

International Marketing

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Lecture 9



MGM204
PRINCIPLE OF MARKETING

An abstract network diagram on a light blue background. It features numerous small, colored circular nodes (red, orange, yellow, green, blue, black) connected by thin, dark blue lines. The nodes are arranged in a complex, interconnected web, with some clusters and some isolated nodes. The lines vary in thickness, suggesting different types of connections or weights.

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1. Defining International Marketing

- **International marketing** is simply the application of marketing principles to more than one country. However, there is a crossover between what is commonly expressed as international marketing and global marketing, which is a similar term.
- **International marketing** involves the firm in making one or more marketing mix decisions across national boundaries. At its most complex level, it involves the firm in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe.

Who operates in foreign countries?

- ***International companies*** are importers and exporters, they have no investment outside of their home country.
- ***Multinational companies*** have investment in other countries, but do not have coordinated product offerings in each country. More focused on adapting their products and service to each individual local market.
- ***Global companies*** have invested and are present in many countries. They market their products through the use of the same coordinated image/brand in all markets. Generally, one corporate office that is responsible for global strategy. Emphasis on volume, cost management and efficiency.

What is a Global firm?



Global firm: A firm that, by operating in more than one country, gains R&D, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.

Example of Global firms

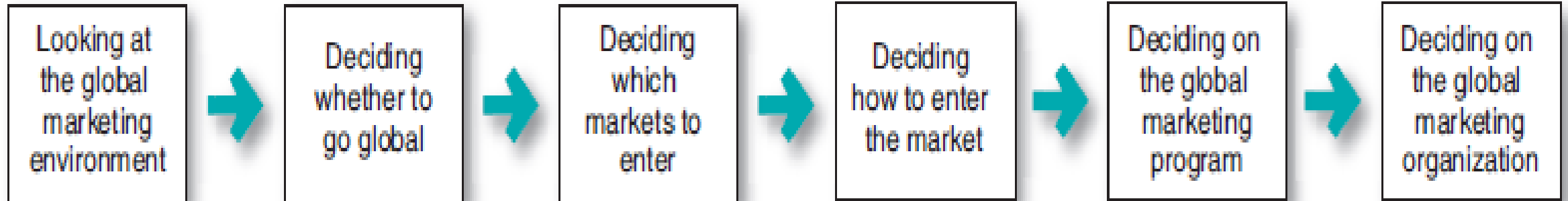
U.S.-based Otis Elevator, the world's largest elevator maker, is headquartered in Farmington, Connecticut. However, it offers products in more than 200 countries and achieves 83 percent of its sales from outside the United States. It gets elevator door systems from France, small geared parts from Spain, electronics from Germany, and special motor drives from Japan. It operates manufacturing facilities in the Americas, Europe, and Asia and engineering and test centers in the United States, Austria, Brazil, China, Czech Republic, France, Germany, India, Italy, Japan, Korea, and Spain. In turn, Otis Elevator is a wholly owned subsidiary of global commercial and aerospace giant United Technologies Corporation.⁵ Many of today's global corporations—both large and small—have become truly borderless.

OTIS



2. Major international Marketing Decisions

Major International Marketing Decisions



2.1. Looking at the global Marketing environment

2.1.1. The international trade system:

- Companies looking abroad must start by understanding the international trade system.

2.1.1.1. Restrictions on trade between nations:

- **Tariffs or duties:** taxes on certain imported products designed to raise revenue or protect domestic firms. Tariffs and duties are often used to force favorable trade behaviors from other nations.
- **Quotas:** limits on the amount of foreign imports that they will accept in certain product categories. The purpose of a quota is to conserve on foreign exchange and protect local industry and employment.
- **Exchange controls:** which limit the amount of foreign exchange and the exchange rate against other currencies.
- **Nontariff trade barriers:** such as biases against its bids, restrictive product standards, or excessive host-country regulations or enforcement. (Walmart in India limited its expansion because the Indian government requires foreign retailers in India to buy 30 percent of the merchandise they sell from local small businesses. Such a requirement is nearly impossible for Walmart because small suppliers can't produce the quantities of goods needed by the giant retailer.

2.1. Looking at the global Marketing environment

2.1.1. The international trade system:

2.1.1.2. The World Trade Organization:

- the WTO promotes trade by reducing tariffs and other international trade barriers. it also imposes international trade sanctions and mediates global trade disputes.



