

INTERNATIONAL BUSINESS

MNG 4102

MODULE 1

INTRODUCTION AND REVISION



GLOBAL MARKETING IN THE 21ST CENTURY

- The world is shrinking rapidly with the advent of faster communication, transportation, and financial flows.
- International trade is booming and accounts for 25-35% of U.S. GDP.
- Global competition is intensifying.
- Higher risks with globalization.



MARKETING MANAGEMENT IN GLOBAL MARKETS

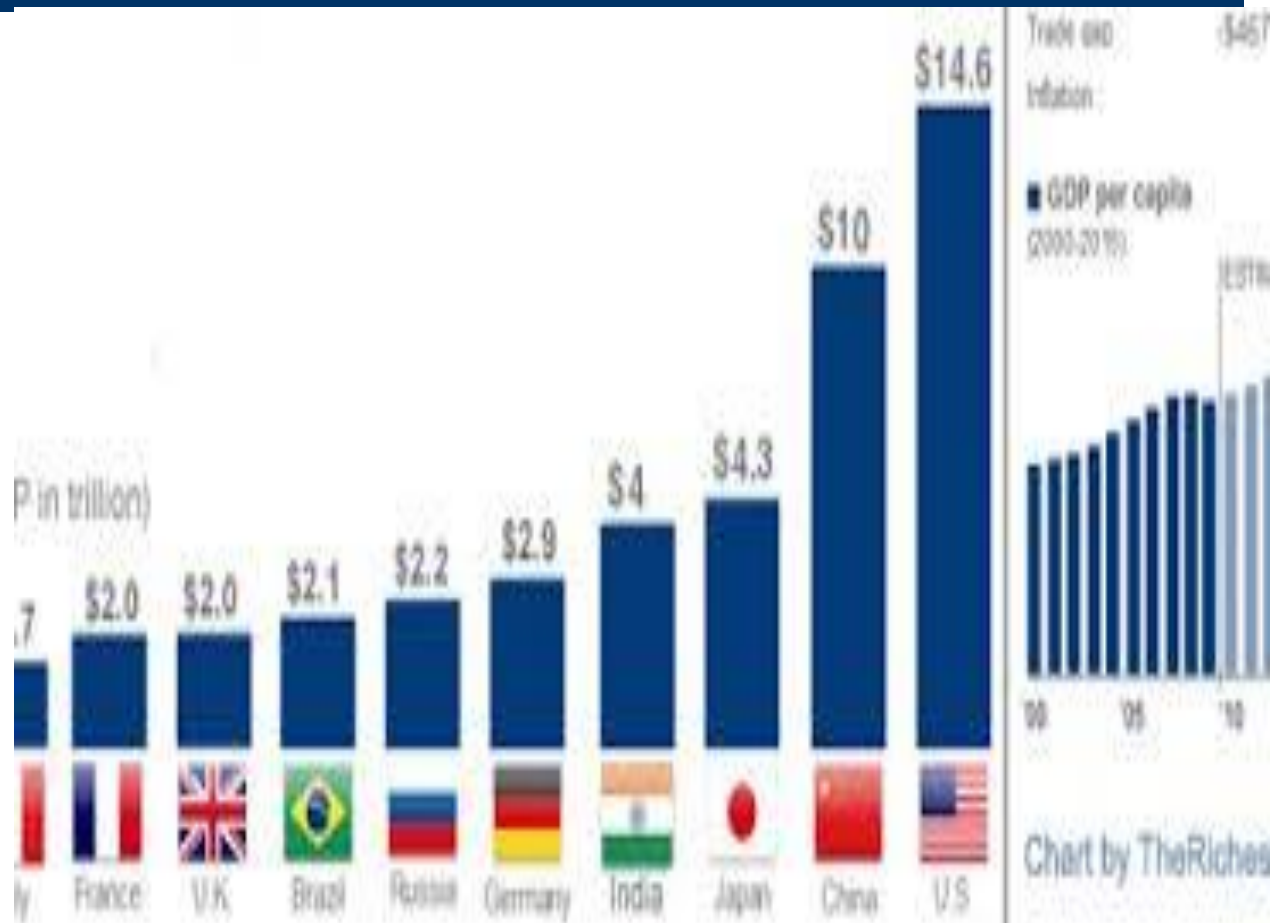
LARGEST COUNTRIES IN THE WORLD

1.	Exxon Mobil	Oil & Gas	\$ 486 B	99,200	USA
2.	Royal Dutch Shell	Oil & Gas	\$ 470 B	90,000	Holland
3.	Walmart	Retail	\$ 447 B	2.2 M	USA
4.	Sinopec	Oil & Gas	\$ 398 B	400 K	China
5.	CNPC	Oil & Gas	\$ 378 B	464K	China
6.	BP	Oil & Gas	\$ 375 B	84K	London
7.	Vitol	Commodities	\$ 297 B	2,810	Geneva
8.	State Grid	Electric Util.	\$ 265 B	1.65 M	China
9.	Chevron	Oil & Gas	\$ 253 B	61,000	USA
10.	ConocoPhillips	Oil & Gas	\$ 251 B	20,000	USA
11.	Toyota	Automobile	\$ 226 B	326,000	Japan

TOP TEN 2000 U.S. TRADING PARTNERS (\$ BILLIONS)

<i>Country</i>	<i>U.S. Exports</i>	<i>U.S. Imports</i>	<i>Total</i>	<i>Surplus/ Deficit</i>
Canada	\$176.4	\$229.2	\$405.6	-\$52.8
Mexico	111.7	135.9	247.6	-24.2
Japan	65.3	146.5	211.8	-81.3
China	16.3	100.0	116.3	-83.8
Germany	29.3	558.7	88.0	-29.5
United Kingdom	41.5	43.5	85.0	-1.9
South Korea	27.9	40.3	68.2	-12.4
Taiwan	24.4	40.5	64.9	-16.1
France	21.0	29.0	50.0	-8.0
Singapore	17.4	19.6	37.0	-2.2

THE WORLD'S LARGEST ECONOMIES



BRAZIL

Brazil is larger than the continental US and Australia. It is the fifth largest country in the world. Brazil is also the fifth most populous country and fourth largest democracy

Sao Paulo is the second most populous city in the world, with almost 11 million people and nearly 22 million in the metropolitan area.

Brazil is also one of the most unequal societies. 5% of the population own 85% of the wealth.

Brazil is the world's largest exporter of iron ore and soya; it will soon be the largest exporter of frozen meat. Brazilian industry produces more cars than Mexico, more steel than Italy, the same amount as India.

Brazil is technically self-sufficient in oil and if recently discovered reserves are all proven, is likely to become a major oil exporter in the future.

