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Localized International Marketing of Global Companies

Abstract: *Marketing is, together with management functions, mostly prone to the influence of international operations. Whether it deals solely with the export from a domestic base or it is a full multinational company with well-integrated global operations, it will experience at least so many different marketing demands as there are foreign countries in which it operates. The complexity of the international marketing stems from the need to understand different environments which appear during the placement of company's services or goods on new markets. The function of the international marketing has to meet a certain number of demands. They include the following: the use of international marketing research in order to determine prospective end-users of services or products; classification of particular prospective consumers; modification of products (or creation of new ones) in order to satisfy consumers' needs; establishing a strategy of international pricing; development of promotional strategy in order to communicate with consumers in real time and properly; establishing a single international distribution system.*

International marketing of now already global companies present in the regions of Europe, America and Asia can develop globally (standardized), locally in relations to the choice of locality – regions (geographical region), nations, cultures..., or most frequently globally, but locally adapted. There is an increasing tendency of a local challenge for the global international marketing.

Key words: *Marketing, International Marketing, Globalisation, Localisation, Local adaptation, Markets, Strategy, Brand, Segmentation, Internationalisation, Communication, Consumer*

LOCALISATION OF GLOBAL COMPANIES

International marketing is a science and a skill of doing business in a global world market arena.

International marketing is happening around us every day, it has much influence on our life and is of vital importance for the survival and business success of every company. Those who operate on the international market should adapt to foreign environments and skillfully deal with conflicts between political, cultural and legal forces in order to achieve success.

American companies which want to compete internationally face Japanese and European competition which is far more aggressive on the global market. There are always local problems which make doing business abroad difficult and more risky. Nevertheless, people and consumers have long wishlists for new products.

With the expansion of international business out of traditional foreign markets, the importance of international marketing is growing. International marketing is necessary because, from the national standpoint, economic isolation has become impossible. Not to participate on a global market means the decrease of economic influence of a country and the standard of living of its citizens. Successful international marketing promises better life quality, better society and, according to some, more peaceful world. Great opportunities and threats which derive from global market indicate the need for international marketing as a way of modern business.

International marketing involves planning and making of marketing functions transactions across national borders in order to meet company's goals. International marketing is an instrument for achieving the goal of improving someone's existing positions.

In order to achieve success in the international marketing, it is necessary to have a firm stronghold in the scientific aspect. Only in that case, an individual consumer, policy makers or business managers can include international marketing premises in their thinking and plans. Only then will they be able to consider international issues and make decisions based on answers to questions such as:

- How will my idea, product or service fit in the international market?
- What kind of adjustment is or will be necessary?
- What threats from global competition should I expect?
- What can I do to turn those threats into opportunities?
- What are my global strategic alternatives?

Globalisation is an initiative in business based on the belief that the world is getting increasingly homogenous and that the differences among national markets not only fade, but will also eventually disappear for some products. Therefore companies need to globalise in terms of globalising their international strategies by formulating themselves on every market and using the advantages of emphasising market, cost, environment and competitive factors. Globalisation can be viewed as a result of the process which leads to the top of a pyramid, i.e. global business strategy – the process of international market penetration and expansion. Before globalisation, marketing managers largely used a domestic strategy in countries where the organisation in every country operated as a profit center. Every national entity markets a series of different products and services aimed for different consumer segments using different marketing strategies with little or no coordination of their operations between the countries.²⁹

Both external and internal factors create favourable conditions for strategy development and resource allocation on a global scale. These factors can be divided into:

1. market factors
2. cost factors
3. environment factors
4. competitive factors

Market factors

²⁹ Alan D.T., „The Development Internationalization of Retailing“, International Journal of Retail and Distribution Management 18 (1990): 4-11

Every consumer Ernest Dichter identified 30 years ago, gets a completely new meaning today. For example: Kenichi Ohmae has identified new consumer groups which appear in the North America, Europe and the Middle East, and which can be treated by marketers as a single market with the same consumer habits, they have similar educational background, income levels, life style, they use their free time in a similar way. One of the reasons for the similarity in their demand is the level of purchasing power which is ten times higher than in the developing or underdeveloped countries.

