Chapter 18

Global Marketing and R&D
Marketing Mix

Choices offered to its targeted market - comprised of:

- **Product** attributes
- **Pricing** strategy
- (Promotion) **Communication** strategy
- (Place) **Distribution** strategy
The Globalization Of Markets And Brands

  - World markets are increasingly similar
  - Unnecessary to localize marketing mix

- Consensus in 2016 is different:
  - Differences - cultural and economic
    - Trend toward varied consumer tastes and preferences
  - Limited ability to sell standardized products
    - Differences in product and technical standards
Businesses Beware: The World Is *Not* Flat

With apologies to Thomas Friedman, managers who believe the hype of a flat world do so at their own risk, says HBS professor Pankaj Ghemawat. National borders still matter a lot for business strategists. While identifying similarities from one place to the next is essential, effective cross-border strategies will take careful stock of differences as well. A Q&A and book excerpt follow. Key concepts include:

- Some indicators of globalization aren’t increasing as many experts have claimed.
- Toyota and Wal-Mart are examples of companies that understand how to deal with distance in a strategic way.
- Take a broad view of differences, figure out the ones that matter the most in your industry, and look at them not just as difficulties to be overcome but also as potential sources of value creation.
Market Segmentation

Identifying distinct groups of consumers (categories)

Markets can be segmented by:
- Geography (country, region, etc)
- Demography (income, age, etc)
- Socio-cultural factors (religion, social class, etc)
- Psychological factors (personality)

Develop marketing mix for each –
(Product, Price, Promotion and Distribution)
Two key market segmentation issues:

1. **Global segments**
   Transcend national borders

2. **Country-Specific Segments**
   Different segments among countries
Example: Yoga

In India
Global Traditions

In Texas
Local Interpretation

Asanas with Props

The ancient yogis used logs of wood, stones, and ropes to help them practice asanas effectively. Extending this principle, Yogacharya Iyengar invented props which allow asanas to be held easily and for a longer duration, without strain.

Seriously – tradition is the most important difference
“Material World” - Comparisons

What differences do you notice?
Types/ size of homes?
Appliances?

Japanese Family

American Family

Cultural Shock

Film
“Material World” - Comparisons

What differences do you notice?

British Family

Thai Family

Thai Market
Market/Trains (8 x a day)
“Material World” - Comparisons

What differences do you notice?

My First TV (1999) - Film

Argentine Family

Bhutan Family
“Material World” - Comparisons

What differences do you notice?

German Family

Spanish Family
## Distribution Systems

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<th>Retail Concentration</th>
<th>Concentrated retail system</th>
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<td>• Few retailers supply most of the market (e.g., big box)</td>
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<td>• <em>Developed countries</em></td>
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| Channel Quality |
Retail in Hong Kong – During recession

Changes in Consumer Behaviour and Tactics during Current Recession

- Trade down
- Go back to basics
- Shy from unbridled spending
- Shop smarter
- Look for discounts and private labels
- Increase savings
- Stay home
- Increase home-based activities
- Seek value
- Patronise low-cost outlets

Similar trends Across countries

Source: HKTDC
Distribution Systems

**Retail Concentration**
- Sell directly to the consumer
- Concentrated systems have shorter channels

**Channel Length**
- Internet is shortening channel length

**Channel Exclusivity**
- Sells through an import agent, wholesaler, retailer
- Fragmented retail systems tend to have longer channels

**Channel Quality**

**Short Channel**
- Sell directly to the consumer
- Concentrated systems have shorter channels
- Internet is shortening channel length

**Long Channel** – price escalation
- Sells through an import agent, wholesaler, retailer
- Fragmented retail systems tend to have longer channels
Parallel Systems (dual distribution) - Becoming more common worldwide
Exclusive distribution channel

- Prefer to deal with established producers with strong reputations
- Difficult for outsiders to access
- Example: Japan's system “push strategy” for entry (later slide)
Distribution Systems

Developed Countries
- Quality of retailers is good

Emerging Markets
- Variable, but improving
- Firms may have to devote considerable resources to upgrading channel quality

- Retail Concentration
- Channel Length
- Channel Exclusivity
- Channel Quality
1. Cultural barriers
   - Misinterpretations
   - Develop cross-cultural literacy

2. Source and country of origin effects
   - **Source effect:** Evaluates message based on status or image of the sender (nationalism)
   - **Country of Origin:** Production place impacts perceived quality (Swiss watches)

3. Noise levels
   - Amount of messages competing for potential consumers’ attention
Miscommunication

Caution – Think about media placement !!
Push versus Pull Strategies

Push Strategy
- Emphasizes Personal Selling
- Incentivize buyers
- Industrial products
- Complex new product
- Specialized markets
- Short channels
- Media unavailable

Pull Strategy
- Emphasizes Mass media ads
- Create end-user demand
- Consumer goods
- Large markets
- Long channels
- Access to media
Pricing Strategy Issues

Price Discrimination

Same Product - Different prices in different countries

Successful if:
• Keep markets separate
  • Ford in Belgium and U.K.
• Differing price elasticities
  • Lower income = greater elasticity (sensitive to pricing)
  • Higher income = less elasticity (less sensitive to pricing)
• TVs in India and U.S.

Creates “gray market”

Strategic Pricing

Regulations
Pricing Strategy Issues

**Price Discrimination**
- Predatory pricing
  - Use profits from one market to support aggressive pricing in another – later raise prices

**Strategic Pricing**
- Multi-point pricing
  - Pricing in a market impacts rivals pricing in another market – watch responses

**Regulations**
- Experience curve pricing
  - Price low – build volume
  - Economies of scale = profits
Pricing Strategy Issues

Price Discrimination

Strategic Pricing

Antidumping regulations
• If sell for less than production costs

Competition policies
• Promote competition
• Restrict monopolies (antitrust)

Regulations
Finding Distributors in Japan

FILM (9 min)

Please answer these questions:
1. What are the characteristics of a good distributor?
2. What are several of the methods used to identify distributors in Japan?
New Product Development

- Product life cycles are often very short
  - Quick product obsolescence
  - New opportunities

- Product innovation is a priority

- Close links between R&D - marketing
  - Customer needs drive product development
  - New products designed for ease of manufacture
  - Time-to-market is minimized
  - Development costs are kept in check
Building Global R&D Capabilities

- Integrate R&D and marketing
  - May need different versions for different countries
- May require multiple R&D centers
  - Linked with marketing in various countries
  - Linked with various manufacturing facilities

Extra credit opportunity! Summary of Each of the following:
(do not read entire section)

*Should take about 5 minutes*

1. Political System,
2. Key Industries,
3. Business Appointments,
4. Business Dress,
5. Conversation Topics, and
6. Gift Giving