WORLD TRADE
ORGANIZATION



2.1. Looking at the global Marketing environment

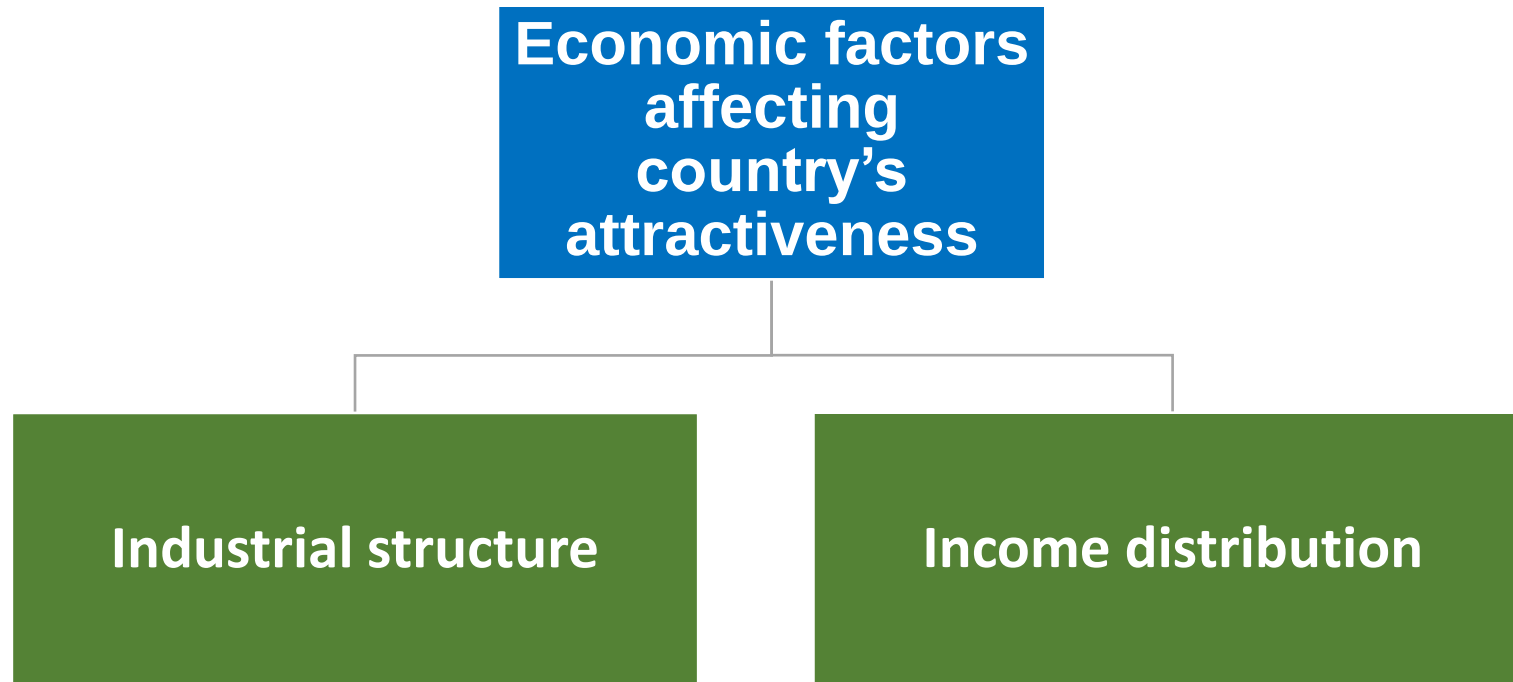
2.1.1. The international trade system:

2.1.1.3. Regional Free Trade Zones:

- Certain countries have formed free trade zones or economic communities. These are groups of nations organized to work toward common goals in the regulation of international trade.
- Examples of Regional Free Trade Zones:
 - European Union (EU).
 - North American Free Trade Agreement (NAFTA)
 - Gulf Cooperation Council (GCC)

2.1. Looking at the global Marketing environment

2.1.2. The Economic Environment



1. Industrial structure:

The four types of industrial structures

Subsistence economies

Emerging economies

Raw material exporting economies

Industrial economies

1. Industrial structure

- ***Subsistence economies.*** In a subsistence economy, the vast majority of people engage in simple agriculture. These economies offer few market opportunities. Many African countries fall into this category.
- ***Raw material exporting economies.*** These economies are rich in one or more natural resources but poor in other ways. Much of their revenue comes from exporting these resources. These countries are good markets for large equipment, tools and supplies, and trucks. If there are many foreign residents and a wealthy upper class, they are also a market for luxury goods.
- ***Emerging economies (industrializing economies).*** In an emerging economy, fast growth in manufacturing results in rapid overall economic growth. Examples include the BRIC countries—Brazil, Russia, India, and China. As more developed markets stagnate and become increasingly competitive, many marketers are now targeting growth opportunities in emerging markets.
- ***Industrial economies.*** Industrial economies are major exporters of manufactured goods, services, and investment funds. They trade goods among themselves and also export them to other types of economies for raw materials and semifinished goods. Examples include the United States, Japan, and Norway.

