# **GLOBAL MARKETING**

# Warren J. Keegan

Lubin Graduate School of Business
Pace University
New York City and
Westchester, New York

# Mark C. Green

Department of Business Administration and Economics Simpson College Indianola, Iowa

NINTH EDITION
GLOBAL EDITION



# **Brief Contents**

Acknowledgm	ents 20
Chapter 1 Case 1-1 Case 1-1 Case 1-2	McDonald's Expands Globally While Adjusting Its Local Recipe 53
Case 1-3	Apple versus Samsung: The Battle for Smartphone Supremacy Heats Up 57
<b>PART TWO</b>	The Global Marketing Environment 60
Chapter 2	The Global Economic Environment 60
Case 2-1	Venezuela After Chavez: The Case for Economic Freedom 60
Case 2-1	Venezuela and the Case for Economic Freedom (continued) 89
Case 2-2	A Day in the Life of a Contracts Analyst at Cargill 90
Chapter 3	The Global Trade Environment 92
Case 3-1	Global Trading Partners Look East and West for Economic Growth 92
Case 3-1	(continued) 121
Case 3-2	Will the Euro Survive? The Euro Zone Fights for Its Life 122
•	Social and Cultural Environments 126
	Will Tourism Ruin Venice? 126
Case 4-1	Is Tourism the Savior or the Scourge of Venice? (continued) 150
Case 4-2	Soccer in the USA: Football's Final Frontier? 152
•	The Political, Legal, and Regulatory Environments 156
Case 5-1	
Case 5-1	
Case 5-2 Case 5-3	President Barack Obama's 2014 "Christmas Surprise" 187 Gambling Goes Global on the Internet 191
PART THREE	Approaching Global Markets 194
Chapter 6	Global Information Systems and Market Research 194
Case 6-1	Nestlé Middle East's Investment in Market Research 194
Case 6-1	Nestlé Middle East's Investment in Market Research (continued) 223
Case 6-2	Research Helps Whirlpool Keep Its Cool at Home, Act Local in Emerging Markets 225

Chapter 7 Case 7-1 Case 7-1 Case 7-2	Segmentation, Targeting, and Positioning 228 Segmenting the Chinese Luxury Goods Market 228 Segmenting the Chinese Luxury Goods Market (continued) 259 Cosmetics Giants Segment the Global Cosmetics Market 261
Chapter 8 Case 8-1	Importing, Exporting, and Sourcing 264  East-Asian Countries: Export-led Growth for Economic
Case 8-1 Case 8-2 Case 8-3	Success 264 The Hong Kong Trade and Investment Hub (continued) 290 Turkish Cars: The Big Picture 291 A Day in the Life of an Export Coordinator 292
Chapter 9	Global Market-Entry Strategies: Licensing, Investment, and Strategic Alliances 294
Case 9-1 Case 9-1	Starbucks Expands Abroad 294 Starbucks Takes Coffee Culture Around the World (continued) 320
Case 9-2	Jaguar's Passage to India 322
Chapter 10 Case 10-1 Case 10-1 Case 10-2	The Global Marketing Mix 324  Brand and Product Decisions in Global Marketing 324  Google 324  Google (continued) 355  The Smart Car 356
Chapter 11 Case 11-1 Case 11-1	Pricing Decisions 358 Global Automakers Target Low-Income Consumers 358 Global Automakers Target Low-Income Consumers (continued) 386
Case 11-2	Global Consumer-Products Companies Target Low-Income Consumers 387
Case 11-3	LVMH and Luxury Goods Marketing 389
Chapter 12	Global Marketing Channels and Physical Distribution 392
Case 12-1	Walmart's Adventures in India 392
Case 12-1 Case 12-2	Can Walmart Crack the Retail Code in India? (continued) 422 Fail! Tesco Strikes Out in the United States 423
Chapter 13	Global Marketing Communications Decisions I: Advertising and Public Relations 426
Case 13-1	Coca-Cola: Using Advertising and Public Relations to Respond to a Changing World 426
Case 13-1	Coca-Cola: Using Advertising and Public Relations to Respond to a Changing World (continued) 451
Case 13-2	Samsung: Launching People 452
Case 13-3	Scotch Whisky in China: A Taste of the Good Life 454
Chapter 14	Global Marketing Communications Decisions II: Sales Promotion, Personal Selling, and Special Forms of Marketing Communication 456
Case 14-1	Milan Expo 2015 456
Case 14-1	Milan Expo 2015 (continued) 484
Case 14-2	Red Bull 486

