A Multinational Company Problem: Infiltrating Into the Clusters to Gain Competitive Edge in the Traditional Markets

ABSTRACT: This paper is concerned with one of the main challenges of the Multinational Companies which they face in the traditional and thus in local markets. Multinational Companies aims to gain competitive advantage through differentiation in terms of their globalization strategy. However, in the local markets where the organic relationship of firms are more designed in local habits, and markets react with stable consumer behaviors, it gets harder to enter into market and drive a competitive edge.*(glocal marketing is important in order to be successful)* This paper aims to understand the reasons of this challenge, the analysis of resistance of traditional markets, successful sample breaking into local market and the strategy around it.
Keywords: Multinational Company; Competitive Edge; Traditional Markets; Clusters JEL Classifications: M00; M10

1. Introduction

With the evolving technological change, now that companies can source, goods, information, technologic diversity very easily without showing much effort. In theory, more open global markets and faster transportation and communication should diminish the role of location in competition. After all, anything that can be efficiently sourced from a distance through global markets and corporate networks is available to any company and therefore is essentially nullified as a source of competitive advantage (Porter, 1998). But if the location doesn't matter that much, is it possible to get a funding in Turkey than in US, or vice versa why the cost of capital is much more higher than in New York, than in any other city? Same could be applied to any industry, beer industry in Germany, fashion design sector in Italy, though illegal; human trafficking sector in Thailand. *(even though there is more globalization, location still plays a role in market and pricing)*

2. Clusters – The Resistance

This phenomenon has been brought with another aspect by Porter's "clusters" theory: Clusters, according to Porter (1998), are critical masses in one place of unusual economic success in particular fields. He further defined them as 'geographic concentration of interconnected companies, specialized suppliers, service providers, firms in related industries and associated institutions in particular fields that competes but also cooperates' (Porter, 1998:197).

Clusters has been defined by Rosenfield (1997:4) clearly union of firms that are nimble to fabricate synergy because of their geographical nearness and dependency on each other while clustering is characterized by Roelandt and den Hertog (1999:9) as an arrangement of intersecting horizontal and vertical lines of producers of strongly interdependent firms united to each take in front in a value-count production chain. *(the way businesses take raw material and make profits off of it)* Clusters have been defined by Swann (1998:1) in prudence of geographical and using

technology, as a large charity of firms in amalgamated industries at a particular location. The definition has been taken moreover by Swann as a tiny supplementary in his empirical investigations by defining two main cluster strengths as the agglomeration sizes of related-firms and united-firms in the region for a particular industry. Taking the debate for number of definitions auxiliary Feser(1998:26) said that economic clusters are not just joined and being capable of sustainable industries, but rather related and supporting institutions that are more competitive by virtue of their dealings (Kuah, 2002). *(there is ample interconnectivity between the markets)*

The underlying motive of resistance of customary markets lies within this clusters access: When the competitors are speaking the same level, it is not often a conflict which is generally believed to be the upgrading of a spatially proximate enterprise as advantageous, whereas companies competing in the region of interchange levels of the production chain, such as companies in a supplier – buyer association. Despite this, because of the availability of local facts, information, skills, common physical and organizational structures and facilities, and joint lobby attempts upon policy issues, there is nevertheless some inclusion in regional clustering from a horizontal approach. Thus, industries are led to form the institutional embedding. So it is necessary to distinguish along formal institutions, such as associations, universities, and suppliers, and informal institutions, such as tacit knowledge, or social conventions. If we look at it in a broader perspective we can say that, for companies which act in connected market conditions, the socio-capital plays a crucial role which reaches to their region (Scholz and Stauffacher, 2006).

In this study Roland W Scholz, Michael Stauffacher tried to analyze give an offering to the sustain traditional industries; in summary this study gives a broad clues for the advantageous points for the local industries. As stated in this work's conclusion part: there is a way to cooperation for sustaining traditional industries in AR, these points out the "sociopsychological" level of clustering. Secondly for examples in AR sawmill industry, all forms are collaboration is wanted. And in the research it is stated that the main argument put forward here is that clustering is desired by local stakeholders an important starting point and prerequisite for any successful clustering project. This leading approach creates the main points of the resistance.

3. Breaking The Resistance: Cola In Iran

In CNN's one of its articles published on its money.cnn.com internet site, it was mentioned that companies in the United States are forbidden to make business relationships in the Iranian territory, however United States Treasury has made some flexibilities for the nourishments. That made an ambiguity and inadequacy in the law which Coca-Cola and Pepsi Co has benefited from it, and were able to transfer lots of concentrated drink into Iranian territory with its cooperative companies located in Ireland.

This brought cola global competition scale into another state, where one part is American's represented sign and the other side was the hardliner religious leaders. Being back to Iranian

territory after a small period, Pepsi and Coke had a share more than 50% in Iran where it can be counted as Mid-East's one of the massive beverage markets.

