

e-Learning on Digital Agriculture

Lecture 14. Global Marketing

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AMA Definition of Marketing Old (1985-2004)

- ✦ Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that will satisfy individual and organizational objectives

AMA Definition of Marketing

New (August 2004+)

✦ "Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

The Marketing Mix Variables

Product Distribution

Target
Market

Price Promotion

The Marketing Mix Variables

Product Strategy

- ✦ Identifying consumer needs and wants
- ✦ New product development
- ✦ Designing the product
- ✦ Branding
- ✦ Packaging

The Marketing Mix Variables

Distribution Strategy

- ✦ Physical distribution
 - ✦ Channel management
- 


The Marketing Mix Variables

Pricing Strategy

- ✦ Pricing objectives
- ✦ Price determination
- ✦ Pricing policies

The Marketing Mix Variables

Promotion Strategy

- ✦ Advertising
 - ✦ Personal selling
 - ✦ Sales promotion
 - ✦ Publicity, Public Relations
- 

What is a Market?

Potential consumers make up a market, which is:

People

- with the desire and
- with the ability to buy a specific product.

The Target Market

Marketers usually concentrate their efforts on certain needs of a **specific group of potential consumers**.

This is the ***target market*** -- one or more specific groups of potential consumers toward which an organization directs its marketing program.

WHY ??????

The Marketing Concept

(a belief system)

- ✦ Customer orientation
- ✦ Coordinated effort by all departments of the firm to satisfy customers
- ✦ Emphasis on long term relationships
- ✦ This is most profitable way to do business over the long term

Marketing's Dark Side...

- Given the Marketing Concept; why would anyone criticize Marketing???
- 1) Marketing unfairly takes the blame for many business evils
 - 2) Unhealthy products/Waste
 - 3) Focus on Children
 - 4) “Manufacturing” consumer demand

Marketing's Dark Side...

- Does business have more of a “social conscience” today than in the past?
 - 1950's/1960's
- Yes. Sort of... (Show cigarette clips)
- Business is “better” than it used to be largely as a result of two forces:
 - Consumer Movement
 - Legislation

Introduction

- What is Global Marketing?
- How is it different from regular marketing?



Introduction

- Marketing

- Process of planning and executing the conception pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organization goals

- Global Marketing

- Focuses resources on **global market** opportunities and threats; the main difference is the scope of activities because global marketing **occurs in markets outside the organization's home country**

Reasons for Global Marketing

- Growth
 - Access to new markets
 - Access to resources
- Survival
 - Against competitors with lower costs (due to increased access to resources)

