Many questions about global business are being debated in the boardrooms of U.S. corporations. For instance, how has global marketing evolved in the last 20 years? Are there any truly global brands? Are the forces of globalization increasing or decreasing? Perhaps the most telling perspective on any of these questions revolves around post-Sept. 11 attitudes. In a new era, how do companies organize their international marketing activities and how will this affect the global strategies of companies who are already in global markets— as far as security, distribution, promotion, and advertising strategies?

To get the latest thinking on these issues, we contacted global marketing expert John A. Quelch, senior associate dean and Lincoln Filene Professor of Business Administration at Harvard Business School. Quelch serves as the senior non-executive director of WPP Group plc, a marketing service company. He also is a non-executive director of easyJet plc and a founding non-executive director of Reebok International Ltd. Quite apropos to the times is his most recent book, *Business Strategies in Muslim Countries* (Prentice-Hall, 2001).

Conducting our interview with John Quelch was Sevgin Eroglu, professor of marketing at the Robinson College of Business, Georgia State University. Eroglu’s research and teaching interests are focused on international marketing and global retailing. She brings excellent academic credentials to the table with a BS from the Middle East Technical University and an MBA and PhD from Michigan State University. She also is a native of Turkey and as such is tuned into the issues at play in the Middle East, Muslim cultural dimensions, and alternative views of globalization from an international perspective.
ying Power?

Global business expert John Quelch looks at marketing in a post-Sept. 11 world.
MM: There is a great deal of speculation about the effects of globalization today on companies and the global economy. If you were to pick out the most important points of discussion, where would you begin?

The impact of Sept. 11 on globalization might be a good place to start. It will likely moderate the enthusiasm of multinational companies to proclaim their global virtues. I think it will result in further emphasis on what Douglas Daft, CEO of Coca-Cola Co., has called a “think local, act local” strategy. This is a very interesting statement from the CEO of what must be the most global brand in the world. What explains it? In any national market—for example, carbonated soft drinks in Germany or Brazil—there’s a market segment that’s willing to pay a price premium for the global brand over local alternatives. Coca-Cola has conquered this segment in almost every country in the world. There are some markets that are still dominated by Pepsi, but not very many. Now Coca-Cola is finding it increasingly difficult to penetrate further with its global brand. Therefore, there’s a need to localize Coca-Cola brand marketing to increase its appeal in each country market. In addition, over the last 10 years, Coca-Cola has been acquiring local soft drink brands, which now account for around 10% of company sales.

When you say they are going to think “local” beyond adaptation of the product, distribution, promotion, and so forth, what other corporate practices and processes will be influenced by this strategy?

More new product development will be locally driven. Obviously, Coca-Cola has hitherto used its country organizations to implement a global strategy. So the field has not had the charter for coming up with new products. But, increasingly, Coca-Cola will encourage new product and other marketing initiatives to bubble up around the world much as, for example, Nestlé has done. With the benefit of greater creativity at the local level, some of these new products may be robust enough to succeed at the regional or even global level.

Coming back to Sept. 11, some blame globalization, which they claim is actually Americanization that’s just called globalization to make it more palatable, with global brands representing a new form of cultural imperialism. However, the penetration of Coca-Cola consumption or McDonald’s restaurants in Muslim countries is among the lowest in the world. To somehow blame global brands for poverty in such countries is preposterous. And to suggest Islamic cultures, more than a thousand years old, are being threatened by a few global brands is insulting.

Another reason many global brands have traveled well is that they respond to latent needs common across cultures. Whether or not Coca-Cola quenches your thirst in Pakistan or in France, the fact is that the physiology of the human species is pretty consistent across national boundaries. To blame Coca-Cola for having come up with a product that successfully addresses needs that are common to humanity regardless of culture seems unfair.

But these brands are going to have to be a little bit more humble, respectful, and local in their approach in the future. Though they’re not the cause of Sept. 11, a certain percentage of people see globalization of these brands as symbolic of American success (I wouldn’t say American imperialism, but American success) and dominance as the world’s only superpower. Localization strategies can signal greater humility and still be commercially profitable.

