Managerial Economics and Global Competition

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Abstract

Global managerial economics tends to emerge in conditions of strong, continuous competitive tension, in contexts that are open and subject to political, social and technological instability.

Globalisation and new competition boundaries oblige companies to adopt a new ‘market-oriented competitive management philosophy’ (market-driven management), in which customer value management predominates.

Global managerial economics thus interfaces with numerous competition spaces, all with different levels of competitive intensity, and market-driven corporate management thus refers to specific competitive conditions, which may typically be summed up as: conditions of scarcity of supply (D>S), with business economics focused on price competition; conditions of controlled competition (D~S), where management economics embodies widespread internationalisation and non-price competition policies; conditions of over-supply (D<S), where management economics underlines the central role of corporate and product intangible assets.

Keywords: Managerial Economics; Market-Driven Management; Scarcity Economies; Controlled Competition; Over-Supply; Price Competition; Non-Price Competition; Intangible Assets; International Markets; Global Markets

1. Global Markets and Competitive Landscape

Globalisation draws new competition boundaries that modify traditional competitive time and space relationships; they specifically highlight time as a competitive factor (time-based competition) on one hand, and the end of closed dominions coinciding with particular physical or administrative contexts (a country, a region or a geographical area, etc.) on the other.

Global markets therefore sweep away the static, limited concept of competition space, while they stimulate specific geographical contexts to develop peculiar partial competitive advantages (regarding manufacturing, marketing, R&D, etc.), to

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be coordinated in a vaster system of corporate operations and profitability (market-space management).

Globalisation therefore provides businesses with a variety of spaces/items for comparison and to this end presupposes an information system that is consistent with vast, differentiated and very short-term decision-making horizons. As a result, it must be based on digitalised communications and information, with open knowledge exchange processes (replacing traditional one-way patterns, from a source to a passive receiver)\(^2\).

In recent decades, numerous large corporations have been induced to develop plans to expand their activities from a global management perspective, reorganising their distinctive competitive skills and developing vaster boundaries of economies of scale (market-space competition).

Corporate development based on an ‘extended’ competition space (market-space management) tends to generate mega-organisations, with global networks that operate at numerous competitive levels (enhancing and exploiting their ‘corporate intangible assets’, i.e. corporate culture, information system and brand equity). They have access to market information that is so extensive and detailed that they vie with the government for leadership in establishing guidelines for local development\(^3\).

Global managerial economics therefore tends to emerge in conditions of strong, continuous competitive tension, in contexts that are open (where socio-economic growth is increasingly influenced by the company’s activities, while local public powers are less able to intervene in management policies) and subject to political, social and technological instability\(^4\). No company can therefore rely solely on its own resources, knowledge and skills as it did in the past, because corporate development is the result of a combination of different ‘vectors’ (stockholders, management, employees, intermediate and end customers, suppliers, competitors).

The basic characteristics of global managerial economics are significantly influenced by certain phenomena of the ‘new economy’, including:

- the globalisation of supply and demand. Since the late Nineties, the internationalisation of the world economy has been consolidated, and for a growing number of sectors, their geographical target market is no longer the Nation or the continent, but industrialised countries in general. This evolution creates planet-wide competitive relationships (particularly crucial in Europe because of the size of the domestic markets) which make traditional multi-national (or multi-domestic) organisations obsolete, replacing them with forms of transnational organisation. What is more, economic interdependence increases and domestic markets can no longer be considered separately, but must be seen as part of a single target market. In other words, whatever happens in one market affects the others\(^5\);

- the globalisation of retailing. The power of the retail brands has strengthened and expanded on mass consumer markets, both in Europe and in the United States. From active intermediaries they now compete with manufacturers, with their own brand strategies that have developed in step with the global growth of the largest industrial brands. This evolution transforms the bases for recognition of the large consumer brands and naturally modifies the balance of power between industry and retail. Today, the first thing that
powerful brands like Coca-Cola or Nestlé need is a large global retail network, and this needs large global brands in order to continue to develop;
- global, interconnected communication. New instruments of communication register phenomena of radical change, particularly due to the pervasive nature of the Internet and the technological convergence of telecommunications, audiovisual aids and IT. Communication thus becomes global and interconnected, with the result that different players with different roles (suppliers, sellers, purchasers, distributors, consumers, shareholders, etc.) are no longer separate, autonomous institutions or entities, but organisations that can work together, express themselves, understand each other and listen to each other. This favours knowledge, dialogue and individual one-to-one relations. In fact, interconnected, global electronic communications processes radically modify relations with the market, because the following distinctive characteristics emerge: communications with two-way flows and active exposed parties, selective communications with personal messages and immediate feedback/feed-forward, and communication on demand. In particular, it highlights the crucial importance of electronic commerce, where digital communications emphasizes the strategic skills of knowledge communications, and particularly retail and logistic expertise. As we all know, electronic commerce sells what can be distributed rather than what can be produced;
- the new consumer. The spread of economic well-being and the globalisation of consumption models tend to make consumers more expert and professional in their purchasing behaviour. Once ignorant and easily manipulated, today’s purchasers are an organised force, with very structured knowledge and experience, who can modify the very nature of relations with the company. Well-informed and expert, consumers are increasingly aware, up-to-date and able to choose between brands, and above all they do not hesitate to contact the offering firms directly, as requests for consumer services underline. Having satisfied his primary needs, the consumer looks for greater benefits, demands products suitable for specific needs, examines new use functions (exploiting time, enjoying change, etc.) and makes opportunistic choices: mass luxury products one day, low cost products the next, depending on the consumption situation. The globalisation of the economy and of trade does not therefore standardise consumption in different countries, but highlights the existence of consumers with identical needs, who respond to common corporate policies (brand, price, advertising, etc.);
- the new role of the Nation-State. The globalisation of the economy, trade and communications highlights the problem of the role of modern Nations, because the authority of the Nation-States has been weakened at a transnational level to the point that the states have lost certain prerogatives. However, supranational institutions exist to maintain the important macroeconomic balances, guaranteeing suitable competitive rules. They include the European Commission (for example, in the area of privacy protection), the Commission for Competition (for example, in the case between Boeing and Airbus), or the OECD (for example, regarding the fight against corruption), and issue binding directives for member states. The
World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO) also play an effective role;

- the new values of corporate responsibility and corporate social responsibility. In more industrialised economies that are more exposed to globalisation, there is growing awareness on the part of business of its corporate responsibilities. This awareness is based on certain fundamental principles: corporate development presupposes a healthy, prosperous environment; the welfare state and tax pressure that they imply have clearly revealed their limits, raising the cost of manpower and weakening global competitiveness; whether it is small, medium, large or state-owned, while it pursues an effective and efficient core activity, an organisation must also protect its social and natural environment, with sustainable economic growth (corporate responsibility) that is consistent with the development of the community in which it operates (corporate social responsibility)\(^8\).

