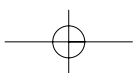
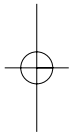
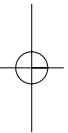
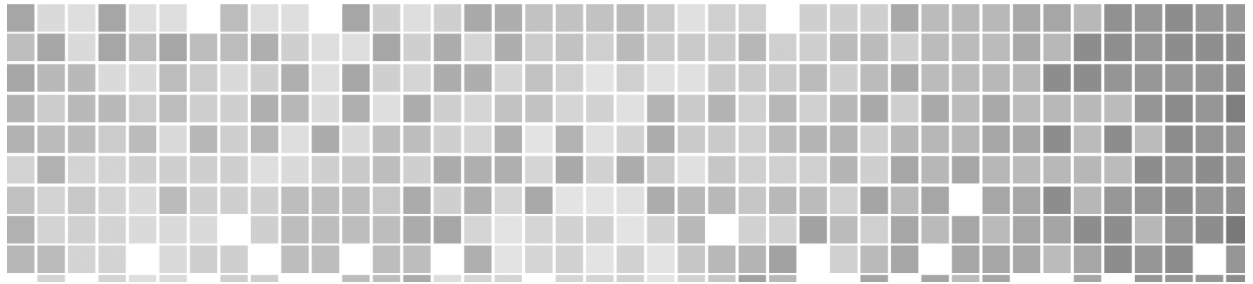
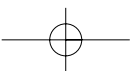
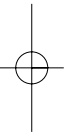
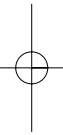
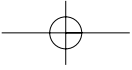


Overview





1

Theoretical Paradigms, Issues, and Debates

Masaaki Kotabe and Kristiaan Helsen

Marketing is essentially a creative corporate activity involving the planning and execution of the conception, pricing, promotion, and distribution of ideas, products, and services in an exchange that not only satisfies customers' current needs but also anticipates and creates their future needs at a profit.¹ Marketing is not only much broader than selling; it also encompasses the entire company's market orientation toward customer satisfaction in a competitive environment. In other words, marketing strategy requires close attention to both customers and competitors. Quite often marketers have focused excessively on satisfying customer needs while ignoring competitors. In the process, competitors have outmaneuvered them in the marketplace with better, less-expensive products. The same logic applies to research in international marketing. Research focus on both customers and competitors is equally important.

Companies generally develop different marketing strategies depending on the degree of experience and the nature of operations in international markets. Companies tend to evolve over time, accumulating international business experience and learning the advantages and

disadvantages associated with complexities of manufacturing and marketing around the world. As a result, many researchers have adopted an evolutionary perspective on internationalization of the company just like the evolution of species over time. In the following pages we will formally define and explain five stages that characterize the evolution of international marketing. Of course, not all companies go through the complete evolution from a purely domestic marketing stage to a purely global marketing stage. An actual evolution depends also on the economic, cultural, political, and legal environments of various national markets in which the company operates, as well as on the nature of the company's offerings. A key point here is that many companies are constantly under competitive pressure to move forward both reactively (responding to the changes in the market and competitive environments) and proactively (anticipating the change).

Marketing products and services around the world, transcending national and political boundaries, is a fascinating phenomenon. The phenomenon, however, is not entirely new. Products have been traded across borders

throughout recorded civilization, extending back beyond the Silk Road that once connected East with West from Xian to Rome on land and the recently excavated sea-trade route between the Roman Empire and India that existed 2,000 years ago. However, since the end of World War II, the world economy has experienced a spectacular growth rate never witnessed before in human history, largely led by big US companies in the 1950s and 1960s, then by European and Japanese companies in the 1970s and 1980s, and most recently joined by new emerging market firms, such as Lenovo, Mittal Steel, and Cemex. In particular, competition coming recently from the so-called BRIC countries² has given the notion of global competition a touch of extra urgency and significance.

On a political map, country borders are as clear as ever. But on a competitive map, financial, trading, and industrial activities across national boundaries have rendered those political borders increasingly irrelevant. Of all the forces chipping away at those boundaries, perhaps the most important are the emergence of regional trading blocs (e.g., NAFTA, the European Union), technology developments (particularly in the IT area) and the flow of information. Today people can see for themselves what tastes and preferences are like in other countries. For instance, people in India watching CNN and Star TV now know instantaneously what is happening in the rest of the world. A farmer in a remote village in Rajasthan in India might ask the local vendor for Surf (the detergent manufactured by Unilever) because he has seen a commercial on TV. More than 10 million Japanese traveling abroad every year are exposed to larger-size homes and much lower consumer prices abroad. Such information access creates demand that would not have existed before.

