Direct Investment

The biggest commitment a company can make when entering the global market is *direct investment*, which entails a domestic firm actually investing in and owning a foreign subsidiary or division. Examples of direct investment are Nissan's Smyrna, Tennessee, plant that produces pickup trucks and the Mercedes-Benz factory in Vance, Alabama, that makes the M-class sports utility vehicle. Many U.S.-based global companies also use this mode of entry. Reebok entered Russia by creating a subsidiary known as Reebok Russia.

For many companies, direct investment often follows one of the other three market-entry strategies.[24] For example, both FedEx and UPS entered China through joint ventures with Chinese companies. Each subsequently purchased the interests of its partner and converted the Chinese operations into a division.

The advantages to direct investment include cost savings, better understanding of local market conditions, and fewer local restrictions. Firms entering foreign markets using direct investment believe that these advantages outweigh the financial commitments and risks involved.

learning review

6. What mode of entry could a company follow if it has no previous experience in global marketing?
7. How does licensing differ from a joint venture?

CRAFTING A WORLDWIDE MARKETING PROGRAM

The choice of a market-entry strategy is a necessary first step for a marketer when joining the community of global companies. The next step involves the challenging task of planning, implementing, and evaluating marketing programs worldwide.

Successful global marketers standardize global marketing programs whenever possible and customize them wherever necessary. The extent of standardization and customization is often rooted in a careful global environment scan supplemented with judgment based on experience and marketing research.

Product and Promotion Strategies

Global companies have five strategies for matching products and their promotion efforts to global markets. As shows, the strategies focus on whether a company extends or adapts its product and promotion message for consumers in different countries and cultures.

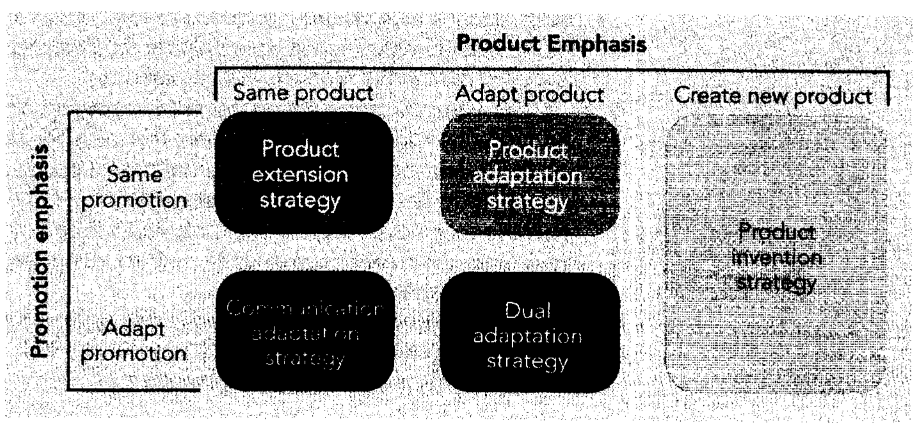


FIGURE 6–4
Five product and promotion strategies for global marketing exist based on whether a company extends or adapts its product and promotion message for consumers in different countries and cultures. Read the text to learn how different companies employ these strategies.

A product may be sold globally in one of three ways: (1) in the same form as in its home market, (2) with some adaptations, or (3) as a totally new product:[25]

1. *Product extension.* Selling virtually the same product in other countries is a product extension strategy. It works well for products such as Coca-Cola, Gillette razors, Wrigley's gum, Sony consumer electronics, Harley-Davidson motorcycles, Nike apparel and shoes, and Apple iPhones. As a general rule, product extension seems to work best when the consumer target market for the product is alike across countries and cultures—that is, consumers share the same desires, needs, and uses for the product.
2. *Product adaptation.* Changing a product in some way to make it more appropriate for a country's climate or consumer preferences is a product adaptation strategy. Exxon sells different gasoline blends based on each country's climate. Frito-Lay produces and markets its potato chips in Russia, but don't expect them to taste like the chips eaten in North America. Russians prefer dairy, meat, and seafood-flavored potato chips. Likewise, Gerber baby food comes in different varieties in different countries. Vegetable and rabbit meat is a favorite in Poland. Freeze-dried sardines and rice is popular in Japan. Maybelline's makeup is adapted to local skin types and weather across the globe, including an Asia-specific mascara that doesn't run during the rainy season.
3. *Product invention.* Alternatively, companies can invent totally new products designed to satisfy common needs across countries. Black & Decker did this with its Snake Light flexible flashlight. Created to address a global need for portable lighting, the product became a best seller in North America, Europe, Latin America, and Australia and is the most successful new product developed by Black & Decker. Similarly, Whirlpool developed a compact, automatic clothes washer specifically for households in developing countries with annual household incomes of $2,000. Called Ideale, the washer features bright colors because washers are often placed in home living areas, not hidden in laundry rooms (which don't exist in many homes in developing countries).

