

Global Marketing Management
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology - Roorkee

Module - 1
Lecture - 1
Globalization - Part I

Welcome to this course on Global Marketing Management. I am Zillur Rahman and I work for Department of Management Studies at IIT, Roorkee. This course of on Global Marketing Management is spread over 40 modules and it has 5 sections. The first 2 modules;

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That is module 1 and module 2. They will talk about globalization. So, we will build a base for understanding this course. The next section is on global marketing environment. In the third section we will talk about development of competitive strategy.

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And then, the 4 section deals with global marketing strategy development.
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And then, we will talk about global operations management.
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So, let us start with the first module on globalization. In the second module we will talk about the various theories related to international trade and multinational enterprises. And in the first module we will talk about the benefits, the advantages and disadvantages of globalization. So, let us start with the first module on globalization. This module consists of 5 components. We will give the introduction.

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And then, we will talk about globalization, what is globalization and the definition of globalization, etcetera. Then, why this global marketing is imperative, how is globalization of market leading to convergence and divergence at the same time and in the last part that is the fifth, we will talk about evolution of global marketing management. Now, as you can see from this figure.

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Introduction

- Products have been traded across borders throughout recorded civilization, extending back beyond the **Silk Road** that once connected East with West from Xian (China) to Rome (Italy).



Source: NASA(Goddard Space Flight Center derivative work)



The international trade has been taking place across the world since times immemorial across the Silk route that, through which the trade was happening across the world. 1 important fact about globalization is that Western Europe, United States and Japan; they collectively produce more than 3 times as much in foreign market as they export.

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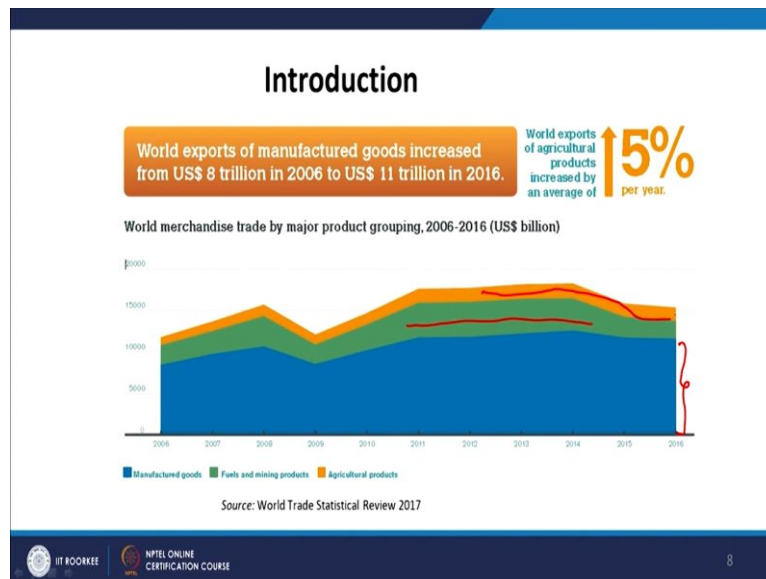
Introduction

- Companies from Western Europe, the United States, and Japan collectively produce more than three times as much in foreign markets as they export.
- About a third of their exports and imports are transacted on an intra-firm basis between their parent companies and their affiliated companies abroad or between the affiliated companies themselves.



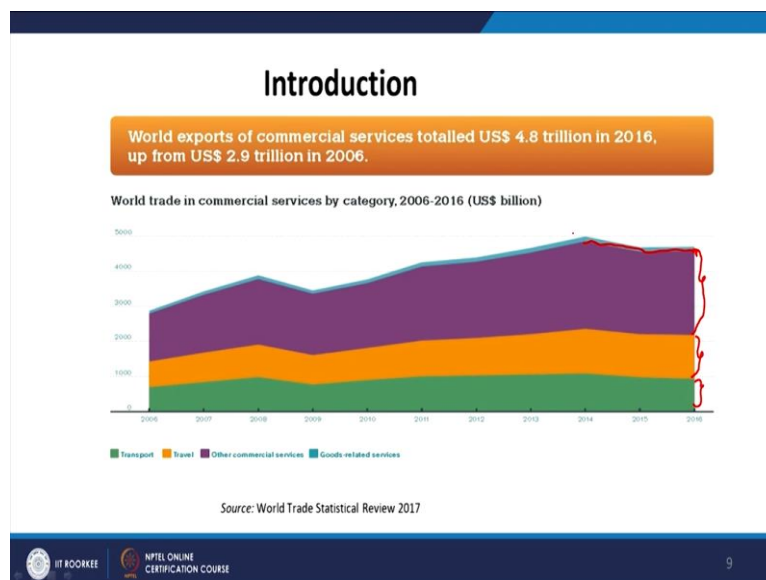
And about 1 third of their export and import are transacted within the company. That is, exports and imports happening from the parents to the subsidiary, between the subsidiaries and between subsidiary to the parent. So, basically this international trade in its current form is between, is within the company.