Although it was cheerful news in the headquarters of Coke and Pepsi, clerics in Iran had a great resistance against this action. As these brands are seen as "Great Devils", the religious leaders wanted from consumers not to buy from those drinks. The underlying of this local approach comes from the belief that the profits are being sent from Iranian's pockets to Israel."Pay each penny to save Israel" was the motto which was declared by Mehdi Minai who was the Public Demands Council's high ranking official. In addition to this Minai suggested Iranians to drink Zamzam Cola. Zamzam is the blessed water of Muslims which the water comes from a well in Mecca, where it is the center of Muslims worship center. *(there are always political factors that influence business)* Instead consumers can buy from local brands. Clerics became important and powerful elements of local clusters. By also directing the management for service and goods flow they were not only religiously powerful but also has a significant impact on economic activity. In order not to lose power, they wanted the consumers still be tied up with local clusters. This was the underlying motive of the request from consumers to buy from local brands. Those brands are produced by Khoshgovar, licenser of the Coke and Sasan, which owns a franchisee of Pepsi. In one of famous clerics Imam Khamene's website answering to Question 1343: "Is it permissible to buy the products of Jewish, American or Canadian companies if there is a probability that they are supportive of Israel?" fatwa was given that if they contribute to support Israel; those products had not been permitted. (http://www.khamenei.de/books/ajvab.pdf)

Despite all these measurements of clerics and government, the required reaction didn't come from youth customer segment. Because, this segment was either not dealing with Palestinian issues or in straits from the government's conflict with United States because of uranium enhancement program. Also Colas with youthful optimism message had a reputation for hiring of lots of employees abroad, and acts an open job resource for especially in marketing related activities, which made a brand perception to be aligned with the local sensibilities. Also in young customer segment, symbolic values of modernity and affluence have highly positive effect on their perception.

The history of Coke and Pepsi in Iran is as chaotic and complex as the country's politics. Both companies were active here before the revolution, when Pepsi dominated the market through Zamzam. In the 1950s, Coke tied up in Tehran with Sasan (Pepsi's bottler since 2003) and with Khoshgovar, a private company owned by the Yazdi family that controlled distribution in Iran's eastern territory. Though arriving late, Coke pushed ahead of Pepsi after an ayatollah issued a fatwa, or religious ruling, banning Pepsi because its franchisee followed the Baha'i faith, which is regarded as heretical by Iran's majority Shiite Muslims.

But Coke says it pulled out in 1978 as Khomeini's revolution was building. The following year the Shah was ousted, and then came the 444-day siege of the U.S. embassy, a time when Iranians risked reprisals for even being seen with U.S. products. Washington slapped sanctions on Iran during the hostage drama, but by 1991 they were relaxed enough to allow Coke to return, again with Khoshgovar in the eastern part of the country.

Khoshgovar wanted to capture the Tehran market and bought a brewery in the capital that had been shut down by the tee totaling revolution. But under pressure from the regime, it sold the site to a Tehran investment company, Noushab, which had close links to then-President Akbar Hashemi Rafsanjani, today one of Iran's richest men. In 1994, Coke licensed Noushab to sell its products in Tehran. (http://money.cnn.com/magazines/fortune)

By interpreting the past usage we can catch up some real good clues about the strategy of breaking into a local market, or in other words integrating with the clusters. As it can be seen in Pepsi's approach, Clusters represent a new way of thinking about national, state, and local economies, and they necessitate new roles for companies, for various levels of government, and for other institutions in enhancing competitiveness. In looking for the competition inside a new location it has been realized that thinking about competition and strategy has been dominated by what goes on inside the organization. Clusters suggest that a good deal of competitive advantage lies outside companies and even outside their industries, residing instead in the locations at which their business units are based.

In the clusters approach the importance of location is strongly emphasized, in order to create a sustainable strategy it plays a crucial role to use competitive advantage of location Pepsi defined with the brand Zamzam, has upgraded a local context that encouraged appropriate form of investment and a chance to sustained upgrading, and also in the rivalry position, where there will be a vigorous competition among locally based rivals, has made an equal position among them. In 1950s as Coke tied up in Tehran with Sasan, and thus again they managed to great a local context but also took the advantage of related and supporting industries as in the presence of capable locally based suppliers. But also in terms of factor conditions their infrastructure capability will be also be used in terms of local movement, distribution channels but also psychical and administrative infrastructure

Fatwa attack of Coke is a surprising but also a simple movement of their strategy, it first affects the direct the demand conditions, by creating a proper religious and moral demand among the sophisticated and demanding local customers.
After the instable condition of political situation, as the boundaries has been set much more ago in the local context rivalry, the games has played with its own rules. The social-economic

positions of the elites such as Koshgovar or Hashemi Rafsanjani designed and also protected the situation of local cola segmentation efforts of the Coke industry.

Also the entrance mode of the Cola producers shows us the insights for the following as an international entry or country differentiation:

There are two broad constructs that drive firm performance in international entry: firm differentiation and country differentiation.

Within firm differentiation, two key constructs are firm strategy and firm resources. The most important strategies in international entry are entry mode and entry timing. We measure firm resources with one key variable, firm size. Within country differentiation, the key construct is host country characteristics. Among these characteristics, the two that identified as important are country openness and country risk. In addition to these constructs, firm and country differentiation together shape host–home location. Two variables of this latter construct that are most extensively discussed in the literature are cultural distance and economic distance.

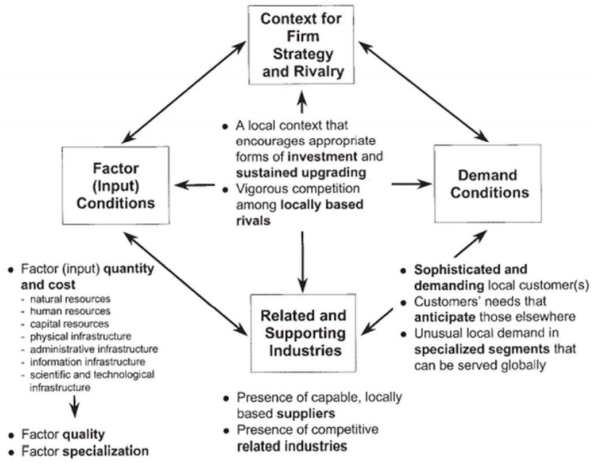
As mentioned earlier, after years of alienation, economic restrictions between United States and Iran, some industries had found a way to infiltrate into local clusters of Iran. The ways for infiltrating were various: Export by back channels, licensing, direct trade for the products which are not subject to restrictions by the federal government of the United States. In the entry mode, in order to increase control, there are five main classes.

