

GLOBAL Marketing/Business STRATEGY

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Part I:

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FOR A WORLD IN TRANSITION

This Part I Presentation is About:

In this Part I, Dr. Cherkaoui will address the strategic function of global marketing in leading global business strategy. In Part II, he will compare the concepts and practices of Western, Asian and Islamic marketing and business strategies.

Drawing on his research into the role of global marketing, business and trade in formulating strategy for U.S., European and Asian companies, governmental agencies, academic institutions and professional services firms, Dr. Cherkaoui will emphasize typical forms in the ways firms and academic courses define and frame the design and execution of strategies.

He will also design models to compensate the lack for synergistic relationship between marketing and business strategy at the level of Market and Customer segments that can only underline the primordial functions of Customer Lifetime Value, Customer Retention and Customer Relationship Management in the success of global marketing and business strategies

Dr. Cherkaoui will then provide a series of global recommendations focused on product issues, communication, organization structure, distribution, brand management and leadership to help marketing lead an improved strategy process that generates deep insight into fundamental challenges, opportunities and requirements for global success.

Marketing Definition

Philip Kotler in his earlier books defines as: "Marketing is human activity directed at satisfying needs and wants through exchange processes".

Add to Kotler's definitions, a response from the **Chartered Institute of Marketing**.

The association's definition claims marketing to be the "management process of anticipating, identifying and satisfying customer requirements profitably".

Thus, operative marketing involves the processes of:

⇒ **Market research.**

⇒ **New product development.**

⇒ **Product life cycle management.**

⇒ **Pricing.**

⇒ **Channel management.**

⇒ **Promotion.**

The Strategic Status-Quo

⇒ Marketing executives have not always succeed in playing a central role in the strategic activities that contribute in adjusting their companies to new environment.

⇒ In several instances, marketing executives and their organizations are not adequately prepared and are ill equipped for the global requirements and simply not well versed or sufficiently oriented to strategy, planning, cultural affinities and business intelligence management.

⇒ In addition, marketing messages and content remain far from the real mission of the company and tend to be used as references not a reason for application.

⇒ This strategic Status-Quo is also driven by the notion that marketing needs to focus mainly on operational issues, especially those related to short-term sales support and sales quotas.

Ironically, the recent push to emphasize marketing accountability may have made things worse, as the immediate return on "strategic analysis" is hard to measure.

The Role of Strategy

Identifying and taking actions that will lower costs of value creation and/or differentiate the firm's product offering through superior design, quality service, functionality, that respond to buyer demands, competitive pressures and emerging opportunities to shave costs and squeeze marginal advantage from new and existing offers.

Pitfalls of Global Marketing

**Ignorance
and
Intimidation**

**Poor market
analysis**

**Poor
understanding
of competitive
conditions**

**Poorly
promotional
campaign**

**Failure to
customize
product
offering**

**Poor
distribution
program**

**Problems
of Cultural
Adaptation**



GLOBAL MARKETING STRATEGIES: Success and Failure








- Inability to find right market segment.
- Unwilling to adapt products to local customer needs.
- Products not perceived as sufficiently unique or innovative.
- Vacillating commitment of leadership and organization.
- Assigning tasks and ownership of inputs to untrained personnel.
- Defining inadequate logistics and selecting inefficient partners.
- Inability to manage local stakeholders/human resources.
- Absence of open communication added to mutual distrust/lack of respect between HQ & management.
- Inability to leverage ideas/traditions to/from all countries

Strategic Drivers for Global Strategies



Strategic Drivers for Global Strategies

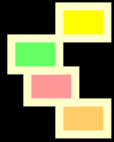
Environmental Factors

-  **Reduced governmental barriers.**
-  **Government policies.**
-  **Rapid technological evolution.**
-  **Falling transport costs.**
-  **Improving infrastructure and communications.**
-  **Education & training structures for advanced production.**
-  **Information Technology innovation.**

Economic & Cost Factors

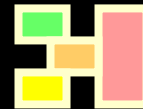
-  **Avoiding cost inefficiencies and duplicated efforts.**
-  **Global scale economies.**
-  **Challenging learning curve.**
-  **Global near/outsourcing efficiencies.**
-  **Wide margin in country costs.**
-  **Efficient process and product development costs.**

Strategic Drivers for Global Strategies



Market Factors

-  New consumer groups.
-  Developed infrastructures.
-  Globalization of distribution logistics.
-  Cross-border retail alliances.
-  Emergence of integrated regional marketplaces or economic union.
-  Free trade agreements.
-  Global customers.
-  Shortening product lifecycle.
-  Transferable brands & ads.