The other reason is that more developed infrastructures – phone ownership and plenty of paved roads – lead to attractive markets for other products. Products can be designed to meet similar demand conditions in the whole region. These similarities increase the transferability of other marketing elements. At the same time, distribution channels are getting more global, i.e. an increasing number of retailers now show greater flexibility in their strategies for entering new geographic markets. Some are already world powers (Benetton, McDonald's, Ikea, Coca-Cola) while others follow an aggressive growth.³⁰ The presence of global and regional channels makes a marketing manager rationalise marketing actions carefully.

Cost factors

Avoiding cost expansion and doubling shares are two most powerful stimuli to globalisation. An approach to just one country does not have to be big enough for a local firm to achieve all possible economies of scale and volume as well as synergy, particularly because of the existing powerful changes on the market. Take for example a pharmaceutical industry. In the 70s the development of a new drug cost around \$16m and it took four years. Only a global product for a global market can take such a risk. The size has become the main feature, which partly explains many mergers and takeovers in the recent years. In the consumer goods sector where competition is fierce, launching a new brand can cost up to \$100m, which means that companies like Unilever or Procter&Gamble will not spend valuable resources on projects made for just one country.

³⁰ "Multinationals Are Making Maximum Impact", Business Week, September 1993, 66-69

Environment factors

In the recent years, the barriers have fallen dramatically and spurred the globalisation of the markets and marketing managers' activities on these markets. For example, the forces which push towards Pan-European market are very powerful. The increasing wealth and mobility of European consumers, fast information flow across borders, the introduction of new products where local preferences are not rooted and publicity surrounding the integration process itself represent the promotion of globalisation. Also, the resulting movement of physical, fiscal and technical barriers is indicative of changes which are largely happening around the world. Meanwhile, a fast technological evolution contributes to this process. A new group of global players uses the advantages of more open trade regions and new technology today.

Competitive factors

Many industries are already under the domination of global competition which is trying to use the advantages of the three groups of factors I have mentioned. In order to remain competitive marketing manager has to be the first in something or to be able to respond to or to precede competitors' moves.³¹ Today, products are introduced, raised to a higher level and distributed with the speed which was unthinkable a decade ago. Without a global network, marketing manager risks that his carefully researched ideas are taken by some other competitive player.

Decisions should be made about how to best use the conditions set with these four globalisation stimula. The decisions refer to the five fields:

1. market share
2. product range
3. marketing approach
4. location of value-adding activities
5. competition moves

³¹ W Chan K and R.A. Mauborgne, „Becoming and Effective Global Competitor“, Journal of Business Strategy 8m (January – February 1988): 33-37

Market share

Conventional globalisation wisdom requires presence on all global markets of the triad in the world. In some cases, markets do not have to be attractive by themselves, but they can have some importance such as to be a domestic market of the most demanding consumers (thus they help product development) or a domestic market of an important competitor (prevention).

Product range

Globalisation does not equal standardisation except in case of the basic product or technology used to produce a product. Components used for personal computer can be largely standardised with local needs only in terms of sophisticated things: e.g. IBM produces 20 different keyboards for Europe only. Production standardisation can result in significant cost efficiency. Local preferences can somewhat change a product.

Localised marketing approach

Nowhere is the need for local shades so necessary as in conducting marketing programs. Uniformity is sought especially in elements which are strategic (e.g. positioning) by nature, while attention is paid to localising necessary tactic elements (e.g. distribution). This process is called localisation.

Location of value-adding activities

Globalisation tends to reduce costs by merging products or other activities or exploiting cost factors or possibility within a system. In stead of duplicating activities in several or even all organisations in all the countries, a company focuses its activities in one way or at one place. For example, Texas Instruments has formed a single design center and production organisation for every type of memory chip. In order to reduce high costs and to be close to the market, it set up two of its four new memory chips plants, worth 250m, in Taiwan and Japan. In order to reduce high costs of research and development, it formed a strategic alliance with Hitachi. Cost and saving demands and better transportation methods have enabled some

marketeers to concentrate their activities connected to consumer service, instead of presenting them on the markets of all countries.

