The Global Market

Developing a Strategy to Manage Across Borders

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To our friend, colleague, and mentor

Emeritus Professor Theodore Levitt
Harvard Business School

Eminent marketing thought leader
for executives and academics

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Introduction

In 1983, the *Harvard Business Review* published an article entitled "The Globalization of Markets" by Harvard Business School professor Theodore Levitt. In this article, Levitt argued that consumer similarities across national boundaries outweighed the differences—that the human aspirations and emotions to which marketers responded were universal in nature. He highlighted "the one great thing all markets have in common—an overwhelming desire for dependable world standard modernity in all things at aggressively low prices."

Greater convergence of tastes among consumers around the world was both a reason for and a consequence of global marketing. In Levitt's view, the traditional decentralized multinational corporation that adapted its product offerings and its marketing programs—at considerable cost—to address the preferences of local customers was fast becoming obsolete. Instead, success would shine on the global corporation that "operates with relative constancy—at low relative cost—as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere."

Levitt's observations were not motivated by the burgeoning power of American cultural icon brands such as Disney, Marlboro, or McDonald's but the rapid international advance of Japanese manufacturers such as Honda, Panasonic, and Toyota. Their innovations in manufacturing processes and production technology, and perhaps a certain naiveté about the extent of international consumer heterogeneity, resulted in long production runs of high-quality products that exploited "the economics of simplicity and standardization." These Japanese products could then be priced in international markets at levels that even the most patriotic consumers could not ignore. Twenty years on, most commentators now focus on American brands such as Nike and Coca Cola as the exemplars of global standardization.

Levitt was not the first to speak of cultural convergence. As early as 1962, Marshall McLuhan coined the term *global village.* And in 1967, Jean-Jacques Servan-Schreiber published *The American Challenge,* an early complaint about American cultural imperialism. Levitt's focus, however, was on the convergence of consumer preferences being motivated by Japanese, not American, brands. His special contribution was to show how global shifts in consumer preferences stemmed from changes in production systems and demanded a shift in corporate organization structures from multinational to global. But perhaps unfairly, the black and white forcefulness with which Levitt expressed his arguments meant that the essay, in the words of Naomi Klein (2000), a contemporary critic of globalization, "instantly became the manifesto of global marketing" (p. 116).

Levitt's thesis was quickly absorbed by chief executives of large multinationals seeking good arguments to restore central headquarters control over their far-flung, decentralized empires. Aided by the international advertising agencies, they set about designing global marketing programs to reduce the independence of the barons who ran their local subsidiaries around the world. But many marketing experts did not take kindly to Levitt's arguments. Philip Kotler, for example, a leading marketing academic, complained in 1984 that Levitt was "setting marketing back. He wants to bend consumer demand to suit the product rather than vice versa." Long a proponent of market segmentation (and the tailoring of products and programs to the needs of each segment), Kotler maintained, "Many new lifestyles are emerging and new, differentiated markets are opening up. Companies need a wide range of products and a wide range of messages to the consumer, not the reverse" (Lorenz, 1984, p. 26).

The debates about what Levitt said, whether his predictions were well founded, and whether his thesis has stood the test of time were joined again at a Harvard Business School colloquium in May 2003. On the twentieth anniversary of its publication, fifty academics and practitioners from Asia, Europe, and the Americas attended the "Globalization of Markets" colloquium to share ideas about global marketing, past, present, and future.

In the remainder of this Introduction, we set the context for the fifteen colloquium papers that make up the chapters of this book. We review the forces that favor further convergence of consumer tastes around the world and those that do not.

Forces for Convergence

Levitt correctly saw technological change as a force for globalization. His focus was, however, not so much on information technology as on the new process technologies used in Japanese assembly plants to lower costs and improve product quality at the same time. Since 1983, the prodigious improvement in the productivity of computer microprocessors and an equally impressive fall in telecommunications costs have resulted in more people being able to share more information across national boundaries than ever before. The fax machine and the World Wide Web, not foreseen by Levitt, are two additional technologies that facilitate the free flow of information, unimpeded by government oversight. Satellite television enables us to sample foreign cultures, entertainment, and opinion in the comfort of our own living rooms.

