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Global marketing effectiveness via alliances and electronic commerce in business-to-business markets

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Abstract

Numerous changes in the global business climate have intensified global competition through new forms of competition as well as the addition of new competitors. As a result, domestic and international firms have to develop and implement marketing strategies that are aligned with the current global competitive realities. This study explores the influence of three overarching developments that stand out as having a dominating role in the shifting international competitive landscape: (1) the rapid growth of global business activities by existing firms and new entrants, for example, through increased international outsourcing (i.e., the intensification of importing activities); (2) the transition to managing supply chain systems through greater coordination of entire distribution channels, alliances, and relational exchanges; and (3) the emergence and increased strategic deployment of electronic forms of exchange, particularly with respect to information access, storage, and retrieval, as means of more efficient management of domestic and global network of operations and market intelligence. Managerial and research implications of these trends are discussed.

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1. Introduction

Unprecedented shifts in the business climate around the world have created new forms of competition as well as new competitors in the global business landscape, thus forcing firms to rethink their marketing strategies. Three developments in the global business environment stand out as having a dominating role in this shift. The objective of this article is to highlight and explore these changes.

The first shift has to do with the rapid growth and greater involvement of firms' in global business activities. In particular, the tremendous growth in outsourcing activities has necessarily engaged new entrants in global business-to-business (B2B) activities (i.e., importers) to which much greater attention should be paid. The second change agent is the transition to a more holistic approach to managing supply chain systems through greater coordination of entire distribution channels, alliances, and relational exchanges. To address the needs of their customers, firms require harmony and continuity in their supply chain systems and as supply sources are increasingly global, for example, through increased outsourcing, relational exchanges and alliances have become much more important. The third development fostering a major change in how firms conduct business and compete is the transition to electronic forms of exchange, particularly with respect to information access, storage, and retrieval. In the sections that follow, these environmental shifts are explored and linked to the studies presented in this Special Issue.

2. The intensification of global business-to-business activities

A series of environmental forces has demanded international market entry by domestic firms while necessitating the expansion of global business activities of international firms. These forces provide business situations which have fostered a rapid growth in international networks and relationships, leading to greater interdependence among firms situated around the world. Trade statistics demonstrate some 25% of world production (as compared to 7% in 1950) is currently sold outside its country of production. The U.S., for example, imported \$2.2trillion in goods and services while exporting \$1.4trillion in 2006 (a \$759billion trade deficit). However, these

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figures hide the increased localization of production by Multinational Corporations (MNCs). As firms have set up manufacturing facilities and service centers in an increasing number of countries to supply local and regional markets, their relative dependence on their home countries' production and service facilities has been declining. That is, the tremendous growth in global trade does not factor in the local production activities of MNCs. Thus, in reality, global trade has witnessed a much larger growth than available statistics indicate.

Three developments in the global business climate have contributed to the rapid globalization of business activities during the last two decades. These environmental shifts have disproportionately contributed to the globalization of firms, particularly with respect to B2B activities. The first development is the signing of the Single European Act (SEA) in 1986 and its implementation in 1987 by the European Community, leading to the formation of the European Union. From 1987 through 1992, the European Community, its members, domestic and international firms within and outside of Europe, and public interest groups cooperated to develop a series of regulations to accommodate free flow of goods, services, capitals, and people within the member states. During the six-year period, the SEA provided the framework for progress in unifying the internal market. Consequently, firms everywhere became increasingly aware of the anticipated heightened competition and protectionism. As a result, firms begun to reassess their own situations and implemented appropriate strategies for sustained competitiveness both within and outside of EU.

The second influential factor was the conclusion of the Uruguay Rounds of the General Agreement on Tariffs and Trade (GATT) in 1993, leading to the establishment of universal rules, lower tariffs (including the abolishment of the Multi-Fiber Agreement in 2005 and its replacement with Textiles and Clothing Act), settlement of disputes, and a significant growth in membership of the World Trade Organization (WTO), the successor to GATT. Since the completion of the Uruguay Round, membership in WTO has grown to 151 (in contrast, 117 and 102 nations participated in the Uruguay and the Tokyo Rounds, respectively).

The third development is the dramatic change in the global political environment over the past two decades. The fall of the Berlin Wall and subsequent political independence of Eastern and Central European countries, the 1991 White Revolution in Russia, and the promotion of a business-friendly atmosphere in such large economies as China and India paved the way for the intensification of cross-border business activities.

Perhaps a significant consequence of the move towards greater globalization is the wider recognition by firms, including purely domestic businesses, of the impact of globalization on the way they do business. An increasing number of firms are relying on imports as their sole source of supply. As evidenced by the growing merchandise trade deficit in the U.S. such firms as Limited Brands, The Gap, and Nike import virtually everything they sell. Concurrently, international outsourcing of both goods and services has become a mainstream phenomenon. Covisint, the purchasing arm created by the major auto manufacturing firms, for example, serves over 30,000 organizations in over 96 countries (Applegate & Collins, 2005).

Macro-indicators of globalization provide a good rationale for the rapid growth in international business activities. However, they tend to shield the complex nature of developing and maintaining numerous business relationships across national boundaries. Among others, language barriers and, in particular, cultural differences may prevent or complicate long-term relationships. As firms frequently contract for delivery at some future point, foreign exchange risks are also a constant source of concern for both suppliers and customers.

3. Supply chain integration, alliances, and relational exchanges

The shift in paradigm from transactional exchanges to more closely coordinated relational exchanges has been evolving over the last three decades; however, the development of relational exchange arrangements has accelerated since the 1990s. The emergence of the relationship marketing paradigm, the accelerated formations of alliances, and the subsequent transition of many channel relationships from a transaction-based mode to international strategic partnerships have substantially changed the way business is conducted.

The necessity to effectively develop, nurture and manage supply chain system has been repeatedly stressed in the literature (e.g., Buzzell & Ortmeyer, 1995; Sharland, 2001). International B2B alliances have become critical components for creating greater value to meet customer expectations worldwide and, subsequently, achieving a firm's intended growth and performance objectives (e.g., Skarmeas & Katsikeas, 2001). Accurate statistics regarding the nature, breadth, and depth of such partnerships do not exist, however, anecdotal evidence from business press clearly point to the significant growth of inter-firm partnerships, particularly with references to effective global marketing (see, for example, Hedaa & Ritter, 2005; Kelly & Port, 1992; The Economist, 1998; Varadarajan & Cunningham, 1995).

Although alliances and partnership have the advantage of sharing of risks and rewards, they also offer opportunities for joint learning. Toyota, for example, has developed strategic partnerships with its supply chain to provide assistance for greater supplier efficiency and to tap into the suppliers' expertise (Kotabe & Murray, 2004). Achieving greater efficiencies through such networks clearly need supply chain leadership and vision. To fully benefit from alliances, firms must concurrently develop two capabilities: value creation and value capture (Mizik & Jacobson, 2003). Likewise, Sony is dependent on supplies from over 75 Sony manufacturing plants as well as from numerous independent suppliers situated around the world. The company's "optimization sharing plan" requires channel members to share gains from supply chain innovation, particularly that arising from Sony's investment in new initiatives to enhance systems efficiency (Samiee & Walters, 2007). This has helped Sony achieve an efficient supply chain management system, within and across its units, which incorporates upstream suppliers and downstream distributors and retailers.

Concurrently, as firms have increasingly globalized, greater attention to their global supply chains is warranted. In particular, intermediary firms (e.g., retailers and wholesalers) are major

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