aware person must continuously monitor. Finally, a globally aware person will keep abreast of global economic, social, and political trends, because a country's prospects can change as these trends shift direction or accelerate. The former republics of the Soviet Union, along with Russia, eastern Europe, China, India, Africa, and Latin America, are undergoing economic, social, and political changes that have already altered the course of trade and defined new economic powers. The knowledgeable marketer will identify opportunities long before they become evident to others. It is the authors' goal in this text to guide the reader toward acquiring global awareness.

Global awareness can and should be built into organizations using several approaches. The obvious strategy is to select individual managers specifically for their demonstrated global awareness. Global awareness can also be obtained through personal relationships in other countries. Indeed, market entry is very often facilitated through previously established social ties. Certainly, successful long-term business relationships with foreign customers often result in an organizational global awareness based on the series of interactions required by commerce. Foreign agents and partners can help directly in this regard. But perhaps the most effective approach is to have a culturally diverse senior executive staff or board of directors. Unfortunately, American managers seem to see relatively less value in this last approach than managers in most other countries.

Stages of International Marketing Involvement

LO6

The progression of becoming a global marketer

Once a company has decided to go international, it has to decide the degree of marketing involvement and commitment it is prepared to make. These decisions should reflect considerable study and analysis of market potential and company capabilities—a process not always followed.[22] Research has revealed a number of factors favoring faster internationalization: (1) Companies with either high-technology and/or marketing-based resources appear to be better equipped to internationalize than more traditional manufacturing kinds of companies;[23] (2) smaller home markets and larger production capacities appear to favor internationalization;[24] and (3) firms with key managers well networked internationally are able to accelerate the internationalization process.[25] Many companies begin tentatively in international marketing, growing as they gain experience and gradually changing strategy and tactics as they become more committed.[26] Others enter international marketing after much research and with fully developed long-range plans, prepared to make investments to acquire a market position and often evincing bursts of international activities.[27] One study suggests that striking a balance between the two approaches may actually work best,[28] with a variety of conditions and firm characteristics to be evaluated.

Regardless of the means employed to gain entry into a foreign market, a company may make little or no actual market investment—that is, its marketing involvement may be limited to selling a product with little or no thought given to the development of market control. Alternatively, a company may become totally involved and invest large sums of

[22]Protiti Dastidar, "International Corporate Diversification and Performance: Does Firm Self-Selection Matter?" *Journal of International Business Studies* 40, no. 1 (2009), pp. 71–85.

[23]Chiung-Hui Tseng, Patriya Tansuhaj, William Hallagan, and James McCullough, "Effects of Firm Resources on Growth in Multinationality," *Journal of International Business Studies* 38 (2007), pp. 961–74.

[24]Terence Fan and Phillip Phan, "International New Ventures: Revisiting the Influences behind the 'Born-Global' Firm," *Journal of International Business Studies* 38 (2007), pp. 1113–31.

[25]Susan Freeman and S. Tamer Cavusgil, "Toward a Typology of Commitment States among Managers of Born-Global Firms: A Study of Accelerated Internationalization," *Journal of International Marketing* 15 (2007), pp. 1–40.

[26]Marian V. Jones and Nicole E. Coviello, "Internationalisation: Conceptualising an Entrepreneurial Process of Behaviour in Time," *Journal of International Business Studies* 36, no. 3 (2005), pp. 284–303.

[27]Elizabeth Maitland, Elizabeth L. Rose, and Stephen Nicholas, "How Firms Grow: Clustering as a Dynamic Model of Internationalization," *Journal of International Business Studies* 36 (2005), pp. 435–51.

[28]Harry G. Barkema and Rian Drogendijk, "Internationalizing in Small, Incremental or Larger Steps?" *Journal of International Business Studies* 38 (2007), pp. 1132–48.

money and effort to capture and maintain a permanent, specific position in the market. In general, one of five (sometimes overlapping) stages can describe the international marketing involvement of a company. Although the stages of international marketing involvement are presented here in a linear order, the reader should not infer that a firm progresses from one stage to another; quite to the contrary, a firm may begin its international involvement at any one stage or be in more than one stage simultaneously. For example, because of a short product life cycle and a thin but widespread market for many technology products, many high-tech companies, large and small, see the entire world, including their home market, as a single market and strive to reach all possible customers as rapidly as possible.

No Direct Foreign Marketing

A company in this stage does not actively cultivate customers outside national boundaries; however, this company's products may reach foreign markets. Sales may be made to trading companies as well as foreign customers who directly contact the firm. Or products may reach foreign markets via domestic wholesalers or distributors who sell abroad without the explicit encouragement or even knowledge of the producer. As companies develop Web sites on the Internet, many receive orders from international Internet users. Often an unsolicited order from a foreign buyer is what piques the interest of a company to seek additional international sales.

