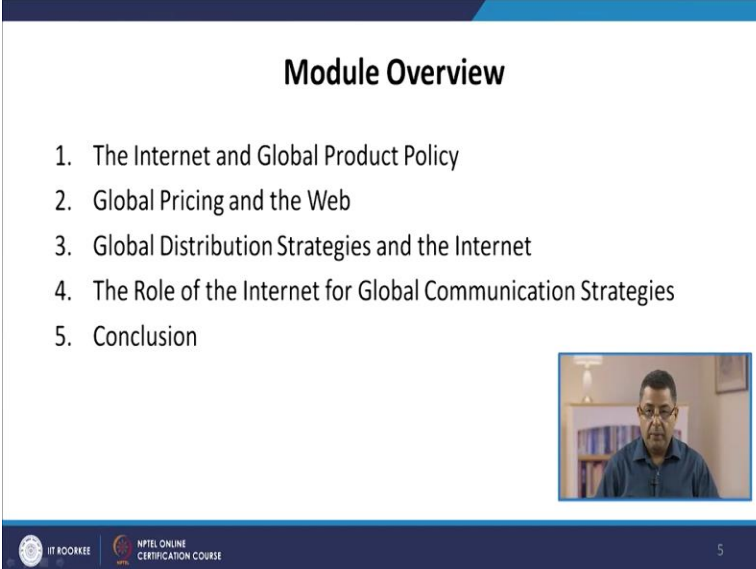


Global Marketing Management
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology- Roorkee

Lecture – 40
Global Marketing and the Internet– Part II


Welcome to global marketing management and today we will talk about the last module in this course that is module 40. And you will continue talking about Global marketing and the internet that we had started talking about in module 39 and after the completion of this module I will give an overview of the whole course. So let us see what we will talk about in Global marketing and the Internet in this module today.

(Refer Slide Time: 00:52)

A presentation slide titled "Module Overview" with a list of five topics. In the bottom right corner, there is a small video inset showing a man in a blue shirt. The slide has a blue header and footer. The footer contains the IIT Roorkee logo, the text "IIT ROORKEE", "NPTEL ONLINE CERTIFICATION COURSE", and the number "5".

Module Overview

1. The Internet and Global Product Policy
2. Global Pricing and the Web
3. Global Distribution Strategies and the Internet
4. The Role of the Internet for Global Communication Strategies
5. Conclusion



IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 5

So we will be talking about how the Global product policy is affected by the internet and how this pricing is affected by the internet, what and how are the distributions and communication strategy is affected by the Internet? Now, you see that internet has revolutionized the whole of marketing and there are several good and several bad implications for the marketing. So, let us talk about what is the impact of Internet on the Global product policy.

So from a product policy perspective, there are tremendous opportunities. The first opportunity is that of global branding.

(Refer Slide Time: 01:28)

The Internet and Global Product Policy

- From a product policy perspective, the internet offers tremendous opportunities:
 - Global branding
 - New product development
 - Global product design
 - New product ideas—consumer *co-creation*
 - New product diffusion
 - Services
 - Easier standardization
 - 24/7 availability





6


Then also comes to a new product development and that includes Global product design new product ideas. So consumer can now come together with the company took to co-create products and then new product diffusion. Another opportunity is that of services. So, easy and it has now become much more easier for companies to standardize service and also deliver and make available services 24/7.



Now, let us talk about each of them in detail. So let us see what is the impact of the internet on the Global branding.

(Refer Slide Time: 02:06)

The Internet and Global Product Policy

- Global Branding and the Internet**
- Management of global brands on the web is one of the challenges that global internet marketers face.
- Many MNCs allow their local subsidiaries to set up their own websites.
- Cultural fragmentation is often the main driver behind customization.
- For example, **Yahoo!** deliberately puts its country managers in charge of the local website's content.

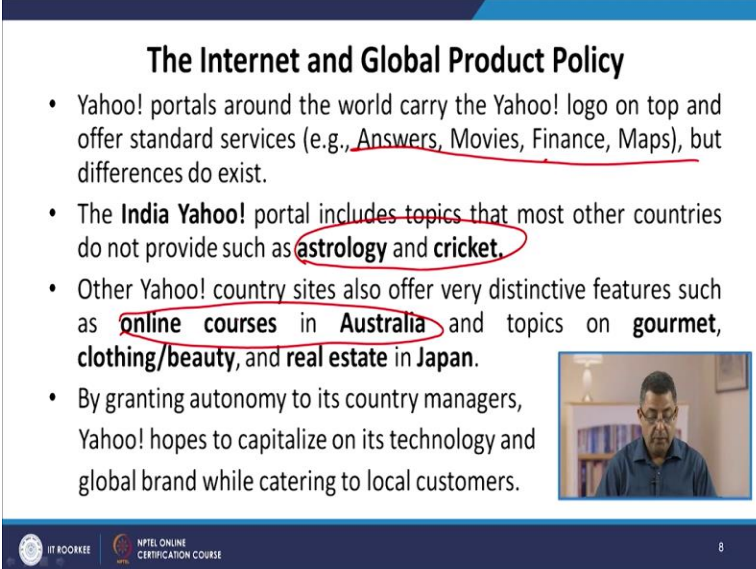




7

So, management of global brands on the web is one of the challenges that the global internet marketing face. Now you see that there are lots of information available across the internet about global brands. And you say, if a company wants to develop and continue with a global brand, all this information, whether it is company owned or it is not has to be managed. So many multinationals allow their local subsidiaries to set up their own websites.

Just for the sake of localisation cultural fragmentation is often the main driver behind this customization. For example, Yahoo deliberately puts its country manager in charge for the local Google site content.

(Refer Slide Time: 02:43)



The Internet and Global Product Policy

- Yahoo! portals around the world carry the Yahoo! logo on top and offer standard services (e.g., Answers, Movies, Finance, Maps), but differences do exist.
- The **India Yahoo!** portal includes topics that most other countries do not provide such as astrology and cricket.
- Other Yahoo! country sites also offer very distinctive features such as online courses in Australia and topics on gourmet, clothing/beauty, and real estate in Japan.
- By granting autonomy to its country managers, Yahoo! hopes to capitalize on its technology and global brand while catering to local customers.

8

So Yahoo portals around the world carry the Yahoo logo on top and offer standardise services like answers, movies, finance, maps. But there are also several differences. The India Yahoo portal includes topic that most of the countries do not provide such as astrology and cricket. So, now you see that these are something that you will find across the across the world in on Yahoo. And these are the two things that are available only for the Indian consumers.

Other Yahoo country site also offers very distinctive features such as online courses in Australia. So there in addition to this information they also provide online courses and topics on gourmet, clothing beauty and in Japan it also includes information about real estate. By granting autonomy

towards country manager Yahoo hopes to capitalize on its technology and global brands while catering to local customers.

So now you see that this is how using Technology they are synchronising globalization, standardization of localisation and customization. So however, the problem here is because of this, the synchronisation websites lack coordination and oversight.

(Refer Slide Time: 04:12)



The Internet and Global Product Policy

- Often, however, websites lack coordination and oversight.
- As a result, they can become a collage projecting different images, visuals, content, and messages for the brand and/or company.
- Consequently, consumers who visit sites associated with the brand or the company may get confused.
- With global cult brands (e.g., Land Rover, Harley Davidson), the issue of multiple sites becomes further compounded as individual distributors and brand enthusiasts set up their own websites featuring the brand.