Competitive Factors

-  Rapid product innovation, introduction & distribution.
-  Competitive interdependence among countries.
-  Reaction to a global or Local competitor.
-  Opportunity to pre-empt a competitor's global moves.

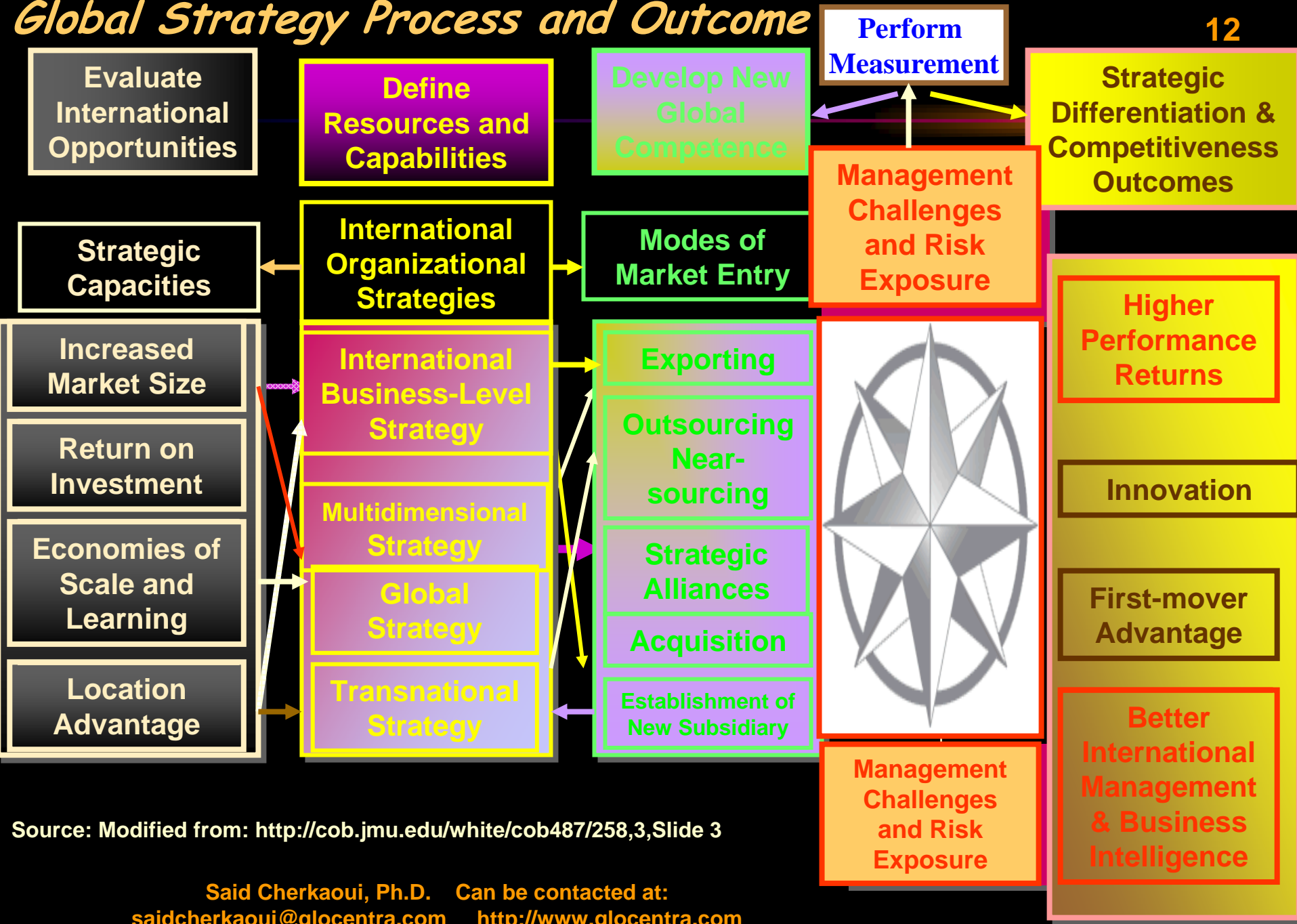
GLOBAL Business/Marketing STRATEGY FOR A WORLD IN TRANSITION



**The best-planned strategies will not
survive the test of battle.**

General George S. Patton

Global Strategy Process and Outcome



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International Organizational Strategies

*International Business
Level Strategy*
Create value by
transferring skills to
local markets where skills
are not present.

