

Globalization and Co-opetition : Modern Marketing Philosophies in the Internet Age*

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Abstract

E-business is defined as “the continuous optimization of a firm’s business activities through digital technology”, But without correct philosophies or concepts to guide the business activities and operations in the Internet age, neither the business nor the technology would go as far as they should. The Internet has brought us various opportunities while setting up great challenges. This paper is to talk about two modern marketing philosophies - globalization and co-opetition, with which we cope with the challenges we are confronted with.

Keyword : globalization; co-opetition; Internet Age

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I . Introduction

On October 20th, 2009, the Second Israeli Presidential Conference “Facing Tomorrow 2009” was held in Jerusalem. Wang Chen, minister of the State Council Information Office of China, delivered a speech “China Embraces the Information Age” on the issue of new media, the Internet. According to Wang Chen, the development of the Internet has not only promoted political multipolarization and economic globalization, but also facilitated frequent exchanges of various ideas and cultures around the world. The Internet, a digital world, has become part and parcel of the real world. In a short span of just 15 years, China has seen its number of netizens growing to 350 million, or one fifth of the world’s total. Also, this population of netizens is now growing at an average daily number of 240,000. If this momentum is maintained, China will have more than 500 million netizens in two years. This would mean an increase of its Internet penetration rate from the current 25.5 percent to 38.5 percent.^{1*}

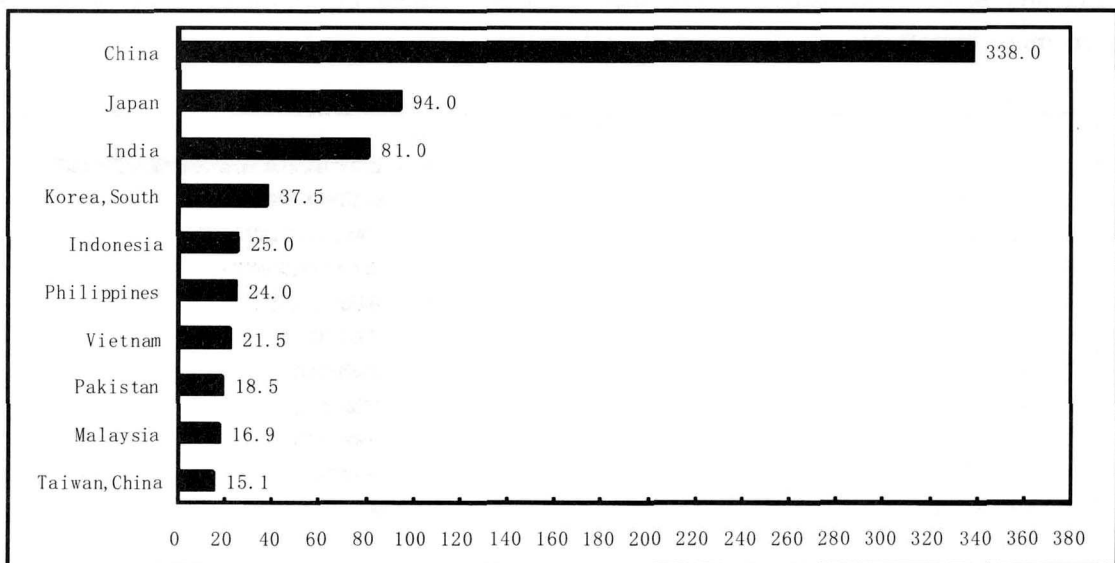
There has been a quick development of almost all the latest Internet applications in the mainland China. The number of bloggers, for instance, has reached 182 million. In other words, there is one blogger among every seven Chinese. The Chinese people also like the IM tools very much, and about 230 million Chinese netizens, or 72 percent of their total, are now using IM (instant messenger) tools, such as QQ - a Chinese owned IM brand-, MSN, and Skype.

The Chinese people have benefited a lot from the Internet. Informationization will bring even greater changes to our life. It will also further change the relations between different countries and different cultures. The development of information technologies will by no means stop at the current level of our perception. Instead, global informationization as marked by the development of the Internet will continue its irresistible momentum, and will bring us one pleasant surprise after another in advancing economic globalization and cultural harmony and integration. It requires us to make proactive efforts to adapt to the trend of global informationization.

1) Wang Chen, "Embracing Information Age", China Daily, October 31, 2009.

