

International Marketing: Case of Siemens

Student Name

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Introduction

Developing a global brand in the international marketing scenario is a huge concern; not merely from a financial perspective alone. It has been witnessed that several brands enter the international marketplace while failing to capture adequate customer attention and desirability; as a result, these brands fail to keep pace with changing times and eventually fail. One of the most glorious brands in the international marketing environment is Siemens which is ranked amongst the Fortune Top 100 Global Brands (Interbrand Rankings, 2014, p. n.d). The best attributes that has led the company towards increased international acceptance has been standardization and adaptation strategies. (Chieng & Goi, 2011, p. 30)

The standardization and adaptation of marketing strategies in the international arena need to be compared with each other while working out for an effective solution. Standardization is a theme that marketers need to address in overseeing that all customers in the world have same tastes and preferences. The main motivation behind standardization is to create a global brand image as consumers' confusions gets removed and no media overlap for different advertisements take place. On the other hand, adaptation in terms of catering to the specific needs of cultures across countries along with different economic and social aspects of integration is another important phenomenon in the international marketing landscape whereby marketers adjust the marketing mixes in different contexts of consumer differences around the world (Interbrand Rankings, 2014, p. n.d).

Standardization is defined as the method of constructing and implementing technical standards into different processes and systems. The standardization phenomena assist the commoditization of previous custom processes. Moreover, standardization is also defined as the agreement in which all parties belonging to a particular organization or industry are required to comply with specific processes related with manufacturing of goods and services.

Standardization is implemented to ensure the consistent quality of the products and any conclusions developed should be comparable with the same class of products.

On the other hand, adaptation is the process in which changes are responded and reflected in the current framework of the system. Though the help of adaptation a new system or a current system becomes flexible to different changes and variations in the environment.

In general, there are some major differences between standardization and adaptation. From the perspective of product (marketing mix), the standardization does not allow any changes to be done on the product and services. Whereas in adaptation process, the system is made in such a way that it incorporates cultural characteristics of the new environment. In standardization, the price is fixed in all international markets, whereas in adaptation prices are subject to change and depend on local competitive positions. From the perspective of place, the standardization offers uniform channel structure, whereas in adaptation, the system adjusts to new distribution. With regards to promotional activities, the standardization uses same promotional techniques to create awareness of the products. On the other hand adaptation implements different changes and trends of advertising depending on the region in which it is operated.

Discussion

Selection of the Brand

Siemens has a thriving international presence in the global business arena where it has a huge market share based on an increased popularity of its products. Being a German multinational conglomerate, Siemens cater to a diverse range of products in healthcare, energy, industry and consumer products. Strong leadership in electronics and electronic engineering has led the business towards an increased opportunity in the international zone where key business processes are led by its ability to standardize and adapt to varying contexts with appropriate and lasting strategies (Thomas, 2011, p. n.d).

Critical Analysis of the Global Brand

Being a global brand, the repute and outreach of Siemens had been phenomenal owing to the fact that the company adopts a centralized strategy of both adapting to the culture of every country that it goes in, along with standardizing the services as per international standards. A global brand, according to Chieng & Goi (2011), must have an international appeal. It is necessary to make strides in the international arena by means of measures of quality that can sustain under different situations (p. 75). The need to systematically sustain the marketing mix along with adopting practices in line with the culture has been at the highest level of all corporate agendas at Siemens.

The view of sustainability has been an important factor for Siemens; sustainability serves as a basis for its future business in the international context while being a key pillar of its corporate strategy. In its struggle to become a global brand, Siemens viewed the “business success” approach from a rather conservative perspective (Thomas, 2011, p. n.d); but while it did

make use of some good international strategies like market development, penetration and product development, its main achievement lied in achieving sustainability. Across the three sectors that it serves i.e. energy, industry and health, Siemens concentrated its activities towards the following 4 megatrends:

- Globalization,
- Urbanization,
- Demographic changes, and
- Climate change (Verbeke, 2013, p. 5)

A broad spectrum of products and solutions in case of each of these megatrends has been the company's core business area for paving its way to development and progress. Linked with the values of the organization, sustainability has been the core business value that has formed the reason of its success in the international arena through a range of energy-efficient solutions and durable products that have been a reason of its successful cultural penetration and adaptation across the world.

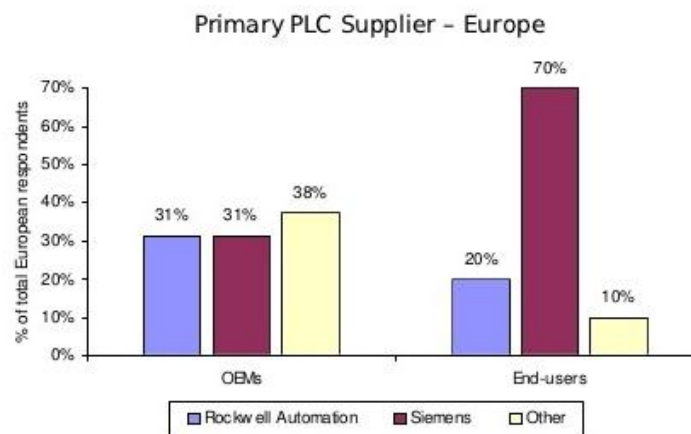


Figure 1: Market Share of Siemens in Europe

Global Brand Image and Equity

The company has a strong brand image which enables it to successfully trade in a diverse marketplace across the world. The main mission of the company is to acquire scale and market share along with adopting practices based on a strong global market penetration. Being always connected with high-quality products, the business has been internationally reputed and strong in catering to the needs of a diverse marketplace. Based on its equity in the international markets, the financial performance of the business has been steady and based on it, the organization delivered steady financial results (Verbeke, 2013, p. 20).