NPTEL ONLINE CERTIFICATION COURSE

9

As a result we can become a collage projecting different images, visual, content messages from the brand or the company. So now you see that the consumers they are getting because of internet they are they are getting different kind of information for the same brand. Consequently, consumers who visit sites associated with the brand of the company they may get confused. Like in India, they are providing information about astrology, in Australia they are telling about online courses, in Japan they are telling about real estate.

So with Global Cult brands for example Land Rover, Harley Davidson, Apple, this issue of multiple sites become further compounded as individual distributors and brand enthusiast set up their own websites featuring the brand. And this problems become especially thorny when company tries to broadcast a single brand or corporate image. Now because there are several different, different sources of information so it becomes very difficult for the company to project a single brand or the corporate image.

(Refer Slide Time: 05:14)

The Internet and Global Product Policy

- This problem becomes especially thorny when the company tries to broadcast a single brand or corporate image.
- Therefore, just as with more traditional communication media such as advertising, some amount of coordination of the content and tone of websites under the MNC's control is a must when a consistent brand or company image is desirable.
- Unfortunately, consumer-generated websites related to the brand are beyond the firm's control.



 NPTEL ONLINE CERTIFICATION COURSE 10

Therefore, just as with more traditional communication media such as your advertising some amount of coordination of the content and the tone of the websites under the multinational company's control is a must when a consistent brand or company image is desirable. For example, what Amazon does? So it has a India specific website, but it also has a global website. And there are lots of differences between the two sites but there are still most of the things are still similar.

Unfortunately, consumer generated websites related to the brand are beyond the firm's control because now consumer it is in the hands of consumers and they have also come up with the brand later websites.

(Refer Slide Time: 05:52)

The Internet and Global Product Policy

- **Web-based Global New Product Development**
- Companies increasingly use the web to support the different stages of the new product development (NPD) process.
- The internet plays a role in the area of global product innovation on at least three fronts:
 - **Global product design**
 - **Generating new product ideas through consumer co-creation**
 - **New product diffusion**



11

The next issue that is important to us today is the web based global new product development. So before internet this new product development was within the company. But now it has become web based. So companies increasingly used the web to support the different stages of new product development process and the internet plays a role in the area of global product innovation on the following fronts.

The first is the global product design, generating new product ideas through consumer co-creation and new product diffusion. These are the three areas where the companies actively solicit consumer participation. First is to design, or then is to co-create and then diffuse. Companies increasingly rely on geographically distributed innovation centre's for the new product development efforts because now with this they can have information ideas from across the world.

By using a web as the platform multinationals like Dell and Lenovo can streamline their product development management lower overall global development cost and shorten the time to market. Advances in Computer aided design that is CAD software have turned web based global new product development more efficient. For example PTC Windchill suite of web based software product that have been used by phones like Dell to facilitate NPD in a global environment.

(Refer Slide Time: 07:21)

The Internet and Global Product Policy

2. The internet is also a driving force behind the rise of consumer co-creation which refers to innovation processes where consumers co-create value with the company.

- Instead of the consumers simply being passive and only giving feedback on new product concepts (e.g., via focus groups), they actively become involved in the NPD process.
- The internet makes this process more powerful by offering a massive, world wide pool of people to tap into and by providing information access to those people.



MIT ROOMEE NPTEL ONLINE CERTIFICATION COURSE 13

The Internet is also the driving force behind the rise of consumer co-creation which refers to the innovation process where consumers co-create value with the company. Now this because of the internet the consumers are coming together with the company to co-create value. Value for themselves and value for the company instead of the consumer simply being passive and only giving feedback on new product concept via focus group etc.,

They actively become involved in this new product development process right from the first stage. The internet made this process more powerful by offering a massive worldwide pool of people do tap into and by providing information access to those people

(Refer Slide Time: 08:04)

The Internet and Global Product Policy

- Co-creation has been applied by numerous companies including Dell ("Idea Storm"), Nike, Diageo, and Starbucks.



Co-creation has been applied by numerous companies including Dell that is idea storm Nike Diego and Starbucks. So, this is how you see that this idea storm where your ideal has been. So this is how Dell is using this idea storm to view post, to vote and see, to develop new products. This is a website of of Dell and it shows how they are using this idea storm to come together with customers to in to join forces with the customers for new product development process and co-create value for them self and the consumers.

(Refer Slide Time: 08:46)

The Internet and Global Product Policy

3. Finally, the internet can also play a critical role in the diffusion of new products within and across countries.
- Companies can use the web to inform potential adopters of new products or planned launches around the world.
 - Online hype or buzz can also stoke interest about the innovation, even long before the product is released in a particular market, as demonstrated by recent high-profile new product launches such as Apple's iPhone, Amazon's Kindle e-book reader, and Sony's PSP.



Finally, the internet can also play a critical role in the diffusion of new product within a, within and across a country. Now you see that we are the companies are using internet for all the three

things. First is to design then is to co-create and then adoption diffusion and adoption of this product.

So companies can use web to inform potential adopters of new products or planned launches around the world. Online hype or buzz can also stroke interest about the innovation even long before the product is released in a particular market as the most rated by recent high profile new product launches such as Apple's iPhone, Amazon Kindle e-book reader, Sony Xperia, PSP and Google home.

(Refer Slide Time: 09:35)



The Internet and Global Product Policy

- On the other hand, negative online chatter from consumers where the new product has already been introduced can hamper the adoption of the innovation in later markets.

BIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 16

On the other hand, negative online chat from consumers where the new product has already been introduced can hamper the adoption of innovation in the later markets. So, on the one hand companies can use this internet for their advantage and to create lots of positive word of mouth for them for their product which makes it easier for the consumers to adopt. But on the other hand consumers they can also create lot of buzz about the about the disadvantages of the negative negatives of this product.


Another important issue that we will talk about today is Web based marketing or services. So the internet heralds changes in the marketing of International Services and there is a huge difference between marketing of goods and services because services are intangible, heterogeneous and

perishable variable and they have to be simultaneously, generally they are simultaneously produced and consumed.

(Refer Slide Time: 10:26)

The Internet and Global Product Policy

- **Web-based Marketing of Services**
- The internet heralds changes in the marketing of international services.
- Services differ from goods in four respects: (1) intangibility, (2) simultaneity, (3) heterogeneity, and (4) perishability.
- In the global marketplace, these issues become even more taxing because of environmental differences between the foreign markets and the company's home market.
- The internet allows global service marketers to break the logjam posed by these challenges.



17


In the Global Marketplace, these issues become even more taxing because the environmental difference between the host market and the home market. So now these things, because which makes these characteristics that make services is different from product, it become there they become more profound in global markets. The internet allows global service marketers to break the logjam imposed by these challenges.

(Refer Slide Time: 10:56)

The Internet and Global Product Policy

1. Tangibility:

- ✓ International service providers can use the web to substantiate the service promises they make.
- ✓ For instance, international travellers who rent a car or book a hotel online can print out the confirmation note.
- ✓ Thereby, they can get instant tangible evidence of the transaction.
- ✓ Another way to manage intangibility is by offering samples of the service online.
- ✓ Visitors of Amazon's website can sample music or read book extracts before placing their order.