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Now, this figure shows how the world exports of manufactured goods increased from US\$ 8 trillion in 2006 to US\$ 11 trillion in 2016. And this graph, this portion, the yellow portion shows the exports in agriculture, the international trade in agriculture products. In this green it is the fuel and mining products. And blue one shows the manufactured products. So, in manufactured products the international trade is the biggest. But, also keep in mind that in agricultural product it is also quite large amount of trade that is happening.

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This figure shows world exports of commercial services that totalled US\$ 4.8 trillion, 2016 of from US\$ 2.9 trillion in 2006. So, this part, it shows commercial services, this yellow part shows trade in travel. And this is transport. This is small components relate to goods related services. So, the total contribution of goods related services is small while in commercial services it is huge.

Now this, there is a fundamental shift that is occurring in the world economy. We are moving towards an economy that is free of barriers to cross-border trade. Perceived distances between country is decreasing. Material culture is looking similar across the world. And therefore, national economies;

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Globalization

- A fundamental shift is occurring in the world economy. We are moving towards a world in which:
 - ✓ Barriers of cross-border trade and investment are declining.
 - ✓ Perceived distance is shrinking.
 - ✓ Material culture is starting to look similar the world over.
 - ✓ National economies are merging into an interdependent, integrated global economic system.

The process by which this is occurring is commonly termed as **Globalization**.

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They are merging into an interdependent, integrated global economic system.

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Globalization

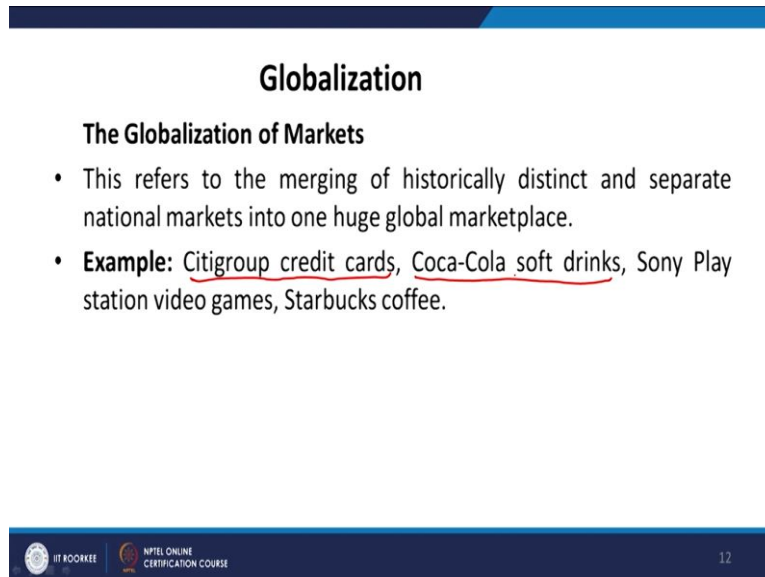
- Globalization has several facets, including -
 - Globalization of markets and production — demand
 - Globalization of production. — supply

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Now, this globalization has 2 facets. 1 is globalization of markets and another is globalization of production. So, let us say that this globalization of market means globalization of demand. And globalization of production means globalization of supply. So, the 2 important facets of this globalization is globalization of demand. Demand can come from anywhere across the

world and globalization of supply that is, the goods and services can be produced and supplied from anywhere in the world.

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The slide is titled "Globalization" and has a sub-heading "The Globalization of Markets". It contains two bullet points. The first bullet point states that this refers to the merging of historically distinct and separate national markets into one huge global marketplace. The second bullet point provides an example: "Citigroup credit cards, Coca-Cola soft drinks, Sony Play station video games, Starbucks coffee." The slide footer includes the IIT Koorkee logo, the text "IIT Koorkee NPTEL ONLINE CERTIFICATION COURSE", and the number "12".

