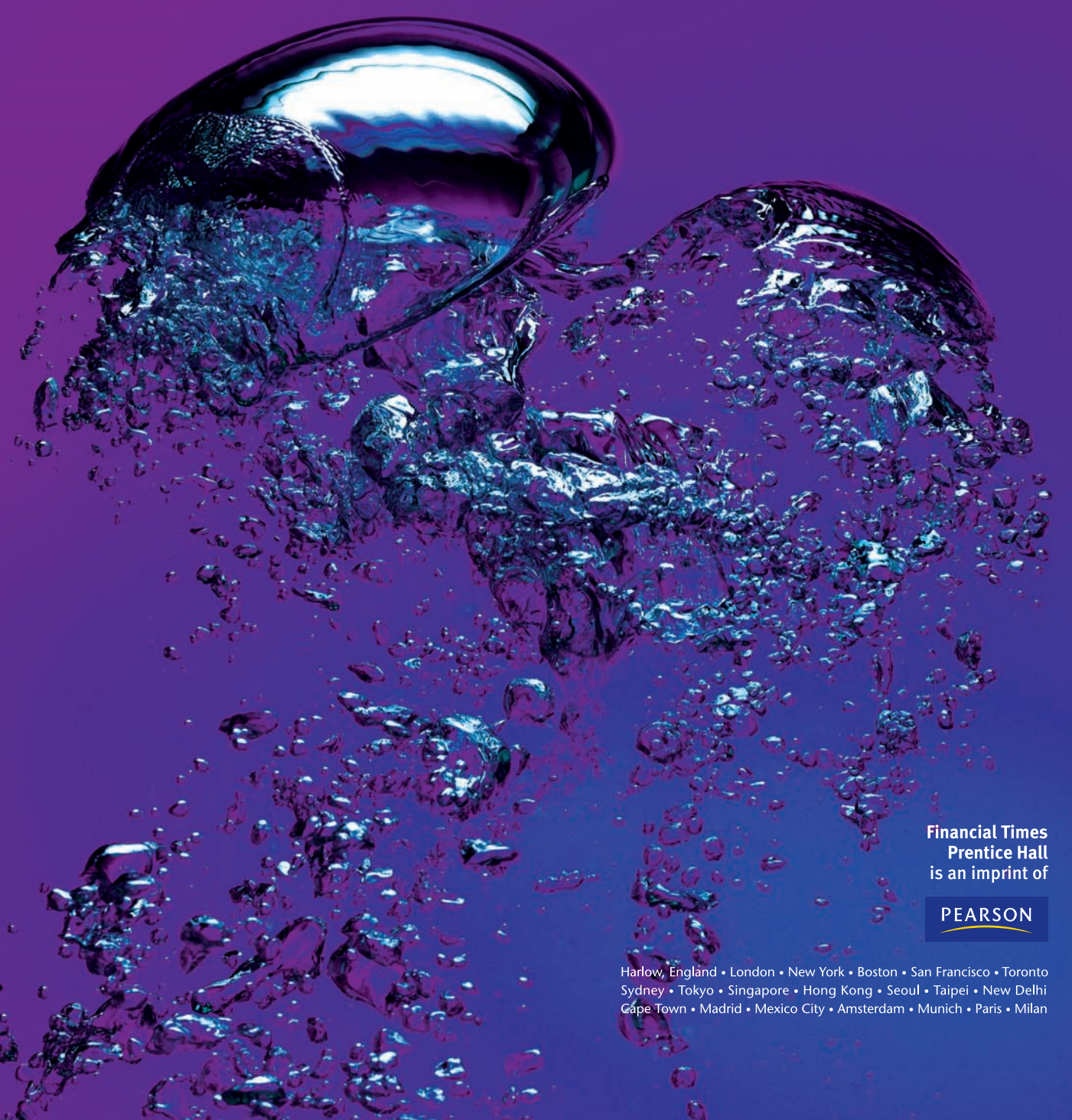


Fifth Edition

GLOBAL MARKETING

A DECISION-ORIENTED APPROACH

Svend Hollensen



Financial Times
Prentice Hall
is an imprint of

PEARSON

Harlow, England • London • New York • Boston • San Francisco • Toronto
Sydney • Tokyo • Singapore • Hong Kong • Seoul • Taipei • New Delhi
Cape Town • Madrid • Mexico City • Amsterdam • Munich • Paris • Milan

