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AN ANALYSIS UPON IMPACT OF GLOBAL MARKETING STRATEGIES ON MARKETING TECHNIQUES AND PERFORMANCE

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An Analysis upon Impact of Global Marketing Strategies on Marketing Techniques and Performance

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Abstract – Building on international business, strategic management, and marketing literature, this dissertation advances prior knowledge on globalization and business by analyzing different effects of globalization on firms. Globalization—the process of increasing social, cultural, political, and economic interdependence—has resulted in several changes in business environment. Global market opportunities and threats are major effects of globalization. While the former refers to the increases in market potential, trade and investment potential, and resource accessibility, the latter refers to the increases in number and level of competition, and the level of uncertainty. Two empirical studies included in this dissertation explore how these effects influence firms' international marketing activities and performance.

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INTRODUCTION

Globalization has caused dramatic changes to business practices around the world. Companies such as IBM, Intel, Microsoft, and Philips have started to outsource specialists from various parts of the world, causing job shifts and changes in companies' structures (Engardio, Bernstein, and Kripalani, 2003). Alliances among automakers, petroleum manufacturers, and airlines are other examples of changes driven by this phenomenon. Therefore, this dissertation investigates the effects of globalization on business firms with a particular interest on how it affects firms from both emerging economies (i.e., Thailand), and developed economies,. In this study, "globalization" refers to the process of increasing social and cultural inter-connectedness, political interdependence, and economic, financial and market integrations that are driven by advances in communication and transportation technologies, and trade liberalization (Eden and Lenway, 2001; Molle, 2002; Orozco, 2002).

We also believe that an investigation of the moderating role of globalization could refine our conceptual understanding of the resources-performance link. Indeed, several marketing and management scholars have noted the value of using RBT to integrate the globalization and strategy literature (Peng 2001).

These scholars claim that transferring concepts from RBT may be a critical step toward enhancing our limited understanding of areas of global marketing and that a contingency approach toward global marketing activities and organizational resources, "rather than a dogmatic view," is urgently needed. In addition, we argue that it is appropriate to investigate the moderating role of globalization based on the structure-conduct performance paradigm.

The paradigm suggests that organizational conduct and performance are constrained by the external environment, including globalization. Furthermore, a contingency perspective of the resources performance link may potentially help explain the mixed results (i.e., positive, negative, or insignificant) of the correlation between performance and resources such as market orientation. In the literature,

Kohli and Jaworski (1993) reported that market orientation is not related to a firm's actual market share. Han, Kim, and Srivastava (1998) also failed to find a positive relationship between market orientation and actual net income growth. In addition, there is no direct influence of market orientation on perceived new product market performance or perceived market share. Notably, Narver and Slater (1990) found a negative influence of market orientation and a positive influence of market orientation squared on perceived financial performance. Similarly, Voss andVoss (2000) found a strong, negative influence of customer orientation on both subjective and objective measures of sales, total income, and net profit. Overall, the mixed results of the link between market orientation and performance suggest the need for a contingency perspective to advance RBT research.

GLOBAL MARKETING STRATEGY

A global marketing strategy (GMS) is a strategy that encompasses countries from several different regions in the world and aims at coordinating a company's marketing efforts in markets in these countries. A GMS does not necessarily cover all countries but it should apply across several regions. A typical regional breakdown is as follows: Africa, Asia, and the Pacific (including Australia) Europe and the Middle East, Latin America, and North America. A' 'regional'' marketing strategy is one that coordinates the marketing effort in one region.

A GMS should not be confused with a global *production* strategy. Outsourcing and foreign manufacturing subsidiaries, common features of a global production strategy, can be used with or without a GMS for the finished products.

As listed in Table 1, GMSs can involve one or more of several activities. The coordination involved in implementing a GMS unavoidably leads to a certain level of uniformity of branding, of packaging, of promotional appeal, and so on (Zou and Cavusgil, 2002). This also means that a GMS, in some ways, goes counter to a true customer orientation (*see* MARKETING PLANNING). The product and marketing mix are not adapted to local preferences, as a customer orientation suggests. This is a potential weakness of GMSs, and leaves opportunities open for local products and brands.

Items Listed in Order of Descending Occurrence
• Identical brand names
• Uniform packaging
• Standardized products
• Similar advertising messages
• Coordinated pricing
• Synchronized product introductions
• Coordinated sales campaigns

Table 1 Components of a global marketing strategy.

