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GLOBAL MARKET & GLOBALIZATION DRIVE – THE STRATEGIC NEED FOR BRANDS & PRODUCTS: A BUSINESS PERSPECTIVE ANALYSIS

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ABSTRACT

Twentieth century experienced two world wars; it is obvious that the "Third World War" will happen in the 21st Century. The Third World War will be for water. To avoid any such apprehension the global people are careful in preserving the water through the concern and investments in preserving the nature and environment in any territory. Global fraternity is possible through globalization of business and social interactions. Every solution which is global demands, "Globalization". The world is moving towards a "Global Village". Governments have understood the need of other nations in the holistic development of their own and people of other nations in the balancing of the development pace. Globalization is a drive. Either business or industry, no one is spared from this drive. The corporate world moves to further enhance this process of the drive. Markets, products, brands and consumers are global. Global village and global customers is the business language of this century. There are strategies and needs of globalization in the business for survival, existence and success which are governed by commonsense and simple logic of understanding. Saying no to globalization is saying no to business.

KEYWORDS

Global Strategy, Global Marketing, Market Participation, Products – Brands – Services, Regional Strategy, Competitive moves.

1. GLOBAL STRATEGY: SUCCESS, BENEFITS & CHALLENGES

The prominently dominating philosophy of business is "Think Local, Do Local & Go Global". Globalization is no longer an option for companies to consider. The principal reason for this is that most companies compete in a global marketplace. Companies compete in a global marketplace because of the spread of e-Business, Internet tools & Web networks. An industry is global to the extent that there are inter-country connections. For example, the U.S.-based company Tropicana (a unit of PepsiCo) sources oranges from Brazil and so has made significant investments in that country. The beverage industry, thus, is global. Multinational Corporations to Trans-National Corporations is a strategic migration of the industry in the globalization process (Hawkins, 2009). A strategy is global to the extent that it is integrated across countries. For example, Bausch and Lomb, which competes in the eyecare industry, use the Renu brand name for its contact lens solutions across the world. In a multi-local strategy, each country is treated as a more or less discrete unit for managing and there is limited integration across the worldwide portfolio of country-businesses. A multi-local strategy misses out on convergence of tastes, reduction of tariff and non-tariff barriers, the ability to amortize large investments across several markets, and the nature of competition shifting from country-by-country basis to a globalized one. "Carlsberg's Global Strategy," addresses many of these issues emphatically. The Carlsberg Group focuses on positioning its core products as premium brands in emerging markets in Eastern Europe as well as in Asia. This is in contrast to its rival SABMiller's approach to creating a large number of local brands. Carlsberg's approach takes advantage of falling trade barriers in North America and the continuing integration of Europe. "Magna International's Diversified Global Strategy." Magna succeeds as an OEM supplier in the automotive components industry through their integrated approach. The three components of a greater global strategy are: Developing the core strategy, internationalizing the core strategy & Globalizing the international strategy (Clark, 2000). To develop a core strategy, a company has to look at each business in its portfolio and address seven critical areas: selection of products/services to be offered, selection of the types of customers served, identifying the geographic markets, Isolating the principal sources of sustainable competitive advantage, developing the functional strategy for various activities, developing a competitive posture & deciding on an investment strategy. Once a core strategy is developed, the next step is to formulate an international strategy. This becomes imperative as the business expands outside its home market and begins to compete in one or more international markets. A truly global company is one that does business in all four hemispheres – eastern, western, northern, and southern. Such a company has the ability to go anywhere, deploy any assets, and access any resources. In short, such a company maximizes profits on a global basis. International means any market outside the home market. The two contrasting strategic approaches are multi-local (preferable to "multinational") and global. Regional, country, and worldwide are geographic units of analysis.

Financial risk reduction is the key benefit of internationalization. Research has indicated that internationalization increases financial returns and reduces risks. In addition, product life cycles can be extended, competitive advantage can be gained when international companies compete against purely domestic ones, and political and environmental risks reduced by competing in a portfolio of international markets. "Amazon's Market Participation". "Japanese Global Competitive Moves", "Salomon's Retaliation in Skis," and "European Hotels Strike Back," describes how a global strategy impacts specific dimensions. Increased economies of scale, lower factor costs, focused production (fewer global models), flexibility (moving production to a different location to capitalize on lower costs), and enhanced bargaining power help in cost reductions. Concentrating on a smaller number of products helps improve product and program quality (Toyota and Honda are good examples). Global availability, global serviceability, and global recognition (Coca-Cola) help enhance customer preference. Finally, a global strategy provides more points to attack and counterattack competitors (Kraft's 2010 acquisition of Cadbury's may have been motivated by the desire to counter Nestlé's global presence). "Whirlpool's Global Expansion in Appliances", may be a good way to start the discussion on the downside of global strategy. Whirlpool discounted the fragmentation of European cultures and mistakenly assumed homogenization such as in the U.S. Globalization can increase costs and reduce management effectiveness in individual countries. In fact, the downside may be felt in each global strategy lever (Collinger, 2003). India had long prohibited foreign retailers from competing in what is called the "multi-brand" retail segment. For example, a foreign retailer such as Wal-Mart is prevented from operating in India because a Wal-Mart store carries multiple brands of products (as opposed to a Nike store that sells only Nike brand products). In July 2011, the Indian government took important legislative steps to remove this ban. This means that soon foreign retailers such as Wal-Mart and Carrefour can operate in India. Protectionism is a force that works against globalization. Protectionism favors local companies by preventing foreign companies from competing in such markets (Bureau, 2010). The rise of nationalism (and the consequent interest in ethnic goods) can also work against globalization.

