Introduction to Marketing Essentials
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Lecture – 12
Understanding and Reaching Global Consumers and Markets – I

Welcome to Introduction to Marketing Essentials. Now, we will discuss module 12. So, we are talk now we will start talking about the last topic in this part 2 and here we are talking about Understanding and Reaching Global Consumers and Markets. So, module 12 and 13 they are dedicated to this last topic.

Now, you see that in part 2 we have talked about how to go about understanding buyers and markets. And we have seen that there are two types of buyer individual and organization. Now, we will try to understand global consumers and markets.

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So, let us start with module 12. In this module we will identify the major trends that have influenced the world trade and the global marketing. So, we are talking about the major trends in world trade and global marketing.

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This module describes today's complex and dynamic global marketing environment. It begins with the description of a borderless economic world. Borderless economic world and we will discuss the major trends in the global markets in detail.

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Now, marketing in a borderless economic world. So, there are four trends that have significantly affected world trade and global marketing. Now, what are the four trends? The first trend is decline of economic protectionism by individual countries. So, the countries they are not they are reducing the economic protectionism that they gave to their domestic industry.

The second trend is the rise of economic integration and free trade among nations. So, because this economic protectionism by the countries is going down another trend this has given rise to another trend that is the rise of economic integration and free trade across nations.

The third trend is global competition among global companies for global consumers. You see global, global and global competition is global companies are global and consumers are global. And the fourth trend is emergence of a networked global market space.

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Now, what is this decline of what is this? That is the decline of economic protectionism. Protectionism is the practice of shielding one or more industries within a country's economy from foreign competition usually through the use of tariffs and quotas. Why do companies they give economic protections to some industries? First is they want to preserve jobs. That is the objective of governments across the world to preserve and to create jobs. Another is to protect a nation's political security.

The third is to discourage economic dependence on other countries because if economic dependence on other country increases then obviously, the second that is the nation's political securities that security it comes down. And the fourth is to encourage the development of domestic industries. So, when the domestic industries they redevelop the economic dependence on other countries will come down that will increase a nations political security and obviously, all of them will create and preserve jobs.

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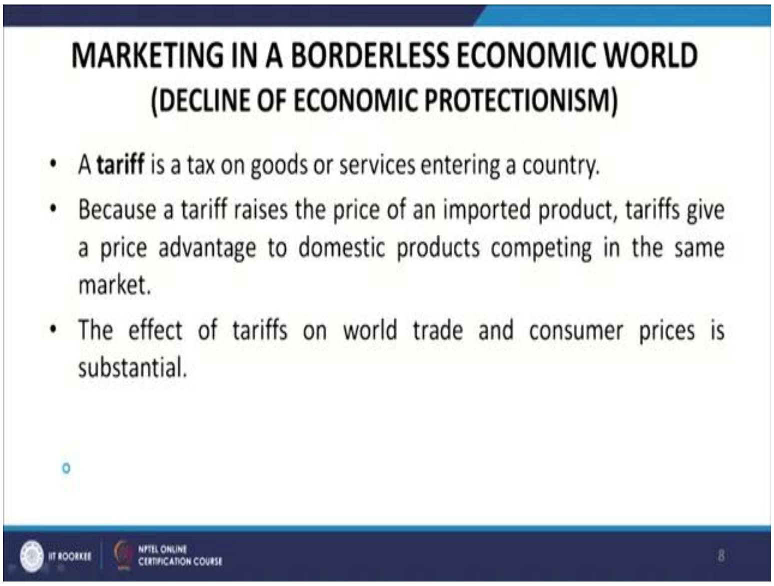

Now, how the countries do that? They for that they use two things; tariffs and quotas. So, now, let us look at what are tariffs. A tariff is the tax on goods and services entering a country.

Because a tariff raises the price of imported product, tariffs gives a price advantage to domestic products competing in the same market place. Now, the price of imported product because of tariffs it will go up while when the if the same product is produced domestically it will obviously, not attract any tax or any tariff. So, they have the price advantage. The effect of tariffs on world trade and consumer prices is substantial.

