The Effects of Globalization on Marketing

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Abstract: Globalization is certainly a widely debated topic nowadays. To the large expansion of the concept contributed the multitude of perspectives which can be addressed on the topic. This paper focuses on the economic perspective on globalization, looking to explain how the process of globalization has influenced the strategies related to the marketing mix, and also the design and the use of specific tools of marketing research. Moreover, by analyzing a series of practical examples, the paper seeks to provide some answers to the dilemma of internationalization versus globalization in marketing activities.

Keywords: Globalization, Internationalization, Markets, Marketing mix, Marketing strategies, Marketing research

1. INTRODUCTION

Globalization itself is older than 5,000 years [1], but it was much accelerated lately, especially after the collapse of the USSR and the fall of the "iron curtain". The term "globalization" appeared somewhere in the early '60s, when it was initiated by a Canadian specialist in mass media theory and was first introduced in the dictionary in 1961, although the verb "to globalize" was mentioned for the first time in the Merriam Webster dictionary in 1944. The term quickly became one of the most fashionable words of the time, and it is now used by politicians, businessmen, artists, and union leaders, experts in environmental protection, sociologists and economists.

Besides, globalization is considered an umbrella term that has many dimensions (www.globalpolicy.org):

- The economic dimension: related to trade, money, corporations, banks, capital, etc.;
- The political dimension: refers to the science, government, wars, peace, IGOs, NGOs and political regimes;
- The sociologic dimension: in respect to the communities, conflicts between them, social classes, nations, international agreements, etc.;
- The psychological dimension: is considering individuals, subjects and objects of global action;
- The anthropological dimension: it analyzes the overlap cultures, their adaption, the discordances between them, cultural mergers, etc.;
- The communicational dimension: it is related to dissemination of information and knowledge, Internet use, and so on;
- The geographic dimension: it refers to all aspects, provided that they can be anchored in space.

Generally considered a process that increases the interdependence socially, politically, culturally and economically, [2] globalization has resulted in significant changes in the business environment. Among these changes, the emergence of new opportunities and threats, are considered to be the most important. New opportunities occurring in the context of business globalization refer to the increasing markets potential; increasing number of potential clients; increase of the investment potential and of resources availability, while threats focus on increase of competitive intensity and increase of the difficulty in forecasting the business environment as a result of increase in its complexity and dynamism.

Since marketing is a highly dynamic domain and strongly connected to the dynamic world, it could not remain unaffected by the globalization process. Although not all companies are interested in expanding to the global market, however, in one way or another, they are all affected by the globalization process. This is because, on the one hand, they are in competition with companies that extend beyond national markets and, on the other hand (to a lesser extent, however) the consumers’ demand in a market can migrate to another market.

This paper focuses on the economic perspective upon globalization, looking to explain the way in which the process of globalization has influenced both the elaboration of marketing mix strategies as well as the design and the use of specific tools of marketing research.

2. THE CONCEPTUAL APPROACH OF GLOBALIZATION IN THE MARKETING CONTEXT

2.1. Definitions

Given the numerous dimensions of globalization discussed above, it is absolutely normal to have many points of view regarding the definition of this concept.

Economic globalization means that global trade and financial markets become increasingly integrated. According to Friedman [3], globalization is the inexorable integration of markets, nations and Member States but also the integration of technologies on a greater scale, enabling individuals, corporations and nations to reach, faster, deeper and cheaper than prior to the spread of capitalist free markets in almost every country in the world. On the other hand, many economists define globalization as a continuous process which reached its historical peak by the end of the 20th century. This process leads to increased production of goods, services, ideas, culture, enhance communication but also lead to increasing global environmental pollution.

According to Firat, globalization is the presence of the same lifestyles, products, consumption patterns and cultural experiences across the globe, across many economically affluent or economically poor countries of the world [4]. Also, Jones (2002) defines globalization as the continuous integration of financial, product, and labor markets across national boundaries [5]. Graham (1999) highlights that globalization is accepted as the set of activities related with...
the international / direct foreign investing firms which integrates its activities across national borders to maximize the profits [6].

In terms of marketing, globalization means the emergence of international markets for consumer goods, thus resulting in the sale of those products by similar publicity campaigns, to people belonging to entirely different cultures.

2.2. Globalization vs Internationalization

Before analyzing the effects of globalization process on marketing activities, one should clearly establish the difference between the concept of “globalization” and the concept of “internationalization”.