Chapter 15 Case 15-1 Case 15-1	Global Marketing and the Digital Revolution 488  Africa 3.0 (continued) 512
PART FIVE	Strategy and Leadership in the Twenty-First Century 514
Chapter 16	Strategic Elements of Competitive Advantage 514
Case 16-1	Volkswagen Aims for the Top 514
Case 16-1	Volkswagen (continued) 541
Case 16-2	IKEA 544
Case 16-3	LEGO 545
Chapter 17	Leadership, Organization, and Corporate Social Responsibility 548
Case 17-1	A Changing of the Guard at Unilever 548
Case 17-1	Unilever (continued) 576

Glossary 580 Author/Name Index 593 Subject/Organization Index 603

# **Contents**

Preface 16

Acknowledgments 20

PART ONE	Introduction 22
Chapter 1	Introduction to Global Marketing 22  1-1 Introduction and Overview 23  1-2 Principles of Marketing: A Review 25 Competitive Advantage, Globalization, and Global Industries 26  1-3 Global Marketing: What It Is and What It Isn't 30  1-4 The Importance of Global Marketing 38  1-5 Management Orientations 38 Ethnocentric Orientation 39 Regiocentric Orientation 40 Geocentric Orientation 40  1-6 Forces Affecting Global Integration and Global Marketing 43 Multilateral Trade Agreements 43 Converging Market Needs and Wants and the Information Revolution 43 Transportation and Communication Improvements 44 Product Development Costs 44 Quality 44 World Economic Trends 45 Leverage 46 Experience Transfers 46 Scale Economies 47 Resource Utilization 47 Global Strategy 47 Restraining Forces 48 Management Myopia and Organizational Culture 48 National Controls 48 Opposition to Globalization 48  Outline of This Book 49
PART TWO	The Global Marketing Environment 60
	The Global Economic Environment 60 2-1 The World Economy—Overview of Major Changes 62 2-2 Economic Systems 63  Market Capitalism 64 Centrally Planned Socialism 65 Centrally Planned Capitalism and Market Socialism 65 2-3 Stages Of Market Development 69 Low-Income Countries 69 Lower-Middle-Income Countries 70 Upper-Middle-Income Countries 73 Marketing Opportunities in LDCs and Developing Countries 75 High-Income Countries 77 The Triad 79 Marketing Implications of the Stages of Development 79

2-4	Ba	lance	Of	<b>Pavmen</b>	ts 80
-----	----	-------	----	---------------	-------

