GLOBAL MARKETING IN A COMPETITIVE ENVIRONMENT: TRENDS AND CHALLENGES

Ladokun, Isaac Olujide
Department of Marketing
The Polytechnic, Ibadan
Email: ladokunolujide@yahoo.com

ABSTRACT

Global Marketing can be described as a common market place where people, no matter where they live desire standard product and life style. Globalization of marketing has become a part of life; hence no manager can afford to assume that his or her organization is isolated from all of these global activities. The trend and challenges of global marketing in this competitive environment are examined in this paper. The paper presents the various definitions by different authors and the general overview of globalization and global marketing. Some major trends in global marketing environment and the driving force behind global marketing are discussed. Thereafter, the paper looks through the impediments to global marketing. The paper then puts forward recommendations for Nigerian indigenous companies willing to be involved in global marketing. This paper can help Nigerian business firms intending to go abroad face the challenges changing the shape of world business in competitive environment.

Keywords: *Globalization, Global marketing, International Marketing, International Trade, Ethics.*

INTRODUCTION

Companies pay little attention to global marketing when the home market is large and teeming with opportunities. The domestic market is also much safer. Managers do not need to learn other languages, deal with strange and different currencies, face political and legal uncertainties or adapt their products to different customer needs and expectations. Today, however, the business environment is changing and firms cannot afford to ignore global marketing. The increasing dependency of nations around the world on each other's goods and services has raised awareness among companies of the need for a more global outlook in their approach to business. Global marketing is important because most firms are geared towards growth and so must seek new opportunities in foreign countries as their domestic markets mature.

Thus, the globalization of marketing has become a part of life. The newspapers/magazines are filled with reminders of how organizations have taken on a global focus. News and reports frequently mentioned such matters as international trade balance, currency fluctuation and multinationals e.t.c. Obviously, no manager can afford to assume that his or her organization is isolated from all of these global activities.

Globalization and Global Marketing

Globalization is the integration of national economies through trade and financial interaction with the international economy. This is made possible through the increasing linkage among countries and the direct investment, technological development and advancement in telecommunications, which has increased global welfare and transformed the world into a global village. Countries and organizations operating in the global environment, therefore, make decision based on global considerations rather than any specific country. The whole globe is treated as a market place than any specific country. (Ikon, 2004, p.24)

Globalization refers to the process of the intensification of economic, political, social, and cultural relations across international boundaries. It is principally aimed at the transcendental homogenization of political and socio-economic theory across the globe. It is equally aimed at 'making global, being present worldwide at the world stage or global arena'. It deals with the 'increasing breakdown of trade barriers and the increasing integration of world market (Fafowora, 1998:5)

Tandon (1998:2) opined Globalization seeks to remove all national barriers to the free movement of international capital and this process is accelerated and facilitated by the supersonic transformation in information technology. Globalization has been encouraged by:

- the growing liberalization of markets around the world, giving western multinationals access to customers they never thought they could reach;
- easy internet access and cheap international telecommunications. The most obvious manifestation of which is call centres in India that are servicing customers and corporations in Europe and the United State;
- the rapid growth of large developing countries such as China, India and Brazil, and their growing demand not only for western consumer goods and technologies but also for goods and services from other developing countries.

Armstrong, Kotler, Saunder, Wong, (2008:19) defined global marketing as marketing that is concerned with integrating or standardizing marketing actions across a number of geographic markets. They said, this does not rule out adaptation of the marketing mix to individual countries, but suggests that firms, where possible, ignore traditional market boundaries and capitalize on similarities between markets to build competitive advantage. Global marketing thus has to do with sending the same marketing messages to people all over the world irrespective of continent, country and city. It is an international marketing strategy where companies attempt to see the same product with the same specification and packaging messages communicated in the same ways across international markets.