Global Strategy
Increase profitability
through cost reductions
from experience curve
effects and location
economies.

*Multidomestic /
Multidimensional Strategy*
Oriented toward
achieving maximum
local responsiveness.

Transnational Strategy
Exploit experienced
based cost and location
economies, transfer core
competencies within the
firm, and pay attention to
local responsiveness
needs.

Multi-Dimensional Strategy

- ➡ Strategy and operating decisions are decentralized to strategic business units (SBU) in each country in accordance to local market /cultural/ socio-economic and political conditions.
 - Regional differences within a given market: products and services customized and tailored to local regional markets.
- ➡ Business units in each country are independent of each other.
 - Assumes markets differ by country or regions.
- ➡ Focus on competition in each market.
 - Prominent strategy among European firms due to broad variety of cultures and markets in Europe.

Global Strategy




- Products are standardized across national markets.
- ➡ Decisions regarding business-level strategies are centralized in the home office.
- Strategic business units (SBU) are assumed to be interdependent.
- ➡ Emphasizes economies of scale.
- Often lacks responsiveness to local markets.
- ➡ Requires resource sharing and coordination across borders (which also makes it difficult to manage).

Transnational Strategy

- ⇒ Seeks to achieve both global efficiency and local responsiveness.
- ⇒ Difficult to achieve because of simultaneous requirements for strong central control and coordination to achieve efficiency and local flexibility.
- ⇒ Requires decentralization to achieve local market responsiveness.
- ⇒ Must pursue organizational learning to achieve competitive advantage.

Modes of Market Entry

Export Entry Modes:

-  Indirect.
-  Direct agent / distributor.
-  Direct branch / subsidiary.



Contractual Entry Modes:

-  Licensing.
-  Franchising.
-  Service contracts.
-  Management contracts.

Contract manufacture:

-  Counter-trade arrangements.

Investment Entry Modes:

-  Sole venture: new establishment or acquisition.
-  Joint venture: new establishment or acquisition.

Export Planning

- The decision to export should be planned with a long-term business investment attitude rather than a short-term profit posture.
- The plan will help" a business decide if it should export, if there is a market for the product, and how much it will cost to export a product.

Export Plan: Focus

- Commitment to international.
- Export pricing strategy.
- Reason for exporting.
- Potential export markets and customers.
- Methods of foreign market entry exporting costs and projected revenues.
- Export financing alternatives.
- Legal requirements.
- Transportation method.
- Overseas partnership and foreign investment capabilities.