Brazil has the world's largest reserves of tropical forest, freshwater and of bio-diversity. Enough water flows out of the Amazon each day to keep New York City going for 10 years

BRAZIL

THE COUNTRY IS ONE OF THE MOST BIODIVERSE IN THE WORLD

Its six major home to between 20 and 30% of world's biodiversity—
1,300 species of fish (12 to 15 times the number found in Europe), more than 1,000 species of birds, more than 400 mammals, and 30,000 plants (10% of the world's total).

The Amazon represents over half of the world's remaining rainforest (8.5 million square kilometres) and contains **one fifth of the world's freshwater**. Brazil has 3.5 million square km of coastal and marine waters.

Biodiversity is of economic importance—it provides ecosystem services: clean water, fertile soil and regional rainfall, as well as regulating the climate.

It is also a potential source of pharmaceutical products and **cultural and spiritual significance to Brazil's people which include over 200 indigenous groups**.



BRAZIL.....GUYANA'S BEST PARTNER

The owner of a sophisticated technological sector, Brazil develops projects that range from submarines to aircraft and is involved in space research: the country possesses a satellite launching center and was the only country in the Southern Hemisphere to integrate the team responsible for the construction of the International Space Station (ISS).

It is also a pioneer in many fields, including ethanol production. Total ethanol production in MY 2012/13 is forecast at 23 billion liters (8.9 billion liters of anhydrous ethanol and 14.1 billion liters of hydrated ethanol

Brazil will produce 565 million metric tons of sugar in 2012

Largest exporter of coffee and soya beans

Brazil has over 200 million cows

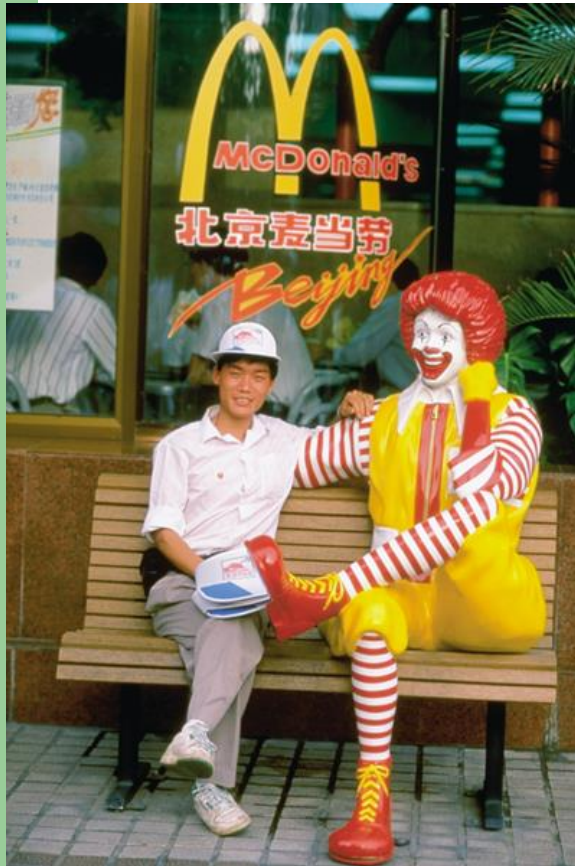
CHINA AND THE UNITED STATES

Since China entered the World Trade Organization in 2001, the extraordinary growth of trade between China and the United States has had a dramatic effect on U.S. workers and the domestic economy, though in neither case has this effect been beneficial. **The United States is piling up foreign debt and losing export capacity,** and the growing trade deficit with China has been a prime contributor to the crisis in U.S. manufacturing employment. Between 2001 and 2011, the trade deficit with **China eliminated or displaced more than 2.7 million U.S. jobs,** over 2.1 million of which (76.9 percent) were in manufacturing. These lost manufacturing jobs account for *more than half* of all U.S. manufacturing jobs lost or displaced between 2001 and 2011

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U.S. GLOBALIZATION



Many U.S. companies have made the world their market.





**INTERNATIONAL MARKETING VERSUS GLOBAL
MARKETING**

STAGES OF MARKETING EVOLUTION

- 1. DOMESTIC MARKETING**
- 2. EXPORT MARKETING**
- 3. INTERNATIONAL MARKETING**
- 4. MULTINATIONAL MARKETING**
- 5. GLOBAL MARKETING**

A MARKET

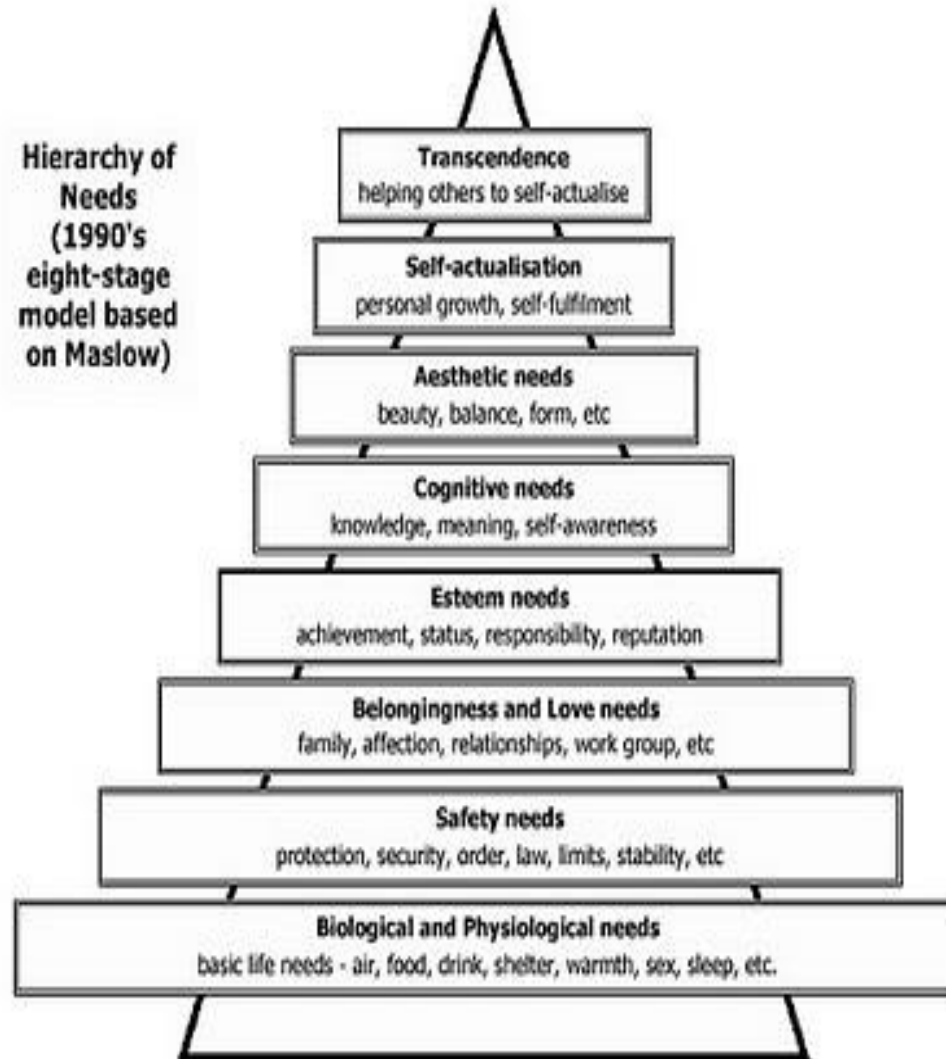
Figure 1-1: A Simple Marketing System



OUR ABSTRACT VIEW OF A MARKET

MASLOW'S HIERARCHY

Hierarchy of Needs
(1990's
eight-stage
model based
on Maslow)

