
PREFACE

THREE FUNDAMENTAL ISSUES ADDRESSED IN THE FIFTH EDITION

We have continued to receive many letters and e-mail messages as well as comments on Amazon.com from instructors and business executives around the world who used the previous editions of *Global Marketing Management*. Their comments have been unanimously favorable. Thanks to the increased desire in many parts of the world for access to our book in their own languages, our book has been translated into Chinese, Japanese, Portuguese, and Spanish. However, we just cannot be sitting on our laurels. As the world around us has been constantly changing, the contents and context of our book also must change to reflect the *climate of the time*. Today, the worst global financial crisis since the Great Depression of 1929 has changed the global marketing environment completely. A continued global economic growth has proved to be a false assumption. Now there are even political tides against freer trading environments. Although we currently live in a very unfortunate global economic environment, we are fortunate enough to capture various changes in the marketplace and describe them in this fifth edition of our book.

In our mind, the role of a textbook is not only to describe today's realities but also to extrapolate logically from them how the future will unfold. After all, that is how marketing executives have to act and make *correct* decisions based on the facts they have gathered. Today's realities are a product of past realities, and the future will be an uncharted course of events lying ahead of us. We constantly strive to help you better understand state-of-the-art marketing practices on a global basis with relevant historical background, current marketing environments, and logical explanations based on a massive amount of knowledge generated by marketing executives as well as by academic researchers from around the world.

Therefore, the fifth edition of our book builds on three major changes that have taken place in the last decade or so. *First*, the landscape of the global economy has changed drastically, particularly as a result of the global financial crisis and ensuing global recession. The emergence of Brazil, Russia, India, and China, among others, as economic superpowers has occurred during the same period. For example, China's role as the world's factory is well established; India's increased role in information technology development is obvious; and Brazil and Russia are still rich in mineral resources that are becoming scarce around the world.

Second, the explosive growth of information technology tools, including the internet and electronic commerce (e-commerce), has had a significant effect on the way we do business internationally. This still continues to be an evolving phenomenon that we need to take a careful look at. On one hand, everyone seems to agree that business transactions will be faster and more global early on. And it is very true. As a result, marketing management techniques, such as customer relationship management and global account management, have become increasingly feasible. However, on the other hand, the more deeply we have examined this issue, the more convinced we have become that certain things will not change, or might even become more local as a result of globalization that the internet and e-commerce bestow on us.

Third, it is an underlying human tendency to desire to be different when there are economic and political forces of convergence (often referred to as globalization). When

the globalization argument (and movement) became fashionable in the 1980s and 1990s, many of us believed that globalization would make global marketing easier. As we explain later in the text, marketing beyond national borders, indeed, has become easier, but it does not necessarily mean that customers want the same products in countries around the world. For example, many more peoples around the world try to emphasize cultural and ethnic differences and accept those differences than ever before. Just think about many new countries being born around the world as well as regional unifications taking place at the same time. Another example is that while e-commerce promotion on the internet goes global, product delivery may need to be fairly local in order to address local competition and exchange-rate fluctuations as well as the complexities of international physical distribution (export declarations, tariffs, and non-tariff barriers). From a supply-side point of view, globalization has brought us more products from all corners of the world. However, from a demand-side (marketing-side) point of view, customers have a much broader set of goods and services to *choose from*. In other words, marketers now face all the more divergent customers with divergent preferences—far from a homogeneous group of customers.

Indeed, these changes we have observed in the last decade or so are more than extraordinary. In this fifth edition, we have expanded on these issues in all the chapters wherever relevant. We have added many new examples that have occurred in this period. However, we do not sacrifice logical depth in favor of brand-new examples. This revision required a lot of work, as did previous editions in the past. But it was well worth the effort because we are confident that enlightened readers like you will be very satisfied with the results.

We strongly believe that cases provide students not only with lively discussions of what goes on with many companies but also an in-depth understanding of many marketing-related concepts and tools as used by those companies. In this revision, we added many new cases and retained and updated several cases from earlier editions that our textbook users and their students voted as *favorites*. We have more than 40 cases in this edition. The cases represent many products and services and many regions and countries as well as many nationalities. Six cases are included in the textbook itself, and the rest are placed on the textbook website for easy download www.wiley.com/college/kotabe.

Many users of the previous editions continue to commend our book as probably the most academically rigorous and conceptually sound, and yet full of lively examples with which students can easily identify in order to drive across important points. We combine the academic rigor and relevance (fun of reading) of materials to meet both undergraduate and MBA educational requirements. We keep this tradition in our fifth edition.