2. Income distribution

- Industrialized nations may have low-, medium-, and high-income households. In contrast, countries with subsistence economies consist mostly of households with very low family incomes. Still other countries may have households with either very low or very high incomes.
- These days, companies in a wide range of industries—from cars to computers to soft drinks—are increasingly targeting middle-income or low-income consumers in emerging economies. For example, as soft drink sales growth has lost its fizz in North America and Europe, Coca-Cola has had to look elsewhere to meet its ambitious growth goals. So, the company has set its sights on Africa, with its promising though challenging long-term growth opportunities.



With sales stagnating in its mature markets, Coca-Cola is looking to emerging markets—such as Africa—to meet its ambitious growth goals.

2.1. Looking at the global Marketing environment

2.1.3. Political-legal environment:

- In considering whether to do business in a given country, a company should consider factors such as the country's attitudes toward international buying, government bureaucracy, political stability, and monetary regulations. Some nations are very receptive to foreign firms; others are less accommodating.
- For example, India has tended to bother foreign businesses with import quotas, currency restrictions, and other limitations that make operating there a challenge. In contrast, neighboring Asian countries, such as Singapore and Thailand, court foreign investors and shower them with incentives and favorable operating conditions.

2.1. Looking at the global Marketing environment

2.1.4. Cultural environment:

- **The impact of culture on Marketing strategy:**

- Sellers must understand the ways that consumers in different countries think about and use certain products before planning a marketing program.
- Example: the average French man uses almost twice as many cosmetics and grooming aids as his wife. The Germans and the French eat more packaged, branded spaghetti than Italians do. Some 49 percent of Chinese eat on the way to work. Most American women let down their hair and take off makeup at bedtime, whereas 15 percent of Chinese women style their hair at bedtime and 11 percent put on makeup.

“please notice our size is chinese size, it may be 1-2 size smaller than Europe or US size,so please check the size suggestion carefully before buying”

Chapter 09

McDonald's Fries in the U.S.



Potatoes, Vegetable Oil (**Canola Oil, Corn Oil, Soybean Oil, Hydrogenated Soybean Oil, Natural Beef Flavor**), Dextrose, **Sodium Acid Pyrophosphate**, Salt. Fried in a vegetable oil blend with Citric Acid and **Dimethylpolysiloxane**.

McDonald's Fries in the U.K.