How will companies reflect this humility in their marketing strategies?

Advertising is an obvious area where adaptation is essential. For instance, you can’t show a model in a Saudi Arabian advertisement in the way we would show that person in the West. Cosmetics advertising is therefore very different in Saudi Arabia. But the per capita consumption of cosmetics in Saudi Arabia is among the highest in the world. And the fact that religious strictures require women to wear the hijab outside of the home in public places doesn’t detract from their natural interest as women in beauty and in cosmetics.
Companies must also attend to whom they assign as managers in Muslim countries. I have asked several CEOs of U.S. multinationals, “How many of your top-50 managers worldwide are Muslims?” After all, one-fifth of the world’s population is Muslim and, given the birthrate in Muslim countries, this will rise to one quarter within about 20 years. The answer, of course, is, “Very, very few.” We must identify and develop indigenous managers who are able to operate on behalf of American and global corporations within the Islamic world.

Leaving aside Sept. 11, are the forces favoring globalization of consumer brands increasing or decreasing?

First, let’s take a step back and focus on what is a global brand. If you consider well-known global brands according to the percentage of their revenues from outside their domestic markets, then there are actually very few global brands. So Coca-Cola would have perhaps 80% of its sales outside the United States; Philip Morris’ Marlboro brand about 67%; Pepsi, maybe 42%; Kellogg, 50%; Pampers, 65%; Nescafe, about 50%; Gillette, around 62%. Beyond the top-10 brands, you start slipping very quickly below 50%. From our occasionally myopic perspective, we often think of certain American brands as global in scope when in fact they are not. For example, Campbell’s soup only has around about 6% of its sales outside of the United States. There’s an opportunity for Campbell’s to increase the percentage of its sales from outside the United States and to achieve greater geographical diversity.

At the same time, I believe there’s a finite ceiling on the size of the segment in any product-country-market that’s willing to buy global brands as opposed to local or regional brands. Of course this segment size varies from one country to another, from one product category to another. In some countries, Coca-Cola has hit a ceiling in the percentage of the market that they’re going to persuade to pay a price premium for the global brand. The only way forward then is to increase the per capita consumption of existing brand users rather than to convert the remaining consumers into preferring the global brand.

Should the United States move away from globalization simply for security’s sake? Will this post-Sept. 11 thinking influence the strategies of global companies?

Yes, there will be an impact on human resources management. Expatriate American executives and their families aren’t going to be as eager to take on international assignments, especially in countries viewed as security risks. As I mentioned previously, this will require more development, training, and recruiting of indigenous Muslim executives, which in the long run should be beneficial to all.

I don’t believe the forces of globalization can be reversed. We have more than $1 trillion in financial assets moving across national boundaries every day. There have been significant productivity gains through the global rationalization of supply chains in many product markets. As a result of all the merger and acquisition activity of the ’90s, we have cross-border investment levels that are unprecedented. These interdependencies aren’t going to be reversed. In addition, more executives have been trained to believe, and I think rightly so, that international experience is critical to their long-term career success. We have more international MBA applicants than ever before. These and other forces increase the frequency of international travel, cross-border migration, and lower communication costs across national boundaries. The advent of the Euro is one of the most significant currency changeovers in world history. (Actually, when Europe was run by the Romans, there was a single currency.)

Whether or not Sept. 11 means globalization will continue at the same pace as previously is debatable. I think it will. In some respects, Sept. 11 is motivating greater cross-border cooperation among national governments on security matters, and this cooperation will reinforce interaction in other areas.

Does globalization represent cultural imperialism?

The globalization as cultural imperialism argument is an insult to the cultures those arguing this point are seeking to defend. Can Islamic cultures, more than a thousand years old, be threatened by a hamburger and a Coke? I remember meeting with Carlos Salinas, the former president of Mexico, prior to the North American Free Trade Agreement and someone in our group asked him, “How are you going to defend your culture if you integrate economically with the United States?” His reply was that the Aztec culture was here a long, long time before anyone ever thought of the United States, and that he was sure Mexicans would be perfectly capable of sustaining their cultural distinctiveness. The globalization as cultural imperialism argument, which you don’t hear being made by too many Muslims, is actually a patronizing argument. It diminishes the strength and longevity of Islamic culture.

