# GLOBAL MARKETS OR GLOBAL COMPETITION?

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The recent debate generated by Levitt's advocacy of standardization is certainly not a new controversy; it goes back to earlier writings in the late fifties and early sixties. I would like here to clarify the issue rather than take sides with one or the other school of thought.

## Competition Is Getting Global

There is no question that we are witnessing global competition. This is especially true for industrial products such as steel and chemicals. It is also becoming more prevalent in such consumer goods as electronics, automobiles, appliances, clothing, and even foods and beverages. However, we have mistaken global competition for global markets. In other words, success of foreign companies doing business in the domestic markets is probably due to factors other than an emerging universality of consumer needs and wants.

Perhaps the single most important explanation for the emerging global competition is *access* to the domestic markets. As international trade increases, because of greater interdependence across nations, one would expect the presence of foreign products in domestic markets.

Second, there has been an increasing degree of *international standardization* of product quality and safety standards. This is another reason why companies have become more interested in foreign markets. It simply removes the disincentive to modify their products and services.

Finally, we are witnessing global competition due to the increasing number of worldwide *mergers, acquisitions, and joint ventures*. For example, recently Nestle Company bought out Carnation Company; AT&T has aggressively started to align with European and Asian companies; Young & Rubicam has

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joint ventures with Dentsu and one of the French ad agencies. It is inevitable that these arrangements should lead to global competition.

## GLOBAL MARKETS ARE MORE APPARENT THAN REAL

Does this, however, mean that markets are also getting global? The answer to that question is not as clear. First, consumers do buy products or services for such nonfunctional reasons as novelty, curiosity, and conspicuous consumption. Witness the recent interest in tofu and sushi in the United States and beer and hamburgers in Japan. Second, most domestic markets are becoming more divergent. The social norms are losing importance and personal lifestyles are gaining influence. As this occurs, consumers inevitably demand more choices, and the result is market segmentation or fragmentation.

**Divergence can easily explain the successful coexistence of foreign and local products in the domestic markets.**

This divergence of consumption values is not limited to the advanced countries but is also prevalent in socially controlled, traditional societies such as India and China. The divergence in the developing countries, however, is probably more vertical than lateral: it cuts across generations such as grandparents, parents, and children more than across consumers within a generation, as is seen in the advanced countries.

This divergence can easily explain the successful coexistence of foreign and local products in the domestic markets. However, it still does not lead to the conclusion that markets are becoming global.

## FRAMEWORK FOR UNDERSTANDING GLOBAL MARKETS

Citing case histories is not likely to resolve this controversy. What we need is a conceptual framework which can make sense out of contradictory examples. (See Table 1)

Whether markets are global or not depends on two market criteria. First, are needs relatively similar across countries or different from country to country? One would expect needs of all *certified* services, such as health care, to be more similar across nations if the process of certification is comparable.

Even if the market needs are similar, it is still not likely that markets will be global. A second criterion, which can prevent the similarity of needs from resulting in global markets, involves market-scarce resources of money, time, and expertise.

Money as a market resource is becoming less divergent *across* nations. On the other hand, time as a

**Table 1**
**A Framework for Global Markets**

| Market Resources \ Market Needs | Similar | Different |
|---|---|---|
| Similar | Global Markets (Universal Marketing) | Market Segmentation (Positioning or Target Marketing) |
| Different | Product Segmentation (Product Differentiation) | Specialty Segmentation |

scarce resource is becoming more and more divergent across levels of development. Therefore, time-sensitive products and services, such as retailing and physical distribution, are less likely to become global.

The third, and most divergent, market scarce resource is expertise, that is, degree of consumption knowledge. For example, do-it-yourself markets and self-help practices are likely to be extremely local rather than global.

**Numerous product failures in foreign markets can be attributed to the lack of the product's mass appeal.**

Therefore, what we need is not the concept of global versus domestic markets but a concept of multiple markets. In other words, if, and only if, both market needs and market resources are highly similar across nations, should we expect the emergence of true global markets.

In all other situations, fully global markets are not likely to exist. If a company wants to do business in foreign markets, it will have to think of *segmenting* the domestic market and targeting its products or services on a segmented basis. There will always be a segment of the market ready to buy the foreign product without extensive changes. Of course, the size of this segment will determine success or failure in the foreign market. Numerous product failures in foreign markets can be attributed to the lack of the product's mass appeal.

There are essentially three segmentation strategies. The first is *product segmentation*, in which the product is modified to fit the local market. This included appliances, automobiles, and housing, products for which affordability and size become major differentiation factors.

A second strategy is *market segmentation* in which the product is targeted to different segments in different foreign markets. For example, *Playboy* is read by relatively young people in the United States, but it is targeted to mature business professionals in Germany and France. Similarly, Visa and MasterCard may be a mass market in the United States, but they are positioned for professionals in the European market.

A third segmentation strategy is *specialty segmentation*. This is a niche strategy in which a product is offered to entirely different markets from one country to another. For example, personal care products and services such as cosmetics and hair styling require both product and positioning modification from country to country. This is also true of entertainment, recreational services, and magazine markets.

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

Our framework suggests that true global mass marketing is possible only if worldwide needs and resources are homogeneous. In other cases, it is still possible to do business globally through product, market, or specialty segmentation strategies.