II. Highlights of the Internet age

When talking about the Internet, people usually concentrate their attentions on two things: Internet users and international bandwidth. According to the recent statistics by Internet World Stats, China has almost 350 million web users (penetration of the population 26.9%), while Korea has its web users up to 37.48 million (penetration of the population 77.3%, as a comparison).^{2*} (Figure 1)



<Figure 1> Asia Top 10 Internet Countries and Regions, 2009 2Q

(Source: <http://www.internetworldstats.com>, November 14, 2009)

So far as the international bandwidth is concerned, China has the bandwidth 104.336 Mbps per capita (ranked 80), while Korea's is 1,030.477 Mbps per capita, (ranked 39, and the first place player is Denmark, 34,891.469 Mbps).^{3**}(Figure 2)

If we focus our attention from the global perspective, we may easily find that on the one hand, there is a very rapid growth of the Internet users in the whole world, but on

2) www.internetworldstats.com, November 13, 2009.

3) www.nationmaster.com, November 14, 2009.

the other hand, we also have a very obvious gap between countries and regions, the so called "digital gap". And this is why we should consider how to deal with various kinds of problems we come across in the Internet age. (Figures 3 and 4)

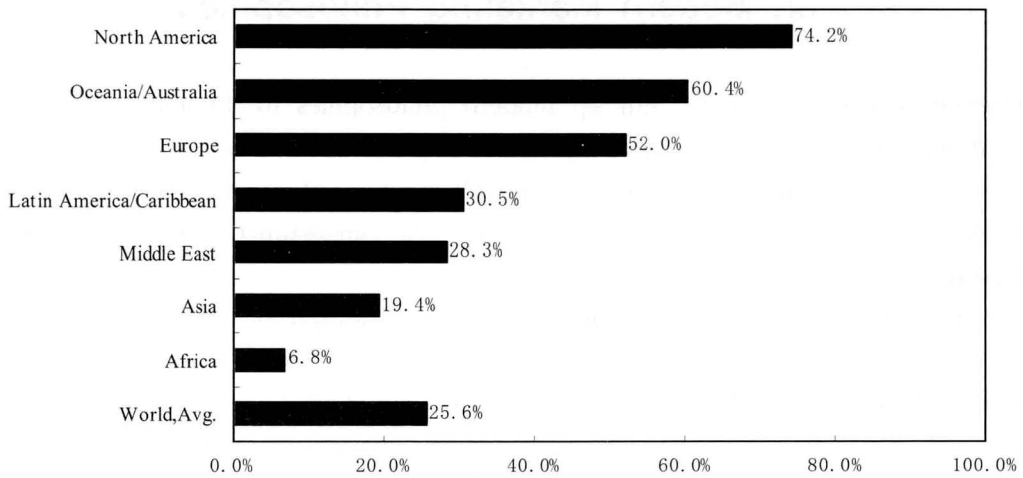
When we talk about doing business in the Internet age, people would agree with each other which is more important. E-business is defined as "the continuous optimization of a firm's business activities through digital technology".⁴ Of course, we may simply put it as "doing business with the help of computer technology and Internet technology". Here, some people think that the innovation of business models is the core, and some other people argue that the development of information technology is even more important.

Rate	Countries	Amount(Mbps per 1 billion peop)	Date
1	Denmark	34891.469	2004
2	Luxembourg	20691.485	2005
3	Netherlands	20549.291	2004
4	Sweden	17530.706	2004
5	United Kingdom	13061.973	2004
6	Belgium	11278.538	2004
7	Switzerland	9670.914	2004
8	Hong Kong	9451.149	2005
9	Norway	9368.351	2004
10	Germany	6859.934	2004
39	Korea,South	1030.477	2005
80	China	104.336	2005

<Figure 2> International Internet bandwidth (Mbps per capita) by country and region
 (Source: <http://www.nationmaster.com.com>, November 15, 2009)