The Internet is proving to be an especially important force for cross-cultural communication. Young people throughout the world can interact easily with each other through their own personal computers or those at Internet cafés and, increasingly, through mobile phones that integrate Internet access and text messaging with voice capability. Through an Internet Web site, any small company anywhere in the world with a unique product or service can inexpensively reach out to potential customers worldwide. Demand in the company's domestic market may be inadequate to justify the effort, but the business may become viable when all interested consumers worldwide can be accessed. In this way, small businesses, aided by low shipping costs from DHL or Federal Express, can become global players without having to set up complex networks of distributors in multiple countries.

Thanks to deregulation and price competition in the transportation sector, international travel has also increased dramatically, enabling people to sample and better understand different cultures. The number of passengers carried on international airline routes has trebled in the last twenty years. Travel and tourism now account for 12 percent of world gross domestic product. The results of increased tourism and increased migration are not cultural convergence toward a lowest common denominator norm but a greater appreciation of cultural diversity and an appetite for greater cultural choice in our daily lives. Cities like Amsterdam, with immigrants accounting for almost 50 percent of its population, are valuable cultural melting pots in which diversity is celebrated. As another example, an Indian dish, chicken tikka masala, is now said to be the most frequently ordered item in British restaurants.

Although tourism and migration have increased the flows of people across national boundaries, free movement of labor remains a political hot potato, even within free trade areas such as the European Community. Divergence in wage rates among neighboring countries at different stages of economic development spawns concerns about immigrants stealing the jobs of domestic workers.

Such considerations have not impeded progress toward freer trade and the free flow of capital. Almost $1 trillion worth of currencies is now traded across international boundaries each day. The value of international trade increased 1,700 percent in the second half of the twentieth century, though, interestingly, world trade as a percentage of world gross domestic product only recently returned to the 24 percent level that it stood at in 1900. Global marketing is hardly a new phenomenon. King Gillette, founder of the Gillette Company, had offices in Paris and London by 1905, within five years of opening for business in Boston, and he spoke of his vision of a "World Corporation."

The very growth of multinational corporations, which have treated the world as their oyster and used mergers and acquisitions to achieve global scale, has itself been a further force for convergence. The largest twenty-five companies in the world are now each valued at over $100 billion. In a world of 200 countries, fifty-one of the largest one hundred economies are corporations rather than nation-states. IBM generates more patents in a year than all the citizens of 139 of the world's countries. Successful multinational companies scour their worlds to identify the best new product ideas, source the labor and material inputs to make these ideas reality from wherever in the world it makes sense to do so, and focus on achieving leadership through a constant flow of "next big thing" innovations rather than through the adaptation of existing products and services to local cultures. The mind-sets of their top managements are increasingly supranational rather than wedded to the values or interests of any single nation-state. At the same time, they communicate with one voice, not just by using English as the lingua franca of global business but by sharing a common language of management and financial practices, cultivated over the past century by the leading American business schools.

Against these multinational companies, sovereign nations that might resist the forces of globalization have been largely ineffective. This is partly because the nation-state is a relatively new and fragile institution. Only four of today's nations—China, France, India, and the United Kingdom—existed in anything like their current configuration more than 250 years ago. Three-quarters of today's sovereign states did not exist fifty years ago. The 1990s put multinational companies in the driver's seat, with many emerging economies competing for corporate investment by privatizing, deregulating, and offering various economic sweeteners. Only a few countries such as China, representing vast potential consumer markets, have proved adept at managing the advances of Western multinationals to their advantage.

On the Other Hand . . .

Perhaps it was inevitable that the successful march of the global corporation during the 1990s would spawn a backlash when the economic cycle turned down, exposing the fragility of the foundations on which the promise of prosperity to the emerging economies of the world had been based. Aggravated by a softening in commodity prices and population growth rates that outpaced economic development, it became increasingly evident that with notable exceptions such as the Asian "tiger" economies of South Korea and Taiwan, the gap in per capita income between rich and poor nations had expanded rather than diminished. A comparison of Islamic countries and Organization for Economic Cooperation and Development countries shows that the average per capita income in the latter was seventeen times that in the former in 1970 but that this gap grew to twenty-seven times by 2000. Unsurprisingly, globalization and global corporations have given political leaders in emerging economies a ready scapegoat for their own failures to deliver economic progress to their citizens.