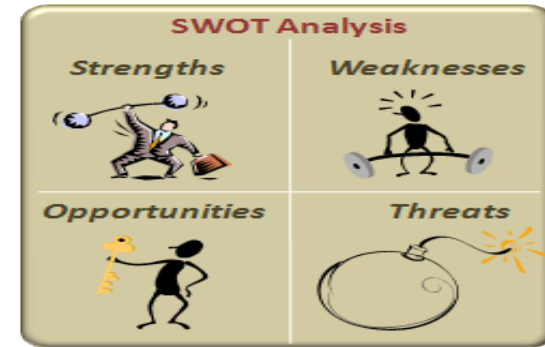
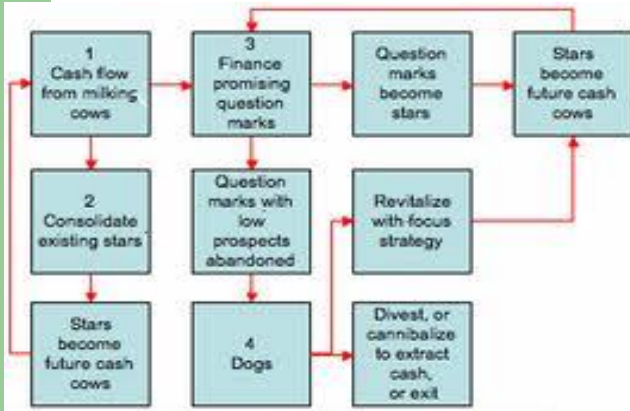
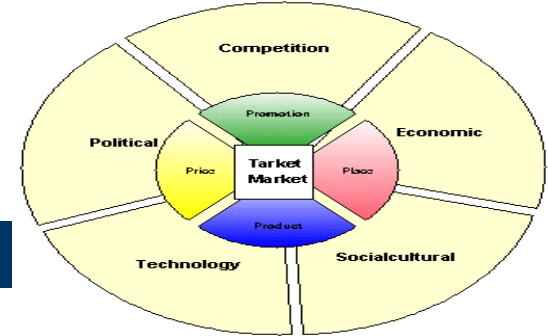
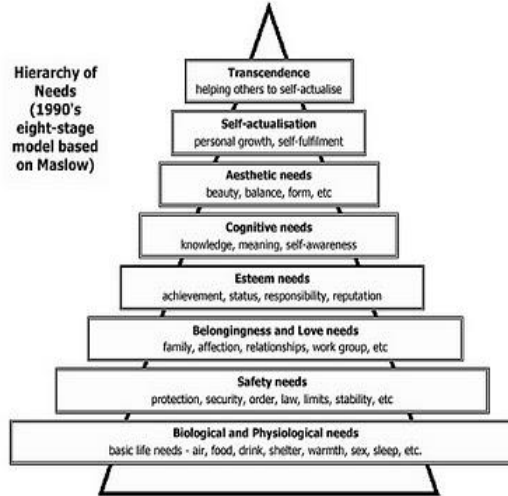


STRATEGIC MARKET PLANNING

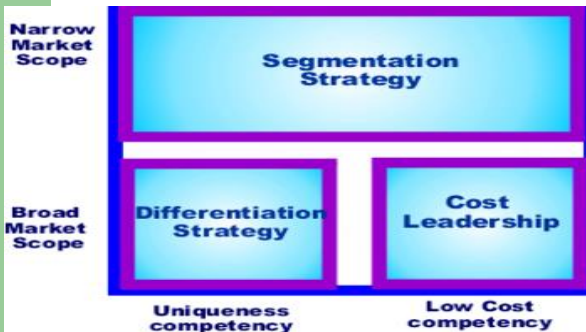
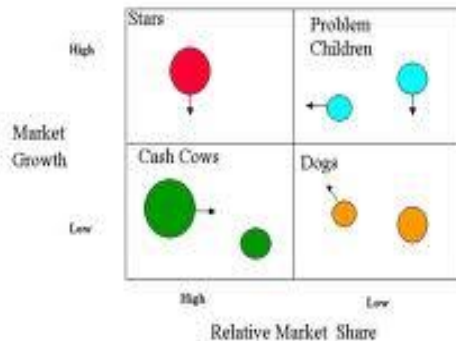
Figure 1.5 The Role of Marketing Research in Marketing Decision Making



Hierarchy of Needs (1990's eight-stage model based on Maslow)



Boston Consulting Group Product Portfolio Matrix



MARKETING RESEARCH

Figure 1.5 The Role of Marketing Research in Marketing Decision Making



STAGE 1 **DOMESTIC MARKETING**

DOMESTIC MARKETING

Companies manufacturing products and selling those products within the country itself.

So, no international phenomenon at all.

Stage 2 **EXPORT MARKETING**

EXPORT MARKETING

Company starts exporting products to another countries also. This is the very basic stage of global marketing.

Approach of marketer in this stage is said to be **'ethnocentric'** because although the company is selling goods to foreign countries, product development is totally based upon the taste of local customer.

So, focus is still on domestic market

Stage 3 : **INTERNATIONAL MARKETING**

INTERNATIONAL MARKETING

The company starts selling products to various countries and the approach is 'Polycentric' i.e. making different products for different countries.

Stage 4 : **MULTINATIONAL MARKETING**

MULTINATIONAL MARKETING

1. In this stage, the number of countries in which the company is doing business gets bigger.
2. **Instead of producing different goods for different countries, the company tries to identify different regions for which it can deliver same product. So, same product for countries lying in one region but different from product offered in countries of another region.**
3. For example, a company may decide to offer same product to India, Sri Lanka and Pakistan if it thinks the taste of people of these countries is the same but at the same time offering different product for American countries.
4. **This approach is called 'Regiocentric approach'.**

Stage 5 : GLOBAL MARKETING

GLOBAL MARKETING

This is the final stage of evolution.

