

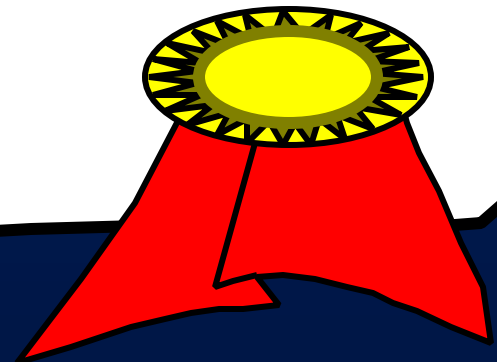
# **Global Marketing Management**

## **Planning and Organization**

# Global Marketing Management

“Companies must learn to operate as if the world was one large market.”

- Theodore Levitt (1983)



# Global Marketing Management

- I. Global vs. International Marketing
- II. Standardization vs. Adaptation Controversy
  - A. Benefits of Standardization
    - 1) Cost Saving
    - 2) Levitt's Argument
    - 3) Uniform Brand Image
    - 4) Improved Coordination

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## B. Advantages of Adaptation

- 1) Differing Use Conditions
- 2) Legal/Regulatory Factors
- 3) Different C.B. Patterns
- 4) The Marketing Concept

## III. Global Market Segmentation

# Global Segmentation Variables

## Others May Be More Important

~~Country~~

- Climate
- Language Group
- Media Habits
- Age
- Income

# Nestle's Way To Dominate Its Global Markets

 **Think and plan long term**

 **Decentralize**

 **Stick to what you know**

 **Adapt to local tastes**

# Licensing

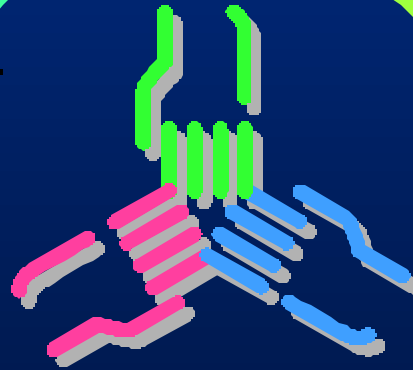
- The licensor permits the licensee to use its intellectual property (an intangible) in exchange for a royalty payment.
- Advantages of licensing
  - No capital investment, knowledge, or marketing strength
  - Huge profit potential, recovered costs
  - Minimal risk of government intervention
  - A stage in internationalization
  - Preempt market entry before competition
  - Increasing intellectual property rights protection

# Licensing

- Disadvantages of licensing
  - Licensee controls marketing function and licensor does not gain expertise in local market
  - No guarantee of entry after license expires
  - Licensee may become local and international competitor of licensor
  - No extension of license permitted by local government
  - Licensee may create quality control and marketing problems for licensor

# Trademark Licensing

- Companies trade on their names and characters as a substantial source of worldwide revenue



# Franchising

- A licensing arrangement where the licensor grants the licensee the right to do business in a prescribed manner.
  - The franchisee benefits from the reduced risk of implementing a proven concept
- The major forms of international franchising
  - Manufacturer-retailer systems (Ford, Toyota, or Mercedes-Benz)
  - Manufacturer-wholesaler systems (Coca-Cola, Pepsi Cola)
  - Service firm-retailer systems (Holiday Inn, Wendy's)

# International Franchise Expansion

- Reasons for the growth
  - Market potential
  - Financial gain
  - Saturated domestic markets
- Problems in franchising
  - Needs a high degree of standardization
  - Protection of the total business system from copycat competition
  - Government intervention
  - Selection and training of franchisees



# Governmental Perspective on Franchising

- Franchising does NOT
  - replace exporting
  - export jobs
  - require large outflow of foreign exchange...  
the bulk of profit remains in the country.



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## IV. Foreign Market Entry Modes

1) The Internet

2) Exporting (Direct and Indirect)

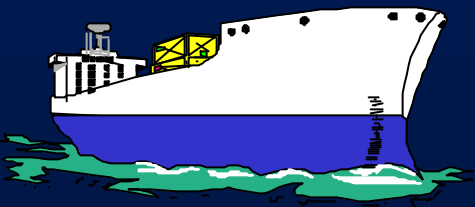
3) Contractual Agreements

i) Licensing - A firm allows another firm to use its intellectual property for a royalty

ii) Franchising - A parent company grants another company the right to do business in a prescribed manner

# Exporting as an Entry Strategy

- Indirect Exporting
  - Domestic Intermediary
- Direct Exporting
  - Independent Distributor vs. Sales Subsidiary
  - Company Owned Sales Office (Foreign Sales Subsidiary)



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## 4) Joint Ventures

### Advantages:

- Government may prefer it to full ownership
- Shared risk
- Access to skills your company lacks

### Disadvantages:

- Must manage relationship with a partner
- Regulations murky in some countries

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## Recommendations of Joint Ventures

- i) Find a partner with complementary skills
- ii) Negotiate agreement carefully;  
Work out details
- iii) Plan to adjust to a changing environment

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## 5) Full Ownership

- Greenfields
- Acquisitions

### Advantages of Full Ownership:

- Facilitates affiliate cooperation with business strategy/easier to coordinate
- Protection of proprietary assets/skills

### Disadvantages of Full Ownership:

- Host country may disapprove
- Subject to greater political risk

# Global Marketing Management

Reasons for Growth in Foreign Direct Investment  
(i.e. joint ventures and full ownership):

- 1) Desire for growth
- 2) Derived demand
- 3) Government incentives
- 4) Access to new markets
- 5) Access to new technologies
- 6) Strategic Alliances