Global Perspective: Recent Events

Information technology boom of the late 1990s

The **high-tech bust** of 2001



Enron and **WorldCom** scandals



September 11th attacks on the **World Trade Center** and Pentagon



Wars in Afghanistan and Iraq



Global Perspective: Recent Events

International conflict among China, Taiwan, and the United States



2003 **SARS** outbreak in Asia
2006 Bird Flue outbreak



Global terrorism, e.g., Indonesia, Israel, India, and Morocco



Transcending these events, **international commerce** continued

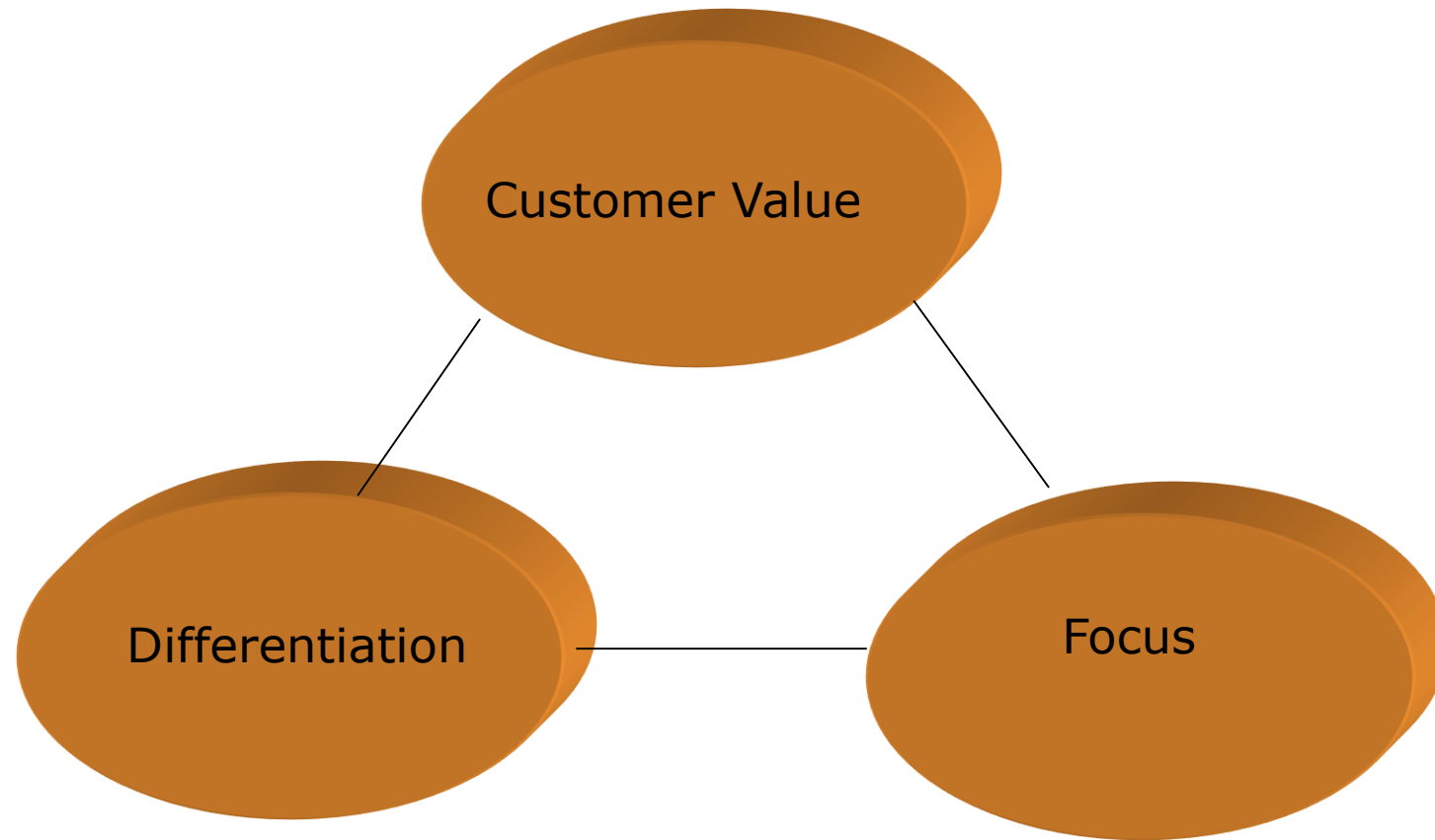


Boundaryless Marketing



- Goal is to **eliminate communication barriers** between marketing and other business functional areas
- Properly implemented it ensures that a market orientation permeates all **value creating activities**

Fundamental Principles of Marketing



Customer Value

- Goal:

- create customer value that is greater than the value created by competitors

- Strategy:

- Expand or improve product and/or service benefits
- Reduce the price
- Combine these two elements

