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Part 6

International Business Functions

6. Reread the Management Focus on Levi Strauss, and then answer the following questions:
 - a. What marketing strategy was Levi Strauss using until the early 2000s? Why did this strategy appear to work for decades? Why was it not working by 2004?
 - b. How would you characterize Levi Strauss's current strategy? What elements of the marketing mix are now changed from nation to nation?
 - c. What are the benefits of the company's new marketing strategy? Is there a downside?
 - d. What does the Levi Strauss story tell you about the "globalization of markets"?

Research Task


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Global Marketing and R&D

Use the globalEDGE website (globaleledge.msu.edu) to complete the following exercises:

Exercise 1

The consumer purchase of specific brands is an indication of the relationship that develops over time between a company and its customers. Locate and retrieve the most current ranking of *best global brands*. Identify the criteria used. Which countries appear to dominate the top 100 global brands list? Why do you think this is the case? Now look at which sectors appear to dominate the list, and try to identify the reasons. Prepare a short report identifying the countries

that possess global brands and the potential reasons for success.

Exercise 2

Part of developing a long-term R&D strategy is to locate facilities in countries which are widely known to be competitive. Your company seeks to develop R&D facilities in Asia to counter recent competitor responses. A publication which evaluates economies based on their competitiveness is the *Global Competitiveness Report*. Locate this report, and develop a presentation for the top management team that presents the benefits and drawbacks for the top five Asian economies listed.

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CLOSING CASE

Domino's Pizza

Domino's Pizza made its name by pioneering home delivery service in the United States. In recent years, however, the growth story has been overseas. With the U.S. fast-food market saturated and consumer demand weak, Domino's is looking to international markets for growth opportunities. The company is no newcomer to international business—it opened its first international store in Canada in 1983—but today, almost all new store openings are outside the United States. In 2012 the company had 4,835 stores internationally and 4,907 domestic stores. Its plans call for opening another 350 to 450 international stores a year for the next few years.

As it expands its international businesses, there are some things that Domino's has kept the same as in the United States, and there are some things that are very

different. What is the same is the basic business model of home delivery. This sets it apart from many of its U.S. rivals, which changed their basic offering when they entered foreign markets. For example, when Yum Brands Inc. introduced Pizza Hut into China, it radically altered the format, establishing Pizza Hut Casual Dining, a chain that offers a vast selection of American fare—including ribs, spaghetti, and steak—in a full-service setting. Pizza Hut adopted this format because table service was what the locals were used to, but Domino's isn't interested. "We go in there with a tried-and-true business model of delivery and carry-out pizza that we deploy around the world," states Domino's international president, Richard Allison. "In emerging markets, we've got more tables than you would find in the U.S., but we have no plans to

lean toward a casual dining model where the server comes out and takes an order.”

On the other hand, there are things that vary from country to country. In the United States, pizza is viewed as casual food, frequently mentioned in the same breath as beer and football. In Japan, it's viewed as more upscale fare. This is reflected in the offering. Japanese pizzas come with toppings that the average American couldn't fathom. Domino's has sold a \$50 pizza in Japan featuring foie gras. Other premium toppings include snow crab, Mangalitsa pork with Bordeaux sauce, and beef stew with fresh mozzarella. Japanese consumers value aesthetics and really care about the look of food, so presentation is key. Patrons expect every slice to have precisely the same amount of toppings, which must be uniformly spaced. Shrimp, for example, are angled with the tails pointing the same way.

Pizza consumption is low in Japan—the average Japanese pizza customer only consumes the product four times a year. To boost this, Domino's has been working to create more occasions to enjoy it. For example, on Valentine's Day, its Japanese stores deliver heart-shaped pizzas in pink boxes. Heart-shaped pizzas also appear on Mother's Day.

To promote the offering in Japan, rather than spending money on commercials, Domino's tries to create news, like topics that people talk about. If the topic is fun and hot, Domino's believes that people will talk about it, which ultimately translates into better sales. One promotion in particular received heavy coverage. The chain offered 2.5 million yen (about \$31,000) for one hour's work at a Domino's store. In all, about 12,000 people applied for the “job.” The lucky winner was a rural housewife who had never eaten pizza. She flew to a small island to deliver pizza to schoolchildren, who were also new to pizza. The event received heavy news coverage—free advertising in other words.

In India, where Domino's has more than 400 stores and has plans for 1,000 more, 50 percent of the menu is vegetarian in order to match the preferences of the large Hindu population. For delivery, Domino's has a fleet of mopeds, which makes sense in large cities like Mumbai where traffic congestion is awful. Because Indians like things spicy, instead of including Parmesan cheese packets, Domino's includes an “Oregano SpiceMix.” In general, the toppings have far more spice than in the United States. Although Indians are used to full service in restaurants, Domino's doesn't use servers or busboys in their stores, even though each store typically has a few tables in for those who want to eat on premises. Instead, it is educating customers to clean up after themselves, with in-store trashcans that say “Use Me” in big bold letters.⁴⁵

Case Discussion Questions

1. Do you think it is wise for Domino's to stick to its traditional “home delivery” business model, even when that is not the norm in a country and when its international rivals have changed their format?
2. What do you think Domino's does from an organizational perspective to make sure that it accommodates local differences in consumer tastes and preferences?
3. How does the marketing mix for Domino's Pizza in Japan differ from that in the United States? How does that in India differ from the U.S. marketing mix?
4. What lessons can we draw from the Domino's case study that might be useful for other international businesses selling consumer goods?

Endnotes

1. Nancy Hass, “Earning Her Stripes,” *The Wall Street Journal*, September 9, 2010; “Burberry Shines as Aquascutum Fades,” *The Wall Street Journal*, April 17, 2010; Peter Evans, “Burberry Sales Ease from Blistering Pace,” *The Wall Street Journal*, April 17, 2010; and “Burberry Case Study,” *Market Line*, www.marketline.com, January 2012.
2. See R. W. Ruekert and O. C. Walker, “Interactions between Marketing and R&D Departments in Implementing Different Business-Level Strategies,” *Strategic Management Journal* 8 (1987), pp. 233–48; and K. B. Clark and S. C. Wheelwright, *Managing New Product and Process Development* (New York: Free Press, 1993).
3. T. Levitt, “The Globalization of Markets,” *Harvard Business Review*, May–June 1983, pp. 92–102. Reprinted by permission of *Harvard Business Review*; an excerpt from “The Globalization of Markets,” by Theodore Levitt, May–June 1983. Copyright © 1983 by the President and Fellows of Harvard College. All rights reserved.
4. For example, see S. P. Douglas and Y. Wind, “The Myth of Globalization,” *Columbia Journal of World Business*, Winter 1987, pp. 19–29; C. A. Bartlett and S. Ghoshal, *Managing across Borders: The Transnational Solution* (Boston: Harvard Business School Press, 1989); V. J. Govindarajan and A. K. Gupta, *The Quest for Global Dominance* (San Francisco: Jossey Bass,