

International Marketing

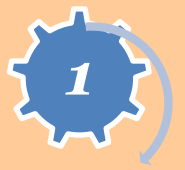
15th edition

Chapter 1

The Scope and Challenge of International Marketing

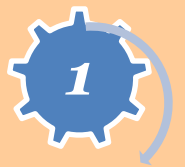
Philip R. Cateora, Mary C. Gilly, and John L. Graham

Introduction (1 of 2)



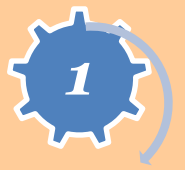
- Major events at the turn of the century:
 - The technological bubble bust of 2001
 - Terrorism on 9/11
 - The Afghanistan and Iraq wars
 - The 2003 SARS outbreak in Asia
 - The Indian ocean Tsunami in December 2004
 - Price of oil at \$100 a barrel
 - NASA budget cuts threaten the demise of the space shuttle program

Introduction (2 of 2)



- Consumer spending rose despite the layoffs at United Airlines and Boeing and the tough job market
- The housing bubble burst during the end of 2008 and the American consumer stopped buying causing a 12 percent drop, the deepest decline in world trade in 50 years!
- International trade tensions are rising from competitors in China, Brazil and India
- The U.S. trade deficit keeps rising

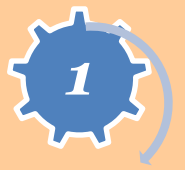
Overview of Chapter 1



- What is International Marketing?
- Benefits of International Marketing
- Globalization of U.S. corporations
- International marketing task
- Imperativeness of Environmental Adaptation
- Self-reference criterion and Ethnocentrism
- Developing a global mindset
- Stages of international marketing involvement
- The orientation of international marketing

Global Perspective

Global Commerce Causes Peace



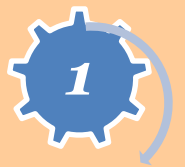
- The role of world trade and international marketing in producing peace
- International marketing promotes peace and prosperity through the marketing of products and services that meet the needs and wants of customers in other lands
- Two examples
 - Large Multinational – Boeing
 - Small Multinational - PeaceWorks

Events and Trends Affecting Global Business



- The rapid growth of the World Trade Organization (WTO) and NAFTA and EU
- The trend toward the acceptance of the free market system among developing countries in Latin America, Asia, and Eastern Europe
- The burgeoning impact of the Internet, mobile phones, and other global media on the dissolution of national borders
- The mandate to properly manage the resources and global environment for the generations to come

Internationalization of U.S. Business (1 of 2)



- The world is one market – increasing globalization of markets
 - Sony, Norelco, Samsung, Honda, Toyota, Nescafe
- Many U.S. companies are foreign controlled
 - 7-Eleven and Firestone – Japan
 - Carnation – Switzerland
 - Wall Street Journal – Australia
 - Smith & Wesson – Britain
 - Zenith – South Korea (LG Electronics)

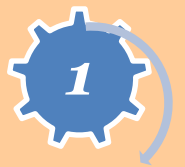
Foreign Acquisitions of U.S. Companies



Exhibit 1.1

U.S. Companies/Brands	Foreign Owner
Firestone (tires)	Japan
Ben & Jerry's (ice cream)	U.K.
CITGO	Venezuela
Burger King (fast food)	U.K.
Random House (publishing)	Germany
<i>The Wall Street Journal</i>	Australia
Oroweat (breads)	Mexico
Smith & Wesson (guns)	U.K.
RCA (televisions)	France/China
Chef America ("Hot Pockets" and other foods)	Switzerland
Huffy Corp. (bicycles)	China
Swift & Company (meatpacking)	Brazil
Barneys New York (retailer)	Dubai
Columbia Pictures (movies)	Japan
T-Mobile	Germany
Budweiser	Belgium
Frigidaire	Sweden
Church's Chicken	Bahrain
Genentech	Switzerland