For a real life example, these well known brands are such success stories, Coca-Cola (that used World War II to start its internationalization process), PepsiCo (that started late and had to play catch-up to Coca-Cola in the international markets), Wal-Mart (that started out with a joint venture with a Mexican retailer in the 1990s) & Kraft (that is using its acquisition of Cadbury's to push its global strategy).

2. RESEARCH OBJECTIVES

- a. To examine the product, brand and market trends influence on the industry in the context of globalization.
- b. To evaluate the multinational companies strategic drive in the context of globalization trends and competitive moves.
- c. To study the corporate policies, positioning and product strategies of the industry in the context of global market participation, global activities and competitive moves.

- d. To analyze the corporate regional strategies, organizational factors & regional focus & global strategy.
- e. To recommend strategic guidelines for the industry to stay global in globalization move.

3. RESEARCH METHODOLOGY

The methodology used in the research are qualitative analysis of global corporations strategy, product development, marketing move, brand and product positioning, supply chain dynamics and market competition. Multinational and Transnational companies' dynamic movements and actions in the market competitions, through regional strategies & global management of successful operations and profitability to stay as leaders were evaluated. Depth interviews were conducted of corporate professionals and operational heads for the analysis of the existing and future global strategic moves. Leading global brands and products were examined from the secondary sources in their strategic moves and meeting market competitions of the last two decades from North America, Western Europe, South East Asia, China, India and other developed economies. Conceptual and theoretical analysis was made to arrive at clear understanding of global marketing strategies and corporate moves in the business and operations contexts. Literatures of different sources of publications, reports, surveys, research documents, consortium reports and several symposium and conferences proceedings were examined to arrive at appropriate research findings and concluding remarks.

4. DRIVERS OF GLOBALIZATION – MARKET, SERVICE, COST, GOVERNMENT & COMPETITION

Divers of globalization are development. The principal market globalization drivers are: common customer needs and tastes, global customers, global channels, transferable marketing & lead countries. Common customer needs and tastes represent the extent to which customers in different countries want the same things in the product or service category that defines an industry. Japanese companies such as Toyota, Nissan, and Honda contended that car customer's world over look for reliability and economy and used these common needs to build successful global businesses. "Nestlé's Localized Innovation Strategy", looks at how Nestle innovates on a global scale using 28 strategically located R&D centers. Common customer needs around the world impact industry structural factors. They make it difficult for new entrants by giving an advantage to global players, while increasing the intensity of rivalry by making it difficult for incumbents to successfully differentiate their products or services (Carven, 2002). "DuPont Avoids the Race to the Bottom", which shows how DuPont avoids commoditization. Service businesses provide a challenge in this respect because it may be difficult to standardize services and still meet the needs of a broad cross section of customers around the world. The rule of thumb here is: the less the involvement of the customer (for example, fast food versus education), whether physical or psychological, the better the opportunity for a global approach. The Internet has increased global commonality in customer needs and tastes by exposing customers to global offerings and other lifestyles. It has reinforced the appeal of globally recognized brands and has provided an opportunity for contender brands to compete effectively. The increase of global customers is a second market globalization driver. Global customers buy on a centralized or coordinated basis for decentralized use, or at least they select vendors centrally. Thus, Wal-Mart is a global customer for a vendor such as Procter and Gamble. There are two types of global customers. A national global customer searches the world for suppliers but uses the purchased product or service in one country. In contrast, a multinational global customer uses the purchased product or service in many countries. Having global customers drives a business toward developing globally centralized products (Raju, 1995). The presence of global customers and channels also impact service industries. As large corporate customers become global, they seek to do business with providers of standardized service worldwide. Accounting is a good example, which explains the growth of the "Big Four" (Deloitte Touche Tohmatsu, Ernst & Young, KPMG, and PriceWaterhouseCoopers) in the industry. Likewise, the Internet has enabled companies to become global customers.

The next market globalization driver is transferable marketing. It is likely that the marketing elements – such as brand names and advertising – require little local adaptation. Transferable marketing makes it easier to expand participation in geographical markets. Transferability here means the ability to use uniform marketing strategies. Transferable marketing can create entry barriers (it is difficult for a newcomer to counter Coca-Cola's global marketing), but also allow entrants to enter new markets with transferable marketing. Transferable marketing also ups the "ante" in rivalry because competitors must ensure that their marketing can be leveraged across multiple markets. Transferable marketing may be difficult in service industries which may require local staff to perform the service in each location and hence the marketing should feature locals. Even here, the marketing message can be the same and only peripheral items need be changed. The Internet has both enabled and demanded global transferable marketing. Internet-based marketing has inherent global reach – a website can be accessed from anywhere. In addition, the Internet mandates that vendors use globally standard brand names.

The final market globalization driver is the concept of "lead" countries. Lead countries are those in which the most important product or process innovations occur. Thus, Japan is regarded as the lead country for consumer electronics, Germany for industrial control equipment, and the U.S.A. for technology and services (Reid, 1999). In such cases, it becomes critical for global competitors to participate in these "lead countries" so that they can have access to the sources of innovation. The existence of lead countries can increase threat of entry (lead countries become prized targets for entry) and increase competitive rivalry because of importance of financial and strategic success in such locations. The lead country concept also applies to service businesses. This because typically global service businesses depend less on technology or skilled labor and more on having a strong business concept (for example, the 10-minute oil change) that is systematically applied globally.

Service businesses have characteristics that are distinct from product businesses. There are eight such characteristics: nature of the output (performance rather than an object), customer involvement in production, people as part of the service experience, greater likelihood of quality control problems, harder for customers to evaluate, lack of inventories for services, greater importance of the time factor & availability of electronic channel of distribution.

