

Convergence and Divergence: Developing a Semiglobal Marketing Strategy

Susan P. Douglas and C. Samuel Craig

ABSTRACT

Many markets are converging, as communications and logistic networks become more integrated and firms from all parts of the world are expanding operations on a global scale. At the same time, other markets are becoming more diverse, and marketers are increasingly encountering economic and cultural heterogeneity. The authors examine the implications of these trends and the extent to which they necessitate rethinking and refocusing global marketing strategy. First, they examine the perspective of global marketing strategy as an evolutionary process. Next, they divide markets into five major spheres, examining the economic and cultural diversity of markets in each. Next, they discuss the resultant need to develop and implement different strategies for markets in each of these spheres. Some conclusions are drawn relating to the difficulties involved in developing a coherent strategy in international markets. The authors advocate developing a semiglobal marketing strategy, which involves following different directions in different parts of the world, resulting in greater autonomy at the local level.

Keywords: global marketing strategy, emerging markets, economic and cultural diversity, country groupings

Globalization is widely viewed as one of, if not the, dominant imperative driving business strategy in the twenty-first century. As markets become increasingly integrated, more firms from all parts of the world are expanding operations on a global scale (Ghemawat 2007, 2010; Gupta, Govindarajan, and Wang 2008, Peng 2009). Furthermore, this trend is not confined to large multinational corporations (MNCs) but includes firms of all sizes, from medium-sized firms to entrepreneurial companies that can identify and satisfy needs of niche markets throughout the world (Knight and Cavusgil 2009). In the past, the internationalization trend was largely confined to firms from highly developed countries of the “industrial triad” (i.e., the United States, Europe, and Japan) with attention focused on

expansion in these areas. However, this emphasis has changed dramatically in recent years.

The plateauing of growth in the developed world has resulted in a costly battle for market share. Driven by a growth imperative and faced with slackening demand in traditional markets, firms have been compelled to increase promotional expenses and innovate (e.g., developing new products or product variants) to maintain market position. As a result, many firms are looking for new growth opportunities outside the developed world. These include both large emerging markets, such as India, China, and Brazil (Wilson and Purushothaman 2003), and second-tier emerging markets (referred to as the Next 11), such as Indonesia, Turkey, Egypt, Nigeria, Mexico, the Philippines and Vietnam—all of which have

Susan P. Douglas was the Paganelli-Bull Professor of Marketing and International Business (e-mail: sdouglas@stern.nyu.edu), and C. Samuel Craig is the Catherine and Peter Kellner Professor and Director of the Entertainment, Media and Technology Program (e-mail: scaig@stern.nyu.edu), Stern School of Business, New York University.

Journal of International Marketing

©2011, American Marketing Association

Vol. 19, No. 1, 2011, pp. 82–101

ISSN 1069-0031X (print) 1547-7215 (electronic)

growth rates far in excess of those in the United States, Europe, and Japan (Wilson and Stupnytska 2007).¹

The dramatic changes in the global marketplace have important implications for the marketing strategies of MNCs from developed countries. Such companies need to reformulate their global marketing strategy, adopting a broader focus (Ghemawat 2010). On the one hand, this entails developing new initiatives to stimulate and capture demand in their traditional markets (developed countries and global or regional market segments); on the other hand, they must formulate new strategies to target the wide range of growth opportunities in other countries throughout the world. For example, Reckitt Benckiser has managed to increase its overall revenue, despite a decline in Europe, because it has moved aggressively into developing markets (Carolan 2010). In the automotive industry, General Motors sales in the United States have declined, but the growth opportunities have arisen elsewhere. Emerging markets are an important avenue for growth: Currently, General Motors sells more cars in China than it does in the United States (Barboza and Bunkley 2010).

The purpose of this study is to examine the implications of these changes in the global marketplace for the design of global marketing strategy by MNCs from developed countries. In particular, it highlights the extent to which these trends necessitate rethinking and refocusing global marketing strategy. First, we examine the perspective of global marketing strategy as an evolutionary process and review the various stages in its evolution, together with the current phase of expansion into a range of traditional and new emerging markets. Next, we divide markets into five major spheres or types of markets and examine the economic and cultural diversity of markets in each. Then, we discuss the resultant need to develop and implement different strategies in each sphere. We draw some conclusions regarding the difficulties involved in developing a coherent integrated strategy for global markets. We advocate developing a semiglobal marketing strategy that involves following different directions in different parts of the world, relying on greater decision making and authority at the local management level.²

GLOBAL MARKETING AS AN EVOLUTIONARY PROCESS

Previous research in both management and marketing literature has typically viewed international market expansion as an evolutionary process (Anderson 1993;

Contractor 2007; Douglas and Craig 1989; Johansson and Vahlne 1977, 1990; Westney and Zaheer 2001). Johansson and Vahlne's (1977) seminal stages theory of internationalization is based on a study of the pattern of internationalization of Swedish firms. The theory indicates that the perceived risk associated with international expansion leads firms to enter proximate, more familiar markets first, gradually expanding into more distant markets as experience is gained in operating in international markets. In a similar vein, in examining evolutionary and multistage perspectives of internationalization, Contractor (2007) and Contractor, Kundu, and Hsu (2003) identify three phases: early internationalization, later internationalization, and "excessive" internationalization.

Similarly, Westney and Zaheer (2001, p. 350) point out that evolution has been a central feature of MNC models in the management literature insofar as "internationalization of activities is a process that unfolds across time and space." They identify several phases these models have gone through over time from the 1960s to the late 1990s. To a large extent, these phases parallel the international expansion of the MNC as internal pressures arise from the increasing scale and growing complexity of international operations and external pressures arising from operations in multiple countries drive changes in the MNC's organizational structure and managerial processes. In particular, the integration-responsiveness framework (Bartlett and Ghoshal 1989; Prahalad and Doz 1987) was influential in thinking and research on the MNC in the 1980s and 1990s. This framework identifies the increase in pressures for global integration coupled with pressures for local responsiveness as key forces influencing the MNC's organizational design. Subsequent studies also viewed these forces as having an important role in strategy formulation (Ghoshal 1987). By the 1990s, as MNCs expanded and pressures for synergy and improved efficiency became more critical, issues of innovation and knowledge transfer became increasingly central (Doz, Santos, and Williamson 2001). As a result, attention shifted to examining network models of the MNC and the role of subsidiaries in internationalization and strategy formulation. However, the primary focus has been on the MNC's organization and related managerial processes.

Similarly, the marketing literature has viewed international expansion as an evolutionary process (Andersen 1993; Malhotra, Agarwal, and Ulgado 2003), though attention has often been focused on the mode of

entry adopted. Douglas and Craig (1989) adopt a more comprehensive view, suggesting that the firm's international market expansion can be viewed as a sequential decision-making process. They view this as reflecting the typical pattern of large U.S. MNCs' international expansion, particularly in consumer product markets. Douglas and Craig identify three phases: initial market entry, local market expansion, and global market rationalization. In the initial entry phase, the firm selects countries (markets) to enter as a base for future expansion, decides how to enter each country (i.e. the mode of operation: exporting, joint venture, or wholly owned operations), and determines the timing and sequencing of international market entry. Here, the firm needs to focus on realizing potential economies of scale by entering international markets, in terms of either tangible (e.g., production, advertising scale economies) or intangible (e.g., brand image, country-of-origin associations) assets.

After establishing an initial foothold in different foreign markets, the firm focuses on local market expansion. The firm's strategic thrust changes as it aims to expand outward and develop sales from its base within each country. This entails developing new products and services tailored to specific customer demand characteristics of that market or adapting existing products to market characteristics, extending the product line, and so on. In each case, the firm aims to achieve economies of scope, spreading shared costs across multiple product lines. For example, these could include sharing production and design costs by using the same facilities to produce multiple products, sharing warehousing and distribution costs across multiple products, and sharing knowledge and experience relating to a specific country market.

The third phase is global rationalization; this is when the firm attempts to rationalize its far-flung operations. The growing integration of markets gives rise to pressures to shift away from country-centered strategies to use skills and resources developed in a given country on a worldwide basis. Research-and-development skills developed in one country can be used to develop products for other markets, and production, engineering, or management techniques developed in one context can often be applied in another. At this point, MNCs should also pay greater attention to coordinating and integrating operations at different stages of the value chain across countries, ranging from sourcing and production to branding strategies (Yip 2003).

The principal goal of restructuring and rationalization of operations on a global scale is the desire to achieve substantial synergies. The concept of serving a series of domestic markets disappears and is replaced by that of meeting needs in a group of interrelated markets worldwide. Scale efficiencies in production and marketing are achieved by organizing operations regionally or globally rather than on a country-by-country basis. Highly skilled expertise in production, design management, and marketing can be employed, which would not be economical in more fragmented operations. Knowledge, experience, and successful best practices can be transferred from one region to another, resulting in world-class products and operations.