3.1. Direct Export: home market sells the product by pass a corporation in the target country.
3.2. License and Franchise: a formal permission or right offered to a firm or agent located in a host country to use a home firm's proprietary technology or other knowledge resources in return for payment.
3.3. Alliance: in the target country there was a cooperative agreement between the firm in the local market and the firm in the home market.
3.4. Joint Venture: in the target market there is a firm which is to be owned by the firm in the target market and one of them is at the home market.
3.5. Wholly Owned Subsidiary: takeover of an entity with its whole rights, where the profit is sent to the home country where the main company is located at.

From those, Coca Cola's system was to license bottlers which are wholesalers in Iran market that buys its syrup concentrate and then carbonate, bottle and sell it to retailers in the local Iran market.

Also Pepsi followed the same way where it made a licensing agreement with Sasan. Also it can be seen in the below figure that sources of local competitive advantage was used with its all contexts to sustain the entry strategies' supplementary of Coke and Pepsi. Choosing licensing approach, normally the licensor has less control over the licensee than over its own production and sales facilities so when the license contract ends, there will be a facing of a strong opponent created in the local market, however Cola as its part of a strategy supplies product ingredients and components.

Figure 1. Sources of Locational Competitive Advantage Source: Porter (2000).



Source: Porter (2000).

It is not a far fact that the experience which Cola used in Asian countries can be applied to Iran. Iran has used to have a long term attractiveness when first decided by Coke to enter in, despite this, Iran could have been a high risk environment for Coke companies as the entrant companies, both because the political instability and governments attitude towards United States beverage industry. Also Iran had used to have fast implementing economical program.

Unlikely as of 1956, after gaining the recognition of Satanic Brand, another handicap that the cola industry had faced problem in Iran was the banning of advertisement. However cola companies are powerful on the distribution programming as well as marketing strategy. With its full market coverage approach, Cola companies managed to serve all customer groups with all the products they needed. Being a very large firms Coca-Cola managed to undertake a full market coverage strategy. In addition it was the mass marketing strategy experience they had benefited from. With this strategy, they managed to create largest potential for the market, thus it leaded to lowest cost, and turned as a higher margin. With this attack also, Coca-Cola managed to turn the disadvantage of marketing banning, and resistance of clerks with its another powerful line, the distribution programming.

Figure 2. A 1956 Coca-Cola print ad in Tehran.

In http://www.coca-colacompany.com/ website it was reminded due to Nowruz celebrations.

Although for example Coca–Cola wanted to play locally, the basic universal principles of CocaCola remained unchanged which are bold simplicity, real authenticity, the power of red and a familiar yet surprising nature. Given the creative nature of the design, and perception management of the brand played a great role highly attracting the especially the younger segments in Iran. So its design penetrated all aspects of its strategic program which was a silent marketing with just the brand itself thus all design aspects worked together. In addition to this Coca-Cola as the packaging strategy, its one side was the original Coca- Cola typology, and the side behind was designated to be written in Persian language, which aimed to attract not only young segment but also the traditional.

Although Coca Cola employ both push and pull strategies through the global market, in Iran because of the marketing ban, they had to change their strategy into one as a form of push strategy. As there is no loyalty they made the chose to be done in the store where they made the product as an impulse item, and made the product benefit to be well understood. In order to apply this, they used their own sales force and promotion activities to reach end users.

Another advantage of cola industry was the knowledge of easiness to infiltrate into Iranian market by smugglers. As the American products reputation is high among the consumers, those products will find its way to enter into the market. Masoud Mohajer, an economic columnist who writes for Iranian newspapers and journals confirmed this approach, as stated in one of The Huffington Post articles dated 14.09.2012: “If there is a government restriction for the products, smugglers will find a way to take those products inside the country”. As Iran Government guesses, this will create tax loss, grey economy and the decline of the social welfare.

Figure 3. Coca–Cola sold in Iran today

Being very far away from mobile marketing due to regulations in Iran, yet Cola industry can have a lot of benefit from the smart phone applications marketing where Apple and Samsung has a great mobile industry in. Although had the reputation has a Satanic Brand in Iran, still the consumers are heavily owning those high tech American products.

Besides those approaches the determined and courageous company decisions made a strategy sustainable. For example in the past Pepsi has experienced boycotts supporting lesbian and gay causes however they continued to advertise to the gay community. Like this approach, Pepsi's strict decision making mechanism and the culture that was created because of it had led the way not to give up from Iranian local market.

4. Conclusion

Clusters are concentrations of highly specialized skills and knowledge, institutions rivals, related businesses and sophisticated customers in a particular nation or region. Proximity in geographic, cultural and institutional terms allows special Access, special relationships, better information, powerful incentives and other advantages in productivity and productivity growth that are difficult to tap from a distance.

Yet as they are highly concentrated where on local contexts, they also create a high sophisticated entry barrier for the companies which would want to break into the market where they are highly effective. In the sample of soft beverage industry of Iran the main drivers of breaking the cluster has been enlightened within the theories of gaining competitive advantage in the local markets. Also the offering was made: in order to gain the edge, giving samples from Cola companies who managed to infiltrate successfully into the local Iran market by over 50%. Other MNC's would require the strategy creation in terms of theoretical approach of strategic involvement, alliance

with locals, and make it a sustainable placement by building and furthermore creating local demands.