1. In this stage company really operates in a very large number of countries and for the purpose of achieving cost efficiencies .
2. It analyses the requirement and taste of customers of all the countries and come out with a single product which can satisfy the needs of all.
3. **This approach is called ‘Geocentric approach’.**

EXPORTING VERSUS GLOBAL APPROACH

You should note one more very interesting fact that in the early stage of Export marketing also, the company was offering a single product to each of the countries as in the final stage of Global marketing.

But it was entirely different because in export marketing you produce according to taste of your country and force that on other countries but in Global approach, you take care of entire countries and develop a product which can satisfy the need of all.

INTERNATIONAL VRS GLOBAL MARKETING

One main difference between International and the Global marketing is the approach of marketer.

A truly global company instead of offering different products to different countries (as in International Marketing), develops and offers a single product to the world.

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THE REGULATORY ENVIRONMENT?

INSTITUTIONS IN INTERNATIONAL TRADE

World Economic and Trade Environment

- **WTO, IMF, and World Bank in the World Economy**
 - Role of the organizations
 - Easing trade restrictions
 - Protest against globalization
- **MULTINATIONALS IN THE GLOBAL ECONOMY**
- **Role of American, European, Japanese, and Third World multinationals on a timeline**



DOMESTIC MARKETING MIX AND MARKET ENTRY ISSUES

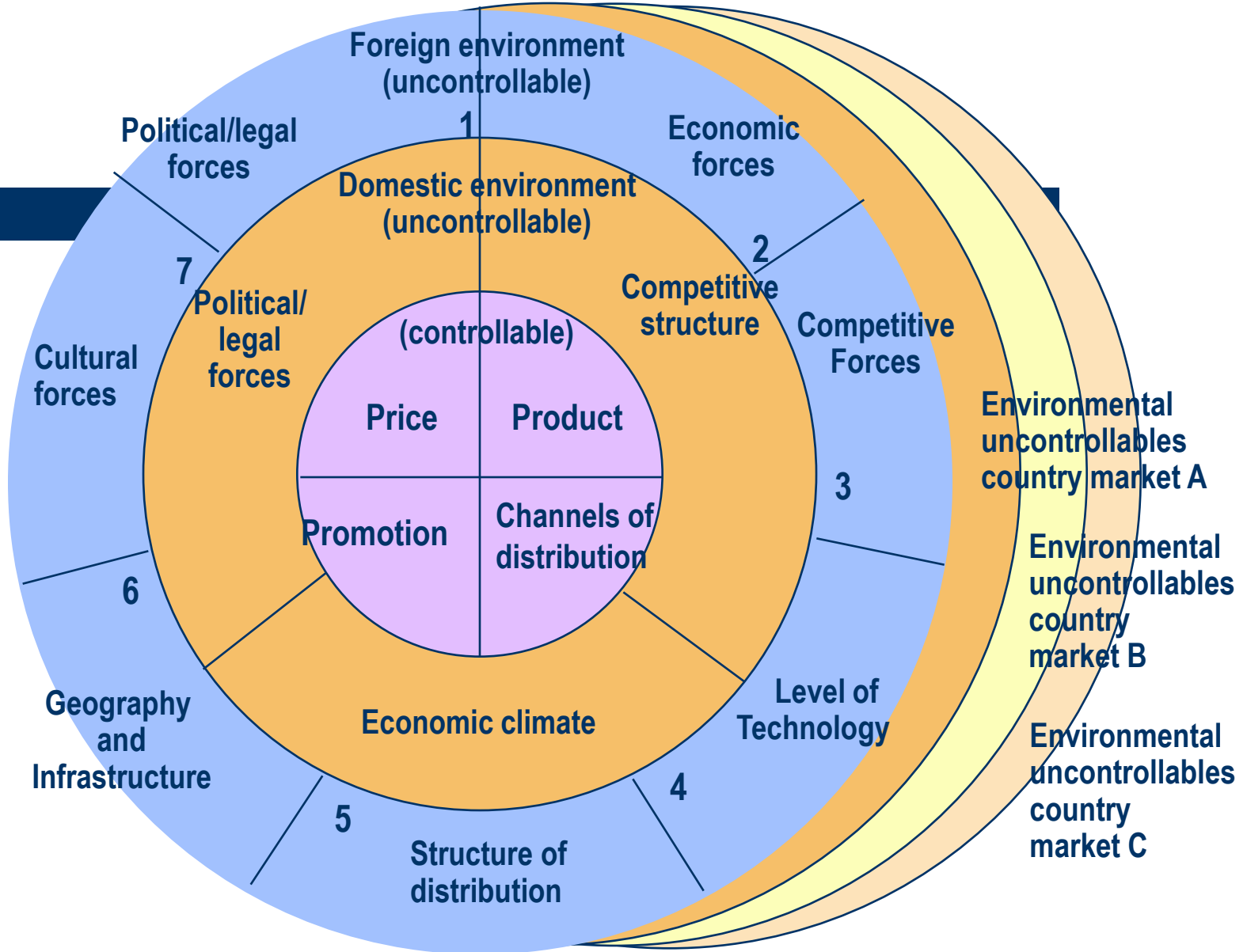
Figure 1.5 The Role of Marketing Research in Marketing Decision Making



FACTORS INFLUENCING COMPANY MARKETING STRATEGY



The International Marketing Mix



PROTECTIONISM AND TRADE BARRIERS

- COST OF PROTECTIONISM: ARGUMENTS FOR AND AGAINST

NON TARIFF BARRIERS:

- Quota and Import Licenses
- Domestic Subsidy and Economic Stimuli
- Standards and documentation requirements
- Boycotts and Embargoes
- Monetary barriers
- Antidumping Penalties

THE PRICE OF PROTECTIONISM

Industry	Total Costs to Consumers (in \$ millions)	Number of Jobs Saved	Cost per Job Saved
Textiles and apparel	\$27,000	640,000	\$ 42,000
Carbon Steel	6,800	9,000	\$ 750,000
Autos	5,800	55,000	\$ 105,000
Dairy products	5,500	25,000	\$ 220,000
Shipping	3,000	11,000	\$ 270,000
Meat	1,800	11,000	\$ 160,000

SOURCE: Michael McFadden, "Protectionism Can't Protect Jobs," *Fortune*, May11, 1987, pp. 125.

LOOKING AT THE GLOBAL MARKETING ENVIRONMENT

THE INTERNATIONAL TRADE SYSTEM:

Restrictions—tariffs, quotas, embargos, exchange controls, and non-tariff trade barriers.

THE WORLD TRADE ORGANIZATION AND GATT:

Helps Trade—reduces tariffs and other international trade barriers.

REGIONAL FREE TRADE ZONES:

Groups of nations organized to work toward common goals in the regulation of international trade.

INDUSTRIAL STRUCTURE

- Shapes a country's product and service needs, income levels, and employment levels.