Globalization

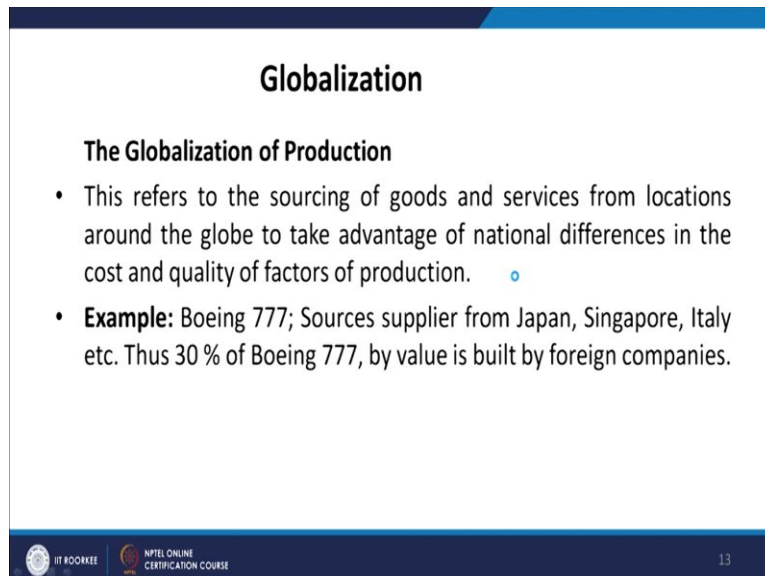
The Globalization of Markets

- This refers to the merging of historically distinct and separate national markets into one huge global marketplace.
- **Example:** Citigroup credit cards, Coca-Cola soft drinks, Sony Play station video games, Starbucks coffee.

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You see, most of us, we use Citibank groups credit card. People across the world even in rural India drink Coca-Cola. Then, we have Sony PlayStations and we all have been to Starbuck coffee at some point in time.

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The slide is titled "Globalization" and has a sub-heading "The Globalization of Production". It contains two bullet points. The first bullet point states that this refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. The second bullet point provides an example: "Boeing 777; Sources supplier from Japan, Singapore, Italy etc. Thus 30 % of Boeing 777, by value is built by foreign companies." The slide footer includes the IIT Koorkee logo, the text "IIT Koorkee NPTEL ONLINE CERTIFICATION COURSE", and the number "13".

Globalization

The Globalization of Production

- This refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. ◦
- **Example:** Boeing 777; Sources supplier from Japan, Singapore, Italy etc. Thus 30 % of Boeing 777, by value is built by foreign companies.

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And similarly, globalization of production is happening. So, now, Boeing 777, it supplies, it gets a supplies from Japan, Singapore, Italy. Thus, 30% of Boeing 777 by value is built by foreign companies. Even the mobile phone that we have is build, has components that are built across the world. Let us look at the definition of globalization as given by International Monetary Fund.

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Globalization defined

- According to IMF, globalization is:
“The growing economic interdependence of countries worldwide through the increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.”

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The growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions. Keep in mind that we are talking of increasing volume, 1, and variety of cross border trade, cross border transactions in goods and services and of international capital flows. So, volume and variety of goods and services is huge. And then, also international capital flows and also through more rapid and widespread diffusion of technology. Goods and services are being traded, capital is being traded and technology is being traded.

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Importance of Global Marketing

- The term global marketing refers to a strategy to achieve one or more of the major categories of potential globalization benefits:
 - *Cost reduction*
 - *Enhanced customer preference*
 - *Improved quality of products and programs*
 - *Increased competitive advantage on a global basis*

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Now, there are several benefits of this globalization. And we will talk about each one of them in detail. So, the first benefit is cost reduction. Let us see how globalization reduced to cost reduction. Because a company produces huge amount of products that are to be sold across

the world, which leads to economies of scales and therefore reduces per unit cost of production. Enhanced customer preferences;

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Importance of Global Marketing

- **Cost reduction:** Access to larger markets means that firms may experience higher demand for their products, as well as benefit from economies of scale, which leads to a reduction in average production costs.
- **Enhanced customer preference:** Product variety for consumers has increased to many folds due to globalization. The internet has opened new opportunities for browsing from home, office or train, with products available worldwide. Today, consumers have more purchasing choices than ever before due to globalization.

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Product variety for consumers have increased due to globalization. Because of globalization of demand, we have seen the globalization of markets. We have seen that a person now has a variety of choices from which to choose. And the internet has opened new opportunities. And you can browse from your home, office and train. That leads to enhanced consumer preferences. Because of competition, the product quality has improved. And also, the quality of marketing programs have improved.

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Importance of Global Marketing

- **Improved quality of products and programs:** As a result of globalization, people have access to the best quality of goods and services throughout the world.
Companies have to strive to provide better quality goods and services to the consumer and the consumer has the liberty of choosing whichever product he/she thinks is best suited for his/her needs. This allows a person in America to wear clothes made in India and Mexico while watching a football match taking place in England on a TV made in China.

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So, you see that consumer has the liberty of choosing whichever product he or she thinks best suited for his or her needs. This allow the person in America to wear clothes made in India

and Mexico while watching a football match taking place in England on a television made in China.

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Importance of Global Marketing

- **Increased competitive advantage on a global basis:** Globalization has provided the companies with many opportunities to gain global competitive advantage. Some of these opportunities include adapting to local market differences, exploiting global scale economies, exploiting global scope economies, tapping optimal locations for business operations and resource acquisition, and maximizing knowledge transfer across the organization.

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And then, it leads to increased competitive advantage on the global basis. Because, the cost has reduced, because of globalization consumer preferences have enhanced and the quality of products have all gone up, though that leads to increased competition, competitive advantage on a global basis. Briefly I will tell what competitive advantage is. The competitive advantage is the advantage that a company has, which competitors do not.