As the notion of integrated marketing communications suggests, the ensuing consistency can have positive revenue benefits because of reinforcement of a unique message, spillovers between countries, and so on. But the main driving force behind the adoption of a GMS is the scale and scope of cost advantages from such uniform marketing strategies. These cost advantages include elimination of unnecessary duplication of effort, savings on multilingual and same-size packaging, use of the same promotional material, quantity discounts when buying media, and so on.

Firms typically contemplate adopting a more coordinated GMS, once they have significant presence in several countries and regions. Since local markets will never be exactly the same, a proposed global strategy will generally not be welcomed by the country managers. The existing local operations will have to be convinced to adopt the new global strategy. Thus, a GMS is always top-down, not bottom-up, and it is easy for ant globalization sentiments to stir even within a multinational company.

The typical solution to this problem is to allow country managers to be involved in the formulation of the GMS, and to form cross-national teams to participate in the implementation. It is also common to designate one country the ''lead'' market for the strategy, and use its current strategy as a starting point for the global strategy. This lead country is typically one of the larger markets and one where the firm has a strong market share. In multibrand firms, it is also common to limit a global strategy to one or two brands, allowing the local subsidiaries to keep control of some of their own brands.

GLOBALIZATION AND ITS EFFECTS

Globalization is an interesting phenomenon since it is obvious that the world has been going through this process of change towards increasing economic, financial, social, cultural, political, market, and environmental interdependence among nations. Virtually, everyone is affected by this process. Given these changes, globalization brings about a borderless world. Globalization drives people to change their ways of living, prompts firms to change their ways of conducting business, and, spurs nations to establish new national policies. Events transpiring in different parts of the world now have dramatic consequences to other parts of the world at a faster pace than anyone could imagine in the past.

For example, the Asian financial crisis in 1997 has severely affected businesses around the world and the outbreak of SARS (Severe Acute Respiratory Syndrome) in 2003 has shown how globalization permits the rapid spread of the disease (Anthony, 2003), which affects many airlines, the hospitality industry, and other businesses around the globe.

On the positive side, globalization enables firms to outsource and find customers around the world, e.g., the auto and electronics industries. The globalization of production and operations benefits firms through the realization of economies of scales and scope. Hence, no one can deny that globalization has changed the way we conduct business.

Although globalization is a worldwide phenomenon, the extent to which each country is globalized is not identical. To measure the degree of globalization of each nation, a globalization index was recently developed by a cooperation between Foreign Policy Magazine,

AT Kearney and EDS Company. The index indicates that some small developing countries in emerging economies such as Singapore and Malaysia were among the top twenty most globalized nations from 2001 to 2004 with Singapore being ranked as the most globalized nation in 2001. Thus, it is clear that globalization is an important phenomenon, one that cannot be simply ignored, because every nation—regardless of size or level of development—is globalized and affected by globalization. With the prevalence of this worldwide phenomenon, it is not surprising that businesses are inevitably affected.

GLOBALIZATION AND MARKETING COOPERATION

Among the various types of cooperative arrangements mentioned above, co-marketing alliances are the focus of this dissertation since they are considered a specific type of strategic alliances whose scope is limited to marketing activities. They involve the coordination of one or more aspects of marketing—ranging from research and development to production—which are central to most types of strategic alliances. Coordinating marketing activities to achieve superior marketing performance in terms of sales, market share and profitability is the fundamental task of most interfirm cooperation.

Moreover, co-marketing alliances are quite common in many industries in which staying at the forefront or markets that require huge investments in R&D is difficult to attain. This problem of continually maintaining cutting-edge positions in the markets becomes even more serious given the fast pace of technological changes in the phase of globalization such as is found in today's business environment. As a result, there has been an increasing trend towards more marketing cooperation among competitors in this business era. Nonetheless, limited research attention has been given to these specific types of strategic alliances. Hence, an investigation of the degree of cooperation in co-marketing alliances should provide more insights on how globalization drives cooperation in international marketing activities, and how such cooperation, in turn, affects the firms' international marketing performance.