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ OUR PEDAGOGICAL ORIENTATION

Marketing in the global arena is indeed a very dynamic discipline. Today, there are many international or global marketing management books vying for their respective niches in the market. It is a mature market. As you will learn in our book, in a mature market, firms tend to focus closely—or maybe, too closely—on immediate product features for sources of differentiation and may inadvertently ignore the fundamental changes that may be re-shaping the industry. Often those fundamental changes come from outside the industry. The same logic applies to the textbook market. Whether existing textbooks are titled international marketing or global marketing, they continue to be bound by the traditional bilateral (inter-national) view of competition. While any new textbook has to embrace the traditional coverage of existing textbooks, we intend to emphasize the multilateral (global) nature of marketing throughout our book.

Some textbooks have replaced the word, “international,” with “global.” Such a change amounts to a repackaging of an existing product we often see in a mature

product market, and it does not necessarily make a textbook globally oriented. We need a paradigm shift to accomplish the task of adding truly global dimensions and complex realities to a textbook. You might ask, “What fundamental changes are needed for a paradigm shift?” and then, “Why do we need fundamental changes to begin with?”

Our answer is straightforward. Our ultimate objective is to help you prepare for this new century and become an effective manager overseeing global marketing activities in an increasingly competitive environment. You may or may not choose marketing for your career. If you pursue a marketing career, what you will learn in our book will not only have direct relevance but also help you understand how you, as a marketing manager, can affect other business functions for effective corporate performance on a global basis. If you choose other functional areas of business for your career, then our book will help you understand how you could work effectively with marketing people for the same corporate goal. Our book is organized as shown in the flowchart.

We believe that our pedagogical orientation not only embraces the existing stock of useful marketing knowledge and methods but also sets itself apart from the competition in a number of fundamental ways, as follows:

As we indicated at the outset, the term “global” epitomizes the competitive pressure and market opportunities from around the world and the firm’s need to optimize its market performance on a global basis. Whether a company operates domestically or across national boundaries, it can no longer avoid the competitive pressure and market opportunities. For optimal market performance, the firm should also be ready and willing to take advantage of resources on a global basis, and at the same time respond to different needs and wants of consumers. In a way, global marketing is a constant struggle with economies of scale and scope needs of the firm and its responsiveness and sensitivity to different market conditions. While some people call it a “glocal” orientation, we stay with the term, “global,” to emphasize marketing flexibility on a global basis.

Let us take a look at a hypothetical U.S. company exporting finished products to Europe and Japan. Traditionally, this export phenomenon has been treated as a bilateral business transaction between a U.S. company and foreign customers. However, in reality, to the executives of the U.S. company, this export transaction may be nothing more than the last phase of the company’s activities they manage. Indeed, this company procures certain components from long-term suppliers in Japan and Mexico, other components in a business-to-business (B2B) transaction on the internet with a supplier in Korea and from its domestic sources in the United States, and then assembles a finished product in its Singapore plant for export to Europe and Japan as well as back to the United States. Indeed, a Japanese supplier of critical components is a joint venture, majority-owned by this American company, while a Mexican supplier has a licensing agreement with the U.S. company that provides most of technical know-how. A domestic supplier in the United States is in fact a subsidiary of a German company. In other words, this particular export transaction by the U.S. company involves a joint venture, a licensing agreement, a B2B transaction, subsidiary operation, local assembly, and R&D, all managed directly or indirectly by the U.S. company—and add the realities of market complexities arising from diverse customer preferences in European, Japanese, and North American markets. Now think about how these arrangements could affect the company’s decisions over product policy, pricing, promotion, and distribution channels.

Many existing textbooks have focused on each of these value-adding activities as if they could be investigated independently. Obviously, in reality they are not independent of each other and cannot be. We emphasize this multilateral realism by examining these value-adding activities as holistically as possible.