Internationalization of U.S. Business (2 of 2)



- Foreign companies are here to stay in the U.S. and compete with U. S. companies
- The great worldwide acquisitions both by U. S. and foreign companies
- Global markets are a necessity
 - Foreign earnings a higher percentage of profits
 - Multinationals outperform domestic firms
 - Global value increased through global diversification
 - Intensifying domestic competition

Selected U.S. Companies and Their International Sales



Exhibit 1.2

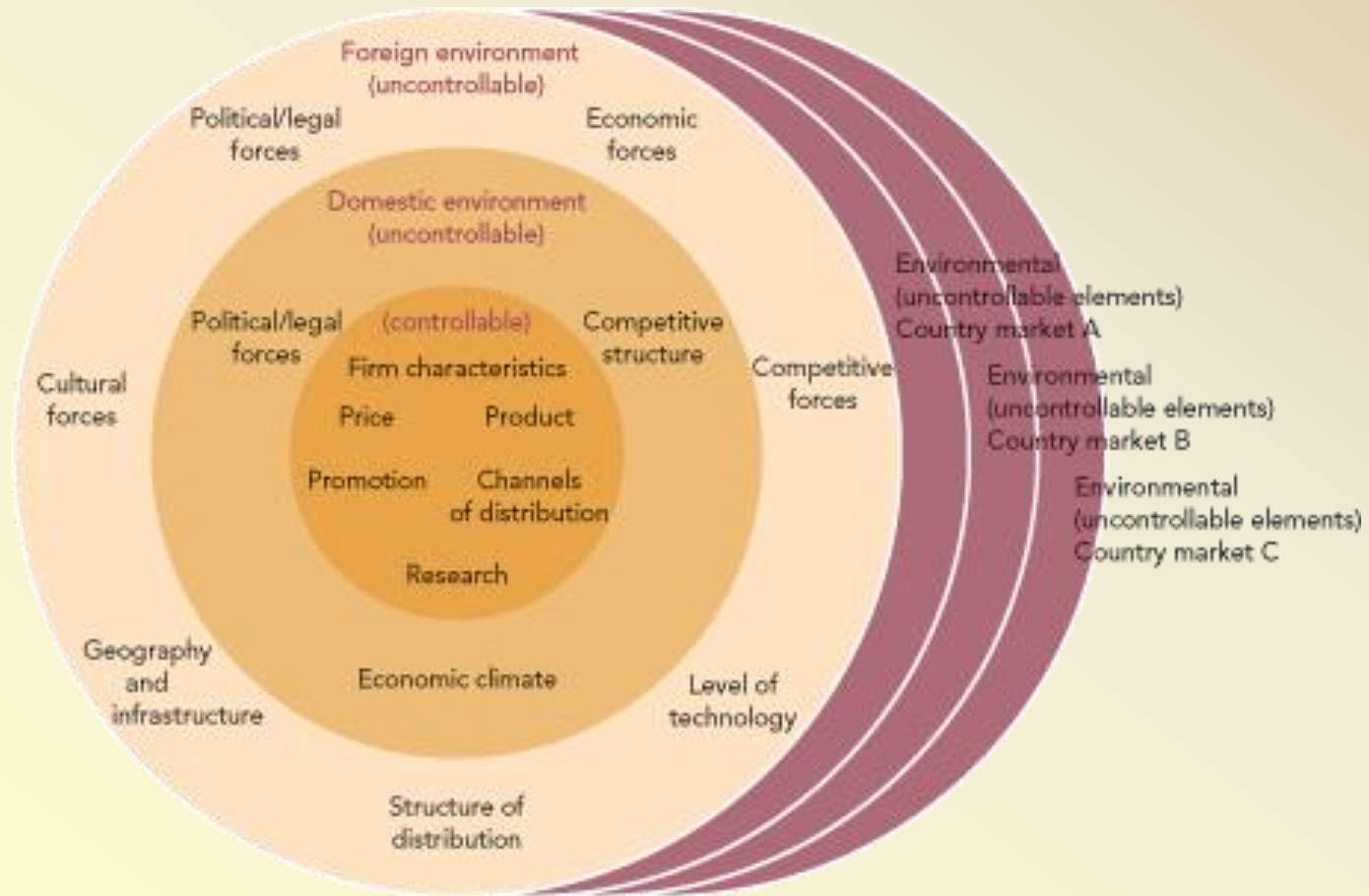
Company	Global Revenues (billions)	Percent Revenues from Outside the U.S.
Walmart	\$401.2	24.6%
Ford Motor	146.3	51.9
General Electric	182.5	53.7
CitiGroup	52.8	74.8
Hewlett-Packard	118.4	68.2
Boeing	60.9	38.9
Intel	37.6	85.4
Coca-Cola	31.9	77.0
Apple	36.5	46.0
Starbucks	10.4	20.8

