

# The Global Marketplace

## Chapter 19

## Objectives

- Understand how the international trade system, economic, political-legal, and cultural environments affect a company's international marketing decisions.
- Learn three key approaches to entering international markets.

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## Objectives

- Understand how companies adapt their marketing mixes for international markets.
- Learn how to identify the three major forms of international marketing organizations.

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## Case Study

### Coca-Cola

- 1900: Coca-Cola was available in foreign countries
- Early branding efforts placed logo prominently abroad
- 1971: "I'd like to buy the world a coke" TV ad
- Coca-cola has recently entered India, China and Indonesia
- Consistent positioning and taste worldwide
- Ads and promotions are adapted to local markets

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## Definition

- **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.

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## Global Marketing in the 21<sup>st</sup> Century

- International trade is booming
- Many U.S. firms are successful international marketers
- Global competition is intensifying
- Global companies face several problems
- Companies face six major decisions in international marketing

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## Global Marketing in the 21<sup>st</sup> Century

### International Marketing Decisions

- Looking at the global environment
- Deciding whether to go international
- Deciding which markets to enter
- Deciding how to enter the markets
- Deciding the global marketing problem
- Deciding on the global marketing organization

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## Looking at the Global Marketing Environment

- **The International Trade System**
  - Tariffs, quotas, embargos, exchange controls, nontariff trade barriers
  - World Trade Organization and GATT
  - Regional free trade zones
    - ❖ *European Union*
    - ❖ *North American Free Trade Agreement*
    - ❖ *Other free trade areas*

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## Looking at the Global Marketing Environment

- **Economic Environment**
  - Industrial structure
    - ❖ *Subsistence economies*
    - ❖ *Raw material exporting economies*
    - ❖ *Industrializing economies*
    - ❖ *Industrial economies*
  - Income distribution

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## Looking at the Global Marketing Environment

- **Political-Legal Environment**
  - Attitudes toward international buying
  - Government bureaucracy
  - Political stability
  - Monetary regulations
    - ❖ *Countertrade: barter, compensation, counterpurchase*

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## Looking at the Global Marketing Environment

- **Cultural Environment**
  - Impact of Culture on Marketing Strategy
    - ❖ *Cultural traditions, preferences, behavior*
  - Impact of Marketing Strategy on Cultures
    - ❖ *Globalization vs. Americanization*

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## Deciding Whether to Go International

- **Not all companies need an international presence**
- **Globalization may be triggered by several factors**
- **Risk and the ability to operate globally must be carefully assessed**

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## Deciding Which Markets to Enter

- Define international marketing policies and objectives, and sales volume goals
- Decide how many countries to target
- Decide on the types of countries to enter
- Screen and rank each of the possible international markets using several criteria
  - Market size, market growth, cost of doing business, competitive advantage, risk level

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## Deciding How to Enter the Market

- **Exporting**
  - Direct vs. indirect
- **Joint Venturing**
  - Licensing, contract manufacturing, management contracting, joint ownership
- **Direct Investment**
  - Assembly facilities, manufacturing facilities

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## Deciding on the Global Marketing Program

- **Standardized Marketing Mix**
  - Same basic product, advertising, distribution, and other elements of the marketing mix are used in all international markets.
- **Adapted Marketing Mix**
  - The marketing mix elements are adjusted for each international target market.

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## Deciding on the Global Marketing Program

- **Product Strategies for the Global Market**
  - Straight product expansion
    - ❖ *Marketing the product with no changes*
  - Product adaptation
    - ❖ *Altering the product to meet local conditions or the wants of the foreign market*
  - Product invention
    - ❖ *Creating new products or services for foreign markets*

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## Deciding on the Global Marketing Program

- **Global Promotion Strategies**
  - Standardized global communication
    - ❖ *Advertising themes are standardized from country to country with slight modifications*
  - Communication adaptation
    - ❖ *Advertising messages are fully adapted to local markets*

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## Deciding on the Global Marketing Program

- **Global Pricing Strategies**
  - Companies face many problems
    - ❖ *Price escalation*
    - ❖ *Pricing to foreign subsidiaries*
    - ❖ *Recent economic and technological forces*
    - ❖ *The Internet*

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## Deciding on the Global Marketing Program

- **Global Distribution Channels**
  - Whole-channel view
    - ❖ *Seller's headquarters organization*
    - ❖ *Channels between nations*
    - ❖ *Channels within nations*
    - ❖ *Numbers and types of intermediaries*

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## Deciding on the Global Marketing Organization

- **Managing International Marketing Activities**
  - *Step 1*: Organize export department
  - *Step 2*: Create an international division
  - *Step 3*: Become a global organization

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