Companies have approached global marketing in two distinct ways. On the one hand are those such as Gillette and Heineken that have made little concession to local taste and manufacture their goods in a few centralized production facilities that follow strictly uniform standards (Kotler, 2003). On the other hand are companies that tailor their products or services for each local market. Among them are Japanese car makers such as Toyota which now has plants in several countries producing for local markets, and Coca-cola which never tastes quite the same from one country to the next. (Kotler, 2003)

Some Major Trends in Global Marketing Environment

Before deciding whether or not to sell abroad a company must thoroughly understand the global marketing environment. That environment has changed a great deal in the past two decades, creating both new opportunities and new problems. The world economy has globalized. Aninat (2000:6) summarizing the growth of international business, the emergence of global customers and the rapid diffusion of innovation.

The Growth of International Business

Crafts (2000:2) reported that since 1950, world export of manufactured products has risen by a factor of sixteen while world output has grown by only a factor of seven. Also it was reported in 1995 by The Economists that in 1993, developing countries attracted $70 billion in foreign direct investment (FDI). There are some evidences of the growing scale and scope of international business. The composition of trade has moved from being predominantly primary products to finished goods. The highest growth levels in international trade are now to be found in sectors such as chemicals, engineering products, computer equipment and motor vehicles.

The major consequence of this rapid growth in global trade is the emergence of powerful multinational companies whose industries dominate and are able to exert significant leverage vis-a-vis the governments, local unions and supplier. The activities of these multinational companies challenge indigenous firms in their host countries to seek ways to compete with them. (Craft, 2000)

New Competitive Strategies

One of the distinguishing features of international marketing environment is that competition is not easily predictable unlike domestic markets. Globalization has changed because firms in global market appear to see themselves more clearly. In a global environment, domestic advantage will continue to exist and global firms must always seek to exploit them to achieve success. Thus, effective competition in global markets necessitates an understanding of the basis for competitive advantages and awareness of the kinds of new strategies being purchased by global competitors. (Kotler, 2003)

The Emergence of Global Customers

One of the most contentious debates in the global marketing literature has been the extent to which world markets are becoming more homogeneous especially in consumer products and services business (Kotler, 2003). In this respect, the world has changed due to the influence of technology and communication thereby creating markets which show strong commonalities across boundaries. The global reach of powerful brand names such as Coca-cola, Mercedes, Volkswagen, and Western Union Money Transfer are evidence of this trend.

The Rapid Diffusions of Innovation

One of the most conspicuous features of the modern business environment has been the shortening of product life cycle. This trend is observed in some technical products where the life cycle of many products is down to a period of one year to sixteen months from twelve years according to Ohmael (1989:4). Allied to this is the fact that innovations are also diffusing at a much faster rate. This trend has profound implication for the process by which firms grow internationally.

Drivers of Globalization

In broad terms, the drivers of Globalization can be separated from those which are specific to particular firms and to those which characterized the general external business environment. The prominent among the latter are developments in technology and communication, the convergence of income levels, across the globe, the growing levels of democracy, new trade agreements and the dominance of the English language.

The major firm - specific drivers include the need to amortize major costs such as Research and Development (R&D), shortening product life cycle, the pursuits of economies potential to exploit converging world markets. To date, these changes have given rise to their share of winners and losers.

Most companies would prefer to remain in their domestic markets considering the problems of going abroad, and more especially where their domestic markets are large enough and attractive. Yet several factors are drawing more and more companies into the global market. Kotler (2005) highlights the following factors:

- Global competitors might attack the company's domestic market, by offering better products or lower prices. The company might want to counter attack these competitors in their home markets.
- The company might want to reduce its dependence on any one market so as to reduce its risk.
- The company's customer might be expanding abroad and require international servicing.
- The company might discover foreign markets that present higher profit opportunities than the domestic market does. That is, the company domestic markets might be stagnant or shrinking.

Impediments to Nigeria's Global Marketing Drive

Kotler (2005:119) identifies many factors as impediment to global marketing. In summary, he identifies non-enabling operational domestic environment which according to the writer can prevent indigenous entrepreneurs from competing effectively in the foreign markets. In Nigeria, such factors include unpredictable political environment, derelict infrastructure, epileptic power supply, unreliable telecommunication, wastage in the economy, lack of security, high exchange rate, bribery and corruption, scarce foreign exchange, high interest rate, inefficient transport system and weak consumer purchasing power.