Thus, Vignali believes that globalization means developing marketing strategies as though the word is a single entity, marketing standardized products in the same way everywhere [7]. The same author defines internationalization as a process that involves customizing marketing strategies for different regions of the world according to cultural, regional and national differences to serve specific target markets [7]. Internationalization is the process of planning and implementing products and services so that they can easily be adapted to specific local languages and cultures, a process called „localization”. The internationalization process is sometimes called translation or localization enablement. It implies the designing of a product in such a way that it will meet the needs of users in many countries or can be easily adapted to do so. Internationalization might mean, for example, designing a website so that when it is translated from English to Spanish the layout still works although many words in Spanish have more characters and therefore take up more space on the page in Spanish than in English. Products that are internationalized often must be localized to fit the needs of that country’s users. For example, an internationalized software program would need to be localized to display the date as November 14, for use in the United States and as 14 November, for use in England. Internationalization can also refer to the design of an educational curriculum that will enable students to thrive in foreign countries and in their interactions with other cultures.

As regarding the marketing activities, globalization requires standardization of products, prices, distribution channels and promotional campaigns. According to the logic of globalization, companies see the world as a single market, considering that the differences between different markets or market segments are not large enough to justify the adaptation of the marketing mix elements to the requirements of these markets. Instead, internationalization means adapting the marketing mix elements (product, price, place and promotion) to different markets in which the organization operates. In the context of internationalization, it is widely used market segmentation, and marketing strategies are tailored to the cultural, regional and national peculiarities of the segments identified. Once the market segmentation process takes place, marketers start grouping regions or countries according to different criteria, such as cultural, social, political, or economic and technologic, and develop marketing strategies tailored to these groups of countries or regions.

Although the limits between the two concepts should be clearly established, they should not be viewed as opposing concepts. On the contrary, in the literature can be identified several points of view that support the idea that organizations should use both globalization and internationalization elements in designing their strategies. For example, Taylor (1991) believes that competitive advantage can be obtained by combining elements of globalization and internationalization. [8]

3. GLOBALIZATION CONSEQUENCES IN MARKETING

Regarding the marketing activities of global enterprise, we can see on the one hand, the unprecedented intensification of competition and extremely fast, numerous and intense changes in all areas, and on the other hand, the emergence of the so-called "global product" (such as Coca-Cola, Texaco, Mercedes, Toyota, Microsoft and McDonald's). Marketing departments of nowadays companies have to face fierce competition on a global scale, which makes their marketing activities to be carried out in a very dynamic global environment, resulting in frequent revisions of marketing programmes. In this respect, P. Drucker, the famous American management guru, believes that a business success formula for a certain period will no longer work in the next period and may even lead to bankruptcy [9]. Currently, many companies have extended their massive sales, supply and production operations in the global market, managing to create global structures that allow them to rapidly transmit information and ideas from the other corner of the world. Businesses face a much broader marketing environment and a more complex one than before. For example, in terms of global competition, European and American companies have to face, even in their home countries, major Asian producers (e.g. Sony, Toyota, Samsung), which uses an aggressive and highly competitive marketing policy (according to the concept of "total competition").

3.1. Benefits of the Marketing Globalization

It is undeniable that globalization has generated a number of benefits for marketing activities in organizations. The most important benefits generated by a globalization strategy (Buzzell, 1968; Levitt, 1983; Quelech and Hoff, 1986; Boddevyn, Soehl and Picard, 1986; Jain, 1989) are [10], [11], [12], [13], [14]:

• The possibility of generating important economies of scale by standardizing operational marketing and in particular packaging and communication;
• The speed to market because globalised firms centrally plan and organize new product introductions worldwide within less than one year;
• The advantage of creating a unique worldwide brand name and brand identity for the global company. The most important effect of this advantage is the significant reduction of communication costs by targeting the same segments of consumers on all markets, using the same concept of product;
• The possibility of market expansion, which could lead to a significant increase in sales volume;
• Access to new resources and sources of financing. Nevertheless globalization has brought many benefits not only for organizations but also for consumers and for the countries as a whole. The most important of these benefits are presented in Table 1, below.

