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Global marketing



Chapter 32 Marketing

GLOBAL MARKETING STRATEGY

Chapter 9 explored marketing strategy as a set of plans that aim to achieve a specific marketing objective. When some businesses operate outside their country of origin, they operate a common **global marketing strategy**.

GLOBAL LOCALISATION (GLOCALISATION)

The global localisation approach differs from having a common strategy for all countries. It involves adapting to local expectations in order for a business to succeed in an international market. The phrase, 'think global, act local' is a good summary of what is meant by **glocalisation**.

DIFFERENT MARKETING APPROACHES

When considering entering international markets, businesses use a range of different marketing approaches for their products.

Ethnocentric (domestic) approach: Overseas markets are seen as identical or similar to domestic markets. This approach assumes that what is good for the domestic market will be good for global markets. Businesses using this approach make little or no attempt to adapt their product for different markets. For example, Sony's PlayStation 4 is a very popular console worldwide. The console is sold in most countries, but it is the same in every market. Compare this approach with the approach of Domino's in 'Getting started', where different types of products are sold to reflect the different tastes of different markets.

Many businesses use an **ethnocentric** approach, including:

Pizza Express®, which expanded into China to meet the growing taste for Western food by Chinese customers

- Apple, with products such as the iPhone®,
- iPad® and MacBookR
- Swatch® watches
- Rolls-Royce cars.

Polycentric (international) approach: The **polycentric** approach involves businesses tailoring their products to local markets, aiming to meet the specific needs of local customers. This approach can lead to better sales and reduced advertising costs, as it allows businesses to target specific markets and meet different tastes and preferences. However, the high costs of developing individual products can be risky, as seen in the 2007 UK-style supermarket launch of Tesco's Fresh & Easy, which was not as successful in the US market and cost billions of pounds.

Geocentric (mixed) approach: Businesses use a combination of the ethnocentric and polycentric marketing approaches. This geocentric 'glocalisation' approach is used by many multinational corporations. The business's strategy is to maintain and promote the global brand name, whilst also tailoring its products to local markets.

Egypt	Japan
Food might include kofta meat, fava beans and different types of bread, like baladi bread.	Food might include teriyaki sauce, noodles or even sushi. Desserts might be different, with sweets called wagashi.
Greece	India
Food might include tzatziki sauce, fried cheese (saganaki) or cheese pie (tyropita). Desserts might be more honey-based, like baklava.	Food might include breads like roti or naans and more rice dishes. Drinks might include lassi or masala tea.

▲ Table 1 Types of foods that could be used in 'glocal' meals

Table 2 provides a summary of the advantages and disadvantages of the different marketing approaches.

	Advantages	Disadvantages
Ethnocentric	Lower cost of development and production. Economies of scale.	Product may not sell well. Does not take account of national/cultural differences.
Polycentric	Targeted products for different markets – higher sales.	Higher cost of development. Difficult to compete with established local brands.
Geocentric	Tailoring product to local tastes and needs – higher sales.	Higher cost of product development.

▲ Table 2 Advantages and disadvantages of different marketing approaches

APPLICATION AND ADAPTATION OF THE MARKETING MIX (4PS) TO GLOBAL MARKETS

As mentioned earlier in the chapter, a marketing strategy is the set of plans that a business uses to achieve specific marketing objectives. For example, a local takeaway may aim to become the market leader in the town in which it operates. To achieve this objective, the strategy might be:

- offering locally sourced, organic ingredients (product)
- lowering off-peak prices (price)
- establishing a delivery service (place)
- a loyalty scheme which offers discounts to regular customers (promotion).

Price: Decisions around price need to consider local factors such as incomes, taxes, rents and other costs. It is unlikely that a business will charge the same price in all markets. For example, an Apple iPhone might cost less in India than in the USA. Price will also reflect different local factors, such as wage rates and taxes.

Product: To what extent should a business modify or adapt its product for global markets? The section above looked at the different approaches that businesses can take with their products when moving into international markets (ethnocentric, polycentric and geocentric).

Promotion: When promoting products in global markets, businesses need to be conscious of language differences. Marketers should know the values, beliefs, perceptions, legal and sociocultural aspects of the different foreign environments. So, while trying to create product awareness, generate sales and maximise brand loyalty, marketers have to identify the target customers. They should deliver the message to attract the foreign customers. One common method of promotion is to change the name of products in overseas markets.

Place: Businesses need to take account of how local consumers buy their products.

Product	Price
Should the product be adapted for different markets, or can it stay as it is?	What price should be charged in the global markets? What prices are charged by local competitors?
Promotion	Place
What are the most effective promotion methods in different countries?	How do consumers buy their products in local markets?