There are three broad types of service businesses. People-processing services (airliner, hotel, etc.) involve tangible actions to customers in person. Possession-processing services (laundry, car repair, etc.) involve tangible actions to physical objects to improve their value to customers. Information-based services (accounting, banking, etc.) depend on collecting, manipulating, interpreting, and transmitting data to create value. In addition to these three types of service businesses, service production and delivery systems can be divided into "back office" (what the customer does not see) and "front office" (that part that interacts with the customer). Global drivers affect service industries differently than they do product industries. Managers in service industries should be aware of the drivers that push their industry toward globalization.

Global scale or scope economies apply when single-country markets are not large enough to allow competitors to achieve optimum scale. Scale in any specific location can be increased when the firm decides to participate in multiple markets. When coupled with product standardization and concentration of selected value activities, this offers an effective way to compete. As the example of the global electronics industry (the case of Thomson and Audiovox) points out, the downside of this approach is rigidity and vulnerability to disruption. Economies of scope (the cost reductions from spreading activities across multiple product lines or businesses, such as using a common brand name) may be more of a motivator to internationalize than economies of scale. Companies such as Unilever and Colgate-Palmolive benefit from economies of scope in consumer research, product development, and marketing programs by operating in several countries. Global scale economies create entry barriers, particularly from national competitors who seek to enter other markets. In the disposable syringe industry, the fact that the minimum economic size in production amounts to 60 percent of the combined markets of the U.S. and Japan means that multinational players such as Becton Dickinson and Terumo have an insurmountable advantage. Global scale economies are harder to get in service businesses because factors such as lack of inventories work against them. Service companies gain scale economies by standardizing production processes and in concentrating on upstream value chain activities. The case of Yum brands is described as, "The Multi-brand Strategy of Yum!" Since scale economies are derived from investment in fixed costs, in particular, people-intensive service businesses face lesser scale economies than asset-based (such as McDonald's business systems) ones.

Technology has had an adverse effect on economies of scale. Technology generally reduces the minimum efficient scale for a given industry and has often led to the "deconstruction" of value chains. While technology may take away economies of scale as a motivation to globalize, the ability to replicate successful business models across markets may lead companies to globalize. Expanded market participation, product standardization, and activity concentration (all features of globalization) may help firms benefit from experience and learning curve benefits. The steeper the learning and experience slopes, the greater the potential benefit. The caveat here, though, is that these benefits should not be obtained by overaggressive pricing that may destroy competition and markets

(Sawhney, 2001). Centralized purchasing can lead to global sourcing efficiencies, although there are risks associated with this because of market volatility. This trade-off has to be managed carefully. Global sourcing can be an important aspect in service businesses too, as the McDonald's in Russia example points out. The Internet has allowed companies to source globally in an efficient way. Instead of laborious paper-and phone-based coordination of geographically dispersed suppliers and subsidiaries, technology-based networks enable efficient centralized sourcing. For example, General Motors, Ford, and Chrysler formed the Automotive Exchange Network to streamline global sourcing.

The need to concentrate production can also be driven by logistics benefits. Factors such as the ratio of sales value to transportation costs, nonperishability, the absence of time urgency, and the lack of a need to locate in close proximity to customers may drive this. On the other hand, favorable logistics increases the threat of entry because the low costs make it easier for foreign firms to export. In addition, favorable logistics also increases rivalry by expanding the geographic scope of competition. While service businesses typically do not benefit from favorable logistics, the exception may be in possession-processing services. The Internet speeds up global logistics and facilitates the operation of global production and supply networks (such as the Boeing Partner Network).

Arbitrage – taking advantage of the differences in country costs can provide a strong spur to globalization. This is because factor costs generally vary across countries, and more so for particular industries. Differences in country costs can increase the threat of entry as well as rivalry among existing competitors. Japan (as also the “four tigers” of Asia – South Korea, Taiwan, Hong Kong and Singapore) has successfully leveraged low factor costs in entering many international markets (BT, 2009). Rivalry among incumbents is increased because country costs differences create differential sources of competitive advantage. In service businesses, country costs differences favor possession-processing businesses more than people-processing businesses. While the Internet does not create country costs differences, it facilitates shifting activities to lower cost countries. Internet has favorably impact the growth in “offshoring” of activities. High product development costs relative to the size of national markets act as a driver to globalization. As the examples in telecommunications (the case of Philips) and pharmaceuticals point out, product development costs have increased over time. This necessitates developing regional or global products rather than national ones. The Internet reduces product development costs to varying degrees.

Government exercise of these trade barriers makes it difficult for companies to use the other global levers. The examples of media and oil industries reinforce this. Favorable trade policies, on the other hand, increase rivalry among international competitors by making it easier for them to compete in each other's markets. Government drivers are often favorable for both people-processing and possession-processing services that require a significant local presence, since they create local employment opportunities. The exception, as pointed out in the example of mobile services, may be when host governments want to protect their key home industries. The Internet weakens many government barriers to globalization, often sidestepping trade policies. Differences in technical standards among countries (as the Motorola situation in Japan points out) affect the extent to which products can be standardized. Government restrictions in terms of technical standards can make or break efforts at product standardization. The Internet spurred global technical standards. As the example it is pointed out, Japan lobbied other G8 nations for unified global rules on electronic financial trading.