Export Opportunities

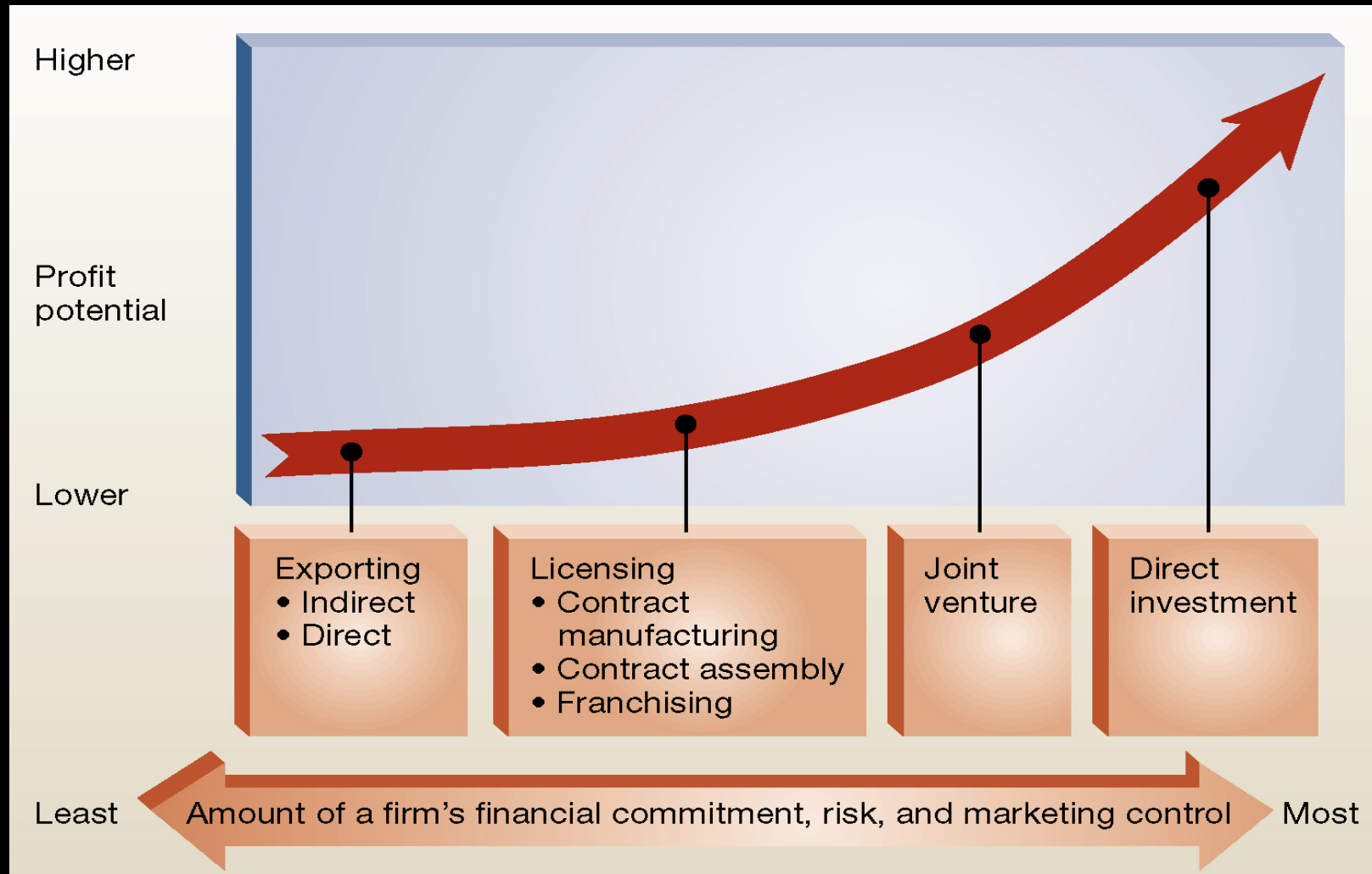


- Increase growth potential beyond domestic capacity.
- Expand into new markets with existing or new products or services.
- Add product or service lines.
- Extend product or service life cycles.
- Improve profitability and competitiveness.
- Save existing jobs and generate new ones.
- Gain favorable publicity and recognition.