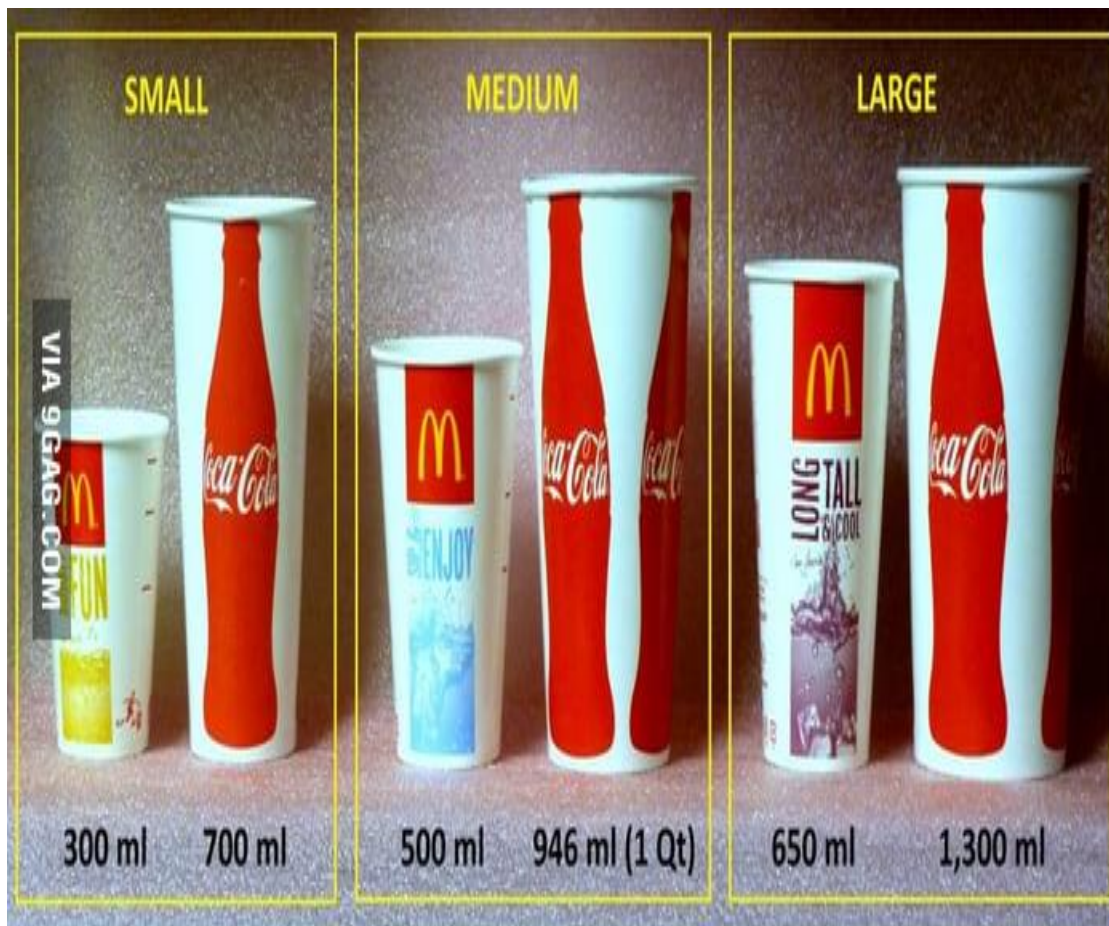


Potatoes, Vegetable Oil (Sunflower, **Rapeseed**), Dextrose. Fried in non-hydrogenated vegetable oil. Salt is added after cooking.

FOOD BABE
Vani Hari

Chapter 09

Europe vs. USA





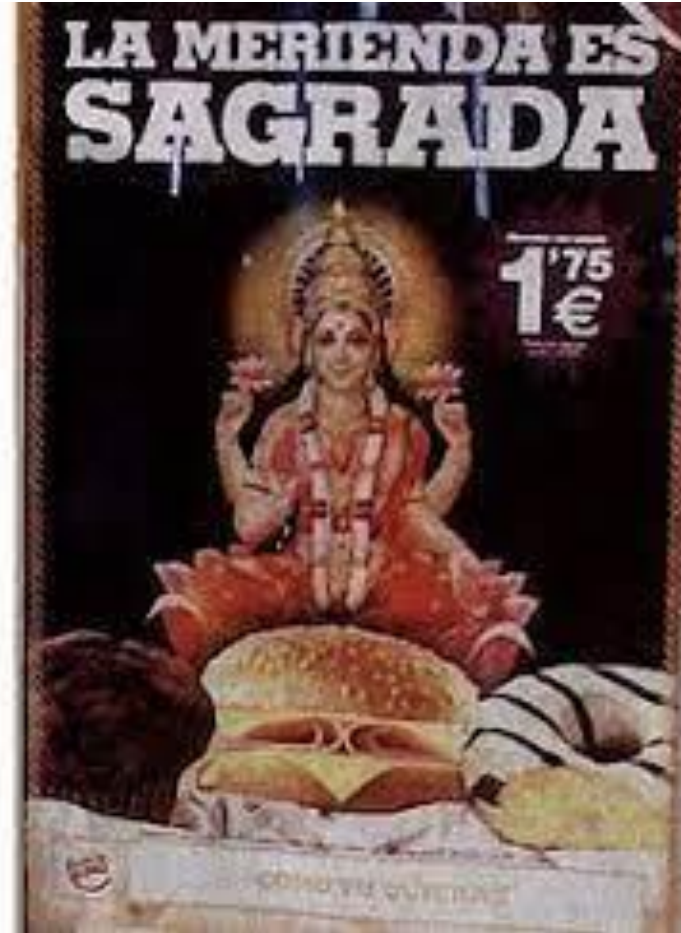
Nike inadvertently offended Chinese officials when it ran an ad featuring LeBron James crushing a number of culturally revered Chinese figures in a kung fu-themed television ad. The Chinese government found that the ad violated regulations to uphold national dignity and respect the “motherland’s culture” and yanked the multimillion-dollar campaign. Nike released a formal apology.



Example of marketing missteps



Burger King made a mistake when it created in-store ads in Spain showing Hindu goddess Lakshmi atop a ham sandwich with the caption “a snack that is sacred.” Cultural and religious groups worldwide objected strenuously—Hindus are vegetarian. Burger King apologized and pulled the ads.



- **Business norms and behaviors also vary from country to country:**
- For example, American executives like to get right down to business and engage in fast and tough face-to-face bargaining. However, Japanese and other Asian businesspeople often find this behavior offensive. They prefer to start with polite conversation, and they rarely say no in face-to-face conversations.
- Microsoft founder Bill Gates once set off a flurry of international controversy when he shook the hand of South Korea's president with his right hand while keeping his left hand in his pocket, something that Koreans consider highly disrespectful.
- In some countries, when being entertained at a meal, not finishing all the food implies that it was somehow substandard. In other countries, in contrast, wolfing down every last bite might be taken as a mild insult, suggesting that the host didn't supply enough quantity.