Global markets redefine corporate competition space, beyond physical and administrative boundaries, and specifically underline the importance of certain distinctive factors that characterise global managerial economics; these can be put down to:

- a corporate organisation that is structured to compete on global markets. Globalisation modifies the role of strategic alliances by imposing the logic of the collaborative network between groups of companies, and promoting numerous forms of competitive cooperation. In extremely competitive environments, competitive relationships tend increasing to intertwine with ‘closed’ collaboration and cooperation relationships, which aim – at least in part – to control competitive dynamics in the long term and from a global market perspective\(^9\). To this end, companies may forge competitive strategic alliances with a wide range of solutions, in which there may be joint participation in the controlling capital stock (Equity Alliances), or forms of long-term collaboration, with no joint participation in the capital stock (Non-Equity Alliances);

- corporate activities developed in hybrid sectors. The emergence of new technologies and technological convergence crosses the elementary demarcation boundaries of the traditional sectors of corporate activity. One obvious example of this is the growing overlap between the telephone, television and cable communications sectors. Even in very traditional sectors, new activities are generating hybrid sectors; for example in the automotive industry, which incorporates a growing number of emerging industries (computers, robots, laser, etc.), or the medical products and manipulated food products industries (which are gradually being ‘invaded’ by genetics and chemistry);

- distinctive competitive factors managed with policies of continuous and planned instability. The competitive advantage acquired by a given company, in a given time and competition space, is not maintained as a distinctive connotation in the long term, because the company itself will ‘break’ the balance between competitors, developing innovation with continuous advances in its products and by constantly creating and abandoning demand ‘vacuums’ (market-bubble management)\(^10\).
2. Global Markets and Market-Driven Management

Globalisation and new competition boundaries oblige companies to adopt a new ‘market-oriented competitive management philosophy’ (market-driven management), in which customer value management predominates, i.e. sales to instable aggregates of clientele (demand bubble) by direct and continuous benchmarking with competitors. In fact, the market-driven management of companies operating with a global economic viewpoint is defined by:

- activities organised around the markets (i.e. referring directly to competitors first and then to demand), rather than focusing on the ‘customer satisfaction’ of segments of demand (with a role subordinated to the competition dimension);
- market policies based on continuous innovation to meet changing and instable demand;
- and finally, new metrics to evaluate the factors (above all the intangibles) that determine the corporate performance. This is clear from the ‘global model’ of management adopted, for example, by Coca-Cola, GE and Toyota.

□ The Coca-Cola Company strategy is simple: to accomplish corporate goals by building a portfolio of branded beverages, anchored in the icon Coca-Cola®, and by enabling superior market execution globally and locally -- aligning and leveraging the power of the company global network. To achieve sustainable growth, The Coca-Cola Company established a vision with clear goals. Profit: Maximizing return to shareowners while being mindful of our overall responsibilities. People: Being a great place to work where people are inspired to be the best they can be. Portfolio: Bringing to the world a portfolio of beverage brands that anticipate and satisfy peoples’ desires and needs. Partners: Nurturing a winning network of partners and building mutual loyalty. Planet: Being a responsible global citizen that makes a difference. Company Operations: what started out as a company dedicated to a single beverage 120 years ago in the United States is now a global company operating in more than 200 countries with nearly 2,400 beverage products. The global business is organised into six geographic Operating Groups 1. Africa Group; 2. East, South Asia and the Pacific Rim Group; 3. European Union Group; 4. Latin America Group; 5. North Asia, Eurasia and Middle East Group; 6. North America Group (Largest bottling partners: Coca-Cola Enterprises; Coca-Cola FEMSA; Coca-Cola Hellenic Bottling Company; SABMiller; Coca-Cola Amatil; Coca-Cola West Japan). The Coca-Cola Company and bottling partners, together called the Coca-Cola system (this network owns, leases or operates more than 800 plants around the world), strive to continuously expand the beverage offerings to meet consumers’ evolving needs and tastes. The Coca-Cola System: what many people don’t know is that The Coca-Cola Company and bottling partners (more than 300 bottling partners) are not one and the same from a legal or managerial perspective.
perspective. The Company's business is focused on creating and marketing brands and trademarks, while Coca-Cola bottling companies produce and package the finished beverage products and then sell and distribute them to retail and wholesale customers.

GE's first imperative of size is to sustain a strong portfolio of leadership businesses. The second is to drive common initiatives across the portfolio to expand performance. GE uses company size to accelerate growth and innovation against the major elements: technology (Products, services and content represent GE’s value added and are the key for company growth); customer value (Linking process excellence to customer value. It starts by creating formal ways to listen to customer input. Next, GE improves customer facing processes using a process for reducing cycle time. Lastly, a simple metric called ‘Net Promoter Score’ to measure how customer view GE. NPS creates a view of customer loyalty; GE ultimate goal is to use NPS improvement with NPS as a measure in how leaders get compensated); commercial excellence (Many customers want a more complete relationship of products, services and financing. GE has made it a priority to be more flexible to meet their needs); globalisation (Globalisation is one of GE’s key strengths as a Company. GE moves quickly to recognise global opportunities. Globalisation is an area where size creates an immense advantage. One important value of size is the ability to scale ideas quickly); and innovation (Size is a great platform for innovation. The process for innovation is called Imagination Breakthroughs, or IBs. About half of the new IBs are commercial innovations. These are investments in new market approaches to accelerate growth).

Toyota Motor Corporation is one of the world’s leading auto manufacturers. Global sales of its Toyota and Lexus brands, combined with those of Daihatsu and Hino totalled 2 million units in 2004. Besides its own 12 plants and a number of manufacturing subsidiaries in 27 countries and regions (North America 10; Latin America & Caribbean 5; Europe 8; Africa 2, Asia (excluding Japan) 25; Oceania 1; Middle East & Southwest Asia 1), Toyota employs approximately 285,000 people worldwide and markets vehicles in more than 170 countries. TMC now conducts body and major components design and evaluation at R&D facilities in five market regions (North-America, Europe, Australia, Asia and Japan). Toyota believes in helping people improve quality of life in their communities. To better meet the needs of the world’s fastest-growing markets, Gaungzhou Toyota Motor Co. Ltd. has begun production of the ever-popular Camry sedan in China.

Market-driven management becomes crucial in the development of companies competing on the open markets, where the competitive orientation starts from the bottom up, to ‘force’ the meeting of supply and demand, generating transactions and communication flows simultaneously (push/pull communication).
driven management configures a market policy specifically able to effectively combat the local protectionist measures put in place by individual countries. As a result, the huge French and German retail chains often clash with the standards of Nation-States to protect against Chinese imports. However, protectionist defensive measures are actually weak – like those adopted in Europe in the 1960s (unsuccessfully, as we know) to hold off the invasion of Japanese motorcycles – because they are based on matrices of ‘elementary competition’ (based on the simple defence of existing domestic products, with no reference to the differentials in the capacity to compete or the ability to meet demand).

Market-based organisations are communication-oriented and permeable to information, and they also presuppose that all corporate functions (production, sales, programming and control, marketing and finance) are aware of the conduct of competitors, anticipate the expectations of demand, and decide to propose solutions that go beyond the tasks of individual functions and the physical space of natural competition.