The ability of the organization to management its operations and deliver steady financial performance has been the result of its global adaptation in an increasingly competitive marketplace while strong R&D support capabilities has been a stringent effort in learning about newer markets. Keeping an eye on the market trends, the company develops new products and enhancements based on its learning and understanding of new market dynamics. Since the global economy needs diversity, there is a need for the company to keep diversity as its corporate level strategy that will be a source of its strong brand equity.

Global Expansion

Years of success and continued growth have enabled Siemens to achieve a strong financial position in the market while making the most of every business opportunity and providing the potential for their continued expansion focusing on quality, sustainable development and a high and continuous profitability. Before establishing themselves in a new country or a new city, they assess its commercial potential first of all. Factors such as demographic structure, purchasing power, economic growth, infrastructure, political risk, human

rights and the preservation of the environment are analysed before venturing into the international market (Wild,J., Wild, K. & Han, 2014, p. 71).

Marketing Mix

Product

The broad product categories of Siemens include:

- 1) Manufacturing of IT products (CAMSTAR, IBS, Comos, Siemens PLM NX 3D CAD/CAM/CAE, spectrum PowerCC and many more)
- 2) Industrial products (BRAUMAT Process Control System, Sirius Controls, SIMATIC Human Machine Interface, SINUMERIK Computerized Numerical Control and many more
- 3) PC's
- 4) Telecommunication devises
- 5) Health care equipment
- 6) Control Systems
- 7) Energy
- 8) Infrastructure
- 9) Fire Safety

Although there is a long list of products that are being offered by the company, the above list provides a broad overview of the whole product list. The element of standardization exists in the manufacturing of every product of Siemens. All the products, whether belonging to health industry or energy sectors, the quality aspect remains standards and no compromise is done on providing quality products to the customer. The qualities of the products being manufactured are

of standard quality which means that same quality would exist despite of the area or location in which the company is operating.

Price

The pricing strategy of Siemens is said to comparatively more than other companies producing the same product. Siemens charges some premium prices due to its renowned brand name including the top quality services provided by the company. Moreover, the pricing strategy of the company is said to be standard in all the regions of the world. The price as quoted by the head office of Siemens remains the same in all the outlets and information technology market

Place

The head office of Siemens Company is located in Munich, Germany. However, the company has built different head offices in different regions of the world. For e.g. the head office of Siemens India is in Mumbai, the head office of UK is in Frimley and so on. The concept of standardization is fully practiced in deciding the place of the company. As one can witness that wherever the company expands its business operations, they also develop a specific head office that deals with all the issues and decision making process of the particular region. However, every head office is required to report to the main head office located in Germany.

Promotion

Siemens has been famous for advertising and promoting new and innovative ideas that assist an individual or a company in fastening up their procedure and workflow. The

company has adapted standardized approach in creating advertisement i.e. they focuses on bringing innovative ideas to the IT market.

People

It has been researched that up till now the total employees of Siemens have been totalled to 362,000 individuals belonging to different regions and countries. All these employees have special expertise in their designated field which provides effective and efficient result for the company. A well-developed human resource department is dedicated to every country that deals in handling all the issues related to employees and their future growth and prospectus. The standard HR policies and guidelines are followed in all the regional and head offices of the company.

Process

The process implemented at Siemens is very standardized and is accordance to the rules and regulations set up by the monitoring committee. All these system protocols and standard operating procedures (SOP) are same for the all regional offices of Siemens located in different parts of the world.

Physical Evidence

Siemens have dedicated buildings and infrastructure for different departments. The company has a separate building for monitoring the back end operations of the company whereas separate infrastructure is developed for manufacturing and assembling different products that are offered by Siemens.

Global Marketing Strategy

An extraordinary opportunity arises for the company is the world-wide opportunity to benefit from a long period of strong expansion in the new millennium. Long periods of strong growth are exceptional events in the global marketing strategy implementation of Siemens. These periods are relatively rare in the history of economic development for major competing firms in the industry. The two periods of rapid growth that they have experienced over the last few years, have been instrumental in raising the average level of their economic stability in the long run based on organizational learning of diversified global cultures and processes. The analysis of economic stability of the company indicates that it was basically realized due to the implementation of global marketing strategy.