However, as Contractor (2007) notes, as the firm begins to expand the geographic scope of its operations, it enters a wide range of markets, and the degree of cultural and economic diversity between these markets increases sharply. Costs of coordination and information acquisition increase sharply, resulting in diseconomies, which have a negative impact on profit. As a result, the MNC enters a new phase of operations and needs to reassess its strategy and organization.

ENTERING THE FOURTH PHASE OF GLOBAL MARKETING STRATEGY

In the first three phases of international expansion, MNCs—in particular, those in consumer goods markets—place primary emphasis on opportunities in developed countries, particularly the United States, Western Europe, and Japan, all of which have affluent populations with high per capita income, highly developed marketing infrastructures, and predictable operating environments. However, in recent years, these consumer markets have become saturated, and rates of growth have slowed. As a result, competition for market share has accelerated, requiring additional promotional expenditures and effort to expand or even maintain sales.

At the same time, rates of growth in large emerging-market economies, such as Brazil, Russia, India, and China (BRIC markets), and in a range of smaller countries, such as Turkey, Egypt, Indonesia, and Vietnam (i.e., the Next 11 markets) have risen rapidly, providing new opportunities. Although average levels of income in the BRIC markets are low, ranging from US\$15,200 per capita in Russia to US\$3,100 per capita in India, the size of these markets is vast: India and China alone account for more than a third of the world's population (World

Bank 2010). Both countries have a sizeable and relatively large middle class who constitute a large market for consumer goods and services. In particular, the more affluent members of the middle class, often successful professionals or entrepreneurs, provide a prime target for higher-end Western brands in categories such as fashion and watches.

New sources of competition, notably from firms from these new market economies, have given rise to new challenges for MNCs from developed countries. In particular, large companies from large emerging-market countries such as China, India, and Brazil are increasingly becoming important competitors for MNCs in world markets. These firms are able not only to leverage the advantages of a low cost base, including both low resource and labor costs in the home country, but also to learn to adopt the technologies and management skills of developed country firms (Hoskinsson et al. 2000). As a result, firms from developed countries need to counterattack in the home markets of these firms, both to undercut the position of their rivals in their home markets and to take advantage of low-cost resources in these markets and master the other sources of their rivals' competitive advantages.

As managers become increasingly mobile and move across national borders from one country to another, increasing cultural diversity in their outlook creates greater interest and sensitivity to culturally and economically diverse market opportunities. As a result, emphasis shifts from developed markets to identifying opportunities in a diverse range of markets throughout the world. Often, there is also considerable diversity within these markets due to inequality in income distribution as well as differences in living conditions and demand characteristics between rural and urban areas. Furthermore, educational progress in emerging markets has spawned the growth of a new generation of engineers, scientists, and managers. This provides a new talent base for new product development and stimulates the hiring of local managers. It has also facilitated improvement in the management and competitiveness of local privately owned firms.

Technological advances—in particular, those that have reduced the scale at which production and distribution efficiencies are achieved—have acted as a further catalyst to this phase of international expansion. These advances have aided small and medium-sized firms in targeting specialized market segments in international markets, such as medical equipment and computer soft-

ware (Knight and Cavusgil 2009). At the same time, such developments have enabled large firms to serve international niche markets efficiently. Intentional and unintentional transfer of technology through licensing, contract manufacturing, and other types of collaborative agreements has also enabled a broader range of firms—in particular, those lacking the resources and expertise to compete in these markets alone—and has increased the level of competition. In some cases, this has stimulated growth of competition in foreign markets and resulted in the entry of foreign competitors or former collaborators into the domestic markets of their former partners.

The spread of communication links between and within countries has further facilitated the firm's ability to develop market knowledge competencies (Yeniyurt, Cavusgil, and Hult 2005) in relation to customers, competitors, and suppliers as well as the market and institutional infrastructure in countries across the world. At the same time, the growth and increasing sophistication of both internal information systems and the external communications infrastructure (e.g., the Internet, broadband, satellite telecommunications) enables firms to improve coordination and integration of operations at different stages in the value chain as well as geographically across countries and different regions of the world. As a result, the ability to focus efforts on high-potential-opportunity areas and to deploy resources across broader geographic regions and different parts of the world has substantially increased.

Despite the dramatic changes taking place in world markets, the marketing literature seems to remain focused on the issues involved in the development of a globally integrated marketing strategy (Birkinshaw, Morrison, and Hulland 1995; Quelch and Deshpandé 2004; Yip 2003) and its impact on performance (Xu, Cavusgil, and White 2006; Zou and Cavusgil 2002). In their study of 434 business units based in the United States, Zou and Cavusgil (2002) find that units with a globally integrated marketing strategy had higher levels of performance and enabled the firm to gain a competitive advantage in international markets.

The changes taking place in the configuration of world markets suggest that MNCs are entering a new phase with new challenges. As a result, global marketing strategy needs to be reassessed to adjust to these new and diverse sources of market growth and opportunity, as well as differences in competitive activity. These may require different strategies and new skills, as well as an

improved understanding of substantial differences in customer needs and interests, the nature of competition, and the market infrastructure in emerging markets. In particular, MNCs need to adopt a broader perspective in developing a global marketing strategy. Rather than adopting an integrative perspective and focusing primarily on developed-country markets, the key imperative is for firms to develop a more complex, multifaceted approach to designing different strategies for a broad array of diverse and rapidly growing markets.

As markets outside the industrial triad grow in importance and become a key component of global markets, firms need to shift their attention from developed-country markets to focus on exploiting potential in markets in other parts of the world. This includes not only large emerging countries, such as China, India, and Brazil, but also Next 11 countries (see the Appendix). These countries are experiencing rapid rates of growth in terms of both population and gross domestic product (GDP) per capita and are perceived as good investment prospects (Wilson and Stupnytska 2007).

However, it is important to recognize that these markets differ in terms of demand characteristics, the nature of competition, and the development of the market infrastructure. Factors such as customer interests, taste preference, purchasing patterns, and, in particular, price sensitivity differ substantially among countries. Also, the nature, importance, and tactics of local competitors and the degree of sophistication and development of the market infrastructure vary considerably. As a result, firms must adapt and develop new and different strategies tailored to a region or country's unique characteristics. Consequently, the firm's focus needs to shift away from global integration, coordination of strategy, and issues such as global branding to development of divergent strategies geared to different customer needs, competitors, and market conditions in different geographic locations. In turn, this requires a local or regional, rather than a centralized, focus and greater reliance on local skills, capabilities, and knowledge.

DEVELOPING A SEMIGLOBAL MARKETING STRATEGY

In the semiglobal marketing strategy development phase of global market expansion, the MNC must be able to focus on multiple goals simultaneously in different markets throughout the world. It must maintain its competitive position and market share in developed markets while focusing on establishing a presence in divergent

emerging markets. Here, at least five major spheres can be identified: two types of markets that MNCs have traditionally targeted (developed countries and global urban/regional market segments) and three new market configurations that are attracting increased interest: (1) large emerging-market countries, such as China, India, and Brazil, for which country-centric strategies can be developed; (2) second-tier emerging-market clusters (i.e., the Next 11), which may be grouped to establish a viable market size based on geographic proximity, similarity in customer interests, or infrastructure, so that products, ideas, strategies, skills, and so on, can be leveraged across two or more of these markets; and (3) large rural markets or the urban poor, which can be identified within the large emerging-market countries or the second-tier emerging markets.

Because these markets are characterized by dramatically different customers, competitors, and institutional environments, firms need to balance tensions in adapting to different demands in radically divergent markets and locations that require different skills and resources while attempting to transfer learning between their established markets and these new markets. Strategies for these new markets need to be geographically focused, which requires attention to the acquisition of local market knowledge as well as utilization of local skills and resources. Operating in multiple dissimilar markets pulls the firm in different directions and places a strain on the firm's financial and managerial resources.

Firms face a wide range of different competitors in world markets, including large MNCs and small and medium-sized entrepreneurial companies from the developed world, as well as large companies from emerging markets that are becoming an increasingly important force in international markets. In addition, regional and smaller local competitors are prevalent worldwide and not only have a more intimate knowledge of market conditions but are also more nimble and may have lower operating costs.

The most visible source of competition is likely to be other MNCs from developed countries. Thus, rivalry among these firms expands from developed countries into other markets worldwide. In contrast, small and medium-sized entrepreneurial companies are likely to target specific market segments worldwide. The growth of the Internet and international communication networks enables them to identify and interact with potential customers, customizing products and services to meet their specific needs. Large domestic-market firms

and, in many cases, small local competitors also provide major sources of competition. They benefit not only from substantial experience operating in these markets and in-depth understanding of local customer attitudes, preferences, and behavior patterns but also from intimate knowledge of local market conditions and contacts with local distributors and agents.