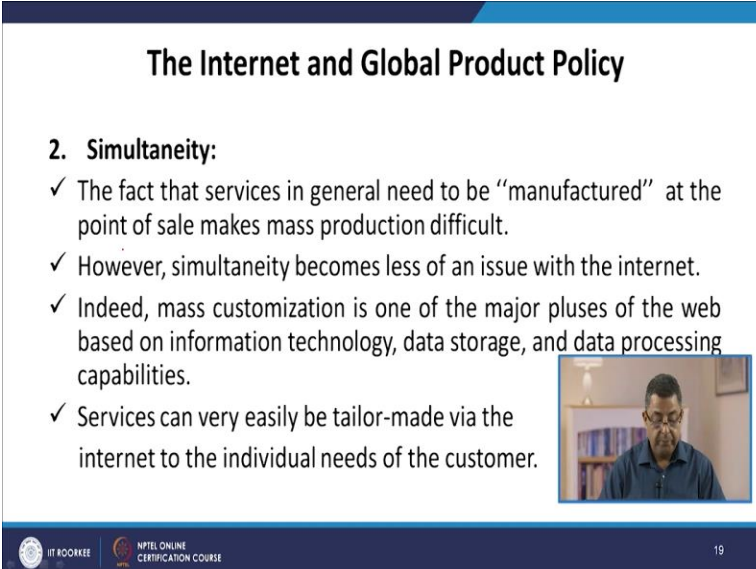
18

Let us see, let us talk about tangibility that is the first characteristic of services. International service providers can use the web to substantiate the service promise they make, because services they are intangible products they are tangible so it becomes difficult for services marketers to make consumers see and evaluate their product. So, therefore they are now using internet to overcome this problem.

So for instance, International travellers who rent a car or book a hotel online can print out the confirmation note thereby they can get instant tangible evidence of the transaction. Another way to manage intangibility is by offering samples of the service online. Visitors of Amazon's website can sample music or read books extract before placing their order. So they are now giving a giving Limited access to consumer so that they can check the service and then before they buy it.

Another problem is that of simultaneity. The fact that services in general need to be manufactured at the same time they are sold and it makes mass production difficult. However, simultaneity becomes less of an issue with the internet.


(Refer Slide Time: 12:15)



The Internet and Global Product Policy

2. Simultaneity:

- ✓ The fact that services in general need to be “manufactured” at the point of sale makes mass production difficult.
- ✓ However, simultaneity becomes less of an issue with the internet.
- ✓ Indeed, mass customization is one of the major pluses of the web based on information technology, data storage, and data processing capabilities.
- ✓ Services can very easily be tailor-made via the internet to the individual needs of the customer.



NPTEL ONLINE CERTIFICATION COURSE 19

Indeed mass customisation is one of the major pulses of the web based on information technology, data storage, data processing capabilities. Now services can very easy with tailor made by the internet to the individual needs of the consumer. Now there is the, there is this


advantage with the with the services that with using Information Technology these services can be customised for the consumers while it becomes difficult in the case of products to customise products because that because much more costly. The third characteristic of service is heterogeneity.


(Refer Slide Time: 12:57)

The Internet and Global Product Policy

3. Heterogeneity:

- ✓ The medium offers opportunities to standardize many aspects of the service provision, thereby making service transactions less unpredictable and more consistent.
- ✓ Elements such as greetings, reminders, and thank-you expressions can easily be standardized.
- ✓ Obviously, one risk here is that in some cultures customers might resent having the human element removed from service encounters.



NPTEL ONLINE
CERTIFICATION COURSE20


The medium offers opportunity to standardise many aspects of the service provision thereby making service transactions less predictable and more consistent. Heterogeneity to services may not be looking the same which is the, which is the case with the products. Elements such as greetings, reminders and thank you expressions can easily be standardized. Obviously one risk here is that in some cultures customers might resent having the human element removed from the service encounters.



So you can standardize several things by use of Information Technology but is still there will be several consumers who might think that the human touch is necessary and everything done by the use of technology may not be good enough for them.

(Refer Slide Time: 13:38)

The Internet and Global Product Policy

- ✓ Therefore, one of the dilemmas that international service firms face is what elements of the service provision could be standardized.
- ✓ Because of cultural differences, these choices may differ across countries.





21


Therefore one of the dilemmas that international service firms face is what elements of service provision should, could be standardized and should this standardization be the same across the world or it will be the same across the one country. Because of this cultural differences these choices may differ across the countries.



(Refer Slide Time: 14:01)

The Internet and Global Product Policy

4. Perishability:

- ✓ Marketers can use their website to balance demand and supply.
- ✓ A website gives service marketers the ability to offer 24-hour/7 day service to customers around the world.
- ✓ Geographic boundaries and time zones no longer matter.
- ✓ Marketers can also use their site to manage demand.
- ✓ Example: Airlines occasionally use their website to sell seats via online auctions.



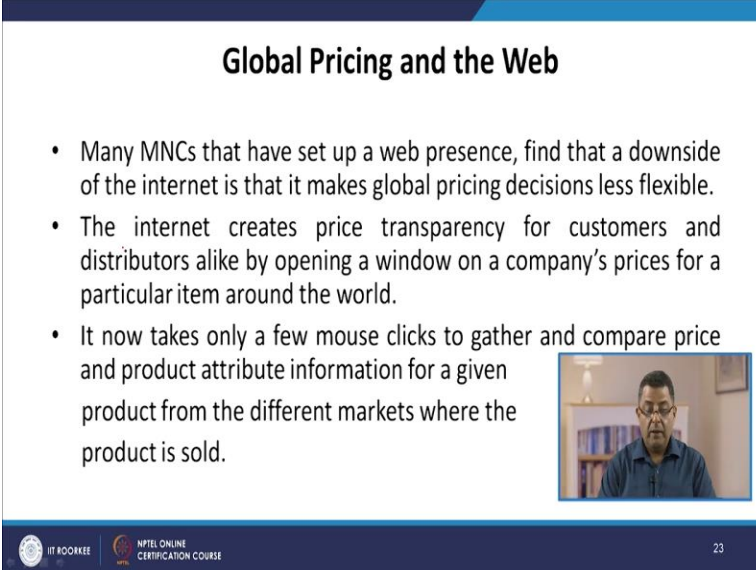


22

The fourth characteristic of service is Perishability. Marketers can use their website to balance the demand and supply because services cannot be stored. So, there is a problem of perishability they has to be consumed as we have seen earlier there they are to be consumed at the time they are produced. So they, the problem is that to balance problem is that of balancing the demand

and supply. A website gives service markets the ability to offer 24/7 service to customers around the world.


Geographic boundaries and time zones they no longer matter. So marketers can also use their site to manage demand. For example, Airlines occasionally use their websites to sell seats via online auctions.

(Refer Slide Time: 14:45)



Global Pricing and the Web

- Many MNCs that have set up a web presence, find that a downside of the internet is that it makes global pricing decisions less flexible.
- The internet creates price transparency for customers and distributors alike by opening a window on a company's prices for a particular item around the world.
- It now takes only a few mouse clicks to gather and compare price and product attribute information for a given product from the different markets where the product is sold.



NPTEL ONLINE CERTIFICATION COURSE 23


Another P that is affected by the internet is the pricing. So let us see how global pricing is affected by the web. So, many multinational companies have set up a web presence find that a down side of the internet internet is that it makes global pricing decisions less flexible because now consumers can compare prices of the same product or service across the world. The internet creates price transparency for consumers and distributors alike by opening a window on the companies prices for a particular item around the world.