The marketing environment of individual countries affects the extent to which uniform global marketing approaches can be used. However, common marketing regulations increase rivalry among existing international competitors by making it easier for them to invade each other's markets. The Internet allows companies to confront diverse marketing regulations effectively. The presence of government-owned competitors can increase the globalization potential of an industry. They can also increase the threat of rivalry (Schneider, 1991). While government-owned competitors can increase globalization, the presence of government-owned customers provides a barrier to globalization. This is because such customers usually favor national suppliers. The final global government driver is host government concerns. These concerns deal with the ability of global companies to relocate key activities to different countries, to reduce tax liability, to keep key value chain competencies outside their countries, and to make it difficult for host governments to control them by moving the decision making capability overseas. The most basic competitive driver is the level of exports and imports of both final and intermediate products and services. This is because the more trade there is between countries; the more competitors in different countries interact with each other, thereby necessitating a global strategy. When major competitors come from different countries or continents (such as P&G from the U.S. and Unilever from Europe in the detergents and personal care industry), the drive toward globalization is greater. A competitor may create competitive interdependence among countries by pursuing a global strategy. This comes from sharing activities (for example a production plant in Mexico producing for both the U.S. and Japan). Interdependence among countries benefits incumbents and make entry difficult. Interdependence also increases rivalry because it requires competitors to worry about their market share in multiple countries simultaneously (Clarke, 1999).

When a business's competitors use global strategy to exploit industry globalization potential, the business needs to respond by matching or preempting these competitors. Responses may include market expansion, being first to market or having a uniform marketing policy. Globalized existing competitors reduce the threat of entry from potential new entrants. They also increase rivalry by increasing the geographic scope of competition as illustrated by the Citicorp versus HSBC example. Globalization is driven by the global transferability of competitive advantage. In particular, technology-based competitive advantages are easily transferable. While competitive globalization drivers are present in service businesses, their effect is felt less strongly because most services yet cannot be centrally produced. The Internet increases the intensity of global competition in many ways, such as increasing the need for speed in response, enabling global signaling, allowing competitive comparisons among companies by customers, allowing easy transferability of competitive advantage, and by enabling companies to go global early. The starting point in developing an effective total global strategy is in understanding the globalization potential of the industry. Managers should use a prescribed set of guidelines to do this.

5. GLOBAL MARKET TREND – PRODUCTS & SERVICES

A business model is the way in which a company transforms inputs to add value for particular customer groups and the way the company is managed for this purpose. A strategy, on the other hand, is the way in which the company changes its business model. Not all business models transfer well. As observed, “Nokia Utilizes a Transferable Business Concept” Nokia's business model transferred very well. Those that seek to impose the company's logic on the market do better than those that adapt to customer needs. McDonald's is an example of the former, while Marks and Spencer is an example of the latter. Benetton, Zara, Wal-Mart, IKEA – reinforce this point quite well. Customer market advantage refers to the advantage gained by being the first mover. This means the company is the first to create a new market or first to serve a group of customers. Xerox in photocopiers is a great example.

The just-in-time (JIT) approach is an example of better coordination leading to a competitive advantage. Coca-Cola's brand name is an intangible asset that provides the company a competitive advantage (Carter, 2001). They can combine this with their physical (tangible) assets (distribution system) to succeed in their markets. The right partners can provide a company a competitive advantage. Microsoft's partnership with IBM and Rover with Honda are cases in point. A strategic country-market is one which accounts for a large source of revenues or profits, or is the home market of global customers or competitors (Japan in the air-conditioning industry), or is a significant market of global competitors (the U.S. for Hertz and Avis), or is a major source of industry innovation. Globally unimportant markets need not be entered into as part of a global strategy, or, if entered, do not have to be integrated globally. In other words, such markets can be managed on a stand-alone basis. Expanding market participation helps reduce costs by increasing volume for economies of scale. In addition, presence in lead countries, and exposure to their demanding customers and innovative competitors, can help a business improve the quality of its products. The key here, though, is a company's willingness to learn from these countries. Global market presence can enhance customer preference through global availability, global serviceability, and global recognition. An example is the advertising agency, McCann-Erickson serving Coca-Cola globally. Finally, a global strategy approach to market participation can increase competitive leverage in the various ways described above. International joint ventures represent a special case in market participation. Just because an industry is dominated by multinational companies does not necessarily mean that the industry needs a global approach. The consumer packaged goods industry is dominated by multinationals such as P&G and Unilever and yet is generally managed as a set of stand-alone businesses. The BRIC countries (Brazil, India, and China) are regarded as strategically important markets because of their current size and growth prospects. It is possible that in five or ten years' time, the newly industrialized countries of today would become strategically important.

“Honda's Adjustable-width Platform” and “Toyota's Flexible Manufacturing” illustrate how automotive companies are approaching global standardization of their products. As a case in contrast, “Volkswagen's Overcustomization” points out the perils of extreme customization for a specific market, in this case the

United States. Businesses can standardize the worldwide mix of products as well as the content of a product. For example, "Fiat's third-world Global Car" points out; Fiat used Brazil to develop a car for poorer countries. "Tata Nano" is a good illustration of cost savings from product standardization (BT, 2010). Product standardization can also improve product quality. This is because often reducing the worldwide number of products, through standardization, allows financial and management resources to be focused on a smaller number of products. Globally standardized products can increase competitive leverage by providing low-cost products that can be the basis for invading markets. Japanese companies used this approach to successfully enter many markets even when they were resource constrained. The principal drawback of global product standardization is that some aspects of national needs may have to be sacrificed. Examples such as American appliances that was too large for Japanese kitchens or Japanese calculator pads being too small for American fingers helps bring home this drawback. Trade barriers can greatly restrict a company's ability to offer a globally standardized product line. American and European manufacturers in the automobile and consumer electronics industries have tended to follow their Japanese competitors in offering globally standardized products. The Tata Nano can become a global product if it is adapted to meet the needs of multiple markets and is sold as a standardized product in these markets.