Vocal minorities in Western, notably European, countries have taken to opposing multinational, especially American, corporations. This anti-American sentiment has been more evident in Europe than elsewhere, perhaps because American multinationals during the 1990s were able to put further distance between themselves and their European rivals in almost all product categories except wireless technology and civil aircraft manufacturing. But such sentiments do not appear to spill over into substantial or sustained boycotts of American or global brands. Most consumers do not let their political views cloud their purchase decisions. As Levitt would have contended, everyone everywhere is looking for the best deal, the best price-performance ratio, and few are likely to choose second best to make a political point.

At the same time, multinational corporations have helped their cause by being adept at thinking globally and acting locally. They do so by working in conjunction with local business partners; employing local managers and workers; giving to local charities; acquiring, improving, and relaunching local brands; and adapting their global products and services to local tastes when the costs of doing so can be recouped in local pricing. In other words, by being good local citizens and setting high standards for corporate behavior that local businesses are then pressed to follow, multinational corporations are taking the sting out of potential opposition . . . and the globalization of markets marches on.

Demography and the Global Consumer

There are now 6.1 billion people in the world. The annual population growth rate is 1.2 percent. Thirty percent are under fifteen years of age, but in Germany only 15 percent are under age fifteen compared to over 45 percent in Nigeria and most African nations. Ten percent of the world's population is over sixty years of age, but in Japan, the figure is 23 percent. This will rise in Japan to 42 percent by 2050 as a result of low birthrates and improvements in health care and life expectancy. Simply put, the rich economies of North America, Europe, and Japan are accounting for a progressively lower percentage of the world's population (around only 15 percent today) yet they still command 53 percent of world gross domestic product, 62 percent of world trade, and 86 percent of world equity market capitalization.

The challenge for global marketers can be simply stated but not easily resolved. How do you allocate marketing resources between the markets of the developed world, the principal source of past success and current sales, and the markets of the emerging economies, which may represent the best long-term growth opportunities? Of course, the purchasing power of many in these emerging economies is negligible, but living there are millions of young consumers who have yet to lock in their brand preferences. All evidence suggests that younger people are less bound by cultural traditions and that higher-income, better-educated people living in the rapidly growing cities of these emerging economies are likely to be both more exposed and more receptive to new ideas. Is it the responsibility of the global marketer to figure out how to reach the mass market, or is it sufficient to skim the cream off the top of the market, targeting only the highest-income segments who can afford to pay Western prices? Alternatively, will new models of global marketing be developed by emerging market multinationals like Haier of China, a major manufacturer of domestic appliances, or Samsung of South Korea, the electronics giant that has rapidly come to be ranked as the twenty-fifth most valuable brand in the world?

Conclusion

In 1983, Levitt could not and did not foresee the fax machine or the World Wide Web, two technologies that have brought the world closer together. He could not and did not foresee the defeat of communism, the fall of the Berlin Wall, and the admission of some 3 billion additional consumers into the free market economy. But his viewpoints were prescient nevertheless. Where others saw differences—real or imagined—among the world's consumers, Levitt focused on the similarities. He understood the power of new technologies such as the personal computer and satellite television to facilitate sharing of ideas, values, and products across national boundaries. He had the optimism to believe that the good would drive out the bad. And in the corporate boardroom, his 1983 article fundamentally changed the way in which marketing was discussed. Before Levitt, the onus was invariably on managers who advocated standardized products or marketing programs to prove their case. After Levitt, the burden rested on those who argued for marketing adaptation to show how the extra expense of customization would pay out in extra profitability. Changing the way a question is asked can have a profound effect on practice. This was, perhaps, the greatest impact of Levitt's 1983 article.

PART 1

Developing the Global Mind-Set

Globalization is an accepted part of our transnational vocabulary. Evidence of this lies in part in the power of the word. It splits regions, countries, and states. To some, it is associated with the economies of scale and scope that multinational companies like Coca Cola and Sony leverage as their products become part of cultural landscapes. To others, it brings up images of rock-throwing protesters in Milan and Seattle. It is humbling to realize that twenty years ago, the concept of globalization was quite novel and that one person can take credit for making it part of our common vocabulary: Theodore Levitt.