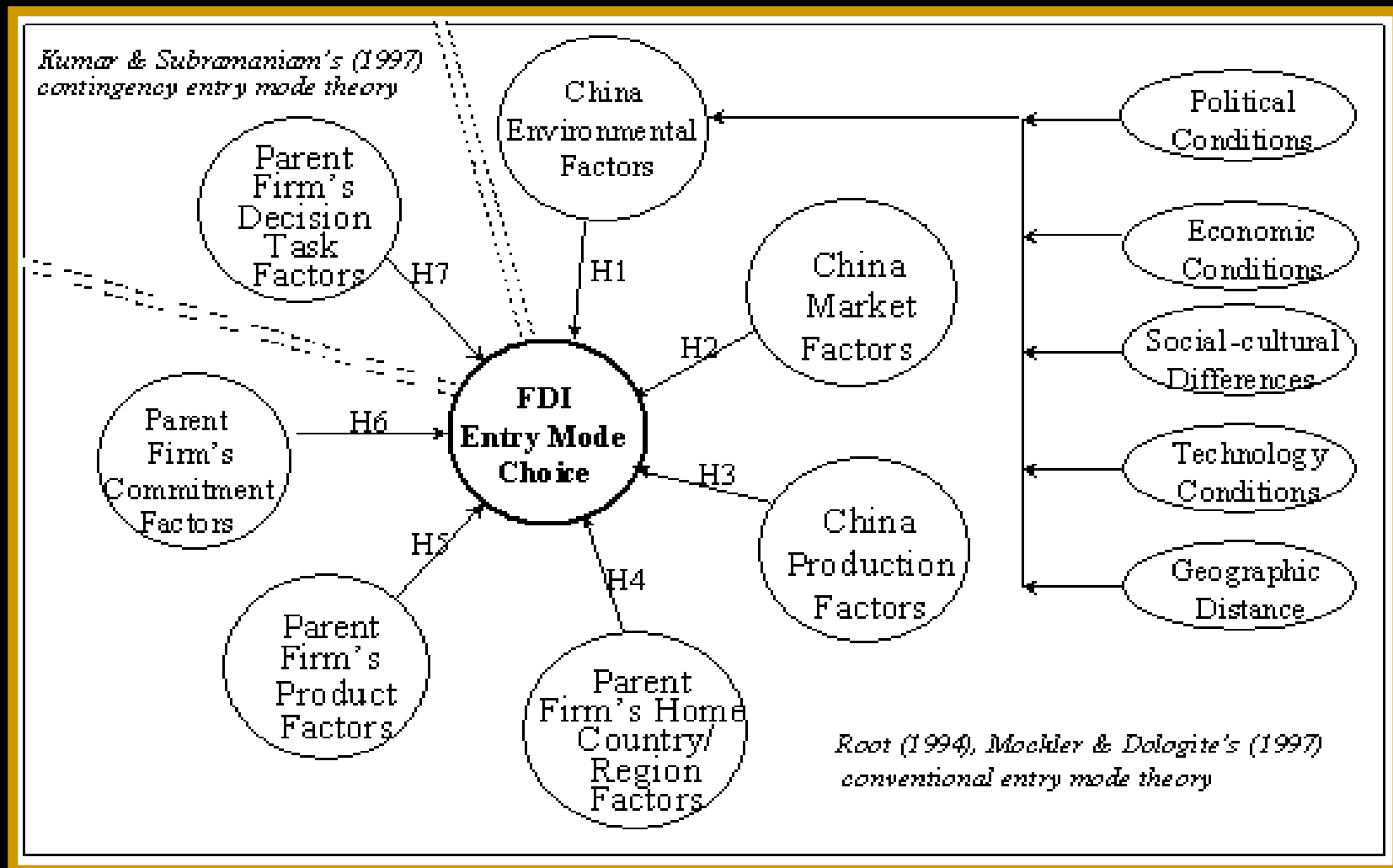
Modes of Market Entries: Control Vs. Risk

- Most service firms use FDI, because capital necessities are much lower compared to manufacturing firms (Terpstra, Yu 1988).
- Firms choose a collaborative mode, such as joint venture, in order to improve their capabilities (Ghoshal, 1987) and to be complementary.
- A collaborative mode of entry is often used by firms to gain new knowledge where the firm lacks the requisite level of knowledge (Huber, 1991).
- Service firms opt for licensing (franchising, license agreement) to reduce the risk and the costs for entering a not well-known foreign market.

Modes of Market Entries: Control Vs. Risk



Foreign Direct Investment Entry Mode: Foreign Pharmaceutical firm Joint Venture and Sole Venture into China



Strategic Global Alternatives

- Draw strategic scenarios with three to five countries/global opportunities that can be considered as the most viable.
- Discuss the four that weren't selected and indicate the reasons and why.
- Discuss the chosen alternative last and this will lead into a description in great detail.
- Discuss in greater detail the strategy chosen and how it resolves challenges and enhances opportunities based on the presentation of specific indications and references as possible, such as numbers, facts, exhibits, etc.

Global Market Segmentation

Identifying distinct groups of consumers whose purchasing behavior differs from other in important ways.