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Now, another tool is quota. A quota is a restriction placed on the amount of product allowed to enter or leave a country. So, tariffs are on prices while quotas are on quantity. By limiting the supply of foreign products an import quota helps domestic industries, retain a certain percentage of the domestic market. For consumers however, the limited supply may mean high prices for domestic products.

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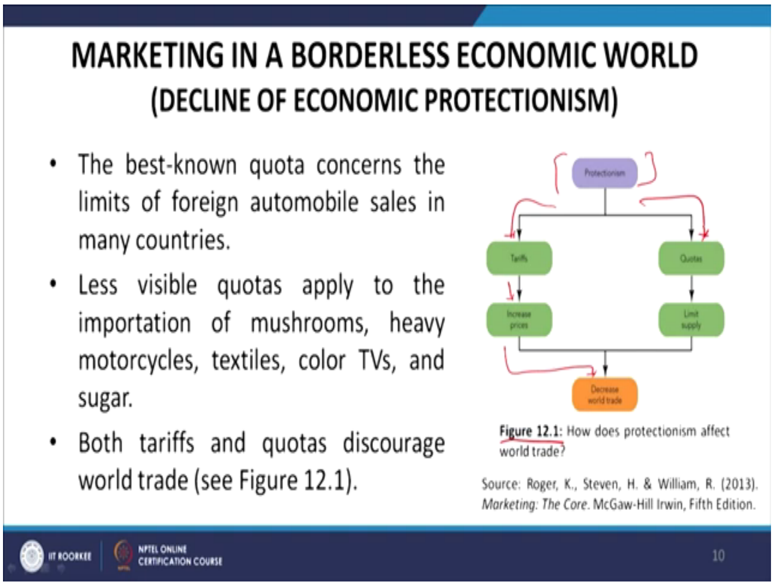

Now, to better known quota concerns the limit of foreign automobile sales in many countries. Less visible quota applies to the import of mushrooms, heavy motorcycles, textile, color TV and sugar. Both this tariffs and quota discourage world trade. How? Let us look at this figure 12.1. So, these here on the top it is protectionism. On the left-hand side tariffs are applied these tariffs they increase price and when the prices are increased, so, the trade decreases.

On the other hand, the quantity that is the amount of goods that can be imported that is limited. Again, the supply is limited and again the outcome is the same that is the prices increases because the supply is limited. Therefore, that decreases the world trade.

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As a result, the major industrialized nations of the world formed World Trade Organization that is WTO in 1995 to address a broad array of world trade issues.

These 153 member countries of the WTO account for more than 97 percent of the world trade. That WTO set rules governing trade between its members through panels of trade experts who decide on trade dispute between members and issuing binding decisions. The WTO reviews more than 200 disputes every year.

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In recent years a number of countries with similar economic goals have formed transnational trade groups or signed trade agreement for the purpose of first promoting free trade among member nations.

So, on the one hand there is a global body that is called as WTO that wants to increase economic integration and world trade. But in recent years, there are number of countries who have similar economic goals and they have formed these trade groups for promoting free trade among member nations and enhancing the individual economies. Two of the best-known examples are the European Union or simply we call it as EU and the North American Free Trade Agreement that is NAFTA.

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Now, let us look at these two in detail. The European Union consists of 27 member countries that have eliminated most barrier to the flow of goods, services, capital and labor across their borders. The single market houses more than 500 million consumers with a combined gross domestic product larger than that of the United States of America. In addition, 17 countries have adapted a common currency called as the euro.

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Adaption of euro has become a boon to electronic commerce in the EU by eliminating the need to continually monitor currency exchange rates.

So, now because they have the same currency, so, there is no need to monitor the changing currency exchange rates. The EU creates abundant marketing opportunities because firms no longer find it necessary to market their products and services on a nation by nation basis. So, all these nations they have come together. So, the nation by nation differences are no longer there. Therefore, any company can start an online marketplace and sell to 17 country or 27 countries in the EU rather than just one country.