At the same time, we are fully aware of the increased importance of the roles that emerging markets and competitive firms from those markets play in fundamentally

Global Orientation

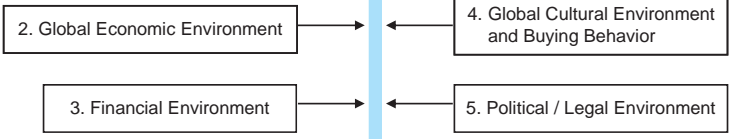
Global Marketing Management

5th Edition

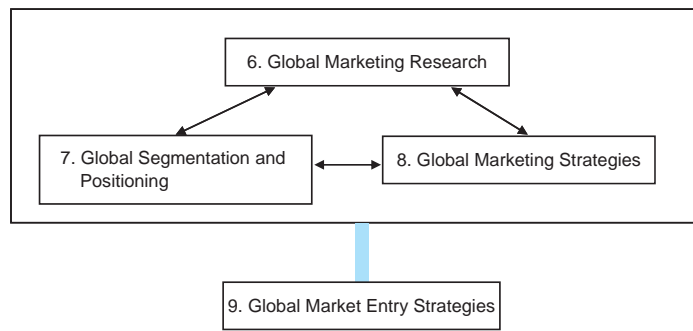
Globalization

1. Globalization Imperative

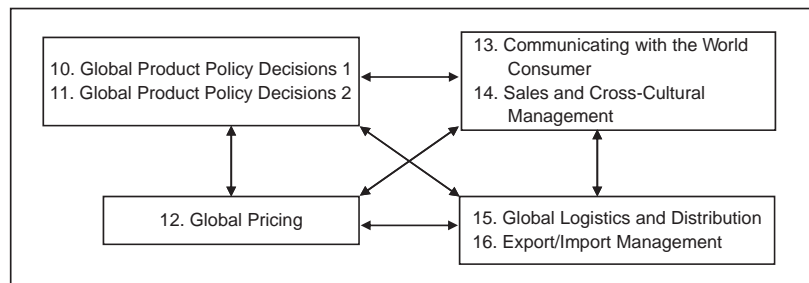
Global Marketing Environment



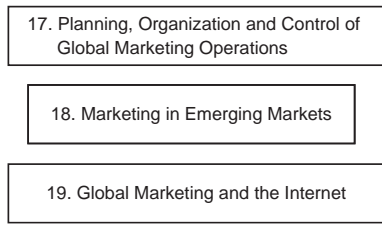
Development of Competitive Strategy



Global Marketing Strategy Development



Managing Global Operations



reshaping the nature of global competition. In this fifth edition, we have added Chapter 18 to highlight various marketing issues related to the emerging markets.

To complement our global orientation, we offer an interdisciplinary perspective in all relevant chapters. We are of the strong belief that you cannot become a seasoned marketing executive without understanding how other functional areas interface with marketing. The reverse is also true for non-marketing managers. Some of the exemplary areas in which such a broad understanding of the interface issues is needed are product innovation, designing for manufacturability, product/components standardization, and product positioning. In particular, Japanese competition has made us aware of the importance of these issues, and leading-edge business schools have increasingly adopted such an integrated approach to business education. Our book strongly reflects this state-of-the-art orientation.

Interdisciplinary Perspective

Market orientation is a fundamental philosophy of marketing. It is an organizational culture that puts customers' interests first in order to develop a long-term profitable enterprise. In essence, market orientation symbolizes the market-driven firm that is willing to constantly update its strategies using signals from the marketplace. Thus, marketing managers take market cues from the expressed needs and wants of customers. Consequently, the dominant orientation is that of a firm reacting to forces in the marketplace in order to differentiate itself from its competitors. This reactive "outside-in" perspective is reflected in the typical marketing manager's reliance on marketing intelligence, forecasting, and market research.

Proactive Orientation

While not denying this traditional market orientation, we also believe that marketing managers should adopt an "inside-out" perspective and capabilities to shape or drive markets. This aspect of the link between strategic planning and marketing implementation has not been sufficiently treated in existing textbooks. For example, recent trends in technology licensing indicate that it is increasingly used as a conscious, proactive component of a firm's global product strategy. We believe that it is important for marketers to influence those actions of the firm that are some distance away from the customer in the value chain, because such actions have considerable influence on the size of the market and customer choice in intermediate and end product markets.

A book cannot be written devoid of its authors' background, expertise, and experience. Our book represents an amalgam of our truly diverse background, expertise, and experiences across North and South America, Asia, and Western and Eastern Europe. Given our upbringing and work experience in Asia, Western Europe, and Latin America, as well as our educational background in the United States, we have been sensitive not only to cultural differences and diversities but also to similarities.

Cultural Sensitivity

Realistically speaking, there are more similarities than differences across many countries. In many cases, most of us tend to focus too much on cultural differences rather than similarities; or else, completely ignore differences or similarities. If you look only at cultural differences, you will be led to believe that country markets are uniquely different, thus requiring marketing strategy adaptations. If, on the other hand, you do not care about, or care to know about, cultural differences, you may be extending a culture-blind, ethnocentric view of the world. Either way, you may not benefit from the economies of scale and scope accruing from exploiting cultural similarities—and differences.

