#### 8. Global Marketing and R&D



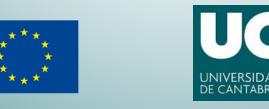
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## The Marketing Mix

- Marketing mix is the <u>set of choices the firm offers</u> to its targeted markets:
- 1. Product attributes
- 2. Distribution strategy
- 3. Communication strategy
- 4. Pricing strategy
  - Many firms <u>vary their marketing mix from country to country</u> (differences in national culture, economic development, product standards, etc.)

https://www.youtube.com/watch?v=DqTzxGJRINo



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## **Market Segmentation**

#### Market segmentation

- By geography, demography, socio-cultural factors, psychological factors...
- Segmentation in design of the product, pricing strategy, distribution channels, communication strategy, etc. (i.e. car models)
- If there are differences between countries: a unique marketing mix
- When there are <u>important similarities</u> across countries: a **global** strategy



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## **Product attributes**

- Consumer needs can vary from country to country. They depend on:
  - **1. Culture**: tradition, social structure, language, religion, education (I.e., Nestlé-Findus and frozen foods)
  - **2. Level of economic development**: a lot of extra attributes or more basic products
    - (I.e., extra attributes vs reliability in cars)
  - **3. Product and technical standards** (I.e., different technical standards for TV and video equipment)



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## Distribution

- Distribution strategy
- Depends on market entry strategy
  - Firms that produce locally: sell to a <u>wholesaler</u>, to a <u>retailer</u> or <u>directly</u> to the consumer
  - Firms that produce outside the country: can also sell to an <u>import agent</u>



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## Distribution

- **Differences** between countries:
  - 1. Retail concentration: concentrated or fragmented
  - 2. **Channel length** (number of intermediaries)
  - 3. Channel exclusivity (i.e., space in supermarkets)
  - 4. Channel quality (expertise, competencies and skills of retailers)



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## Distribution

- If price is important, a shorter channel may be better
- If the retail sector is <u>fragmented</u>, <u>a long channel</u> may be beneficial



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## **Communication**

- Depends partly on the <u>choice of channel</u>
- Communication channels:
  - Direct selling
  - Sales promotion
  - Direct marketing
  - Advertising



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### **Communication**

**International communication** occurs whenever a firm uses a marketing message to sell its products in another country

- The **effectiveness** of international communication depends on:
  - Cultural barriers
  - Source effects: consumer' evaluation based on status or image of the sender of the message
    - **Country of origin effects**
  - Noise levels: other messages competing for consumer's attention



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## Communication Standardized advertising

#### Reasons:

- Economic advantages
- Use of scarce creative talent
- Global brand names

#### Problems:

- Cultural differences
- Advertising regulations (I.e. Kellogg)



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## **Pricing strategy**

#### International pricing strategy

- **Price discrimination:** charging different prices in different countries for the same or similar product
  - Separation of markets and arbitrage. I.e., Ford Escort in the EU
  - Price elasticity of demand: higher prices where it is inelastic.
     Income level, competitive conditions, etc.



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## **Pricing strategy**

#### **International pricing strategy:**

- Price discrimination: different prices in different countries for a similar product
- Strategic pricing
  - Predatory pricing: the use of price as a competitive weapon to drive weaker competitors out of a national market (i.e., using profitable positions in other markets).
  - Multi-point pricing: a firm's pricing strategy in one market may have an impact on its rivals' pricing strategy in another market (i.e., Kodak and Fuji)
  - Experience curve pricing: pricing low worldwide for building global sales volume as rapidly as possible

#### **Regulations** that affect pricing decisions

- Antidumping regulations.
  - Dumping: when a firm sells a product for a price lower than the cost of producing it
- Competition policy



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- Standardization versus customization is not an "all or nothing" concept
  - Most firms <u>standardize some things and customize others</u>
     I.e.: McDonald's, apparently the same product, but different menus, different accessibility, etc.
- To consider the <u>costs and benefits of standardizing and customizing</u> <u>each element</u> of the marketing mix



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## **Activity 1**

## MARKETING TO BLACK BRAZIL

#### **QUESTIONS:**

- Which are the main characteristics of the black population in Brazil that could be of interest for the marketing strategy of a firm?
- Can be ethnicity a dimension for market segmentation in Brazil, the US and Africa? Can it justify a global marketing strategy?
- Form multinational groups of 3-4 persons. Select one product by group.
  - Individually (each person), select three dimensions for market segmentation in your country.
  - Then, in groups, compare your choices and discuss if you can build a common marketing strategy for both (or all of the) countries.



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## **Activity 2**

## DOVE'S "REAL BEAUTY" CAMPAIGN QUESTIONS

- Which was the strategic objective of the company?
- How did the firm implement it?
- Was it a global standardized communication strategy?
- Did it take into account local sensibilities?



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## **Activity 3**

#### LEVI STRAUSS GOES LOCAL

#### **QUESTIONS**

- Which had been the traditional marketing strategy by Levi Strauss before the late 1990s? Which was its objective?
- Which was the objective of the change in the strategy/Marketing mix implemented from the late 1990s?
- In which aspects of the Marketing mix was this change reflected? Put examples for each case



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## Reference

• Hill, Charles W. L. (2014): *International Business. Competing in the global marketplace, 10<sup>th</sup> edition*. Emerald Group Publishing Limited.