So, because of these 3 things, it leads to competitive advantage to, on a global basis. Now, let us see why global market is, marketing is imperative. Imperative means important. Is, so why, let us see why global marketing is imperative. The, it is because of the following 6 reasons. And we will talk about each of this 6 reasons.

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Why Global Marketing is Imperative

- *Saturation of domestic markets*
- *Unfavorable domestic economy*
- *Emerging markets*
- *Global competition*
- *Need for global cooperation*
- *Internet revolution*



The first reason is saturation on domestic markets, the second is unfavorable domestic economy, the third is emerging markets, global competition, need for global cooperation and the last one is internet revolution. So, let us see the first reason, saturation of domestic markets. Now, you see that most developed markets, developed economies, they are saturation, because people have bought so many products that, the demand for several products has is no longer there.

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Why Global Marketing is Imperative

- **Saturation of domestic markets:** Domestic-market saturation in the industrialized parts of the world and marketing opportunities overseas are evident in global marketing.
- **Examples:** Samsung and Hyundai from Korea, Cemex from Mexico and Dôme Coffees from Australia are competing head-on for global dominance.
- **Unfavorable domestic economy:** The ongoing global economic downturn has forced businesses to outsmart unfavorable economies in their domestic markets and to venture abroad to fast growing markets in some regions of the world such as Asia, in search of marketing opportunities.



So, domestic market saturation in industrial parts of the world and marketing opportunity overseas are evident in global markets. So, Samsung and Hyundai; now you see that Samsung and Hyundai, they comes from Korea. Cemex from Mexico, Dome's coffee from Australia are competing head on for global dominance. So, these small companies, these

fairly new companies, Samsung and Hyundai, they are competing with well-established players from developed countries.

Unfavorable domestic economies. The idea here is that, even if 1 economy is in, is facing downturn, is in recession. Some other country somewhere in the world; it generally so happens that it is facing expansion. So, if you are a global player, then even if you are facing downturn in 1 economy, then also, even after, even in that situation, there will be a country somewhere in the world that is expanding.

So now, you may be incurring losses at 1 place, but then, at the same time, you may earn profit at the, at some other place. Then, there is a huge market that is coming up which comprises of several countries which are coupled together and called as emerging markets.

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Why Global Marketing is Imperative

- **Emerging markets:** In the next ten to twenty years, BEMs such as the Chinese Economic Area (CEA: including China, Hong Kong Region, and Taiwan), India, South Korea, Mexico, Brazil, Argentina, South Africa, Poland, Turkey, and the Association of Southeast Asian Nations (ASEAN: including Indonesia, Brunei, Malaysia, Thailand, the Philippines, and Vietnam) will provide many opportunities in global business.

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That includes Chinese economic area, that is China, Hong Kong and Taiwan, India, South Korea, Mexico, Brazil, Argentina, South Africa, Poland, Turkey. And it also includes certain association of Southeast Asian nations. That is called as ASEAN, that includes Indonesia, Brunei, Malaysia, Thailand, Philippines and Vietnam. So, these countries they are emerging. Emerging markets for your general understanding is that, now their Gross Domestic Product at sector, they are increasing; now, they have more purchasing power.

So, that is why they are called as emerging; this is 1 reason why they are called as emerging markets. So, this emerging market, there is a lot of potential, great, huge market. So, that is

another reason why global marketing has become imperative. But at the same time, global competition. Competition around the world is increasing.

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Why Global Marketing is Imperative

- **Global competition:** Competition around the world and proliferation of the Internet have been on the rise and are now intensifying.
- About thirty years ago, the world's greatest automobile manufacturers were General Motors, Ford and Chrysler. Today, Toyota, Honda, BMW, Renault and Hyundai, among others stand out as competitive name plate in the global automobile market.



About, now you see, you look at this example. About 30 years ago, the world's greatest automobile manufacturers were General Motors, Ford and Chrysler. Today, Toyota, Honda, BMW, Renault and Hyundai, among others stand as, stand out as competitive names, name plates in the global automobile markets. Now, because of this global competition, it is giving rise to another force that is called as global cooperation.

Japan's Sony, Toshiba and US computer maker IBM, jointly developing advanced semiconductor processing technologies for next generation chip. Also, also keep in mind that your most, many components of your Apple iPhone, they comes from Samsung. So, although, on the face of it, Apple and Samsung they are competitors, but on the other hand, they are also cooperating.

Similarly, Maruti Suzuki will be using production facilities from Toyota. Because Maruti Suzuki is facing a shortfall in production capacity, while Toyota, in India they have excess production capacity. So, now they have joined hand to where, so the Maruti where, Maruti will be using Toyota's facilities to manufacture their cars. And the last reason is internet revolution. Now, this has, this internet revolution is bringing major structural change to the ways companies operate worldwide.