Over the years, two fundamental counteracting forces have shaped the nature of marketing in the international arena. The same counteracting forces have been revisited by many authors in such terms as "standardization vs. adaptation" (1960s), "globalization vs. localization" (1970s), "global integration vs. local responsiveness" (1980s), "scale vs. sensitivity" (1990s), and more recently—let us add our own—"online scale vs. offline market sensitivity." Terms have changed, but the quintessence of the strategic dilemma that multinational companies (MNCs) face today has not changed and will probably remain unchanged for years to come.

However, the terminology no longer expresses an either/or issue. Forward-looking, proactive firms have the ability and willingness to accomplish both tasks simultaneously. As we explain later in the text, Honda, for example, developed its Accord car to satisfy the universal customer needs for reliability, drivability, and comfort, but marketed it as a family sedan in Japan, as a commuter car in the United States, and as an inexpensive sports car in Germany, thereby addressing cultural differences in the way people of different nationalities perceive and drive what is essentially the same car.

With our emphasis on global and proactive orientations, however, we will share with you how to hone your expertise, be culturally sensitive, and be able to see how to benefit from cultural similarities and differences.

Research Orientation

We strongly believe that theory is useful to the extent that it helps in practice. And there are many useful theories for international marketing practices. Some of the practical theories are a logical extension of generic marketing theories you may have encountered in a marketing course. Others are, however, very much unique to the international environment.

Many people believe—rather erroneously—that international or global marketing is just a logical extension of domestic marketing, and that if you have taken a generic marketing course, you would not need to learn anything international. The international arena is just like a Pandora’s box. Once you move into the international arena, there are many more facts, concepts, and frameworks you need to learn than you ever thought necessary in order to become a seasoned marketing manager working globally. To assist you in acquiring this new knowledge, various theories provide you with the conceptual tools that enable you to abstract, analyze, understand, and predict phenomena, and formulate effective decisions. Theories also provide you with an effective means to convey your logic to your peers and bosses with a strong, convincing power.

We also apply those theories in our own extensive international work advising corporate executives, helping them design effective global strategies, and teaching our students at various business schools around the world. Our role as educators is to convey sometimes-complex theories in everyday language. Our effort is reflected well in our textbook. This leads to our next orientation.

Practical Orientation

Not only is this book designed to be user-friendly, but it also emphasizes practice. We believe in experiential learning and practical applications. Rote learning of facts, concepts, and theories is not sufficient. A good marketing manager should be able to put these to practice. We use many examples and anecdotes, as well as our own observations and experiences, to vividly portray practical applications. This book also contains real-life, lively cases so you can further apply your newly acquired knowledge in practice, and experience for yourself what it takes to be an effective international marketing manager.

Therefore, this book has been written for both upper-level undergraduate and MBA students who wish to learn practical applications of marketing and related logic, and subsequently work internationally. Although we overview foundation materials in this book, we expect that students have completed a basic marketing course.

To further enhance your learning experience, Professor Syed Anwar of West Texas A&M University kindly shares his excellent international marketing one-stop search website, *Marketing & International Links*¹ with you.

Internet Implications

As we stated earlier, we extensively address the implications of the internet and e-commerce in global marketing activities. E-commerce is very promising, but various environmental differences—particularly cultural and legal as well as consumer-needs differences—are bound to prevent it from becoming an instantaneous freewheeling tool for global marketing. What we need to learn is how to manage *online scale and*

¹http://wtfaculty.wtamu.edu/~sanwar.bus/otherlinks.htm#Marketing_&_International_Business_Links

scope economies and offline sensitivities to different market requirements. We try our best to help you become internet-savvy. The internet is addressed in all the chapters where relevant. In particular, Chapter 19 provides an in-depth analysis of global marketing issues in the age of the internet. We admit that there are many more unknowns than knowns about the impact of the internet on global marketing activities. That is why we point out areas in which the internet is likely to affect the way we do business and have you think seriously about the imminent managerial issues that you will be dealing with upon graduation. Chapter 19 serves not as an epilogue to the fifth edition but as a prologue to your exciting career ahead of you.