▲ Table 3 The marketing mix in global markets: a summary

APPLICATION OF ANSOFF'S MATRIX TO GLOBAL MARKETING DECISIONS

Ansoff's Matrix was discussed in Chapter 2. It is a strategic tool to help a business achieve growth. It can be applied to global markets and help to inform decisions around marketing strategy. It is possible to apply this model to a globalisation strategy, as used by multinational brands such as Starbucks, Ford and McDonald's.



▲ Figure 1 Ansoff's Matrix

As discussed in Chapter 2, Ansoff's Matrix shows four strategies that a business might adopt. Risk can become greater the further a firm extends from its existing products and consumers.

- **Market penetration.** This exists where a business adapts products for markets in which it already operates. For example, McDonald's already operates in Japan. By developing and launching the Teriyaki McBurger® into this (existing) market, the strategy is clearly one of market penetration (i.e. the act of entering a market).
- **Market development.** This involves the marketing of existing products in new markets. It is not always straightforward as customers from different regions of the same country, let alone a different country, may have different tastes and preferences. Chapter 2 showed how a market development strategy relies heavily on understanding local habits, tastes and needs. Even where market development is appropriate and successful, it is often necessary to make slight modifications to suit the new market, for example, in terms of language or labelling.
- **Product development.** This is where a business promotes new or modified products in existing markets. This approach may be appropriate for a business that markets products with short product life cycles - such as clothes and fashion accessories.
- **Diversification.** This occurs when new products are developed for entirely new markets. This is the riskiest strategy because a business is venturing into markets where it has little or no experience. The Mumbai-based Tata Group is an example of a highly diversified business. It has interests in steel, car making, chemicals, beverages, perfume, financial services, hotels and consultancy services. Diversification is explored further in Chapter 2.

APPLICATION OF PORTER'S STRATEGIC MATRIX TO GLOBAL MARKETING DECISIONS

Chapter 2 explained that Porter's Strategic Matrix can be used by a business to identify the sources of competitive advantage that a business might achieve in a market. Three distinct approaches were identified in the matrix. These were:

- cost leadership - where a business attempts to be the lowest-cost supplier in the market
- differentiation - where a business successfully distinguishes its product from those of rivals in a mass market
- focus - which involves a business targeting a narrow range of customers in one of two ways either cost focus or differentiation focus. The sale of First Class air tickets might be an example of differentiation focus in the airline industry.

This approach can be used in both domestic markets and global markets. In some circumstances, a business might be able to transfer the competitive advantage it has in the domestic market to a global market.

SUBJECT VOCABULARY

ethnocentric approach an approach to global marketing where a business makes little or no attempt to change or modify the product when selling into new foreign markets

geocentric approach an approach to global marketing where a business uses a combination of the ethnocentric and polycentric marketing approaches when marketing a product in new foreign markets

global marketing strategy the process of adjusting a company's marketing strategies to reflect conditions, consumer tastes and demand in other countries

glocalisation a combination of the words 'globalisation' and 'localisation'. It involves the development and sale of products to customers around the world which reflect specific local customs, tastes and traditions

localisation strategies that adjust products to fit with target customers

polycentric approach an approach to global marketing where a business adapts the product to meet the slightly different needs of customers in new foreign markets

33 Niche Markets

GLOBAL NICHE MARKETS

Global niche markets are similar to the niche markets covered in Student Book 1, Chapter 9. This is because they target a very specific range of people, often referred to as subcultures. These are groups of customers with common interests or hobbies. In global niche markets, the customers live in more than one country and have particular needs that are not met fully by the global mass market.

CULTURAL DIVERSITY

Any business that plans to push its sales into global markets needs to understand that groups of people living in different countries may have different cultures. This can impact on their consumption (i.e. buying) patterns. They may have different interests and values. Some examples are outlined briefly below.

- **Language.** Many countries use different languages. So businesses must ensure that any text used in product instructions, promotional materials and packaging is written in a language that can be clearly understood by people in the target market.
 - **Hobbies and interests.** People are likely to have different hobbies and interests in different countries. As stated above, cricket is popular in the subcontinent but in many other countries it is rarely seen. In the USA, American football is one of the more popular sports.
 - **Economic development.** Businesses will struggle to sell certain goods and services in some countries because the people that live there do not have enough money to buy them. In developing countries such as Sudan, The Gambia, Bangladesh, Bolivia, Yemen and Burundi, many people cannot afford a holiday abroad.
 - **Religious norms.** Religious beliefs vary around the world.
 - **Social norms.** Different cultures often have their own informal understandings that govern the behaviour of people. Some of these can have an impact on businesses.
- Legal systems. The different legal systems in different countries are likely to have an impact on businesses. In some countries, corruption (i.e. dishonest or illegal behaviour by people with power) is culturally acceptable.
- **Weather and climate.** The climate in different countries around the world will influence the demand for different goods and services.
 - **History and traditions.** Consumption patterns in different countries may be influenced by ancient traditions and history. For example, colours may have different meanings in different countries. In Europe, the colour black is associated with mourning but in Cambodia, it is white.