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Why Global Marketing is Imperative

- **Need for global cooperation:** Global competition brings global cooperation.

Example: Japan's Sony, Toshiba and US computer maker IBM jointly developing advanced semiconductor processing technologies for next generation chips.

- **Internet revolution:** The Internet and electronic commerce (e-commerce) are bringing major structural changes to the way companies operate worldwide.

Example: Amazon, eBay, Alibaba, Flipkart

Look at Amazon, eBay, Alibaba and Flipkart. So, to conclude, global epitomizes both the competitive pressure and expanding market opportunities.

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Why Global Marketing is Imperative

- To conclude, the term *global* epitomizes both the competitive pressure and expanding market opportunities.
- Whether a company operates domestically or across national boundaries, it can no longer avoid competitive pressures from around the world.

2 opposing forces are taking place at the same time. 1 is competitive pressure. More and more competition. Competition coming from anywhere in the world. And at the same time, expanding market opportunities. So, whether a company operates domestically or across national borders, it will still face competition from across the world. And even domestic competition is, also will continue to increase. So, this is the main focus of this term global. Now, this globalization of markets is leading to convergence and divergence at the same time. Let us look how it is happening.

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Globalization of Markets: Convergence and Divergence

Convergence

- Per capita income (PCI) is an important determinant of consumer buying behavior.
 - Country's PCI < \$10,000 (Spending on basic necessities)
 - Country's PCI >= \$20,000 (Disposable income increases dramatically)
- This increased disposable income level results in increased convergent pressures on consumer buying behavior.



Per capita income is an important determinant of consumer buying behavior. This is a well understood fact. Now, the studies suggest that, when a country's per capita income is less than \$10,000, most of this income is spent on satisfying the basic needs. As the country's per capita income increases and becomes equal to or more than \$20,000, the disposable income increases drastically.

Now, this increased disposable income; how people spend this increased disposable income, this increases conversion pressures on consumer buying behavior. That is, people with higher income tend to enjoy similar education levels. They want to have similar material possessions.

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Globalization of Markets: Convergence and Divergence

- People with higher incomes tend to enjoy similar educational levels, desire for material possessions, ways of spending leisure time, and aspirations for the future.
- **For example**, we see young people jogging in Nike shoes (an American product made in China), listening to Coldplay (British Rock Band) on Apple Computer's iPod (an American product) in Hong Kong, Philadelphia, Sydney and Tokyo.



They spend their leisure time similarly and their aspirations for the future. For example, we see young people jogging in Nike shoes, an American product which is made in China; listening to Coldplay, British rock band on Apple computer's iPod, an American product in Hong Kong, Philadelphia, Sydney in Tokyo. So, you see that, 1 person, a young man jogging in Nike shoes. And he is owning products, he is using product that are made across the world.

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Globalization of Markets: Convergence and Divergence

Divergence $TS \rightarrow AS \rightarrow CS \rightarrow CS \rightarrow \text{Decision}$

- Globalization does not suffocate local cultures, but rather liberates them from the ideological conformity of nationalism, with consumers becoming more receptive to new things.
- Consumers also have a wider, more divergent “choice set” of goods and services to choose from.
- In other words, the divergence of consumer needs is taking place at the same time.
- **For example**, Pollo Campero, a Latin-American fried chicken from Guatemala, offering chicken with a Latin service in a Latin-American environment, has been catching on quietly in the US to cater to Americans’ increased appetite for a different kind of chicken.

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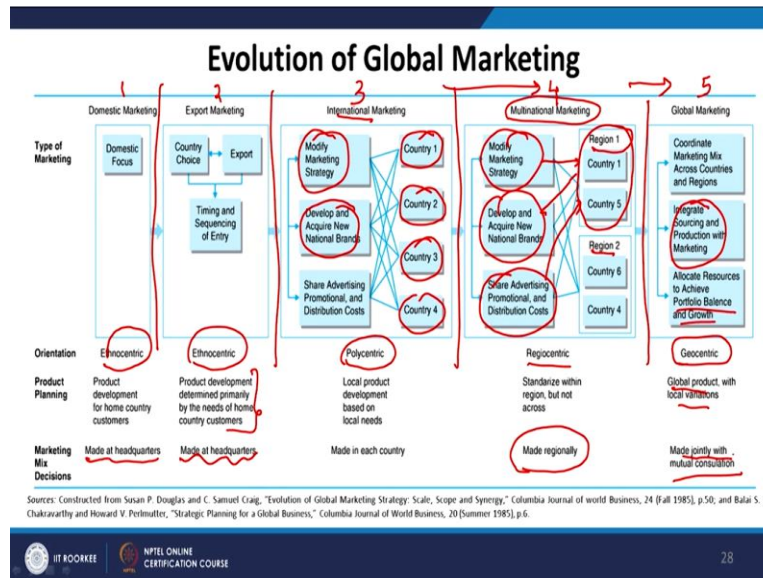
Another dimension of this globalization of markets is divergence. It means that, globalization do not suffocate local cultures. It does not mean that the culture across the world, across different countries will look same. No. It rather liberates them from ideological conformity of nationalism, with consumer becoming more receptive to new things. Now, consumer have wider, more divergent choice sets of goods and services to choose from.