Market-driven management therefore favours an ‘outside-in’ view, structured around: the identification of products whose value is higher than that of competitors to provoke the intersection with demand, the creation of the maximum temporary value, planning and offering goods to specific demand ‘bubbles’, and the ‘time-based’ acquisition of useful market knowledge.

Market-driven management therefore has: a cultural dimension, with behavioural standards and values (corporate responsibility) that are consistent with the complexity and transparency of the global markets; an analytical dimension based on continuous monitoring of the competitive system according to modern business economics in conditions of instability, and sustained by push-pull corporate communication flows; and finally, a dimension of action, where time is the vital factor (time-based competition), in a logic of corporate management oriented to the changeability of relations between demand and supply.

Global managerial economics thus interfaces with numerous competition spaces, all with different levels of competitive intensity, and market-driven corporate management thus refers to a complex system of environments with specific competitive conditions, which may typically be summed up as:

- conditions of scarcity of supply \((D>S)\), dominated by forms of market monopoly, with business economics focused on price competition and on local markets;
- conditions of demand and supply in dynamic balance \((D=S)\), or markets with static oligopoly and controlled competition, where management economics embodies widespread internationalisation and non-price competition policies (typically focused on advertising and sales promotion);
- conditions of over-supply \((D<S)\), or markets with a dynamic oligopoly, where management economics underlines the central role of intangible assets (both corporate and product intangible assets), the globalisation of the markets and the crucial role of continuous innovation for intermediate and final demand.
3. Global Managerial Economics in Scarcity Economies: Price Competition and Local Markets

On markets where there is a scarcity of supply (D>S) overall demand tends not to be met, because the manufacturing potential is maintained below total demand. The monopoly, of selling companies makes it possible to control the volumes requested by fixing both the selling price and the quantity produced and sold (price competition). In this context the physical characteristics of the products predominate and the consumer assesses and appreciates the intrinsic qualities of the goods. The clientele’s needs are elementary, well known and absolutely stable; technological innovation is rare and in any case it is introduced on the markets with distribution times and methods that are independent of competitive tension. One typical example of global managerial economics in a scarcity economy is that of the large corporations of the world’s oil industry, particularly oil companies’ sales policies regarding gasoline.

The network of petrol filling stations in Italy reveals a small number of retailers, with large shares in the hands of the leading companies; in other words the typical structure of a static local oligopoly, part of a vaster global organisation to control supply, as we can see from the following market shares: Agip 30% (4720 stations), Esso 18%, Q8 10%, IP 8% (2929 pumps in September 2004), Tamoil 8%, Erg 7%, Api 8%.

The policy of maintaining supply scarce and the lack of alternative products underline the indirect competition, whereby only recourse to different classes of product can make it possible to (partially) meet a specific need. In this sense, if we continue with the example above, cars could find alternative products, such as engines running on petrol, alcohol or electricity, etc.. The limited competitive interdependence of scarcity markets is also corroborated by the direct control exerted on the distribution channels by producing companies. They play a passive role in negotiations between producers and retailers, configuring local selling markets, although these are planned with a global logic of production, logistics and marketing (as contemplated by global managerial economics).

In conditions of scarcity of supply, the proximity between distribution, purchase and consumption allows selling companies to offer the market a small number of alternatives, all of which the clientele can evaluate in relation to the ‘intrinsic value’ of specific tangible factors (i.e. on the basis of tangible characteristics, whose consistency can be ascertained directly by the clientele). The public shows a strong propensity to purchase and is configured as an indistinct group of individuals, with homogeneous consumption habits, who express their requirements stably.

In so-called scarcity economies, where supply is simple and the competition intensity is minimal, marketing research, in the correct use of the term, does not exist by definition, because of the state of monopoly, or almost-monopoly that characterises corporate activities. However, market research plays a key role in controlling the competitive dynamics (to prevent the entrance of direct competitors...
and/or to curb their development), supplementing the ‘internal information’ that can be inferred from the accounting system and from non-accounting analysis. Market research thus aims, on one hand, to control the direct factors of production (raw materials, labour, capital) that determine the effectiveness and efficiency of the manufacturing processes (and therefore the direct cost of production, i.e. the crucial determinant of price competition). On the other hand, it aims to understand the fundamental characteristics of primary demand and, in particular, demographic and social trends (births and deaths, immigration and migration, the composition and age of households, etc.), income capacity and the potential to absorb production in particular. The purpose of market research is therefore to acquire information that makes it possible to preserve the basic conditions of scarcity economics, guaranteeing the maintenance of ‘optimal temporary’ manufacturing conditions, while at the same time defining quantities and aggregate demand and consumption trends, to establish the selling price and the necessary quantity.

4. Global Managerial Economics in Conditions of Controlled Competition: Non-Price Competition and InterNational Markets

Global managerial economics, in conditions of controlled competition, when demand and supply are in dynamic balance (D~S), highlights the ‘sale’ as a crucial function of corporate activities (marketing oriented), making it profoundly different from scarcity economies, where corporate decisions are guided by ‘production’ (production-oriented). What is more, the production-distribution-consumption processes exceed the context of local distribution-consumption relations and acquire international operating boundaries (Mediterranean basin, US area, northern hemisphere, etc.). In particular, trade is not controlled by producers, but imposes itself with an active and autonomous role, affirming its capacity to negotiate with production companies and its ability to guide the decisions of end consumers.

The competitive conditions of dynamic balance between demand and supply are often found in more advanced European countries (above all where public intervention in the economy is consistent and oriented to maintaining static oligopolistic market forms). This is particularly so when conduct aims to conserve the state of competition, by defending substantially closed distribution-consumption cycles, which have close control on the times and ways of disseminating innovation.

In conditions of demand and supply in instable balance, corporate economics is not oriented to the management of proximity markets (i.e. control of the interaction between local and easily circumscribable supply and demand, typical of scarcity economies), focusing rather on the international expansion of ‘markets in controlled competition’, managed with company policies of non-price competition.

This corporate growth policy is characterised on one hand by geographically diversified competition spaces, and by supply in which physical characteristics and intangible product factors coexist. On the other hand, it reveals specific corporate structures, which first and foremost impose the specialisation of governance functions (above all for the responsibilities of the broad financial interests involved) and of management activities, with the presence of highly qualified
managers in the same corporate function (marketing, control, logistics, finance, etc.). Companies increase their operating presence on foreign markets, but parent companies tend to remain located in their countries of origin (limiting themselves to competing in exports and imposing the management model, products and corporate culture consolidated in the domestic market abroad). Typical examples of global managerial economics in conditions of demand and supply in instable balance can be found in the ‘external’ market policies (i.e. implemented outside their markets of origin) of several industries: cars (where the ‘young’ South Korean industry is particularly significant); chemical home cleaning products (where the controlled competition of P&G, Colgate Palmolive and Henkel is a case in point); mass luxury products (i.e. high range assets and very selective retailing, that are manufactured and sold in vast quantities); smoking products (with the global leadership of large corporations like Philip Morris and British American Tobacco).