- In Chinese, IKEA is known as Yi Jia. Translated, it means “comfortable home,”
- “Customers come on family outings, hop into display beds and nap, pose for snapshots with the décor, and hang out for hours to enjoy the air conditioning and free soda refills”.
- One Chinese IKEA has even hosted several weddings. IKEA managers encourage such behavior, figuring that familiarity with the store will result in later purchasing when shoppers’ incomes eventually rise to match their aspirations. “Maybe if you’ve been visiting IKEA, eating meatballs, hot dogs, or ice cream for 10 years, then maybe you will consider IKEA when you get yourself a sofa,” says the company’s Asia-Pacific president.
- Thanks to such cultural understandings coupled with competitively low prices, China was IKEA’s fastest-growing market last year. What do Chinese consumers think of Swedish meatballs? “They love them,” says IKEA China’s marketing director.

2.1. Looking at the global Marketing environment

- **The impact Marketing strategy on culture:**

- Social critics contend that large American multinationals, such as McDonald's, Coca-Cola, Starbucks, Nike, Google, Disney, and Facebook, aren't just globalizing their brands; they are Americanizing the world's cultures.
- Other elements of American culture have become pervasive worldwide. For instance, more people now study English in China than speak it in the United States.
- In China, most people never drank coffee before Starbucks entered the market. Now Chinese consumers rush to Starbucks stores because it symbolizes a new kind of lifestyle. Similarly, in China, where McDonald's operates more than 80 restaurants in Beijing alone, nearly half of all children identify the chain as a domestic brand.
- Critics worry that, under such "McDomination," countries around the globe are losing their individual cultural identities.

Chapter 09



American brands in other cultures:
KFC has become one of Japan's
leading Christmas dining traditions,
with the iconic colonel sanders
standing in as a kind of Japanese
father Christmas.

2.2. Deciding whether to go global

- Before going abroad, the company must weigh several risks and answer many questions about its ability to operate globally.
 - Can the company learn to understand the preferences and buyer behavior of consumers in other countries?
 - Can it offer competitively attractive products?
 - Will it be able to adapt to other countries' business cultures and deal effectively with foreign nationals?
 - Do the company's managers have the necessary international experience?
 - Has management considered the impact of regulations and the political environments of other countries



2.3. Deciding Which Markets to enter

- Before going abroad, the company should try to define its international ***marketing objective and policies***.
- It should decide what ***volume of foreign sales it wants***. Most companies start small when they go abroad. Some plan to stay small, seeing international sales as a small part of their business. Other companies have bigger plans, however, seeing international business as equal to—or even more important than—their domestic business.
- The company also needs to choose in ***how many countries it wants to market***. Companies must be careful not to spread themselves too thin or expand beyond their capabilities by operating in too many countries too soon.
- Next, the company needs to decide on the ***types of countries to enter***. A country's attractiveness depends on the product, geographical factors, income and population, political climate, and other considerations. In recent years, many major new markets have emerged, offering both substantial opportunities and daunting challenges.