The main problem in the Muslim world is its economic performance. Over the last 10 to 20 years, Muslim countries have hardly participated in the benefits of globalization accruing to people in many other emerging markets. The real per capita GDP in most Muslim countries has declined over the last 20 years. Why? These countries have birthrates that exceed their GDP growth rates and, as a result, their per capita GDP drops. There is a population explosion in these countries that’s producing a vast number of unemployed young men who have no opportunities commensurate with their education.

This is not the fault of the United States. The United States does not determine birthrates in Pakistan or Saudi Arabia. The United States does not determine that the governments of many Muslim countries refuse to open their borders to foreign competition or foreign investment, to engage in deregulation or priva-
tization of their industries, and to advance the ability of their economies to compete effectively with the Western world. These, to my mind, are the root causes of the economic dissatisfaction. And, again, the notion that a hamburger and a Coke are causing these self-inflicted problems is preposterous.

Would you comment on the appointment of Charlotte Beers, former chairman of J Walter Thompson and the former CEO of Ogilvy and Mather, to the position of assistant Secretary of State for public diplomacy with the mandate of “branding America” (and communicating an American point of view internationally to counter the al Jazeera satellite news channel and other anti-American commentaries on Islamic media)?

This is a creative appointment, and the U.S. media have been giving her an unfair reception as the person who successfully branded Uncle Ben’s rice. The communication principles involved are, of course, quite similar. First, identify the perception or image gap in different countries of the world vis a vis the United States, see what U.S. strengths and weaknesses are perceived to be. Next, identify the target markets that we want to communicate with, the messages we want to send to these groups, and the media to effectively communicate the messages to the target markets.

By the way, many other countries regularly track their international images as a matter of course. In the United States, many state governments are involved in marketing and brand building to compete for foreign and domestic direct investment, tourism, and the like. The U.S. government is really exceptional in not having been actively engaged in brand building. Why is that? Well, the U.S. brand is very well-recognized. Top-of-mind unaided awareness around the world of the brand and the flag is close to 100%. So little effort has gone into shaping perceptions of brand USA. Now, we discover that many people hate us and don’t understand our core values. They accuse us of cultural imperialism, of throwing our weight around militarily in an unconstructive way rather than engaging in dialogue. Many of these criticisms may be unfair, but in marketing, we all concede that perception is reality, so I think it’s good that Charlotte Beers is doing this job.

Regarding improved communications with the Muslim world, there are three points. First, the Muslim world is not homogeneous; there is as much diversity within Islam as there is within Christianity. At the state level, there are benign expressions of Islam, in Indonesia for instance, vs. much stricter interpretations of Islam, as in Saudi Arabia.

Second, our tendency, and I think this is a weakness, is to want to tell the world how great and good we are rather than listen to what others have to offer us. And I hope therefore that any brand-building effort by the U.S. State Department will aim to encourage a balanced two-way exchange between the Islamic world and the West. I also hope we take the attitude that the Islamic world may have things to teach us as much as we have things to teach them. Without a balanced perspective, we will risk being accused once again of being arrogant.

Third, we need to tailor our messages to particular target groups. There are messages we need to send to opinion leaders in the Muslim world, but there are also messages that we need to send to the youth of the Muslim world. And the youth is especially important because of the exploding birth rate. If we fast forward to 2030, almost 50% of the world’s population under age 18 will be Muslims. People just have not caught onto the magnitude of this challenge. We’d better have plans for good information, education, communication, humanitarian aid, and overseas development strategies directed at this particular group.