Following the Korean War, foreign aid became the most important source of funds for the reconstruction and rehabilitation of the economy. What was left of the Japanese built industrial plant (most of which by the 1950s either was obsolete or had been destroyed by warfare), generally was turned over to private owners, who were chosen more often for their political loyalty than for their economic acumen...It was during this period that a group of entrepreneurs began companies that later became the chaebol, or business conglomerates. The chaebol were groups of specialised companies with interrelated management. These groupings of affiliated companies dominated South Korea's economy in the late 1980s and often included businesses involved in heavy and consumer industries and electric and electronic goods, as well as trading companies and real estate and insurance concerns. The chaebol were responsible for the successful expansion of South Korea's export capacity. The tremendous growth that the chaebol experienced, beginning in the early 1960s, was closely tied to the expansion of South Korean exports. Growth resulted from the production of a diversity of goods rather than just one or two products. Innovation and the willingness to develop new product lines were critical. In the 1950s and early 1960s, chaebol concentrated on wigs and textiles; by the mid-1970s and 1980s, heavy, defence, and chemical industries had become predominant. While these activities were important in the early 1990s, real growth was occurring in the electronics and high-technology industries. Another reason for the success of the chaebol was their access to foreign technology. Rather than having to develop new areas through research and technology, South Korean firms could purchase foreign patents and technology and produce the same goods made elsewhere at lower costs. Hyundai cars, for example, used an engine developed by the Mitsubishi Corporation of Japan.

Hyundai Motor was established in 1967 by the Hyundai group. However, for a long period it was just producing cars based on the design supplied by Ford UK. The first self-developed model was the '74...
Pony, but under the guidance of Mitsubishi. Engines also came from the Japanese design, while the styling was penned by Italdesign. The car earned Hyundai the name as the biggest Korean car maker which is still unchallenged today. The second generation Pony of 1982 marked another milestone: the first large scale export. Like the Japanese, Korean's industry was (and still is) very export-oriented. The first self-designed engine appeared in 1991, which signalled the "real" autonomy of R&D. Sales continued to grow in the whole 90s as model range expanded and quality improved. In 1998, Asian financial crisis hit South Korea hard, but Hyundai took this opportunity to acquire the bankrupted Kia, further strengthening itself. Hyundai formed strategic alliance with DaimlerChrysler and Mitsubishi in 2000 to share development cost of small cars and 4-cylinder engines. But the alliance crumpled after DaimlerChrysler pulled out in 2004.

- Kia started producing cars in 1974 under Peugeot and Fiat’s licenses. In 1986, it partnered with Ford, produced the Festiva (Pride) for Ford. The 1992 Sephia and next year’s Sportage SUV reflected the independence of the company which started exporting cars under its own name. It became the third largest Korean car maker but over-expansion was hit by the Asian economy crisis in 1998. Kia bankrupted and was acquired by Hyundai in the same year.

- Daewoo (Equity: General Motors 42%; Suzuki 14.9%. Production 2004: 900,000 units; 2003: 580,000 units). The Asian economic crisis in 1998 hit Daewoo hard. Burdened by heavy debt, Daewoo was finally sold to GM in 2002. The Korean no. 2 car maker has some modern new factories and R&D facilities, but its brand image was too weak. Therefore GM decided to operate Daewoo as an OEM (Original Equipment Manufacturer), supplying cars to Chevrolet, Holden and Suzuki in the latters' badges for export. The Daewoo brand is bounded in Korea market. The Daewoo story began with General Motors. In 1972, GM established a joint venture with Korean car maker Shinjin Motor Co., the company named GM Korea and is obviously GM’s weapon to dominate the South Korean market. Although 50% stakes were sold to local industrial giant Daewoo Group in 1978, GM still controlled the development of cars. In fact, Daewoo did not really involve much the new car development because GM could always find some outdated cars from its Opel etc. operation to transfer to Daewoo. The Pontiac Lemans of the late 80’s was one of the examples. In the light of supplying the US market to fight against the Japanese small cars, Daewoo started to produce this rebadged version of Opel Kadet on behalf of GM. However, the project gave the Korean car maker the first taste of large volume export which became the sales policy today. It also gave Daewoo a modernised plant with 170,000 annual capacity.

GM quit in 1992 as it sold the remaining stakes to Daewoo group. As the US influence evacuated, Daewoo started to develop its own cars. That
called for setting up R&D centres in Europe and subcontracting many development projects to overseas consultants. With the help from the Western experts, the small car Lanos was born in 1995. Daewoo invested into Poland’s FSO, forming a joint venture which eventually produces the Matiz mini car. In 1998, SUV maker Ssangyong bankrupted and was received by Daewoo. Daewoo group used to have variety of business in different fields. In 1999, the group got into financial crisis due to the over-expansion during the previous few years, thus resulted in selling nearly all business but the car division. The latter also faced the same fate next year. Ssangyong spun off from the troubled Daewoo in year 2000. In 2002, GM bought the majority assets of Daewoo and renamed it to GM Daewoo. Because the Daewoo brand had very poor image, its cars are rebadged as Chevrolet for the American and European market, and sold as Holden in Australia.

□ Samsung dominates life in its home country like no other company in the world… With 62 affiliates, the Samsung group dominates life in Korea like no other company in history. Samsung Electronics has become Asia’s largest technology company by market cap (larger than Sony), and its largest maker of memory chips and flat panel screens and mobile phones… The company is a global play on its three key markets (South Korea, Japan and China) and the expected payoff from its extraordinary commitment to R&D. The South Koreans are discontented because the five largest companies are growing outside the country more than in it and at a stage of development where it should be more competitive manufacturing onshore. The challenge is the low cost manufacturing platform with huge economies of scale just next door the issue is China. Samsung already has already has 29 plants and 50,000 workers in China… Samsung and Hyundai recently announced their core businesses in line with the government-led restructuring drive… Samsung designated electronics, petrochemical, shipbuilding, automotive and machinery, and banking and service businesses as its core businesses. Hyundai listed automotive, construction, shipbuilding and heavy-chemical, electronics, banking and service businesses as its mainstay businesses. The structure of their strategic businesses is more or less the same except for the petrochemical and construction divisions. So the two rivals are expected to vie aggressively for the leadership of corporate Korea21.

Economies in dynamic balance tend to have a small number of very large companies, with differentiated products that compete directly (different products – or rather, different brands – belonging to the same product class, meeting the same use function), having to deal with low competitive intensity in slow-growing markets (or rather with controlled growth) where the profitability of the system of competitors is maximised, maintaining a constant dynamic balance between overall supply and total demand.

Economies with controlled competition are peopled by consumers with dissimilar characteristics and preferences, which express this inhomogeneity in stable differences in purchasing behaviour (demand segment). Overall demand is
therefore not homogeneous and can be broken down into different segments, using specific parameters (demographic, social, psychological, etc.), to determine groups of potential consumers who are sensitive to varying degrees to the commercial actions of companies, which typically regard: advertising; the margins granted to trade; temporary price manoeuvres; point of sale promotions; etc.. Consistent with the goals of the rapid development of very different mass products, policies of ‘non-price competition’ take hold on oligopolistic markets in dynamic balance (usually with the pre-eminence of advertising), which in concrete are destined to increase product sales and profitability by leverage on the promotional costs (rather than intervening on the selling price, with permanent changes extended to the entire market, as is the case with price competition policies).