Subsistence Economies

Raw Material Exporting Economies

Industrializing Economies

Industrial Economies

Income Distribution

POLITICAL-LEGAL ENVIRONMENT

Attitudes Toward International Buying

Government Bureaucracy

Political Stability

Monetary Regulations

CULTURAL ENVIRONMENT

- Sellers must examine the ways consumers in different countries think about and use products before planning a marketing program.
- **Business norms vary from country to country.**
- Companies that understand cultural nuances can use them to advantage when positioning products internationally.

CULTURAL DIFFERENCES

When Nike learned that this stylized “Air” logo resembled “Allah” in Arabic script, it apologized and pulled the shoes from distribution.



MAJOR INTERNATIONAL MARKETING DECISIONS



DECIDING WHETHER TO GO GLOBAL

Reasons to consider going global:

- Foreign attacks on domestic markets
- **Foreign markets with higher profit opportunities**
- Stagnant or shrinking domestic markets
- **Need larger customer base to achieve economies of scale**
- Reduce dependency on single market
- **Follow customers who are expanding**

COLGATE GOES TO CHINA

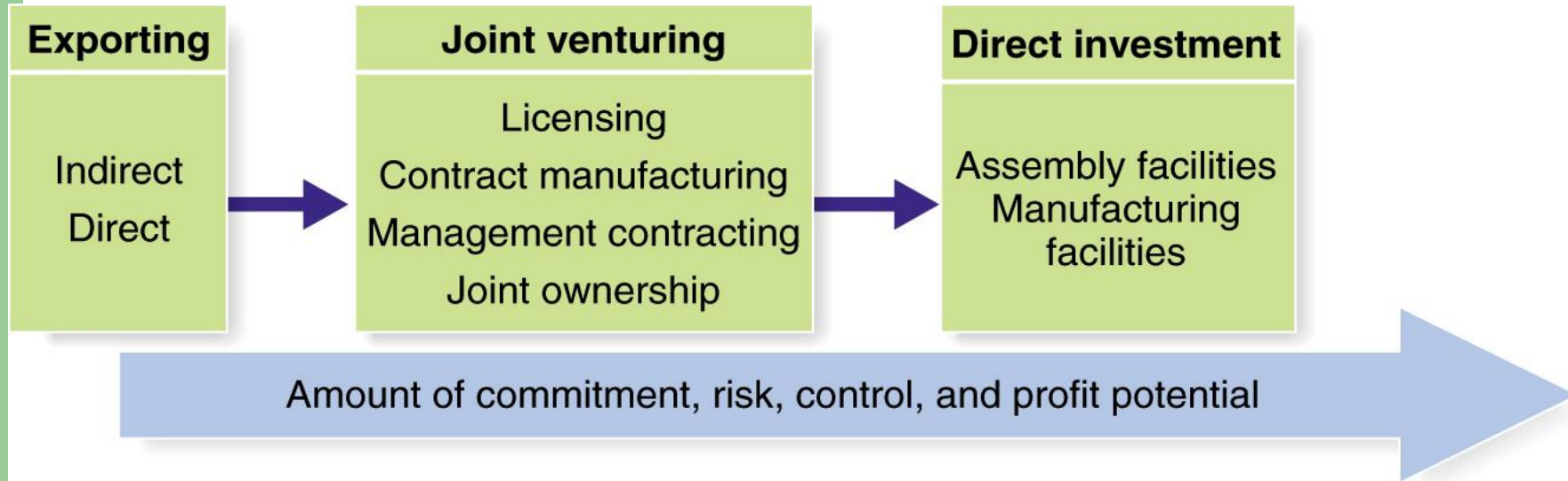


Using aggressive promotional and educational programs, Colgate has expanded its market share from 7% to 35% in less than a decade.

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HOW TO GO GLOBAL ?

MARKET ENTRY STRATEGIES



MARKET ENTRY STRATEGIES

EXPORTING

- **Indirect:** working through independent international marketing intermediaries.
- **Direct:** company handles its own exports.

MARKET ENTRY STRATEGIES

JOINT VENTURING

- **Joining with foreign companies to produce or market products or services.**

JV APPROACHES

- Licensing
- Contract manufacturing
- Management contracting
- Joint ownership

JOINT OWNERSHIP



KFC entered Japan through a joint ownership venture with Japanese conglomerate Mitsubishi.

MARKET ENTRY STRATEGIES

DIRECT INVESTMENT:

- **The development of foreign-based assembly or manufacturing facilities.**
- **This approach has both advantages and disadvantages.**

ENVIRONMENT AND MARKETING MIX

	Product	Price	Promotion	Place
Environment Economic				
Competitive				
Technological				
Demographic				
Geographic				
Cultural				
Political/legal				

DECIDING ON THE GLOBAL MARKETING PROGRAM

- **Standardized Marketing Mix:**
 - Selling largely the same products and using the same marketing approaches worldwide.
- **Adapted Marketing Mix:**
 - Producer adjusts the marketing mix elements to each target market, bearing more costs but hoping for a larger market share and return.

MARKETING MIX ADAPTATION



In India, McDonald's serves chicken, fish, and vegetable burgers, and the Maharaja Mac—two all-mutton patties, special sauce, lettuce, cheese, pickles, onions, on a sesame-seed bun.

FIVE GLOBAL PRODUCT AND PROMOTION STRATEGIES

		PRODUCT		
		Don't change product	Adapt product	Develop new product
PROMOTION	Don't change promotion	1. Straight extension	3. Product adaptation	5. Product invention
	Adapt promotion	2. Communication adaptation	4. Dual adaptation	

YOU SEGMENT, YOU TARGET, AND YOU POSITION

Market Segmentation

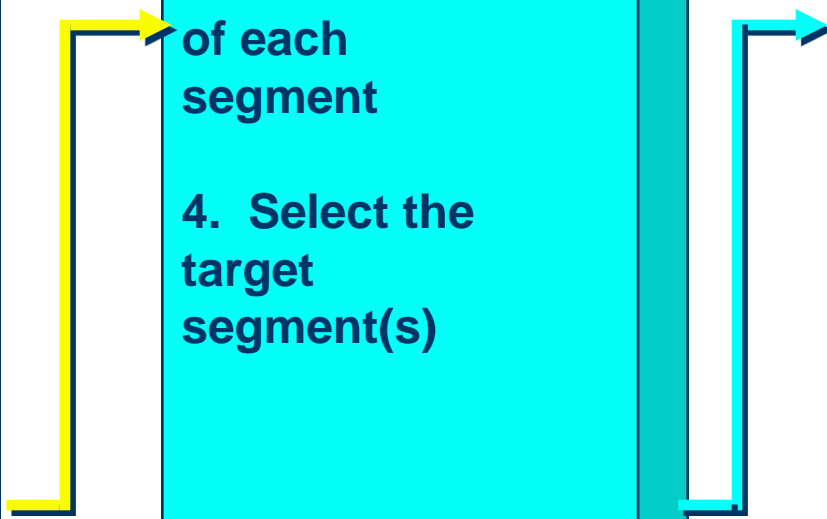
1. Identify segmentation variables and segment the market
2. Develop profiles of resulting segments