Geography

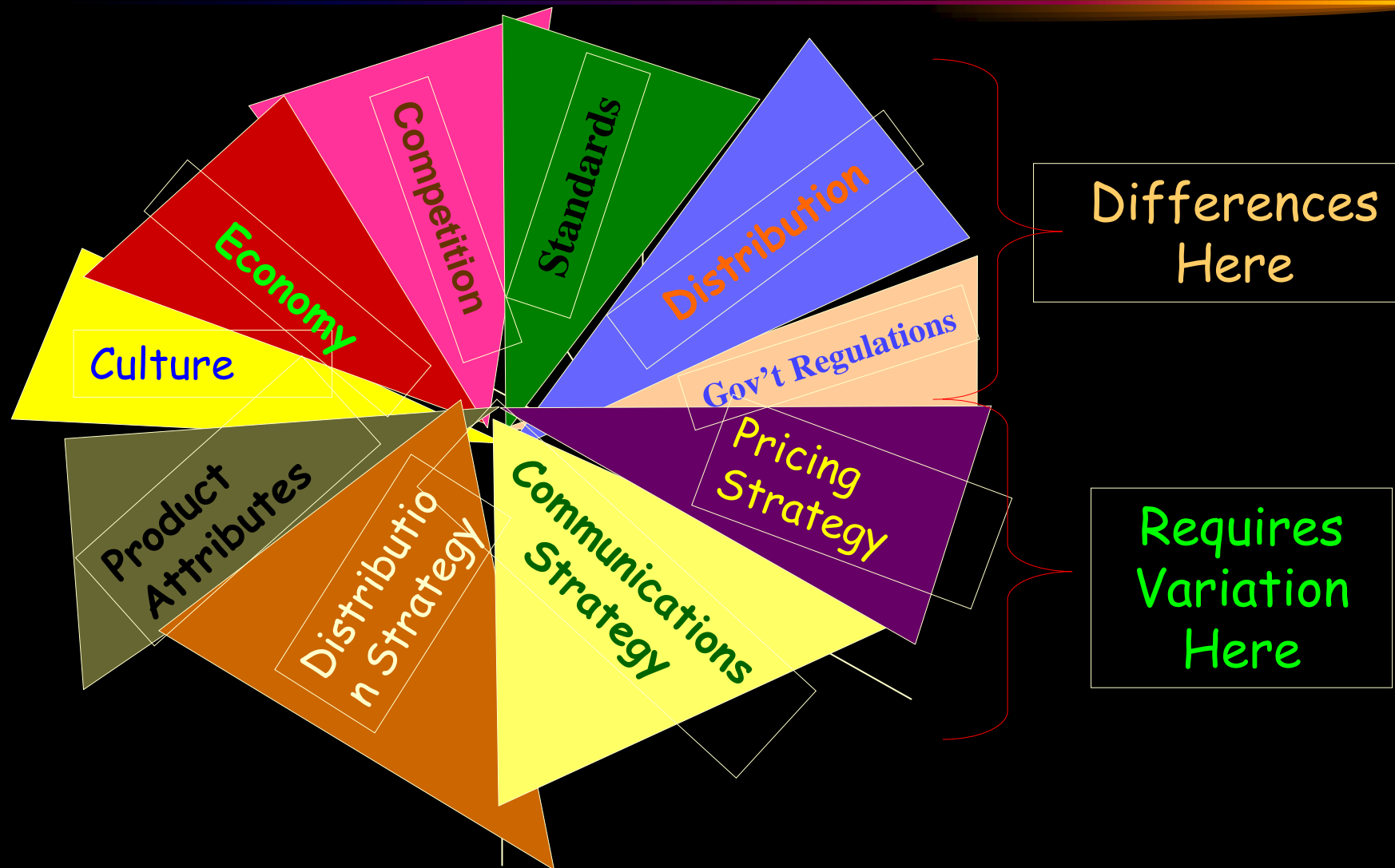
Demographics

Social-cultural factors

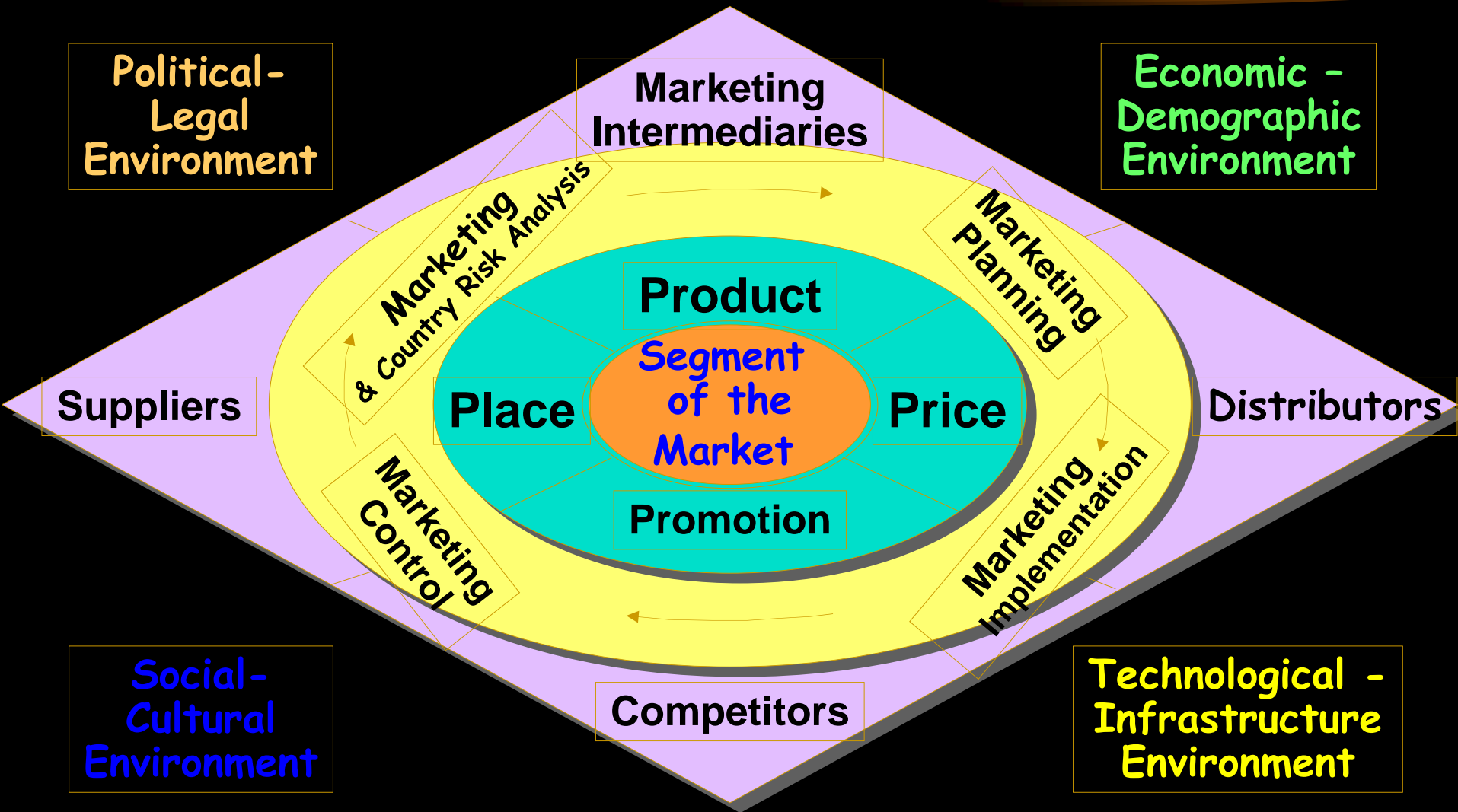
Psychological factors

Marketing and Communication mix adjusted to reflect differing purchasing patterns in Market segments.

GLOBAL MARKETING STRATEGY



The P.E.S.T Scan for Global Marketing



Global Marketing/Business Process



Global Marketing/Business Planning

Process of Selecting Target Consumers:

Market & Custom Segmentation:

Determining distinct groups of buyers (segments) with different needs.


Market Targeting:


Evaluating and selecting which target segments to enter.

Market Positioning:

Products distinctive and desirable by target segments compared to competing ones.

Marketing Strategies for Competitive Advantage:

 Companies don't need everyone in a country to buy your product – you just need a large enough segment (SIZE) to purchase your product or service

 How and how much you adapt your marketing mix depends on the segment that you are targeting in a market

Global Marketing Objectives Versus Corporate Goals

- Global Marketing objectives derive from corporate national goals.
- Global Marketing objectives must be consistent with the corporate strategic plan, attainable within budget, and compatible with the resource constraints and other needs of the firm.
- While corporate goals are expressed in profit terms, marketing objectives must focus on products and markets development – only.