Table 1
Benefits of Globalization

<table>
<thead>
<tr>
<th>For Companies</th>
<th>For Consumers</th>
<th>For Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economies of scale and reduced costs</td>
<td>Lower prices</td>
<td>Improved standards of living in both developed and developing countries</td>
</tr>
<tr>
<td>The superior speed to market</td>
<td>Wider choice</td>
<td>Increased democracy – fall of communism</td>
</tr>
<tr>
<td>Unique worldwide brand name and brand identity</td>
<td>Improved quality</td>
<td></td>
</tr>
<tr>
<td>Access to mass markets (increased sales)</td>
<td></td>
<td></td>
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<tr>
<td>Access to resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to finance and tax savings</td>
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</tbody>
</table>

(Source: processing according to Brooks, Weatherston and Wilkinson) [15]

3.2. Drawbacks of Marketing Globalization

In addition to the benefits to organizations discussed above, there are some less favorable effects of globalization (Lambin and Schuiling) [16]. They are:

• The negative effect of centralization, that can slow down some marketing decisions (very slow reactions to local competitors actions, or to specific local consumer problems);
• The insensitivity to local markets and lower responsiveness because marketing managers from company headquarters have fewer contacts with local markets;
• The danger of developing too standardized product that are not in line with some consumer needs;
• High risk management because a portfolio of brands constituted of a majority of global brands is more vulnerable (a problem arising in a local country on a global brand is rapidly made public and can be communicated to the whole world within a few hours or even minutes).

From a consumer perspective, the greatest disadvantage of globalization is represented by standardization, which could negatively affect the degree of customer satisfaction. For countries, the negative effects of globalization refer mainly to the loss of identity and national culture.

4. THE INFLUENCE OF GLOBALIZATION UPON THE MARKETING MIX

4.1. Product strategy

With regard to the product strategy of global companies it should be answered to two basic questions. Thus, in the case of products intended to be sold on several markets, first it should be specified where the product will be made. As strategic alternatives, the company may choose between making the product on a single market, on several markets, where the product is being sold or inside each market where the product is being commercialized.

The second key question is related to the identification to what extent the product will be adapted to the needs of each market on which it will be commercialized. The company has three strategic alternatives: the product can be adapted for each market (customizing according to each market clients’ needs and wants), the product can be adapted for a group of markets or the company may choose a unique product (standardized), identical for all target markets. Product standardization has the advantage of a significant cost reduction, but the adaptation of the product to the local public demands may lead to a significant increase of the customer satisfaction. Yip (2003, p. 95) notes that “in many situations standardization can actually increase preference” [17]. Consistent with this notion, Steenkamp, Batra and Alden (2003) find that consumers’ preferences for globally branded products are positively related to the degree to which they believe that these products are sold around the world rather than being available only on a local basis [18]. Consumers often equate consumption of global products with modernity, progress, consumerism, efficiency, and a promise of abundance. The adaptation to the local needs can be justified by the company’s wish to better satisfy the tastes and preferences of its consumers from a particular region, but also by the necessity to better answer to the legislative demands, religious beliefs, or other specific habits from a particular region or country.

For example, Procter&Gamble Company uses common brands in almost all the countries in which it acts. It uses the AP-PU strategy (product made for certain markets, unique for all the markets). The company’s portfolio is about approximately 181 brands commercialized in the world and more than 90% are commercialized in countries from at least 2 continents. Out of the most important brands in Romania, half of them are being commercialized in countries from 6 continents.

Another effect of globalization on the product policy was that companies were determined to achieve some of their products through global assembly lines. For example, the Boeing 767 passengers plane, was designed in Seattle (USA), where were also made the wings and cockpit; the rear of aircraft and some parts of the wings components were manufactured in Italy, the back in Canada, windshields and engines in the UK, and the fuselage and components that incorporate leading technology were made in Japan.

4.2. Price strategy

Although, as stated, standardization leads to significant savings in terms of costs, most companies operating in the context of global markets have understood that success comes, in the first place, from the ability to adapt to the needs of a specific environment. Thus, many
companies use different price strategies for different country. An important task of the marketing department employees is to choose the right price strategy for each market. Vignali et al. (1999) underline the fact that there is a very rigorous process for determining the price for each market, a process that involves six steps: selecting the price objective; determining demand; estimating costs; analyzing competitors’ costs, prices and offers; selecting a price method and selecting final price [19].

Global marketing pricing strategy must take into account all categories of competitors. In many cases, small local competitors may provide the most remarkable and difficult challenge. Because of lower operating costs and low-cost local sources, they can undercut foreign competitors on price and respond rapidly to market changes.

In many cases, firms are developing lower-priced versions of successful brands to meet increased consumer price sensitivity due to heightened economic uncertainty. Lower prices strategy could help expand the market. For example, Nokia has been focusing on developing inexpensive functional mobile phones for low-income consumers in emerging markets.