BRIEF CONTENTS

Preface	xvi	
Guided tour	xxx	
Acknowledgements	xxxiv	
Publisher's acknowledgements	xxxvi	
Abbreviations	xli	
About the author	xliv	
PART I	THE DECISION WHETHER TO INTERNATIONALIZE	3
1	Global marketing in the firm	5
2	Initiation of internationalization	49
3	Internationalization theories	71
4	Development of the firm's international competitiveness	103
	Part I Case studies	146
PART II	DECIDING WHICH MARKETS TO ENTER	171
5	Global marketing research	173
6	The political and economic environment	203
7	The sociocultural environment	233
8	The international market selection process	260
	Part II Case studies	296
PART III	MARKET ENTRY STRATEGIES	315
9	Some approaches to the choice of entry mode	319
10	Export modes	334
11	Intermediate entry modes	355
12	Hierarchical modes	385
13	International sourcing decisions and the role of the sub-supplier	405
	Part III Case studies	429
PART IV	DESIGNING THE GLOBAL MARKETING PROGRAMME	453
14	Product decisions	459
15	Pricing decisions and terms of doing business	517
16	Distribution decisions	550
17	Communication decisions (promotion strategies)	585
	Part IV Case studies	626
PART V	IMPLEMENTING AND COORDINATING THE GLOBAL MARKETING PROGRAMME	655
18	Cross-cultural sales negotiations	657
19	Organization and control of the global marketing programme	684
	Part V Case studies	718
	Index	739

CONTENTS

Preface	xvi
Guided tour	xxx
Acknowledgements	xxxiv
Publisher's acknowledgements	xxxvi
Abbreviations	xli
About the author	xliv

PART I THE DECISION WHETHER TO INTERNATIONALIZE 3

1 Global marketing in the firm	5
<i>Learning objectives</i>	5
1.1 Introduction to globalization	6
1.2 The process of developing the global marketing plan	6
1.3 Comparison of the global marketing and management style of SMEs and LSEs	7
1.4 Should the company 'stay at home' or 'go abroad'?	17
1.5 Development of the global marketing concept	19
1.6 Forces for global integration and market responsiveness	21
1.7 The value chain as a framework for identifying international competitive advantage	25
1.8 Value shop and the service value chain	33
1.9 Information business and the virtual value chain	36
1.10 Summary	38
Case studies	
1.1 Build-A-Bear Workshop (BBW): how to manage the global comeback?	39
1.2 Arcor: a Latin American confectionery player is globalizing its business	45
1.3 Video case study: Nivea	47
<i>Questions for discussion</i>	47
<i>References</i>	47
2 Initiation of internationalization	49
<i>Learning objectives</i>	49
2.1 Introduction	50
2.2 Internationalization motives	50
2.3 Triggers of export initiation (change agents)	57
2.4 Internationalization barriers/risks	61
2.5 Summary	65
Case studies	
2.1 LifeStraw: Vestergaard-Frandsen transforms dirty water into clean drinking water	65
2.2 Elvis Presley Enterprises Inc. (EPE): internationalization of a cult icon	68
2.3 Video case study: TOMS Shoes	69
<i>Questions for discussion</i>	70
<i>References</i>	70

3	Internationalization theories	71
	<i>Learning objectives</i>	71
3.1	Introduction	72
3.2	The Uppsala internationalization model	74
3.3	The transaction cost analysis model	77
3.4	The network model	80
3.5	Internationalization of SMEs	84
3.6	Born globals	87
3.7	Internationalization of services	90
3.8	Summary	95
	Case studies	
3.1	Cryos: they keep the stork busy around the world	96
3.2	Classic Media: internationalization of Postman Pat	99
3.3	Video case study: Reebok	100
	<i>Questions for discussion</i>	101
	<i>References</i>	101
4	Development of the firm's international competitiveness	103
	<i>Learning objectives</i>	103
4.1	Introduction	104
4.2	Analysis of national competitiveness (the Porter diamond)	104
4.3	Competition analysis in an industry	109
4.4	Value chain analysis	114
4.5	The sustainable global value chain – CSR	123
4.6	CSR and international competitiveness	124
4.7	The value net	126
4.8	Blue ocean strategy and value innovation	126
4.9	Summary	131
	Case studies	
4.1	Nintendo Wii: Nintendo's Wii takes first place on the world market – can it last?	132
4.2	Senseo: creating competitiveness through an international alliance	137
4.3	Video case study: Nike	143
	<i>Questions for discussion</i>	143
	<i>References</i>	143
	Part I Case studies	
I.1	Zara: a Spanish retailer goes to the top of world fashion	146
I.2	Manchester United: still trying to establish a global brand	152
I.3	Bridgestone Tyres: European marketing strategy	155
I.4	Cereal Partners Worldwide (CPW): the number 2 world player is challenging the number 1 – Kellogg	162