FEATURES OF GLOBAL NICHE MARKETS

Some businesses target a specific market segment which is unique. A niche market is often created by identifying the very specific needs and wants of a small customer group. Some of the key features of global niche markets are outlined below.

Economies of scale: Businesses that target domestic niches are not likely to be in a position to exploit economies of scale. This is because they could not sell enough output.

Limited competition: Since niche markets are small (or are seen as small) they are often left alone by large multinationals. Therefore, levels of competition in niche markets are often lower.

Premium pricing: Businesses selling products in global niche markets can often charge premium prices. This may be due to a lack of competition or because consumers are prepared to pay more for products that meet their needs and wants exactly.

An emphasis on quality: It is common to find very high-quality products in global niche markets. Consumers in some global niche markets are very wealthy and are prepared to pay high prices for artisanal craftsmanship, high-quality materials and the creation of specialised products.

Focus on profit: Businesses serving global niche markets are likely to be more profit-orientated. This is because they produce much smaller quantities than those serving mass markets and are less likely to be concerned about market share. They often charge premium prices and deal with customers on a more individual level.

Brand loyalty: Businesses serving niche markets can often develop stronger brand loyalty than those serving mass markets. This might be because the needs and wants of customers are met more precisely. Therefore, customers usually stay with the brand. It may also be because customer service is more personal. It is possible to build stronger relationships with customers in niche markets because there are fewer customers to accommodate.

APPLICATION AND ADAPTATION OF THE MARKETING MIX TO SUIT GLOBAL NICHES

Businesses that operate in global niche markets need to distinguish themselves from the mainstream or mass market. This can be done through adaptations to the marketing mix (4Ps).

Product: Global niche products often place an emphasis on quality. Examples include luxury cars, watches and perfumes.

Price: The point of niche marketing is to charge higher prices for products that are not intended for the mass market.

Promotion: Promoting products to global niches often relies on brand name exclusivity and targeting specific groups. Language differences and national and cultural differences can increase promotion costs, potentially impacting product price and competitiveness.

Place: Businesses serving niche markets are often more careful when selecting distribution channels for their product. This is particularly important where exclusive brands are involved. Networks of exclusive dealers are a common method of selling products to global customers.

With the 4Ps in mind, Table 1 summarises the advantages and disadvantages of niche marketing.

Advantages	Disadvantages
Prices are higher than in mass markets – demand is more price inelastic.	Products sell in low volumes (compared with mass markets), so profit margins need to be high enough to make it worthwhile.
The product is distributed through specialist retailers or directly to the consumer. This has advantages in terms of image. For example, the Billabong® surfer image might be compromised if sold widely in supermarkets.	The niche market must be large enough to support the business and specialist distribution. The small size may prevent economies of scale that allow it to compete with larger competitors.

▲ Table 1 Advantages and disadvantages of niche marketing

SUBJECT VOCABULARY

global niche market a market made up of customers who live in more than one country and have particular needs that are not met fully by the global mass market

premium pricing where a business is able to charge a higher price than normal – possibly because the product is perceived to be of a higher quality

subculture a cultural group within a larger culture, often having slightly different product needs to those of the larger culture

34 Cultural social factors

CULTURAL AND SOCIAL FACTORS AFFECTING GLOBAL MARKETING

Doing business across cultures can be challenging. You must have an understanding of national and corporate cultures and languages, otherwise it is very easy to potentially cause offence. These cultural and social factors and how they affect **global marketing** are examined in this chapter. Cultural and social factors are the beliefs and practices, customs, traditions and behaviours of all those people who belong to a specific culture.

In order to market effectively in other countries, businesses must overcome **ethnocentrism**. People may view their own cultures, ethics and norms as superior to others.

CULTURAL DIFFERENCES

Cultural sensitivity is crucial in business, as it involves understanding differences in behavior and language. Companies must prepare for and consider each step in conducting business, including introductions, negotiations, and communication. Meeting someone from a different culture can be awkward, but understanding formal and informal procedures can help build trust.

The sources of cultural differences are discussed in Chapter 33. However, some examples are listed briefly below.