Market Targeting

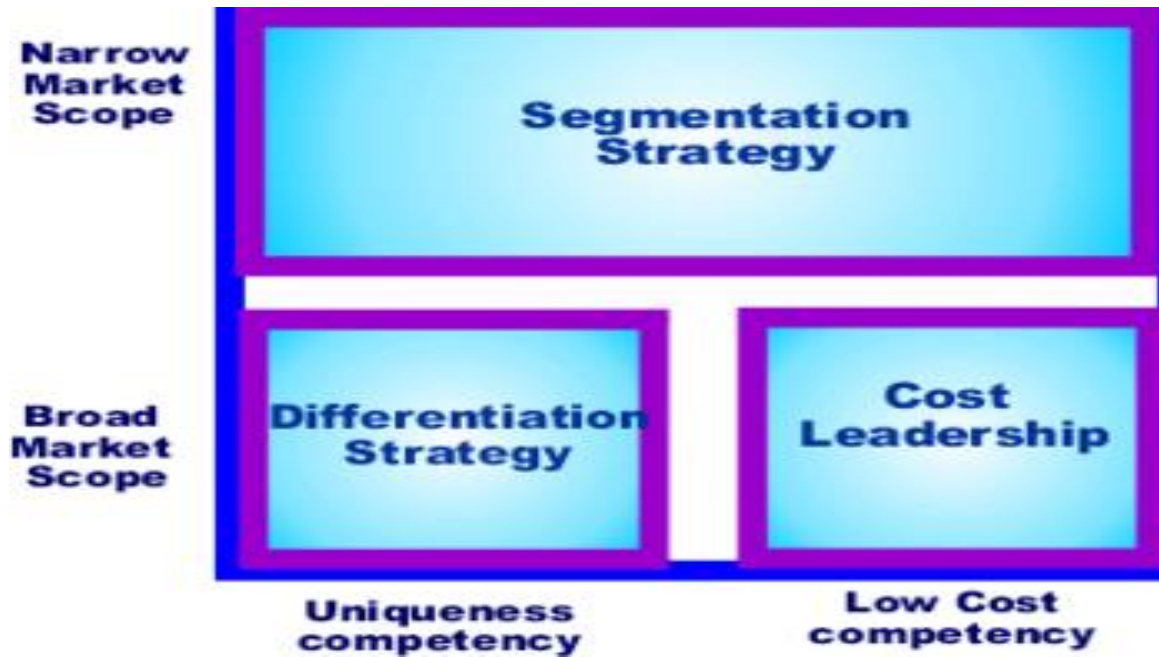
3. Evaluate attractiveness of each segment
4. Select the target segment(s)

Market Positioning

5. Identify possible positioning concepts for each target segment
6. Select, develop, and communicate the chosen positioning concept



WHAT TYPE OF PRODUCT AM I?