Management of competitive situations with demand and supply in dynamic balance presupposes mass production structures (located close to supply and/or selling markets) and vast, aggressive commercial organisations. As a result, the complex production and sales organisation (both domestic and international) tends to prevent the achievement of unsatisfied shares of global demand because products are simply unavailable (as is the case, by definition, in monopolistic scarcity economies). On the other hand, in conditions of dynamic balance, the products are numerous and differentiated, to meet a vast range of expectations from the potential clientele (segments); ‘competitors’ compete with products that are very similar in their elementary uses, but very different in their ‘accessory’ characteristics (which help to determine consumer choices related to particular perceptions of use). The inhomogeneity of demand therefore expresses dissimilar expectations, with ‘customer satisfaction’ linked to the perceptions of an ‘overall supply value’ that is multidimensional and instable. This ‘extended product’ configures a system of intangible and tangible factors and thus determines a balance between demand and supply that is ‘naturally’ instable. The balance tends to break as an effect of the actions/reactions implemented by the various competitors in order to modify the knowledge – and above all the perceptions, which are by their very nature very volatile – and thus the decisions of particular segments of demand.

In economies with controlled competition, the crucial importance of sales for a company’s success highlights the role of marketing in predicting and managing trends in demand segments. As a result, market research (indispensable to understand the evolutionary trends of the relevant macro-environment, made up of demand/consumption, clients/suppliers/distribution channels and direct/indirect competitors) must be combined with marketing research. In other words, monitoring is focused on the product perceptions expressed by a given demand segment and referred to the different marketing parameters (product, price, distribution, advertising). What is more, the crucial importance of sales is reflected in the role and functions of distribution channels, for which trade:

- plays an active role in relations and negotiations with brand producers, or even imposes its own commercial conditions on manufacturers who only have products with a ‘weak brand’;
- gradually increases company dimensions, experimenting with the first network organisations;
and finally it modifies its own functions, from a passive selling terminal to a point of contact with consumers, able to verify consistency between expectations, perceptions and the satisfaction of end demand.

The central importance of relations between producers and retailers, typical of contexts in dynamic balance between demand and supply, shows a specific strategic correspondence in the so-called 'push/pull dilemma', with which manufacturing companies come up against retail companies (particularly the large ones) in sharing out the so-called channel income, in other words in the predisposition of the medium/long-term potential for development. In general, the push/pull dilemma highlights the different orientation to the market (and in particular to the competition) of manufacturing companies. It underlines the importance, even for the trade, of orientation to demand (retail marketing), thus separating the development of commercial companies that are more modern and competitive from that of traditional sales outlets (where products are simply on offer, but there is no motivation to strive constantly to win customers). And finally it shows that market research and marketing research acquire critical significance even for retail companies.

In global managerial economics, in conditions of controlled competition, the push/pull dilemma acquires peculiar connotations, extended beyond product transaction logics and explicitly attributable to information flows (above all digital) connected to the sale of the products and therefore to knowledge of the purchasing behaviour of intermediate and final demand.

In fact, the 'product push policy' envisages that it is sales intermediaries and retailers in particular, who must 'push' the product to the end consumer, both with a favourable display on the shelves of sales outlets, and by recommending the purchase of specific products and brands. This policy presupposes that manufacturers should painstakingly and continuously stimulate the retailers (usually with elementary advantages, such as granting larger sales margins than those offered by competitors, or defining exclusive selling zones, etc.), constantly maintaining contacts and relations through the sales force. With a similar conduct, the information regarding the end customer’s purchasing behaviour remains within the corporate information system of the retail companies (trade), while the manufacturing companies develop knowledge in the analysis and refinement of relations with intermediate demand (Push Communication).

With the 'product push policy', manufacturers focus their own sales force and promotional activities on inducing retailers to handle the product, and at the same time they forgo structuring knowledge bases to promote and sell to the final clientele. The ‘push policy’ finds concrete application when the distinctive characteristics of the product are not known; when the choice between different brands is left to the retailer; and when brand loyalty is very low and in any case does not constitute a decisive repurchasing factor.

With the 'product pull policy', on the other hand, the end consumer chooses a product directly, drawing on his own motivations, or expressly requests the product from retailers. To implement this policy, manufacturers allocate huge resources to the preparation and maintenance of sophisticated information channels (to implement Pull Communication policies, designed to obtain continuous flows of knowledge about the preferences and choice motivations of consumers), and to put persuasive...
communications tools in place (primarily advertising, to achieve good brand recognition and a strongly distinctive image). The product is therefore requested (‘pulled’) by the end customer and the retailers must make it available to the clientele and above all must maintain it in the assortment. Basically, the information system and commercial communications replace the sales organisation in the primary functions of information and persuasion, and at the same time it performs more sophisticated competitive functions, such as: 1. stabilising consumption in space and time. In global markets where competition is controlled, recourse to non-price competition tools makes it possible to plan the promotion and encouragement of sales volumes with mass targets and easily controlled costs; 2. to develop loyalty to brand consumption, creating and amplifying relations between the manufacturer and end customer (typical of a pull policy, but non-existent in price competition and push policies).

The pull policy therefore finds concrete application when: for the same use function, there are numerous products from different brands at the sales outlet; the end consumer perceives the difference between the different brands and usually makes his choice before entering the point of sale; brand loyalty is very high and often constitutes a decisive repurchasing factor.

5. Global Managerial Economics in Conditions of Over-Supply: Intangible Assets and Market-Space Management

From the start of the third millennium, the globalisation of manufacturing (and therefore the delocalisation of manufacturing activities from socially more evolved countries to areas where it is possible to hire both specialist personnel with a high level of scientific-technological preparation and non-specialist personnel who have a very low incidence on product costs), the opening up of new and vast consumer and import-export markets (like the redrawing of the European EU-25 boundaries, the new role of the ‘Chinese market’, the Asian market and South America), and finally the digitalisation of communications (with the transformation of information flows from ‘linear’ to ‘circular’) all contribute to the development of a state of over-supply (D<S), in other words where the consumption of numerous assets is no longer able to expand in relation to the quantities produced and/or imported, not even at falling prices.

