Global Aspects of Marketing

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Chapter 6

Chapter Objectives

To define domestic, international, and global marketing
To explain why international marketing takes place and study its scope
To explore the cultural, economic, political and legal, and technological environments facing international markets
To analyze the stages in the development of an international marketing strategy

Overview of Global Marketing

- Due to its impact, international marketing concepts should be understood by all types of firms.
- Global marketing allows firms to seek new markets for expansion.
- Countries trade items in which they have a comparative advantage.
- Domestic marketing encompasses a firm's efforts in its home country.
- International marketing involves marketing goods and services outside the home country.
- Global marketing is an advanced form of international marketing in which a firm addresses global customers, markets, and competition.

Benefits of International Marketing

- It allows each country to maximize their strengths and offset its weaknesses.
- Countries can optimize their comparative advantages.
- It can extend the product life cycle, dispose of discontinued items, and allow for innovations.

Range of Global Marketing Options

- Domestic firm: It restricts efforts to home market.
- Exporting firm: It expands sales beyond its home borders.
- International firm: It modifies products for foreign markets or introduces new items.
- Multinational firm: While headquartered in home nation, 50% of its sales/profits are from multiple nations.
- Global firm: Its domestic sales are relatively low, so it relies more on foreign transactions.

Why International Marketing Occurs

- Comparative Advantage
- Tax Incentives
- Stage in the Product Life Cycle
- Growth of International Marketing
- Economic and Demographic Trends
- Competition at Home
### Scope of International Marketing

- While 70% of U.S. foreign business revenues are generated by large firms, hundreds of thousands of small firms are also involved.
- World’s leading export countries include the United States, Germany, Japan, Great Britain, and France.
- Capital goods are leading U.S. exports.
- The Value of U.S. imports exceeds its exports, creating a trade deficit.
- The U.S. has a large service trade surplus, the greatest of any nation.

### The Environment Facing International Marketers

- **Cultural Environment**
  - Standards of behavior
  - Language
  - Lifestyles
  - Goals

- **Economic Environment**
  - Standard of living
  - GDP
  - Stage of economic development
  - Stability of currency

- **Technological Environment**
  - Production and measurement systems
  - Advances

- **Political and Legal Environment**
  - Nationalism
  - Government stability
  - Trade restrictions
  - Trade agreements/economic communities

### The Cultural Environment

A culture is a group of people sharing a distinctive heritage.

- Inadequate information about foreign culture is a common cause of marketing errors.
- Developing countries often have limited census data information, poor communication tools, and limited technological access.
- Language barriers often inhibit access to traditions and customs that are key to customer desires.

### The Economic Environment

- A nation’s economic environment indicates its present and potential capacity for consuming goods and services.
- A standard of living refers to the average quality of goods and services that are owned and consumed in a country.
- The **Gross Domestic Product (GDP)** is the total value of goods and services produced in a country in a year.
- GDP is the most frequently used measure of a nation’s wealth because it is regularly published and easy to calculate and compare with other nations.

### Stages of Economic Development

- **Industrialized Countries**
  - High literacy rate
  - Modern technology
  - High per capita GDP

- **Developing Countries**
  - Rising education
  - Improving technology
  - Low per capita GDP

- **Less Developed Countries**
  - Low literacy
  - Limited technology
  - Extremely low per capita GDP

### Types of Trade Restrictions

- **Tariffs**
- **Embargoes**
- **Legal Analysis**
- **Political Analysis**
- **Trade Quotas**
- **Local Content Laws**
Leading Economic Communities

- The European Union facilitates trade among member countries by establishing common currency, product standards, and the free flow of people and capital.
- NAFTA (North American Free Trade Association) has created an economic community to link the U.S., Canada, and Mexico.

3 Types of International Marketing Company Organizations

- Exporting: A firm reaches international markets by selling products made in its home country directly through its own sales force or indirectly via foreign merchants or agents.
- Joint Venture (Strategic Alliance): A firm agrees to combine aspects of manufacturing or marketing efforts with a company in a foreign country to share expertise, costs, or contacts. It is critical to select appropriate partners.
- Direct Ownership: A firm has full control and owns production, marketing, and other facilities in a foreign country without any partners.

Alternative Company Organizations for International Marketing

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<th>Low</th>
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<tr>
<td>Commitment</td>
<td>Resource Needs</td>
<td>Flexibility</td>
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<td>Control</td>
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<td>Profit Potential</td>
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| Direct Ownership | Joint Venture | Exporting |

Standardizing International Plans

- Global Approach: A common marketing plan is used for each nation.
- Nonstandardized Approach: Each country is given a separate marketing plan.
- Glocal Approach (think global and act local): This combines standardized and nonstandardized plans and lets a firm gain production efficiencies, have a consistent image, have home office control, and still be sensitive and responsive to local needs.

Methods of International Product Planning

- In straight extension, a firm makes and markets the same product for domestic and foreign sales.
- In product adaptation, domestic products are modified to meet foreign language needs, taste preferences, climates, electrical requirements, laws, and/or other factors.
- With backward invention, a firm appeals to developing and less-developed nations by making products less complex than it sells domestically.
- With forward invention, a company develops new products for its international markets.

International Distribution Planning

- It encompasses the selection and use of resellers, and the physical movement of products.
- Distribution in each international market requires planning.
- Government restrictions, costs, transportation, poor road conditions, and other limitations may alter distribution modes.
- Inventory, storage, and reordering may be affected by warehouse availability.
International Promotion Planning

- It depends on the overlap of audiences, language similarities, and the availability of media.
- Campaigns can be global, nonstandardized, or glocal.
- Firms sometimes globalize promotions for image purposes.

International Price Planning

- It considers whether prices should be standardized, the level at which prices are set, the currency in which prices are quoted, and terms of sale.
- Dumping is involved if a firm sells a product in a foreign country at a price lower than that prevailing in its home market, below the cost of production, or both. Duties may be levied on “dumped” products.

Chapter Summary

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- It analyzes the stages in the development of an international marketing strategy.