- Global Marketing objectives have 4 elements:
 - ➡ Market Penetration.
 - ➡ Market Development.
 - ➡ Product Development.
 - ➡ Product and Market Diversification.

Four Elements of Global Marketing objectives

- **Market Penetration:** increase sales to present customers with current products. How? Cut prices, increase advertising, get products into more stores.
- **Market Development:** develop new markets with current products. How? Identify new demographic or geographic markets.
- **Product Development:** offering modified or new products to current customers. How? New styles, flavors, colors, or modified products.
- **Product & Market Diversification:** new products for new markets. How? Start up or buy new businesses.

'Global' Products

■ *The core of a firm's international operations is a product or service.*

■ *There are 4 fundamental options:*



Market unchanged worldwide eg. Sony Walkman



Modify marginally only eg. McDonalds



Redesign for each market eg. Unilever's 'Ragulletto'



*Incorporate all requirements into a core global design
eg. the car 'platforms' of all major manufacturers*

'Global' Products



Standardization – More or Less?



One of the common issues facing companies is the level of global standardization needed to be integrated in their consumer and industrial product .



For some business leaders, a value proposition can be standardized for global markets, but the rest of the marketing process and position should be packaged, managed, worked and implemented locally.



Others would state that there is great global leverage that simply needs to be adapted to local market conditions, preferences and trade systems.



Both deserve consideration, because they're similarly provocative with respect to the challenges that really matter – global leverage prospects and better local positioning.

'Global' Products



Standardization – More or Less, or Customization?







Despite tremendous engineering, 75% of all new products fail in the market place.



Success in today's global market, products need more than good engineering or good marketing strategy.



Business organizations and their respective Product Strategy must meet a customer's need to succeed by focusing on the following strategic shifts:

-  *Customer segments.*
-  *Customer lifetime value.*
-  *Customer Retention.*
-  *Customer Relationship Management (CRM).*



Local Environmental Determinants

- Cultural conditions (West, Asia and Islam).
- Economic factors.
- Legal aspects.
- Competitive environment.
- Advertising – Infrastructure.
- Segment of the market / Consumer profile.
- Country of origin brand-image.

Firm Environment Determinants

- Managerial and financial resources.
- Corporate strategy (West, Asia and Islam).
- Internal culture/ethics (West, Asia and Islam).
- Decision-making process.
- Financial capabilities.
- Service or product.

Intrinsic Determinants

- International advertising objectives/ proposition value: (West, Asia and Islam).
- Relationship between multinational advertiser and local advertising agency (ies).
- Innovation and creative strategies.
- Media strategy (West, Asia and Islam).
- Other elements of the communication mix.
- Support activities and barriers.

- Customer segments,*
- Customer Lifetime Value,
 - Customer Retention.
 - Customer Relationship Management (CRM).

A spectrum of various degrees of adaptation influenced by the presence or absence of the local, firm and intrinsic determinants.

Global Development of Mediated and Communication Personal Devices.

Adaptation of creative strategy and tactics (Western, Asian and Islamic societies).

Global Sales Strategy

Define Objectives

Designate/Allocate Input/Output Ownership

Develop Global Competence

Develop Sales Strategy

Execute & Launch

Integrate Cross-functional Teams

Marketing Inputs/Outputs

Selling & Distribution Logistics

Gather & Process Customer Feedback

Feedback, Reassess & Validate Continually

Validate Value Proposition

Technical Assistance

Sales Orders

in business intelligence

Continuous Training of the Sales Force

Implement Transaction

In-house Sales Force and Client Consultants

Packaging & Delivery

as Operating Function

Validate Product and Marketing with Sales, Distributors and Retailers

Sales Force & Product Readiness

Web & Intranet Support

Sales / CRM Logistics Support Channels

in customized solutions and offering

Add-on Solutions

3 or no more than 4 Weeks

Maximum 4 Weeks

Total Quality Management

As Plan for challenges

Culture, Localization and use Local Dialects for Global Outreach

Vary on Improvement & Product Life Cycle

Maintain Open Communication through Cross-functional Team

Firms operating globally are able to:

- ➡ Realize location economies.
- ➡ Realize greater cost economies.
- ➡ Earn a greater return from the firm's distinctive skills or core competencies.
- ➡ Earn a greater return by leveraging valuable skills developed in foreign operations and transferring them to the firm's other operations.

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