IBM sells its PC division to China-based Lenovo Group and takes a minority stake in the former rival in a deal valued at $1.75 billion...The two companies plan to form a complex joint venture that will make Lenovo the third-largest PC maker in the world. (Worldwide Seller of PCs-Market Shares, 2004, percent. Dell 16.4; HP 13.9; IBM 5.2; Fujitsu/Siemens 3.8; Acer 3.2; Toshiba 3.2; NEC 2.6; Gateway 2.2; Lenovo 2; Apple 1.9. Source: Gartner). Key points of the deal: creates world's third-largest PC business; IBM to take 18.9 percent stake in Lenovo; global business with worldwide reach and powerful brand name; worldwide headquarters in New York; transaction expected to be completed in second quarter... Lenovo has a strong client base and sales infrastructure in the Chinese market, while IBM has a comprehensive
network in PC sales on a global basis...during the first phase of the integration process, Lenovo's and IBM's PC operations will carry on as usual, independent of each other. After 18 months, Lenovo and IBM will use a common brand...IBM's R&D centre in Japan will continue to be important to the company. The deal will let IBM continue its shift from selling so-called commodity products to selling services, software and highend computers. Although the company helped make PCs a global phenomenon, IBM makes little profit from PCs and often loses money. During the past several years, IBM has been edging itself out of the commodity hardware business by selling its PC factories in North Carolina to Sanmina-SCI and its hard drive unit to Hitachi. IBM is also likely eyeing new inroads into the Chinese market by working with Lenovo to gain an edge in selling servers and services in China, a fast-growing market targeted by a number of U.S. tech giants. The joint-venture will give Lenovo the opportunity it has always craved to expand beyond China. In 2002, the company began to slightly expand into Spain and regional European markets but retreated due to market share losses at home.30

The structural excess of the manufacturing capacity of over-supplied markets results in products with falling direct costs and is rendered even more critical by digital communication, which impose an urgency on competition (time-based competition), generating: rapid imitation, the acceleration of technological innovation processes, global dissemination of innovations and falling selling prices. In these conditions, the long-term development of a business does not depend so much on undifferentiated selling volumes or the physical characteristics of specific products (easily imitated in tangible assets), but rather on sales differentiated by product intangible factors and above all by the level of sophistication of corporate intangible assets.31 Typical examples of global managerial economics in conditions of over-supply can be found in the market policies of various industrial sectors: foods (mass wine, beer, bread and mass baked products); casual wear (Zara, H&M, Levi’s, etc.); mass editorial products; TV entertainment programmes; masters & professional courses.

In a state of over-supply, relations between goods produced and sold becomes complex, breaking down as follows: sold goods, i.e. goods purchased by end demand at a price that is clearly higher than the direct variable transaction cost; unsold goods, i.e. goods that have been purchased by intermediate demand, but were not chosen at full price from alternatives from different brands and must therefore be proposed at a discount – for short periods of time, up to the limit of the variable direct transaction cost – coming into purchasing competition in the choice between different product classes; and finally, unsellable goods, which would not in fact be sold even at prices below the direct variable transaction cost. The capacity and real possibility of minimising the latter determines the level of real profitability of a given product and, in a vaster context, qualifies a given organisation’s degree of market-orientation.

In a state of excess-supply, global managerial economics is defined by the predominance of intangible assets on one hand and by the crucial importance of a
dynamic and complex competition space on the other (market-space management). These conditions imply: a corporate organisation structured in a network (geographically ramified in numerous branches with a number of centres that drive the business); results evaluated by multiple indices, which nonetheless express ‘time’ in partial and overall evaluations (for example, EVA and rotation indices prevail over margins), where corporate intangibles and product intangibles support (and often condition) the primary and tangible components of the business and the product; and finally, unitary governance to harmonise the variety and specificity of management designed to exploit market, ethnic and cultural diversities.

In competitive conditions of over-supply, global corporate economics is defined by certain specific factors:

- *competitive trade*. Commercial traders participate in the chain of transactions with an autonomous role of ‘intermediate demand’, which is expressed in partnerships established with key suppliers on one hand, and in brand portfolio policies on the other, extended from private labels to own brands (retail marketing). Other non-commercial traders (financial brokers, tour operators, real estate traders, etc.) also put in place – and develop – transactions with brand products of the producers or distributors, in the event that the competitive advantages that can be realised on intermediate markets are less volatile than those realisable on consumer markets. The latter are dominated by intangible supply characteristics and accelerated dynamics of the satisfaction of demand ‘bubbles’, which must be understood, anticipated, grasped, abandoned and renewed with the aid of customised marketing tools (for example, merchandising and licensing);

- *pull ‘trade & consumer’ policy*. The preferred motivation of end demand is the result of the coordination of: the ‘pull’ policy adopted by manufacturers, a sophisticated ‘push’ policy (also put in place by manufacturers, where the commercial incentives are part of more complex trade marketing), and the ‘pull’ activities implemented directly by the trade in relation to final purchasers. The state of over-supply goes beyond the elementary state of competition between goods, proposing complex consumption situations (i.e. choices between different types of consumption, such as the choice between purchasing jeans or sunglasses), where the goods themselves only account for some of the choice motivations. Trade is the most sensitive and reactive expression of this situation, because of its closeness to end demand and the availability (almost in real time) of digital information flows;

- *final selling price*, which is dynamic in time and space. Very dissimilar prices in different selling times and places can be the result of the continuous intermediation (in network structures, as market-space management policies) between the manufacturer, the distributor and the end purchaser. The latter, in particular, ceases to be a passive element in the transaction chain. On the other hand, he is well informed, often participates in the communication processes, and chooses the time and place of purchase, even on the basis of patterns of non-loyal behaviour, intervening alongside the trade to set the final selling price;

- *the direct variable transaction cost* is the critical factor of competition, which can be put down to the cost centre of a manufacturer or a trading
organisation. Manufacturer and trade together determine the transaction cost which, in situations of structural over-supply, must overcome the inertia towards the consumption of given types of products (product choice), motivating and supporting the choice between alternative brands (brand choice).

In over-supplied markets, therefore, global managerial economics comes up against the marked instability of global and corporate demand (purchase choices between different product classes with different uses, volatile preferences, and non-loyal and disloyal purchasing behaviour) and against equally unstable supply from competitors (accelerated planning of innovation, manufacturing delocalisation, creation of demand bubbles).

A state of over-supply emphasises the crucial importance of proximity to the place and time of choice (shelf policy), which maximises the opportunities to display the product physically (on the shelves) or virtually (virtual window), i.e. its availability (opportunity-to-shelf). Manufacturers and the trade generally cooperate with non-antagonistic logics, creating temporary supplies that satisfy the specific expectations of unstable aggregates of end consumers (demand bubbles), with the common goal of ‘preparing stimulating supply proposals’, obviously with different ‘shelf policies’, respecting their different roles.

Demand bubbles are the result of a process of aggregation which aims to form particular and very unstable demand, very different therefore from the disaggregation that underpins the segmentation found on stable markets. On the other hand, management of market instabilities presupposes the rapid development and exploitation of the demand bubble, which in turn requires continuous action in order to identify supplies that follow each other in succession, appealing to and satisfying groups of end consumers.

A state of over-supply emphasises the consistence between the contingent expectations of groups of consumers and the availability of goods over time and in places where a purchase is more probable. This consistency is pursued by manufacturers and by the trade with specific ‘shelf policies’ designed to maximise the opportunities and profitability of the physical or virtual presence of specific products.