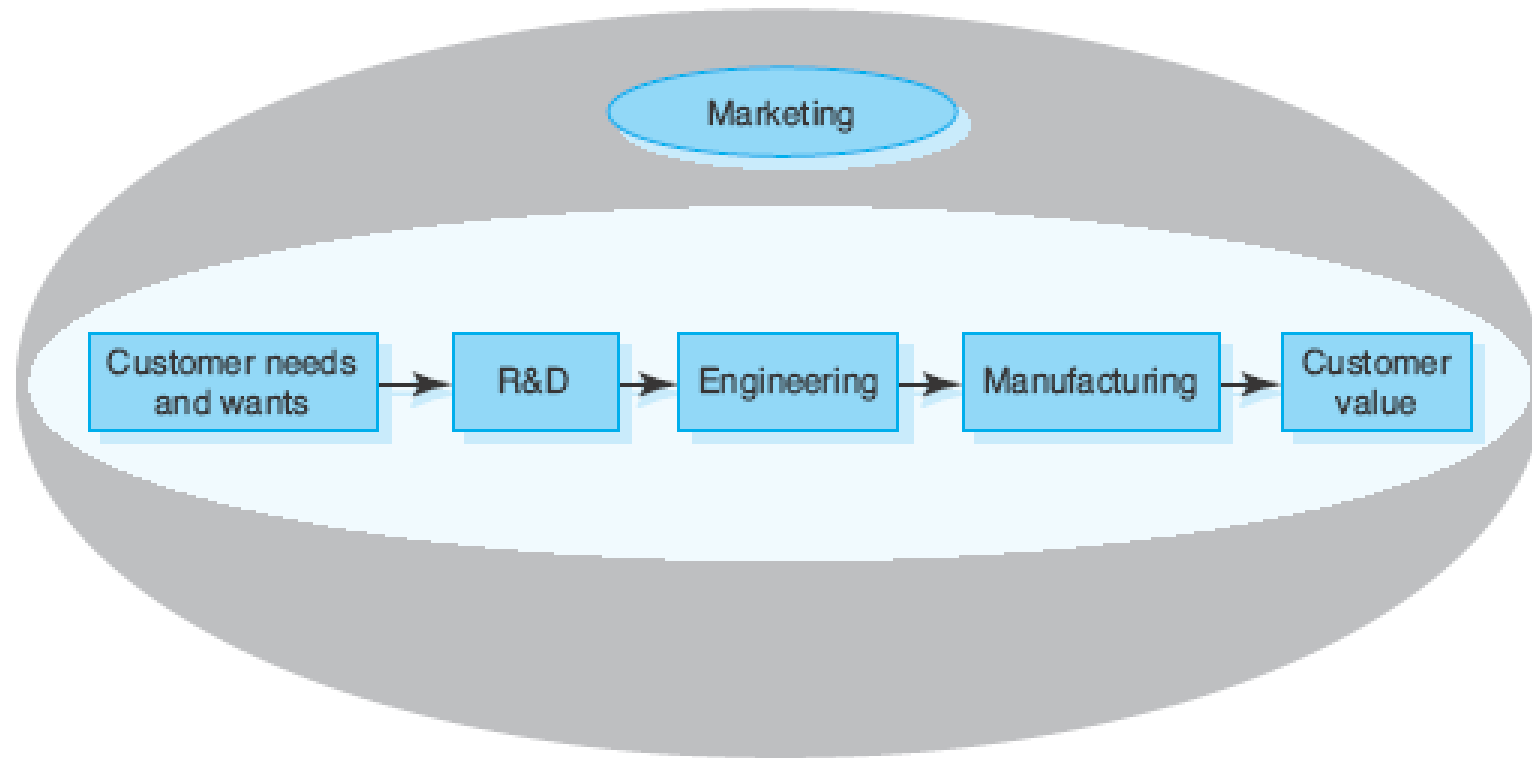
$$V = \frac{B}{P}$$

V = Value

B = Perceived Benefits – Perceived Costs

P = Price

Value Chain and Boundaryless Marketing



Differentiation

- Goal:
 - create competitive advantage through differentiation
- Advantage can exist in any element of a company's offer
- It can be a real, tangible difference or a perceived difference
- One way to penetrate a new national market is to offer a superior product at a lower price.

Competitive Advantage

- Success over competition in industry at value creation
- Achieved by integrating and leveraging operations on a worldwide scale

Focus

- Goal:

- a concentration of attention & resources

- A viable way for small & medium sized companies to achieve dominant position in world market
- A clear focus on customer needs & wants

Competitive Advantage, Globalization and Global Industries

- Focus

- Concentration and attention on core business and competence

Nestle is focused: We are food and beverages. We are not running bicycle shops. Even in food we are not in all fields. There are certain areas we do not touch.....We have no soft drinks because I have said we will either buy Coca-Cola or we leave it alone. This is focus.

Helmut Maucher

Globalization

- Globalization is the **inevitable integration of markets, nation-states, and technologies** to a degree never witnessed before - in a way that is enabling individuals, corporations, and nation-states to **reach around the world farther, faster, deeper and cheaper than ever before**, and in a way that is enabling the world to reach into individuals, corporations, and nation-states farther, faster, deeper, and cheaper than ever before.

- Thomas Friedman

Global Industries

- An industry is global to the extent that a company's industry position in one country is interdependent with its industry position in another country
- Indicators of globalization:
 - Ratio of cross-border trade to total worldwide production
 - Ratio of cross-border investment to total capital investment
 - Proportion of industry revenue generated by companies that compete in key world regions

Global Marketing: What it is and What it isn't

- Strategy development comes down to two main issues similar to single country marketing
 - Target market
 - Marketing Mix

Global Marketing: What it is and What it isn't

Single-Country Marketing Strategy	Global Marketing Strategy
Target Market Strategy	Global Market Participation
Marketing Mix Development	Marketing Mix Development
Product	Product adaptation or standardization
Price	Price adaptation or standardization
Promotion	Promotion adaptation or standardization
Place	Place adaptation or standardization
	Concentration of Marketing Activities
	Coordination of Marketing Activities
	Integration of Competitive Moves

NEED TO:

- Search for similarities and adjust to differences



SCOTTISH HIGHLANDS

Lucky



NORTHERN VIETNAM

Lucky

Never underestimate the importance of local knowledge.

Flowers mean different things the world over and to understand those differences, it helps to be a local.

At HSBC, we have banks in more countries than anyone else. And each one is staffed by local people.

We have offices in 77 countries and territories; Europe, Asia-Pacific, the Americas, the Middle East, and Africa. Being local enables them to offer insights into financial opportunities and create service initiatives that would never occur to an outsider.

It means our customers get the kind of local knowledge and personal service that you'd expect of a local bank.

And a level of global knowledge and widely sourced expertise that you wouldn't.

HSBC 
The world's local bank



LOS ANGELES
Actress



PARIS
Model



LONDON
Footballer's wife

Never underestimate the importance of local knowledge.

Film, television, fashion, sport and music. They're not the kind of subjects that most banks would know too much about.

Yet it's the kind of knowledge that HSBC feels can be vital in spotting trends in financing and investing.

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HSBC 
The world's local bank



UK

Welcome



SRI LANKA

Welcome

Never underestimate the importance of local knowledge.

To truly understand a country and its culture, you have to be part of it.

That's why, at HSBC, all our offices around the world are staffed by local people. In fact you'll find we've got local people in more countries than any other bank.

It's their insight that allows us to recognise financial opportunities invisible to outsiders.

But these opportunities don't just benefit our local customers.

Innovations and ideas are shared throughout the HSBC network, so that everyone who banks with us can benefit.

Think of it as local knowledge that just happens to span the globe.

