

Global Marketing

Svend Hollensen

8th
edition



Praise for *Global Marketing*

‘Currently the best, most detailed global marketing textbook available in terms of theoretical depth and practical relevance....This is one of the most comprehensive textbooks in the market that offers rich discussions on theories on the international and the general marketing/management.’

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‘Excellent level of detail in each chapter to support learning around strategic global marketing decisions. The video case studies are a huge bonus and really help to bring the subject alive.’

Giovanna Battiston, Senior Lecturer, Sheffield Hallam University

‘This book provides detailed insights and knowledge about how strategic decisions are made in international/global marketing. The writing on each topic is rich and thorough and includes all the key models and theories, as well as relevant and top quality case studies for students to understand the main contents and test their understanding.’

Dr Qing Shan Ding, Senior Lecturer in Marketing, Huddersfield Business School, University of Huddersfield

‘The best textbook on global marketing I have come across! The case studies provide an excellent basis for class discussion.’

Dr Elisabeth Götze, Senior Lecturer in Marketing, Vienna University of Economics and Business

‘Social media are changing the way companies are engaging and interacting with their worldwide customer base. Svend Hollensen has captured all the latest trends in social media marketing very well with interesting models and new cases in his new eighth edition of *Global Marketing*.’

**Philip Kotler, S. C. Johnson & Son Distinguished Professor of International Marketing,
Kellogg School of Management, Northwestern University**

‘It is likely the best textbook on international marketing. It is well written and a very good introduction to the different subjects, covering a wide range of aspects of international marketing. The cases and questions used are also of very good quality.’

Robson S. Rocha, Ph.D., Associate Professor, Department of Management, Aarhus University

‘The world today truly is flat, and a sound global perspective is an absolute must for all students. Svend Hollensen’s *Global Marketing* provides a thorough and comprehensive treatment that delivers on this need.’

Professor Michael R. Solomon, Professor of Marketing, Haub School of Business, Saint Joseph’s University, USA

‘A superior text which provides the most current and comprehensive overview of all facets of international marketing through text and pragmatic case studies, including timely coverage of social marketing, blockchain technology, IoT and AI topics of increasing impact to both the global marketing student and practitioner.’

Dwight R. Thomas, Professor Emeritus, Athabasca Open University, Canada

they have a much wider circle of 'friends', which can also be used for more formal but 'quick-and-dirty' questionnaire surveys. Although social-networking sites have become ubiquitous, the full international marketing utilization of these sites is still untapped. The integration of social networking sites with other sources of information such as online retailers and media sources will amplify the opportunities to derive actionable marketing insights from online word-of-mouth content. Furthermore, by observing consumers' social-networking habits and purchase behaviour, researchers can leverage the social relationship information to identify and target opinion leaders. Furthermore, with the emergence of Web 3.0, many consumer goods companies such as Nike, Harley-Davidson and Procter & Gamble have started to build their own brand communities. Brand communities open an opportunity for firms not only to enhance the interactions among consumers but to fully observe these interactions. Furthermore, brand communities open a direct communication channel between the firm and its customer. As consumers move toward obtaining much of the information from other consumers, brand communities are likely to become a major component of the information flow.