Beyond Global Marketing and the Globalization of Marketing Activities

The topic of this article is the term "global marketing" and the phenomenon of the "globalization" of marketing activities. Global marketing is a theoretical concept that in a managerial context is hardly applicable. Global marketing and the globalization of marketing activities have become a cliche among marketing scholars and marketing practitioners. Also introduced and discussed is the concept "glocal marketing" to fill the gap or vacuum between the theoretical concept of global marketing and the empirical phenomenon of the globalization of marketing activities applied both by marketing scholars and by marketing practitioners.

Introduction and objective

The idea of the globalization of marketing activities is a well known phenomenon. It is also widespread among marketing scholars and marketing practitioners. The concept of global marketing is used in different contexts, but it is often applied with a variety of meanings. It is used as an etiquette or jargon to represent a diversity of marketing phenomena or marketing applications. At times it is almost used as a prefix. There is an evident disagreement on the meaning and the appropriate usage of the concept of global marketing among marketing scholars and marketing practitioners. The multiple meanings and use of the concept of global marketing is therefore ambiguous. It is widely used to represent different meanings depending very much upon the user's personal perception or conviction. The concept of global marketing appears to have become a cliche adopted both by marketing scholars and by marketing practitioners, and others as well. *(there is a lot of uncertainty about what global marketing exactly encompasses)*

There is a discrepancy between the term "global marketing" and the "globalization" of marketing activities. There is a need to explore and describe the gap or vacuum that may contribute to advance the use of these terms related to marketing activities beyond present boundaries. Therefore, the objective of this article is to describe how to overcome the discrepancy between the theoretical concept of global marketing and the empirical phenomenon and application of the globalization of marketing activities.

Concept of Global Marketing

Many scholars use the concept of global marketing. It is usually applied to represent different meanings:

... marketing activities coordinated and integrated across multiple country markets (Johansson, 2000, p. 6).

... global marketing focuses its resources on global market opportunities and threats ... (Keegan and Green, 2000, p. 2).

... global marketing does not necessarily mean standardization of products, promotion, pricing, and distribution worldwide (Kotabe and Helsen, 1998, p. 13). *(with each country, you have to adapt to the respective country and meet the needs of the people there)*

Going global... It starts with recognizing that the world has no center ... customers will differ from country to country and that they will expect you to respect those differences. Learn this or stay at home (Champy, 1997, P. 25). *(cultural appreciation and relativism)*

... a business view of selling products to customers around the world ... (Dahringer and Muhlbacher, 1991, p. 5).

Global marketing is the process of focusing the resources and objectives of a company on global market opportunities ... (Keegan, 1989, p. 11).

In some global strategies marketing should play the role of tailoring and not standardizing to support an overall strategic position (Porter, 1986, p. 17)).

Keegan (1989) mentions two motives for the globalization of marketing activities. One is to take advantage of opportunities for growth and expansion, and the other is survival. Companies that fail to pursue global opportunities will eventually lose their domestic markets, *(globalization of a company introduces new markets. For example, the elite in third world countries often strive for good from more developed countries as a way to showcase wealth)* since they may be pushed aside by stronger and more competitive global competitors. Dahringer and Muhlbacher (1991) state that a global approach allows companies to achieve a concentration and coordination of marketing activities, which stimulates the companies' efforts for globalization. Lamont (1996) argues that global marketing expresses initiatives to find new markets, segments, niches; the development of buying and selling opportunities; and of marketing across international boundaries. The globalization of marketing activities includes specific tasks such as the organization of worldwide efforts, the research of domestic and foreign markets, the finding of new partners, the purchasing of comprehensive support services, and the managing of costs of the international transactions. Kotabe and Helsen (1998) write about the necessity of adaptations of the global marketing strategy being inevitable. It is a company's proactive willingness to adopt a global perspective instead of a country-by-country or region-by-region perspective in developing a marketing strategy. *(rather than adopting a country by country approach, much of the business must be standardized)* Johansson (2000) describes global marketing as the integration that can involve standardized products, uniform packaging, identical brand names,

synchronized product introductions, similar advertising messages, or coordinated sales campaigns across markets in several countries. Keegan and Green (2000) state that one difference between "regular" marketing and "global" marketing is the scope of activities. Another difference is that global marketing involves an understanding of concepts and strategies that should be applied in conjunction with universal marketing issues to ensure a global marketing success. *(use the standard business practices in conjunction with specific country businesses)* Porter (1986) writes that in some cases, standardizing marketing can lead to competitive advantages that support the overall global strategy. Champy (1997) states that companies must value cultural and ethnic diversity, because it is a pragmatic necessity for any company that wants to sell globally. Elimimian (1997) concludes that global marketing organizations are culture-bound and therefore the consequences of cultural relativity are critical when making decisions for the global marketplace.

The uses and meanings of the term "global marketing" vary between scholars and tend to be ambiguous. This is unfortunate, since it may cause a negative impact on the communication and interaction processes between people. *(how are problems arising from miscommunication of such a topic?)*

Globalization of Marketing Activities

Muhlbacher et al. (1999) write that a global approach to international marketing occurs when a company's managers concentrate on product markets, i.e. groups of customers seeking shared benefits or demanding to be served with the same technology, emphasizing their similarities regardless of the geographical areas in which they are located, rather than focus on country markets, i.e. differences due to the physical location of the customer groups. In addition, Mooij (1998) states that there are a number of paradoxes in global marketing and advertising. For example, paradoxical values are found within cultures and between cultures. Every culture has its opposing values. Markets are people, not products. There may be global products, but there are not global people. There may be global brands but there are no global motivations for buying those brands. Jeannet and Hennessey (1992) argue that global marketing is not just a new concept for an old phenomenon, but that there are real differences between international and global marketing. In addition, they argue that there has been a stepwise development in the process of marketing, from domestic marketing through export and international marketing, multinational and multiregional marketing, to global marketing. Although they argue that there are some differences, most scholars and practitioners still use the concepts of international, multinational, and global marketing interchangeably or at whim.

