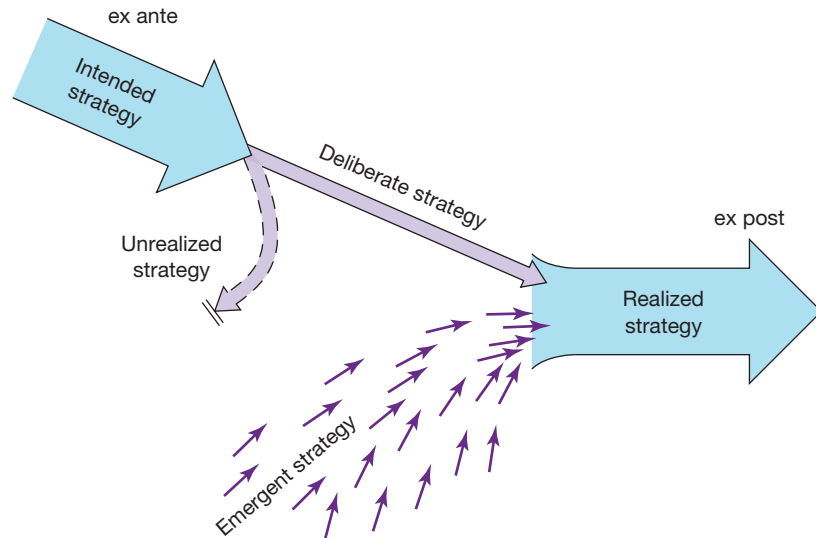
As is seen in Figure 1.3, the realized strategy (the observable output of an organization's activity) is a result of the mix between the intended ('planned') strategy and the emergent ('not planned') strategy. No companies form a purely deliberate or intended strategy. In practice, all enterprises will have some elements of both intended and emergent strategy.

In the case of the deliberate (planned) strategy (mainly LSEs), managers try to formulate their intentions as precisely as possible and then strive to implement these with a minimum of distortion.

This planning approach 'assumes a progressive series of steps of goal setting, analysis, evaluation, selection and planning of implementation to achieve an optimal long-term

**Figure 1.3** The intended and emergent strategy

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.



direction for the organization’ (Johnson, 1988). Another approach for the process of strategic management is so-called *logical incrementalism* (Quinn, 1980), where continual adjustments in strategy proceed flexibly and experimentally. If such small movements in strategy prove successful then further development of the strategy can take place. According to Johnson (1988) managers may well see themselves as managing incrementally, but this does not mean that they succeed in keeping pace with environmental change. Sometimes the incrementally adjusted strategic changes and the environmental market changes move apart and a *strategic drift* arises (see Figure 1.4).

Exhibit 1.1 gives an example of strategic drift.

**Figure 1.4** Incremental change and strategic drift

Source: based on Johnson, Whittington and Scoles’ version of Strategic drift (Pearson, 2011).