- *Customer decision-making data.* Increasingly firms are interested not only in understanding the outcome of (or exposure to) the marketing effort but in understanding the *entire process* customers go through in arriving at a decision. This interest has been sparked by several technological advances in areas such as radio frequency identification (RFID), video-recognition tools and eye tracking. RFID technology allows researchers to track consumers in the retail environment, a capability to track items with the goal of improving the efficiency of supply-chain systems. Marketers can get the full picture of what is happening in the store and enable tracing consumers and product flow. The difficulty with converting these extremely valuable data into international marketing insights lies in the magnitude of data and the complexity of analysis.
- *Consumer usage data.* More and more products now are being embedded with sensors and wireless devices that can allow marketers to track consumers geographically and over time. For example, sensors on cars and consumer packaged goods can open new windows into their usage and consumption in addition to the purchase of products.
- *Neuromarketing.* Neuromarketing, referring to the use of neuroscience for marketing applications, potentially offers the ability to observe directly what consumers are thinking. Neuromarketing is often used to study brain activity in response to exposure to brands, product designs or advertising. Neuromarketing is a relatively new tool for marketers, mainly owing to technological barriers, difficulty in transforming the neuroscience results into actionable business insights, and the high costs of collecting the data. We expect, however, that the next decade will see improvement on all of these fronts, making neuromarketing a common component of the customer insights tool kit.
- *Artificial intelligence (AI):* In the future artificial intelligence (AI) will be a game changer in market research. Large complex data structures can be explored to understand what information they provide. How the specific need for data determines the appropriate analysis approach and degree of automatization. There is an increasing availability of ready-made AI software such as language processing or image recognition. AI solutions will increasingly replace the human expertise required to generate valuable marketing insights, and consequently will trigger respective actions based on learning from behaviour in the past. These solutions are growing rapidly because AI's ability to learn and react to human behaviour is made at such a high scale and speed that a human would simply be lost. Finally, training an AI system so it learns the association between brand preference and consumer profiles is another case where AI may add value to the job of the market researcher (Wirth, 2018).

Exhibit 5.1

Amazon.com – sustaining a competitive advantage through market research and analytics

‘Analytics’ can be thought of as data (including market research data) and the algorithms that extract useful information from that data. Amazon is an example of a company that has sustained an advantage from its analytics by using analytics in its internal processes and is now offering and selling its algorithm services to other companies, e.g. through Amazon Web Services (AWS).

The fact that Amazon founder and CEO Jeff Bezos was educated as an engineer may explain why Amazon today is a leading data-driven company using a factual, experimental approach to constant innovation. Analytics at Amazon has clearly enjoyed exceptional CEO support. Moreover, Bezos invented the Amazon business model from scratch. His strategy

was one of constant innovation supported through experimentation, data collection and analytics. While Amazon’s storied warehouses and supplier list garner many headlines, Amazon’s analytics algorithms and capabilities are arguably its most important strategic assets.

For example, AWS offers a collection of algorithms called Amazon Mobile Analytics, which is sold to developers of apps (typically SMEs) who can then measure app usage, app revenue, user retention, etc. The app developer can then make data-driven decisions to increase engagement and monetization for the app.

Source: based on Bell (2015).

5.8 Setting up an international marketing information system (MIS)

Once research has been conducted and the data collected and analysed, the next step is to incorporate this information into management decision-making. More and more businesses are now concerned with increasing the productivity of their marketing efforts, especially in their marketing research departments.

A massive amount of data is available from a wide variety of sources. The trick is to transform that data, ranging from statistics and facts to opinions and predictions, into information that is useful to the organization’s marketing decision-makers. The importance of a timely and comprehensive information system is becoming more evident with the increased need to develop closer customer relationships, the increasing costs of making wrong marketing decisions, the greater complexity of the marketplace and the elevated level of competitor aggressiveness. The need for current and relevant knowledge may result in the development and implementation of information systems that incorporate data management procedures involving generating new data or gathering existing data, storing and retrieving data, processing data into useful information and disseminating information to those individuals who need it. The **international marketing information system** is an interacting organization of people, systems and processes devised to create a regular, continuous and orderly flow of information essential to the marketer’s problem-solving and decision-making activities. As a planned, sequential flow of information tailored to the needs of a particular marketing manager, the international MIS can be conceptualized as a four-stage process consisting of locating, gathering, processing and utilizing information. Figure 5.8 illustrates the central issues to be addressed in each of the four international MIS-stages.