The attack on the Italian market by Benetton’s two great rivals, the Spanish firm Inditex-Zara and the Swedish H&M - Hennes & Mauritz, brought a great deal of pressure to bear on the company, which is the largest Italian clothing conglomerate, and one of only a few successful global Italian brands. It reacted with a new strategy: focusing on the casual sector, reducing the number of small franchising stores, and increasing the medium and larger sized stores managed directly (149 out of 5000, at the end of 2004).

On over-supplied markets where global competitive tension is high, the shelf policies of manufacturing and retail companies – which have to deal constantly with structural over-supply, and must move quickly to grasp ‘demand bubbles’ – generally reflect the crucial nature of the processes to integrate corporate
information flows (external, internal and with ‘co-makers’), and the central role of
digital communications in particular. Digital information flows make it possible to
dialogue with a large number of contacts (about products, prices, promotional
offers, etc.), even simultaneously and in real time. Consistent with the importance
of trade in relations between manufacturing, retail and consumption, they also
make it possible to extend the competitive fronts and the availability of an
information system with very short action-reaction times.

In over-supplied markets, global managerial economics creates competitive
environments in which:

1. space becomes a factor of competition (market-space competition), which is
defined by very dynamic and instable characteristics, due to the variability
induced by the continuous innovation of supply and the growing selectivity
of demand;

2. tangible characteristics of supply and physical boundaries (administrative
and geographical) do not determine the competition space. On the contrary,
corporate competitive behaviour is dominated by intangible characteristics of
supply and virtual spatial coordinates, which supplement and specify the
physical dimension (market-space management).

Finally, in over-supplied competitive contexts, the instability and inhomogeneity
of demand determine a precise hierarchy between marketing research and market
research.

The primacy of marketing research can be attributed to the creation and
management of demand bubbles, in other words, company processes to exploit
consumer-product relations that are highly distinctive and volatile, characterised
by:
   - acquisition, elaboration and sharing of data and information inside the
     organisation;
   - rapid collection, processing and use of information;
   - choice of significant information to open the bubble;
   - use of collection methods and data evaluation patterns based on physical or
     virtual aggregation processes.

Where demand bubbles, and more in general the ‘shelf policies’ of the
manufacturers and the trade are concerned, marketing research (which obviously
cannot be based on the extrapolation of historical data, as it would be in stable
contexts) underlines the importance of association techniques on one hand (for
example, data mining), applicable to enormous data bases that track the clientele's
recent purchasing behaviour, while it underlines critical selection techniques on the
other, to obtain a small amount of information, with a high symbolic value,
concentrated on the dynamics of specific phenomena.

Market research also has distinctive connotations in the context of ‘shelf
policies’ conditioned by intense competition. Market research in global, over-
supplied markets reveals the significance of competitive intelligence (of the active
and defensive type), to understand the trends of uncontrollable environmental
phenomena, and of database management to acquire ‘information signals’
regarding environmental phenomena that can be influenced.
The competitive instability that distinguishes these ‘shelf policies’ generates overall demand made up of inhomogeneous demand that comprises a large number of very similar or very dissimilar units. These are aggregated – but not occasionally or casually – because they share a purchasing motivation for a temporary company supply. The socio-demographic characteristics of the various units are not therefore significant to define overall demand, because the factor that links the various units is the system of corporate products which, at given times and in given spaces, is composed with the end consumers’ choices.

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**Notes**

1. Cf. Lambin Jean-Jacques, Brondoni Silvio M., Ouverture de ‘Market-Driven Management’, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2000-2001.

2. ‘Global markets, in particular, also reflect a new view of market research and marketing research, consistent with the need for information expressed by organisations with complex structures, usually networks, which operate with numerous decision-making points (with a high level of delegation and responsibility) and with very short action-reaction times.’ See Brondoni Silvio M., Ouverture de ‘Marketing Research & Global Markets’ *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 2, 2003.

3. Cf. Bisio Luca, Global Market and Public Governance in Europe, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2004.

4. Cf. Pepe Cosetta, Global Retailers and Corporate Responsibility, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2003; Caselli Clara, Ethics and Corporate Responsibility in International Relations, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2003; Salvioni Daniela M., Corporate Governance and Global Responsibility, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2003; Lambin Eric, Managing a Sustainability Transition, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2003; Ricotti Paolo, Corporate Responsibility and Sustainable Development, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n. 1, 2003.

5. See Lambin Jean-Jacques, Brondoni Silvio M., Ouverture de ‘Market-Driven Management’, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), cit., passim.

6. Cf. Tesser Emanuela, Business-To-Consumer Multichannel Distribution Policies: from Markeplace To Market-Space Management, *Symphonia. Emerging Issues in Management* (www.unimib.it/symphonia), n.1, 2002.
In fact, the governments of many industrialised countries have adopted systems of eco-rates and eco-taxes to cover the cost of managing refuse, thus creating new markets for recycled products (and often also to introduce measures to protect domestic industry, as in the case of the car market in the US and in Europe). Similarly, a socio-ecological view of consumption has been developing in all industrial countries in the last ten years. This environmental awareness, which derives from greater purchasing power on the part of the end purchasers in the various countries, modifies the very approach to consumption. It is no longer limited to a particular product, but extends to the implications, upstream (costs and opportunities) and downstream (prevention and/or repair costs) of this consumption. For example, suppliers are required to specify the presence and origins of these components, and the ways to eliminate, recover or recycle the raw materials they contain at the end of their useful life. The environment-friendly view of consumption is evident in the European vehicle scrapping directives, and indications to consumers that vivisection is not adopted in the clinical testing of beauty and pharmaceutical products.

Companies that compete in the vast markets without geographical or administrative boundaries, adopt very flexible management behaviour, in which intangible assets are all-important, designed to exploit global economies of scale. In other words economies of size, based on key company resources (usually technology, communications and intangible assets), whose value does not increase in relation to the degree of exploitation of elementary manufacturing factors, but in relation to the ‘intensity of sharing’ of given resources, with a networking approach, in other words in an organisation in which there is close collaboration between internal and external structures and with co-makers.’ See Silvio M. Brondoni, La nuova visione delle economie di scala, MARK UP, December 2004.

See www.coca-cola.com/citizenship/the_coca-cola_system_include.html, pp. 1-3.

See www.ge.com/ar2005/letter_common.htm, pp. 1-4.

See www.toyota.com/company/worldwide, pp. 1-5.

Cf. Brondoni Silvio M., Ouverture de ‘Corporate Responsibility & Market-Space Competition’, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2003; Brondoni Silvio M., Network Culture, Performance and Corporate Responsibility, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2003; Tassinari Vincenzo, Social Responsibility in the Supply Chain. The Coop Italia Case, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2003; Arrigo Elisa, Corporate Responsibility in Scarcity Economy. The Olivetti Case, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2003.

10 Cf. Gnecchi Flavio, Corniani Margherita, Demand Bubbles, Virtual Communities and Market Potential, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 2, 2003.

11 Cf. Brondoni Silvio M., Market-Driven Management e neoprotezionismo, MARK UP, June 2005; Brondoni Silvio M., Market-Driven Management: meglio e prima dei competitor, MARK UP, July-August 2005; Golinelli Gaetano M., Gatti Mauro, The Firm as a Viable System, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 2, 2000-2001.