HSBC 
The world's local bank



USA

Football



UK

Football



AUSTRALIA

Football

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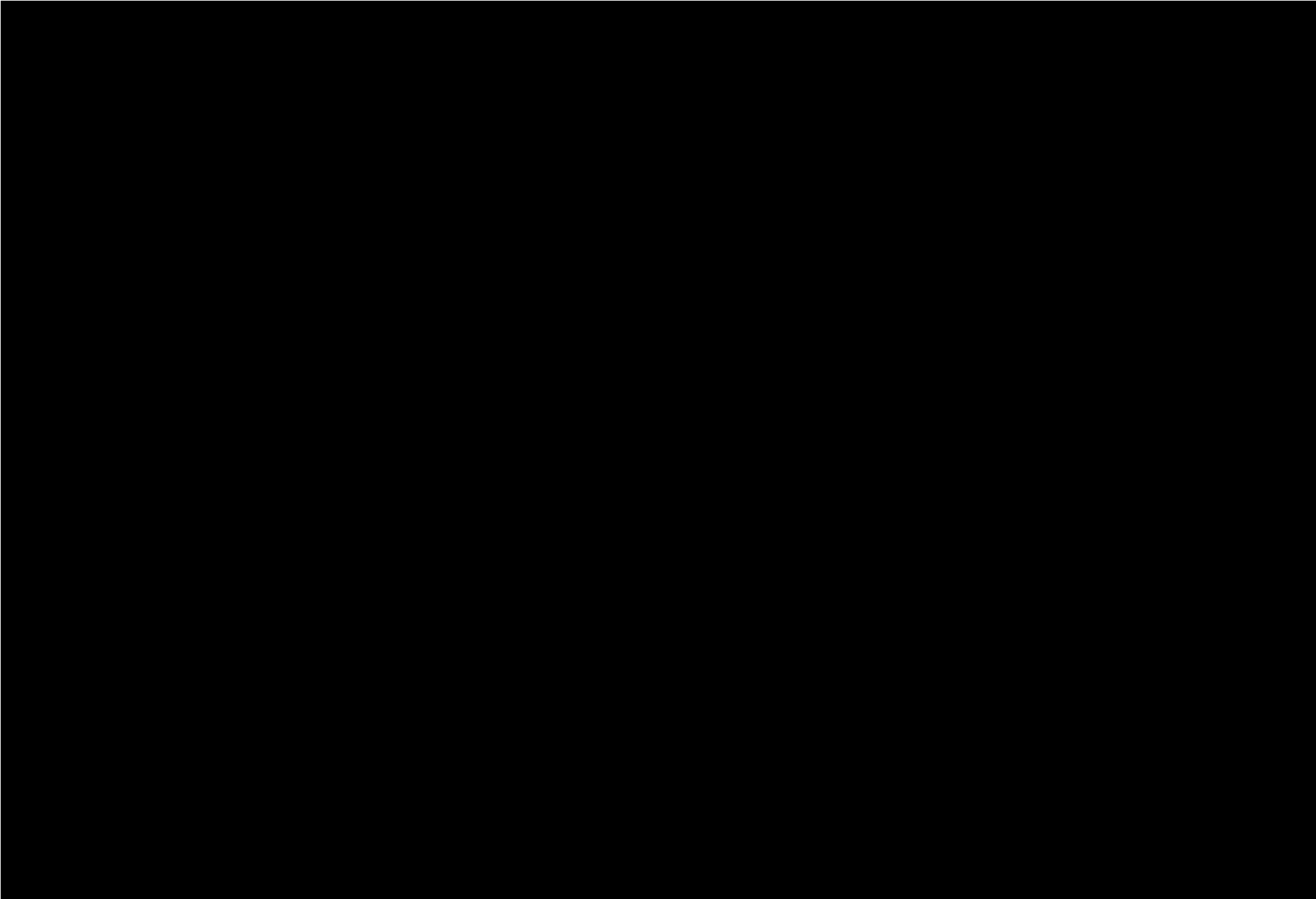
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HSBC 
The world's local bank

Pepsi



Global Marketing: What it is and What it isn't

- Global marketing does not mean doing business in all of the 200-plus country markets
- Global marketing does mean widening business horizons to encompass the world in scanning for opportunity and threat

The Importance of IM...

Key Facts...

- International arena is *key* to companies aiming to maximize growth potential
- 99% of total world market is outside Turkey.

Rank	Country	Export	Percentage
	<u>World</u>	\$12,450,000,000,000	
1	<u>European Union</u>	\$1,330,000,000,000	10.68%
2	<u>Germany</u>	\$1,133,000,000,000	9.10%
3	<u>United States</u>	\$1,024,000,000,000	8.22%
4	<u>China</u>	\$974,000,000,000	7.82%
5	<u>Hong Kong</u>	\$611,600,000,000	4.91%
6	<u>Japan</u>	\$590,300,000,000	4.74%
8	<u>United Kingdom</u>	\$468,800,000,000	3.77%
9	<u>Italy</u>	\$450,100,000,000	3.62%
10	<u>Netherlands</u>	\$413,800,000,000	3.32%
13	<u>Korea, South</u>	\$327,900,000,000	2.63%
14	<u>Russia</u>	\$317,600,000,000	2.55%
17	<u>Spain</u>	\$222,100,000,000	1.78%
18	<u>Taiwan</u>	\$215,000,000,000	1.73%
19	<u>Saudi Arabia</u>	\$204,500,000,000	1.64%
35	<u>Turkey</u>	\$85,210,000,000	0.68%
39	<u>Iran</u>	\$63,180,000,000	0.51%
58	<u>Iraq</u>	\$32,190,000,000	0.26%
61	<u>Greece</u>	\$24,420,000,000	0.20%
70	<u>Bulgaria</u>	\$14,600,000,000	0.12%