PART II DECIDING WHICH MARKETS TO ENTER

171

5	Global marketing research	173
	<i>Learning objectives</i>	173
5.1	Introduction	174
5.2	The changing role of the international researcher	174
5.3	Linking global marketing research to the decision-making process	175
5.4	Secondary research	177
5.5	Primary research	181

5.6	Other types of marketing research	193
5.7	Setting up an international MIS	197
5.8	Summary	198
	Case studies	
5.1	Teepack Spezialmaschinen GmbH: organizing a global survey of customer satisfaction	199
5.2	Tchibo: expanding the coffee shops' business system in Eastern Europe	200
5.3	Video case study: Ziba	201
	<i>Questions for discussion</i>	201
	<i>References</i>	202
6	The political and economic environment	203
	<i>Learning objectives</i>	203
6.1	Introduction	204
6.2	The political/legal environment	204
6.3	The economic environment	213
6.4	The European economic and monetary union and the euro	219
6.5	Poverty as a market opportunity	224
6.6	Summary	227
	Case studies	
6.1	G-20 and the economic and financial crises: what on earth is globalization about? Massive protests during a meeting in London 2009	229
6.2	Sauer-Danfoss: which political/economic factor would affect a manufacturer of hydraulic components?	230
6.3	Video case study: debate on globalization	231
	<i>Questions for discussion</i>	232
	<i>References</i>	232
7	The sociocultural environment	233
	<i>Learning objectives</i>	233
7.1	Introduction	234
7.2	Layers of culture	236
7.3	High- and low-context cultures	237
7.4	Elements of culture	237
7.5	Hofstede's original work on national cultures (the '4 + 1' dimensions model)	245
7.6	The strengths and weaknesses of Hofstede's model	247
7.7	Managing cultural differences	248
7.8	Convergence or divergence of the world's cultures	249
7.9	The effects of cultural dimensions on ethical decision-making	250
7.10	Social marketing	252
7.11	Summary	253
	Case studies	
7.1	Lifan: a Chinese sub-supplier and brand manufacturer of motorcycles is aiming at the global market	254
7.2	IKEA catalogue: are there any cultural differences?	256
7.3	Video case study: communicating in the global world	258
	<i>Questions for discussion</i>	258
	<i>References</i>	259
8	The international market selection process	260
	<i>Learning objectives</i>	260
8.1	Introduction	261
8.2	International market selection: SMEs versus LSEs	261

8.3	Building a model for international market selection	262
8.4	Market expansion strategies	277
8.5	The global product/market portfolio	284
8.6	Summary	284
Case studies		
8.1	Tata Nano: international market selection with the world's cheapest car	286
8.2	Philips Lighting: screening markets in the Middle East	291
8.3	Video case study: Hasbro	294
	<i>Questions for discussion</i>	294
	<i>References</i>	295

Part II Case studies

II.1	Bajaj Auto: the Indian motorcycle manufacturer internationalizes its business	296
II.2	The Female Health Company (FHC): the female condom is seeking a foothold in the world market for contraceptive products	300
II.3	Tipperary Mineral Water Company: market selection inside/outside Europe	304
II.4	Skagen Designs: becoming an international player in designed watches	309

PART III MARKET ENTRY STRATEGIES

315

9 Some approaches to the choice of entry mode

319

	<i>Learning objectives</i>	319
9.1	Introduction	320
9.2	The transaction cost approach	320
9.3	Factors influencing the choice of entry mode	321
9.4	Summary	327
Case studies		
9.1	Jarlsberg: the king of Norwegian cheeses is deciding about entry modes in new markets	327
9.2	Ansell condoms: is acquisition the right way to gain market shares in the European condom market?	329
9.3	Video case study: understanding entry modes into the Chinese market	332
	<i>Questions for discussion</i>	333
	<i>References</i>	333