# 2-5 Trade In Merchandise And Services 82

Overview of International Finance 83

Economic Exposure 85

Managing Exchange Rate Exposure 86

# **Chapter 3** The Global Trade Environment 92

# 3-1 The World Trade Organization and Gatt 93

# 3-2 Preferential Trade Agreements 94

Free Trade Area 95

Customs Union 95

Common Market 95

Economic Union 95

# 3-3 North America 97

# 3-4 Latin America: Sica, Andean Community, Mercosur,

#### and Caricom 100

Central American Integration System 100

Andean Community 102

Common Market of the South (Mercosur) 102

Caribbean Community and Common Market (CARICOM) 106

Current Trade-Related Issues 107

# 3-5 Asia-Pacific: The Association of Southeast Asian Nations (ASEAN) 107

Marketing Issues in the Asia-Pacific Region 109

#### 3-6 Western, Central, and Eastern Europe 111

The European Union (EU) 111

Marketing Issues in the EU 112

Central and Eastern Europe 114

#### 3-7 The Middle East 114

Cooperation Council for the Arab States of the Gulf 115

Marketing Issues in the Middle East 116

# 3-8 Africa 116

Economic Community of West African States (ECOWAS) 117

East African Community 117

Southern African Development Community (SADC) 117

Marketing Issues in Africa 119

# Chapter 4 Social and Cultural Environments 126

# 4-1 Society, Culture, and Global Consumer Culture 127

Attitudes, Beliefs, and Values 128

Religion 129

Aesthetics 130

Dietary Preferences 131

Language and Communication 134

Marketing's Impact on Culture 137

# 4-2 High- and Low-Context Cultures 138

#### 4-3 Hofstede's Cultural Typology 139

# 4-4 The Self-Reference Criterion and Perception 142

# 4-5 Diffusion Theory 144

The Adoption Process 145

Characteristics of Innovations 145

Adopter Categories 146

Diffusion of Innovations in Pacific Rim Countries 147

# 4-6 Marketing Implications of Social and Cultural Environments 147

Chapter 5	The Political, Legal, and Regulatory Environments 5-1 The Political Environment 157 Nation-States and Sovereignty 158 Political Risk 159 Taxes 161
	Seizure of Assets 163
	5-2 International Law 164
	Common Law versus Civil Law 165 Islamic Law 166
	5-3 Sidestepping Legal Problems: Important Business Issues  Jurisdiction 167  Intellectual Property: Patents, Trademarks, and Copyrights 167  Antitrust 172  Licensing and Trade Secrets 177
	Bribery and Corruption: Legal and Ethical Issues 178
	<ul><li>5-4 Conflict Resolution, Dispute Settlement, and Litigation 180</li><li>Alternatives to Litigation for Dispute Settlement 181</li></ul>
	5-5 The Regulatory Environment 182
	Regional Economic Organizations: The EU Example 183
PART THREE	Approaching Global Markets 194
Chapter 6	Global Information Systems and Market Research 194
	6-1 Information Technology, Management Information Systems, and Big Data for Global Marketing 195
	6-2 Sources of Market Information 201
	6-3 Formal Market Research 202
	Step 1: Information Requirement 203
	Step 2: Problem Definition 204 Step 3: Choose Unit of Analysis 205
	Step 4: Examine Data Availability 205
	Step 5: Assess Value of Research 206
	Step 6: Research Design 207
	Issues in Data Collection 207 Research Methodologies 209
	Scale Development 213
	Sampling 214
	Step 7: Data Analysis 214  Comparative Analysis and Market Estimation by Analogy 219
	Step 8: Interpretation and Presentation 220
	6-4 Headquarters' Control of Market Research 220
	6-5 The Marketing Information System as a Strategic Asset 221
Chapter 7	Segmentation, Targeting, and Positioning 228
	7-1 Global Market Segmentation 229
	Contrasting Views of Global Segmentation 231 Demographic Segmentation 231
	Segmenting Global Markets by Income and Population 232
	Age Segmentation 236
	Gender Segmentation 237
	Psychographic Segmentation 238 Behavior Segmentation 241
	Benefit Segmentation 241
	Ethnic Segmentation 242

# 7-2 Assessing Market Potential and Choosing Target Markets or Segments 243

Current Segment Size and Growth Potential 244

Potential Competition 245

Feasibility and Compatibility 246

A Framework for Selecting Target Markets 247

#### 7-3 Product-Market Decisions 250

# 7-4 Targeting And Target Market Strategy Options 251

Standardized Global Marketing 252

Concentrated Global Marketing 252

Differentiated Global Marketing 252

# 7-5 Positioning 253

Attribute or Benefit 253

Quality and Price 254

Use or User 254

Competition 254

Global, Foreign, and Local Consumer Culture Positioning 255

# Chapter 8 Importing, Exporting, and Sourcing 264

- 8-1 Export Selling and Export Marketing: A Comparison 266
- 8-2 Organizational Export Activities 267

#### 8-3 National Policies Governing Exports and Imports 268

Government Programs That Support Exports 269

Governmental Actions to Discourage Imports and Block Market Access 270

# 8-4 Tariff Systems 275

Customs Duties 277

Other Duties and Import Charges 277

#### 8-5 Key Export Participants 278

- 8-6 Organizing For Exporting in The Manufacturer's Country 279
- 8-7 Organizing For Exporting in The Market Country 280