In many cases, small local competitors may provide the most formidable and difficult challenge. Often, they cover only a region or a small area within a country and are therefore highly responsive. Because of lower operating costs and low-cost local sources, they can undercut foreign competitors on price and respond rapidly to market changes. In some markets, they are also not closely regulated or monitored and engage in deceptive practices, such as copying products, brand names, and logos and direct counterfeiting. In addition, local competitor strategies are often highly unpredictable and difficult to track. They may actually lack a clearly defined strategy and simply respond to specific market conditions or competitor moves as they occur. This creates a further element of uncertainty and complexity that foreign companies need to deal with and makes it impossible to establish a unified competitive strategy.

In developing this phase of its expansion strategy, the MNC needs to determine the geographic scope of operations in both established markets and a range of different emerging markets. Each sphere requires strategies tailored to specific demand and competitor characteristics that take into account the available resources and level of infrastructure development. Consequently, selecting which markets to target and which should have priority requires determining the appropriate balance between different opportunities based on growth potential, costs, and associated risks (Douglas and Craig 1996). Whether more than one sphere, and which country within a given sphere, is targeted depends partly on the firm's available resources and market potential for the specific products and services the firm offers. However, to ignore key spheres ultimately means that the firm's long-term growth and future viability could be limited.

Designing effective strategies to compete in different spheres poses a significant challenge. Although in some cases, firms may be able to leverage elements of their strategies as well as ideas and experience in developed markets to emerging markets, considerable caution and prior understanding of local market conditions is necessary when following this approach, particularly with

regard to marketing and service activities. When market conditions are radically different (e.g., in rural markets), MNCs must develop strategies completely *de novo* (i.e., from the ground up) (Arnold and Quelch 1998). This requires the development of new skills and techniques and input from local sources. In some cases, collaboration with local organizations such as non-government organizations in rural markets or joint ventures with local marketing firms may be effective, though these are typically difficult to manage. Alternatively, the firm can consider hiring local nationals with knowledge of local market conditions and resource availability. The next section discusses the key strategic imperatives and challenges in developing strategies for each of the five geographic spheres in more depth (for a summary, see Table 1).

Developed Markets

In the past, the primary focus of MNCs' international marketing strategy has been affluent developed countries, notably those in the industrial triad and particularly those engaged in marketing consumer goods. These markets have fueled growth and been a key source of profits. Although these markets remain important and the core of the firm's activities and organizational structure, more recently attention has shifted toward markets in other countries, particularly those in emerging markets such as China, India, and Brazil, which have large populations and are growing rapidly. However, despite this new emphasis, firms must still compete aggressively in developed markets to maintain and grow market share.

Challenges. Low growth rates and product market saturation in many developed countries, particularly in more mature mass-market product categories, create an increasing struggle for market share. This is further compounded by slow or negative economic growth, recessionary pressures, and high rates of unemployment due to the decline of the industrial sector, high levels of consumer debt, and an aging population. Although the impact of these forces varies with the product market and the degree of market globalization, this constitutes a major challenge for many MNCs in consumer markets. Increased market segmentation and rising media costs limit potential scale economies and add to marketing costs.

In addition, MNCs in developed countries are facing increasing competition from large and medium-sized firms from emerging-market countries. Not only are these firms able to leverage the advantages of low labor and resource costs in their domestic markets to build their

Table 1. Components of Semiglobal Marketing Strategy

	Developed Markets	Global and Regional Segments	Country-Centric Elements	Rural Markets and Urban Poor	Country Clusters
Key challenges	<ul style="list-style-type: none"> • Low-growth and saturated markets • Increasing competition from emerging-market firms 	<ul style="list-style-type: none"> • Identifying segments • Identifying effective media and distribution channels • Tailoring implementation to specific market context without losing global image 	<ul style="list-style-type: none"> • Local competition • Increased economic and cultural nationalism • Adapting to rapidly changing consumer tastes and market growth patterns 	<ul style="list-style-type: none"> • Consumer heterogeneity • Low levels of consumer income • Lack of basic market infrastructure • Institutional voids • Fragmented markets 	<ul style="list-style-type: none"> • Consumer heterogeneity across markets • Developing the market infrastructure within countries and across country clusters • Variation in media availability across markets • Differences in distribution structure
Strategic imperatives	<ul style="list-style-type: none"> • Innovation in product and promotional strategies • Greater integration and coordination of strategy and implementation across national boundaries • Transferring products, ideas, skills, and best practices across countries 	<ul style="list-style-type: none"> • Identifying and reaching consumers with similar tastes and preferences across countries and regions • Developing products and promotional strategies with global and regional appeals 	<ul style="list-style-type: none"> • Tailoring product and promotional strategies to distinctive country demand patterns and tastes • Adjusting implementation to local market infrastructure • Using local management resources and input 	<ul style="list-style-type: none"> • Developing local market knowledge and understanding of social embeddedness of consumer needs and behaviors • Developing low-cost functional products • Need to build distribution access • Using localized promotional tools • Empowering consumers 	<ul style="list-style-type: none"> • Developing local market knowledge • Using local management resources and input • Adapting strategy and tactics to local market conditions • Identifying markets with similar needs/conditions within country clusters • Identifying opportunities for transfer of products and best practices across markets

position in global markets, but they are also learning to adopt the technologies and management skills of developed country firms, in some cases surpassing them in terms of innovative and creative skills. For example, Brazil's Embraer has surged past Canada's Bombardier to the number three spot in the aircraft manufacturing industry (Engardio 2006). Similarly, China's Haier is capturing an increasing market share in consumer electronics worldwide, and from India, Mahindra and Mahindra is entering the low-cost agricultural equipment market in the United States, Infosys is providing information systems and consultancy services worldwide, and Tata is expanding its automobile and consultancy services into new markets.

Strategic Imperatives. In developed countries, given the saturation and low growth rates of many product markets, a key imperative is innovation in the development of new products and promotional strategies. In many cases, firms are developing lower-priced versions of successful brands to meet increased consumer price sensitivity due to heightened economic uncertainty. Promotional strategies need to embrace changes in technology and the emergence of new media such as the Internet, mobile phones, and social networking sites and increasingly use techniques such as viral marketing and greater interaction with consumers to reach target audiences. Adopting such tactics is assuming increased urgency given the slowdown in many consumer markets in highly industrialized countries.

Products and strategies targeted to consumers in one developed country typically entail some adaptation to meet differences in the marketing infrastructure as well as cultural and regulatory factors in other countries. However, in general, substantial integration and coordination can be achieved, including standardized product and positioning strategies, use of uniform branding, and promotional and distribution strategies. When feasible, global advertising and promotional strategies can be developed with minimal local modification. Greater efficiencies and global synergies can be achieved by emphasizing global or regional brands and eliminating low-performing brands. However, firms must pay attention to consumer attitudes toward various alternatives. In some cases, consumers may support local cultural products, particularly food products, to preserve their cultural identity and support the local economy (Van Ittersum and Wong 2010). For example, in the European Union, several products are classified as PDO (protected designation of origin) and may only be produced in a designated geographic area.

In general, emphasis on integration or coordination of strategy across countries and markets results in centralization of strategy development at either the regional or global level, though marketing and promotional strategies are typically executed locally. Regional management structures or procedures can be established to formulate and implement strategy adaptation and manage mobilization, coordination, and deployment of firm capabilities across national and regional markets. Experience acquired in adapting and implementing strategy in one market can be applied in formulating and implementing strategy in other markets. Knowledge-based skills and capabilities (e.g., design skills, production know-how, best practices relating to brand management or marketing techniques) can effectively be transferred from one market to another. At the same time, mechanisms to ensure effective transfer of information and best practices (e.g., internal information systems, videoconferencing, regional or global management teams) need to be established.

Global and Regional Segments

With increasing communication and travel across national boundaries and the spread of global marketing, global or transnational segments (i.e., consumers with similar tastes and preferences and response patterns in different countries) are becoming an increasingly significant component of global markets. In the past, global segments were commonly viewed as comprising affluent consumers (e.g., those targeted by Prada, Gucci, Bulgari, Burberry, or Rolex; teenagers with similar tastes in music, entertainment, and casual clothing worldwide; Craig and Douglas 2006). However, increasingly, with widespread access to the Internet and the growth of global media, other segments are appearing, including environmentally and socially concerned consumers targeted by companies such as the Body Shop, Aveda, fair-trade stores, and retailers selling organic products, as well as young married couples targeted by companies such as IKEA with low-priced furniture and ING with financial products. Similarly, as a middle class begins to emerge in a broad range of developing countries, a range of products for those consumers who have similar preferences and tastes such as mobile phones, personal banking, and consumer electronics can be modified and targeted to this market segment (Court and Narasimhan 2010).

Challenges. Firms aiming to target such segments face several challenges. First, they need to be able to identify these segments and assess their size and accessibility. In many cases, the major source of growth is in markets

outside the industrial triad. This poses some difficulties because of the lack of data on consumers in these markets. Equally, reaching such segments, which are typically located in major urban areas, requires the development of marketing strategies geared to their distinctive preferences as well as the availability of media and retail outlets targeted to these segments. Furthermore, if these segments are widely perceived as having potential, other competitors are likely to target them as well. Firms would also need to carefully monitor rapidly changing consumer tastes, preferences, and fashions, including shifts in interests from global brands to local brands. Consequently, innovation and adaptation to market changes is essential for targeting such segments to be successful.