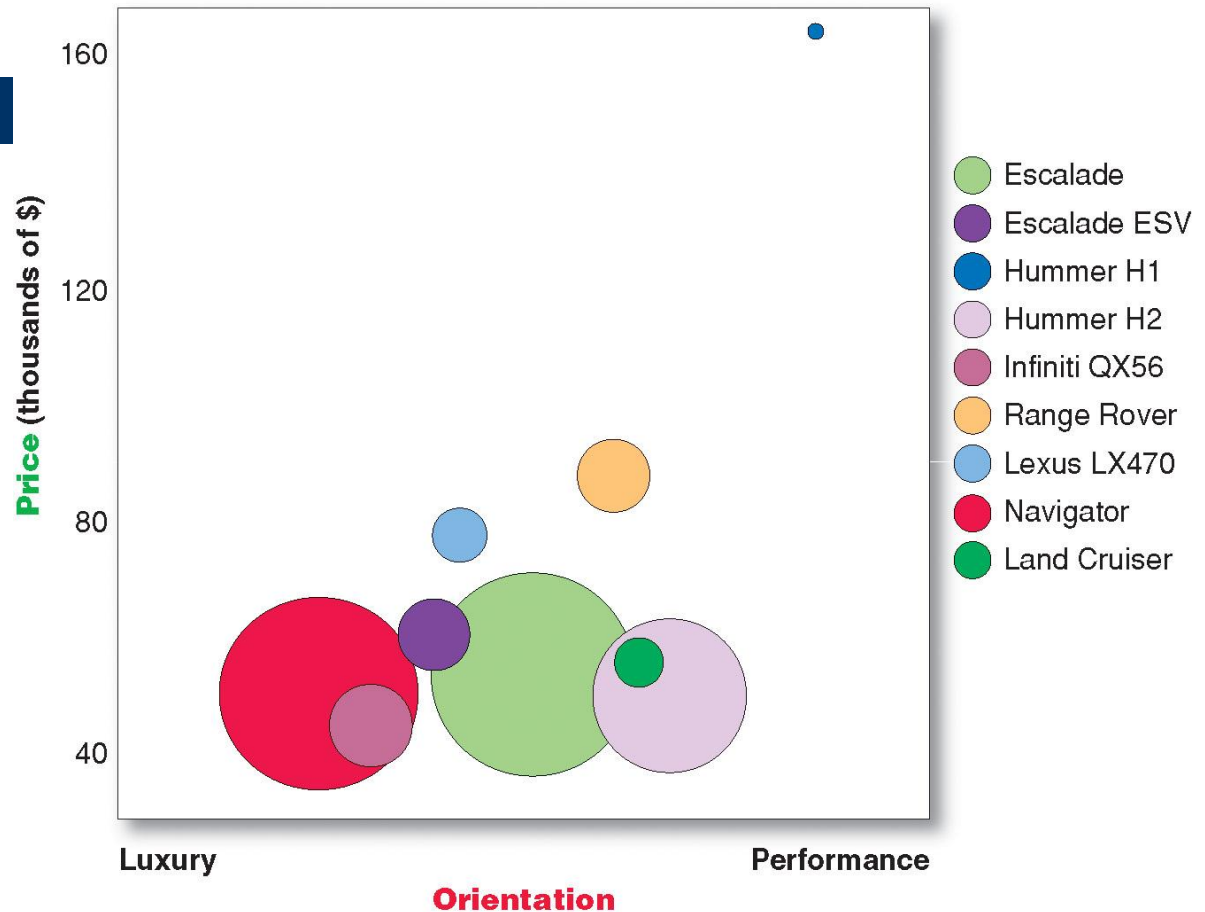
THE BOSTON MATRIX

Market Growth

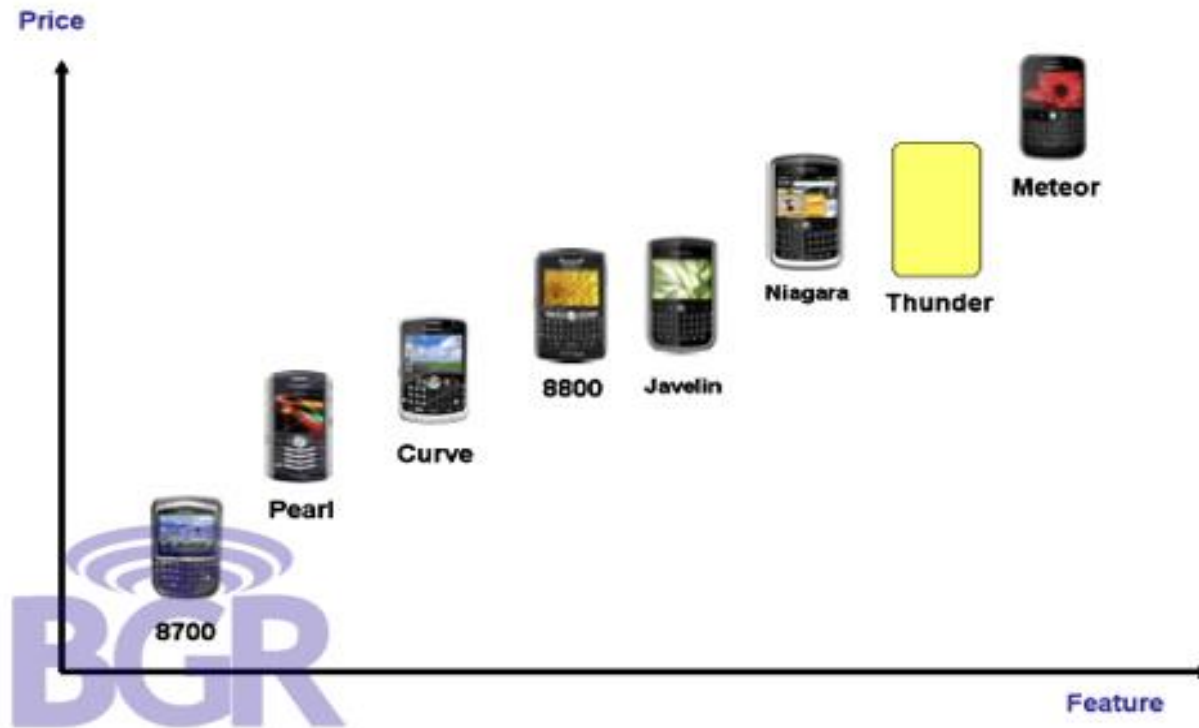


DIFFERENTIATION AND POSITIONING

Positioning maps show consumer perceptions of their brands versus competing products on important buying dimensions

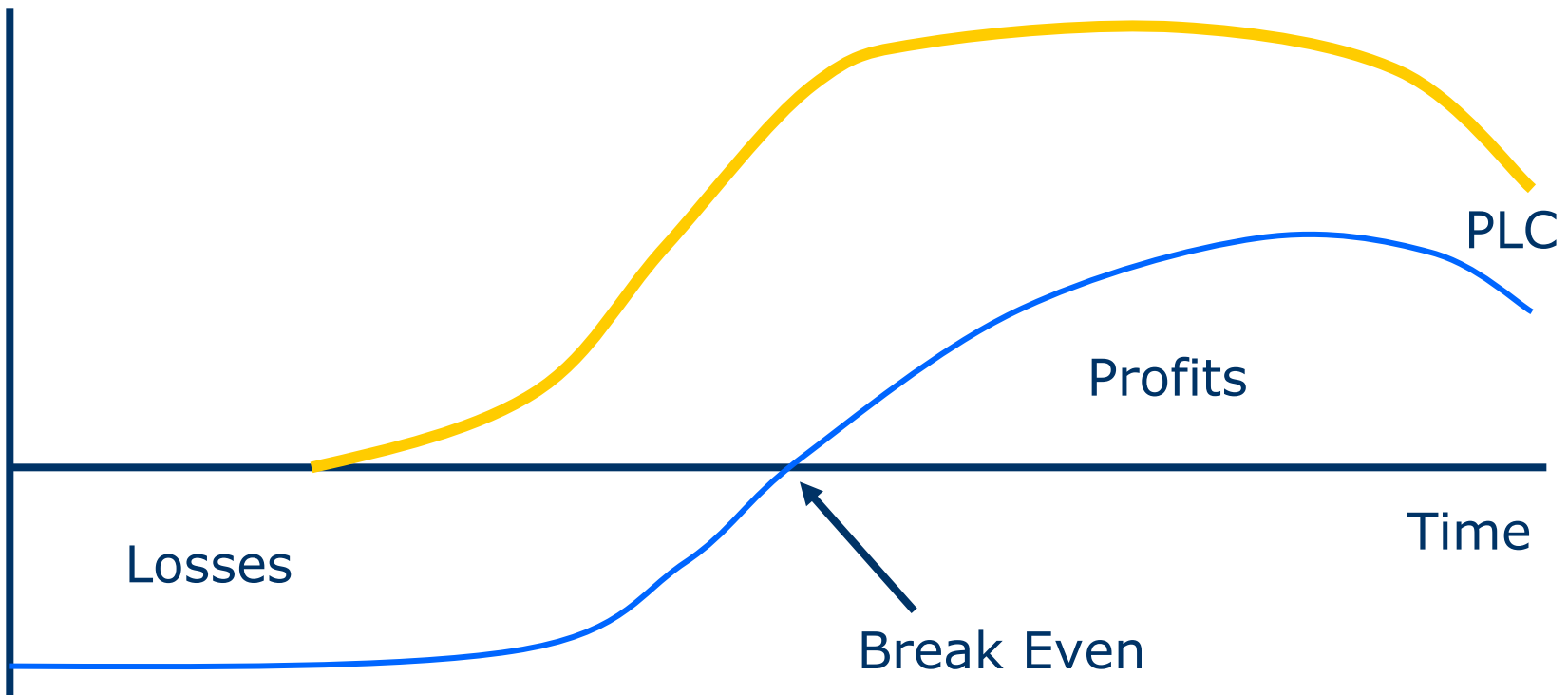


WHAT TYPE OF PRODUCT AM I?