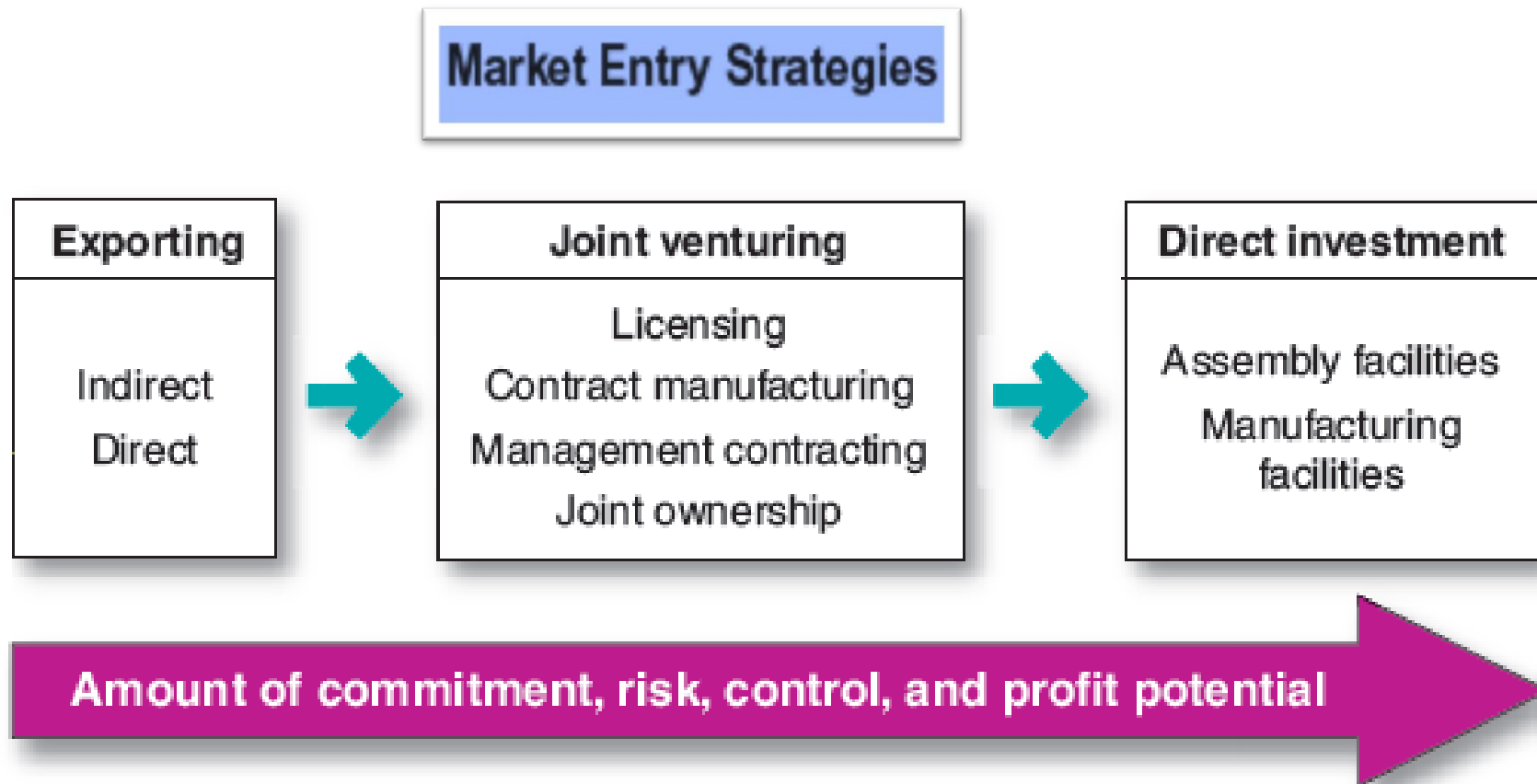
EXAMPLE: NETFLIX

The Netflix logo, consisting of the word "NETFLIX" in a bold, red, sans-serif font, set against a black rectangular background.

- Netflix needs to grow its subscriber base to cover rapidly rising content costs, and Europe offers huge opportunities. Western Europe boasts 134 million broadband homes, compared with 94 million in the United States.
- Netflix has already entered the UK and the Nordic nations and is the leading video service in Sweden after only two years.
- However, as Netflix considers expanding into new European markets, it must ask some important questions:
 - Can it compete effectively on a country-by-country basis with local competitors?
 - Can it master the varied cultural and buying differences of European consumers?
 - Will it be able to meet environmental and regulatory hurdles in each country?

- In entering new European markets, Netflix will face many challenges. For example, Europe is now crowded with formidable **competitors**. More than a dozen local Netflix-like rivals have sprung up there during the past few years
- **Content** is another major consideration. Although Netflix is building its own portfolio of international content rights, European competitors already own exclusive in-country rights to many popular U.S. and non-U.S. shows.
- Netflix may also encounter **local regulatory obstacles**. Regulations in France, for instance, restrict services like Netflix from airing films until three years after they open nationally in theaters, and video services there are usually required to invest in film production in the country.
- Despite these challenges, however, Netflix CEO Reed Hastings seems unfazed. “We can still build a very successful business [in these new markets],” he says. Wherever Netflix goes, “I think the key is having unique content, a great reputation, and a good value proposition”.

2.4. Deciding how to enter the Markets



2.4. Deciding how to enter the markets

2.4.1. Exporting:

- Exporting is entering foreign markets by selling goods produced in the company's home country, often with little modification.
- It is the simplest way to enter a foreign market.
- The company may passively export its surpluses from time to time, or it may make an active commitment to expand exports to a particular market. In either case, the company produces all its goods in its home country. It may or may not modify them for the export market.
- Exporting involves the least change in the company's product lines, organization, investments, or mission.