Strategic Imperatives. Because the number and size of these segments is increasing in significance, they provide an attractive target for MNCs. This is particularly true in markets in which global consumer images, symbols, and preferences, originating primarily in the West, are replacing those of traditional local cultures (Zhou and Belk 2004). For example, some researchers have argued that a global consumer culture (Alden, Steenkamp, and Batra 2006) is emerging. Members of this culture aspire to wear clothing and buy furnishings that are perceived as being “in demand” or as markers of membership in this culture as well as preferring global to local brands. Similarly, cosmopolitan or world-minded consumers can be identified as those who are open to and interested in products, ideas, information, and lifestyles from other countries (Cleveland, Laroche, and Papadopoulos 2009, Nijssen and Douglas 2008).

Little local adaptation is typically required in products and services targeted to global segments such as affluent consumers, ecologically concerned consumers, and members of the global consumer culture, because these consumers have similar tastes, preferences, and response patterns worldwide. However, in some cases (e.g., young adults/teens), consumers will interpret globally targeted strategies within the local context (Kjellegaard and Askegaard 2006). Consequently, although in principle strategies can be developed centrally, they need to be inserted into the local context. In some cases, minor changes may be required in products or marketing strategies because of local product or promotional regulations or cultural factors. For example, advertisements may require translation and some local adaptation, requiring local input. Moreover, although distribution strategies may follow similar principles (e.g., using department stores or specialty stores versus wholly

owned retail outlets), some modification of this strategy may be required in certain countries because of the local infrastructure.

Country-Centric Marketing Strategies

Development of country-centric marketing strategies is likely to be particularly effective in relation to large emerging markets (e.g., the BRIC markets), which are not only growing rapidly but also developing a strong national identity. These strategies require the national market to be sufficiently large and consumer preferences, competition, and the market infrastructure to be sufficiently distinctive to warrant a strategy targeted to these specific characteristics. This also entails relying on local resources, including information inputs, local management and marketing personnel, and local know-how and technology.

Challenges. In the past, consumers in emerging markets, especially the more affluent elite and middle-class consumers, tended to prefer Western products and brands to local products in many categories. Upscale consumers purchased brands such as Gucci, Prada, Louis Vuitton, Ralph Lauren, and Estée Lauder, all of which are viewed as symbols of the affluent Western lifestyle to which such consumers aspired. For younger consumers, athletic clothing and footwear brands such as Nike, Adidas, and Levi’s jeans occupied a similar position. Because the size of the internal market was small due to low consumer income and thrifty savings habits, local clothing manufacturing was geared to export markets.

Because emerging markets have experienced rapid rates of economic growth and as they become an increasingly important force in geopolitics, a well-to-do middle class that can afford products such as home remedies, baby hygiene products, ethnic snacks, personal banking, mobile telephones, and motorcycles has begun to grow in size and importance (Court and Narasimhan 2010). The size of this market segment is estimated to be significantly larger in India, at approximately 300 million, compared with an estimated 100 million–200 million in China, because of the larger number of entrepreneurs and family-owned businesses in India and the dominance of state-owned or -controlled companies in China (Lee 2010).

In some cases, consumers in these countries are increasingly taking pride in their own culture and heritage and have shifted to buying domestic brands and products rather than Western goods. This trend is reinforced by

improvement in the quality of domestic brands and the design of products to meet specific local preferences that incorporate traditional styles, aesthetics, and other features. For example, in China, local brands such as Haier household appliances, Aigo computers, TCL televisions and mobile phones, Gome electronics, Geely cars and scooters, and LiNing athletic clothing and shoes have now become popular (Prasso 2007; Roberts 2004). Often, there is also considerable diversity in tastes, preferences, and affluence between different regions and cities within countries. For example, in Shanghai, people are more likely to watch local rather than national television but are less likely to prefer Chinese brands. In India, sales of local brands such as Wills clothing, Tanishq and TBZ jewelry, Amul dairy products, and Titan watches are growing rapidly.

Russia seems to be somewhat of an anomaly. Although characterized by a moderate rate of economic growth (see the Appendix) and the highest GDP per capita of the four BRIC countries in terms of purchasing power parity, it has the smallest population and a high rate of inflation. It is typically viewed as having high political risk and presents difficult market conditions due to economic and political uncertainty. Nonetheless, major MNCs such as Procter & Gamble, Unilever, and Nestlé are targeting the Russian market with global brands such as Tide, Ariel, Pampers, Axe, Dove, Knorr, and Maggi, all of which have major market share in their respective categories and view Russia as a major long-term growth market (www.pg.com, www.unilever.com, www.nestle.com).

Strategic Imperatives. This growth in nationalist sentiments and shift toward domestic products and brands implies that Western companies need to adapt their marketing strategies to respond to changing consumer preferences. For countries such as China, India, and Brazil, firms must develop strategies independently for each country and tailor them to the specific customer preferences, competition, and marketing infrastructure. Few opportunities are likely to exist for integration or coordination of marketing strategies with developed-country markets, or across different countries within this group other than in relation to global segments because of their idiosyncratic characteristics. In some product markets, products and brands marketed in developed countries can be successfully marketed in these countries (e.g., Coca-Cola, Fritos, Head & Shoulders shampoo). However, product positioning and promotional and distribution strategies should be tailored to specific customer and market characteristics. In addition, these

markets likely will require some product adaptation and extension of the product line to include variants adapted to local preferences, (e.g., smaller sizes, lower price variants, different tastes or formulas). For example, in India, PepsiCo has developed a product called Kurkure, a Cheeto-like snack targeted to younger consumers. It comes in flavors such as Masala Munch, Chili Chatka, and Tamatar Hydrabadi and is one of the most popular snacks in India. Moreover, in Africa, SAB has retooled its factories to make beer from locally sourced ingredients, such as sorghum, cassava, and sugar, to make the beer more affordable to low-income consumers (Court and Narasimhan 2010).

In general, products should be developed that incorporate features adapted to local needs in addition to meeting specific local tastes and aesthetic preferences. Designs may be adapted to local color and style preferences. At the same time, promotional strategies must be developed that tap into a sense of national identity and reflect appeals that are attractive to local consumers. Increasingly, use of local sports or media personalities, such as Chinese athlete Yao Ming and Indian cricketing personalities, such as Sachin Tendulkar, Amitabh Bachchan, and Aamir Khan, to endorse products is replacing that of Western personalities and role models. In some cases, a focus on, for example, family values in Brazil and the group rather than the individual in China may be desirable (Doctoroff 2005).

Similarly, in Russia, modification of branding and promotional strategy is often needed to appeal to the growing economic and cultural nationalism. In some cases, this may require developing new products and lower-priced product variants (e.g., Pampers Sleep & Play) to reach the low-tier market sector. Russian companies such as MTS and Beeline cell phones, Baltika beer, and Krasny Confectionery are engaging in marketing and rebranding initiatives, creating growing competition for Western MNCs in mid- and low-tier market segments (Interbrand Zintzmeyer & Lux 2005). At the same time, increasing affluence due to energy exports has triggered growing interest in and ability to afford more luxury and premium products.

Formulation and implementation of marketing strategies tailored to the distinctive characteristics and conditions in each market needs to take place locally, using local talent and resources. Local management is most likely to have a clear understanding of customer and market specifics, as well as sensitivity to the cultural climate and market conditions. Furthermore, they are in

the best position to identify local suppliers, distributors, and service organizations and to manage relationships effectively with these organizations. Consequently, hiring competent local managers and giving them substantial autonomy in both formulating and implementing strategy is likely to be critical to success in these markets.

In essence, in developing strategies for country-centric markets, it is essential to develop strategy from scratch and tailor it to specific market conditions and contexts. Assumptions that strategies or even experience and skills that are effective in developed countries can be leveraged in these markets must be carefully evaluated (Dawar and Chattopadhyay 2002). In general, a fresh start, relying heavily on local skills, expertise, and experience, is likely to provide the best results. Although substantial investment in building a distinctive strategy and operations centered on the specific needs and resources of that country is required, the size and growth potential of these countries suggest that it is likely to pay off in the long run. It may also provide a basis for expanding operations to proximate or culturally similar markets and to immigrants from that country in other parts of world.