International Marketing

- International marketing is defined as the performance of business activities designed to **plan, price, promote, and direct** the flow of a company's goods and services to consumers or users in more than one nations for a profit.
- The difference is the “environment”
 - Competition, legal restraints, government controls, weather, fickle consumers, economic conditions, technological constraints, infrastructure concerns, culture, and political situations.

The International Marketing Task

Exhibit 1.3



The International Marketing Task

Marketing Decision

- Firm Characteristics
- Product
- Price
- Place
- Promotion
- Research

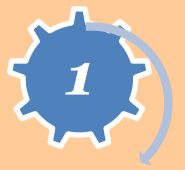
Domestic Environment

- Political forces
- Legal forces
- Economic forces
- Competition

Foreign Environment

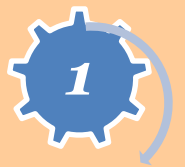
- Political forces
- Legal forces
- Economic forces
- Competition
- Level of technology
- Geography
- Culture

Environmental Adaptation



- The most challenging and important adaptation international marketers must make is cultural adjustments.
- Must establish a frame of reference
 - Time-conscious Americans vs. Time-is-not-an-asset thinking Latin Americans
 - Hand gestures vary between countries
- “Cultural Conditioning” – be aware of home cultural references before making decisions

Obstacles to Adaptation

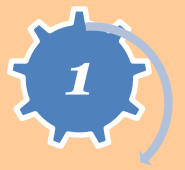


- Adaptation is a conscious effort on the part of the international marketer to anticipate the influences of both the foreign and domestic uncontrollable factors on a marketing mix and then to adjust the marketing mix to minimize the effects.
- Two primary obstacles are:
 - Self-Reference Criterion (SRC)
 - Ethnocentrism

Self-Reference Criterion (SRC)

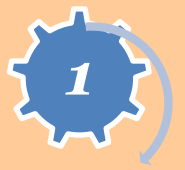
- Self-Reference Criterion (SRC) is an unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decision.
- Risk of SRC:
 - Prevent you from becoming aware of cultural differences
 - Influence the evaluation of the appropriateness of a domestically designed marketing mix for a foreign market

Ethnocentrism



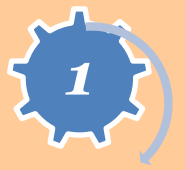
- The notion that people in one's own company, culture, or country know best how to do things.
- Risk of Ethnocentrism:
 - Impedes the ability to assess a foreign market in its true light

Beyond Obstacles to Adaptation



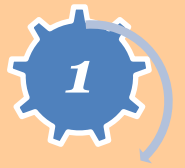
- The most effective way to control the influence of SRC and Ethnocentrism is:
 - To recognize the effects on our behavior
 - To recognize that there may be more similarities than differences between countries
 - To conduct cross-cultural analysis