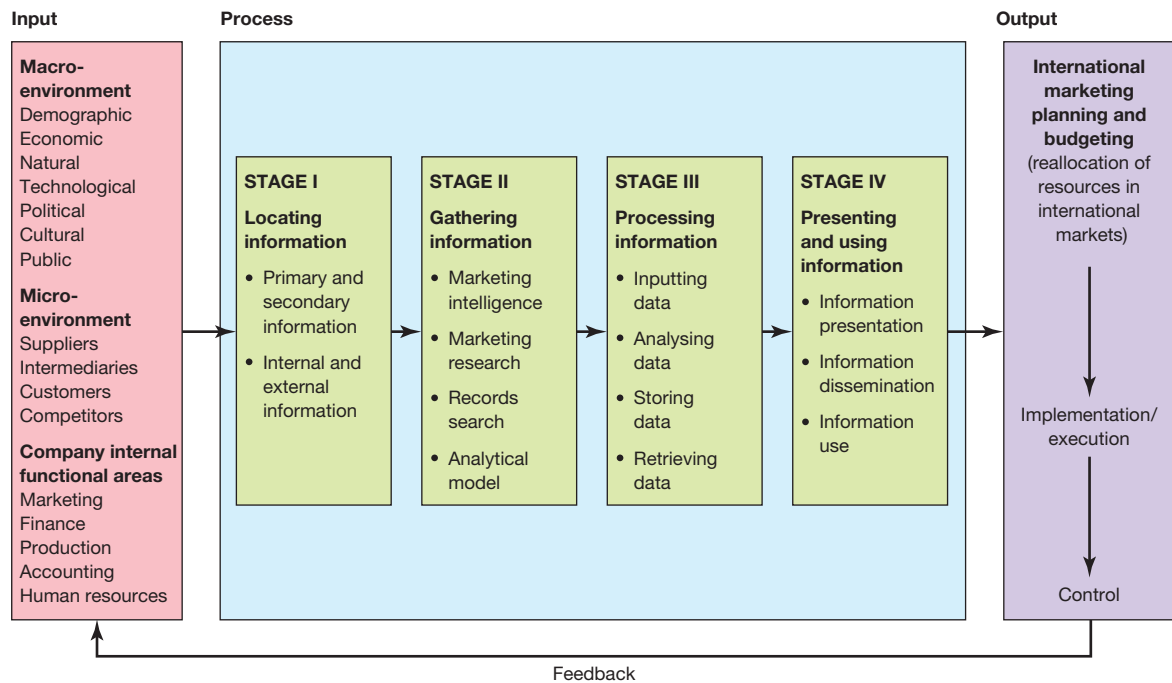
In this holistic international MIS model, input data flow into the system from three major sources: the microenvironment, the macroenvironment and functional areas of the firm. The output information will then be made available to management for analysis,

International marketing information system

An interacting organization of people, systems and processes devised to create a regular, continuous flow in information essential to the international marketer’s problem-solving and decision-making activities around the world.

Figure 5.8 International marketing information system

Source: *Marketing Research: An International Approach*, FT/Prentice Hall (Schmidt, M.I. and Hollensen, S. 2006) p. 587, Copyright © Pearson Education Limited.



planning, implementation and control purposes. The proposed model meets the exigencies of the ever-expanding role of the MIS professional that has to provide timely, accurate and objective information for management to be able to navigate its way through the complex and fast-changing world of business globalization. Against the backdrop of a dynamic business environment, companies are increasingly developing their MISs to provide managers with real-time market information. Likewise, they are expanding from local to national to global operations while consumers are becoming ever more selective in their product choices.

5.9 Summary

The basic objective of the global marketing research function is to provide management with relevant information for more accurate decision-making. The objective is the same for both domestic and global marketing. However, global marketing is more complex because of the difficulty of gathering information about multiple and different foreign environments.

In this chapter, special attention has been given to the information collection process and the use of marketing information. This coverage is far from being exhaustive, and the reader should consult marketing research textbooks for specific details related to particular research topics.

An international marketer should initiate research by searching first for any relevant secondary data. Typically a great deal of information is already available, and the researcher needs to know how to identify and locate the international sources of secondary data.

If it is necessary to gather primary data, the international marketer should be aware that it is simply not possible to replicate the methodology used in one country elsewhere. Some adaptation of the research method to different countries is usually necessary.