It now takes only a few seconds if you Mouse clicks to gather and compare prices and product attribute information for a given product from the different markets where the product is sold.

(Refer Slide Time: 15:26)

Global Pricing and the Web

- Various websites like Germany's DealPilot.com or Britain's shopguide.co.uk offer price comparisons of different shopping sites, thereby lowering the search effort for e-shoppers.
- Customers can also sample the "price floor" through various auction sites hosted by firms such as eBay in Western countries or Taobao in China.
- The information advantage that sellers traditionally enjoyed over buyers has dissipated due to the very nature of the internet technology.



24

Various websites like Germany's dealpilot.com or Britain's shopguide.co.uk offer price comparisons for different shopping sites thereby lowering the search efforts for the e-shoppers so that make the decision making some more some more simpler. Customers can also sample the price floor through various auction sites hosted by the firms such as eBay in western countries or Taobao in China.

The options gives the price floor because obviously a company any company will not sell sell it product or services below that so that becomes price floor and then companies can get to know sorry customers can get to know about those prices by visiting these sites. The information advantage that sellers traditional enjoyed over buyers has dissipated due to the very nature of the internet technology.

Now the traditionally the sellers had more information about the product then the then the buyers. So they had an Upper Hand in this process but now with the internet all this information, the same information is available to the customers and to the, to the, to the seller and that has happened only because of internet. Now there are several problems, hazard of price transparency.

(Refer Slide Time: 16:56)

Global Pricing and the Web


- Price transparency hazards


Reduces company's ability to price discriminate


Products can devolve to commodity goods

Brand loyalties may vanish

Consumer backlash about fairness of price



 IIT ROORKEE

 NPTEL ONLINE
CERTIFICATION COURSE

25

The first is that it reduces company's ability to price discriminate. So in one company in one country they may like to have different price in another country there the company may like to have different price. But with this web it becomes difficult for company to have this kind of discrimination. Products can devolve to commodity goods. So there may not be the product because of this internet, lots of information, the advantage of products may be lost and there may be no differentiation thereby turning a good product into a commodity.

And the brand loyalty will vanish when we are talking of commodities and not products and consumer backlash about fairness of price so consumer backlash about fairness of price because the price is the prices are different so the consumer may think that in one place they are being cheated and the, and that is the problem here with when with the internet.

(Refer Slide Time: 17:50)

Global Pricing and the Web

- **Corporate responses to price transparency**
 - i. Firms can align their prices by, for instance, cutting prices in high-price countries and/or raising them in low-price markets.

Example: This was the route taken by Apple for iTunes downloads in the United Kingdom: the company narrowed the price gap between the U.K. and the euro-zone.





28

Now how do corporate responses to price transparency. Firms can align their prices by for instance cutting prices into in high price countries and of raising them in low price markets. For example, this was the route taken by Apple for iTunes download in the United Kingdom's the company narrowed the price gap between the UK and the Euro-zone. So the price gap should be, should be so that the consumers, the loyal consumers may not shift.

Second is that companies can also localise their product so that they differ across countries and comparison shopping becomes less feasible. In some industries for example in pharmaceuticals in consumer electronics manufacturers can also alert buyers about the adverse consequences of buying from low price overseas supplier because of the fear, they can use the fear appeal that the product may not be original.



The risk that the consumers might run into include limited or no warranty coverage, lack of service support, buying products that are not suitable, wrong Technology standard or that turn out to be counterfeit. So they can tell customers that they will they will come across the some of these problems if they are not buying from the regular distribution channel.



(Refer Slide Time: 19:07)

Global Pricing and the Web

iv. Outright refusal to handle orders from overseas buyers is another tactic.

For instance, some country websites (e.g., iTunes) only allow payment for shipping orders through credit cards registered in that particular country.



28

Outright refusal to handle orders from overseas buyers is another tactic. For instance, some countries website for example iTunes only allow payment for shipping order through credit cards registered in that particular country.

(Refer Slide Time: 19:25)


Global Distribution Strategies and the Internet



- Firms that plan to make the internet an integral part of their international distribution channel, need to reflect on questions such as these:

Should internet distribution complement or replace our existing channels?

Will the role of our current distributors change as a result of having the internet as an additional channel medium?

Should we allow our distributors to set up their own internet channels?





29

Now, let us see what is the effect of web for the internet of the Global distribution strategies? So firms that plan to make the internet and integral part of the international education channel need to reflect on the on these questions. And obviously when the companies trying to become Global it has to incorporate it has to make their distribution channel as Global and for that they need to look at these questions, should internet distribution compliment or replace our existing channel.

(Refer Slide Time: 19:51)


Global Distribution Strategies and the Internet



- Firms that plan to make the internet an integral part of their international distribution channel, need to reflect on questions such as these:

Should internet distribution complement or replace our existing channels?

Will the role of our current distributors change as a result of having the internet as an additional channel medium?

Should we allow our distributors to set up their own internet channels?





29


Should internet distribution complement or replace our existing channels. What is the role of our current distributors change as a result of having the internet as an additional channel medium. So, should we continue with the brick and click stores or should we have only click store or should we have both of them and then what will be the role of the current distributors if the company start selling through its own website.



And should we allow the distributors to set up their own internet channels so, there can be multiple Internet channel selling the same thing the company's channel and the distributor channel and brick and mortar stores and the click stores.

(Refer Slide Time: 20:39)

Global Distribution Strategies and the Internet

- Global retailers, facing the onslaught of online sellers, need to decide whether they should remain a brick-and-mortar business or transform themselves into a click-and-mortar business by setting up a web presence.
- The most successful distributors will be those that are able to build up new competencies that leverage the internet.
- The reason for having a distribution channel in the first place is the value-added that the middleman offers.

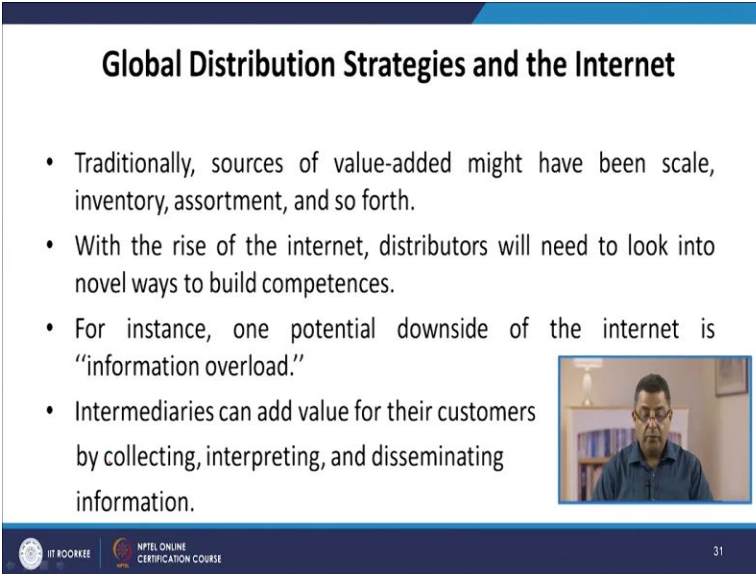




30

Global retailers facing the onslaught of online sellers need to decide whether they should remain a brick or mortar business or transform them into click and mortar business for setting up of web presence so they can have a distribution channels the brick and mortar business by setting up channels and also have their own website. The most successful distributors will be those that are able to build up new competencies that leverage the internet.