6. GLOBAL ACTIVITIES & MARKETING

An export-based strategy means that the firm has chosen to locate as much of the value chain as possible back home, while locating downstream activities close to the customer. Not much coordination is required here as there are few assets overseas and little international variation in product offerings. The theory of "comparative advantage" is often used in economic theory to address the location choices of multinational companies. According to this theory, multinational companies should locate activities in countries where the costs of raw materials, labor, and other factor costs are lowest for a given level of productivity. Additionally, factors such as tax benefits and other forms of governmental aid are relevant considerations as illustrated by Japanese auto companies in the U.S. Other considerations include broader issues of productivity and quality, convenience for shipping to other countries, reliability of the workforce, the cost of capital, the economic infrastructure, and the extent of political risk. The country of origin effect on customers is also an important consideration. As an example of locating the R&D activity in a country with highly demanding customers, in recent times China and India are two emerging markets that fit this characteristic well. China seems to be favored in electronics, while India is the preferred choice in pharmaceuticals. For manufacturing, globally strategic countries are those that offer an attractive investment climate as well as factors and conditions on which to build comparative and strategic advantage. Currency exchange rates have a direct effect on relative country costs and, therefore, on the competitive positions of companies. As the Caterpillar and Komatsu example points out, adverse exchange rates can make a company uncompetitive. Companies need to recognize the strategic as well as financial risk posed by currency changes. Companies have to realize that an unfavorable currency movement may not just be unfavorable; it could be favorable to the competition. Given the difficulty of forecasting exchange rates, global managers can choose among speculation, hedging, or being flexible with respect to shifting production with exchange rate shifts. Apple is a good case in point. Its strategic advantage comes from its design capability and strong name recognition. However, in order to compete with global competitors, Apple had to add comparative advantage to its strategic advantage by locating its production to low labor cost countries. The best global strategies combine strategic and comparative advantage to yield global competitive advantage. Unilever went from 13 factories in Europe in 1973 to just 4 by 1989. Such an approach can also exploit economies of scale by pooling production or other value-adding activities. In general, people-processing businesses have to locate the processing activity where customers live, work, or shop. This means that typical people-processing services (such as a restaurant) need to maintain facilities around the world. Location needs for possession-processing activities depend on the ratio of service value to transportation cost. Thus airlines go in for centralized maintenance centers rather than have multiple centers around the world. Most information-based services are easy to locate globally. In many cases, no local presence is needed at all. In the future, we shall see a greater distinction between services that require an on-site "factory" (typically people-processing type of services) in each country and those that require only a delivery system. "Sony Ericsson Joint Venture's Reverse Supply Chain System" describes how a service provider, UPS, works with the telecom company to save costs on reverse logistics.

Global marketing is the fourth global strategy lever that companies can use to globalize their strategy. It is important for the instructor to emphasize the following point early on to avoid confusion: global marketing is not about standardizing the marketing process. Instead, it means striving for the appropriate balance of global uniformity and local adaptation in all elements of the marketing mix, but with a probable bias in favor of uniformity and local adaptation unless a good case can be made for local exceptions (Berry, 1991). Every element of the marketing mix (product design, product and brand positioning, brand name, packaging, pricing, advertising strategy, advertising execution, promotion, and distribution) is a candidate for globalization. Global marketing helps build global recognition that can enhance customer preference through reinforcement. The Coca-Cola in China example underscores this point. Improved program effectiveness is often the greatest benefit of global marketing. Global marketing goes against the conventional wisdom of adapting to local markets. But, as the Pepsi example in the text points out, global marketing is not about forcing a domestic program onto the international subsidiaries. Instead, a global marketing program should be designed from the start with the needs of major target companies in mind. "Nike as a Preeminent Brand in Global Sports". "Qantas as an Australian Icon". Being too strongly positioned as a global company now invites attention from anti-globalization protesters (the McDonald's example). "Muji as a Brandless Brand". The ability to use global packaging depends on factors such as the amount of information that needs to be communicated, the need for differentiation from competitors, the similarity of usage patterns and measurement systems, and the acceptability of multi-language labeling. Companies have to realize that while physical packages do not travel through the Internet, pictures of them are often displayed on Web sites. Companies need to think out a deliberate policy as to whether they wish to facilitate or discourage cross-border recognition or comparison.

Global pricing can bring the benefits of consistency with global customers and distribution channels and the avoidance of "gray market" parallel importation or "transshipment." This is more so in the case of manufacturing companies (Ganesh, 1998). In contrast, the lack of inventories in many service businesses means that such firms need worry less about using global pricing. It is relatively difficult to buy a service in one country and to resell it in another. The "McDonald's Big Mac Price Index" example will be of interest to students. The Internet makes prices transparent and so companies should be aware that customers can make price comparisons. The tactical and short-term nature of sales promotion makes it probably the least likely candidate for globalization. Globalizing promotion probably makes sense on an opportunistic basis only – encouraging other countries to adopt a campaign or device successful elsewhere. The extent to which headquarters should be involved in local promotion strategies depend in part on whether local, regional, or global brands are involved. Global selling can involve using a uniform selling approach, global account or customer management, or a centralized sales force. Using a uniform selling approach can bring the usual multinational benefits of ensuring best practice and high standards of behavior. In particular, the use of global account management (GAM) can be a highly effective way of serving global customers. Global marketing presents a special difficulty in market research. Companies may end up doing too much research (the Marlboro example) or doing the wrong kind of research. If there are good strategic reasons for global marketing, market research should be used to discover how to make a global program work better rather than pit it against each possible local program. Using global marketing allows managers to compare market research results from different countries. The Unilever extended example provides a good illustration of using global marketing for a consumer (business to consumer) product, while the Hewlett-Packard example does the same for a business-to-business product.