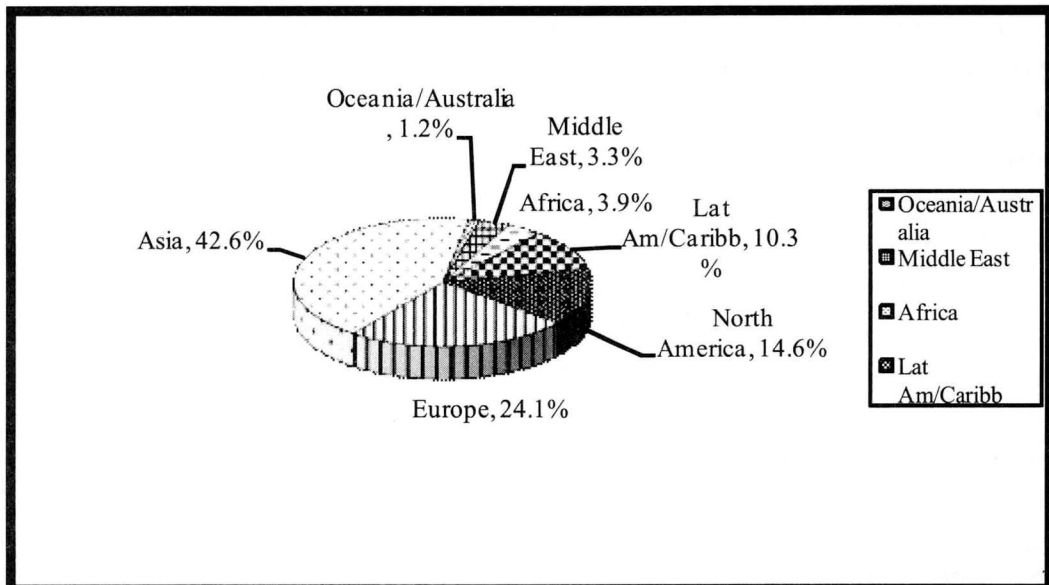
But without correct philosophies or concepts to guide the business activities and operations in the Internet age, neither the business nor the technology would go as far as they should. As is true that without soul, people would not do anything reasonably or logically. This is why we put forward the modern marketing philosophies in the Internet age.

4) Judy Strauss, Raymond Frost(2009), "E-Marketing (4/E)", Pearson Education International, p.100.



<Figure 3> World Internet penetration rates by geographic regions

(Source: www.internetworldstats.com, November 15, 2009)



<Figure 4> World Internet users by world regions

(Source: www.internetworldstats.com, November 15, 2009)

III. Modern Marketing Philosophies

Different people will surely sum up modern philosophies in different ways. Among other things, we think, at least we have to list up some modern marketing concepts as follows: (1) globalization, (2) co-opetition, (3) customization, (4) personalization, (5) networking, (6) innovation, (7) teamwork, (8) cross-functional connections, (9) entrepreneurship, and (10) ethics.

The start of the 21st century brings with it the triumph of international marketing. More countries are opening their borders (physically as well as virtually) to the world market and enforcing rules and laws to ensure competitive market conditions. The fastest globalizing nations have enjoyed rates of economic growth up to 50% greater than those that have been integrating the world economy more slowly.^{5*}

Research has shown that firms of all sizes and in all industries engaged in international marketing outperform their strictly domestic counterparts. They grow more than twice as fast in sales and earn significantly higher returns on equity and assets.^{6**} On the other hand, ongoing global technological innovations in marketing, i.e. information technology, have direct effects on the efficiency and effectiveness of all business activities. Products can be produced more quickly, obtained less expensively from sources around the world, distributed at lower cost, and customized to meet diverse clients' needs. For example, only a short while ago it would have been thought impossible for a firm to produce parts for a car in more than one country, assemble the car in yet another country, and sell it in still other nations. Or developing a software program here, and testing it there. Today, such strategies are routine.^{7***}

In the Internet age, three levels of strategy form a "hierarchy of strategy" within a company: corporate strategy, business strategy, and functional strategy.^{8****} Corporate and business level strategies are supported by individual functional strategies that bring

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- 5) Global Business Policy Council(2000), "Globalization Ledger", Waxhington, D.C.: A. T. Kearney, Introduction, p.316.
 - 6) Charles Taylor and Witold Henisz(1994), "U.S. Manufacturers In The Global Market Place", Report 1058, New York: The Conference Board.
 - 7) Michael R. Czinkota(2004), "Mastering Global Markets". South-Western Publishing, p.2.
 - 8) McDaniel(2008), "Introduction To Marketing (8th edition)". Cengage South-Western, p.2.

together the various activities necessary to create customer value. The speed of change in the business world has led to functional-level managers becoming empowered to make decisions that will give their companies a competitive edge in a rapidly evolving, digitized marketplace.

It seems that we are talking about global marketing, we find between the lines such key words as "custom", "digital", "competition", "innovation", "functional", and so on. Hence, the modern marketing philosophies "customization", "networking", "co-opetition", "innovation" and "cross-functional connections".

This paper is to narrow the topics above only to two modern marketing philosophies: globalization and co-opetition.