So, keep in mind that we are talking of the total set to consideration set, sorry, awareness set to consideration set and to choice set. And then, the decision is taken. Now, this divergence means that this choice set, the number of brands in this choice set has increased. Now, keep in mind that if you want to buy a pair of shoes, so you will have 10 different brands or 20 different brands to choose from.

For example, Pollo Campero. That is a Latin American fried chicken from Guatemala, offering chicken with a Latin service in a Latin American environment has been catching on quietly in the US to cater to American’s increased appetite for a different kind of chicken. So, although the basic need or the need that is being satisfied is hunger. But then, or the requirement or the need or the want to eat chicken.

But then, there are variety of chickens that from which the consumer can choose from. Next, we will talk about the last component, that is evolution of global marketing. Evolution is how global marketing has developed. Now, we will move from left to right. First, you see that the first stage in this evolution is domestic marketing.

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The second stage is export marketing, the third stage is international marketing, the fourth is multinational marketing and the fifth is global marketing. Also keep in mind, very important thing is that, these 5 stages, they are not mutually exclusive. That is, a company may be for, may be exporting to 1 country. It may be following a global strategy in another country or it may be having multinational strategy for another group of countries.

So, we cannot put companies in either of these categories. This is, this is a rainbow. So, it does not mean that, these categories, they are mutually exclusive. These are not watertight compartments. No. But these, this slide shows that these are the 5 stages in evolution of global marketing. The first stage is domestic marketing, the second is export marketing, the third is international marketing, the fourth is multinational marketing and the last one is global marketing.

Now, you see that in domestic marketing, the orientation is ethnocentric. This ethnocentric orientation means that all marketing strategy is designed for domestic consumers. So, the company is making products keeping in mind the domestic consumers. They are pricing it and accordingly and promoting and distributing it accordingly. They are not taking a consumer outside their home country into consideration.

Now, what happens is that, because we have seen that globalization will increase competition. So, now this company thinks of selling their goods and services across the border. So, as soon as they start selling their goods across the border, they get into export marketing. But keep in mind that orientation is still ethnocentric. All product development is based on the needs of the home country consumers.

So, they were just, they now just start exporting goods in the goods that they were producing for the domestic market, domestic consumers. In both these cases, the marketing mix and the marketing strategy decisions are being made at the headquarters in the home country. So, then they start exporting. Now, over a period of time, what happens is that, competitors will also start exporting and the competition in foreign markets also increases.

Now, what to do? So, the next stage is international marketing. Now, you see a significant change is happening in the orientation. Now, the orientation is polycentric. This polycentric orientation means that, all marketing strategy in country 1 will be made here; all marketing strategy in country 2 will be made here; and similarly in country 3 and country 4. So, there is a significant difference in ethnocentric and polycentric orientation.

In ethnocentric orientation, all the decisions were taken in the headquarters in the home country for home country consumers. In polycentric orientation, now this company becomes a domestic company in several different countries. Keep in mind, this company becomes a domestic company in several different countries. So, in country 1, it has a head quarter and all marketing mix decisions are being taken place in this country 1.

Second, then again it has a headquarter in country 2. And all marketing mix decision regarding this country are being taken in this country. And similarly, country 3 and country 4. Keep in mind that we are also talk; keep in mind that we you can think of Hindustan Unilevers Limited. So, that was an international country. So, now, the marketing mix decisions in India for Hindustan Levers Limited; I am not talking of HUL, I am talking of HLL.

So, all marketing mix decisions were being taken for Indian market in India. And similarly, for in Chinese market for, in China for Chinese Market, in Japan for Japanese market. So, the Lux in India may not be priced similarly; it may not look similar to Lux in China or to Lux in

Japan. This is what we are talking of. Each country will have a different marketing strategy. So, the develop and acquired new National brands.

So, HLL in India may have entirely different, will have some brands that are not there in HLL Korea or in HLL Japan. This is what this international marketing means. But then, also keep in mind that, because of competition there is all over the pressure on cost. International marketing means that we are producing goods, we have a marketing strategy for a country specifically for that country.

So, the economies of scales that we were talking about earlier, is not happening in international marketing. But then slowly, competitors have also followed; so therefore, there is a pressure on cost. Because of this competition, now companies are again forced to rethink what to do. How to reduce cost and have a competitive advantage as compare vis a vis competitor. So, then they move on to the next stage which is called as global marketing.