2.4. Deciding how to enter the markets

2.4.2. Joint Venturing



- Joint venturing is entering foreign markets by joining with foreign companies to produce or market products or services.
- Joint venturing differs from exporting in that the company joins with a host country partner to sell or market abroad.
- There are four types of joint ventures: *licensing*, *contract manufacturing*, *management contracting*, and *joint ownership*

2.4. Deciding how to enter the markets

2.4.2.1. Licensing:

- Licensing is entering foreign markets through developing an agreement with a licensee in the foreign market.
- For a fee or royalty payments, the licensee buys the right to use the company's manufacturing process, trademark, patent, trade secret, or other item of value.
- The company thus gains entry into a foreign market at little risk; at the same time, the licensee gains production expertise or a well-known product or name without having to start from scratch
- Coca-Cola markets internationally by licensing bottlers around the world and supplying them with the syrup needed to produce the product. Its global bottling partners range from the Coca-Cola Bottling Company of Saudi Arabia to Europe-based Coca-Cola Hellenic, which bottles and markets 136 Coca-Cola brands to 589 million people in 28 countries.



2.4. Deciding how to enter the markets

2.4.2.1. Licensing:

- Licensing has potential disadvantages:
 - The firm has less control over the licensee than it would over its own operations.
 - If the licensee is very successful, the firm has given up these profits, and if and when the contract ends, it may find it has created a competitor.



2.4. Deciding how to enter the markets

2.4.2.2. Contract Manufacturing

- Contract manufacturing is a joint venture in which a company contracts with manufacturers in a foreign market to produce its product or provide its service.
- **Advantages:**
 - the chance to start faster, with less risk, and the later opportunity either to form a partnership with or buy out the local manufacturer.
 - Contract manufacturing can also reduce plant investment, transportation, and tariff costs while at the same time helping to meet the host country's local manufacturing requirements
- **Inconvenient:**
 - Decreased control over the manufacturing process
 - Loss of potential profits on manufacturing.

2.4. Deciding how to enter the markets

2.4.2.3. Management Contracting

- It is a joint venture in which the domestic firm supplies the management knowhow to a foreign company that supplies the capital; the domestic firm exports management services rather than products.
- **Advantages:**
 - Low-risk method of getting into a foreign market, and it yields income from the beginning.
- **Inconvenient:**
 - Not sensible if the company can put its scarce management talent to better uses or if it can make greater profits by undertaking the whole venture.
 - Prevents the company from setting up its own operations for a period of time



The properties are locally owned, but Hilton manages the hotels with its world-renowned hospitality expertise



2.4.2.4. Joint ownership

- A cooperative venture in which a company creates a local business with investors in a foreign market who share ownership and control..
- Joint ownership may be needed for economic or political reasons. For example, the firm may lack the financial, physical, or managerial resources to undertake the venture alone. Alternatively, a foreign government may require joint ownership as a condition for entry.
- Joint ownership has certain drawbacks, however. The partners may disagree over investment, marketing, or other policies



2.4.3. Direct Investing:

- **Direct investment:** Entering a foreign market by developing foreign-based assembly or manufacturing facilities. It is the biggest involvement in a foreign market
- **Advantages:**
 - The firm may have lower costs in the form of cheaper labor or raw materials, foreign government investment incentives, and freight savings.
 - The firm may also improve its image in the host country because it creates jobs.
 - The firm keeps full control over the investment and therefore can develop manufacturing and marketing policies that serve its long-term international objectives.
- **Disadvantages:**
 - The firm faces many risks, such as restricted or devalued currencies, falling markets, or government changes

2.4. Deciding on the global Marketing Program

- Companies that operate in one or more foreign markets must decide how much, if at all, to adapt their marketing strategies and programs to local conditions:
 - **Standardized global marketing:** A global marketing strategy that basically uses the same marketing strategy and mix in all of the company's international markets.
 - **Adapted global marketing:** A global marketing approach that adjusts the marketing strategy and mix elements to each international target market, which creates more costs but hopefully produces a larger market share and return.

Standardize or adapt?

- Global standardization is not an all-or-nothing proposition. It's a matter of degree.
- Most international marketers suggest that companies should “**think globally but act locally.**”
- They should seek a balance between standardization and adaptation, leveraging global brand recognition but adapting their marketing, products, and operations to specific markets.

- There are 3 product strategies:

1. **Straight product extension:** it means marketing a product in a foreign market without making significant changes to the product. Top management tells its marketing people, “Take the product as is and find customers for it.” (Example apple)
2. **Product adaptation:** it involves changing the product to meet local requirements, conditions, or wants (Example Mc Donald's).
3. **Product invention:** it consists of creating something new to meet the needs of consumers in a given country (Example Haier).



- **There are 2 strategies:** Companies can adopt the **same communication strategy** they use in the home market or **change it for each local market**.