The firm should set up a decision support system or an international MIS to handle the gathered information efficiently. This system should integrate all information inputs, both internal and external. In addition, an international MIS can support managers in their marketing decision-making by providing interlinkage and integration between functional departments or international divisions. However, in the final analysis, every international marketer should keep in mind that an information system is no substitute for sound judgement.

The Web 3.0 age provides the international marketer with a lot of opportunities to utilize the new online technologies to obtain relevant cross-border customer information and make better international marketing decisions.

Case Study 5.1

Teepack Spezialmaschinen GmbH: organizing a global survey of customer satisfaction

Teepack (www.teepack.com) is a specialized manufacturer of tea bag machines for the world's best-known brands of tea and herbs and fruit teas, such as Lipton, Pickwick, Twinings and Lyons/Tetley.

Teepack is a sister company of Teekanne, the leading tea, herb and fruit tea packing company in Germany, which owns the Teefix, Pompadour and Teekanne brands. The Teekanne Group has production and sales subsidiaries in several countries. There are about 1,200 employees in the group with a turnover of €269 million (2017). In Teepack there are 200 employees, who generate a turnover of €24 million (2017). Teepack is the only manufacturer of tea bag machines that also has an ownership relation to a major tea bag brand manufacturer (Teekanne).

The invention of the automatic tea bag-packaging machine by Teepack in 1949 revolutionized

the tea market with the double-chamber tea bag. It meant that production volumes could be increased dramatically. Today, the latest generation of these machines is capable of production speeds of almost 420 tea bags per minute, i.e. some 4.5 billion a year.

The tea bag produced by Teepack machines has the highest sales of any double-chamber tea bag in the world. Important benefits are that it has considerably larger space between the two bag chambers and offers maximum tea bag stability and durability without adding glue or heat-sealing.

The popularity of this practical tea bag has continued to grow. For example, in Germany, 80 per cent of tea sales are in double-chamber tea bags; in the UK, the figure is about 90 per cent and in Europe, if you omit the UK, the figure is close to 90 per cent.

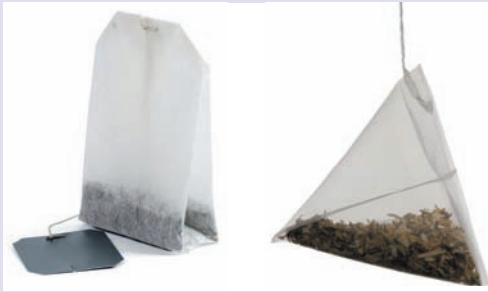
Even in the former UK colony, Australia, the double-chamber tea bag has almost convinced consumers. 'Down under', sales of UK tea bags and the double-chamber tea bag are more or less equal. The tea bag machine market is expected to grow at a CAGR of 5 per cent until 2025.

In the tea bag packaging industry, the demand for varieties of black, herbal, green and fruit infusions is getting stronger and the competition is quite fierce as well. The packaging not only preserves and protects the product within the tea bag but also communicates the brand's values and contributes to the sales process. Sustainability and the tendency to



Headquarters of Teekanne GmbH & Co. KG, Düsseldorf, Germany

Source: DPA Picture Alliance/Alamy Stock Photo.



The traditional double-chamber tea bag versus the new pyramid tea bag format

Source: Sspopov/Shutterstock and Ktv144/Shutterstock.

minimize the use of packaging materials is a major concern in the tea bag packaging industry.

New formats of tea bags are also coming up. The 'pyramid tea bag' format is the latest development when it comes to convenient tea making, especially in connection with speciality tea. For example, in Australia the pyramid tea bag is moving into the mainstream with the larger brands, including Lipton and Twinings. Fuso International, a leading Japanese tea bag machine manufacturer is a specialist in pyramid tea bag manufacturing, which is predominantly used in Asia-Pacific region.

Since 1950, Teepack GmbH has been the number one producer of double-chamber tea bag-packaging machines in the world and has sold more than 2,200 of its 'Constanta' machine. Thanks to Teepack's packaging machines, Lipton is the leader of the international tea market. Already by 1957,

Teepack had sold more than 100 tea bag-packaging machines to the US market.