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So, rather pan European marketing strategies are possible due to: first greater uniformity in product or packaging in standards. Second is lesser regulatory restrictions on transportation, advertising and promotions imposed by countries. And the third is the removal of most tariffs that affect pricing practices. For example, Colgate Palmolive Company now markets its Colgate toothpaste with one formula and packaging across EU countries at one price.

So, now it is selling in 27 countries, the same product and the same formula and the same package instead of having 27 different kinds of products and packaging.

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Black and Decker the maker of electrical hand tools, appliances and other consumer products, now produces 8, not 20 motor sizes for the European market, resulting in production and marketing cost savings. These practices were previously impossible with governments and trade regulations. European wide distribution from fewer locations is also feasible given open borders.

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Now, let us look at another arrangement that is called as NAFTA or North American Free Trade Agreement. It lifted many trade barriers between Canada, Mexico and the

United States. Thereby, it created a marketplace with more than 450 million consumers. NAFTA has stimulated trade flows among member nations as well as cross border retailing manufacturing and investments.

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For example, Whirlpool Corporations Canadian subsidiary is stopped making washing machines in Canada and moved those operation to Ohio in US. Whirlpool then shifted the production of kitchen ranges and compact dryers to Canada. So, they shifted their production of washing machines to US, while they shifted their production of kitchen ranges and compact dryers from US to Canada.

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Now, let us look at the global competition among global companies for global consumers. The emergence of a largely borderless economic world has created a new reality for marketers of all shapes and sizes. Today's world trade is driven by global competition among global companies for global consumers. So, what is global competition? It exists when firms originate, produce and market their products and services worldwide.

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The automobiles, pharmaceuticals, apparels, electronics, aerospace and telecommunication fields represent well known industries with sellers and buyers on every continent across the world. Other industries that are increasingly global in scope include; soft drinks, cosmetics, ready to eat cereals, snack chips and a retailing.

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What is global competition? Global competition broadens the competitive landscape for marketers. The familiar cola war waged by Pepsi-Cola and Coca-Cola in the United States has been repeated around the world including in India, China and Argentina.

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Now, what are the various global companies? Three types of companies populate and compete in the global marketplaces. And the three types are the international firms, the multinational firms and the transnational firms.

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All three-employ people in different countries and many have administrative, marketing and manufacturing operations often called division or subsidiaries around the world. However, a firm's orientation towards and strategy for global markets and marketing defines the type of company it is or attempts to be. So, these are the two important things; orientation towards strategy for global markets and marketing. So, that defines the company's orientation.

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So, what are these international firms? An international firm engages in trade and marketing in different countries as an extension of the marketing strategy in its home country.

So, international firms they just extend their marketing strategy to other countries, the same marketing strategy that they had in their home countries. Generally, these firms market their existing products and services; existing products and services that they were selling in their home countries, now they are marketing those the same products and services in other countries, the same way that they do in their home countries.

Avon for example, successfully distributes its products product line through direct selling in Asia, Europe and South America employing virtually the same marketing strategy that is used in the United States.

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Another type of global company is a multinational firm. A multinational firm views the world as consisting of unique parts and markets to each part differently. They use the multi domestic marketing strategy which means that they have as many different products variations, brand names and advertising program as countries in which they do business.

So, as the name suggests the multinationals is that in each country that they operate they may have a different product variation, a different brand name, a different advertising program. These products have different packages, different advertising programs and occasionally different formula also. So, the same company in two different countries may not look the same. They may have different products, the different formulation, the different brands, the different advertising, the different prices and so on.

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For instance, Procter and Gamble markets Mr. Clean, is popular multipurpose cleaner in North America and Asia. But you will not necessarily find the Mr. Clean brand in other parts of the world. In many Latin American country Mr. Clean is Mastro Limpio. Mr. Clean is Mr. Proper in most part of Europe, Africa and the Middle East.

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Now, let us look at what are the third types of global company these which are called as transnational firms.

A transnational firm views the world as one market and emphasizes cultural similarities across countries or universal consumer needs and wants more than the differences. So, now, this transnational firms they give more emphasis on the similarities across countries and universal consumer needs rather than the differences cultural differences across countries and the different consumer needs. Transnational marketers employ a global marketing strategy; the practice of standardizing marketing activities when there are cultural similarities and adapting them when culture differs.