So, now there is no either of situation they have to be there at the both places. The reason for having a distribution channel in the first place is the value added that the middleman offer. So, basically the companies look at what kind of value this middleman is offering and then decide the role of the only click or brick and mortar Store or they should have a brick and click type of distribution that is having the online as well as offline distribution.

(Refer Slide Time: 21:40)



Global Distribution Strategies and the Internet

- Traditionally, sources of value-added might have been scale, inventory, assortment, and so forth.
- With the rise of the internet, distributors will need to look into novel ways to build competences.
- For instance, one potential downside of the internet is “information overload.”
- Intermediaries can add value for their customers by collecting, interpreting, and disseminating information.

NPTEL ONLINE CERTIFICATION COURSE

31

Traditionally sources of value added might have been scale, inventory, assortment so on and so forth for these are the various types of values that a distributor can add. With the rise of internet distributor will look into novel ways to build competencies for instance one potential downside of the internet is information overload. Intermediaries can add value for their customers by collecting interpreting and disseminating information.

(Refer Slide Time: 22:04)

Global Distribution Strategies and the Internet

- **Role of existing channels**
- Connectivity means that in many industries buyers can now hook up directly through the internet with manufacturers, thereby bypassing existing channels.
- Some observers have gone so far as to claim that the internet heralds the end of the middleman.
- Although the internet could diminish the role of intermediaries in certain businesses, in most industries distributors can still play a vital role.



What is the role of the existing channel connectivity means that in many industries buyers now hook up to the internet with manufacturers thereby bypassing the existing channels. So, then what happens to the existing channels. So, some observers have gone so far as to claim that the internet heralds the end of the middleman although the internet could diminish the role of intermediaries in certain businesses. In most Industries distributors can still play a vital role because you see that they are doing scale, inventory, assortment so all these things taking ownership of all this things if the company takes ownership of all these things then the company also because the distributor and that may not be the job of the manufacturers.

(Refer Slide Time: 22:57)

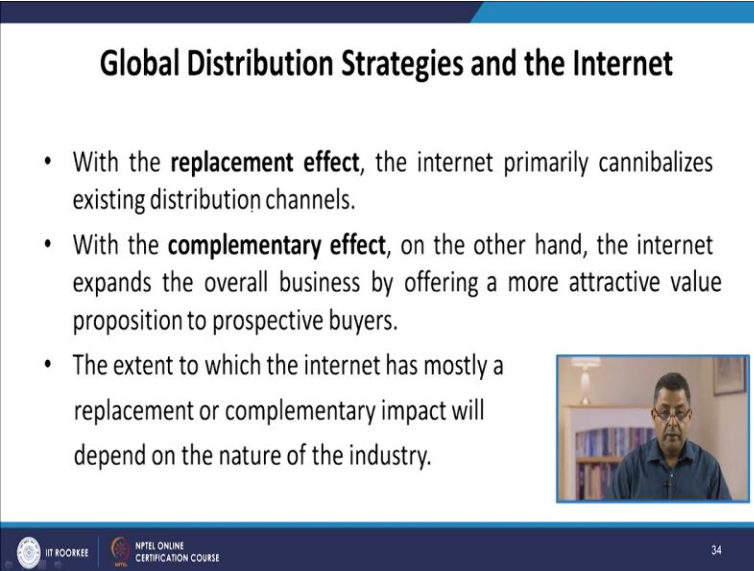
Global Distribution Strategies and the Internet

- Manufacturers that plan to add the internet to their existing international channels need to ponder the effects of this new medium on the incumbent channels.
- In general, there are two possibilities:
 - A replacement effect
 - A complementary effect




So, manufacturers that plan to add internet to their existing international channels need to ponder the effect of this new medium on the incumbent channel. In general there are two possibilities to have a replacement of it or a complementary effect.

(Refer Slide Time: 23:12)



Global Distribution Strategies and the Internet

- With the **replacement effect**, the internet primarily cannibalizes existing distribution channels.
- With the **complementary effect**, on the other hand, the internet expands the overall business by offering a more attractive value proposition to prospective buyers.
- The extent to which the internet has mostly a replacement or complementary impact will depend on the nature of the industry.



34

Now let us see what is replacement effect and complementary effects so with the replacement of effect internet primarily cannibalize is existing distribution channels that is existing distribution channels are done away with the use of online channels. With the complementary effect on the other hand the internet expands the overall business by offering more attractive value proposition to prospective buyers.

So, now here in complementary of effect both these offline and online distribution they come together. So, as to give more attractive value proposition to the consumers the extent to which the internet has mostly replacement of complementary of them will depend upon the nature of the industry. So, it cannot be said for every industry whether they should replace or they should a compliment so that will depend on the nature of the industry.

(Refer Slide Time: 24:04)

Global Distribution Strategies and the Internet

- Most likely, the effects will also depend on the country.
- Manufacturers may have different distribution channels in place in the various countries where they operate.
- Also, when the product life cycle stage varies across markets, the effect of the internet on incumbent channels will probably differ.
- Manufacturers who decide to incorporate the web in their international distribution strategy also need to ponder what approach to adopt.




Most likely the effects will also depend on the country. Manufacturers may have different distribution channels in the place in various countries where they operate also when the product life cycle stage varies across markets. The effect of the internet or incumbent channel will probably differ. So, it is not only about industry it is also about country it is also about the stage in the product life cycle.



So, manufacturers who decide to incorporate the web in the international distribution strategy also need to ponder which approach to adopt and one approach may not be suitable for all kind of countries situations and industries and across the stages of product life cycle. So, distribution system of a company distribution strategies of a company they also have to evolve with time.

(Refer Slide Time: 25:08)

Global Distribution Strategies and the Internet

- **Approach 1:** Not to use the internet for purchase transactions and also forbid distributors from using the internet as a sales medium.
- In that case, websites accessible to outsiders would merely function as a product information and/or communication tool.
- **Approach 2:** Allowing middlemen to sell goods over the internet. However, the manufacturer itself would not sell directly via the internet.






36



So, approach one is not to use the internet for purchase transactions and also forbid distributors from using the internet as a sales medium in that case websites accessible to outsiders would merely function as a product information or communication tool. Another approach allowing middlemen to sell goods over the internet however the manufacturer's himself will not sell directly through the internet.

(Refer Slide Time: 25:21)

Global Distribution Strategies and the Internet

- One downside with this strategy is that sales from middlemen via the internet may impinge on existing pricing policies and territorial restrictions.
- In the worst-case scenario, internet sales might spur gray market activity.
- **Approach 3:** Here, internet sales are restricted to the manufacturer.
- A major risk here is that sales thus generated simply cannibalize incumbent resellers, thereby leading to channel conflicts.