3.1. Globalization

Globalization is generally considered as an ongoing process by which regional economies, societies, and cultures have become integrated through a globe-spanning network of communication and execution. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.^{9*} Globalization is also recognized as being driven by a combination of economic, technical, sociocultural, political, and biological factors.^{10**} Some other people manage to put it a little bit more briefly: "free flow of such resources as goods, services, information, money, human resources and so on."

But according a Japanese philosopher named Naoko Saito, globalization simply means "open-mindedness". In the paper "Globalization and the understanding of other cultures: Beyond the limits of Deweyan Democracy" that Naoko Saito wrote several years ago, he indicated that "if we look at the contemporary global political situation... How far it is appropriate or coherent to speak of neighborhood when we think in terms of relationships affected by globalization, of relationships in global terms? Whether Deweyan discourse on hospitality, open-mindedness, sympathy and friendship can

9) Bhagwati, Jagdish (2004). "In Defense Of Globalization. Oxford", New York, Oxford University Press, p.20.

10) Sheila L. Croucher (2004). "Globalization And Belonging: The Politics of Identity in a Changing World." Rowman & Littlefield, p.145.

address the ethical and educational tasks of building and facilitating cross-cultural understanding?... How can we reconsider the Deweyan idea and ideal of the democratic community and its metaphysical condition of the common? "11*

In another paper on globalization by Naoko Saito, he noted that in spite of circumstances of tension and conflict among different cultures today, both within and without national boundaries, the world is "unified" in a global market, and national boundaries are blurred. Any naive assumption about the understanding of other cultures plainly will not work. Even the politics of recognition faces the danger of being assimilated into the unifying force of globalization. "We need, in such circumstances, to question once again our relationship with our own culture and nation, while at the same time reconsidering what it means to understand other cultures."12**

From the perspective of Naoko Saito's, we may narrow down the globalization concept to "open-mindedness". This means that when we are dealing with international affairs, whether it is political, cultural, or economic, we are to embrace something new, something foreign, or something strange. We are not supposed to reject anything which we have not understood, or which we have not been used to. If we move a step further, the concept of globalization can also be used in domestic cases. In a country or a state, or even in a very small region, different groups of people will have different ideas, opinions, beliefs, or different way of doing things. Then if we are open-minded enough, if we are "global" enough, we may find ourselves at ease all the time when we come across anything new, anything strange to us, for the time being, at least.

Globalization will be a question for consideration even in a company, on campus, in class or in a dormitory. If people are open-minded, they will get together with each other, to mutual benefits and satisfaction. When we do marketing activities, that is, when we develop a new product or provide a new service, or set up pricing policies, design some new promotion projects, or find a new way of distribution, it is true that we will do all these things efficiently and effectively if we are open-minded to our peers or partners in the group where we are or in the group of our competitors.

We have stepped into the Internet age. Or it is true that we have been involved into

11) Naoko Saito, "Globalization And The Understanding Of Other Cultures: Beyond The Limits Of Deweyan Democracy", <http://www.philosophy-of-education.org>

12) Naoko Saito, "Truth Is Translated: Cavell's Thoreau And The Transcendence Of America, The Journal Of Speculative Philosophy", Volume 21, Number 2, 2007.

the Internet age. The Internet has enforced us to be open-minded, or to accept the philosophy of globalization. The Internet has brought us unique opportunities to become open-minded, but at the same time it set up quite a few challenges. Over the past decade or so, the Internet has not only connected people, places and ideas in an unprecedented way, but also stimulated the evolution of social structures. With the freedom to go beyond physical and geographic borders more easily, we are more willing to partner inside and outside our traditional boundaries of organizations and countries.¹³ Because of the shift of this kind, the 20th-century companies or organizations could be history. Increasingly, the motivating force that brings people together for work is not a business organization, but a collective enterprise. We are taking part in the activities driven by a common set of interests, goals and values.

The concept of “open source movement” has become more and more popular and acceptable by people all over the world. Open source is originally an approach to the design, development, and distribution of software, offering practical accessibility to a software’s source code. Some consider open source as one of various possible design approaches, while others consider it a critical strategic element of their operations.¹⁴ Nowadays, people will generally accepted the open-source movement concept as the common explanation of open-mindedness. “In their search for innovative ideas and technologies, marketers are realizing the importance of reaching out to customers, partners, suppliers, amateur inventors, academic researchers, scientists, innovation brokers and a host of other external entities that together constitute the Global Brain—the vast creative potential that lies beyond the boundaries of the firm.”¹⁵ Managers and officials in various organizations are open-minded to global grains, at the same time, they are willing to share their ideas and innovations with their partners, and even with their competitors.