# 8-8 Trade Financing and Methods of Payment 280

Documentary Credit 281

Documentary Collections (Sight or Time Drafts) 281

Cash in Advance 283

Sales on Open Account 283

Additional Export and Import Issues 283

#### 8-9 Sourcing 284

Management Vision 285

Factor Costs and Conditions 285

Customer Needs 287

Logistics 287

Country Infrastructure 287

Political Factors 288

Foreign Exchange Rates 288

# Chapter 9 Global Market-Entry Strategies: Licensing, Investment, and Strategic Alliances 294

# 9-1 Licensing 296

Special Licensing Arrangements 298

#### 9-2 Investment 299

Joint Ventures 301

Investment via Equity Stake or Full Ownership 302

# 9-3 Global Strategic Partnerships 307

The Nature of Global Strategic Partnerships 307

Success Factors 310

	CFM International, GE, and Snecma: A Success Story 311			
	Boeing and Japan: A Controversy 312  9-4 International Partnerships in Developing Countries 313			
	9-4 International Partnerships in Developing Countries 313			
	9-5 Cooperative Strategies in Asia 313			
	Cooperative Strategies in Japan: <i>Keiretsu</i> 313 How <i>Keiretsu</i> Affect American Business: Two Examples 316			
	Cooperative Strategies in South Korea: Chaebol 317			
	9-6 Twenty-First-Century Cooperative Strategies 317			
	9-7 Market Expansion Strategies 318			
	57 Market Expansion Strategies 510			
PART FOLIR	The Global Marketing Mix 324			
Chapter 10	Brand and Product Decisions in Global Marketing 324			
	10-1 Basic Product Concepts 325			
	Product Types 326 Product Warranties 326			
	Product Warranties 326 Packaging 326			
	Labeling 327			
	Aesthetics 328			
	10-2 Basic Branding Concepts 329			
	Local Products and Brands 330			
	International Products and Brands 330			
	Global Products and Brands 331			
	Global Brand Development 334			
	10-3 A Needs-Based Approach to Product Planning 337			
	10-4 "Country of Origin" as Brand Element 340			
	10-5 Extend, Adapt, Create: Strategic Alternatives in Global Marketing 342			
	Strategy 1: Product-Communication Extension (Dual Extension) 344			
	Strategy 2: Product Extension–Communication Adaptation 346			
	Strategy 3: Product Adaptation—Communication Extension 347			
	Strategy 4: Product-Communication Adaptation (Dual Adaptation) 348			
	Strategy 5: Innovation 348			
	How to Choose a Strategy 349			
	10-6 New Products in Global Marketing 350			
	Identifying New-Product Ideas 350			
	New-Product Development 352			
	The International New-Product Department 352 Testing New Products 353			
	lesting New Floudets 333			
Chapter 11	Pricing Decisions 358			
	11-1 Basic Pricing Concepts 360			
	11-2 Global Pricing Objectives and Strategies 360			
	Market Skimming and Financial Objectives 361			
	Penetration Pricing and Nonfinancial Objectives 362			
	Companion Products: Captive Pricing, a/k/a "Razors and Blades" Pricing 362			
	Target Costing 363			
	Calculating Prices: Cost-Plus Pricing and Export Price Escalation 365			
	11-3 Incoterms 367			
	11-4 Environmental Influences on Pricing Decisions 370			
	Currency Fluctuations 370			
	Inflationary Environment 372			
	Government Controls, Subsidies, and Regulations 373			
	Competitive Behavior 374 Using Sourcing as a Strategic Pricing Tool 375			
	osing sourcing as a strategic r ficing 1001 - 373			

Alliances with Asian Competitors 311

Extension or Ethnocentric Pricing 375  Adaptation or Polycentric Pricing 376
Geocentric Pricing 377
11-6 Gray Market Goods 377
11-7 Dumping 379
11-8 Price Fixing 380
11-9 Transfer Pricing 380
Tax Regulations and Transfer Prices 381 Sales of Tangible and Intangible Property 382
11-10 Countertrade 382
Barter 383
Counterpurchase 383
Offset 383
Compensation Trading 384
Switch Trading 384
Global Marketing Channels and Physical Distribution 392
12-1 Distribution Channels: Objectives, Terminology, and Structure 393
Consumer Products and Services 394
Industrial Products 398
12-2 Establishing Channels and Working With Channel Intermediaries 399
12-3 Global Retailing 401
Types of Retail Operations 402
Trends in Global Retailing 407
Global Retailing Market Expansion Strategies 410
12-4 Physical Distribution, Supply Chains, and Logistics
Management 413
Order Processing 415
Warehousing 416 Inventory Management 416
Transportation 416
Logistics Management: A Brief Case Study 420
Global Marketing Communications Decisions I 426
13-1 Global Advertising 428
Global Advertising Content: Standardization versus Adaptation 430
13-2 Advertising Agencies: Organizations and Brands 434
Selecting an Advertising Agency 436
13-3 Creating Global Advertising 438
Art Direction and Art Directors 439
Copy and Copywriters 439 Cultural Considerations 441
13-4 Global Media Decisions 443
Global Advertising Expenditures and Media Vehicles 443
Media Decisions 444
13-5 Public Relations and Publicity 445
The Growing Role of PR in Global Marketing Communications 448
How PR Practices Differ Around the World 448
Clobal Marketing Communications Designated 456