This is called as, this is, sorry, this is called as multinational marketing. Multi nation, now these multi nations are put together here. And this is called as region 1. Then again, 2, 3, 4 countries, they are put together and they are called as region 2. See that the orientation which has started from ethnocentric, moved to polycentric and now it is regiocentric. That is, region specific. We are coupling countries.

We are putting together 2, 3, 4 countries in the form of a region. Now, the disadvantage that we had in international marketing, that is the disadvantage on economies of scales; now this is being taken care of here. Now, in this, in multinational marketing, 2, 3 countries, they are put together. And it is called as region. Therefore, now we will have a marketing strategy that is specific for this region.

We will develop and acquired new brands for this region. And similarly, this cost related to advertising, promotion and distribution is distributed over this region. So, we have moved from domestic to export to international and to multinational marketing. Here, all marketing mix decisions are based, are made for this region. This region may comprise of 2 countries, it the region may comprise of 6 countries.

Still economies of scales are being lost somewhere and competition is increasing. So, every company is still under threat of competition. So, then they move on to the next stage which is called as global marketing. Global marketing, here we are coordinating marketing mix across countries and regions. Across countries and region, marketing mix is being coordinated, 1. We are integrating sources and production with marketing.

Integrating, sourcing and production with marketing and allocate resources to achieve portfolio balance and growth. And here the orientation; look at this important thing, orientation is geocentric. So, these are the 4 different kind of orientations through which a company passes through on its way to global marketing. The, in the first 2 stages, the orientation is ethnocentric. Then it becomes polycentric, then regiocentric and at last it becomes geocentric.

Idea of this geocentric orientation is to consider whole world as 1 integrated markets. But, also keep in mind that we will have; I will explain this further. We are considering world as 1 market. It is not considered as a potpourri or a collection of markets. It is 1 integrated market. So, but then we will have global products with local variations and most of the marketing mix decisions are made jointly with mutual consultation across the countries and regions.

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Evolution of Global Marketing (Contd.)

Global Marketing refers to marketing activities that emphasize the following:

- 1. Standardization efforts:** Standardizing marketing programs across different countries particularly with respect to product offering, promotional mix, price, and channel structure.
Such efforts increase opportunities for the transfer of products, brands, and other ideas across subsidiaries and help address the emergence of global customers.

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So, this global marketing refers to marketing activities. Global marketing refers to marketing activities that emphasizes the 3 things. The first is standardization efforts. Standardizing marketing programs across different countries with respect to product offerings, promotional mix, pricing and channel structure. Such efforts increase the opportunities for the transfer of

products, brands and other ideas across subsidiaries and help address the emergence of a global customer.

So, the first thing that global marketing is emphasizes is standardization efforts. Standardizing marketing programs across the world, across different countries. Next thing that it emphasizes is coordination across markets. Coordination of across market means that;

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Evolution of Global Marketing

- 2. Coordination across markets:** Reducing cost inefficiencies and duplication of efforts among their national and regional subsidiaries.
- 3. Global integration:** Participating in many major world markets to gain competitive leverage and effective integration of the firm's competitive campaigns across these markets, by subsidizing operations in some markets with resources generated in others and, responding to competitive attacks in one market by counterattacking in others.

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We are reducing cost, inefficiencies and duplication of efforts among their region, national and regional subsidiaries. So, 1 is standardization efforts where we are standardizing marketing programs. Second is coordination efforts the, so that the cost inefficiencies and duplication of efforts are reduced. And the third is global integration. Participating in many world markets to gain competitive advantage.

And effective integration of the firm's competitive campaigns across these markets by subsidizing operations in some markets with resources generated in other markets. And responding to competitive attacks in 1 market by counter attacking in other. So, these are the 3 important things to keep in mind when we are talking of global marketing. First is standardization efforts.

The third, the second is coordination across market and the third is global integration. So, we are integrating the markets across the world. But global marketing does not necessarily means standardization of products, promotion, pricing and distribution worldwide.

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Evolution of Global Marketing

- Global marketing does not necessarily mean standardization of products, promotion, pricing, and distribution worldwide, but rather it is a company's proactive willingness to adopt a global perspective instead of country-by-country or region-by-region perspective in developing a marketing strategy.
- **For example**, Black & Decker, a U.S. manufacturer of hand tools, adopted a global perspective by standardizing and streamlining components such as motors and rotors while maintaining a wide range of product lines, and created a universal image for its products.

→ Mind Set



But rather, it is a company's proactive willingness. Keep in mind what important here is proactive willingness. So, this global marketing is about the mindset. Global marketing does not necessarily mean standardization of products, promotion, pricing and distribution across the world, but it is the company's proactive willingness to adopt a global perspective instead of country by country or region by region perspective in developing a marketing strategy.