7. INTERNATIONAL COMPETITIVE MOVES

Making globally integrated competitive moves comprises the fifth and last global strategy lever. Apple and Microsoft, the history of competitive rivalry between the two computing behemoths goes back to the 1970s. The 1980s and 1990s saw the ascendance of Microsoft, while the introduction of the popular "i" products (iPod and iPad) brought Apple back to dominance. The competition between these companies is played out on the global stage. Counterparty is a special case of cross-subsidization in which an attack by a competitor in one country or region is countered by a response in another. Such a counterparty has the intention of retaliating where the competitor can be hurt most. For example, a business attacked in its home country retaliates in the home country of the attacker. Coca-Cola and Pepsi have used this global strategy lever in their worldwide competition. "Dell's Competitive Position," and "PwC's Global Flexibility and Adaptability," attest to the benefits of globally integrated competitive moves. The key benefit of globally integrated competitive moves lies in magnifying the resources available in a single country or region for competitive actions by leveraging the global resources of a business. Successful global companies transfer their competitive advantages quickly and effectively around the world (Ries, 2003). Timely global transfer of critical capabilities and advantages is probably the

single biggest factor in the success of overseas subsidiaries and hence the overall global strategy. Wal-Mart versus Carrefour in the retail industry, Ford versus General Motors in automobiles, and Dell versus Hewlett-Packard are good examples. All these competitive battles take place on a global stage and can illustrate the need for well coordinated moves.

8. GLOBAL ORGANIZATIONS DEVELOPMENT

Organizational factors complete the globalization triangle, along with industry globalization drivers and global strategy. Organization structure comprises the reporting relationships in a business. Management processes comprise the activities such as planning and budgeting that make the business run. People comprise the human resources of the worldwide business and include both managerial and non-managerial employees. Finally, culture comprises the values and rules that guide behavior in a corporation. One of the most effective ways to develop and implement a global strategy is to integrate or centralize authority so that all units of the same business around the world report to a common global sector head (Reischauer, 1997). This is not easy to do as most companies are tied to a strong country-based organization structure. In some cases, an alternate approach is to appoint global business directors who operate across the functional and geographic organizations. Finally, another option is to have global heads of individual functions or value-adding activities. These heads can have either direct line authority over the function or a staff-like coordination responsibility. A common structural barrier to global strategy is the presence of an organization split between a domestic and an international division (such as the one that Wal-Mart has). In such a case, a global strategy can be fully coordinated only at the level of the CEO's office. When MNCs operate multiple businesses, the need to manage across both countries and businesses adds to the complexity of the challenge. Most MNCs have addressed this issue by becoming "transnational" companies. "Coca-Cola's Balance of Global and Local Strategies," and "IBM's Globally Integrated Enterprise," instead of changing the organization structure, an alternative would be to assign to a specific country the lead role in developing a product and to see that product's spread into other countries and to its adoption. That is, the country in question acts as the strategic leader for the product. Because of the small size of their home markets, European MNC's typically give more autonomy to their foreign subsidiaries than have their American and Japanese competitors. American MNCs, on the other hand, have generally favored a domestic/ international division type of structure, which offers tremendous challenges in integration. Japanese companies have tended to favor greater integration and reduced autonomy to their subsidiaries.

Creating cross-country coordination mechanisms provides a way to make up for the lack of direct reporting structure. The lack of coordination can bring drastic consequences. Cross-country coordination mechanisms range from information sharing (considered the least coercive) to setting direct requirements (considered the most coercive). In general, informing, negotiating, clearing, and directing represent critical functions in cross-country coordination, although they need to go beyond paper shuffling. Global teams have become popular to facilitate cross-country coordination. Additionally, some companies use global product managers or global account managers for the same purpose. While most MNCs are good at developing corporate and national strategic plans, they are not proficient in developing global strategic plans that integrate the strategies of the same business in different countries, let alone integrating strategies across multiple worldwide businesses. Lack of a global strategic plan impedes offering integrated strategic responses on a worldwide basis. Global strategies and programs need global budgets to implement them. While this is easier said than done, not all companies do this well. In some cases, their accounting systems prevent them from having a global strategy. In other cases, the challenge is to have global budgeting processes that provide for geographically neutral costs as the base point. Finally, in some cases, companies do not have global budgets that are available only for global programs. Managing customers on a global basis has become increasingly necessary. High-potential foreign nationals need to gain experience not just in their home country but at headquarters and in other countries. Such a practice broadens the pool of talent available for executive positions, it visibly shows the commitment of top management to internationalization, and it gives talented individuals an irreplaceable development opportunity. Making work experience in different countries a necessity for progression, rather than a hindrance, is another important step that helps a company become truly global. Such a step has an important additional benefit of gradually creating a group of subsidiary managers who are likely to be more sympathetic to global strategy.

A strong national identity can hinder the willingness and ability to design global products and programs. It can also create a "them or us" split among employees. A truly global culture would transcend the nationality of the home and other countries (Woomack, 1990). The P&G example is a good way to illustrate this point. Many companies view their domestic employees as somehow more important than their foreign employees and are much more committed to preserving domestic employment than to developing employment regardless of location. Such a cultural bias hinders globalization. A culture of local business autonomy, when carried too far, can be a barrier to globalization. The culture needs to balance the celebration of autonomy with the recognition of interdependence. Companies pursuing a global strategy need to develop cultural characteristics that match their specific strategies. Globalization can incur organizational as well as strategic drawbacks. Increased costs and reduced management effectiveness are chief among them. But the goal should be to minimize these drawbacks.