Types of Internationalization process theories

There are different types of internationalization theories which are discussed in the below section:

Uppsala Model

The Uppsala model elaborates the concept that how companies slowly intensifies their business activities in global market. The Uppsala model is similar to the POM model. The main attributes of the model state that organization firstly attain experiences from local markets before catering the foreign markets. Moreover, the organization also starts their global business from geographically or culturally closes regions and then moves to distant countries. The theory also states that many organizations began their operations by tradition exports and then moves to more demanding and intensive operations mode (Chiarvesio, 2014, p. 45).

Born Global

The born global organization is a business entity that from its inception tries to gain important competitive advantage from the utilization of resources and from the sale of units in different countries. According to this theory, many organizations expand their operations to global level but it does not make them a born global firm. The basic difference between international organization and born global firm is that the later firms are originated internationally (Chiarvesio, 2014, p. 45). The firms that are classified as born global firms have a specific global focus and gradually commit their resources to the global ventures.

Eclectic paradigm

The eclectic paradigm theory is also regarded as the OLI-Framework or OLI-Model. It is basically an advancement of internationalization theory and was published in 1979 by John H. Dunning. The core principle behind eclectic paradigm is to combine different theories of international economic into one perspective. In eclectic paradigm theory, there are three primary forms of global activities of organization i.e. FDI, Licensing and Export.

Foreign direct investment theory

Foreign direct investment theory is defined as an organization from one country developing physical investment such as building a factory or an outlet in another foreign country. FDI theory suggests that an organization founded by a foreigner is regarded as an FDI company. The definition of FDI theory includes investment done to attain interest in an organization that operating outside the geographical location of the investor. Moreover, the FDI theory

incorporates a foreign affiliate and a parent organization that merge with each other to develop a multinational corporation (MNC) (Knight and Liesch, 2015, p. 31).

Monopolistic Advantage theory

The monopolistic advantage theory is a framework of global business that elaborates the concept that why organization compete in global settings against native competitors and is usually related with contribution of Stephen Hymer.

Non-availability theory

The non-availability theory discussed global trade through a fact that every country imports some goods which are not found in the home country. This insufficiency occurs due to limited natural resources and also from the fact that these goods cannot be manufactured in the local market (Cavusgil and Knight, 2015, p. 3).

Selected theory for Siemens

The most applicable theory of internationalization process for Siemens is foreign direct investment theory. According to this theory, a company can become global if it is investing or building a solid infrastructure in another foreign country in the form of factory or an outlet. As Siemens is one of those companies that have a large capital and cash in hand, therefore if the company wants to establish its operation in another regions, they only need to invest in the infrastructure or in other words pump in more money to the foreign economy.

Pros and Cons of the selected theory

Following are some of the advantages of FDI theory:

- Easy access to international markets: The FDI proves to be an effective method to enter a global market.
- Easy access to resources: Another advantage of FDI is that it enables the organization to attain significant natural resources including fossil fuels and precious metals. For e.g. the oil fields develops large FDIs to develop different oil fields.
- Minimizes cost of production: FDI also has a direct impact on minimizing the total cost of production in those markets where there is cheap labour and possessing less restriction in entering a foreign market.

However, there are some disadvantages of this theory as well. These include:

- One of the most major disadvantages of FDI theory is that in many developing countries, FDI may result in a direct threat to the modern day economic colonialism by exposing the host countries and leaving the resources and infrastructure to be exploited by the global company.

Recommendations and Suggestions for the Global Brand

Companies today are increasingly looking for opportunities to tap into new markets. To identify opportunities for collaboration with global companies, it is crucial here that the company is able to communicate in their own language with the potential customers. Creating one's own language is a characteristic of developing strategies that are critical in pursuing international goals while attaining efficiency with adaptable business operations. Forming alliances with a strong player is a good way to share the resource, learn about new market trends and enhance the

competency of both companies while achieving greater synergies in terms of enhanced productivity and profitability. The company should make a concerted effort in Asia where its products need to be customized based on changing consumer dynamics and preferences.

Conclusion

After going through a detailed analysis of the global brand Siemens, it can be concluded that Siemens is experiencing a progress in their International operations. The overall results of the analysis regarding the International Operations of the Siemens brand indicates a sound position of the organization as an efficient company that has truly utilized globalization to its advantage. With the use of customized products and solutions to cater to each market that it enters, Siemens core strategy has been lying in adaptation and standardization. A global brand, as stated in the discussion has an international appeal while it must also be culture-centric in the sense of being able to adopt with the culture of the host country while it enters in the global arena. The company is not facing a decline in their International operations, rather it is serving as a role model for other businesses within the sector to follow suit. The brand has good scope for the future, and the prospective of its international standing looks promising. However, given the competitive pressures of an increasingly-dynamic marketplace, they need to work hard for making significant progress in their business operations. Customer-based brand equity is an important area of consideration for the company while it needs to be proactive in assuming customer preferences and considering the challenges that are present within the international business landscape. There are several conceivable differences between domestic marketing and international marketing for example, to create a global company with different cultures and thus

different work attitudes and ways of working. Countries in this regard must make use of every possible insight to gain knowledge about a market before functioning in it.

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