Despite our knowledge of the presence of globalization, inadequate attempts have been made to assess its effects on firms. In the last two decades, we have witnessed dramatic changes in business and marketing activities, driven by a trend towards more interdependence among nations. These changes demonstrate the significant impact that globalization has on businesses, and thus calls for the need to study this topic. Since marketing is a "context-driven" discipline, an investigation of globalization effects—as one of the contextual factors surrounding marketing activities—proves to be worthwhile.

LITERATURE REVIEW

Globalization, a term coined by Levitt (1983), refers to a "new commercial reality". As a result of technology, differences in national or regional preferences were gone and "the world's needs and desires have been irrevocably homogenized, because consumers were expected to prefer standard products of high quality and low price as compared to more customized high price products. An early approach to find a consumer segment with identifiable characteristics was taken by Engledow, Thorelli, and Becker (1975), who identified homogeneous cross-cultural elite of affluent and information-sensitive consumers. Kale and Sudharshan's model (1987) capitalized on similarities across groups of consumers in different countries and resulted in a product-class specific framework for identifying strategically equivalent segments. Their objective was to group worldwide consumers that responded to firms' Marketing mix similarly. Kreutzer (1988) proposed a two-step segmentation process in search of a standardized approach. First, countries were segmented on variables deemed important for standardization. These included technological; ecological; socio-cultural; economic; and political-legal criteria. As a consequence, convergence has been considered as a "merely persistent myth of international Marketing" (de Mooij and Hofstede, 2002). Levitt has acknowledged that the globalization trend coexisted with the opposite reality of heterogeneity, fragmentation and parochialism: "the more powerfully homogenized and relentlessly globalized the world's communications and commerce get, the more varied its products and more numerous its consuming segments seem to become". Waters (2000) distinguished three possible types of world-system: (1) World-empires, in which multiplicities of cultures are unified under the domination of a single government (2) World-economies, in which a multiplicity of political states, each typically focusing on a single culture ('nation-states'), are integrated by a common economic system; the modern world system integrated by a single capitalist economy (which includes state-socialist societies), and (3) World-socialism, in which both the nation-state and capitalism disappear in favor of a single, unified political-economic 36 trading places: the international economy system which integrates a multiplicity of cultures.

THE EFFECTS OF GLOBALIZATION ON CO-MARKETING ALLIANCES

In the past two decades, we have witnessed dramatic changes in the business environment that has caused shifts in business conduct and marketing activities of firms around the world. The world has gone through the process of globalization, i.e., increasing social and cultural interconnectedness, political interdependence, and economic, financial and market integrations. Multinational enterprises (MNEs), the major agents and beneficiaries of this phenomenon (Rugman and Verbeke, 2004), are inevitably being affected by the process.

Many forms of organizational restructuring (such as downsizing, reengineering, and implementation of cooperative strategies) have been witnessed as responses to globalization. Among various forms of business restructuring, alliance formation is considered the most remarkable business trend in the past two decades. Nonetheless, empirical studies that investigate how globalization actually affects firms' cooperation in alliances, and how such cooperation ultimately enhances their performance are scarce.

As suggested by many international business scholars, the effects of globalization on firms remain unexplored. Thus, we hope to advance current literature on the rationale for alliance cooperation and performance of allying firms. Since superior marketing is a sustainable source of unique competitive advantage in this new competitive terrain, firms should focus on building such advantage.

Given that inter-firm cooperation in international marketing activities enables firms to achieve superior marketing, it is our emphasis here to investigate whether such cooperation is crucial to firms' marketing performance.

CONCLUSION

GMSs have become increasingly important with the internationalization of business and globalization of markets. Even though they are characterized by centralized coordination and streamlining to achieve scale and scope economies, localization, and adaptation are becoming increasingly important as emerging markets rapidly manifest culturally and ethnically differentiated consumer demand. Global success depends crucially on striking the right balance between uniformity and local adaptation.

This balance, as we have seen, involves both top-down leadership and sensitivity to local markets – a true managerial challenge. From both theoretical and practical perspectives, globalization is a complex phenomenon. Our study is one of only a few empirical studies investigating the effects of globalization on firms. We emphasize how globalization affects firms' cooperation in international marketing activities, and how such activities help them enhance their international marketing performance. Given that globalization is multifaceted and only three of its dimensions were explored here, there remain many issues to be addressed. Future studies should emphasize a search for theories to explain the globalization phenomenon. It is hoped that our research inspires more studies on the impact of globalization on business.

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