The Importance of Global Marketing

- For US-based companies, 75% of sales potential is outside the US.
 - About 90% of Coca-Cola's operating income is generated outside the US.
- For Japanese companies, 85% of potential is outside Japan.
- For German and EU companies, 94% of potential is outside Germany.

Standardization versus Adaptation

- Globalization (Standardization)
 - Developing standardized products marketed worldwide with a standardized marketing mix
 - Essence of mass marketing
- Global localization (Adaptation)
 - Mixing standardization and customization in a way that minimizes costs while maximizing satisfaction
 - Essence of segmentation
 - Think globally, act locally

Standardization versus Adaptation





Amsterdam



Singapore



Germany





Developing a Global Awareness

To be globally aware is to have:

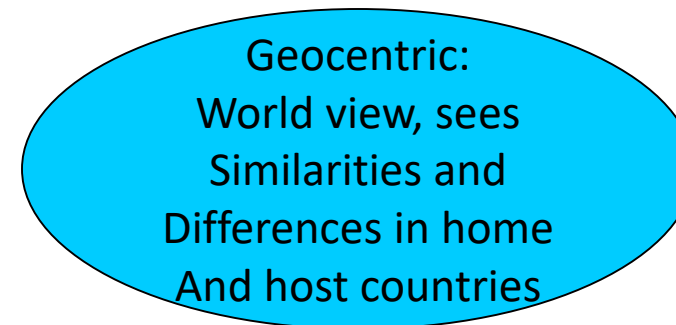
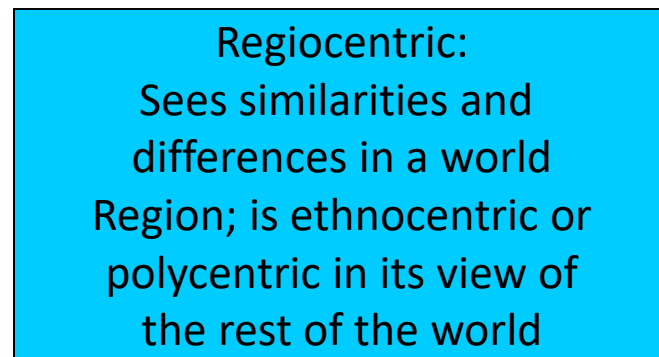
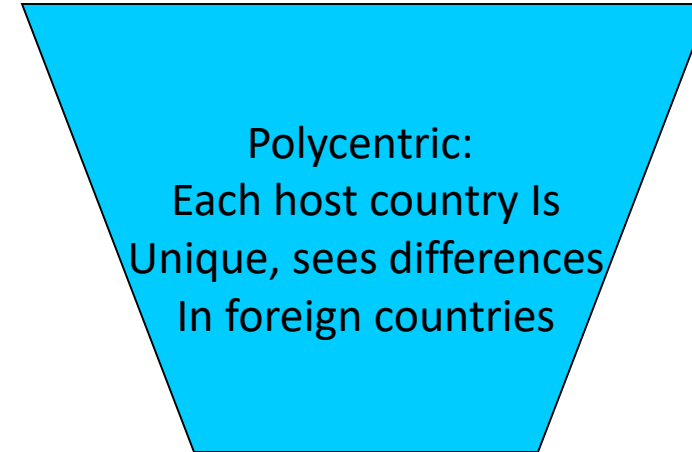
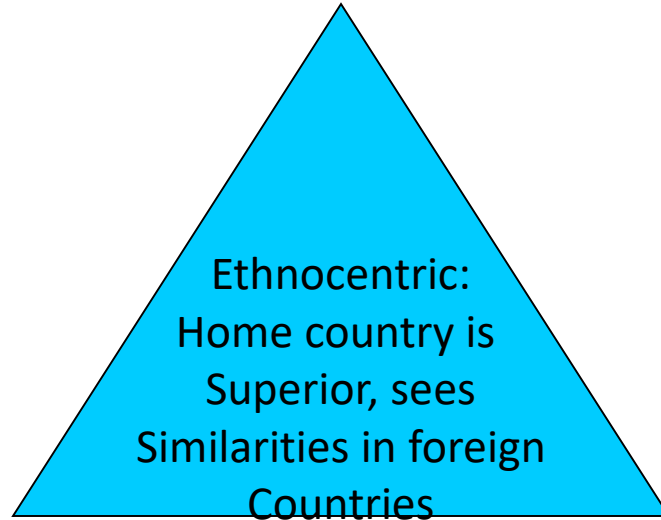
1. Tolerant of Cultural Differences, and