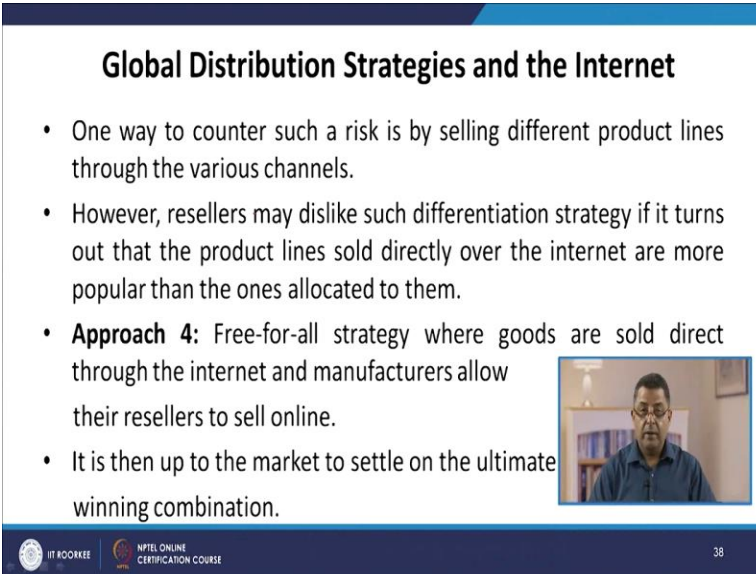


37

One downside with this is strategies that sales from middlemen why the internet may impinge on existing pricing policies and territorial restrictions. So, the distributors may sell below the below the MRP or they sell obviously because they are they are selling online so they can sell and at

any place and the other than the distributor of that area may not take it light down on the right kind of spirit.

In the worst case scenario internet sales might spur grey market activity and thirst approaches internet sales are restricted to the manufacturer a major risk is that sales thus generated simply cannibalize incumbent resellers there by leading to channel conflict. So, there is always only issue here with distribution channel is about the channel conflict between online and offline the company owned and the distributor owned.

(Refer Slide Time: 26:24)



Global Distribution Strategies and the Internet

- One way to counter such a risk is by selling different product lines through the various channels.
- However, resellers may dislike such differentiation strategy if it turns out that the product lines sold directly over the internet are more popular than the ones allocated to them.
- **Approach 4:** Free-for-all strategy where goods are sold direct through the internet and manufacturers allow their resellers to sell online.
- It is then up to the market to settle on the ultimate winning combination.

BIT ROORKEE NITEL ONLINE CERTIFICATION COURSE 38


One way to counter such a risk is by selling different products lines through various channels so, online channel will carry a different kind of product line and offline will carry different kind of product line. However resellers may dislike such differentiation strategy if it turns out that the product line sold directly over the internet or more popular than the ones allocated to them. The fourth approach is free for all strategy where goods are sold directly through internet and manufacture allows the resellers to also sell online.



So, manufacturers also selling online distributor also selling online. It is then up to the market to settle on the ultimate winning combination.

(Refer Slide Time: 26:52)

Global Distribution Strategies and the Internet

- **E-Tailing Landscape**
- There are three e-tailing business models:
 1. There is the manufacturer's direct website where the manufacturer sells directly to the end-customer.
 2. There are the pure web-only retailers. Pure web retailers often have a price advantage over traditional retailers because they have lower property and warehousing costs.






39



Now let us look at the e-tailing that E-Tailing landscape there are three e-tailing business models first is there is a manufacturer's direct website where the manufacturer sells directly to the end consumers. Second is there are the pure web only retailers, pure web based retailers often has a price advantage tradition retailers because they have lower property and warehousing cost.

(Refer Slide Time: 27:17)

Global Distribution Strategies and the Internet

3. The hybrid click-and-mortar retailing model in which the online presence becomes an extension of the traditional channel.
 Dozens of large retail chains have been trying to meet the challenge posed by pure web retailers by setting up a website presence.
 By going online, these chains are able to combine the advantages of having a website presence with those of a physical presence.





40

And the third is a hybrid click and mortar retail in model in which the online presence becomes an extension of the traditional channel. So, dozens of large retail chains have been trying to meet the challenge faced by pure web retailers by setting up a website presence. By going online these chains are able to combine the advantage of having a website presence and those of a physical presence.

(Refer Slide Time: 27:43)

Global Distribution Strategies and the Internet

- **Bricks-and-mortar retailers vs. internet retailers**
- Click-and-mortar retailers can cross-market between their website and their store outlets, thereby adding value for their clients.
- Customers have the advantage of being able to touch the goods or even try them out before buying them online.
- They can pick up the goods ordered online at the local retail outlet to save shipping costs.




41

Let us look at the brick and mortar retailers versus the internet retailers. So, click and mortar retailers can cross markets between their website and there store outlets there by adding value for the client. Customers have the advantage of being able to touch the goods and even try them out before they buy them online. So, now the customer goes to the store he feels and touches the product he wears it and checks it but then go online to buy it. They can pick up the goods ordered online at the local is retail outlet to save the shipping cost.

(Refer Slide Time: 28:24)

Global Distribution Strategies and the Internet

- Click-and-mortar retailers also often enjoy substantial brand equity whereas most pure web retailers still need to invest a lot to build up a brand.
- As a result, their customer acquisition costs are generally much higher than for their click-and-mortar competitors.
- Also, local chains often have a better feel of the local culture. Most of the well-known brands in pure web retailing (e.g., E-trade, Amazon.com) still have rather limited international expertise.



42

Click and mortar retailers also often enjoy substantial brand equity where is most pure web retailers is still need to invest a lot of brand building. As a result their customer acquisition costs

are generally much higher than that for the click and mortar competition. Local changes often have a better feel of the local culture most of the well known brands in pure web e-tailing for example e-trade Amazon still have another limited international expertise.

(Refer Slide Time: 28:54)



Global Distribution Strategies and the Internet

- Whether the e-tailing business model will succeed in a particular country, depends on a wide range of factors:

Consumer behaviour

- Will consumers value a website component?
- Does it add value (e.g., customization, information, bigger selection, price)?
- Are there any valuable benefits of being part of an online community (e.g., eBay)?
- Are there concerns about releasing personal data or paying via a credit card online?

Cost structure

- Are the costs of distribution (shipping, logistics) and marketing acceptable?

Government policies

- What are the tax rules for buying online?
- Are they likely to change?
- Are there (or will there be) any restrictive privacy legislation or customs policies?

43

Whether the E retailing business model will succeed in a particular country or not will depend upon a variety of factors that include the first is the consumer behaviour. Will consumer values the website components are is the information given on the website of value to the consumers. Does it add value that is customization, information, bigger selection of price? What kind of advantages does online e-tailers are offering are there any valuable benefits for being part of the online community.

So, what will be the benefit to the consumer if they become part of the online community and are they concerns about releasing personal data or paying via credit card online. So, then are there any issues about frauds then privacy. So the first issues is that of consumer behaviour the next is to issues that of cost structure. Are the cost of distribution that is shipping and logistics and marketing acceptable because when the distributor the companies sell to; sends a product to a distributed in the cost may be less because it may be sending in huge quantities.

While when the company is selling it to the two individual who buys in 1 or 2 then the shipping cost will increase, so whether this is acceptable to the consumer or not. And also government

policies what are the Tax rules for buying online, are they likely to change and there or will there be any restrictive privacy, legislation or customer policies. Now let us look at the global, how the global communication strategies affected by the internet.

(Refer Slide Time: 30:45)



The Role of the Internet for Global Communication Strategies

- From a communication perspective, global marketers can leverage the internet in two ways:
 - As a pure advertising medium. This can be done via banner ads, search engine advertising, or more sophisticated forms of online advertising.
 - As a communication medium (probably far more crucial role) that enables the company to build customer ties.



  44

So, from a communication perspective global markets can leverage is the internet in two ways the first is as a pure advertising medium. So, this can be done by banner ads, search engine advertising or more sophisticated forms of online advertising. As a communication medium probably for more crucial role that enables the company to build customer ties. So, it can be used as an advertising medium and or it can be used as a communication medium. So, in advertising medium they are just giving information and in communication they are also trying to build up ties with customers.