Cross-Cultural Analysis



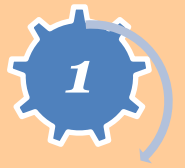
1. Define business problem or goal in home-country cultural traits, habits, or norms
2. Define business problem or goal in foreign-country cultural traits, habits, or norms through consultation with natives of target country
3. Isolate the SRC influence and examine it carefully to see how it complicates the problem
4. Redefine the problem without SRC influence and solve for the optimum business goal situation

Developing Global Awareness



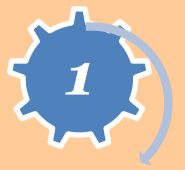
- Tolerance of cultural differences
 - You do not have to accept as your own the cultural ways of another, but you must allow others to be different and equal
- Knowledge of cultures, history, world market potential, and global economic, social, and political trends

Approaches to Global Awareness



- Select individual managers that express a global awareness orientation
- Develop personal relationships in foreign countries
- Must have the support of a culturally diverse senior executive staff or board of directors

International Marketing Involvement - Stages

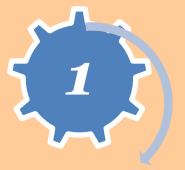


No Direct Foreign Marketing – *Reactive*



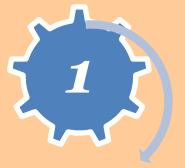
- Products “indirectly” reach foreign markets
 - Trading companies
 - Foreign customers who contact firm
 - Domestic wholesalers/distributors
 - Web orders
- Foreign orders stimulate a company’s interest to seek additional international sales

Infrequent Foreign Marketing – *Reactive*



- Caused by temporary surpluses
 - Sales to foreign markets are made as goods become available
- Firm has little or no intention of maintaining continuous market representation
 - Foreign sales activity declines and is withdrawn when domestic demand increases

Regular Foreign Marketing – *Proactive*



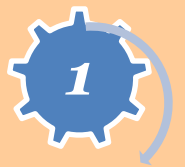
- Dedicated production capacity for foreign markets
- Strategy:
 - Firm employs domestic or foreign intermediaries
 - Uses its own sales force or sales subsidiaries
- Products are adapted for foreign markets as domestic demand grows
- Firms depend on profits from foreign markets

International Marketing –

Proactive

- Fully committed and involved in foreign markets and international activities
- Production takes place on foreign soil earning firms the MNC (Multinational Corporation) title
- Fedders being “proactive:”
 - Looked to Asia for future growth after stymied U.S. sales
 - Designed new types of air conditioner unit for the Chinese market
 - Plan to introduce new product in the U.S!

Global Marketing – *Proactive*

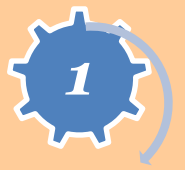


- The firm sees the world as one market!
- Market segmentation is now defined by income levels, usage patterns, or other factors that span the globe
- More than half of its revenues come from abroad
- The firm has a global perspective

Global Market Orientation

- This orientation entails operating as if all the country markets in a company's scope of operations (including the domestic market) were approachable as a single global market and standardizing the marketing mix where culturally feasible and cost effective.
- Depending on the product and market, firms may pursue a global market strategy for one product (global market orientation – P&G diapers) but a multidomestic strategy for another product (international market orientation = P&G detergents).

Textbook's Orientation



- An environmental/cultural approach to international strategic marketing
- Aim is to demonstrate the unique problems of international marketing
- Attempts to relate the foreign environment to the marketing process and to illustrate the many ways in which culture can influence the marketing task