Competitors' moves

A company with regional or global presence has to respond to competitors' moves only in the market where it is attacked. A competitor can be attacked regarding its profile or a position on its domestic market. When Fuji started entering Kodak's market in the mid 1980s in the USA, Kodak responded with a dramatic increase of its propaganda in Japan and founded a new subsidiary which dealt strictly with that market. Cross subventions or usage of resources accumulated in one part of the world in order to wage a competitive battle in the other, can be a long-term competitive advantage. The loss of one main market can mean the loss of other as well, so called domino effect. Competition for a total global leadership can result in competitive action in any part of the world³². Because of its multiple packaging bases, global marketing managers can defend themselves from competitive attacks in one country by responding in other country or if competitors operate in several product categories, they will respond in a different product category³³. Global product range with tailor-made changes for different distribution channels ensures local acceptance.

³² W. Chan K. and R.A. Mauborgne, "Becoming an Effective Global Competitor", *Journal of Business Strategy* 8, (Jan-Feb 1988), 33-37

³³ Gary H. and C.K. Prahalad, "Do You Really Have a Global Strategy", *Harvard Business Review* 63 (July-August 1985), 75-82.

GLOBALISATION AND LOCALISATION

LOCAL MARKETING	GLOBAL MARKETING	LOCAL ADAPTATION OF GLOBAL MARKETING
BY 2000.	FROM 2000. TO 2005.	YEAR OF 2012.

Picture 2. The division of International Marketing

Local marketing is a marketing based on a special strategy for a particular nation or a region 'by flattering its culture, language, symbols, politics.' Local marketing was most present in the period before 2000, but it seems that many companies are returning to local marketing.

Advantages of localisation, i.e. local marketing:

1. good knowledge of the market
2. good knowledge of the cultural symbols of that market
3. direction towards promotion by using local people from that market
4. well-organized management structure

Disadvantages of localisation, i.e. local marketing :

1. higher costs
2. internationally uncoordinated media advertisement
3. reduced information speed on a central level

Global marketing – this term was first coined by Theodore Levit, famous for his sentence: 'Why would we constantly insist on differences among people, when we should see the similarities among them (people with the same needs, desires, motives, wants). Global marketing strategy was built on this after 2000.

Advantages of globalisation, i.e. global marketing:

1. reduced costs
2. savings are transferred to marketing
3. products are arranged according to a distribution plan
4. a single product appears in every country, at the same time

Disadvantages of globalisation, i.e. global marketing:

1. plagiarism
2. insufficient communication between management structure
3. poor response speed in case of a mistake

GLOBALISATION IN REGARD TO LOCALISATION

The first question raised once the decision on internationalisation has been made is necessary or valid product modifications. A company has four main alternatives in its approach to international markets:

1. to sell a product as it is at international level
2. to modify products for different countries and/or regions
3. to make new products for foreign markets
4. to put all the differences in a single product design and introduce a global product

The benefit of globalisation, i.e. sale of a single product all over the world is production and marketing cost efficiency. Together with the economy of scale, many point out economic integration as a driving force for marketers to unite more. As a response to worldwide integration particularly in Europe, many international marketers really globalise (standardise) their marketing approaches, for example brands and packagings. Also, there is an increasing pressure to create a worldwide approach to international marketing because competitors are the same on all main world markets.

Factors that encourage globalisation are:

- economies of scale in production
- economy in research and product development
- economy in marketing
- world market shrinkage / economic integration
- global competition

Factors that encourage localisation are:

- different terms of use
- influence of government and regulations
- different models of customer behaviour
- veracity for marketing concept
- local competition

LOCALISATION OF GLOBAL COMPANIES

Critics of globalisation claim that it cannot be applied to all products, even under the best circumstances. Even if it could be, its over-standardised products and promotions open the door to competition which offers something better adapted to local markets. Philip Kotler, a well-know marketing professor, considers globalisation a step back in a so called production business era, when companies are much more concerned about launching as many standardised products as possible in stead of satisfying their customers.