Rural Markets and Urban Poor

Much of the preceding discussion focuses on targeting affluent consumers and the growing middle class in emerging-country markets; however, many emerging countries also have either a sizeable rural population (e.g., China, India) or a substantial number of urban poor (e.g., Brazil, Mexico). These consumers typically have low incomes, less than \$1–\$2 per day, and low levels of formal education; they constitute the bottom of the pyramid (Mahajan and Banga 2006; Prahalad 2006). Nonetheless, their large numbers offer sizeable market potential. In rural areas, many are small farmers who grow much of their own food, particularly staples such as grain and rice as well as vegetables. Often there is substantial bartering and a sizable informal economy that does not appear in official statistics. Consequently, the low figures for per capita income underestimate the actual standard of living and the ability to purchase nonfood items. In addition, increased awareness of growing consumer affluence in urban areas and growing availability of branded goods at a range of different price points generates aspirations among rural and urban poor to purchase branded goods that offer promise of better quality and represent symbols of belonging to a more affluent lifestyle.

Challenges. Linguistic, cultural, and social heterogeneity within these markets results in market fragmentation. In India, attitudes toward the role and status of women differ, affecting the use of marketing appeals to women and creating barriers to the employment of women as distribution agents or in personal selling roles. Low levels of female literacy may result in greater need for use of visual symbols and, consequently, greater vulnerability to knockoffs, which imitate symbols and logos used by national brands and are sold by unscrupulous traders. In both India and China, there are marked regional differences in food preferences, often related to differences in agricultural production. For example, in northern India, wheat is a staple crop, and bread products such as *naans* and *chapattis* are a key component of diet (Singh and Sharma 2010). In Southern India, rice is a staple, and vegetarian dietary preferences are common. Similarly, in China, there are substantial differences in food consumption patterns and diet, ranging from the spicier dishes popular in Szechuan to the sweet and sour tastes of Cantonese cuisine (Roberts and Rocks 2005).

Another important issue in rural markets is accessibility and the lack of a market infrastructure. Villages are often scattered and difficult to reach. In many cases, dirt roads provide the only means of access, and there is little or no public transportation to smaller villages.

Markets selling food products and other items may exist in some centers, but in smaller villages, there may be only one or two small stores providing basic essentials, which often take advantage of their monopoly position. In some cases, itinerant retailers also visit such villages. Similarly, the urban poor are served by small stores that carry limited inventory but often also provide credit. Because many workers are paid on a daily rather than a weekly basis and future income is often uncertain, people frequently shop two or three times a day for immediate needs and purchase in small amounts according to their available cash. As a result, the retail infrastructure is typically poorly developed and highly fragmented.

Furthermore, institutional voids impede market development (Ricart et al. 2004). In addition, effective regulation of product and marketing activities is often lacking. Even when product and promotional regulation exists, effective mechanisms to ensure its implementation are often absent. As a result, hawkers and tipsters abound, selling counterfeit products and knockoffs of popular brands and engaging in deceptive promotional and pricing practices. For example, contracts with distributors, exclusive agreements, and other arrangements

are often difficult to enforce, resulting in a high degree of market instability and uncertainty.

Although rural markets in country-centric markets (and country clusters) offer substantial opportunities due to their size and growing untapped potential, realizing this potential poses significant challenges to an MNC. The inadequacy of the basic, or hard, infrastructure (i.e., water, electricity, and roads) creates a major obstacle in reaching these markets and limits their growth. The limitations of the soft infrastructure (i.e., advertising and marketing research agencies) and what have been called “institutional voids” (i.e., the lack of regulation of marketing and distribution practices and of mechanisms for enforcing contracts with distributors and other intermediaries) constitutes yet another hurdle to marketing to rural consumers (Ricart et al. 2004).

Strategic Imperatives. The unique characteristics of consumer demand in emerging markets, combined with the inadequacy of the hard and soft infrastructures mean that products and strategies, as well as experience and skills developed in industrialized countries, are likely to be of limited value in emerging markets. Rather, firms need to start by gathering basic knowledge about the fundamental underpinnings of consumption and the ways in which local resources and capabilities (e.g., labor, communications, social networks) can be developed and utilized to meet consumer needs (London and Hart 2004).

In some cases, product modification entailing use of cheaper components, simpler or cheaper packaging, or elimination of more elaborate product features that enable products to be sold at lower prices could help expand the market. For example, Nokia has focused on developing inexpensive functional mobile phones for low-income consumers in emerging markets (Ewing 2008). In other cases, product variants of popular brands are sold at lower price points. For example, in urban areas in China, Procter & Gamble sells Crest in exotic flavors such as Icy Mountain Spring and Morning Lotus Fragrance. In contrast, for rural areas, the company developed Crest Salt White, which sells for one-half the price of the exotic versions. The development of this flavor was based on the belief among Chinese in rural areas that salt helps whiten teeth (Roberts 2007). In India, where Cadbury controls 70% of the chocolate market, the company has introduced Cadbury Dairy Milk Shots—pea-size chocolate balls sold for two rupees (approximately four U.S. cents) for a packet of two to make them more accessible to low-income consumers (Misquitta 2009).

Low-cost functional products also must be developed to meet the needs of low-income consumers. Developing basic functional products (e.g., low-priced functional mobile phones without the services such as instant messaging or cameras that are typical in the developed world) provides a means to develop products that match the needs of rural consumers (London and Hart 2004). Similarly, lack of electricity in rural areas requires the development of products that rely on other sources of energy, for example, solar-powered computers or windup radios (Einhorn 2006; Murphy 2002).

Consumer packaged companies seeking to develop sales in low-income rural areas also need to find ways to increase the ability of rural consumers to afford their products. In some cases, this can be achieved by integrating potential consumers into the value chain. For example, potential consumers could be employed as distributors or producers, and consumers could be integrated into the value chain. A noteworthy example is Project Shakti, launched in 2002 by Hindustan Lever (now Hindustan Unilever Ltd.) to improve its rural distribution targeted at villages with populations under 2000 (Hindustan Unilever Ltd. 2008). One woman in each village is designated “the Shakti entrepreneur” and trained to promote Unilever products. She is provided with a computer to facilitate ordering and inventory management and could also sell time on her computer to local children to help them learn English and computer skills. The product line was limited to 150 stockkeeping units consisting primarily of laundry detergents and personal wash products. The system worked well, and the women were able to expand their income by selling products to retail outlets and directly to consumers. The program was supported by educational programs using “communicators,” who traveled to rural villages to provide hygiene and health information to self-help groups.

Innovative promotional strategies adapted to the specific context, in which mass media do not reach rural areas, are also needed. Again, these must rely on resources available in the local area (e.g., local performers and traveling troupes, film shows, vans that provide product demonstrations) and locally available media, such as wall advertising banners and slogans at local markets and fairs. In general, this requires creativity as well as a deep understanding of available resources and the sociocultural context (Murphy 2002).

Similarly, in the case of distribution, understanding of the limitations of the marketing infrastructure and use of creative strategies to compensate for these limitations (e.g.,

the Shakti system in rural India) are required. Often, training a pool of qualified talent to promote and distribute the firm's products is essential. In some cases, technology can be instrumental in building an effective marketing infrastructure, as the case of ITC in southern India demonstrates (Sivakumar 2007; www.itcportal.com). However, substantial resources are required to build both the hard and soft infrastructure needed to reach rural areas. Consequently, only firms willing and capable of making the investment required to build this infrastructure are likely to adopt this approach.

The unique characteristics of rural areas mean that it is critically important to develop strategies for these markets at the outset rather than attempting to leverage strategies and experience gained in other markets (Arnold and Quelch 1998). This requires collecting information and building an understanding of the living conditions and broad socioeconomic context in which these are embedded. In addition to videotaping daily life in rural areas, some firms require executive and management trainees to experience these conditions firsthand by living with a rural household for two to three months. In some cases, it may be feasible to transfer products, ideas, and approaches that are successful in rural markets in one country to another. However, the diversity of conditions both within and between countries due to differences in climate, culture, and socioeconomic conditions means that this must be done with caution and monitored carefully.

In essence, a radically different strategy is needed to tap rural markets in emerging markets effectively compared with more sophisticated urban consumers. Typically, this requires developing an in-depth understanding of consumer needs and their socioeconomic context and engaging in collaborative efforts with private and government organizations and the local community, organizations not traditionally part of the marketing effort. Consequently, the firm should focus its efforts on building, consolidating, and leveraging learning from the bottom up to develop a new capability of social embeddedness that emphasizes reliance on and utilization of local resources if it is to respond effectively to the unique challenges of emerging markets (London and Hart 2004).

Country Clusters

The final sphere consists of second-tier, high-growth emerging-market countries that can be grouped into clusters to provide a viable economic unit for MNCs to target. According to Goldman Sachs (Wilson and Stup-

nytska 2007), these countries consist of one developed country (South Korea), three newly industrialized countries (Mexico, the Philippines, and Turkey), six developing countries (Egypt, Indonesia, Iran, Nigeria, Pakistan, and Vietnam), and one large underdeveloped market (Bangladesh). All have rapid rates of economic growth and are believed to provide promising opportunities. They all have large rapidly growing populations and significant industrial capacity, which suggest a growing consumer market with increasing earning capacity, creating a favorable climate for MNCs. Several countries in the former Soviet Union (e.g., Ukraine, Romania, Belarus) are also growing rapidly and are becoming important centers for software outsourcing due to the large number of information technology and engineering graduates in these countries (Matlack 2010).