Kotler (1986) states that there are circumstances where a multinational company can gain benefits through increased standardization of its marketing mix. There are also circumstances

where this strategy would hurt the company. For example, he writes that the issue can be framed in the following way: under what circumstances can a company in Country X sell its product in Country Y without changing the product, promotion, price, or place and still earn a good return. Wind (1986) introduces an approach of thinking globally and acting locally. This suggests that the overall design follows a worldwide perspective, but that every detail of the strategy takes into account the country's characteristics and cultural differences. Wind (1986) writes that by following the strategy of "thinking globally, acting locally", then changes in the world force us to move away from thinking domestically, at the same time avoiding the pitfalls of global standardization: more emphatically, to employ a marketing-oriented approach and take advantage of our understanding of the local conditions in each of the world markets. Mooij (1998) writes that thinking and acting are influenced by culture. Someone who thinks globally is still a product of his or her culture. Global thinking by a person of one culture may easily be interpreted wrongly by people of another culture. *(people are heavily influenced by their culture, no matter how modernized or globalized their thinking is)*

Origin & Reason of Global Marketing

McCloughry and James (1957) use the concept of global strategy in the 1950s in their book entitled Global Strategy in terms of war strategies, but emphasize that the importance of localizing the war and preventing it from becoming a general world struggle " ... thereby not only achieves the maximum concentration of force upon his immediate object, but affords himself the best chance of a peace, if only temporary, which will leave him in possession of what he has gained... " (McCloughry and James, p. 54). The topic of globalization of marketing activities emerged in earnest in literature in the early 1980s. Levitt (1983) recognizes the trend towards the globalization of marketing activities and states that companies must learn to operate as if the world were one large market - ignoring superficial regional and national differences. *(keyword= superficial, but what exactly dictates the superficial information)* In addition, he argues that the companies that do not adapt to the new global realities will become the victims of those that do *(basically, you either expand or get trampled upon)*. Kotler (1986) regards Levitt's (1983) approach as going back to a sales approach, which is a step backwards in terms of marketing, one which recognizes local conditions, characteristics, and circumstances.

Johansson (2000) states that there are four factors that influence companies to strive towards the globalization of marketing activities, namely the categories of market, competition, cost, and government. These factors are often referred to as the four major globalization drivers. Originally, Yip (1989) discusses and classifies the globalization drivers thus:

* market drivers consisting of homogeneous needs, global customers, global channels, and transferable marketing;

* cost drivers categorized as economies of scale and scope, learning and experience, sourcing efficiencies, favorable logistics, differences in country costs and skills, and product development costs;

* competitive drivers consisting of the interdependence between countries and the competitors that globalize or might globalize; and

* government drivers classified as favorable trade policies, compatible technical standards, and common marketing regulations.

Sheth (1986) argues that companies doing business in foreign markets are probably doing so due to factors other than an emerging universality of consumer needs and wants. He points out three possible reasons for the emerging globalization of marketing activities in the early 1980s, namely: access to foreign markets; increasing degree of international standardization of products and standards, and; increasing number of worldwide mergers, acquisitions, and joint ventures. Hollensen (1998) lists proactive and reactive motives of internationalization. Proactive motives may be profit and growth goals, managerial urge, technology competence/ unique product, foreign market opportunities, economies of scale, and tax benefits. Reactive motives may be competitive pressures, a small and saturated domestic market, an overproduction/excess capacity, unsolicited foreign orders, extended sales of seasonal products, and a proximity to international customers/psychological distance.

Jeannet and Hennessey (1992) also mention a number of reasons for the globalization of marketing activities such as globalizing for internal efficiency; globalizing to compete in homogeneous markets; globalizing for added synergies. The indicators for the globalization of marketing activities are proposed to be at the customer level, at the market level, at the industry level, and at the competitor level.

Furthermore, these indicators are independent of each other, which means that different levels of globalization may be observed in each area. For a manufacturer and distributor the assets are mostly tangible and there is a preference for achieving economy of scale, low margins, and these firms strive to achieve cost efficiency. There is a preference for mass markets instead of separated markets. Traditionally, value has been created by owning physical assets, but now there is a shift to the means of value creation, in creating value from a more local focus (James, 2001).

Accordingly, the roots of the concept of global may be traced principally to the early 1980s due to a number of globalization trends that emerged, such as a focus on standardization, homogenization, similarity, concentration, dependence, synchronization, and integration of marketing activities on a worldwide basis.

Ambiguities of the Term Global Marketing

A set of concepts is applied by scholars and by practitioners that refer to marketing activities that take place in more than one country, such as international, multinational, multi-local, multi-regional, multidomestic, transnational, and global. Douglas and Craig (1995) state that many of these concepts tend to be used interchangeably. There is considerable ambiguity and lack of agreement surrounding them *(don't know in what way to use the words, and what scale they apply to)*. The applications of the concepts refer to either: the geographical scope of operation, or the way in which a business is run. Johansson (2000) writes that despite the term global, it is not necessary that all or most of the countries of the world be included. Even regional marketing efforts can be viewed as examples of global marketing. *(so global marketing essentially deals with people who are adapting their market and spreading to a bigger location)* Segal-Horn (1996) argues that few companies lend themselves to pure global strategies, since all strategies require some degree of adaptation to regional and national conditions. In addition, she argues that the popularity of the globalization of marketing activities has caused the concept of global to be both overused and misused. Scholars and practitioners refer to global when they actually mean international or multinational. In addition, they refer to it in a general sense of anything connected with doing business outside the domestic market, and the core of the standardization/ adaptation debate in international strategy is more the question of how far, if at all, it is appropriate to design, market, and deliver standard products and services across national boundaries. Hammerly (1992) also emphasizes the necessity for matching global strategies with national responses. *(if the company is not doing well in domestic markets, then it probably won't do well in other countries.)* Katrak (1983) studies two cases of the globalization of marketing activities in multinational firms. One of the cases is when the subsidiary is allowed to act as an autonomous unit to maximize its own profits. The other is when the subsidiary's output level is completely determined by the parent company to maximize the latter's global profits.