Globalization is much more than a way of going to market. Channel strategies do not provoke violent physical protest by mobilized activists. Rather, globalization is a weltanschaung, a worldview, a mind-set. It is an ideology as well as a carefully crafted strategy to take brands across the world with a standardizable positioning and brand-level execution tone. Levitt understood this as far back as the early 1980s when he was developing "The Globalization of Markets," an article that would appear in the May-June 1983 issue of the *Harvard Business Review.* Very quickly after the publication of his provocative article, commentaries began to appear in the *New York Times, Washington Post,* the *Wall Street Journal,* and other influential publications. Academics engaged in a debate on the merits of Levitt's arguments. And the debate rages to this day. Levitt's article is required reading in business schools across the world, and it provokes much the same polarized reactions that it did twenty years ago. The question is, Why was this article so powerful and provocative when it was first published? And why does it still weigh in on our consciousness?

In Chapter One, Richard Tedlow and Rawi Abdelal approach these questions from the perspective of business history, situating their discussion within the context of five hundred or more years to understand whether globalization is a new or old phenomenon. Their surprising conclusions surface much of the essence of Levitt's deconstructed essay. It is as much about globalization as a process and a heuristic as it is about globalization as strategy. And, in fact, the former are more revealing since they suggest qualitative changes in the way managers need to look at their companies and the world today. Tedlow and Abdelal carefully distinguish between globalization and internationalization and show how Levitt was perhaps overtly polemical in his writing style but highly accurate in his depiction of what successful firms do in building global businesses.

The lens of history is used in Chapter Two as well, this time in an interview with Levitt by his colleague Stephen Greyser, who wants us to appreciate what led Levitt to write the article on globalization and whether he is surprised that it still generates controversy. In the interview, Levitt amplifies on a fundamental theme in his article—the marketing concept—and suggests that successful global firms both satisfy customer needs and standardize their product offerings. He also describes why he believes his *Harvard Business Review* article generated so much debate by offering a radically different vision of the future than most observers were willing to consider in 1983—and today as well, to some extent.

Hirotaka Takeuchi examines the implications of Levitt's arguments for one country, Japan, in Chapter Three. As he notes, Levitt used Japan and particularly Japanese corporations as exemplars of globalization in his paper. In fact, there were more mentions of Japan than the United States in his article. Yet Japan today seems anything but exemplary in the management of its economy, and very few Japanese firms are benchmarked for their global marketing strategies. Takeuchi suggests that this has happened because Japan and Japanese companies failed to learn the lessons that Levitt set out in his article and have turned their backs on active participation in the global labor, financial, and product markets. His sharply critical and incisive perspective also suggests remedies for Japan to turn around its decline.

CHAPTER 1

Theodore Levitt's "The Globalization of Markets"

An Evaluation After Two Decades

Richard S. Tedlow
Rawi Abdelal

Two decades ago, Theodore Levitt published "The Globalization of Markets" in the *Harvard Business Review.* Doing business across national borders had long been a topic of academic analysis, but Levitt's article, published in the "magazine of decision makers," was aimed separately at business managers. It hit its target.

Levitt himself was "globalized" by 1983. He was world famous for his provocative pronouncements on the new thinking and new action needed to propel business management into the new world it had to create. His articles were widely translated and anthologized, and the *Harvard Business Review* made a small fortune selling his reprints. When Levitt spoke (through the medium of the printed word), managers listened.

Teaching globalization today, it is not difficult, with the priceless benefit of hindsight, to see the flaws in Levitt's argument. In the pages that follow, we make those flaws quite clear. We do, however, believe that this article remains important not just as an artifact of its time but as a picture of the world from which managers can benefit today. It is no accident that this article is still so widely read.

In this chapter, we seek to locate globalization in the context of Levitt's oeuvre. We then offer a new way of thinking about this article, an angle of vision that we believe demonstrates its enduring usefulness.