Challenges. Although the size of the market in these countries, which, with the exception of South Korea, are predominantly lower-middle- or low-income economies, is typically not sufficient to warrant developing a separate or country-centric strategy, their population size and high growth rate suggests substantial consumer market potential over the medium and long run. Although these countries are highly diverse and are at different levels of economic development, identifying and targeting selected countries or groupings of these countries can provide an effective strategy for foreign MNCs. In some cases, low labor costs make them promising locations for outsourcing manufacturing, thus increasing economic growth and consumer market potential (Einhorn 2010).

Although these countries share the characteristics of a rapidly growing population and high rates of economic growth, they differ with regard to demand preferences and structure as well as certain macroeconomic characteristics (see the Appendix). Continued political instability and corruption in countries such as Pakistan and Bangladesh and terrorist activities in Indonesia, the Philippines, Nigeria, and Turkey create an unstable economic context and contribute to economic uncertainty. In addition, to the extent that countries such as Nigeria, Mexico, and Iran are oil exporters and other countries export basic commodities, fluctuations in global commodity prices can affect economic growth.

Similarly, to the extent that such countries are low- or lower-middle-income emerging economies, they frequently lack a well-developed marketing and logistical infrastructure, particularly outside urban areas. Therefore, firms will likely be required to invest in building or

developing that infrastructure. The distribution structure is often highly fragmented. Often, a large proportion of the population, lacking mobility or means of transportation, shops in small mom-and-pop shops, which also provide a social function in the local community. This poses a major challenge for MNCs in establishing an effective distribution system to reach and promote their products to both distributors and lower-income consumers.

Strategic Imperatives. Multinational corporations targeting these countries need to do so selectively because major investment may be required both in developing demand and building the logistical and distribution infrastructure to reach consumers. These may include establishing contracts with multiple tiers of distributors and assisting them in financing inventory as well as supporting small retailers and providing them with equipment (e.g., refrigerators), promotional materials, and guidance in managing and developing their business. Although such investment may pay off in the long run, the instability of these markets and the fragmentation of demand suggest that it also carries substantial risk.

As in the case of country-centric markets, local know-how and understanding market conditions is essential to be successful in these markets. Hiring local nationals with knowledge and experience in managing operations in a given country and developing cooperative agreements with local firms to gain input into the development and implementation of marketing strategies can help the firm tailor its strategy to the local market. Again, this frequently requires extensive sales training programs and understanding of local negotiation tactics, which may vary considerably from one country to another.

At the same time, potential similarities in conditions between different markets (e.g., fragmentation of the distribution structure, dealing with local competitors, developing promotional strategies) implies that transfer of know-how or experience across these markets may be feasible. In some product categories (e.g., consumer electronics, household durables), for which demand and local market conditions are similar, it may also be feasible to market products developed in one country in other countries. An example in the case of food products is that of Danone's Dolima brand of yogurt. Aiming to target low-income consumers in emerging markets, Danone launched the ten-cent drinkable yogurt in Indonesia in 2004. The product was an instant success, and Danone subsequently marketed it in Senegal,

Bangladesh, and several other emerging markets (Pasariello 2010).

Because countries in this sphere are in many respects extremely diverse, often characterized by relatively small market sizes compared with the major emerging-market economies, and populated with strong local competitors, particularly in the lower end of the market, MNCs need to target these markets selectively. In addition, given their size, MNCs need to develop strategies that will enable them to achieve cost economies and to respond to specific local market characteristics. Firms should identify opportunities for leveraging products, ideas, assets, skills, and experience either across countries within this group or with other countries with similar characteristics.

One alternative is to develop a satellite strategy. This entails coordinating or leveraging strategy with a proximate member of the country-centric group with whom the focal country shares some common characteristics (e.g., cultural affinity, distribution infrastructure). For example, if products have been developed specifically for or in that market, they may also be appropriate for the satellite country, though some tailoring of strategy to cultural specifics, customer characteristics, competition, and market conditions in the country may be required. Strategy developed within the Chinese market may provide the prototype for the Vietnamese or Thai markets. Similarly, strategies developed for the Indian market may be adapted for Bangladesh. Moreover, experience, knowledge, and management capabilities developed in relation to the country-centric market may be leveraged in the satellite country. However, care must be taken to ensure that leveraging can be effectively implemented and to monitor when and where adjustments are needed. Consequently, as in the case of country-centric strategies, knowledge and understanding of the local market and input from local management is essential.

A second alternative is to develop a common strategy prototype for countries within a cluster that share certain common characteristics. Then, firms can adapt the execution of this prototype to country-specific characteristics. For example, several countries in the Next 11 group (e.g., Egypt, Pakistan, Bangladesh, Turkey, Iran, Nigeria) are either Muslim or have a substantial Muslim population. However, these countries are significantly different in terms of other factors (e.g., income levels, market openness), requiring country-specific tailoring of marketing strategies.

Given these differences, limited opportunities exist for strategy integration and coordination or transfer of best practices across these countries. Sensitivity to local differences in customer tastes and preferences, particularly in relation to culturally embedded products, such as food and entertainment, is critical. Consequently, as in the case of country-centric markets, use of local talent and resources as well as local management autonomy in developing, adapting, and implementing strategies for the local market is essential.

There may be some hurdles in identifying commonalities within country-centric markets in the case of a satellite strategy or across clusters of markets within this grouping, but certain issues and problems may be sufficiently similar to make use of similar strategies feasible. Consequently, although responsiveness to specific local characteristics is critical in designing strategy for these markets, some coordination in the organization of operations relative to these countries or clusters of countries within this group should be established to facilitate transfer of information and experience relative to effective strategies, best practices, successful management systems, and so on.

MANAGERIAL IMPLICATIONS

The diversity of market conditions both between and within these different spheres, such as customer heterogeneity (including marked cultural and economic diversity), the nature of competition, and radical differences in the market infrastructure, means that development of a globally integrated strategy is likely to be impracticable. Consequently, firms can no longer focus on developing a uniform globally integrated marketing strategy to achieve synergies through the transfer of products, skills, experience, and learning across markets. Rather, strategy needs to be redesigned and reengineered to establish direction, exploit opportunities, and manage operations in a range of multiple, highly diverse markets spread across the world in which conditions differ substantially from those in markets in which MNCs have traditionally operated. Some exceptions to this occur in certain product markets, notably in business-to-business markets (e.g., aerospace, information systems, investment banking), but even in these markets some adaptation of marketing and service activities is likely to be required.

Expansion into an increasingly broad and diverse array of international markets also implies that firms

have to deal with marketing under a wide range of different environmental and contextual market conditions. Countries differ in terms of economic characteristics, such as income, financial stability, political risk, ease of doing business, population growth, and distribution, as well as cultural factors, such as ethnic diversity, age distribution, religious preferences, national identity, ecological concerns, and social change. All these factors affect the design of marketing strategy, potential market opportunities, and target segments and imply that tailoring strategy to local market characteristics and customer tastes, preferences, and behavior becomes a key imperative. At the same time, competition from emerging-market firms is becoming more intense in developed-country markets because such firms acquire technology and apply management skills and techniques learned from developed country MNCs. As a result, the latter no longer have exclusive control of developed-country markets but increasingly need to respond to challenges from emerging-market firms.

Therefore, MNCs must pay greater attention to understanding consumer behavior and its underlying determinants. In particular, it is important to examine not only the values and beliefs that affect purchase and use of products but also the basic living conditions and social context in which consumers live and the infrastructure that underlies and supports consumption and purchasing decisions. These may differ significantly from one country or sphere to another and have an important impact on consumer purchase choice and decision making. As Caves (1971, p. 5) points out, “the foreign enterprise must pay dearly for what the native has acquired at no cost to the firm (because it was part of the entrepreneur’s general education) or can acquire more cheaply (because as it were the native knows where to look).” However, there is some potential for leveraging intangibles (e.g., skills, experience, knowledge). It is important to recognize that local input (i.e., knowledge and skills) is likely to be critical in developing and implementing effective marketing strategies. Highly centralized firms, particularly those in consumer products, are likely to have the most difficulty surviving in this environment.

Mobilizing and deploying the firm’s assets and capabilities to implement these divergent strategies requires careful consideration of the extent to which they can effectively be leveraged across and within different spheres (Sirmon, Hitt, and Ireland 2007). Although a substantial degree of integration and mobilization of

capabilities is likely to be feasible across global segments and developed-country markets (principally the industrial triad), the distinctive characteristics of the country-centric group as well as the country clusters and the rural and urban poor suggest that it is likely to become difficult within these spheres. In these groups, formulation and implementation of effective marketing strategy depends heavily on development of local management skills and capabilities, and considerable input from local management is crucial. In some cases, collaboration and input from local organizations, including nongovernment organizations and governmental agencies, will be necessary.