9. DEFINED STRATEGY – REGIONAL STRATEGY

Regional strategies should be developed in the context of an overall global strategy. A company first needs to have a clear global strategy. Next, the company needs to decide on the overall role of the region within the global strategy. The next level is that of a country where decisions such as entry mode, partner selection, and business strategy have to be decided. Finally, the issue of implementing the strategy at the operational level must be considered. An increasing number of regional organizations now provide some degree of macroeconomic and/or political integration for many countries. Today, we have customs unions, border unions, monetary unions, and political unions. Some countries belong to multiple regional entities, and many regions offer multiple organizations. The task of the MNC is to make the best use of these formal similarities and integrating forces as well as others (such as culture and contiguity) to develop effective regional strategies analogous to the global strategies discussed in the earlier chapters. Regions can be identified by using various factors (culture, physical environment, history, language, etc.) to address the issue of similarity. For MNCs, the European Union (EU) provides the most clear-cut region in the world. With the adoption of the Euro as its currency, this region has become even more integrated. Most MNCs treat countries such as Poland, Hungary, and Romania as members of the Central and Eastern Europe region. Countries of the former Soviet Union (Russia being the principal one) form a region. So do countries of the Middle East (the Islamic countries). The advent of the North American free Trade Agreement (NAFTA) formed a regional union of the U.S., Canada, and Mexico. Members of Latin American countries form a region, although attempts at economic and trade liberalization in this region have met only with limited success. Most MNCs treat Africa as a region, although some make the distinction between sub-Saharan Africa and the Arab countries of North Africa. Asia-Pacific is the largest, most populous, and most diverse of the regions commonly used by MNCs.

Each market globalization driver can act as a market regionalization driver. Potential regional commonalities (culture, history, etc.) can be strong drivers to create regionally common needs and tastes. Products and services that have strong cultural roots in their use can be candidates for cultural commonality. In many industries it is easier for regional rather than global customers and channels to emerge. Transportation, trade, or other barriers can prevent many customers and channels from going fully global. Most industries should offer more opportunities for regionally, rather than globally, transferable marketing. Finally, lead countries can emerge, or be created, more easily on a regional rather than global basis. For example, Japan has become a fashion leader for younger consumers in much of Asia, but much less so in the rest of the world. "LG Develops European Test Market for Global Strategy," and "Acceptance of Lexus in United States Leads to Global Trend". Companies operating regional production sites can usually benefit by sourcing regionally. Transportation costs limit many industries to regional rather than global movement of products. Products with logistic costs that are high relative to price and margin (steel, wood panels, etc.) impose a regional restriction on manufacturing. Differences among regions in production or activity costs may become so great that some regions become prohibitively expensive and other regions possess a formidable advantage. Regional groupings can create strong competitive effects within them and usually more quickly than effects from global competitors coming from outside a region (Viswanath, 1997). Since the main purpose of regional trade policies is to increase intra-region trade relative to inter-region trade, MNCs face significant competition from within their own region. As regional groupings spur the creation of regional activity networks, industries rapidly become regional, at least on the supply side. Competitive advantages can be regionally based or extended to a regional level as a consequence of regional integration.

The EU can be used as a case in point to show how industry globalization drivers can be analyzed for an entire region across all its industries. Various governmental globalization drivers – favorable trade policies, outlawing of subsidies, and compatible technical standards – have helped these nations to

coalesce, although other factors such as lack of common marketing regulations, the presence of governmental competitors and customers are still present. Europe 1992 increased the strength of each of the competitive globalization drivers. Exports and imports within the EU increased. The number of competitors from different European countries in each country increased, the large market size attracted competitors from outside the region, and the competitive interdependence of companies has increased as companies have built manufacturing and distribution networks that are continental, rather than national in scope. Companies are increasingly adopting pan-European strategies. Market drivers for Europeanization have increased. Customer needs and tastes are converging, Euro-wide customers and channels are increasing in importance, transferable marketing is becoming the norm, and lead countries (for example, London for pens and watches) now play greater role.

Global strategy levers can be used at the regional level in addition to or instead of at the worldwide level. In fact, researchers have pointed out that this is easier than implementing it at the global level. As far as market participation is concerned, regional integration can call for the need to expand rapidly to all major markets in a region for both offensive and defensive reasons. Nokia expanded regionally in Europe and from this consolidated position it expanded globally. Designing regional rather than global products and services requires fewer complexities and is more appropriate when there are strong interregional differences in customer needs and tastes (as the example of cars – size and features – illustrates). Many companies now build region-wide activity networks that are easier than global networks to operate because of limited time zones, limited geographic distance, and minimal or zero regional tariffs. Convergence of regional needs and tastes, growth of regional media and channels of distribution and harmonization of regional marketing regulations all can make regional marketing feasible relative to multi-local marketing and much easier than global marketing. Strengthening competitive regionalization drivers spur companies to pay attention to regional competitive moves. The examples of Nokia, DHL, and Ikea all attest to this. In many cases, the use of regional as opposed to global strategies should be viewed as partial or temporary solutions. This is because studies have found mixed results in terms of performance of regional versus global strategies. In addition, industry drivers that had initially favored regionalization may now favor globalization. An interesting example would be the automotive industry and the regionalization of the Asian market. It is possible that this industry had to be approached on a nation-by-nation basis in the past, but the rise of the Indian middle class (for example) and the spread of the supplier base has caused carmakers to look for a pan-Asian approach.