The Marketing Message of Theodore Levitt

"And if you want biographies," Friedrich Nietzsche once wrote, "do not look for the legend 'Mr. So-and-so, and his times,' but for one whose title might be inscribed 'a fighter against his time.'" That is the role—as a "fighter against his time"—that Theodore Levitt has played during his intellectual life.

This was a role he earned the right to play. Levitt mastered "normal science" before setting off in search of new "paradigms."[1] His doctoral dissertation, "World War II Manpower Mobilization and Utilization in a Local Labor Market," was squarely in the mainstream of academic endeavor.[2] Firmly grounded in economics through his doctoral training at Ohio State, Levitt proved he could satisfy the most rigorous standards of his profession by publishing in the *American Economic Review,* the *Review of Economics and Statistics,* the *Journal of Finance,* and elsewhere.[3]

Levitt's goal, however, was always to make a difference—a big difference not only in his own discipline but in academics as a whole and indeed in society. He wanted to think creatively. It was the combination of his background in formal economics along with a jagged streak of lightning called genius that enabled him to succeed at so doing. One of Levitt's articles is entitled "Marketing Success Through Differentiation—of Anything."[4] His own greatest achievement in differentiation has been of himself.

Theodore Levitt has written numerous articles that have changed the way important people think about important matters (which was his own standard when he served as editor of the *Harvard Business Review*). Among the most noteworthy of these is "The Globalization of Markets," published in 1983.[5]

The article's argument is that new technology, which has "proletarianized" communication, transport, and travel, has created "a new commercial reality—the emergence of global markets for standardized consumer products" of a hitherto undreamed-of magnitude. The era of the "multinational corporation" was drawing to a close, Levitt asserted. The future belonged to the "global corporation." The global corporation did not cater to local differences in taste. Those differences were being overwhelmed by the ability of the global corporation to market standardized products of high quality at a cost lower than that of competitors due to "enormous economies of scale in production, distribution, marketing, and management." The global corporation was being called forth by a new era of "homogenized demand."

Levitt's claim was breathtaking in its inclusiveness. "Nothing," he declared, "is exempt." Not steel, not automobiles, not food, not clothes. Variety costs money, and the modern consumer demanded the best for less.

Levitt is a man of the world, quite aware of the conflicts that pockmark it. He makes reference to the 1979 Iranian uprising that resulted in the downfall of the shah, to the Nigerian-Biafran civil war, to life in Bahia in Brazil and in Krasnoyarsk in Siberia. But though beliefs might differ sharply from one nation or region to the next, consumption patterns were converging. The rebels in Iran were wearing "fashionable French-cut trousers and silky body shirts." In Biafra, "soldiers carrying bloodstained swords" were "listening to transistor radios while drinking Coca-Cola." The world was witnessing nothing less than the "vindication of the Model T," the basic transportation vehicle of which Henry Ford said, "It takes you there, and it brings you back."

There is no other appeal like price. People like money, and they want to spread it over as many goods as they can. What the global company understands, which the multinational does not, is the power of scarcity: "Nobody takes scarcity lying down; everybody wants more."

If "The Globalization of Markets" were the only article one had ever read about marketing, one would find its argument compelling. But in the context of its times, what Levitt was proposing was little short of a revolution in both how companies organized themselves and in how they thought about what they were doing. Levitt's argument flew in the face of hallowed principles of marketing both and what seemed to be the stark realities of the world as it was in 1983.

Consider, for example, what had come to be known during the quarter-century prior to the 1983 publication of "Globalization" as "the marketing concept." We do not mean *a* marketing concept; in fact we must italicize the article: *the* marketing concept.[6]

By 1983, this idea, so simple that it scarcely seems to deserve the label "concept," was that companies should give customers what they want. The marketing concept gained currency during the 1950s and was founded on the belief that the "problem of production" had been solved. Supply-side shortages not being in the offing, there was no need for companies to be guided by a production analogue to the marketing concept. "The sales concept," such as it was, had also fallen into disrepute in the literature. The sales concept was about pushing a product onto the consumer through sales techniques.[7] The "sales concept" was waning as early as 1941. IBM, for example, which was in the process of developing one of the greatest sales forces in history, was instructing its salespeople by that time to tell prospects that their job was not "to sell" but "to serve."[8]

Thus, we arrive at "the marketing concept." Behind the phrase lay the idea that business begins not with the factory but with the customer. Marketing was the most important of business functions because it drove everything else—or at least that was the ideal. In practice, businesses kept seeming to revert to the satisfaction of their own internal needs at the expense of customer desires. Look around, and you will find that this is true today. The promise of customer satisfaction is omnipresent. (No company promises customer dissatisfaction.) Delivering on the promise is a good deal less common.