- **Language.** Many countries use different languages. Businesses must ensure that any text used in product instructions, promotional materials and packaging is written in a language that can be clearly understood by people in the target market. This is discussed in more detail below.
- **Hobbies and interests.** People are likely to have different hobbies and interests in different countries. For example, ice hockey and polo are games that are not widely popular around the world.
- **Religions and social norms.** Religious beliefs vary around the world. Some countries are dominated by one faith over another, for example in the Middle East the population is predominately Muslim.
- **Legal systems.** The different legal systems in different countries are likely to have an impact on businesses. Practices that are allowed in some countries may be forbidden in others.
- **Weather and climate.** People living in very hot climates may have different customs to those living in milder climates

History and traditions. Buying patterns in different countries may be influenced by ancient traditions and history. For example, people in Sweden eat pickled herrings on a certain day of the year.

DIFFERENT TASTES AND PREFERENCES

Depending on the product and the country, there may be the need for more or fewer adaptations. This is because the cultural and social **differences** between Australia and New Zealand are relatively small.

Businesses must adapt to local tastes and religious beliefs to gain market share.

Product	Adaptation
Cadbury® chocolate	In the USA, Cadbury chocolate tastes markedly different from its Australian and UK chocolate. This is due to the different fat and cocoa content used in order to meet different FDA (Food & Drug Administration) standards in the USA.
McDonald's	There are significant variations in what is sold in different parts of the world. These are often due to religious beliefs, but some are based on the tastes of different countries as well. Japanese branches offer a Chicken Katsu burger and in Finland you can have your burger served on a rye bun. In France, you can have doughnuts for breakfast. In Hong Kong, you can have pasta soup for breakfast.
Samsung	Samsung have created products that meet specific local demands. For example, in China the number 8 and the colour red are considered lucky. So, some products have been fitted with red covers and TV stands have been shaped into the figure eight. In Korea, a specialised refrigerator has been built to be perfect for kimchi, a local delicacy. The high demand for sparkling water in the USA has been met by installing a specialist dispenser in certain refrigerator models.

▲ Table 1 Product adaptations for different cultures

LANGUAGE AND UNINTENDED MEANINGS

Understanding other languages is crucial for international business, as it makes communication easier and helps build relationships. Relying too much on one language can lead to miscommunication and less sensitivity towards other cultures. Communication is more than just language; it also varies between high-context and low-context cultures. Low-context cultures, like the USA and Europe, tend to say what they mean, while high-context cultures, like Japan, use language that may mean 'no'. Physical communication, such as gestures, can have different meanings in different regions and cultures. Understanding these differences can help build trust and avoid pitfalls in international business.

Also, **barriers to communication** may be more of a problem when communicating across borders. For example, businesses need to:

- avoid using unclear communication resulting from poorly written or poorly expressed messages
- ensure that technological communication methods, such as websites, are working properly
- provide adequate communication training to staff
- avoid the use of jargon
- use the most appropriate medium when communicating
- eliminate sources of distraction, such as background noise, when communicating
- ensure that the chain of command is not too long.

INAPPROPRIATE BRANDING AND PROMOTION

There are many examples of mistakes involving language, mistranslations and unintended meanings when businesses operate abroad.

A well-known incident that caused embarrassment was when General Motors® sold its branded Nova® car in Latin America, where its name in Spanish means 'No go!'. This is not a very good name for a car! It is very important to check with native speakers of the language that translations are correct.

One example of transferring a brand without considering the new market was when Gerber®, a Nestlé- owned baby food company, copied the packaging on their products in Africa.

Gesture	Examples of countries or regions where gesture might be considered offensive
Thumbs-up gesture, meaning 'well done' (e.g. USA, Canada, Russia).	Australia, Greece, Middle East.
The 'OK' sign, made with forefinger and thumb (e.g. USA, Australia, UK).	Brazil, Uruguay, Germany, Russia.
Pointing with the index finger.	China, Japan, Indonesia, Latin America, Africa, parts of Europe.
Curling the index finger with the palm facing up, to indicate 'come here' (e.g. USA, Australia, UK).	Greece, Pakistan, parts of Africa and Asia.
Use of left hand to give or receive items or to eat.	India, Nepal, Middle East.
Clicking fingers (moving your thumb and finger together to make a short sharp sound).	Latin America.

▲ Table 2 Some examples of gestures that can cause offence in cross-cultural business settings

Product	Issue
Pee Cola®, a soft drink.	A popular soft drink in Ghana, this product would not be suitable for sale in the USA.
Barf®, a detergent powder.	An Iranian product, where its name means 'snow'. It means something far less suitable in English-speaking countries.

▲ Table 3 Examples of inappropriate brand naming