The availability and explosion of information technology such as telecommunications has forever changed the nature of global competition. Geographical boundaries and distance have become less of a constraint in designing strategies for the global market.

The other side of the coin is that not only firms that compete internationally, but also those whose primary market is home-based, will be significantly affected by competition from around the world.

We often hear terms such as global markets, global competition, global technology, and global competitiveness. In the past, we heard similar words with ‘international’ or ‘multinational’ instead of global attached to them. What has happened since the 1980s? Are these terms just fashionable concepts of the time without some deep meanings? Or has something inherently changed in our society?

EVOLUTION OF MARKETING ACROSS NATIONAL BOUNDARIES

There are five identifiable stages in the evolution of marketing across national boundaries. Therefore, knowing the dynamics of the evolutionary development of international marketing involvement is important for two reasons. First, it helps in the understanding of how companies learn and acquire international experience and how they use it for gaining competitive advantage over time. This may help an executive to be better prepared for the likely change needed in the company’s marketing strategy. Second, with this knowledge, a company may be able to compete more effectively by predicting its competitors’ likely marketing strategy in advance.

Domestic marketing

The first stage is domestic marketing. Before entry into international markets, many companies focus solely on their domestic market. Their marketing strategy is developed based on information about domestic customer needs and wants, industry trends, economic, technological, and political environments at home. When those companies consider competition,

they essentially look at domestic competition. Today, it is highly conceivable that competition in a company's home market is made up of both domestic competitors and foreign competitors marketing their products in the home market.

Domestic marketers tend to be ethnocentric and pay little attention to changes taking place in the global marketplace, such as changing lifestyles and market segments, emerging competition, and better products that have yet to arrive in their domestic market. Ethnocentrism is defined here as a predisposition of a firm to be predominantly concerned with its worldwide viability and legitimacy only in its home country – that is, where all strategic actions of a company are tailored to domestic responses under similar situations. As a result, they may be vulnerable to the sudden changes forced on them by foreign competition. US automobile and consumer electronics manufacturers suffered from this ethnocentrism in the 1960s and 1970s as a result of their neglect of imminent competition from Japanese low-cost manufacturers.

Export marketing

The second stage is export marketing. Usually, initial export marketing begins with unsolicited orders from foreign customers. When a company receives an order from abroad, it may reluctantly fill it initially, but it gradually learns the benefit of marketing overseas. In general, in the early stage of export marketing involvement, the internationalization process is a consequence of incremental adjustments to the changing conditions of the company and its environment, rather than a result of its deliberate strategy. Such a pattern is due to the consequence of greater uncertainty in international business, higher costs of information, and the lack of technical knowledge about international marketing activities. At this early export marketing stage, exporters tend to engage in indirect exporting by relying on

export management companies or trading companies to handle their export business.

Some companies progress to a more involved stage of internationalization by direct exporting, once three internal conditions are satisfied. First, the management of the company develops favorable expectations of the attractiveness of exporting based on its earlier experience. Second, the company has access to key resources necessary for undertaking additional export-related tasks. Such availability of physical, financial, and managerial resources is closely associated with firm size. Particularly, small companies may have few trained managers and little time for long-term planning as they are preoccupied with day-to-day operational problems, and consequently find it difficult to become involved in exporting. Third, management is willing to commit adequate resources to export activities. The company's long-term commitment to export marketing depends on how successful management is in overcoming various barriers encountered in international marketing activities. An experienced export marketer has to deal with difficulties in maintaining and expanding export involvement. These difficulties include import/export restrictions, cost and availability of shipping, exchange rate fluctuations, collection of money, and development of distribution channels, among others. Overall, favorable experience appears to be a key component in getting companies involved in managing exports directly without relying on specialized outside export handlers. To a large degree an appropriate measure of favorableness for many companies consists of profits. An increase in profits due to a certain activity is likely to increase the company's interest in such activity.