“Our world is now fundamentally interconnected. The jobs we do, the prosperity we build, the environment we protect, the security that we seek—all of these things are shared.” When paying a visit in Shanghai on November 16, 2009, American President Barack Obama said to the audience that he is a big believer in technology and a big

13) Nick Donofrio, Foreword(2003), "The Global Brain", Wharton School Publishing, 2008, p.23.

14) Raymond, Eric S(2000), "The Cathedral And The Bazaar". ed 3.0. p.165.

15) Satish Nambisan(2008), "Introduction, The Global Brain", Wharton School Publishing, p.6.

believer in openness when it comes to the flow of information. "I think that the more freely information flows, the stronger the society becomes", he said.

No matter whether he is the President or an ordinary student, whether it is a business enterprise or a non-profit organization, people find it necessary to be open-minded to others and to the outside world. With the help of the Internet, we may find it easy to have a cross-border communications, as easy as cross-functional connections in a single organization or a small group.^{16*}

3.2. Co-opetition

Co-opetition is a brand new coin in our vocabulary. When it is written on the blackboard or appear on the website, people will presumably argue that it's a misprinting. Some would say that it should be "co-operation", while others put it as "competition". Actually, it is the combination of these two words.

When asked to give an explanation of the word co-opetition, people usually say that "There is competition when we co-operate with each other. And there is also co-operation when we compete with each other." People will be competitors when we work together in a company, study in schools as fellow students, supply goods or services to our customers in a supply chain, ask for support from government agencies, or do any other things. But what do we compete with each other for? The modern philosophy Co-opetition implies that we "compete with each other for better co-operation".

Technically speaking, co-opetition is a neologism coined to describe cooperative competition. Co-opetition occurs when companies work together for parts of their business where they do not believe they have competitive advantage, and where they believe they can share common costs. For instance, there was cooperation between Peugeot and Toyota on shared components for a new city car for Europe in 2005. These two companies saved money on shared costs, while remaining fiercely competitive in other areas. For co-opetition to work, companies need to very clearly define where they are working together, and where they are competing with each other.^{17**}

16) <http://firstread.msnbc.msn.com/archive/2009/11/16/2128347.aspx>.

17) <http://www.wiki.com>.

Naturally, it is easy for us to find many cases for co-opetition in political activities. 2008 was the year for general election in the US. In it's primary election, Illinois' Senator Barack Obama won the game against New York's Senator Hillary Clinton, and became Democratic presidency candidate. These two senators had had a fierce competition with each other and the voters were not sure what kind of attitude Hillary

Clinton would have in the presence of thousands of voters. Out of most of the audience's expectation, Hillary Clinton delivered a ringing presidential endorsement for Barack Obama at the Democratic National Convention in Denver, saying, "I'm here tonight as a proud mother, as a proud Democrat, as a proud senator from New York, a proud American, and a proud supporter of Barack Obama."

More and more politicians are now becoming co-opetition advocates. When paying a visit to China recently, the American President Barack Obama expressed his idea of co-opetition to the college students in Shanghai. He said, "We know that more is to be gained when great powers cooperate than when they collide...And I believe strongly that cooperation must go beyond our government. It must be rooted in our people—in the studies we share, the business that we do, the knowledge that we gain, and even in the sports that we play. And these bridges must be built by young men and women just like you and your counterparts in America."^{18*}

"I've said many times that I believe that our world is now fundamentally interconnected. The jobs we do, the prosperity we build, the environment we protect, the security that we seek—all of these things are shared. And given that interconnection, power in the 21st century is no longer a zero-sum game; one country's success need not come at the expense of another. And that is why the United States insists we do not seek to contain China's rise. On the contrary, we welcome China as a strong and prosperous and successful member of the community of nations— a China that draws on the rights, strengths, and creativity of individual Chinese like you." Obama's modern concepts were shared by the students present, as well as the Chinese government officials.^{19**}

Between the lines of his speech, Obama wanted to make it clear that in an interconnected world, power does not need to be a zero-sum game, and nations need

18) <http://www.theinsider.com>.

19) David Jackson, "Obama To Chinese: I've Never Twittered, But You Should Be Able To", USA Today, 2009-11-16. (<http://content.usatoday.com>)

not fear the success of another. Cultivating spheres of co-operation—not competing spheres of influence—will lead to progress in the Asia Pacific, and, in the whole world.