Naisbitt (1994) writes that the bigger and more open the world economy becomes, the more small and middle sized companies will dominate, where we have moved from "economies of scale" to "diseconomies of scale"; from bigger is better to bigger is inefficient, costly, wasteful, bureaucratic, inflexible, and now, disastrous. He concludes that there is a paradox, as marketing activities become global. Smaller and speedier companies may prevail on an expanded field. *(Some people now prefer the local touch because you can get through to people quickly).* Domzal and Unger (1987) state that the globalization of marketing activities emphasizes consumer similarities across geographical borders and strives for standardized marketing strategies, while minimizing local differences.

Furthermore, they argue that the companies that do not embrace the globalization of marketing activities will be placed at a competitive disadvantage. Their usage of the globalization of marketing activities implies that firms strive to identify global segments that share the same psychographic characteristics. At the same time, they recognize that there are differences between markets. Koepfler (1989) also refers to the globalization of marketing activities, but concludes that the globalization of marketing activities must fit the products and the services to the practices and languages of different markets.

Simon-Miller (1986) comments that the so called open world markets may in fact be characterized by economic nationalism (e.g. protective policies or tax incentives for domestic producers). In planning global strategies, the company should take into account these barriers and discrepancies. Sheth (1986, p. 19) concludes that we do not need the concept of global versus domestic markets, but a concept of multiple markets, and writes:

... In conclusion, we often mistake global competition for global markets. As most markets become more divergent within each country, this approach tends to produce overlapping segments across countries, giving the illusion that markets are becoming global ... .

Accordingly, the apparent globalization of marketing activities may be questioned. Grune (1989) comments that in its broadest sense the concept of global describes the worldwide marketplace, but more often than not the concept of global is used to indicate a strategic approach to compete in that worldwide marketplace. In this context, the concept of global is usually applied as the traditional multinational term.

Rabstejnek (1989) emphasizes the importance of the basics of the globalization of marketing activities, but at the same time acknowledges the sensitivity to cultural characteristics, customs, and other elements that may be necessary in domestic markets. Lorenz (1986) also argues that the concept of globalization has no single meaning. To some people, it means the globalization of industries, while to others it implies a shift towards global products as well as global brands. To some people the concept describes a truly global homogenization. He also states that the usage is not clear and writes that the permutations of meaning are confusing, not to say bewildering. To most people the only certainties are that globalization has become fashionable, and that it represents a daunting new challenge of indefinable proportions. Jeannet and Hennessey (1992) also write that, for many, global is just a concept of replacement for international, and to many readers the concept of global strategy suggests a company represented everywhere and pursuing more or less the same strategy. Sugiura (1990) focuses on how a global strategy may be localized. Four localizations are described in terms of the products, the profits, the production, and the management in order to achieve customer satisfaction. His usage of the global term appears to be more in accordance with an international or multinational approach. Palich and GomezMejia (1999) conclude that companies that desire to expand internationally

require managerial adaptation due to differences between national cultures. These dynamics have not been used to represent the cultural diversity that may hinder efforts to integrate and coordinate efforts as required by global strategies.

Hamel and Prahalad (1985) conclude that a global strategy must look beyond lower costs and product standardization. It has to think in new ways about world competition. In addition, Kogut (1985) concludes that where centralization is constrained by the need to maintain a careful balance between local subsidiary responsiveness and the coordination of the global benefits, then balancing is critical. Roth and Morrison (1992) write that the implementation of a global strategy requires coordinating subsidiary activities across country locations. The assumption often made is that such coordination must be managed at headquarters. They introduce an alternative approach in which subsidiaries within the multinational are given worldwide mandates to manage specific products or product lines *(sometimes the responsibility lands on the shoulders of the specific business locations, rather than just the headquarters)*. Salmon and Tordjman (1989) distinguish between a multinational strategy and a global strategy in terms of the internationalization of retailing. They state that the multinational strategy involves the implantation of autonomous affiliates operating comparably to the parent company, but adapted to the local market. The global strategy corresponds to a reproduction, outside the national frontiers of the retailer, of a formula that is known to be successful in the originating country. In addition, in Kanter (1994), executives point out that there is a significant difference between simply having offices in several countries and developing a global strategy.

Anand and Delios (1996) use the concept of multi-domestic strategy to describe Japanese subsidiaries in India that operated independently in terms of the multinational corporation's globalization of marketing activities *(the difference of approaches in both countries)*. It is concluded that foreign entrants to the region should be aware of, and be able to respond to, the unique advantages of each host country, and to the different strategies and capabilities of the subsidiaries. There are also authors that reinforce the globalization of marketing activities further, by using other words, such as "total". For example, Yip (1992) provides a guide, comprising three components, on how to implement a "total global strategy" successfully. One involves internationalizing the core strategy by adapting it to the various international markets. *(if the entire approach of the business plan is based around international and global companies, then the company will excel)*