External pressures also encourage companies into export marketing activities. Saturated domestic markets may make it difficult for a company to maintain sales volume in an increasingly competitive domestic market; it will become much more serious when foreign competitors begin marketing products in the domestic market.

Export marketers begin paying attention to technological and other changes in the global marketplace that domestic marketers tend to ignore. However, export marketers still tend to take an ethnocentric approach to foreign markets as being an extension of their domestic market and export products developed primarily for home country customers with limited adaptation to foreign customers' needs.

International marketing

Once export marketing becomes an integral part of the company's marketing activity, it will begin to seek new directions for growth and expansion. This stage is called international marketing. A unique feature of international marketing is its polycentric orientation with emphasis on product and promotional adaptation in foreign markets, whenever necessary. Polycentric orientation refers to a predisposition of a firm to the existence of significant local cultural differences across markets, necessitating the operation in each country being viewed independently (i.e., all strategic decisions are thus tailored to suit the cultures of the concerned country). As the company's market share in a number of countries reaches a certain point, it becomes important for the company to defend its position through local competition. Because of local competitors' proximity to, and familiarity with, local customers, they tend to have an inherent 'insider' advantage over foreign competition. To strengthen its competitive position, the international marketer could adapt its strategy, if necessary, to meet the needs and wants of local customers in two alternative ways. First, the company may allocate a certain portion of its manufacturing capacity to its export business. Second, because of transportation costs, tariffs, and other regulations, and availability of human and capital resources in the foreign markets, the company may even begin manufacturing locally.

If international marketing is taken to the extreme, a company may establish an independent foreign subsidiary in each and every

foreign market and have each of the subsidiaries operate independently of each other without any measurable headquarters control. This special case of international marketing is known as multidomestic marketing. Product development, manufacturing, and marketing are all executed by each subsidiary for its own local market. As a result, different product lines, product positioning, and pricing may be observed across those subsidiaries. Few economies of scale benefits can be obtained. However, multidomestic marketing is useful when customer needs are so different across different national markets that no common product or promotional strategy can be developed.

Multinational marketing

In this stage the company markets its products in many countries around the world. Management of the company comes to realize the benefit of economies of scale in product development, manufacturing, and marketing by consolidating some of its activities on a regional basis. This regiocentric approach suggests that product planning may be standardized within a region (e.g., a group of contiguous and similar countries), such as Western Europe, but not across regions. Products may be manufactured regionally as well. Similarly, advertising, promotional, and distribution costs may also be shared by subsidiaries in the region. In order for the company to develop its regional image in the marketplace, it may develop and acquire new regional brands to increase up its regional operations. Even when having difficulty occupying a market, a firm may think out of the box regarding an alliance or a partnership that can lead it into the market.

Global marketing

The international (country-by-country) or multinational (region-by-region) orientation, while enabling the consolidation of operations

within countries or regions, tends to result in market fragmentation worldwide, nonetheless. Operational fragmentation leads to higher costs. As many Japanese companies entered the world markets as low-cost manufacturers of reliable products in the 1970s, well-established US and European multinational companies were made acutely aware of the vulnerability of being high-cost manufacturers. Levitt (1983), an ardent globalization proponent, argues:

Gone are accustomed differences in national or regional preference. Gone are the days when a company could sell last year's models – or lesser versions of advanced products – in the less developed world The multinational and the global corporation are not the same thing. The multinational corporation operates in a number of countries, and adjusts its products and practices in each – at high relative costs. The global corporation operates with resolute constancy – at low relative cost – as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere.

Global marketing refers to marketing activities by companies that emphasize the following:

- 1 *Standardization efforts* – standardizing marketing programs across different countries particularly with respect to product offering, promotional mix, price, and channel structure. Such efforts increase opportunities for the transfer of products, brands, and other ideas across subsidiaries and help address the emergence of global customers.
- 2 *Coordination across markets* – reducing cost inefficiencies and duplication of efforts among their national and regional subsidiaries.
- 3 *Global Integration* – participating in many major world markets to gain competitive leverage and effective integration of the firm's competitive campaigns across these markets by being able to subsidize operations in some markets with resources generated in others and responding to competitive attacks in one market by counterattacking in others (Zou and Cavusgil 2002).