While this book is designed to be user-friendly, it also emphasizes practice. We believe in Instructor Support Materials. To accomplish our stated goals and orientations, we have made a major effort to provide the instructor and the student with practical theories and their explanations using examples, anecdotes, and cases to maximize the student's learning experience. Some of the specific teaching features are:

- **Global Perspectives**—Included in every chapter, Global Perspectives provide concrete examples from the global marketing environment into the classroom. They are designed to highlight some of the hottest global topics that students should be aware of and may actually act on in their careers. The instructor can use these inserts to exemplify theory or use them as mini-cases for class discussion.
- **Long Cases**—Long Cases are designed to challenge students with real and current business problems and issues. They require in-depth analysis and discussion of various topics covered in the chapters, and help students to experience how the knowledge they have gained can be applied in real-life situations. There are more than 40 cases covering various aspects of marketing situations as well as products, regions, and nationalities of firms. Six of them are included at the end of the text and the rest are placed on the textbook website for easy download.
- **Short Cases**—Short Cases are included at the end of each chapter and designed to address various specific issues explained in the chapters. These cases are useful in demonstrating to students the relevance of newly learned subject matters and are useful for open class discussions.
- **Maps**—The maps provided show the economic geography of the world. Students should be knowledgeable about where various economic resources are available and how they shape the nature of trade and investment and thus the nature of global competition. Global marketing cannot be appreciated without an understanding economic geography.
- **Review Questions**—Students may use the review questions to test themselves on and summarize the facts, concepts, theories, and other chapter materials in their own words. We strongly believe that by doing so, students will gain active working knowledge, rather than passive knowledge acquired by rote learning.
- **Discussion Questions**—These questions facilitate discussions that can help students apply the specific knowledge they learned in each chapter to actual business situations. They are designed to serve as mini-cases. Most of the issues presented in these questions are acute problems multinational marketing managers are facing, and have been adapted from recent issues of leading business newspapers and magazines.
- **The Instructor's Manual**—The Instructor's Manual is designed to provide major assistance to the instructor while allowing flexibility in course scheduling and teaching emphasis. The materials in the manual include the following:
 - a. **Teaching Plans**—Alternative teaching plans and syllabi are included to accommodate the instructor's preferred course structure and teaching schedules. Alternative teaching schedules are developed for the course to be taught in a semester format, on a quarter bases, or as an executive seminar.
 - b. **Discussion Guidelines**—For each chapter, specific teaching objectives and guidelines are developed to help stimulate classroom discussion.

- c. **Test Bank**—A test bank consists of short essay questions and multiple-choice questions. This test bank is also computerized and available to adopters on IBM compatible computer diskettes.
- d. **PowerPoint Slides**—These are available on the web to assist the instructor in preparing presentation materials.
- e. **Home Page on the Web**—Make sure to visit our website <http://www.wiley.com/college/kotabe/> for useful instructional information.
- f. **Global Marketing Management System Online, 3.0 (GMMSO3)**—developed by Dr. Basil J. Janavaras, professor of International Business at Minnesota State University, is a Web-based global marketing management research and planning program. As a bonus, each student who purchases the fifth edition of *Global Marketing Management* will receive a complimentary registration code that will provide access to the software. This practical, realistic program guides students through the systematic and integrative process of gathering, evaluating, and using certain types of information to help them to determine which markets to enter with a particular product or service and to create a marketing plan for the country with the optimal market environment for penetration. It is both interactive and experiential. More specifically, the program enables students to do the following:
 - Perform a situation analysis of a company in a global context.
 - Research global markets.
 - Identify high potential country markets for selected products or services.
 - Conduct in-depth market and competitive analysis.
 - Determine the best entry mode strategies.
 - Develop international marketing plans and strategies.

A Student Guide, Glossary, and targeted Web-based resources are provided in sample student projects as models to guide first-time users through the GMMSO process. An Instructor's Manual is also available to those who use the GMMSO. It includes the following:

- Frequently asked questions/answers/suggestions.
- Schedules for quarters and semester modules.
- Table that correlates the software content with the content in the text.
- Outlines for the presentation and the final paper.
- PowerPoint presentation of the entire GMMSO for instructional purposes.

Additional benefits for Instructors:

- Monitor both individual & group-progress and review completed projects online.
- Integrate knowledge from this and other courses.
- Bridge the gap between theory and the real world of business.
- Obtain technical support.

If you are interested in using the GMMSO class project, register online at www.gmmso3.com or contact your local Wiley representative for details at: www.wiley.com/college/rep

Finally, we are delighted to share our teaching experience with you through this book. Our teaching experience is an amalgam of our own learning and knowledge gained through continued discussion with our colleagues, our students, and our executive friends. We would also like to learn from you, instructor and students, who use our book. Not only do we wish for you to learn from our book but we also believe that there are many more things that we can also learn from you. We welcome your sincere comments and questions. Our contact addresses are as follows:

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