Co-opetition has not only become a beneficial means in political domain, it is also a very proficient tool for economic management and operations.

Shanghai is the only major city in China that houses two carriers, China Eastern Airlines and Shanghai Airlines. Doubtlessly, these two companies have long been rivals

to each other. They compete with each other for customers, brands, as well as market shares. The usual tricks for these two were price reduction, which seemed to be beneficial to neither of them. It was reported that both companies suffered a lot in the long-lasting competition, and Shanghai Airlines has been in the red for two straight years since 2007.²⁰*

Early in 2009, China Eastern Airlines set up a joint task force with smaller rival Shanghai Airlines to proceed with a merger, paving the way for further consolidation of China's fiercely-competitive aviation market. Analysts are positive about the merger as it will give the combined carrier more than half of the market share in Shanghai, an aviation hub much sought after by both domestic and foreign carriers.

After years of double-digit growth, China's airlines are facing strong headwinds as the global financial crisis strikes home. Its top three carriers (Air China, China Southern Airlines and China Eastern, with China Eastern being the weakest of the three) lost more than \$4 billion in 2008. According to China's securities rules Shanghai Air would probably be delisted if it failed to turn around in 2009.

Anticipation of the merger helped push up Shanghai Air's shares by 35.2 percent this year. China Eastern's domestically traded A shares rose 29.1 percent this year. This case indicates again that co-opetition implies "we compete for better co-operation".²¹**

In the Internet age, we compete with each other more often, and in various spheres, not only with the people or businesses nearby in our local places, but possibly at the other side of the globe. We may have competitive rivalries in the same industry, we may also have suppliers and customers who have more and more bargaining powers. We will also compete with some new entrants who find it easy to cross the threshold

20) Fang Yan, Jacqueline Wong, "China Eastern, Shanghai Air Form Merger Task Force", Reuters, Jun 11, 2009.

21) Myra P. Saefong, "China Eastern, Shanghai Airlines Reportedly Set To Merge", Marketwatch, June 8, 2009.

to enter into our industry.

But opportunities go hand-in-hand with threats. The Internet has provided us a platform to exchange information or share data with our peers, and even our rivalries. We may organize cross-border teams to implement a project, to develop new markets in different regions, we may also use capitals from different sources. It is generally accepted that the market is just like a battle field. But from the perspective of co-opetition philosophy, market can be a workshop or an office, where participates work together with the same target, using computer technology and internet technology, i.e. information technology.

The advocators of internet technology believe that there is an awesome innovative power of networked communities.^{22*} A classic example for this is the Human Genome project, which was an international research initiative that aimed to identify and sequence the approximately 20 000 or 25 000 genes that make up the human DNA. The project was unique because it brought together a large number of research and scientific organizations across the globe in a collaborative initiative. Without the platform the Internet set up, these research and scientific organizations dispersed in different corners all over the world would not have been of a triumph as this.^{23**}

More examples can be found if we pay our attention to the cases of the 787 Dreamliner project, Dial Corporation's style of operations, the TDI project (Tropical Disease Initiative) which was aimed at identifying cures for tropical diseases, and MOD Station model in the computer gaming industry. All these cases indicate the power of co-opetition when participants do these innovation initiatives on the Internet platform.

Whether it is political, technical or commercial, the concept of co-opetition will lead the ordinary people in this Internet age to the well-being they have dreamed about.

IV. Conclusion

Nobody would neglect the effectiveness and efficiency the Internet has brought us. But how should we use the Internet technology to the extreme? How should we

22) Satish Nambisan(2008), "The Global Brain", Wharton School Publishing, p.58.

23) Human Genome Project information, <http://www.ornl.gov>.

continually optimize our business operations and management? People would usually think that we should develop more new technologies, hardware, as well as software. That's absolutely true. But without modern philosophies, without considering such concepts as globalization and co-opetition, we could hardly move a step further in dealing with the problems that we have come across or will have in the future.

In the Internet age, we are supposed to be more open-minded, more willing to learn from different cultures and different ideas, which will make ours a much more dynamic society. At the same time, we should focus our attention on co-operation rather than competition. The Internet is the unique platform for us to communicate with our partners, and our rivalries.

We could have had quite a lot of modern marketing philosophies, such as customization, personalization, cross-functional connections, and so on. But globalization and co-opetition are considered to be a board to many of the other modern philosophies.

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