10 Export modes

334

	<i>Learning objectives</i>	334
10.1	Introduction	335
10.2	Indirect export modes	337
10.3	Direct export modes	341
10.4	Cooperative export modes/export marketing groups	348
10.5	Summary	349
Case studies		
10.1	Lysholm Linie Aquavit: international marketing of the Norwegian Aquavit brand	350
10.2	Parle Products: an Indian biscuit manufacturer is seeking agents and cooperation partners in new export markets	352
10.3	Video case study: Honest Tea	353
	<i>Questions for discussion</i>	354
	<i>References</i>	354

11 Intermediate entry modes	355
<i>Learning objectives</i>	355
11.1 Introduction	356
11.2 Contract manufacturing	356
11.3 Licensing	358
11.4 Franchising	361
11.5 Joint ventures/strategic alliances	366
11.6 Other intermediate entry modes	375
11.7 Summary	379
Case studies	
11.1 Hello Kitty: can the cartoon cat survive the buzz across the world?	379
11.2 Ka-Boo-Ki: licensing in the LEGO brand	382
11.3 Video case study: Marriott	383
<i>Questions for discussion</i>	384
<i>References</i>	384
12 Hierarchical modes	385
<i>Learning objectives</i>	385
12.1 Introduction	386
12.2 Domestic-based sales representatives	387
12.3 Resident sales representatives/foreign sales branch/foreign sales subsidiary	387
12.4 Sales and production subsidiary	389
12.5 Subsidiary growth strategies	390
12.6 Region centres (regional headquarters)	391
12.7 Transnational organization	392
12.8 Establishing wholly owned subsidiaries: acquisition or greenfield	393
12.9 Location/relocation of HQ	394
12.10 Foreign divestment: withdrawing from a foreign market	395
12.11 Summary	398
Case studies	
12.1 Polo Ralph Lauren: Polo moves distribution for South East Asia in-house	399
12.2 Durex condoms: SSL will sell Durex condoms in the Japanese market through its own organization	402
12.3 Video case study: Starbucks	403
<i>Questions for discussion</i>	403
<i>References</i>	404
13 International sourcing decisions and the role of the sub-supplier	405
<i>Learning objectives</i>	405
13.1 Introduction	406
13.2 Reasons for international sourcing	407
13.3 A typology of subcontracting	409
13.4 Buyer–seller interaction	410
13.5 Development of a relationship	413
13.6 Reverse marketing: from seller to buyer initiative	415
13.7 Internationalization of subcontractors	416
13.8 Project export (turnkey contracts)	419
13.9 Summary	420
Case studies	
13.1 Syngenta AG: a world market leader in crop protection is defending its position	421
13.2 LM Glasfiber A/S: following its customers' international expansion in the wind turbine industry	425

13.3 Video case study: Eaton Corporation	427
<i>Questions for discussion</i>	427
<i>References</i>	428

Part III Case studies

III.1 Raleigh bicycles: does the iconic bicycle brand still have a chance on the world market?	429
III.2 IKEA: expanding through franchising to the South American market?	435
III.3 Autoliv airbags: transforming Autoliv into a global company	442
III.4 IMAX Corporation: globalization of the film business	447

PART IV DESIGNING THE GLOBAL MARKETING PROGRAMME 453

14 Product decisions	459
<i>Learning objectives</i>	459
14.1 Introduction	460
14.2 The dimensions of the international product offer	460
14.3 Developing international service strategies	460
14.4 The product life cycle	465
14.5 New products for the international market	471
14.6 Product positioning	477
14.7 Brand equity	480
14.8 Branding decisions	481
14.9 Sensory branding	490
14.10 Celebrity branding	493
14.11 Implications of the Internet for the collaboration with customers on product decisions	495
14.12 'Long tail' strategies	501
14.13 Green marketing strategies	502
14.14 Brand piracy and anti-counterfeiting strategies	507
14.15 Summary	508
Case studies	
14.1 Danish Klassic: launch of a cream cheese in Saudi Arabia	508
14.2 Zippo Manufacturing Company: has product diversification beyond the lighter gone too far?	512
14.3 Video case study: Swiss Army	513
<i>Questions for discussion</i>	514
<i>References</i>	514
15 Pricing decisions and terms of doing business	517
<i>Learning objectives</i>	517
15.1 Introduction	518
15.2 International pricing strategies compared with domestic pricing strategies	518
15.3 Factors influencing international pricing decisions	518
15.4 International pricing strategies	522
15.5 Implications of the Internet for pricing across borders	536
15.6 Terms of sale and delivery	537
15.7 Terms of payment	538
15.8 Export financing	542
15.9 Summary	544