However, Kotler (2005) says the risks involved in competing in foreign markets are quite high. These risks can result from problems companies encounter in selling abroad which include huge foreign indebtedness, shifting boarders, unstable governments, foreign exchange corruption, technological pirating and others. The risk in global marketing may come in different forms such as:

- The company might not understand foreign customer preferences and fail to offer a competitively attractive product.

- The company might not understand the foreign country business culture or know how to deal effectively with foreign nationals.
- The company might underestimate foreign regulations and incur unexpected costs.
- The foreign country might change its commercial laws, devaluate its currency, or undergo a political revolution and expropriate foreign property.

Steps to be taken by Companies Willing to be involved in Global Marketing

Companies selling in global industries have no choice but to internationalize their operations. However, firms should bear it in mind that each nation has unique features that must be understood. A country's readiness for different products and service and its attractiveness as a market to foreign firms depend on its economic, political, legal and cultural environments. (Kotler, 2003)

In recent years, many major new markets have emerged offering both substantial opportunities and daunting challenges. The company must screen and rank each market on several factors including market size, market growth, cost of doing business, competitive advantage and risk level. The choice can now be inched on the markets that offer the greatest long run return on investment.

Once a company has decided to market in a global market, it must determine the best mode of entry. Its broad choices according to Levitt (1983: 92-102) are either:

Exporting - the company produces all its goods in its home country. It may or may not modify them for the export markets, then send it abroad; or

Joint Venturing - this is entering foreign markets by joining with foreign companies to produce or market a product or service. Joint venturing differs from exporting in that company join with a partner to sell or market abroad; or

Direct Investment - means direct ownership of foreign-based assembly or manufacturing facilities. Direct Investment offers many benefits such as:

- The firm may have lower costs in form of cheap labour or raw materials, foreign government investment incentives and freight savings.
- The firm may improve its image in the host country because it creates jobs.
- The firm keeps full control over the investment and therefore can develop manufacturing and marketing policies that serve its long-term international objectives.

Finally, firms seeking to market goods and services in a foreign market should evaluate the alternative modes of entry and decide upon the most cost effective path that would ensure long-term performance in that market. (Warren, 1995)

The marketing programme for each foreign market must be carefully planned. Managers must first decide on the precise customer target or targets to be served. Then, managers have to decide on how, if at all, to adopt firms marketing mix local conditions. (Warren, J.K., 1995). For example, with:

Product and Promotion

Douglas et al. (1989:59-61) has distinguished five adaptation strategies of product and promotion to a foreign market as thus:

- *Straight product extension*: This means marketing a product in foreign market without any change. Straight extension has been successful with cameras and consumer electronics e.t.c.

- *Product adaptation*: This involves altering the product to meet local conditions or preferences. For instance, Nokia customized its 6100 series cellular phone for every major market.
- *Product invention:* This consists of creating something new for the foreign market. This strategy can take two forms i.e. backward invention is reintroducing earlier product forms that are well adapted to a foreign country's need; forward invention means creating a new product to meet a need in another country.
- *Promotion*: A global firm can run the same advertising and promotion campaigns used in the home market or change them for each local market, a process called communication adaptation. If it adapts with the product and the communication, the company engages in dual adaptation.

Price

Multinationals face several pricing problems with selling abroad. They must deal with price escalation, transfer prices, dumping charges, and gray markets (Douglas, 1989). Regardless of how companies go about pricing their products, their foreign prices will probably be higher than their domestic prices (Douglas, 1989).

Place (Distribution)

According to Douglas (1989), the international company must take a whole channel view of the problem of distributing products to final consumers. There are three options: The first link, the seller's headquarters organization supervises the channel and is part of the channel itself. The second link, channel between nations moves the product to the borders of the foreign nations. The third link, channels within nations, moves the products from their foreign entry point to the final consumers.