12 Cf. Corniani Margherita, Demand Bubble Management, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2002.

13 Cf. Corniani Margherita, Sistema informativo aziendale e dinamiche competitive, Giappichelli, Turin, 2000, p. 43 and following.

14 Cf. Schuiling Isabelle, Think Local-Act Local: Is It Time To Slow Down The Accelerated Move To Global Marketing?, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1,
2000-2001; Brondoni Silvio M., Brand Policy and Brand Equity, Symphonia. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2000-2001.

20 Cf. Various authors, The Government and Public and Private Corporations, Far Eastern Economic Review, 24/7/1997.

21 JoongAng Ilbo, Newmedia Inc. and InfoTank News Group, 1999.

22 Cf. Brondoni Silvio M., Brand Policy and Brand Equity, Symphonia. Emerging Issues in Management (www.unimib.it/symphonya), cit.

23 Cf. Brondoni Silvio M., Marche ‘commerciali’, ‘industriali’ e pseudo-marche nell’evoluzione dei rapporti industria-distribuzione, Sinergie, June, 1990.

24 In conditions of controlled competition, industrial companies and retail and wholesale marketing organisations carry out large-scale marketing research activities, albeit with different targets and investigation profiles. This marketing research (which is based on the extrapolation of historical data and the projection of behaviour and trends that refer to stable markets), generates information that is valid in the short to medium term, linked to the frequency of promotional activities, the intensity of competition in the sector and to any constraints imposed on the regulation of competition.

25 Cf. Brondoni Silvio M., Ouverture de ‘Marketing Research & Global Markets’, Symphonia. Emerging Issues in Management (www.unimib.it/symphonya), cit.; Lambin Jean-Jacques (ed.), La recherche marketing, Ediscience, Paris, 1994.

26 Cf. Brondoni Silvio M., Ouverture de ‘Marketing Research & Global Markets’, Symphonia. Emerging Issues in Management (www.unimib.it/symphonya), cit.

27 ‘In a push strategy, the bulk of the marketing effort is devoted to incentives directed to wholesalers and retailers to induce them to cooperate with the firm… The objective is to win voluntary co-operation by offering attractive terms of trade, that is larger margins, quantity discounts, local or instore advertising, promotional allowances in-store sampling, and so on.’ See Lambin Jean-Jacques, Market-Driven Management, McGraw-Hill, London, 2000, p. 533.

28 ‘When adopting a pull strategy…the objective is to create strong consumer demand and brand loyalty among consumers…To achieve these objectives, the manufacturer will spend the largest proportion of its communication budget on media advertising, consumer promotions and direct marketing efforts aimed at winning end-customers preferences…Pull strategies imply in general large financial resources to cover the costs of brand image advertising campaigns…In fact, a pull strategy must be viewed as a long term investment. The goal of the firm is to create a brand equity, around the company name or around the brand.’ See Lambin Jean-Jacques, Market-Driven Management, cit., p. 532.

29 ‘The state of over-supply outlines new competition logics, with a radical rethinking of the theories of management and marketing. The latter, in fact, have developed in very different conditions of demand and supply. The grounding principles of a company’s ‘rational management’ have been elaborated to ‘pilot’ demand that exceeded supply (the stage of scarcity economies that prevailed in the USA until the 1940s, and in Italy until the late 1950s). Later, the evolving international scenario introduced new corporate management paradigms, orienting them to stimulate demand that was in constant dynamic balance with supply (the stage of well-being economics which lasted all over the world until the late 1980s).’ See Brondoni Silvio M., Eccesso di offerta e nuova competizione, Il Sole 24 Ore, January 8, 2001; Brondoni Silvio M., Economia d’impresa globale ed eccesso di offerta, MARK UP, November 2005.

30 Spooner John G., Kanellos Michael, IBM sells PC group to Lenovo, CNET News.com, Published: December 8, 2004, 4:37 am.

31 Cf. Brondoni Silvio M., Global Markets and Market-Space Competition, Symphonia. Emerging Issues in Management (www.unimib.it/symphonya), cit.

32 Cf. Brondoni Silvio M., Comunicazione, performance e sistema delle risorse immateriali d’impresa, Sinergie, n. 59, 2002.
In general, the shelf policy of manufacturing companies usually favours product choices based on the exit speed from the sales outlet (thus focusing attention mainly on product rotation, rather than on the contribution margin, which is what happens for segmentation decisions on stable markets). Manufacturers’ shelf policies also entail coverage of retail outlets on the basis of traffic flows and of privileged commercial relations, generally in the medium-long term, for the conservation, development and display of the products. Where the trade is concerned, the development of mass retail sale formulas (shopping centres, superstores, discount stores, etc.) is reflected on the shelf policy of retail companies, not only with the constant improvement of the profitability of the display area of sales outlets, but above all paying attention to all the factors that influence sales and profitability, specifically highlighting the advantages obtainable from a global dimension (multi-store purchasing centres, outsourcing networks, multi-store logistics, increased size and specific services of the network sales outlets, as in the case of Metro-Saturn-Media World, which is open 24/7, etc.).’ See Brondoni Silvio M., Ouverture de ‘Marketing Research and Global Markets, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), cit. For the modern shelf policy formulas of commercial companies in global over-supplied markets, we refer you to: Martinelli Andrea Francesco, From Cornering to Virtual Cornering, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2002.

Cf. Saccardi Alberto, Data Mining and Marketing Intelligence, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 2, 2003.

Cf. Garbelli Maria Emilia, Over-Supply And Manufacturing Localization, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya), n. 1, 2002.

‘Competitive intelligence’ regards the use of sources of publicly accessible information to collect data about the competition, about competitors and the market environment. Specific analysis is therefore organised to transform the data into systematic information. Public access to the sources of competitive intelligence means that all the information can be legally and ethically identified, made available and used. Cf. McGonagle John J., Vella Carolyn M., Bottom Line Competitive Intelligence, Quorum Books, Westport, 2002; Walle Alf H., Qualitative Research in Intelligence and Marketing, Quorum Books, Westport, 2001.

Database management specifically identifies the process of creation, updating and use of customers’ databases and other databases (products, suppliers, retailers) to contact clients, undertake transactions and forge new relations. In general, a business database contains ‘the previous purchases from companies to clients, the volume, prices and profits from these purchases; the names of the members of the purchasing team (and their ages, dates of birth, hobbies, and favourite foods), the state of on-going contracts, an estimate of its share in the client’s purchases; competitive suppliers; an evaluation of its own strengths and weaknesses (compared to the competition) in the sale of products and services offered to customers; the client’s habits, models and purchasing policies.’ For example, a database of customers contains a great deal of information, which companies accumulate through transactions and every other contact with customers, the data collected through registration and the toll free number, the information contained in cookies, etc. Cf. Aaker David A., Kumar V., Day George S., Marketing Research, John Wiley, New York, 7th ed., 2001, p. 690-704; Kolter Philip, Marketing Management, Prentice-Hall, Englewood Cliffs, 11th ed., 2003, p 65.