Redirection of marketing strategy toward greater emphasis on local market preferences rather than focusing on commonalities among consumers and market conditions across countries implies that decision making shifts to the local level. Not only should local management become responsible for implementing strategy developed at the regional or corporate level, but it should also have greater autonomy with regard to local decision making. At the same time, the role of local management should provide local input and information into the design of global marketing strategy, and the extent to which greater local responsiveness is needed becomes crucial, as well as how this might best be achieved. This empowering of local management facilitates more effective response to diverse market and competitive conditions across a broad range of markets.

As a result, the design of a successful and effective global marketing strategy is becoming increasingly complex. The key imperatives no longer center on improved integration and coordination of strategy and operations across countries. In the developed markets of the industrial triad and in relation to global market segments, MNCs may successfully continue to develop globally or regionally integrated marketing strategies. However, outside these markets, MNCs need to develop new and innovative strategies based on a deep understanding of local market conditions and priorities, often making use of local resources and skills. This entails not only developing organizational structures and processes that provide greater input and strategy implementation by local management but also investment in building the market

infrastructure, educating consumers, and developing distribution networks.

In essence, the MNC needs to be able to focus on achieving multiple and sometimes conflicting goals simultaneously through the pursuit of divergent strategies throughout the world. On the one hand, the firm needs to place substantial emphasis on local autonomy in strategy formulation to respond effectively to demand under widely differing market conditions and environmental contexts. On the other hand, opportunities for the transfer of ideas, products, and skills and capabilities across emerging markets with similar market conditions and challenges may help achieve operational efficiencies. Thus, the key challenge is to synthesize divergent strategies into a functioning, but not necessarily integrated, whole.

CONCLUSION

As firms expand operations across a much broader geographic base, they are facing an increasingly complex range of scenarios. This makes it difficult to develop a unified and integrated strategy for global markets. Rather, firms should establish direction and manage operations in multiple, highly diverse markets spread out across the world. These markets differ not only in their rate of growth and market potential, the level of competition, and ease of market access but also in terms of their similarity or diversity and the degree of market interconnectedness. In turn, this affects the extent to which the firm can pursue similar strategies across these markets.

Ultimately, the biggest challenge for the firm is to manage the diversity of strategies it must pursue to be successful. Large MNCs whose goal is to continue to increase sales must operate in all five spheres and develop marketing strategies for each of them. Often, these strategies have little in common and must be managed at the local level to be successful. At the same time, the firm must also strive to achieve efficiencies and synergies whenever possible. Thus, while the firm pursues a semiglobal marketing strategy following different directions in different parts of the world, it must attempt to achieve a synthesis by combining elements of these strategies into a coherent whole.

Appendix. Basic Economic Indicators for BRIC and Next 11 Countries

Country	GDP (Billions of \$US)	Average GDP Growth Rate (%) (2005–2008)	GDP Per Capita (Purchasing Power Parity) (\$US)	Population (Millions)	Urbanization (% Total)	Foreign Direct Investment (% GDP) (2008)	Inflation (% Yearly)
BRIC Countries							
Brazil	1482	4.7	10,200	199	86	1.9	4.2
Russia	1232	7.3	15,200	140	73	1.4	11.9
India	1095	8.5	3100	1157	29	.8	10.7
China	4758	10.8	6500	1339	43	2.5	–.8
Next 11 Countries							
Bangladesh	92	6.2	1600	156	27	.03	5.1
Egypt	188	6.2	6000	79	43	.4	10.1
Indonesia	515	6.0	4000	240	52	.4	5.0
Iran	332	6.0	12,900	66	68	.1	16.8
Korea	800	3.8	27,700	49	81	.6	2.8
Mexico	866	2.7	13,200	111	77	2.0	5.3
Nigeria	165	5.7	2400	149	48	.6	11.5
Pakistan	167	6.6	2600	175	36	.2	14.2
Philippines	161	5.3	3300	98	65	.1	3.2
Turkey	608	5.6	11,200	77	69	.5	6.5
Vietnam	92	7.7	2900	89	28	.3	6.9

Sources: CIA, UNCTAD, The World Bank.

Notes: All data are for 2009 unless indicated otherwise.

NOTES

1. See the Appendix for basic economic information on all 15 countries.
2. Ghemawat (2003) uses the term “semiglobalization” to indicate his view that markets are typically regional rather than global. Our use of the term is different and indicates that some markets are truly global and some are much more fragmented and require unique strategies. In our view, the challenge that firms face is to be able to manage both simultaneously.

REFERENCES

- Alden, Dana L., Jan Benedict E.M. Steenkamp, and Rajiv Batra (2006), “Consumer Attitudes Toward Marketplace Globalization; Structure, Antecedents and Consequences,” *International Journal of Research in Marketing* 23 (3), 227–39.
- Anderson, Otto (1993), “On the Internationalization Process of the Firm: a Critical Analysis,” *Journal of International Business Studies*, 24 (2), 209–231.
- Arnold, D. and John A. Quelch (1998), “New Strategies in Emerging Markets,” *Sloan Management Review*, 40 (Fall), 7–20.
- Barboza, David and Nick Bunkley (2010), “G.M., Eclipsed at Home, Soars to Top in China,” *The New York Times*, (July 22), A1.
- Bartlett, Christopher A. and Sumantra Ghoshal (1989), *Managing Across Borders: The Transnational Solution*. Boston: Harvard Business School Press.
- Birkinshaw, Julian, Allen Morrison, and John Hulland (1995), “Structural and Competitive Determinants of a Global Inte-

- gration Strategy," *Strategic Management Journal*, 16 (8), 637–55.
- Carolan, Michael (2010), "Developing Markets Lift Reckitt Profit," *The Wall Street Journal*, (July 27), B4.
- Caves, Robert (1971), "International Corporations: Industrial Economics of Foreign Investment," *Economica*, 38 (149), 1–27.
- Cleveland, Mark, Michel Laroche, and Nicolas Papadopoulos (2009), "Cosmopolitanism, Consumer Ethnocentrism and Materialism: An Eight-Country Study of Antecedents and Outcomes," *Journal of International Marketing*, 17 (1), 116–46.
- Contractor, Farok J. (2007), "Is International Business Good for Companies? The Evolutionary or Multi-Stage Theory of Internationalization vs. the Transactional Cost Perspective," *Management International Review*, 47 (3), 453–75.
- , S.K. Kundu, and C. Hsu, (2003), "A Three-Stage Theory of International Expansion: The Link Between Multinationality and Performance in the Service Sector," *Journal of International Business Studies*, 34 (1), 5–18.
- Court, David and Laxman Narasimhan (2010), "Capturing the World's Emerging Middle Class," *McKinsey Quarterly*, (July). (accessed November 18, 2010), [available at http://www.mckinseyquarterly.com/Capturing_the_worlds_emerging_middle_class_2639].
- Craig, C. Samuel and Susan P. Douglas (2006), "Beyond National Culture: Implications of Cultural Dynamics for Consumer Research," *International Marketing Review*, 23 (3), 322–42.
- Dawar, Niraj and Amitav Chattopadhyay (2002), "Rethinking Marketing Programs for Emerging Markets," *Long Range Planning*, 35 (5), 457–74.
- Doctoroff, Tom (2005), *Billions: Selling to the New Chinese Consumer*. New York: Palgrave Macmillan.
- Douglas, Susan P. and C. Samuel Craig (1989), "Evolution of Global Marketing Strategy: Scale, Scope and Synergy," *Columbia Journal of World Business*, 24 (3), 47–58.
- and ——— (1996), "Global Market Portfolio and Market Interconnectedness," *Journal of International Marketing*, 4 (Winter), 93–110.
- Doz, Yves L., J. Santos, P.J. Williamson, (2001), *From Global to Metanational: How Companies Win in the Knowledge Economy*. Boston: Harvard Business School Press.
- Einhorn, Bruce (2006), "In Search of a PC for the People," *BusinessWeek*, (June 12), 40–41.
- (2010), "Vietnam: an Asian-Tiger Wannabe (Again)," *BusinessWeek*, (June 21–27), 12–13.
- Engardio, Pete (2006), "Emerging Giants," *BusinessWeek*, (July 31), 40.
- Ewing, Jack (2008), "Mad Dash for the Low End," *BusinessWeek*, (February 18), 30.
- Ghemawat, Pankaj (2003), "Semi-Globalization and International Business Strategy," *Journal of International Business Studies*, 34 (2), 138–52.
- (2007), "Managing Differences: The Central Challenge of Global Strategy," *Harvard Business Review*, 85 (3), 1–13.
- (2010), "Finding Your Strategy in the New Landscape," *Harvard Business Review*, 88 (3), 54–60.
- Ghoshal, Sumantra (1987), "Global Strategy: An Organizing Framework," *Strategic Management Journal*, 8 (5), 425–40.
- Gupta, Anil K, Vijay Govindarajan, and Haigan Wang (2008), *The Quest for Global Dominance: Transforming Global Presence into Global Competitive Advantage*. San Francisco: Jossey-Bass.
- Hoskinsson, R.E., Lorraine Eden, C.M. Lau, and M. Wright (2000), "Strategy in Emerging Economies," *Academy of Management Journal*, 43 (3), 249–67.
- Hindustan Unilevel Ltd. (2008), "Shakti: Economic Development Through Micro Enterprise," (accessed November 16, 2010), [available at <http://www.hul.co.in/sustainability/cases-studies/enhancing-livelihoods/Shakti.aspx>].
- Interbrand Zintzmeyer & Lux AG (2005), "Name Is Money: The Most Valued Brands in Russia," *BusinessWeek (Russia)*, (October 17), 28–35.
- Johansson, Jan and Jan Erik Valhne (1977), "The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Market Commitments," *Journal of International Business Studies*, 8 (1), 23–32.
- and ——— (1990), "The Mechanism of Internationalization," *International Marketing Review*, 7 (4), 11–24.
- Kjelgaard, Dannie and Søren Askegaard (2006), "The Glocalization of Youth Culture: The Global Youth Segment as Structures of Common Difference," *Journal of Consumer Research*, 33 (September), 231–47.
- Knight, Gary A. and S. Tamer Cavusgil (2009), *Born Global Firms: A New Breed of International Enterprise*. New York: Business Expert Press
- Lee, John (2010), "Don't Underestimate India's Consumers," *BusinessWeek*, (January 21), (accessed November 18, 2010), [available at http://www.businessweek.com/magazine/content/10_05/b4165084462859.htm].