There are two specific references to the Marketing Concept in "Globalization," and the idea is alluded to elsewhere without being labeled. Levitt treats this central idea of his discipline without much respect. Somehow, corporations had allowed themselves to fall prey to "the perverse practice of the marketing concept and the absence of any kind of marketing imagination. . . ." (p. 98). "Most executives in multinational corporations are thoughtlessly accommodating. They falsely presume that marketing means giving the customer what he says he wants rather than trying to understand exactly what he'd like."

What Levitt appears to be saying is that it is up to the company to know more about what the customer wants than the customer himself or herself does, or at least more than the customer can articulate. He uses as an illustration the failed attempt by Hoover to market its washing machine throughout western Europe. The cause of this failure was Hoover's "'proper' marketing orientation." The company conducted consumer research at a fine-grained level that revealed that customers in various countries wanted different features. The manufacturing costs of providing these features drove the price of the appliance up, and the product did not sell.

What went wrong? Two things. First, Hoover asked the wrong questions. It sought, in the type of phrase for which Levitt became famous, to learn "what features [customers] wanted in a washing machine rather than what they wanted out of life."[9]

Second, Hoover paid too much attention to what people said and too little to what was actually going on in the marketplace. Did everyone want a washing machine specifically customized to their living space? Yes. Was everyone willing to pay substantially more money for such a washing machine, thus depriving themselves of other possessions? No. "[People] preferred a low-priced automatic . . . even though [it] failed to fulfill all their expressed preferences. The supposedly meticulous and demanding German customers violated all expectations by buying the simple, low-priced Italian machines" (p. 98).

The conclusion was that a cursory examination of the Hoover story would leave one with the belief that global marketing is impossible because of the strength of national wants and needs. But what a little digging reveals is that we have seen a "distorted version" and the "perverse practice" of the marketing concept. And we have seen something else: what Levitt referred to as a "failure of nerve."

Marketers must be more than mere receptacles of information (which is sometimes poorly specified and collected). They must actively mold the markets to which they sell. If Hoover had acted in that aggressive fashion, it would have succeeded. With will and vision, global marketing could become a reality.

Levitt was well aware at that time of the appeal of low prices.[10] In recent years, Clayton Christensen of the Harvard Business School wrote *The Innovator's Dilemma,*[11] a book that became world famous and in which he asserted ideas quite similar to Levitt's. Christensen's thesis is that in their rush to give customers precisely what they want, companies customize too much, spend too much, and therefore charge too much. They thus leave themselves open to the "disruptive innovator," marketing a product that is not perfect in terms of every function and feature but is good enough and a lot less expensive. Although Christensen's book is not concerned with world trade, the basic market dynamic he sees conforms to

Levitt's. Variety is often generated by organizational dynamics internal to the firm. Customers tend to be unwilling to pay as much for that variety as marketers may like to think.

In one sense, the ideas in "The Globalization of Markets" are not surprising. For years, people had been coming to think of the world as a single unit rather than as a patchwork of nations and customers. The first armed conflict deemed a "world" war took place between 1914 and 1918 (even though it was less a global conflict than, say, the Seven Years' War of 1756 to 1763, which stretched from Canada to India). The term *global village* was coined in 1960.[12] The realization that radioactive fallout from nuclear weapons could have global consequences led to the Nuclear Test Ban Treaty of 1963,[13] and general concerns for the environment led to Earth Day in April 1970.[14] The space race, beginning with *Sputnik* in 1957 and climaxing with the moon landing in 1969, endowed human beings with a whole new perspective on "spaceship earth."