(Refer Slide Time: 31:18)

The Role of the Internet for Global Communication Strategies

- **Online Advertising**
- In this function, internet advertising would complement other forms of promotion such as TV, radio, outdoor.
- Online advertising spending, although still marginal, is growing rapidly.
- Overall, in almost all countries internet advertising still is a very tiny slice of the global advertising pie, even in the developed world.





45


So, in online advertising internet advertising would compliment other forms of promotion such as television, radio or outdoor. Online advertising spending all the still marginal is growing rapidly. Overall in almost all countries internet advertising is a very thin slice of the global advertising pie and that happens even in the developed world.

(Refer Slide Time: 31:47)

The Role of the Internet for Global Communication Strategies

- **Advantages of online advertising:**

Global reach	
Lower cost	
Allows precision	
Interactivity	
Ability to customize	
Ability to instantly monitor	





46

But there are several advantages of online advertising. The first is that it can be it has a global reach it can be reach consumers across the world and it also offers lower cost that is as compared to your traditional media. The cost of advertising online is much lower rate and it also allows precision. So, company has the information of the consumers and company can then decide what ads and what information is to be given to which consumers.

Interactivity and then customers can interact with the company it also offers the company to customize their ad their advertising according to the type of the customer and they are also able to instantly monitor how far the consumer is going through the decision making process whether he has purchased and he has not so that information is becomes available immediately to the company.

(Refer Slide Time: 32:54)


The slide is titled "The Role of the Internet for Global Communication Strategies". It lists a bullet point: "Online advertising uses a wide spectrum of techniques". Below this, there are three blue boxes connected by lines to a central point, representing different advertising techniques: "Banner ads", "Search engine advertising-keyword search or website context", and "Microsite". To the right of these boxes is a small video inset showing a man speaking. At the bottom of the slide, there are logos for "IIT ROORKEE" and "NPTEL ONLINE CERTIFICATION COURSE", and the number "47".



And online advertising uses of wide spectrum of techniques the first is the banner ads. The second is search engine advertising that is keyword searches or website context. So, the company gets to know what are the keywords customer use when they are searching for products and then they can and they can customize the advertisement according to that customers and they can be microsites can be a company level site, country level site or a product level site.

(Refer Slide Time: 33:33)

The Role of the Internet for Global Communication Strategies

- **Challenges for online advertising**
 1. The annoyance factor: Most people find online ads pretty irritating.
 2. Audience measurement: To monitor the effectiveness of an online campaign, what should be the right metric?
 - number of views?
 - click-through rates?
 - cost per acquisition?
 - cost per sale?





48

So, what are the challenges for online advertising the first is the annoyance factors? Most people find online ads pretty irritating so all the time they keep on popping up when you are doing when you are searching the web and it can annoy the customers. Second is the audience measurement to monitor the effectiveness of an online campaign what should be the right kind of metric. Is the number of use the right kind of matrix click through rate, cost per acquisition, and cost per sales? So, there can be number of different metrics that have to be collected.

(Refer Slide Time: 34:09)

The Role of the Internet for Global Communication Strategies

3. Long downloading time: This can be irritating to users in countries where access and/or phone charges are high, especially in places where internet access is slow.
4. Lack of talent: The agency talent to create attractive internet advertisements is lacking in many countries.
5. Advertising regulations and restrictions applicable in the foreign markets.





49

Another is the long download time there can be an irritating to users in country where access or phone charges are high. Especially emphasis where internet access no internet access is slow the charges are high and the downloading is not happening therefore the time is being lost and the

money is also been lost so that can be a challenge. Another challenges that that of the lack of talent. The agency talent to create attractive internet advertisement is lacking in many countries there are different types of advertising regulations and restrictions that are applicable in different markets across the world.

(Refer Slide Time: 34:46)

The Role of the Internet for Global Communication Strategies

- **Non Traditional Web-based Communication**
- Apart from online advertising, global online marketers can also use the web for non-traditional communication campaigns to build up their brand image.
- **Example:** In the campaign, called “Be Bond for a Day” visitors of Xiaonei.com, a local social networking site, were asked why they deserved to be the next James Bond.
Winners received a “Day of James Bond,” including a ride in a helicopter and in Bond’s signature Aston Martin car.



 IIT ROORKEE

 NPTEL ONLINE
CERTIFICATION COURSE

50

Now let us look at non-traditional web based communication apart from online advertising global online marketers can also use the web for nontraditional communication campaigns to build their brand new image for example in the campaign called Be Bond for a day visitors of Xiaonei.com a local social networking site where are asked why they deserve to be the next James Bond. Winner received a day of James Bond including a ride in Helicopter and bonds signature Aston Martin car.

(Refer Slide Time: 35:16)

The Role of the Internet for Global Communication Strategies

- Besides company-generated content, the internet also enables user-generated communication.
- Several cult brands have spawned global or local online brand communities of loyal customers.
- Through these forums, customers can discuss the various aspects of the brand or the company.
- Unfortunately, the downside of user-generated content is lack of control.



Besides company generated content internet also enables user base generated content several cult brands that we have talked about earlier for example Harley Davidson and Apple have spawned global all local online brand communities of loyal customers through this forums customers can discuss various aspects of the brand or the company unfortunately the downside of the user generated content is the lack of control.

But so company does not have any kind of information about has made by the user uses but the company can still have lots of information about their marketing from this from these user generated content.

(Refer Slide Time: 36:06)

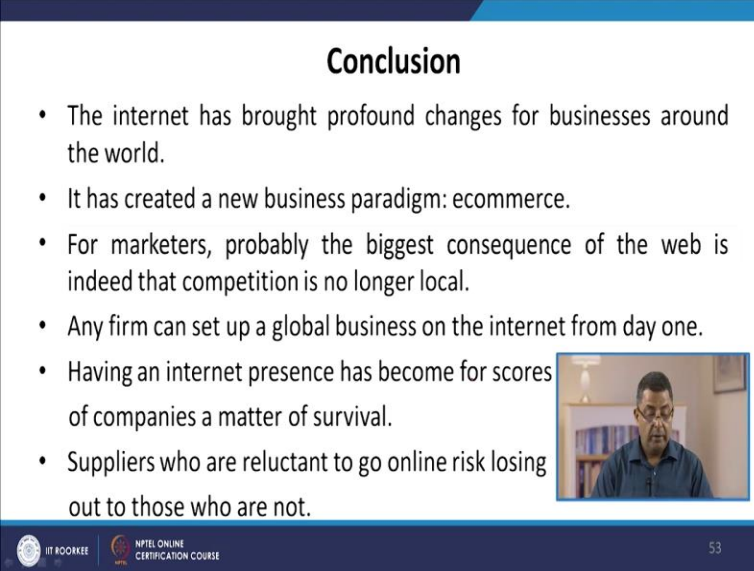
The Role of the Internet for Global Communication Strategies

- Netizens can denigrate the brand or spread false rumours.
- Several people have also used their creative juices to develop online ads that spoof or mock the brand.
- A case in point is the “funny terrorist” Volkswagen hoax spot that spread like wildfire on the internet.



Netizens can denigrate the brand or spread false rumors some people have also used a creative juices to develop online ad that mocks the brand and the case in point is funny terrorist Volkswagen hoaxspot that spread like wildfire on the internet. So, this user generated content can be several times harmful for the company also.