2. Knowledgeable of:

- (a) Culture, (b) History, (c) World Market Potential,
- (d) Global Economic, Social and Political Trends

Management Orientations



Strategic Orientation

Generally, four distinctive approaches dominate strategic thinking in international marketing:

1. Ethnocentric or Domestic Marketing Extension Concept:

Home country marketing practices will succeed elsewhere without adaptation; however, international marketing is viewed as secondary to domestic operations

2. Polycentric or Multi-Domestic Marketing Concept:

Opposite of ethnocentrism

Management of these multinational firms place importance on international operations as a source for profits

Management believes that each country is unique and allows each to develop own marketing strategies locally

Strategic Orientation

Generally, four distinctive approaches dominate strategic thinking in international marketing:

3. Regiocentric:

Sees the world as one market and develops a standardized marketing strategy for the entire world

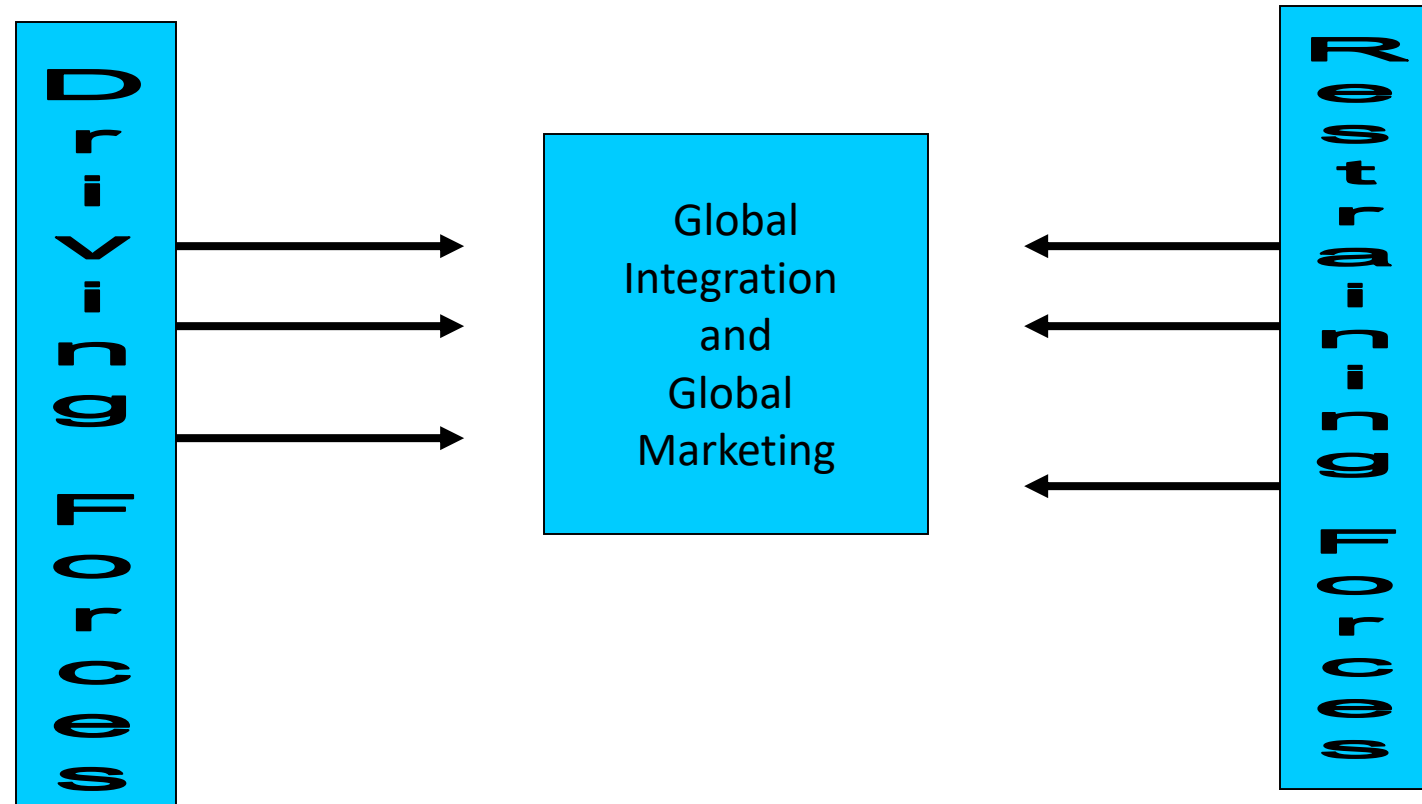
4. Geocentric:

Regiocentric and Geocentric are synonymous with a Global Marketing Orientation where a uniform, standardized marketing strategy is used for several countries, countries in a region, or the entire world

Forces Affecting Global Integration and Global Marketing

- Driving Forces
 - Regional economic agreements
 - Market needs and wants
 - Technology
 - Transportation and communication improvements
 - Product development costs
 - Quality
 - World economic trends
 - Leverage
- Restraining Forces
 - Management myopia
 - Organizational culture
 - National controls