Meanwhile, a little closer to home, social critics following World War II were beginning to complain of the very homogenization that Levitt was inviting corporations to exploit. The term *Coca-Colonization* gained a certain currency during the 1940s and 1950s, suggesting the imposition of American cultural values on the world through the spread of its consumer products.[15] In 1967, the French journalist Jean-Jacques Servan-Schreiber published *The American Challenge,* in which he portrayed Europe being overrun by American capital and American business organization practices.[16] Various domestic observers as well were noting with disapproval the "global reach" of what appeared to be the inexorably growing American business firm.[17]

That said, there is another sense in which the ideas in "The Globalization of Markets" are daring. In 1983, the world was still very much a bipolar place, divided between "communist" and "democratic" nations. The cold war had heated up considerably with the Soviet invasion of Afghanistan in 1979. It was in 1983 that President Ronald Reagan called the Soviet Union the "evil empire," and this cartoon-strip phrase struck a responsive chord in much of the American public.[18] Those people living under communist regimes knew precious little of markets in the Western sense, never mind marketing.

In 1983, there were, in fact, only a handful of countries in which corporations had home offices that sold products or services outside the home country borders. North America, western Europe, and Japan fairly much exhaust the list. Firms located in these nations accounted for the overwhelming bulk of world trade, and very little of that trade was with the approximately 32 percent of the world's population living in communist countries.[19] Thus, when Levitt spoke of globalization, he was excluding a large portion of the globe as it was at that time.

Even among the democratic, capitalist countries, barriers to trade were far more daunting than they have since become. Tariffs, subsidies, orderly marketing agreements, and outright prohibitions were everywhere apparent. Markets were, and are, governed by rules. Indeed, markets cannot exist without rules.[20] The rule-making unit in 1983 (as is also predominantly true today) was neither the corporation nor some supranational body such as the World Trade Organization. It was the nation in which goods were being bought and sold, from which goods were being exported and to which imported. Levitt wrote that technology was the unstoppable force leading toward globalization, but all the technology in the world could not have opened up the Japanese home market to foreign imports in 1983.

A marketing textbook published in 1972, *Marketing: A Contemporary Analysis,* devoted only 27 of its 776 pages to international marketing. On the first of those pages, it declares: "Since this chapter is based entirely on distinctions among national markets, it is important to establish at the outset that the nation is a meaningful unit for market analysis."[21] Table 1.1, from that textbook, outlines how countries differ and the importance of those differences for marketing. Let us look at just one of the entries in this table and see what impact it might have on the globalization of marketing. The text at the bottom of the last column on the right mentions "Specific restrictions on messages."

When Polaroid introduced in the United States its camera that developed its own film, the company advertised heavily on television. The product was particularly sensitive to television advertising, which could demonstrate the seemingly miraculous phenomenon of instant photography. It was no accident that by 1960, Polaroid was selling at more than ninety times earnings as advertisements prompted excited customers to flock to retail outlets.[22] This was the essence of the "pull" strategy in marketing, and it made Polaroid the channel commander in its product category.

Table 1.1. Elements of a Marketing Program

Factors Limiting Standardization	Product Design	Pricing	Distribution	Sales Force	Advertising and Promotion; Branding and Packaging
Market characteristics					
Physical environment	Climate Product use conditions		Customer mobility	Dispersion of customers	Access to media Climate
Stage of economic and industrial development	Income levels Labor costs in relation to capital costs	Income levels	Consumer shopping patterns	Wage levels availability of manpower	Needs for convenience rather than economy Purchase quantities
Cultural factors	Custom and tradition Attitudes toward foreign goods	Attitudes toward bargaining	Consumer shopping patterns	Attitudes toward selling	Language, literacy Symbolism
Industry conditions					
Stage of product life cycle in each market	Extent of product differentiation	Elasticity of demand	Availability of outlets Desirability of private brands	Need for missionary sales effort	Awareness, experience with products
Competition	Quality levels	Local costs Prices of substitutes	Competitors' control of outlets	Competitors' sales forces	Competitive expenditures, messages
Marketing institutions					
Distributive system	Availability of outlets	Prevailing margins	Number and variety of outlets available	Number, size, dispersion of outlets	Extent of self-service
Advertising media and agencies			Ability to "force" distribution	Effectiveness of advertising, need for substitutes	Media availability, costs, overlaps
Legal restrictions	Product standards Patent laws Tariffs and taxes	Tariffs and taxes Antitrust laws Resale price maintenance	Restrictions on product lines Resale price maintenance	General employment restrictions Specific restrictions on selling	Specific restrictions on messages, costs Trademark laws

Source: Adapted from R. D. Buzzell and others, *Marketing: A Contemporary Analysis,* 2d ed. (New York: McGraw-Hill, 1972), p. 641.