So, they may have similar kind of they may standardize their marketing activities when the cultural are similar and they may adapt their marketing strategies when the cultures are different.

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This approach benefits marketers by allowing them to realize economies of scales for their production and marketing activities. So, you see that in transnational firms what they are trying to take advantage of is the economies of scales both in their production and marketing activities.

Global marketing strategies are popular among many businesses to business markets. Such as caterpillar, heavy construction equipment and Intel and Hitachi they both make semiconductors.

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Similarly, consumer goods market has also successfully executed this strategy. Some of these marketers are Timex and Swatch watches, Coca-Cola and Pepsi-Cola in the cola soft drinks market, Nike and Adidas in the athletic shoes market, Gillette personal care products, McDonalds and KFC in quick service restaurants.

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Each of these companies' markets are global brand. And what is a global brand? A brand marketed under the same name in multiple countries with similar and centrally coordinated marketing program. So, this is a global brand. So, transnational firms they practice this global branding.

Also keep in mind that these three categories that is the multinational firms, a international firm and a transnational firms they are not mutually exclusive category the firm a international firm may move to being multinational and then to a transnational.

So, global brands they have the same product formulation or service concept. They deliver the same benefits to consumers. And use consistent advertising across multiple countries and cultures. So, the idea here is to take the advantage by way of economics of scales of the cultural similarities and global consumer needs across the world. This is not to say that global brands are not sometimes tailored to specific cultures or countries. So, it does not mean that there will not be changes in those global brands.

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However, adaptation is used only when necessary to better connect the brand to consumers in different markets. For example, consider McDonald. Now, the menu and the type and how they go about making their burgers may be different in different parts of the world.

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So, McDonald is the global marketer has adapted its proven formula of food, fun and families across countries on six continents. Although the Golden Arches and the Ronald McDonald appear world wild, McDonald tailors' other aspects of its marketing program.

Hamburgers are made with different meat and spices in Japan, Thailand, India and Philippines.

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It serves beer in Germany; wine in France; coconut, mango and tropical mint shakes in Hong Kong. But McDonald world fry French fries are standardized. Its French fry in

Beijing, China, taste like the one in Paris, France, which tastes like the one in your neighborhood. So, you see that they have this French fry is a standardized product. French fry for them is a global product.

While, the burger maybe a local product, but the McDonald brand is global.

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Now, let us look at what are global consumers. Global competition among global companies often focus on the identification and pursuit of global consumers. Global consumers consist of consumer groups living in many countries or region of the world who have similar need or they seek similar features and benefits from products and services.

So, who are the global consumers? They are the consumers who may be living across the world, but they have similar needs or they are seeking similar features and benefits from the products and services that they buy. Evidence suggests the presence of a global middle income class a youth market an elite segment each consuming or using a common assortment of products and services regardless of their geographic location.

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Companies like Whirlpool, Sony and IKEA have benefited from the global middle-class desire for kitchen appliances, consumer electronics and home furnishings respectively.

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Levi Strauss, Nike, Adidas, Coca-Cola and Apple have tapped the global youth market. DeBeers, Chanel, Gucci, Rolls-Royce, Sotheby's and Christie's, they are the two option houses. The world's largest fine art and antique auction houses they cater to the elite segments of luxury goods worldwide. So, keep in mind that global consumers do not this global consumer does not always mean luxury goods because you see that the global markets can also be a youth market, the middle-class markets can also be global.

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The use of internet technology as a tool for exchanging goods, services and information on a global scale is the fourth trend that is affecting the world trade. So, now, we are looking at the emergence of a networked global marketplace. The use of ICT as a tool they have increased the that is the fourth trend. The broad reach of this technology suggests that its potential for promoting world trade is huge.

The promise of a networked global marketplace is that it enables the exchange of goods, services and information from companies anywhere to customers anywhere at any time and at a low cost. This promise has become a reality for buyers and sellers in industrialized countries that possess the telecommunication infrastructure necessary to support the internet technology.