Chapter 09

Five global Product and communications strategies

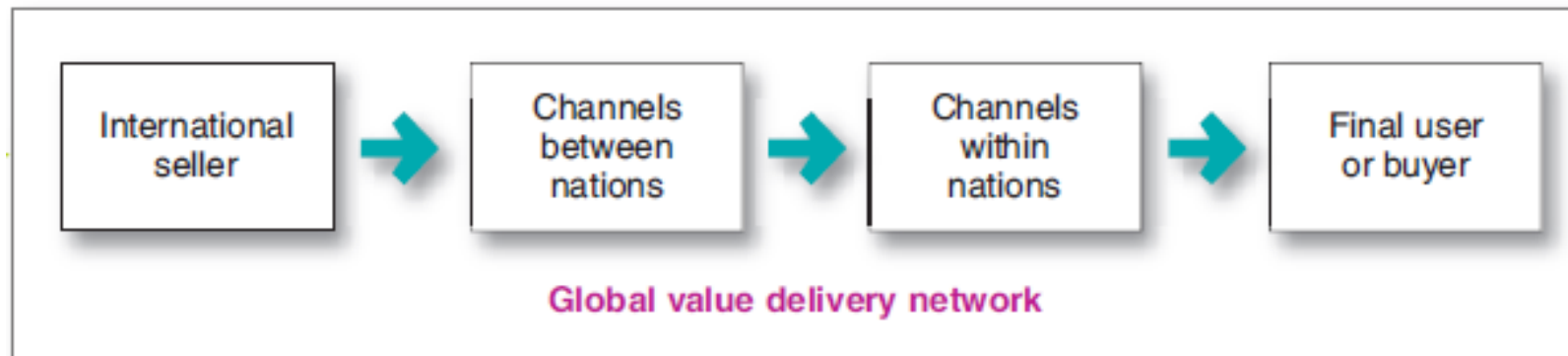
		Product		
		Don't change product	Adapt product	Develop new product
Communications	Don't change communications	Straight extension	Product adaptation	Product invention
	Adapt communications	Communication adaptation	Dual adaptation	

Five global Product and communications strategies



- It could set a **uniform price** globally, but this amount would be too high of a price in poor countries and not high enough in rich ones.
- It could **charge what consumers in each country would bear**, but this strategy ignores differences in the actual costs from country to country.
- The company could use a **standard markup of its costs everywhere**, but this approach might price the product out of the market in some countries where costs are high.
- Regardless of how companies go about pricing their products, their foreign prices probably will be higher than their domestic prices for comparable products.
- Companies usually face a price escalation problem: it must add the cost of transportation, tariffs, importer margin, wholesaler margin, and retailer margin to its factory price.

- An international company must take a **whole-channel view** of the problem of distributing products to final consumers.
- **Whole-channel view:** Designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network.



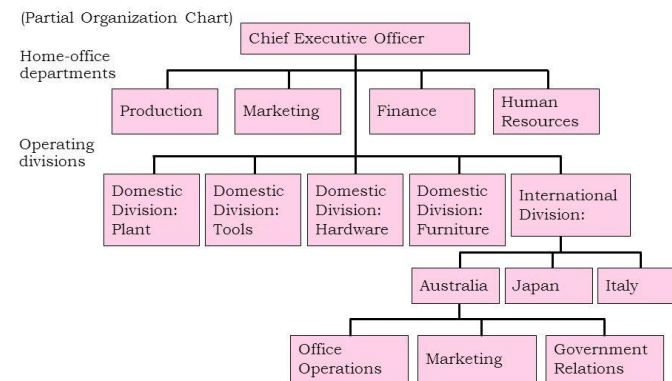
Whole-channel concept for international Marketing

2.5. Deciding on the global Marketing organization

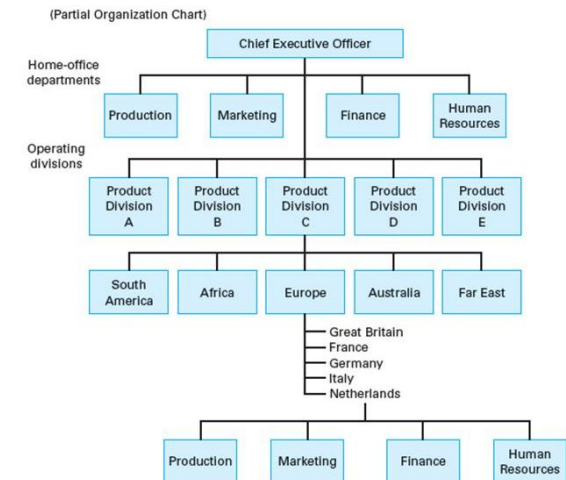
- Companies manage their international marketing activities in at least three different ways: Most companies first organize an **export department**, then create an **international division**, and finally become a **global organization**.



International Division Structure



A Global Product Division Structure





WORLD THANK YOU