Although Levitt's view is somewhat extreme, many researchers agree that global marketing does not necessarily mean standardization of products, promotion, pricing, and distribution worldwide, but rather it is a company's

proactive willingness to adopt a global perspective instead of country-by-country or region-by-region perspective in developing a marketing strategy. Clearly, not all companies adopt global marketing. Yet, an increasing number of companies are proactively trying to find commonalities in their marketing strategy among national subsidiaries.

Although this evolutionary perspective holds true, it by no means suggests that all companies develop their marketing strategies along a unidirectional evolutionary trajectory. As the reader can see below, marketing strategies reflect the climate of the time as well as executives' belief systems. In this book, the term international marketing, unless otherwise specified, will refer to marketing across national boundaries, whether the firm's orientation is multidomestic or global.

THE CLIMATE OF THE TIME

International marketing has undergone fundamental changes in the last two decades. Global political and economic liberalization trends and the explosive growth of information technology have created tremendous business opportunities and challenges for international marketers. The opening up of new markets in Eastern Europe and a tendency toward economic liberalization in the emerging markets around the world have spawned new business opportunities. In particular, China and India, two leading emerging economic powers, stand out in the crowd with an annual growth rate of 7–10 per cent and 4–7 per cent, respectively, since the dawn of the twenty-first century. Similarly, the emergence of regional trading blocs in the form of the EU (European Union), the NAFTA (North American Free Trade Agreement), and MERCOSUR (Mercado Común del Sur) have necessitated reorganization in the production and marketing strategies of firms. Advances in information technology, including obviously the Internet, have

further added immediacy and permeability to the effect of these developments. The changes in strategy include serving different markets from one production source or the shifting of production facilities for greater efficiency.

At the same time, the Asian financial crisis in the latter half of the 1990s also provided a significant reality check on the wisdom of globally integrated strategy development. Wildly fluctuating exchange rates make it difficult for multinational companies to manage globally integrated but geographically scattered activities. Indeed, many companies are scurrying to speed steps toward making their procurement, manufacturing, and marketing operations in Asian countries more local. Japanese companies seem to be one step ahead of US and European competitors in this localization strategy. Since the yen's sharp appreciation in the mid-1980s, Japanese manufacturers have moved to build an international production system less vulnerable to currency fluctuations by investing in local procurement and local marketing (Kotabe 2002).

TWO COUNTERACTING FORCES AT WORK

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' (1970s), 'globalization vs. localization' (1980s), 'global integration vs. local responsiveness' (1990s and beyond).

During the 1960s and 1970s, being aware of economic and cultural diversities around the world, marketers in general believed that adapting marketing activities to local markets was of utmost importance. In the 1980s and 1990s, however, being swayed by the seemingly converging and intertwined market economies around the world, marketers gave a high priority to developing globally integrated marketing strategy in pursuit of

economic efficiency. Most recently, we have come a full circle to realize that it is not an either/or issue (e.g., Ghemawat, 2007). Terms may have changed, but the quintessence of the strategic dilemma that multinational companies face today has not changed and will probably remain unchanged for years to come.

Markets are neither as homogeneous nor as dominated by the traditional Triad Powers of the world – the United States, Western Europe, and Japan – as believed in the 1980s–1990s. The dawn of this new century has already shown that emerging economies are increasingly important drivers of global economic development. As a result, forward-looking, proactive firms seriously have to possess the willingness and develop the ability to pursue the benefit of operational integration for economic efficiency and sensitivity to local markets simultaneously.

RESEARCH IN INTERNATIONAL MARKETING

In a way, the climate of the time is reflected in the research streams in international marketing. The market trends mentioned earlier have imparted added importance to research in international marketing. Past reviews of international marketing research (Douglas and Craig 1992; Aulakh and Kotabe 1993; Pieters *et al.* 1999; Kotabe, 2003) highlighted deficiencies of the discipline in two aspects – that international marketing research was fragmentary and exploratory without a strong theoretical framework, and that it lacked the methodological rigor compared to most other areas of academic marketing research. One symptom of the latter phenomenon is the fairly small number of publications of international marketing related research in two of marketing's most prestigious journals: the *Journal of Marketing* and the *Journal of Marketing Research* (see Table 1.1). While the first deficiency in international marketing research was attributed to the opportunistic nature (Albaum and Peterson 1984) and lack of synthesis