Lastly, Global companies can manage their international marketing activities by establishing either:

Export departments: This comprises of a sales manager and a few assistants whose job is to organize the shipping out of the company's goods to foreign markets; or

International division: This division handles all of the firm's international activities. Marketing, manufacturing, research, planning and specialist staffs are organized into operating units and the division is headed by a division president, who sets goals and budgets and is responsible for the company's international growth; or

Global* organization*: Here, the top corporate management and staff plan worldwide manufacturing or operational facilities, marketing policies, financial flows and logistic systems. The global operating unit reports directly to the chief executive not to an international division head.

RECOMMENDATIONS

The following recommendation can be offered for Nigerian indigenous companies willing to participate in global marketing:

- Weigh the competitive advantages and risks involved in foreign market before deciding on global marketing operation.
- Decide the international marketing objectives and policies
- Determine the best mode of entering the global markets by evaluating the alternative modes of entry, so as to pick the most cost-effective path that would ensure long-term performance in the market.
- The market programme for each foreign market must be carefully planned and implemented. Decide on how to enter each chosen market i.e. through exporting, joint venturing or direct investment.
- Lastly, the company should develop an effective

organizational structure for its global marketing operation. The firm can start with an export department, then graduate to an international division and finally become global organization with worldwide marketing planning and management.

CONCLUSION

The profit-seeking market economy has spread globally and in the process demonstrated its efficiency and dynamism. This global outlook has been made possible by progressive dismantling of barriers to trade and capital mobility, fundamental technological advances and steadily declining costs of communication, transportation and computing. The integrative logic of Globalization, therefore, seems inexorable and its momentum is irresistible.

Globalization can be of immense benefit to Nigeria and so could help the country's development. Nigeria in principle has embraced the concept of Globalization. But our current state of infrastructure especially with regards to power (electricity), telecommunications, and information technology cannot fully integrate Nigeria into the world global network. However, Nigeria with the current democratic dispensation from 29th May 1999 has been making bold efforts towards liberalization and deregulation of the economy. This is evident in the current privatization and commercialization of public enterprises, which involves breaking monopolies and deregulation of various businesses.

REFERENCES

Aninat, E. (2000) *Surmounting the Challenges of Globalization. Finance and Development*, Vol. 39 (1), pp. 4-7

Armstrong, G. et al (2008) *Principles of Marketing*, 3rd ed. England. Pearson Educ. Ltd. pp. 19-20

Crafts, N. (2000) Globalization and Growth in the Twentieth Century. *IMF* working paper No. 44, Washington: International Monetary Fund. p. 2

Douglas, S., Eraig, C.S., and Keegan, W. (1998) *Approaches to assessing international marketing opportunities for small and medium sized business*. Columbia. Business Horizons Ltd. pp. 59-61

Fafowora, O.O. (1998) Management Imperatives of Globalization, Management in Nigeria. *Journal of Nigerian Institute of Management* Vol. 34, Nos. 2-4, April- December, pp 5-9.

Ikon, M.A. (2004) *an Introduction to Business in the Nigerian Environment*, Onitsha. NGOTEL Publishers, p. 24

Kotler, P. (2003) *Marketing Management*, 11th ed., (Upper Saddle River, NJ: U.S.A.: Prentice Hall, pp 383 - 403

Kotler, P. (2005) *Marketing Management*, 11th ed., India, Pearson education, Inc., pp. 119-122

Levitt, T (1983) The Globalization of Market. London, *Harvard Business Reviews*. May-June 1983. pp. 92-102

Ohmae, K. (1989): Managing in a Borderless world. London, *Harvard Business Reviews*, p. 4

Tandon, Y. (1998) Globalization and Africa Option, (part one) in AAPS *Newsletter, Harare, AAPS* Volume 3, No. 2, May-August 1998. p. 2

Warren J. Keegan (1995) *Multinational Marketing Management*, 5th (Upper Saddle River, NJ: Prentice Hall) pp 378 – 381

Reference to this paper should be made as follows: Ladokun, Isaac Olujide (2019) Global Marketing in a Competitive Environment: Trends and Challenges. *J. of Business and Organizational Development Vol. 11, No.1, Pp 16 - 29*