PRODUCT LIFE CYCLES AND THE BOSTON MATRIX

PLC and Profits



A CULTURE BASED CLUSTERING

17 EUROPEAN COUNTRIES ARE SEGMENTED

HOFSTEDE DIMENSIONS

- INDIVIDUALISM
- UNCERTAINTY AVOIDANCE
- POWER DISTANCE
- MASCULINITY

THE 17 EUROPEAN COUNTRIES

- **Austria**
- **Belgium**
- **France**
- **The Netherlands**
- **Spain**
- **Italy**
- **Turkey**
- **Greece**
- **Germany**
- **GB**
- **Ireland**
- **Switzerland**
- **Portugal**
- **Denmark**
- **Sweden**
- **Norway**
- **Finland**

GLOBAL PRODUCT STRATEGIES

- **Straight Product Extension:**
 - Marketing a product in a foreign market without any change.
- **Product Adaptation:**
 - Adapting a product to meet local conditions or wants in foreign markets.
- **Product Invention:**
 - Creating new products or services for foreign markets.

GLOBAL PROMOTION STRATEGIES

- Can use a standardized theme globally, but may have to make adjustments for language or cultural differences.
- Communication Adaptation:
 - Fully adapting an advertising message for local markets.
- Changes may have to be made due to media availability.

KFC IN CHINA

KENTUCKY FRIED CHICKEN

An advertising campaign in China attempting to translate the slogan

Finger lickin' good!

into Chinese failed miserably, proclaiming

Eat your fingers off

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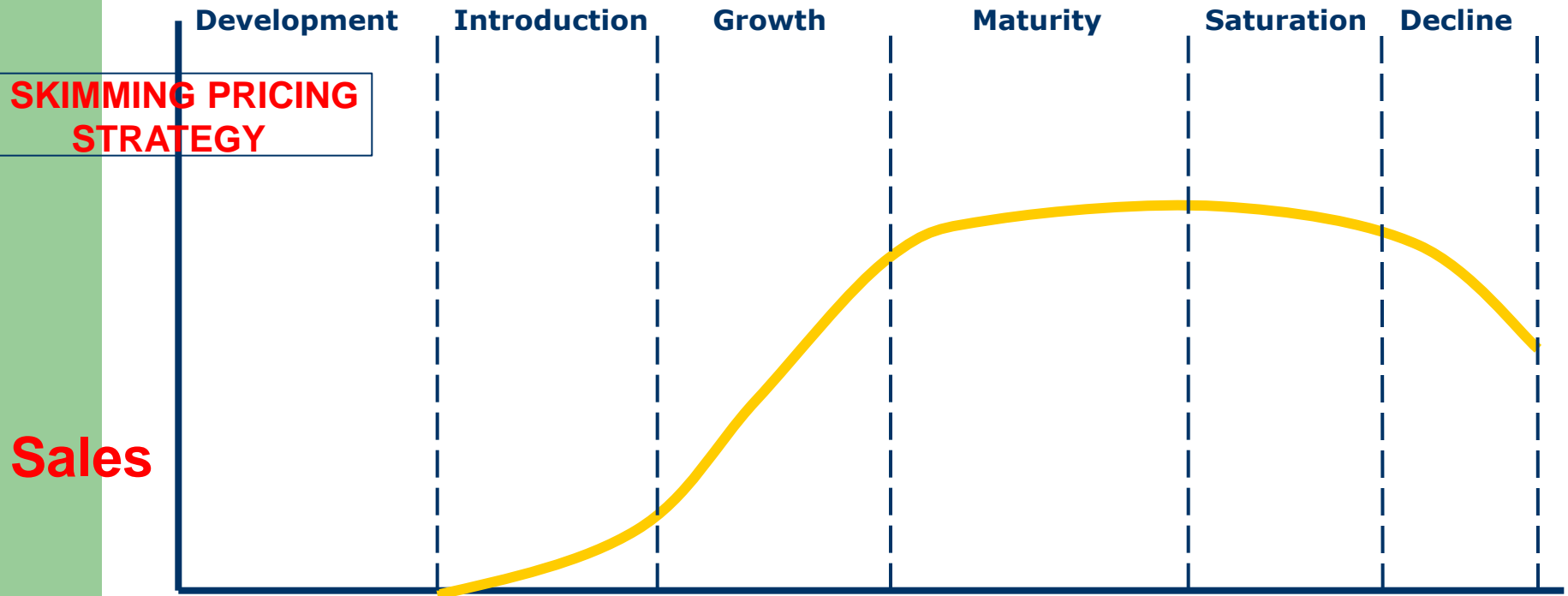
HOW DO I PRICE ?

GLOBAL PRICING STRATEGIES

Companies face many problems in setting their international prices.

- **Possible approaches include:**
 - Charge a uniform price all around the world.
 - Charge what consumers in each country will pay.
 - Use a standard markup of costs everywhere.
- **International prices tend to be higher than domestic** prices because of *price escalation*.
- Companies may become **guilty of dumping** –a foreign subsidiary charges less than its costs or less than it charges in its home market.

NEW PRODUCT PRICING



Sales

- PRICING THE NEW PRODUCT AT A RELATIVELY HIGH PRICE LEVEL AND THEM GRADUALLY REDUCING IT OVER TIME.
- HIGH INITIAL PRICE FOR QUICK RETURN ON INVESTMENT (ROI).
- INELASTIC DEMAND
- PRICE INSENSITIVITY BY THE MARKET

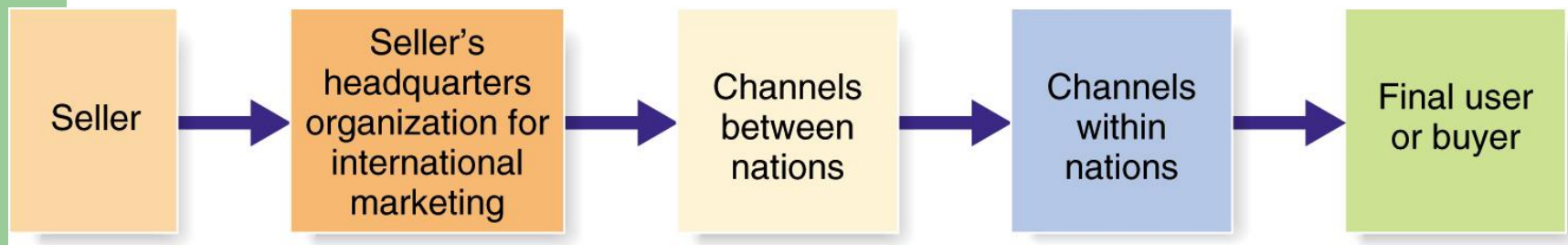
Time

INTERNATIONAL PRICING



Twelve European Union countries have adopted the euro as a common currency, creating “pricing transparency” and forcing companies to harmonize their prices throughout Europe.

WHOLE-CHANNEL CONCEPT FOR INTERNATIONAL MARKETING



DECIDING ON THE GLOBAL MARKETING ORGANIZATION

- **ORGANIZE AN EXPORT DEPARTMENT**
- **CREATE INTERNATIONAL DIVISIONS**
 - Geographical organizations
 - World product groups
 - International subsidiaries
- **BECOME A GLOBAL ORGANIZATION**