10. GLOBAL STRATEGIC FOCUS

Measures can be made at both global and regional levels. It depends on which measure is more useful. If customer needs are more common in a region (e.g., the EU) than across regions, then the relevant unit of analysis is the region itself and also countries within the region. In measuring, it is important to receive input from representatives of the major regions or countries in a business. Involving a broad array of managers from different geographies and functions helps in getting the right perspective. Measuring market globalization drivers requires making some qualitative judgments in addition to quantitative estimates. Common customer needs and tastes is perhaps the most difficult driver to measure, because customer need in a product or service category is actually a bundle of different needs.

Industries that sell to organizations, the extent to which there are national global customers can be measured by the share of worldwide market sales to customers who search the world for vendors. The extent to which there are multinational global customers can be measured by the extent to which these customers buy or select centrally for global use. The extent to which there are global channels can be measured by the share of worldwide sales through channels of distribution that buy or select centrally and an analogous measure can be used for regional channels. Marketing transferability can be measured by analyzing the extent to which customers around the world accept or would accept a foreign element of the marketing mix. Lead countries can be easily identified as those in which the most important product or process innovations occur (TNN, 2010). Whirlpool's Global Supply Chain Optimization". Differences in country costs can be measured in two ways. One measure is to compare fully loaded hourly cost of the most common form of production labor in the industry. The second is to compare the total unit cost of production between the highest and lowest cost countries. Product development costs can be measured by the total cost of developing a major new product or service as a percentage of the expected lifetime sales of the product or service. Finally, the rate of change of technology can be measured by the market life of typical new products. Tariffs are measured by their charge as a percentage of the pre-tariff selling price. The level of government subsidies is measured by their effect as a percentage of the selling price. The strength of quotas and other nontariff barriers is measured by the share of a country's market that is blocked by imports. Technical standards compatibility is measured by the percentage, in cost, of the typical product that is in technically compatible components worldwide. While challenging, common marketing regulations can be measured by estimating the proportion of the industry's worldwide marketing expenditures that are in activities allowed in every country. The extent of government-owned competitors or customers can be measured by their combined global market share. Exports and imports are measured by their share of the world market size. By counting the number of continents that are the home of global competitors, one can gauge the extent of competition from different continents. Whether countries are competitively interdependent can be measured by the degree to which individual competitors share activities within a global network. Globalization of competitors can be measured by determining each competitor's extent of globalization and calculating an average for the industry. Transferability of competitive advantage can be measured by determining how long it would take for companies in the industry to recreate advantages in new countries and how much it would cost to make the transfer. While there are several ways to measure global share balance, the simplest is to compare the percentage split of the worldwide business's revenues accounted for in each country with the percentage split of the world market accounted for in each country. The extent of market presence can be measured by the number of selling countries and by global coverage. "The Smartphone as a Global Product Offering". In terms of global location of activities, each activity should be analyzed in terms of how the geographic share of expenditure on that activity compares with the geographic share of the worldwide business's revenues. The concentration of the entire value-adding chain can be measured by using the weighted average of the concentration indices of individual value activities. In terms of measuring global competitive moves, two – the use of counterparries (measured by how often a business responds to a competitive attack in one country with a move in a different country) and the use of a globally coordinated sequence of moves (the number of countries involved in each sequence of moves) – can be measured more easily than the others. The adage here is "executives manage what is measured." Since globalization factors are dynamic rather than static, they should be measured periodically and particularly when factors such as technology and government regulations change. While one manager (or team) should be given the task of measurement, input from managers in different geographic locations and functional areas should be solicited.

11. GLOBAL STRATEGY ANALYSIS

Business definition is an important issue, because a global strategy analysis is often more effective by starting out with a piece of the business rather than with the entire business. Classical definitions of a business focus on three dimensions: product (or service) function, technology employed, and customer groups served. In the global context, the geographic dimension must be added. Given the constraints of time and other resources, the approach to identifying key markets is to split it into two levels, first by region and then by country within each region (KIIMS, 2010). Such a split reduces the number of geographic entities that need to be considered at one time. More importantly, this enables the team to view all key markets spread across one exhibit as a comparative chart. This way they can generate new understanding and insight by comparing and contrasting across regions and countries. Important information about each country-market, such as market size, stage of product life cycle, etc. allows the team to compare countries and identify key markets. It is important to convert all currencies into the currency of the headquarters country at historical exchange rates. The global team should identify all countries or regions in which the business already participates or might do so. Then, it should develop its own list of sub-factors (such as market size, market growth rate, barriers to entry, etc.) to assess each of the three factors identified above. The team should then assign a weighting to each sub-factor such that the total for all sub-factors sums to 100 points. The team should then rate each country or region on each individual sub-factor on a scale of 0 to 10. To arrive at a total rating for each country, the weights and ratings should be multiplied together and summed. Finally, the total country ratings should be adjusted for country risks such as political instability, the risk of expropriation, and the risk of currency devaluation. The resultant ratings should be used as one input to the decision on country selection and not use it in a mechanistic way. Instead, the team should solicit the input of managers familiar with the individual countries as well as use their own individual judgment. Various analytical and display techniques can help diagnose the individual global strategy levers. A key aspect of a global approach to market

participation is the extent to which the business's revenues are in geographic balance with those of the market as a whole. The key analysis needed for product standardization decisions is the calculation of potential cost savings.

Counter globalization philosophy has also started taking the stronghold in some business organizations which feels and operates in the national domain- "Think Local, Do Local & Let the Globe Come to You". Such strategy in business and marketing are also global. As per the world demographic trends the demographic dividend countries will be sending almost 300 million young manpower to the developed world to manage the business and industry in the developed world between 2020 to 2050 (Rath, 2012). This new development will make India a global player in strategic globalization. Global trends in the next decade will be more adaptive to Indian value chains. China in this context will be lagging from 2020 onward due to its aging population and it will need 10 million manpower to manage business.

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