11-5 Global Pricing: Three Policy Alternatives 375

**Chapter 12** 

**Chapter 13** 

# Chapter 14 Global Marketing Communications Decisions II 456

**14-1 Sales Promotion 457**Sampling 460
Couponing 462

Sales Promotion: Issues and Problems 462

	<ul> <li>14-2 Personal Selling 463         The Strategic/Consultative Selling Model 465         Sales Force Nationality 470 </li> <li>14-3 Special Forms of Marketing Communications: Direct Marketing,         Support Media, Event Sponsorship, and Product Placement 472         Direct Mail 473         Catalogs 474         Infomercials, Teleshopping, and Interactive Television 475         Support Media 478     </li> </ul>
	Sponsorship 479 Product Placement: Motion Pictures, Television Shows, and Public Figures 480
Chapter 15	Global Marketing and the Digital Revolution 488  15-1 The Digital Revolution: A Brief History 489  15-2 Convergence 493  15-3 Value Networks and Disruptive Technologies 495  15-4 Global E-Commerce 497  15-5 Web Site Design and Implementation 500  15-6 New Products and Services 503  Broadband 503  Cloud Computing 504  Smartphones 506  Mobile Advertising and Mobile Commerce 506  Mobile Music 508  Mobile and Online Gaming 509  Mobile Payments 509  Streaming Video 510  Internet Phone Service 510  Digital Books and Electronic Reading Devices 510  Wearables 511
PART FIVE	Strategy and Leadership in the Twenty-First Century 514
Chapter 16	Strategic Elements of Competitive Advantage 514  16-1 Industry Analysis: Forces Influencing Competition 515  Threat of New Entrants 516 Threat of Substitute Products 517 Bargaining Power of Buyers 517 Bargaining Power of Suppliers 518 Rivalry Among Competitors 519  16-2 Competitive Advantage 520 Generic Strategies for Creating Competitive Advantage 520 Broad Market Strategies: Cost Leadership and Differentiation 520 Narrow Target Strategies: Cost Focus and Focused Differentiation 522 Creating Competitive Advantage via Strategic Intent 524 Layers of Advantage 525 Loose Bricks 525 Changing the Rules 525 Collaborating 526  16-3 Global Competition and National Competitive Advantage 526 Factor Conditions 527 Human Resources 528 Physical Resources 528 Knowledge Resources 528 Capital Resources 528 Infrastructure Resources 528

#### Demand Conditions 530

Composition of Home Demand 530

Size and Pattern of Growth of Home Demand 530

Rapid Home-Market Growth 530

Means by Which a Nation's Products and Services are Pushed or Pulled into Foreign

Countries 531

Related and Supporting Industries 531

Firm Strategy, Structure, and Rivalry 531

Chance 532 Government 533

# 16-4 Current Issues in Competitive Advantage 533

Hypercompetitive Industries 533

Cost/Quality 535

Timing and Know-How 535

Entry Barriers 536

The Flagship Firm: The Business Network with Five Partners 538

Blue Ocean Strategy 539

Additional Research on Competitive Advantage 539

# Chapter 17 Leadership, Organization, and Corporate Social Responsibility 548

# 17-1 Leadership 549

Top Management Nationality 551

Leadership and Core Competence 552

# 17-2 Organizing for Global Marketing 553

Patterns of International Organizational Development 555

International Division Structure 558

Regional Management Centers 559

Geographical and Product Division Structures 560

The Matrix Design 561

# 17-3 Lean Production: Organizing the Japanese Way 564

Assembler Value Chains 565

Downstream Value Chains 566

# 17-4 Ethics, Corporate Social Responsibility, and Social Responsiveness in the Globalization Era 568

Glossary 580

Author/Name Index 593

Subject/Organization Index 603