Major U.S. consumer goods companies have roles to play in this effort. For example, Nike, Coca-Cola, McDonald’s, or Gillette could help the Islamic world fund such things as the kind of high school student and teacher exchanges or exchanges of sports teams and journalists that we take for granted between the United States and Europe, and nowadays increasingly with
China. Only 2% of total U.S. tourist dollars spent overseas is spent in Islamic countries that represent 20% of the world’s population. A cute advertising or brand-building campaign is inadequate to meet the challenge. What’s required here is a total cultural exchange strategy that will last decades and focus on building understanding, one citizen at a time.

What inspired you to put together your recently published book, Business Strategies in Muslim Countries?

Six years ago, I was teaching the international marketing course at Harvard Business School. At that time, we had no case studies addressing marketing issues in Muslim countries. I came across data regarding the Muslim percentage of the world’s population and Muslim population growth projections. It seemed this would be a very important emerging market. I believed we had to go out and develop case studies and establish links with companies and executives in these countries.

Another reason many global brands have traveled well is that they respond to latent needs common across cultures. Whether or not Coca-Cola quenches your thirst in Pakistan or in France, the fact is that the physiology of the human species is pretty consistent across national boundaries.

One important insight that emerged from the case studies in this book is the large number of outstanding executives running businesses, often against all odds, in many Muslim countries. I’m not talking about the people who are working for western multinationals, I’m talking about local business people. Two of these companies stand out. One is Milkpak in Pakistan, a joint venture between Nestlé and a local company called Packages, the Tetrapak licensee in Pakistan. A man named Babar Ali, who is also currently the chairman of the World Wild Life Fund, runs it. Here is a superb Pakistani business person who has not only built from scratch this amazing business that ends up in joint ventures with Tetrapak and Nestlé, but who also founded and supported the best business school in Pakistan, LUMS (Lahore University of Management Sciences).

A second example is Said Darwazah, who is the founder of a Jordanian pharmaceutical company named Hikma Pharmaceuticals, a company that not only operates in Jordan, but also has a manufacturing plant in Portugal and a significant drug distribution company in New Jersey.

The prejudice exists that managerial competency and leadership talents are weak in these countries. This is totally untrue. A second myth is that global best practices in business all emanate from the United States and could not possibly be developed in these countries. Again, that’s not true. One interesting example concerns Saudi Arabia. The best new technologies in the photo lab business (where you take your film to be developed on a “while you wait” basis) are developed for Saudi Arabia. And why is that? Strict Muslims are not tolerant of strangers seeing images of their spouses or female family members. Therefore, when they need to have film processed, they prefer to be present while this is being done so they can ensure those developing the film don’t try to view the photographs they are developing. Obviously, they want to wait in the photo lab for the shortest time possible and as a result advanced technology for rapid photo lab processing as it’s developed by Canon, Fuji, and Kodak is tested initially in the Saudi Arabian market. It comes into the United States several years later.

You simply can’t appreciate these insights without going to these countries, digging around, and learning how the culture and the religion bear on what’s possible or what’s necessary in terms of marketing.

Another case we developed examined the Arçelik white goods division of Koç, a Turkish company. With a dominant share of the domestic market, Arçelik wanted to expand outside of Turkey. What could a Turkish company possibly bring to Western Europe? In the United Kingdom, Arçelik identified an unserved niche for small refrigerators that would fit under the kitchen counter. Under the brand name of Beko, they now have almost 20% of the under-the-counter refrigerator market in the United Kingdom just because they identified and pursued this focused, niche market. This is yet another example of a company from an unexpected emerging economy breaking into a developed market.

Are there things you would change if you could rewrite this book today? Would you add or subtract or would you alter the contents of it in any way?

No. The book presents a balanced set of cases, some of which deal with western multinationals confronted with the challenges of marketing in Muslim countries, others which focus on indigenous Muslim-led businesses that showcase best-practice marketing in Muslim countries. In today’s climate, the book represents a very strong advertisement for (1) doing business and continuing to engage in the Muslim world despite Sept. 11, and (2) the talents of managers operating in very difficult environments. Hopefully, this will motivate leaders of United States and other western multinationals to seek out, recruit, develop, and retain Muslim managers to help them do a better job of taking their services and goods into Muslim countries in ways that are helpful to the local populations and are culturally sensitive.

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