Forces Affecting Global Integration and Global Marketing



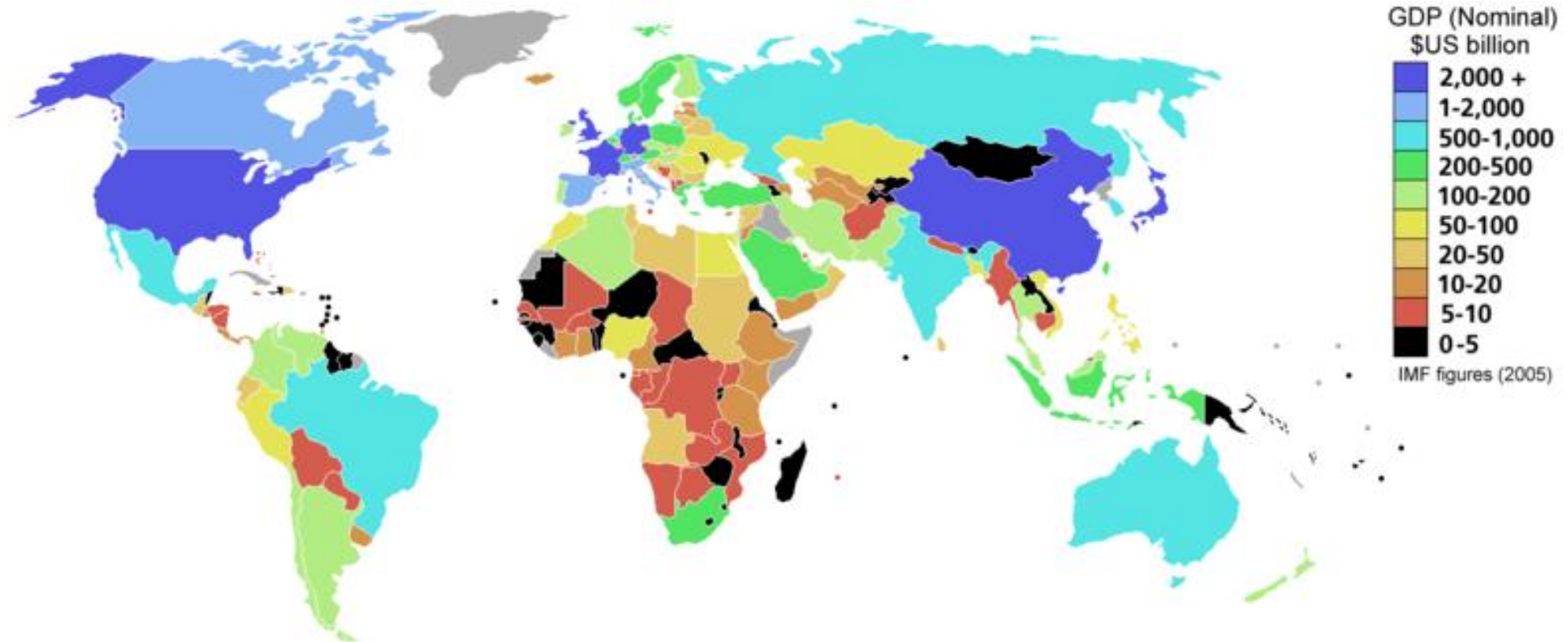
Gross National Product TURKEY

Year	Population	Total		Per Person	
		Million \$	%	\$	%
1995	61,644	170,081	28.6	2,759	26.3
1996	62,697	183,601	7.9	2,928	6.1
1997	62,480	192,383	4.8	3,079	5.2
1998	63,459	206,552	7.4	3,255	5.7
1999	64,345	185,267	-10.3	2,879	-11.6
2000	67,461	200,002	8	2,965	3
2001	68,618	145,693	-27.2	2,123	-28.4
2002	69,620	180,828	24.1	2,597	22.3
2003	70,717	239,235	32.3	3,383	30.2
2004	71,782	299,475	25.2	4,172	23.3
2005	72,070	360,876	20.5	5,008	20

Rank	Country	GDP (millions of USD)
—	<u>World</u>	44,384,871
1	<u>United States</u>	12,455,068
2	<u>Japan</u>	4,505,912
3	<u>Germany</u>	2,781,900
4	<u>People's Republic of China</u>	2,228,862
5	<u>United Kingdom</u>	2,192,553
6	<u>France</u>	2,110,185
7	<u>Italy</u>	1,723,044
8	<u>Spain</u>	1,123,691
11	<u>South Korea</u>	787,624
12	<u>India</u>	785,468
14	<u>Russia</u>	763,720
19	<u>Turkey</u>	363,300
28	<u>Greece</u>	213,698
30	<u>Iran</u>	196,343
73	<u>Bulgaria</u>	26,648
74	<u>Syrian Arab Republic</u>	26,320
87	<u>Cyprus</u>	15,418
95	<u>Iraq</u>	12,602