(Refer Slide Time: 36:36)



Conclusion

- The internet has brought profound changes for businesses around the world.
- It has created a new business paradigm: ecommerce.
- For marketers, probably the biggest consequence of the web is indeed that competition is no longer local.
- Any firm can set up a global business on the internet from day one.
- Having an internet presence has become for scores of companies a matter of survival.
- Suppliers who are reluctant to go online risk losing out to those who are not.

NPTEL ONLINE CERTIFICATION COURSE

53

To conclude about this module we have talked about that the internet has brought profound changes for businesses around the world. It has created new business paradigm that is called as E-Commerce for marketers probably the biggest consequence of the web is indeed that competition is no longer local. So, even is the company is local the competition is not. Any firm can set up Global Business on the internet from day 1 and it does not have to be of particular size in order to decide whether to go global or not.

Having an internet presents has become for scores of company as a matter of survival. So, now it is it is for survival this internet is necessary for survival and not for success. Success will require more thing but just for the survival. Survival itself the companies will have to be using internet. Suppliers were related to go online risk losing out those who are not. So, there are suppliers who may not be going online but they will be facing threats from other suppliers who have gone online.

(Refer Slide Time: 37:38)

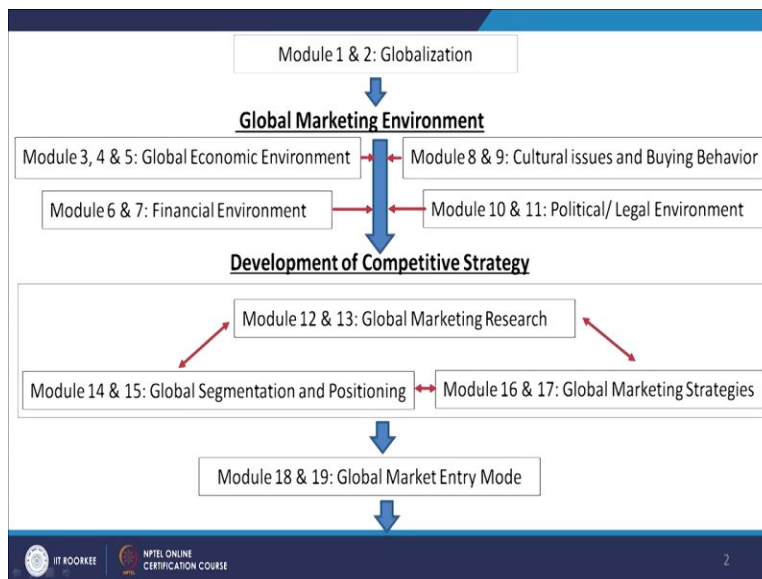
References

1. Kotabe, M. & Helsen, K. (2012) *Global Marketing Management*, Wiley India(P.) Ltd., Fifth Edition.
2. Keegan, W.J. (2004) *Global Marketing Management*, Pearson Education, Inc., Seventh Edition.
3. Terpstra, V. & Sarathy, R. (2000) *International Marketing*, Thomson Learning, Inc., Eighth Edition.



And these three books have been used for developing this module. Now to end this course I will give a brief description about whole of the course. So, now let us start with the with the scheme that we have been following throughout this course.

(Refer Slide Time: 37:55)



Now you see that we started with the with understanding the globalisation what are the forces that have enabled globalisation what are the various advantages and disadvantages of globalisation. Now this is overriding theme that we have talked about and then we have seen that how this globalisation is affecting the Global marketing environment the external environment. So, we have talked about the economic financial, political, legal and cultural issues.

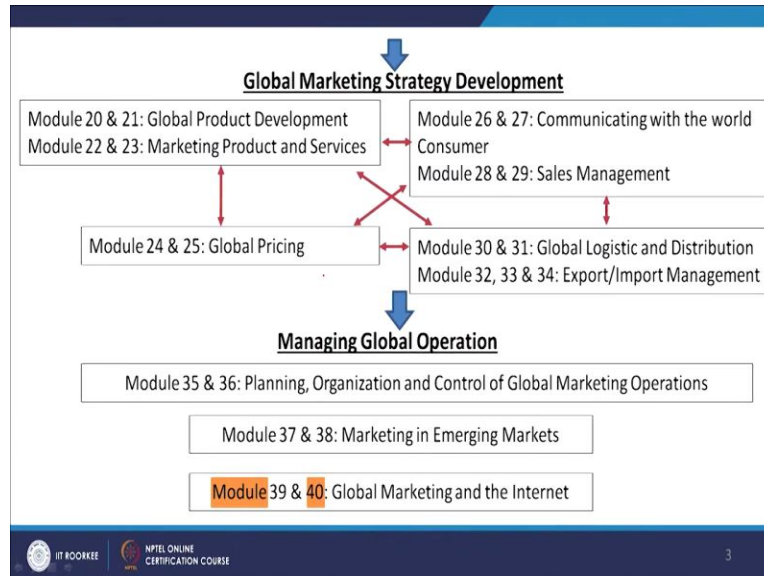
And we have also seen how globalisation and the forces of globalisation are affecting these changes that are there in the external environment. So, every country will have a different external environment and changes are happening in that external environment. But we are more concerned with how this globalisation that is a worldwide phenomena that is affecting a country's external environment.

Based on this understanding then you have taken the next step for developing a competitive strategy. So, now we are trying to link the external environment and internal environment what are the changes happening in the external environment and how these changes will be read and used by this company. So, for that we have done we have talked about the Global marketing research based on this information that we get from marketing research from the primary and secondary data then we have used this data for segmentation targeting and positioning.

Then we have talked about the Global marketing strategies but after that it now becomes more important how this a company is becoming Global how it is taking the next step how is moving out from there it's home country to some other country. So, then we talk about the various global market entry modes what are the various types of modes of entry from moving from one country to another.

After that we have talked about Global marketing strategy development so here we have talked about development of competitive strategy and then we have moved on to the next narrower level that is global market strategy development. So, we move from globalisation to understanding the effect of globalisation in the external environment and then we have moved on how to go about developing a couple competitive strategy from that we will see how we have gone to the next step to understand how this Global marketing strategy development takes place in the light of this Global competitive strategy.

(Refer Slide Time: 40:46)



So, then we have talked about the other Ps so we talked about the products and services and the product development process communication and the sales management pricing, logistics and distribution and export import management. Also keep in mind that we have dedicated 3 models to export import because that is the first step that most of the companies take when they decide to foray into Global markets.

So, every company or most of the companies they go through this step before they take the next step so that is why understanding this entry mode if becomes very important. But the problem is also that depending upon the mode of entry so lots of your marketing mix will get decided and we also have to decide how to go about doing exporting and importing in the light of our marketing strategy. After that we moved on to the next that is after the global market strategy development.

Now we have seen how to manage global operations so in this we have to all about the planning and organisation and control of this marketing operations. So, we are more interested about talking of the marketing of marketing operations and then we have seen how to market in emerging markets because it is emerging markets are offering a huge market for the companies where they can come and start selling their product.

And then we have also seen how this global marketing is being affected by the internet so what are what are the challenges that are that that what are the advantages or disadvantages this internet brings along with it for global marketing and you also see that from this we will again move back to the first module first and the second module because Internet is also playing a huge role in this globalisation.

So, maybe globalisation would not have happened with the same pace without internet so therefore that makes us to comes the full circle. Thank you.