- London, Ted and Stuart Hart (2004), "Reinventing Strategies for Emerging Markets: Beyond the Transnational Model," *Journal of International Business Studies*, 35 (5), 350–70.
- Mahajan, Vijay and Kamini Banga (2006), *The 86% Solution*. Upper Saddle River, NJ: Wharton School Publishing.
- Malhotra, Naresh K., James Agarwal, and Francis Ulgado (2003), "Internationalization and Entry Modes: A Multitheoretical Framework and Research Propositions," *Journal of International Marketing*, 11 (4), 1–31.
- Matlack, Carol (2010), "Belarus: Capitalism's Unlikely Frontier," *BusinessWeek*, (April 19), 58–59.
- Misquitta, Sonya (2009), "Cadbury Redefines Cheap Luxury," *The Wall Street Journal*, (June 8), B4.
- Murphy, Cait (2002), "The Hunt for Globalization that Works," *Fortune*, (October 28), 163–76.
- Nijssen Edwin J. and Susan P. Douglas (2008), "Consumer World-Mindedness, Social-Mindedness and Store Image," *Journal of International Marketing*, 16 (3), 84–107.
- Passariello, Christina (2010), "Danone Expands Its Pantry to Woo the World's Poor," *The Wall Street Journal*, (June 29), A1, A16.
- Peng, Mike W. (2009), *Global Strategy*, 2d ed. Cincinnati, OH: South-Western Cengage Learning.
- Prahalad, C.K. (2006), *The Fortune at the Bottom of the Pyramid*. Upper Saddle River, NJ: Wharton School Publishing.
- and Yves, I. Doz (1987), *The Multinational Mission*. New York: The Free Press.
- Prasso, Sheridan (2007), "China's New Cultural Revolution," *Fortune*, (May 17), (accessed November 18, 2010), [available at http://www.sheridanprasso.com/fortune_china_rev.htm].
- Quelch, John A. and Rohit Deshpandé (2004), *The Global Market: Developing a Strategy to Manage Across Borders*. San Francisco: Jossey-Bass.
- Ricart, Joan Enric, Michael Enright, Pankaj Ghemawat, Stuart Hart, and Tarun Khanna (2004), "New Frontiers in International Strategy," *Journal of International Business Studies*, 35 (3), 175–200.
- Roberts, Dexter (2004), "China's Power Brands," *BusinessWeek*, (November 8), 77–84.
- (2007), "Scrambling to Bring Crest to the Masses," *BusinessWeek*, (June 25), 72.
- and David Rocks (2005), "Let a Thousand Brands Bloom," *BusinessWeek*, (October 17), 58.
- Singh, Devinder Pal and Manoj K. Sharma (2010), "Regional Cross-Cultural Consumption Differences Within India," *International Journal of Business and Emerging Markets*, 2 (3), 267–85.
- Sirmon, David G., Michael Hitt, and R. Duane Ireland (2007), "Managing Firm Resources in Dynamic Environments to Create Value: Looking Inside the Black Box," *Academy of Management Review*, 32 (1), 273–92.
- Sivakumar, S. (2007), "Linking Technology to Farmers: ITC eChoupal Experience," presentation given at SASKI & InfoDev BBL Seminar, World Bank, Washington, DC (March 27).
- Van Ittersum, Koert and Nancy Wong (2010), "The Lexus or the Olive Tree? Trading Off Between Global Convergence and Local Divergence," *International Journal of Research in Marketing*, 27 (2), 107–118.
- Westney, Eleanor and Sri Zaheer, (2001), "The Evolution of the Multinational Enterprise," in *Oxford Handbook of International Business*, A.M. Rugman and T.L. Brewer, eds. New York: Oxford University Press, 349–79.
- Wilson, Dominic and R. Purushothaman (2003), "Dreaming with the BRICs: The Path to 2050," Goldman Sachs, Global Economics No. 99.
- and Anna Stupnytska (2007), "The N-11; More Than an Acronym," Global Economics Paper No. 153, Goldman Sachs (March 28).
- The World Bank (2010), *World Development Report*. Washington, DC: The World Bank.
- Xu, Shichin, S. Tamer Cavusgil, and J. Chris White (2006), "The Impact of Strategic Fit Among Strategy, Structure and Processes on Multinational Corporation Performance: A Multi-Method Assessment," *Journal of International Marketing*, 14 (2), 1–31.
- Yenigurt, Sengun, S. Tamer Cavusgil, and Tomas M. Hult (2005), "A Global Market Advantage Framework: The Role of Global Knowledge," *International Business Review*, 14 (1), 1–19.
- Yip, George S. (2003), *Total Global Strategy II*. Upper Saddle River, NJ: Prentice Hall.
- Zhou, Nan and Russell W. Belk (2004), "Chinese Consumer Readings of Global and Local Advertising Appeals," *Journal of Advertising*, 33 (3), 63–76.
- Zou, Shaoming and S. Tamer Cavusgil (2002), "The GMS: A Broad Conceptualization of Global Marketing Strategy and Its Effect on Firm Performance," *Journal of Marketing*, 66 (October), 40–56.

THE AUTHORS

Susan P. Douglas was the Paganelli-Bull Professor of Marketing and International Business at New York University's Stern School of Business. She received her PhD from the University of Pennsylvania. Before joining New York University, Professor Douglas taught at Centre-HEC, Jouy-en-Josas, France, and was a faculty member of the European Institute for Advanced Studies in Management in Brussels. Professor Douglas was elected as a fellow of the Academy of International Business in 1991 and was made a fellow of the European Marketing Academy in 2002. Professor Douglas coauthored *Global Marketing Strategy* (McGraw-Hill) and *International Marketing Research*, 3d ed. (John Wiley & Sons). Her research has been published in *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Marketing Research*, *Journal of International Business Studies*, *Columbia Journal of World Business*, *International Journal of Research in Marketing*, *International Marketing Review*, *Journal of International Marketing*, and other publications. This article was accepted in August 2010. Susan Douglas, a vision-

ary in the field of international marketing, passed away in early January 2011.

C. Samuel Craig is the Catherine and Peter Kellner Professor, Professor of Marketing and International Business, and Director of the Entertainment, Media and Technology Program at New York University's Stern School of Business. He received his PhD from the Ohio State University. Before joining the New York University faculty, Professor Craig taught at Cornell University. Professor Craig is coauthor of *Consumer Behavior: An Information Processing Perspective* (Prentice Hall), *Global Marketing Strategy* (McGraw-Hill), and *International Marketing Research*, 3rd edition (John Wiley & Sons). His research has been published in *Journal of Marketing Research*, *Journal of Marketing*, *Journal of Consumer Research*, *Journal of International Business Studies*, *Columbia Journal of World Business*, *International Journal of Research in Marketing*, *Journal of International Marketing*, *International Marketing Review*, and other publications. His research interests focus on the entertainment industry, global marketing strategy, and methodological issues in international marketing research.

A utilização deste artigo é exclusiva

Copyright of Journal of International Marketing is the property of American Marketing Association and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

**Fonte: Journal of International Marketing, v. 19, n. 1, p. 82-101, 2011. [Base de Dados].
Disponível em: <<http://web.ebscohost.com>>. Acesso em: 15 mar. 2011.**

A utilização deste artigo é exclusiva para fins educacionais