Case studies	
15.1 Harley-Davidson: does the image justify the price level?	545
15.2 Gillette Co.: is price standardization possible for razor blades?	546
15.3 Video case study: Vaseline pricing strategy	546
<i>Questions for discussion</i>	548
<i>References</i>	549
16 Distribution decisions	550
<i>Learning objectives</i>	550
16.1 Introduction	551
16.2 External determinants of channel decisions	552
16.3 The structure of the channel	554
16.4 Managing and controlling distribution channels	557
16.5 Managing logistics	562
16.6 Implications of the Internet for distribution decisions	568
16.7 Special issue 1: international retailing	569
16.8 Special issue 2: grey marketing (parallel importing)	575
16.9 Summary	577
Case studies	
16.1 De Beers: forward integration into the diamond industry value chain	577
16.2 Nokia: what is wrong in the US market for mobile phones – can Nokia recapture the number 1 position from Motorola?	580
16.3 Video case study: DHL	583
<i>Questions for discussion</i>	583
<i>References</i>	584
17 Communication decisions (promotion strategies)	585
<i>Learning objectives</i>	585
17.1 Introduction	586
17.2 The communication process	586
17.3 Communication tools	589
17.4 International advertising strategies in practice	606
17.5 Online communication decisions: viral marketing and social networking	611
17.6 Summary	618
Case studies	
17.1 Helly Hansen: sponsoring fashion clothes in the US market	619
17.2 Morgan Motor Company: can the British retro sports car brand still be successful after 100 years?	621
17.3 Video case study: BMW Motorcycles	624
<i>Questions for discussion</i>	624
<i>References</i>	625
Part IV Case studies	626
IV.1 Absolut Vodka: defending and attacking for a better position in the global vodka market	626
IV.2 Guinness: how can the iconic Irish beer brand compensate for declining sales in the home market?	633
IV.3 Dyson Vacuum Cleaner: shifting from domestic to international marketing with the famous bagless vacuum cleaner	641
IV.4 Triumph Motorcycles Ltd: rising from the ashes in the international motorcycle business	648

PART V IMPLEMENTING AND COORDINATING THE GLOBAL MARKETING PROGRAMME

655

18 Cross-cultural sales negotiations	657
<i>Learning objectives</i>	657
18.1 Introduction	658
18.2 Cross-cultural negotiations	659
18.3 Intercultural preparation	669
18.4 Coping with expatriates	670
18.5 Knowledge management and learning across borders	672
18.6 Transnational bribery in cross-cultural negotiations	676
18.7 Summary	677
Case studies	
18.1 Mecca Cola: marketing of a 'Muslim' cola to the European market	678
18.2 TOTO: the Japanese toilet manufacturer seeks export opportunities for its high-tech brands in the United States	680
18.3 Video case study: Dunkin' Donuts	681
<i>Questions for discussion</i>	682
<i>References</i>	682
19 Organization and control of the global marketing programme	684
<i>Learning objectives</i>	684
19.1 Introduction	685
19.2 Organization of global marketing activities	685
19.3 The global account management organization	690
19.4 Controlling the global marketing programme	702
19.5 The global marketing budget	708
19.6 The process of developing the global marketing plan	711
19.7 Summary	711
Case studies	
19.1 Mars Inc.: merger of the European food, pet care and confectionery divisions	712
19.2 Henkel: should Henkel shift to a more customer-centric organization?	713
19.3 Video case study: McDonald's	716
<i>Questions for discussion</i>	716
<i>References</i>	717
Part V Case studies	718
V.1 Sony Music Entertainment: new worldwide organizational structure and the marketing, planning and budgeting of Pink's new album	718
V.2 OneCafé: a 'born global' penetrates the coffee industry	723
V.3 Philips Shavers: maintaining shaving leadership in the world market	727
V.4 Vipp AS: an SME uses global branding to break into the international waste bin business	735
Index	739