Glocal Marketing and the Glocalization of Marketing Activities

The global marketing strategies and the globalization of marketing activities have been popular topics among scholars and practitioners for a couple of decades. They have been used and applied among executives in international and multinational corporations, as well as among

scholars in the field of international business and international marketing. There is a continuum from the locally-related issues of worldwide strategies on the one side, and the globally-related issues on the other side. In an empirical context, the globalization of marketing activities is widespread. Global marketing is likely to be a managerial utopia, though any kind of global marketing strategy will be successfully implemented on a worldwide basis. A pure global marketing strategy will suffer from marketing myopia or, as Levitt (1960, p. 56) states: "Obviously the company has to do what survival demands. It has to adapt to the requirement of the market, and has to do it sooner than later". *(when IKEA had to adapt and shift production over to China to be able to have more competitive prices)* At best, global marketing activities may exist on a strategic level, while on an operative level and a tactical level they are less appropriate, if at all realistic and possible to implement. Therefore, on a strategic level, general marketing policies may be considered, but when it comes to operative and tactical levels specific marketing activities have to be addressed and considered. *(the same principal: general=uniform, and specific=unique)*

Local and domestic marketing strive exclusively to maximize adaptation, tailoring, differences, concentration, independence, flexibility, and separation of marketing activities within market frontiers *(having to adapt more than necessary causes increased complication, thus increasing the risk)* (see Table I). A local or domestic marketing strategy recognizes the necessity to consider locally-related issues in the performance of marketing activities in the marketplace. *(at the local scale, the miniscule difference among different places is important to consider because there isn't a large target audience to begin with)* An international marketing strategy is a widening of the local and domestic marketing strategies of marketing activities that is applicable beyond the home market's frontiers, while a multinational marketing strategy refers to marketing activities towards a wide selection of foreign markets targeted through the marketing activities. *(international has a focus on one country, while multinational has an equal focus on more than one country)*

The international and multinational marketing strategies also recognize the necessity for locally-related issues of marketing activities in the different markets targeted, but worldwide diffusion is the ultimate goal (see Table I). This means that international and multinational marketing strategies across markets strive primarily to maximize standardization, homogenization, similarity, concentration, dependence, synchronization, and integration of marketing activities. Secondarily, international and multinational marketing acknowledge the potential necessity for adaptation, tailoring, difference, diffusion, independence, flexibility, and separation of marketing activities across markets.

The global marketing strategy strives exclusively to maximize standardization, homogenization, similarity, concentration, dependence, synchronization, and integration of marketing activities across markets (see Table 1). The global marketing strategy has an emphasis on the uniform marketing activities across existing markets in the world, while international and multinational strategies in some aspects strive to achieve uniform marketing activities and in other aspects

apply disparate marketing activities due to unique conditions, characteristics, and circumstances in different markets. *(the essential difference between the international and global business)*

Usually, most marketing activities have to be adapted to local conditions, characteristics, and circumstances in the marketplace. Therefore, it is not suitable to apply a global marketing strategy, since locally-related issues of the marketing activities normally have to be taken into consideration in the marketplace. Daft (2000, p. 20) states that: " ... we must remember we do not do business in markets; we do business in societies ... ... In our future, we'll succeed because we will also understand and appeal to local differences. The twenty-first century demands nothing less ... ". In terms of the marketing mix *(a combination of factors that can be controlled by a company to influence consumers to purchase its products.)* the necessity for locally-related issues becomes more evident. Theoretically, it is possible to maintain a uniform product strategy, pricing strategy, distribution strategy, and promotional strategy on a global scale. Practically, more or less extensive adjustments in the marketing mix have to be taken into consideration when a company strives to achieve global coverage in their marketing activities.

Despite the widespread usage of the global marketing concept, it is often used to represent typically international and multinational marketing activities. There is an evident ambiguity. Therefore, the concept of "glocal marketing" is introduced to be a compromise, which in part reflects the aspirations of a pure global marketing strategy, while the necessity for locally related issues of marketing activities is simultaneously recognized. The concept contributes to the balance and harmony of locally and globally related issues. The concept of glocal marketing comprises a spectrum of local, domestic, international, multinational, and global marketing activities. It differs (see Table I) from the global marketing concept, since it explicitly recognizes the importance of locally and domestically related issues in the marketplace of marketing activities. In addition, it comprises typically international and multinational marketing activities. The concept of glocal marketing is defined as follows:

Enlarge this image.

Table 1

Glocal marketing strives to optimize the balance and harmony of the focal firm's marketing activities on operative, tactical, and strategic levels in terms of standardization versus adaptation, homogenization versus tailoring, similarity versus difference, concentration versus diffusion,

dependence versus independence, synchronization versus flexibility, and integration versus separation.

Managerial Implications

Many worldwide business enterprises are moving beyond global marketing and the globalization of marketing activities. In some cases, these enterprises have replaced the word "global" from the strategic formula. James (2001) writes that the Coca-Cola company's chant is now "think local, act local". The company's focus on local is better interpreted as a move to the next phase of globalization, not a withdrawal, but rather directed at greater integration. *(the local aspect of a business is appealing people, and that's why there is a shift in the coming years)*

Think and act local is more around the mindset of our making sure that we are thinking as a local player in this market, connecting with local consumers - and selling to local consumers. Not taking a US product and just saying, you will have this US product because it works in this market (James, 2001).

The idea of glocal marketing introduced and discussed in this article is a compromise of the dogmatic, the stereotype, and on the extreme marketing strategies between, on the one hand, adaptation, tailoring, difference, concentration, independence, flexibility, and separation of the focal firm's marketing activities, and on the other, standardization, homogenization, similarity, diffusion, dependence, synchronization, and integration of the focal firm's marketing activities. In a managerial marketing context it is most important to acknowledge that a marketing strategy strives to accomplish success in the marketplace. Markets are apparently similar, but have often important differences. A firm's marketing strategy is doomed to fail if it instinctively indicates that a formula that works in one country must also work in another. The key issue to success in the marketplace is a thorough understanding of why the consumers are going to want the firm's product in each market. This may vary across markets. The success will be achieved when a thorough understanding of the consumers' needs, wants, and requirements is accomplished. This will not be achieved through a global marketing approach, but requires a thorough balance and harmony between operative, tactical, and strategic marketing activities.