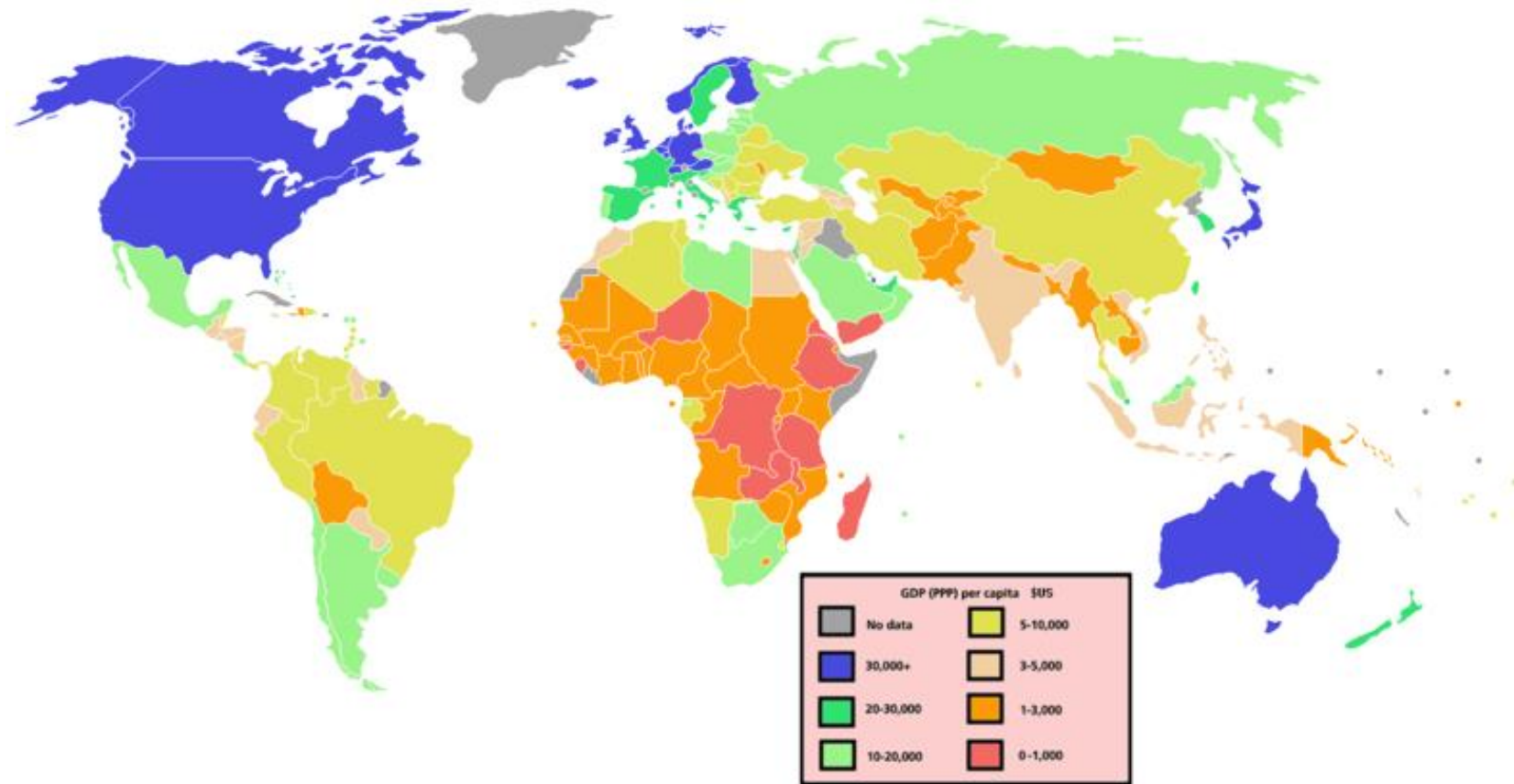
Source:
World Bank
(2006)

Gross Domestic Income (Nominal)



Rank	Country	GDP (PPP)
		\$ per capita
1	Luxembourg	69,800
2	Norway	42,364
3	United States	41,399
6	Denmark	34,740
7	Canada	34,273
8	Hong Kong	33,479
9	Austria	33,432
10	Switzerland	32,571
17	Germany	30,579
21	Italy	28,534
30	Greece	22,392
33	Cyprus	21,177
62	Russia	11,041
66	Bulgaria	9,223
74	Iran	7,980
75	Turkey	7,950
107	Azerbaijan	4,601
118	Syria	3,847

Purchasing Power Parity (per capita)





Driving and Restraining Forces of
International Marketing...

How many can you think of?...

Driving Forces of IM

- Technology
- Economic Agreements
- Leverage – experience, economies of scale, resource utilization
- Economic Trends
- Market Needs & Wants – consumer driven
- Communications & Transportation Improvements
- NPD Costs
- Quality – competition fosters quality

Restraining Forces of IM

- Market Differences
 - Culture
 - Infrastructure
- National Controls / Barriers
- Costs
- Management Myopia
 - Missed Opportunities
- History
 - Brand Strength Not Transferable
(Too National/Regional)

Consider McDonald's...





Overview of Book

- Part I: Overview of Global Marketing
- Part II: Environments of Global Marketing
- Part III: Global Strategy
- Part IV: Global Considerations of the Marketing Mix
- Part V: Integrating the Dimensions of Global Marketing

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