In respect to the price policy, companies should choose between a standard price strategy and a different price strategy. The decision can be a difficult one, given that each one of the two strategies can bring benefits. Thus, price standardization determines cost savings while price differentiation (different pricing strategies for different countries) may lead to increasing local market share by sales maximization.

Product life cycle is another important factor in establishing the product price. Since the same product may be in different stages of its life cycle on different markets, it can be sold at different prices on different markets, according to it life cycle stage. For example, in Japan, a Big Mac is more expensive than in the USA, as the product is nowadays in its early maturity stage, while in the USA it has entered the beginning of the decline stage of the product life cycle.

4.3. Distribution strategy

Distribution strategies may follow similar principles (e.g., using department stores or specialty stores versus wholly owned retail outlets) but some modification of this strategy may be required in certain countries because of the local infrastructure. Understanding the limitations of the marketing infrastructure and use of creative strategies to compensate for these limitations are required (e.g.: the Shakti system in rural India).

Distribution strategies should be tailored to specific customer and market characteristics. Distribution strategies tailored to the distinctive characteristics and conditions in each market needs to take place locally, using local talent and resources. Local management is in the best position to identify local suppliers, distributors and service organizations.

Distribution strategies should take into consideration the cultural particularities of each country / region (e.g. in India, attitudes toward the role and status of women differ, affecting the use of marketing appeals to women and creating barriers to the employment of women as distribution agents or in personal selling roles).

4.4. Promotional strategy

Promotional strategies must be developed, to strike into a sense of national identity and reflect, to be attractive to local consumers. Increasingly, use of local sports or media personalities, such as Chinese athlete Yao Ming and Indian cricketing personalities, such as Sachin Tendulkar, Amitabh Bachchan, and Aamir Khan, to endorse products is replacing that of Western personalities and role models.

In some cases, a focus on, for example, family values in China may be desirable [20].

When feasible, global advertising and promotional strategies can be developed with minimal local adjustment.

In global promotional strategy there is an increasing need to embrace changes in technology and the emergence of new media (such Internet, mobile phones and social networking sites) and increasingly used techniques (viral marketing and greater interaction with consumers) to reach target audiences.

The principal factors influencing the elaboration of the promotional mix in global marketing are:

- Cultural differences;
- Consumer's attitudes towards local brands / national brands / global brands (e.g.: because of the poor quality of products during the communist regime, in Russia and Romania, national brands have a negative impact upon the buyers, hence foreign brands are considered to have higher quality products);
- Consumer's attitudes towards firm products;
- Ethnic, moral and religious considerations in the local environment;
- Target public’s attitude towards different promotional instruments.

In developing the promotional mix in the global markets context, marketers should have in mind the particular elements that each communication means has in the context of the country or the market where it will be used. Thus, in using the advertising, marketers must bear in mind the imposed rules and regulations in sending the advertising messages (e.g.: in China, TV commercials are allowed only between 2 successive programmes, in Romania commercials are allowed for only 8 min / hour at the Public TV, and 12 min / hour at the Private TV’s). The use of Public Relations is influenced by the clients’ attitude towards direct interaction with the human factor (e.g.: the Brits are more reluctant, the Chinese prefer this kind of interactions). As regards the sponsoring, as communication means used for improving the company’s image, companies operating in the context of global markets have to choose between sponsor events on international level or at local level. Sponsorship of important international events leads to a global increase of their reputation, while the sponsorship of local events grows the feeling of belonging to the community. Sales promotions are the most important element of the communication mix, especially in the emerging economic countries.

Once the means of communication is chosen, a greater attention must be paid to the differences that exist globally, between the communication media from the aspect of their...
impact, their efficiency, but also of other objective or subjective limitations. Thus, in some countries (India), the lack of print paper leads to a sporadic newspapers print while the commercial messages while printed in the media is being used on a high level in Kuwait (91%), Norway and Sweden (77%). Radio is favored in Trinidad-Tobago, Nepal, Honduras while TV is preferred in other countries, such as Peru (84%), Mexico (73%), and Venezuela (67%). Outdoor commercials are liked well in Bolivia, Japan, and South Korea, while in India and Argentina, where cinema is still very popular, cinema commercials are very often used.

5. THE INFLUENCE OF GLOBALIZATION ON THE MARKETING RESEARCH PROCESS

As the markets become more global in acting, marketing research is more useful for marketing managers. This is because managers with experience and insights into a country or region are deprived of these skills when they find themselves in an unfamiliar and foreign context. Studies showed that the lack or failure of marketing research is a critical factor determining failure of global marketing activities. For this reason we recommend managers who want to engage in international operations not to neglect the role of marketing research, thus avoiding possible expensive failures. Traditionally, marketing research has focused on mature markets (e.g. North America, Europe) and not on developing economies because of many barriers (e.g., cultural, legal, operational) [21]. But the process of globalization has favored the diffusion of the marketing research in these emerging economies too.