So, first thing is that we are not, globalization does not mean that we will have the same looking products which is being sold at the same price through promotion and distribution that looks similar across the world. No. But it refers to the proactive willingness or the mindset of a company to adopt a global perspective. So, the very important component of global marketing is the global, the proactive willingness of country to adopt a global perspective instead of country by country or region by region perspective.

For example, Black & Decker, a U.S. manufacturer of hand tools adopted a global perspective by standardizing and streamlining components such as motors and rotors while maintaining a wide range of product lines. So, you see that, what they are doing is to standardize the components that through, components that go into manufacture of a hand of a machine tool like motor and rotors while maintaining a wide range of product lines.

So, based on the same motors and rotors they have a wide range of product lines and create a universal image for its products. Global marketing does not necessarily means that products can be developed anywhere on a global scale;

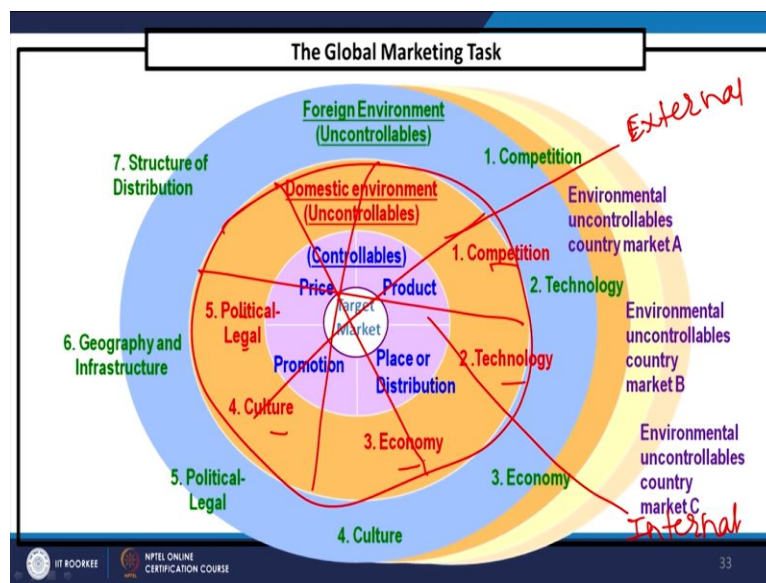
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Evolution of Global Marketing

- Global marketing does not necessarily mean that products can be developed anywhere on a global scale.
- The economic geography, climate, and culture affect how companies develop certain products.
- The Internet adds a new dimension to global marketing. E-commerce retailers gain substantial savings by selling online.

Because, we will also, at the same time we will also have to keep in mind economics, geography, climate and other culture factors that affect how companies develop certain products. The internet adds a new dimension to global marketing. E-commerce retailers gain substantial saving by selling online. Now, to get a better understanding of the complexity of decision making in the, in global marketing. Let us look at this figure.

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Let us for the time being concentrate only on this white circle that, on which it is written the target markets, 1. Now, this target markets, they are being placed within the 4 Ps that relates to a controllable environment. Controllable environment means, that component of environment that is in the control of the company. So, the company controls, can control the product, the price, the promotion and distribution and through which it targets the market.

This is the controllable environment. Now, this controllable environment which is in the control of the company is within an uncontrollable environment. That is called as the external environment. So, we also called this as external environment and this as internal environment. So, this controllable internal environment that is controllable environment lies within domestic environment that is uncontrollable.

This uncontrollable domestic environment is made up of several factors. 1 is competition, the second is technology, economy, culture, geographical, political and legal. We can also include geography, etcetera, etcetera, climatic conditions. So, this these are, this is the uncontrollable environment. So, when a company is operating in purely domestic market, it has only this environment into, it takes only this environment into consideration.

So, this is how domestic company operates. Now it is starts exporting or it is move on to international marketing and to geocentric marketing. As it enters another country, there is another level of uncontrollable environment. The foreign environments that starts affecting it. So, that is for 1 country. Then, as it enters another country, yet another level of external environments and external uncontrollable environment, foreign environment, it is start affecting their controllable environment and so on so forth.

So, the more, in more number of countries a company operates, its controllable environment, that is product price, place and promotion, it is starts getting affected by more and more number of foreign uncontrollable environment. So, that is the biggest problem in this global marketing. A purely domestic company has just this thing to look for. But, as a country starts moving from 1 country to another country to yet another country, to the third country, to the 4th country, the number foreign environments, uncontrollable environment.

And keep in mind, this foreign environment is uncontrollable. So, as it moves from 1 country to another country to the third country to the 4th country, more and more number of foreign uncontrollable environments, they start affecting its domestic, sorry, they start affecting its controllable internal environment. So, that is, that makes this global marketing a very complex thing to do.

So, that was the first module on globalization where in we have talked about what is globalization, why it is important, how it is leading to convergence and divergence and the

evolution of global marketing. And in module 2 we will talk about the various theories related to international trade and a multinational enterprise.