Infrequent Foreign Marketing

Temporary surpluses caused by variations in production levels or demand may result in infrequent marketing overseas. The surpluses are characterized by their temporary nature; therefore, sales to foreign markets are made as goods become available, with little or no intention of maintaining continuous market representation. As domestic demand increases and absorbs surpluses, foreign sales activity is reduced or even withdrawn. In this stage, little or no change is seen in the company organization or product lines. However, few companies fit this model today, because customers around the world increasingly seek long-term commercial relationships. Furthermore, evidence suggests that financial returns from such short-term international expansions are limited.

The first two stages of international marketing involvement are more reactive in nature and most often do not represent careful strategic thinking about international expansion. Indeed, putting strategic thinking on the back burner has resulted in marketing failures for even the largest companies.

The consensus of researchers and authors[29] in this area suggests three relatively distinct approaches to strategic decisions in firms involved in international markets:[30]

1. Regular foreign marketing
2. Multidomestic or international marketing
3. Global marketing

Next we discuss each of the three stages (and their associated strategic orientations) in turn.

Regular Foreign Marketing

At this level, the firm has permanent productive capacity devoted to the production of goods and services to be marketed in foreign markets. A firm may employ foreign or domestic overseas intermediaries, or it may have its own sales force or sales subsidiaries in important foreign markets. The primary focus of operations and production is to service domestic market needs. However, as overseas demand grows, production is allocated for foreign markets, and products may be adapted to meet the needs of individual foreign markets. Profit expectations from foreign markets move from being seen as a bonus in addition to regular domestic profits to a position in which the company becomes dependent on foreign sales and profits to meet its goals.

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[29] A seminal paper in this genre is by Yorum Wind, Susan P. Douglas, and Howard V. Perlmutter, "Guidelines for Developing International Marketing Strategy," *Journal of Marketing*, April 1973, pp. 14–23.

[30] Christian Geisler Asmussen, "Local, Regional, or Global? Quantifying MNE Geographic Scope," *Journal of International Business Studies* 40, no. 7 (2009), pp. 1192–205.

Meter-Man, a small company (25 employees) in southern Minnesota that manufactures agricultural measuring devices, is a good example of a company in this stage.[31] In 1989, the 35-year-old company began exploring the idea of exporting; by 1992 the company was shipping product to Europe. Today, one-third of Meter-Man's sales are in 35 countries, and soon the company expects international sales to account for about half of its business. "When you start exporting, you say to yourself, this will be icing on the cake," says the director of sales and marketing. "But now I say going international has become critical to our existence." Recently Meter-Man was purchased by Komelon, Inc., a larger, more diversified international company with operations in Washington state, South Korea, China, and Europe.

International Marketing

Companies in this stage are fully committed to and involved in international marketing activities. Such companies seek markets all over the world and sell products that are a result of planned production for markets in various countries. This planning generally entails not only the marketing but also the production of goods outside the home market. At this point, a company becomes an international or multinational marketing firm.

The experience of Fedders, a manufacturer of room air conditioners, typifies that of a company that begins its international business at this stage.[32] Even though it is the largest manufacturer of air conditioners in the United States, the firm faced constraints in its domestic market. Its sales were growing steadily, but sales of air conditioners (the company's only product) are seasonal, and thus, domestic sales at times do not even cover fixed costs. Furthermore, the U.S. market is mature, with most customers buying only replacement units. Any growth would have to come from a rival's market share, and the rivals, Whirlpool and Matsushita, are formidable. Fedders decided that the only way to grow was to venture abroad.

Fedders decided that Asia, with its often steamy climate and expanding middle class, offered the best opportunity. China, India, and Indonesia were seen as the best prospects. China was selected because sales of room air conditioners had grown from 500,000 units to more than 4 million in five years, which still accounted for only 12 percent of the homes in cities like Beijing, Shanghai, and Guangzhou. The company saw China as a market with terrific growth potential. After careful study, Fedders entered a joint venture with a small Chinese air conditioner company that was looking for a partner; a new company, Fedders Xinle, formed. The company immediately found that it needed to redesign its product for this market. In China, air conditioners are a major purchase, seen as a status symbol, not as a box to keep a room cool, as in the United States. The Chinese also prefer a split-type air conditioner, with the unit containing the fan inside the room and the heat exchanger mounted on a wall outside. Because Fedders did not manufacture split models, it designed a new product that is lightweight, energy efficient, and packed with features, such as a remote control and an automatic air-sweeping mechanism.

The joint venture appears to be successful, and the company is exploring the possibility of marketing to other Asian markets and maybe even back to the United States with the new product that it developed for the Chinese market. As Fedders expands into other markets and makes other commitments internationally, it continued to evolve as an international or multinational company. Finally, Fedders's successes internationally made it an attractive acquisition candidate, and in 2008 it was purchased by a French firm, Airwell, that has distributors in over 80 countries around the world.