Technical innovation resulted in Teepack engineers developing a new, even more efficient machine – the 'Perfecta'. Since 1990, more than 300 Perfecta machines have been sold worldwide.

In 2017, Teepack had a market share of about 65 per cent of the global double-chamber tea bag machine market. Their product range includes more than 200 machines.

Questions

Please visit www.teepack.com before you answer the following questions:

1. How would you forecast worldwide demand for tea bag machines?
2. How can Teepack and Teekanne use their relationship to each other with regard to collecting relevant market research data for both companies?
3. Argue the case for the market analysis method you would choose if you had to evaluate the competitiveness of Teepack Spezialmaschinen on the global tea bag-packaging machine market.
4. In order to achieve better customer feedback, the top management of Teepack is interested in learning how to measure customer satisfaction. Propose a questionnaire design that contains some of the themes it would be relevant to include in the questionnaire.

Sources: based on www.teepack.com and other public sources.

Case Study 5.2

LEGO Friends: one of the world's largest toy manufacturers moves into the girls' domain

LEGO (www.lego.com) is now the second largest toy-maker globally after Mattel, with total revenues in 2017 of DKK 35.0 billion (€4.7 billion) and DKK 7.8 billion (€1.1 billion) in net profit. Its main category presence is in construction toys, where LEGO holds the leading company share in the vast majority of countries.

While the majority of LEGO products fall within the construction toy category, the company maintains a diverse product portfolio, with a mix of licensed and non-licensed properties, and different toys. LEGO continues to experiment with the brick toys concept,

The product range is designed to appeal to all age groups. LEGO maintains a strong relationship with licence owners such as Disney and LucasArts, and uses many licences on its products.

In general the majority of toy production is outsourced to China. However, LEGO has retained a large part of production capabilities in-house rather than outsourcing to the Far East, focusing on product quality and innovation rather than price. This strategy has paid off, with customers proving that they are willing to pay a price premium as long as the product quality is perceived as high.

Many traditional toy makers are having a tough time as competition intensifies from digital games. Aging populations in Europe present another big

challenge, shrinking the market for toys. But LEGO, owned by Denmark's richest family, is expecting continued sales growth in the coming years.

Demand for its Lego City and Lego Star Wars product lines continues. In 2014 LEGO sales were lifted substantially by the success of *The Lego Movie*. Not only did LEGO make a specific line of toys based on the movie, there was also a 'halo effect' from the media attention, which helped sales.

Part of LEGO's long-term strategy is to turn east and cash in on the growth of the Asian toy market. LEGO sales in China rose 50 per cent year-on-year, after a similar expansion in 2013. In April 2014, LEGO laid the foundations for its first Chinese factory, due to start manufacturing this year and reach full-scale production in 2017.

LEGO enters the girls' segment with LEGO Friends (<http://friends.lego.com>)

The main target of LEGO products is the 5–12-year-old age group, but LEGO has a diversified range of products and licences to keep its brand appeal high across various age groups. For example, as part of its Duplo range, LEGO has the Winnie the Pooh licence from Disney that is tailored to the pre-school age range. As children grow older, other licences become more popular. LEGO has Pirates of the Caribbean, for example, which is especially popular among 5–12-year-olds. For older age groups, LEGO offers the Technic range, among others, aimed more at 12–16-year-olds.

LEGO products do not have a firm gender distinction in the same way as dolls or action figures, but its main product lines appeal mostly to boys. Until the launch of LEGO Friends 90 per cent of LEGO's end-customers were boys and only 10 per cent were girls. This was the main trigger for the LEGO management's decision to launch LEGO Friends, which was designed to appeal primarily to girls.

Introduced in January 2012, the theme includes unique 'mini-doll' figures, which are about the same size as the traditional minifigures but are more detailed and realistic. The sets include pieces in pink and purple colour schemes and depict scenes from suburban life set in the fictional town of Heartlake City.



Example of a LEGO Friends product

Source: © The LEGO Group.