Pull marketing failed in France with the same product and the same customer benefit. Why? In France, commercials were not allowed on television. That tremendous power of demonstration coming right into their living room therefore could not drive customers into stores and pull the product through the distribution system. Push marketing, with heavy reliance on the retailer, was the only alternative.[23] This one illustration could be multiplied a thousandfold.

One of the authors of *Marketing: A Contemporary Analysis,* the textbook just referred to, was Theodore Levitt. What had happened in the decade between the publication of the textbook and "The Globalization of Markets" to change his mind? A lot. The position of the United States as economic hegemon was being rapidly eroded. The oil shocks of 1973 and 1979 had exposed American vulnerability to shortages of the most basic of raw materials of what was still the auto-industrial age. The disastrous war in Vietnam and the Watergate scandal had fundamentally shaken the public's faith in government. The stagflation of the Carter administration during the late 1970s did nothing to restore that faith.

On the business scene, the decade was just as gloomy. In industry after industry, from television to tires, American firms were losing share in foreign markets as foreign-based corporations were making significant inroads in the United States. In 1980, the United States ceased being the world leader in automobile manufacture, a position that it had held since the introduction of the Model T Ford in 1908.[24] The bilateral trade deficit between Japan and the United States in this industry alone had reached previously unimaginable levels.

In this context, the moment had come for new ideas, and so the timing of "The Globalization of Markets" was perfect. Perhaps by intellectual reorientation, changes could be made in the organization and operation of business that would lead to a rebirth of growth and greatness. Perhaps the remarkable changes in technology that were taking place would enable globalization to become a reality if business executives had the courage to cast aside old ideas and adopt the new views that the future demanded.

Levitt did not hedge his bets in "Globalization." Indeed, it is the categorical nature of his expression that makes the article so easy to criticize.[25] But therein also lies its genius. As often with Levitt's work, the medium is the message. He does not offer a "ten-step program" systematically to improve the efficiency of marketing beyond the borders of the home country. Instead, he shouts, "Wake up!"

What we now propose to do is discuss the extent to which markets really have become globalized. We have read Levitt's article, and we are awake. When we look around, what do we see having happened between 1983 and today?

Two Ways to Think About Globalization

There are two ways to think about globalization—as a trend and as a heuristic—and most people do not distinguish between them.[26] We argue that they should and that if they did, they would look at the economic environment in which they make decisions in a more useful way. The first way to think about globalization is as an actual process of economic integration: the acceleration of flows of goods and capital and perhaps many other things as well. In this sense, there may be not a single globalization process but many linked processes of globalization, each of which demands an answer to the question: "The globalization of *what*?" Thus, we hear and read about the globalization of finance, of trade, of policy ideas, of culture, of almost anything else. This is perhaps the most common way people think and talk about globalization, and it is useful.

This first conception of globalization—as an evolving trend changing the world in which we live—inherently creates a certain kind of debate because there are naysayers who marshal evidence to suggest that the economic integration we have supposedly seen in the past decades is either not new, historically speaking, or, when looked at in strictly economic terms, not nearly as complete as its votaries would have us believe.

The historical question rests on whether the world economy was more globalized in the late nineteenth and early twentieth centuries, the heyday of the gold standard and British hegemony, than it is today. Some find that levels of trade and financial integration were higher (or at least as high) then as now. This historical concern with globalization rests on a particular counterfactual about the past and the future, and it is a debate encapsulated by the question, "Is globalization today really different than globalization a hundred years ago?"[27] One could push this line of thought even further back in time to the early modern world or back even fur-