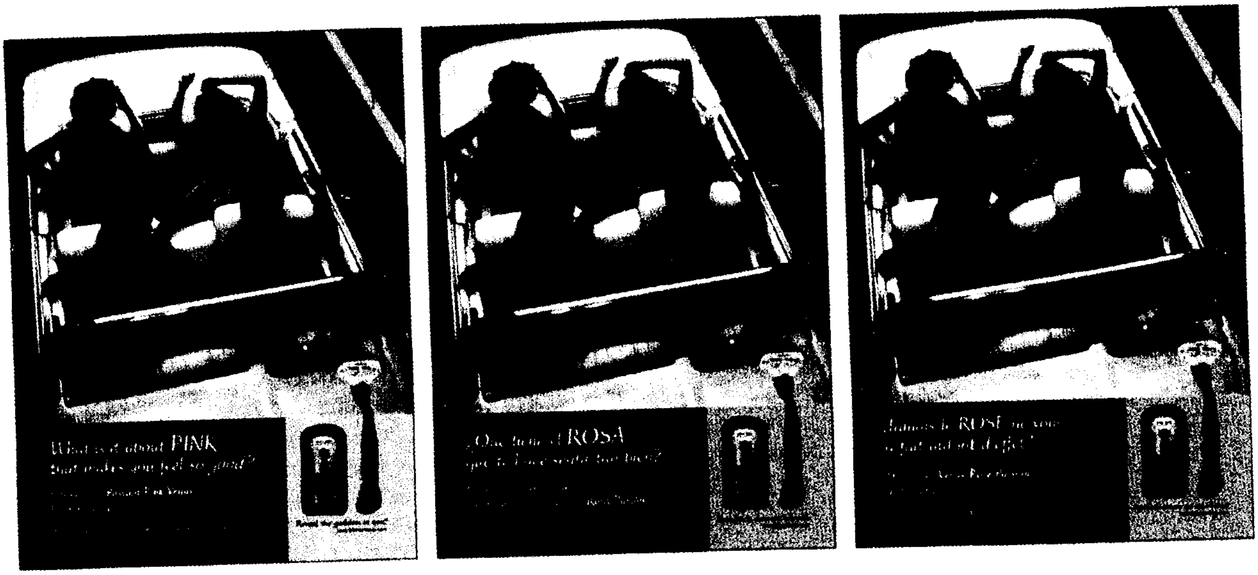
An identical promotion message is often used for the product extension and product adaptation strategies around the world. Gillette uses the same global message for its men's toiletries: "Gillette, the Best a Man Can Get." Even though Exxon adapts its gasoline blends for different countries based on climate, the promotion message is unchanged: "Put a Tiger in Your Tank."

Global companies may also adapt their promotion message. For instance, the same product may be sold in many countries but advertised differently. As an example, L'Oréal, a French health and beauty products marketer, introduced its Golden Beauty brand of sun care products through its Helena Rubenstein subsidiary in Western Europe with a *communication adaptation strategy*. Recognizing that cultural and buying motive differences related to skin care and tanning exist, Golden Beauty advertising features dark tanning for northern Europeans, skin protection to avoid wrinkles among Latin Europeans, and beautiful skin for Europeans living along the Mediterranean Sea, even though the products are the same.

QR 6-4
Nescafé China
Video

Other companies use a *dual adaptation strategy* by modifying both their products and promotion messages. Nestlé does this with Nescafé coffee. Nescafé is marketed using different coffee blends and promotional campaigns to match consumer preferences in different countries. For example, Nescafé, the world's largest brand of coffee, generally emphasizes the taste, aroma, and warmth of shared moments in its advertising around the world. However, Nescafé is advertised in Thailand as a way to relax from the pressures of daily life.

These examples illustrate the simple rule applied by global companies: Standardize product and promotion strategies whenever possible and customize them wherever necessary. This is the art of global marketing.[26]



Gillette delivers the same global message whenever possible as shown in the Gillette for Women Venus ads from the United States, Mexico, and France.

The Gillette Company

Distribution Strategy

Distribution is of critical importance in global marketing. The availability and quality of retailers and wholesalers as well as transportation, communication, and warehousing facilities are often determined by a country's stage of economic development. outlines the channel through which a product manufactured in one country must travel to reach its destination in another country. The first step involves the seller; its headquarters is the starting point and is responsible for the successful distribution to the ultimate consumer.

The next step is the channel between two nations, moving the product from one country to another. Intermediaries that can handle this responsibility include resident buyers in a foreign country, independent merchant wholesalers who buy and sell the product, or agents who bring buyers and sellers together.

Once the product is in the foreign nation, that country's distribution channels take over. These channels can be very long or surprisingly short, depending on the product line. In Japan, fresh fish go through three intermediaries before getting to a retail outlet. Conversely, shoes only go through one intermediary.

Pricing Strategy

Global companies also face many challenges in determining a pricing strategy as part of their worldwide marketing effort. Individual countries, even those with free trade agreements, may impose considerable competitive, political, and legal constraints on the pricing latitude of global companies. For example, antitrust authorities in Germany limited Walmart from selling some items below cost to lure shoppers. As a result, Walmart was unable to compete against German discount stores. This, and other factors, led Walmart to leave Germany in 2006 following eight years without a profit.[27]

FIGURE 6–5
Channels of distribution in global marketing are often long and complex.