The process of business globalization has lead to a series of consequences upon the process of marketing research as well. Thus, the expansion of business firms abroad led to the opening of new markets in which marketing studies are needed (e.g.: China, with a growth rate of about 20% per year). Another effect upon the marketing research has in view the existence of significant differences between the various markets in respect to different types of studies conducted on those markets (e.g.: B2B studies have 10% market share in Western European countries and 25-30% market share in China). Globalization has also determined a growth of the need to adapt the organization to the various research methods required to achieve their specific global perspective, and the need to take into account country-specific when designing a study. In order to perform studies that can offer the necessary information in the global context, it is highly recommended to take into account differences in working styles of different countries (e.g.: American moderators of focus groups have a more aggressive moderation style, get more information, detailing themes) and to take also into consideration the cultural differences when selecting research methods and tools (e.g.: Chinese respondents, especially businessmen, prefer face to face interviews instead of group interviews). Also, the choice of the test markets to test new products should be made taking into account the specificity of each market (e.g.: Danes take the fastest new products, whatever their nature while South Korea is the country most suitable for testing high-tech products).

In the context of studies conducted on different markets or market segments, group interview (focus group) is one of the most commonly used qualitative research techniques. The organization of a focus group, from global perspective, imposes specific stages and taking into account of certain peculiarities determined by the different conditions in which these focus groups will take place in different locations. Organizing such a focus group begins with creating a research template which clearly indicates research topics, but allows each interview moderator in each country to adapt to the cultural and individual style. As a rule, research should be initiated always in the home country of the company. Then, records of interviews in the home country must be sent to moderators of other countries (the video format should be tailored to each country and require an interpreter to watch the film with the moderator). The moderator from the home country must hold videoconferences with moderators in other countries and, if budget allows, the moderator from the country of origin should travel to other countries to manage local data collection process.

The actual organization of a focus group in each country should respond to two basic requirements: the need to ensure obtaining the information needed by managers in the decisional process and taking into account the peculiarities existing in each country. Some of these peculiarities are presented in the table 2 below.

### Table 2

<table>
<thead>
<tr>
<th>Country</th>
<th>Recommendations</th>
</tr>
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</table>
| Japan    | • If you want to organize a B2B focus group, it is possible to schedule just one interview each night during the week time;  
• Instead, Japanese professionals are willing to come in and do groups or interviews on the weekend. |
| Germany  | • Has, probably, the most restrictive privacy laws in the word;  
• The possibilities to get names from e-mail lists, publication lists or other databases can be severely constrained. |
| France   | • Is famous for strikes, especially among the transportation workers, so pay attention to transport issues. |
| England  | • There is a wide mix of educational levels among businesspeople;  
• Don’t require a degree in the screener unless if is very important. |
| Scandinavia | • Has the best technology infrastructure and the most educated and fluent English-speaking professionals in Europe. |
6. CONCLUSIONS

Unfortunately, there are numerous examples in which firms have implemented marketing programmes that were successful on the national markets but that have been fiascos on the foreign markets. These are due to the fact that, so far, not all consumers are willing to accept products and marketing strategies that will "erase" their "national" identity and make it a "world wide" one [23]. Companies adopting these marketing strategies must be very careful because the market may react violently. In this case, violence will not take the form of physical manifestation "against globalization", but it will manifest in a way which can be as tough as the other: the refuse to buy, for a long time (if not forever), a product having a negative image, nationally speaking.

Business expansion on markets outside the national boundaries makes the development and implementation of one single marketing strategy quite impossible. Nowadays, in order to be successful on all markets, marketing strategies must be managed locally. Global firms should establish direction at headquarters and manage operations in multiple, highly diverse markets spread out across the world. In the case of multinationals, with branches on several continents, branches' marketing strategies have little in common and must be managed at the local level in order to be successful. In order to gain competitive advantage in global markets, companies must combine internationalization and globalization elements. Hence, the marketing mix of many companies is, actually, rather "glocal", meaning global and local in the same time. Managing a global marketing strategy begins from a localized version that later is integrated into a globally managed one. Most companies apply, for all marketing mix elements, the Ohmae saying (1989): "think global, act local" [24].

REFERENCES


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