For that reason, as I have already mentioned, more and more companies are returning to tha local marketing strategy, i.e. they want to localise their products and marketing campaigns.

The reasons for this are as follows:

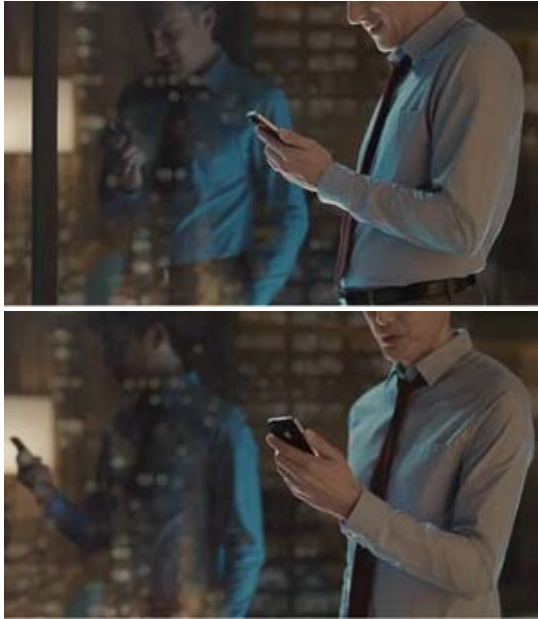
- Better adaptation to local markets. With a global approach, an advertiser can predict local variations which influence consumer behaviour. For example, at the beginning of its international expansion, Apple Computers decided to define its advertising strategies at the local level because the level of demand for personal computer differs from country to country. Furthermore, although consumers in the world are becoming increasingly similar in many aspects, consumers in different countries change their habits at a different pace.
- Shorter response time. It is a general rule that the less people there are who are to make a decision, the faster it can be made. Some situations in advertising require a response in a few days or even hours. If local managers are required to ask for approval from regional or international managers from other countries, it can slow down decisions so much that the delay can influence company's competitiveness.
- Engagement and motivation of local management. Both for multinational companies and for their networks of international agencies, it is far more easy to engage and motivate local managers if they have an influence on advertising decisions. People are more likely to support a decision or a plan if their opinions or remarks are included in the decision-making process.
- Chances of cultural misunderstandings are diminished. Sometimes even the best advertising plan can stumble across a seemingly irrelevant cultural misunderstanding. Even the basic things, such as language, used to lead to a failure of otherwise well designed marketing campaign.
- Increased competitiveness. It is a fact that critics of globalisation believe that all the factors mentioned culminate in an increased competitiveness. If you can respond faster and more accurately to local conditions, motivate people responsible for conducting marketing and advertising on a local level and avoid local misunderstandings, your local advertising will certainly be successful.

Localised advertisement: Apple Company

Apple has mostly the same advertisements all over the world. The content on the screen is obviously carefully localised, but look at the actors. These photos are from iPhone 4S advertisement run in France and Japan. They seem identical, the clothes, the environment, even jewelry: only the actors are adapted for each country.

Localised campaigns follow and listen carefully to the needs of a modern consumer. It is a person that meets his needs through the supply and demand relation on the market, while wanting to enjoy it and be happy after purchase, wanting this happiness to last long because he will then certainly want to repeat purchase. Locally adapted campaigns contribute to the understanding during the selection and purchase and make consumers connect emotionally with the company, whether local or global.





Companies should prepare and work on active responses in order to prosper in the world of sudden changes and discontinuities, new forces and threats and unpredictable influences from abroad.

It is necessary to constantly create strategies in accordance to the current tendencies, make new plans and adapt the method of operation. It is not possible to achieve and keep the leadership in economic, political and moral sense passively, but only through innovation and constant ready adaptation to a chaengable world environment. In order to remain at the top, companies should participiate aggressively in the changes that are happening and respond to them by innovation and creativity.

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