The benefits of the concept of glocal marketing in a managerial marketing context and marketing research setting is that it may be used to differentiate and classify companies' various marketing activities depending upon whether they are local, domestic, international, multinational, or global. The current use of the global marketing concept is ambiguous and misleading. The use of the concept is not black or white, but rather is mixed up or grey. There is always a need for further explanation of the term global marketing to comprehend in what sense it is used.

Therefore, it is appropriate to abandon the concept of global marketing and move beyond to apply the concept of glocal marketing, since the latter does not support the current ambiguity of "this or that". *(glocal marketing accounts for the local and global scale, but it is still kind of vague?)* It is clearly spelled out, and pronounced that the concept of glocal marketing comprises both "this and that". The benefit for marketing scholars and marketing practitioners is rather similar, since it may contribute to underpin clarity and dispel ambiguity. Marketing scholars and marketing practitioners need common constructs that are used in generic situations and in the same generic meaning. Otherwise, the information provided may be severely misinterpreted.

There are some generic similarities, as well as differences between the current usage of the term "global marketing" and the introduced definition of the term "glocal marketing" (see Figure 1). For example, the scope of glocal marketing is wider and more all-embracing. Glocal marketing activities may be considered on an operative level, e.g. promotional issues. Global marketing activities will hardly be appropriate on an operative level, since there is a mismatch between the extension of global marketing and the richness of details addressed on an operative level.

Marketing decisions related to distribution may be handled on a tactical level in terms of glocal marketing activities, e.g. the selection of an appropriate marketing channel structure and pricing policy procedures. There is a similar mismatch of global marketing activities on a tactical level, since tactical decision-making has to be done on a local, domestic, and regional level. *(glocal marketing takes this into consideration)*

On a strategic level glocal marketing activities may also be addressed, e.g. taking into consideration the overall marketing mix suitable to achieve success in the marketplace. The scope of global marketing may not be handled on an operative or a tactical level. At these levels the firm's marketing activities have to be addressed in terms of adaptation, tailoring, difference, concentration, independence, flexibility, and separation. It is also doubtful if global marketing activities are worthwhile on a strategic level, since the current competitive business environment in the marketplace across industries around the world tends to require marketing activities beyond standardization, homogenization, similarity, diffusion, dependence, synchronization, and integration of the firm's marketing activities. A focal firm's global marketing activities represent to a large extent a very small share of the overall amount of marketing activities planned, performed, and evaluated. Therefore, even on a strategic level global marketing activities are questionable and most likely inadequate.

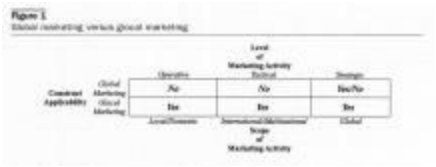
The concept of global marketing may only be used on a strategic level, if applicable at all. The concept of glocal marketing addresses the importance of harmony and balance between a focal firm's marketing activities on operative, tactical, and strategic levels. The firm's corporate strategy will fail, or will be less successful, if there is disharmony and unbalance between the different levels of marketing activities. A focal firm's marketing activities generally require

adaptation, tailoring, difference, concentration, independence, flexibility, and separation. In consequence, the term "global marketing" has lost its relevance and has turned into a utopian managerial marketing approach. It lacks the properties of balance and harmony of companies' marketing activities. Therefore, it is argued that it should be abandoned and replaced by e.g. the term "glocal marketing".

Contribution and Suggestions for Further Research

Marketing scholars and marketing practitioners use the term global marketing to represent international and multinational marketing activities. A true global marketing strategy which fails to be successfully implemented on a worldwide scale appears to be a managerial utopia. Therefore, the concept of glocal marketing has been introduced to provide an improved accuracy of the present usage of how most scholars and practitioners apply the concept of global marketing. The concept of glocal marketing recognizes that there has to be a balance and harmony between standardization/ adaptations, homogenization/tailoring, similarities/differences, concentration/ diffusion, dependence/independence, synchronization/flexibility, and integration/ separation of marketing activities. The harmony and balance of glocal marketing activities may be achieved since the concept explicitly comprises and emphasizes a spectrum from local marketing activities to global marketing activities. It also contributes to reduce the ambiguity and confusions when international, multinational, and global marketing activities are at focus. *(create an increased visibility of glocal marketing rather than global marketing)*

The ongoing trend towards the globalization of marketing activities appears to be a phenomenon of glocalization of marketing activities. The glocalization of marketing activities means that local and global marketing activities simultaneously are optimized. The focus on balance and harmony are crucial in companies' glocal marketing strategies and the present trend of glocalization of marketing activities. In conclusion, the idea that most scholars and practitioners have been following and applying during the last decades in terms of the globalization of marketing activities may be replaced by another more appropriate and accurate concept, namely the glocalization of marketing activities. *(there needs to be a bigger focus on the local scales, and this can be something I do with my final product/ original work)*



Enlarge this image.

Figure 1

The major research implication of the introduction of the term "glocal marketing" is to explore how this concept corresponds to today's global marketing activities performed by companies with an extensive worldwide market presence. The future research may also indicate to what extent market leaders in the world of business apply glocal marketing activities. This could be explored in different industries and business contexts in order to be of interest to managers and scholars across a range of countries. The glocal marketing and the glocalization of marketing activities goes beyond global marketing and the globalization of marketing activities, since the concept introduced and discussed explicitly acknowledges the importance of "glocally" related issues of marketing activities in the worldwide marketplace.