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Marketers they recognize that the network global market space offers unprecedented access to prospective buyers on every continent. Companies that has successfully capitalized on this access manage multiple countries and language websites that customers that customize content and communicate with consumers in their native tongues. So, now, it is not necessary that people across the world are looking at the same website in the same language.

They have these companies they have adapted their website so that to make them more user friendly depending upon the country in which they are operating.

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Nestle, the world's largest packaged food manufacturer, coffee roasters and chocolate maker are a case in point. The company operates 65 individual country websites in more than 20 languages that span five continents; 65 countries, five continent and 20 languages; one company.

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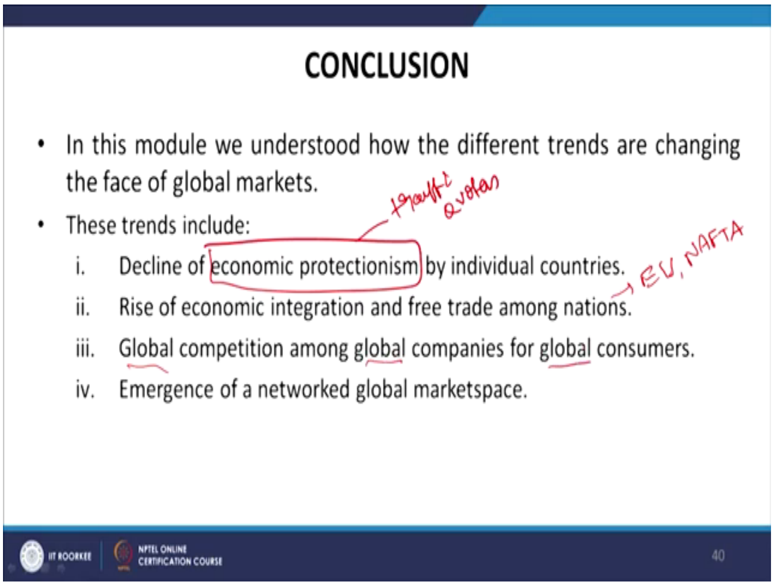

So, to conclude in this module we have understood how the different trends are changing the face of the global markets. And what are these trends? These trends are decline of economic protectionism by individual countries. So, we have talked about economic protectionism in detail by way of tariffs and quotas then we have talked about rise of economic integration and the free trade among nations. So, we have given talked about two examples, EU and NAFTA.

Then we have talked about global competition among global consumers and global companies and there are three types of global companies that we have talked about; the multinational and the international and the transnational and then the fourth trend is emergence of a network global market space.

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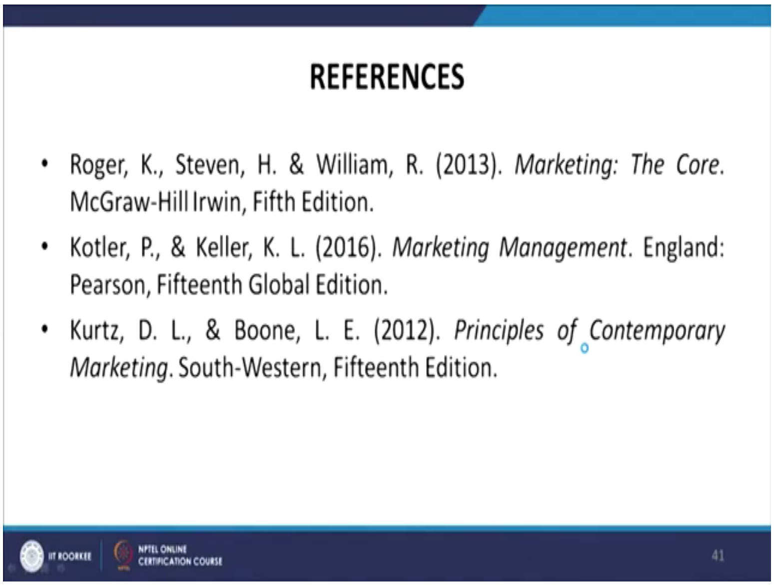

These are the three books from which the material for this module was taken.

Thank you.