Table 1.1 Number of articles labeled as 'International Marketing' in the *Journal of Marketing* and the *Journal of Marketing Research**

Year	Number of articles in <i>Journal of Marketing</i>	Year	Number of Articles in <i>Journal of Marketing Research</i>
1991–95	14 (230)	1992–96	0
1996	0 (77)	1997	0
1997	3 (72)	1998	0
1998	3 (89)	1999	1
1999	5 (137)	2000	1
2000	1 (78)	2001	1
2001	3 (81)	2002	1
2002	1 (90)	2003	0
2003	1 (91)	2004	0
2004	1 (119)	2005	0
2005	0 (140)	2006	0
2006	2 (126)	2007	0
2007	2 (147)		

*As classified in each volume's final issue; the number between parentheses is the total number of articles classified (some articles have multiple classifications).

(Bradley 1987) of international marketing research, the latter was attributed to the inherent difficulties encountered in research involving more than one country (Aulakh and Kotabe 1993). Difficulties stemmed from financial constraints in data collection, problems of data comparability in cross-cultural research and the implementation of methodological techniques in foreign markets. There have been various attempts to address the problems encountered in international marketing research (e.g., Craig and Douglas 2000).

Our objective is to organize and highlight the development of various research streams in international marketing. This handbook, consisting of 26 chapters written by authorities in their respective areas, promises to make a mark in the state-of-the-art development of the research streams in international marketing.

First, this handbook provides a fairly broad timeframe for the reader to probe any significant changes in the field, both in terms of the substance of research and methodologies used. Second, it helps the reader see to what extent these two fundamental concerns raised in the 1980s have been addressed. Third, it addresses new and/or neglected areas of research that will gain in importance.

An overview

The micro-context of research in international marketing constitutes the bulk of research conducted in the field. Although there is no single best way to arrange various topics, they are arranged as follows. Section 1 surveys research in key market environmental factors that affect international marketing strategy; namely, globalization issues, political and institutional environment, and legal environment. Section 2 examines research in consumer behavior as it represents the initial interfaces between firms and customers. In particular, the effect of country of origin in consumer behavior has received a significant amount of research attention over the years. Section 3 details research in various modes of entry and exit strategies and their performance implications.

Section 4 addresses various issues related to global competitive strategy, encompassing research issues related to competitive strategy, marketing standardization, and global sourcing. These chapters provide theoretical, managerial, and empirical insights into the workings of global marketing strategy. Marketing strategy is a subset of competitive strategy. As such, the literature on competitive strategy has had a profound

impact on the development of global marketing literature.

With these issues in the background, Section 5 focuses on the development of global marketing strategy, covering product development and diffusion, global branding, pricing, communication, distribution, retailing, and sales management. Section 6 focuses on emerging issues including the role and effect of the Internet, marketing strategies for emerging markets, small multinational enterprises, and marketing ethics.

CLOSING REMARKS

International marketing as an academic discipline has come a long way. The compilation of research work represented in this handbook was a daunting task as chapter authors as well as reviewers are all world-class researchers and are busy people. They were kind enough to allocate a good amount of their precious time in developing these thoughtful and insightful chapters. This handbook is comprehensive. Researchers, including those pursuing research careers in international marketing, will find it useful to consult with this handbook as the first step to understanding the nature and scope of research in the various areas of research that collectively constitute the discipline. We sincerely hope that this handbook will help junior researchers to develop the discipline further and even influence the direction of research in related disciplines such as management and strategy. As stated earlier, international marketing researchers complement management and strategy researchers in subjecting supply-side theories to demand-side considerations.

NOTES

1 This definition is modified from the American Marketing Association's definition of marketing, and is strongly influenced by Drucker's conception of two

entrepreneurial functions – marketing and innovation – that constitute business. Contemporary thinking about marketing also suggests the task of the marketer is not only to satisfy the current needs and wants of customers, but also to innovate products and services, anticipating their future needs and wants. See Peter F. Drucker, *The Practice of Management* (New York: Harper & Brothers, 1954), pp. 37–39; and also Frederick E. Webster, Jr., 'The Changing Role of Marketing in the Corporation,' *Journal of Marketing*, 56 (October 1992), pp. 1–16.

2 Brazil, Russia, India, and China.

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