Global Marketing

At the global marketing level, the most profound change is the orientation of the company toward markets and associated planning activities. At this stage, companies treat the world, including their home market, as one market. Market segmentation decisions are no longer focused on national borders. Instead, market segments are defined by income levels, usage patterns, or other factors that frequently span countries and regions. Often this transition from international marketing to global marketing is catalyzed by a company's crossing the threshold at which more than half its sales revenues comes from abroad. The best people in the company begin to seek international assignments, and the entire

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[31] See http://www.komelon.com for its Meter-Man product line and other details.

[32] See http://www.airwell-fedders.com for details about the company.

CROSSING BORDERS 1.4 Orange County, CA, Travels East and West

For $500,000 you can now buy a four-bedroom house in Orange County—in China!

The homes are designed by Southern California architects and built with American features but are located in a new development an hour's drive north of Beijing. The country road can be icy and is lined by fields and populated by trucks and sheep. The landscape is a far cry from palm-ringed golf courses and "Surfin' USA." A bit after Sun City, another half-built gated community, the tidy homes of Orange County come into view. Finally, you drive through a stone portal, past advertisements showing men fly-fishing in cowboy hats and such, and pull up before the impressive mansions of Watermark-Longbeach, the epicenter of *faux* L.A. in China. Says homeowner Nasha Wei, a former army doctor turned business-woman, "I liked it immediately—it is just like a house in California." By the way, in other neighborhoods around Beijing, you can also buy a large home in a development of French villas called "Palais de Fortune" or an eco-friendly Toronto-designed home in "Maple Town."

Apparently, in France, the waves can actually be better than in California. Check out the 60-footers at Belharra Reef off St. Jean de Luz. Or hang ten along the surfwear shops nearby in the hamlet of Hossegor in southwest France. They're all there: Roxy, Rip Curl Girl, Billabong, and Quicksilver Boardriders Club. And the kids in the neighborhoods and sidewalk cafés are decked out in Volcom sweatshirts, Vans sneakers, and jeans.

The $5-billion plus surfwear industry, rooted in Orange County, California, has established a beachhead in Europe. So many U.S. surfwear companies have international headquarters, subsidiaries, and stores in Pays Basque that it has a new nickname: *la petite Californie*. "This is the best place to observe the market," says Petra Holtschneider, who recently organized the first Action Sports Retailer trade show in the area. "So if you're not here, you're not getting it."

Finally, perhaps the scariest OC exports are the television programs about the place. First it was Fox's *The OC*, then MTV's *Laguna Beach: The Real Orange County*, which has now morphed into *Newport Harbor: The Real Orange County*. The latter is now showing an entirely new generation of Europeans the latest kinds of misbehavior going on in "paradise" while influencing teen fashions globally. And there's a British spin-off in the works, *Alderley Edge, Cheshire*. Perhaps it will make its way back to the United States in the form of "educational TV"— those British accents make them sound so smart!

Sources: Elisabeth Rosenthal, "North of Beijing, California Dreams Come True," *The New York Times*, February 3, 2003, p. A3; Leslie Earnest, "Riding a French New Wave," *Los Angeles Times*, May 11, 2003, p. C1; Cristina Kinon, "The Laguna Effect: MTV's Sexy Soaps Are Changing the Face of Fashion, Mags, and the Way Teens Speak," *New York Daily News*, August 13, 2007, p. 33; Alyssa Abkowitz, "The Surfin' CEO," *Fortune International (Europe)*, July 20, 2009, p. 17.

operation—organizational structure, sources of finance, production, marketing, and so forth—begins to take on a global perspective.

The example of Coca-Cola's transition from international to global is instructive. Coca-Cola had actually been a global company for years; the mid-1990s organizational redesign was the last step in recognizing the changes that had already occurred. Initially, all international divisions reported to an executive vice president in charge of international operations, who, along with the vice president of U.S. operations, reported to the president. The new organization consists of six international divisions. The U.S. business unit accounts for about 20 percent of profits and has been downgraded to just part of one of the six international business units in the company's global geographic regions. The new structure does not reduce the importance of the company's North American business; it just puts other areas on an equal footing. It represents the recognition, however, that future growth is going to come from emerging markets outside the United States.

International operations of businesses in global marketing reflect the heightened competitiveness brought about by the globalization of markets, interdependence of the world's economies, and the growing number of competing firms from developed and developing countries vying for the world's markets. *Global companies* and *global marketing* are terms frequently used to describe the scope of operations and marketing management orientation of companies in this stage.

As the competitive environment facing U.S. businesses becomes more internationalized—and it surely will—the most effective orientation for many firms engaged in marketing in another