Foreign Policy's Global Top 20

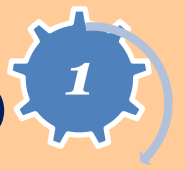
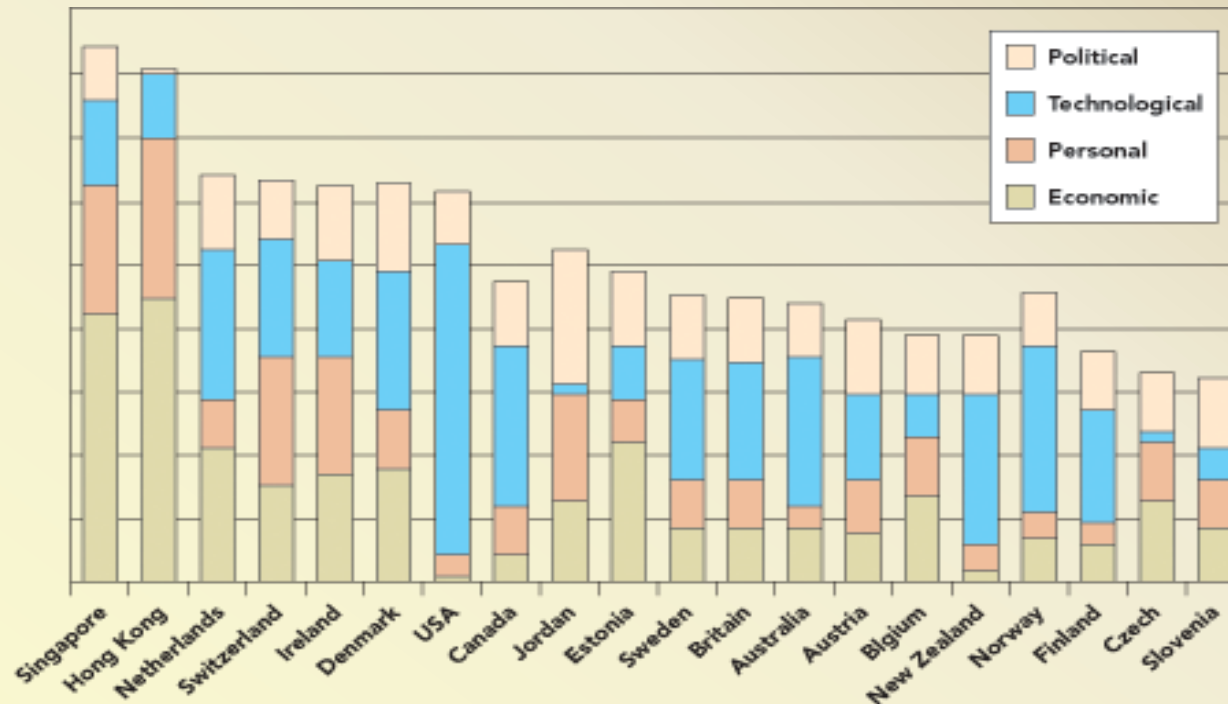


Exhibit 1.4



ECONOMIC INTEGRATION:

Trade and foreign direct investment

TECHNOLOGICAL CONNECTIVITY:

Internet users, Internet hosts, and secure servers

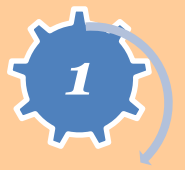
PERSONAL CONTACT:

International travel and tourism, international telephone traffic, and remittances and personal transfers (including worker remittances, compensation to employees, and other person-to-person and non-governmental transfers)

POLITICAL ENGAGEMENT:

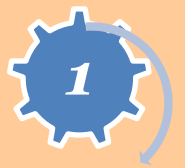
Membership in international organizations, personnel and financial contributions to U.N. peacekeeping missions, international treaties ratified, and governmental transfers

Summary (1 of 2)



- It is imperative for firms to pay attention to the global environment in the wake of intense globalization of markets and competition.
- The difference between domestic marketing and international marketing is the environment that consist of laws, customs, and cultural differences.
- Key obstacles to successful international marketing are self-reference criterion (SRC) and Ethnocentrism

Summary (2 of 2)



- Global awareness and sensitivity are solutions to the obstacles of SRC and ethnocentrism
- Five different international marketing involvement strategies were discussed: No direct foreign marketing, infrequent foreign marketing, regular foreign marketing, international marketing, and global marketing
- Firms must have global orientation – the world is seen as one market