

INTERNATIONAL Eleventh Edition MARKETING

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INTERNATIONAL MARKETING

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To Ilona and Margaret Victoria—MRC
To Susan, Sanna, and Alex—IAR
To Yisong, Aaron, and Ella—APC

PREFACE

Thank you for reading our book! Practicing international marketing and writing a text on the subject have much in common. The focus is on delighting the customer; it is a lot of work, the competition is tough, and it's fun to succeed. It is therefore with great pleasure that we present the eleventh edition of *International Marketing* to you.

In the rapidly changing world of business, only a small portion of textbooks ever see a second edition, much less an eleventh one. Publishers change, markets move in new directions, competitors emerge, and authors adjust their commitments to new life situations. So we are very pleased to have served the international marketing market for 34 years now, which is largely a sign of the continued faith and confidence of our colleagues and students in our work. Thank you for allowing us to shape the field and have a major impact on what people know about international marketing today.

Over the years, we have always made key improvements in our new editions. There has been unprecedented change in the field of international marketing, ranging from reinterpretation of trade rules to redefining collaboration with global players. When domestic economic activities decrease, then international marketing decreases as well, only much more so. Austerity brings changes in production and consumption patterns and introduces new dimensions into the decision-making process. The role of governments is growing by leaps and bounds. They are key entities that dictate the direction and strength of international marketing. Nationalism is on the rise, and global uncertainties abound.

International marketers precipitate social change and provide insight to help society understand the trade-offs and consequences of actions. Business and marketing are looked upon expectantly by nations and their governments. International marketing is often the key option that can deliver major improvements in economic activity.

The challenge is great. Nations around the world attempt to stabilize and revitalize their economies. Mostly, each nation's emphasis rests with domestic issues. But international interventions of one nation are likely to rapidly affect other countries as well. Protectionism, once introduced, can quickly become contagious. Market economies are no longer automatically subscribed to. Key traditional tenets of the marketing discipline, such as risk, profit, competition, and ownership, are being redefined and reassessed.

International marketers develop the knowledge and talents to make economies work. They explain that nations must be willing and able to buy each other's goods if world prosperity is to blossom. They demonstrate that a rising tide can lift all boats, but only if the boat and the sails are in good condition and the crew is prepared and well trained.

Through their understanding of culture and emotions, international marketers can make major strides in creating a better world. When there is disagreement or even sparring, we ask you to apply to international marketing the advice rendered by the great scholar Ludwig von Wittgenstein: "A philosopher who is not taking part in discussions is like a boxer who never goes into the ring."

But international marketing is not an uncontroversial discipline. There is a large historic burden carried by the field of marketing. Marketers like to sell more, but have focused little on their societal impact. Certain marketing strategies have created long-term repercussions on consumers (e.g., obesity due to overconsumption of fast food) and on the chain of consumption. Vampire marketing charges consumers more money as they intensify their product usage. For example, the minibar

in a hotel room late at night becomes your only option to assuage hunger. We have developed the concept of “curative marketing,” which identifies malpractices of the past, avoids them in the future, and makes major efforts to cure the negative effects of the past transgressions. At various places in the book, we highlight the capability of curative marketing to “do better.”

There have been key changes in data collection and use. There is much to be learned for the marketing discipline. However, just like for most things in life: moderation is crucial. By looking at numbers only, some analysts forget that international marketing is a social science applied across borders. In spite of growing quantification, international marketing remains a discipline linked most deeply with people, their emotions, and their behavior. Therefore, even a researcher with a white lab coat, who may prefer to work with numbers only, must pay major attention to human interaction in order to achieve societal benefit. This issue is particularly relevant to international marketing, where variations in contexts, cultures, and behaviors bring out the importance of direct interaction and individual awareness. We must understand the people who contribute to decisions and consider their contextual constraints. Our book takes this guideline as its mission for its analyses and its approach to the future.

The focus on international marketing is rising. We see great increases in student enrollment. In times of slack resources, one can explore new market opportunities, customs, and customers. When economic conditions get better, one can convert that capability into market results and receive a payoff from all the prior work. International marketing is a vital economic stimulus, which makes this eleventh edition of *International Marketing* the best one yet!

We reflect many new dimensions, emotions, and boundaries that affect the discipline. Here are the key features that make this book stand out:

- We paint a broader picture of the implications of adopting or rejecting a market orientation. In doing so, we introduce the concept of curative marketing, which highlights ethical and sustainability issues, discusses the shortcomings of corporate transparency and executive veracity, and develops new alternative explanations and approaches.
- We provide substantial data analyses and international data support. For example, we discuss all economic regions, offering comparative benchmarks not only from the United States, but also from China, Australia, Kenya, and Brazil.
- We cover the full spectrum of international marketing, from start-up operations to the formation of virtual alliances. We offer a thorough discussion of the operations of multinational corporations, and also present a specific focus on the activities of small- and medium-sized firms, which are increasingly major players in the international market.
- We provide a hands-on analysis of the growing interaction between government and business. We have served in government positions and advised international policy marketers. As governments take on an expanding role in business, our orientation greatly enhances the managerial relevance of this book.
- We cover both the theory and the practice of international marketing. Based on our personal research record and business experience, we can offer research insights from around the globe and show how corporations are adjusting to the marketplace realities of today. This way, we enhance the presentation of our material by closely linking concepts with parables, analogies, and similes so that the meaning becomes more obvious to the reader and is better recalled.
- We acknowledge and give clear examples of how the world has changed in an era of terrorism, hostility, and distrust. We look at the marketing repercussions of these changes on people management, sourcing policies, cargo security, inventory management, and port utilization. However, we also draw on our work with corporations to find new forms of collaboration and network building without compromising safety or security. We reflect the use of social media in reaching out to customers, suppliers, and even competitors in order to achieve greater satisfaction and more progress for society.
- We address the concerns of emerging and developing markets throughout the text. We present the issue of underserved markets, with a population of 5 billion, and also explore and suggest how these people and countries need to become greater participants in international marketing efforts.
- Our analysis and presentation is offered from a truly global perspective. By addressing, confronting, and examining the existence of different environments, expectations, and market conditions, we highlight the need for awareness, sensitivity, and adaptation.
- We integrate the impact of the Internet on the international marketer. We discuss the revolutionary changes in communication between firms and their customers and suppliers, and present the latest consequences for international market research and entry.

Personal Support

Most importantly, we fully stand behind our product and we will work hard to delight you. Should you have any questions or comments on this book, you can contact us, talk to us, and receive feedback from us.

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ORGANIZATION

The text is designed primarily for the advanced undergraduate student with prior exposure to the marketing field. Because of its in-depth coverage, it also presents an excellent challenge for graduate instruction and executive education.

The text is divided into four parts. We open with the examination of the international marketing environment, where we examine economic and cultural contexts, shifts brought about by globalization, and key international institutions, regulations, and legal issues. We then examine how to find global customers by first analyzing the global consumer in detail, followed by strategic planning, the juxtaposition of people and markets, market entry activities, and the necessary organization for international marketing. Our third part concentrates on the global marketing mix by presenting the core international adjustments and expansions that have to be built on top of purely domestic considerations. We conclude with a section on leadership in global marketing, where we present the impact of social networks and communications, analyze the meaning of responsibility and sustainability, and highlight new directions and challenges.

KEY FEATURES

This eleventh edition reflects the highly dynamic nature of international marketing. We offer a perspective on the shift in the role of market forces and the impact of this revolution on international marketers in terms of outreach, research, and competition. Our *International Marketplace* vignettes reflect corporate practices. To make it easier for the reader to follow up on information obtained through the book, we have included *Recommended Readings*. These often present resources and links to the websites of companies, data sources, governments, international organizations, and monitors of international marketing issues.

Our focus on the physical environment and geography is strong. Updated maps provide context in terms of social and economic data. An appendix directly addresses the relationship between geography and international marketing. New text components, marketplaces, and cases specifically focus on the environment and the opportunities, challenges, and ambiguities that it poses to international marketers.

We also have emphasized international institutions and their role for the international marketer. The World Bank, the World Trade Organization, the International Monetary Fund, and the United Nations are covered along with the public debate surrounding these institutions.

We broaden our highlights of emerging markets by systematically addressing the bottom of the income pyramid. Our revised strategy section is now linked directly with organization, implementation, and research concerns. We have recast the chapter on market entry and expansion to include a wider variety of ways in which firms go global. All of these strategies are now integrated into one chapter, organized around our model of the internationalization process.

Our appendix on international employment opportunities helps students prepare for the implementation steps they have yet to take.

INNOVATIVE LEARNING TOOLS

Contemporary Realism

Each chapter offers current examples of real-world business situations in *The International Marketplace* boxes. The Challenge Us section at the end of each chapter details complex issues and asks the student questions for discussion. These features allow the reader to develop an appreciation for and an understanding of the linkage between theory and practice. These materials focus on real marketing situations, including the environment and sustainability, and help students absorb the presented materials. The instructor can highlight the boxes to exemplify theory or use them as mini cases for class discussion.

Research Emphasis

An effort has been made to provide current research information and data from around the world. Chapter notes are augmented by lists of relevant recommended readings incorporating the latest research findings. In addition, a wide variety of sources and organizations that provide international information are offered in the text. These materials enable the instructor and the student to go beyond the text when desired.

Internet Focus

The Internet affects all of international marketing. We highlight how the way of reaching customers and suppliers has changed given the new technology. We explain the enhanced ability of firms to position themselves internationally in competition with other larger players. We offer insights into the electronic marketing research process and present details of how companies cope with new market realities. Whenever appropriate, we direct readers to internet resources that can be useful in obtaining up-to-date information.

GEOGRAPHY

This edition contains several maps covering the social, economic, and political features of the world. In addition, several chapters have maps particularly designed for this book, which integrate the materials discussed in the text and reflect a truly global perspective. These maps enable the instructor to visually demonstrate concepts such as socioeconomic variables or exposure to terrorism. An appendix dealing specifically with the impact of geography on international marketing is part of Chapter 1.

CASES

Following each part of the text are a variety of cases. Most of our cases are updated especially for this edition. These cases present students with real business situations and cover international marketing conditions from around the world. All cases address the activities of actual or former companies and cover a broad geographic spectrum. Challenging questions accompany each case, permitting in-depth discussion of the materials covered in the chapters.

ACKNOWLEDGMENTS

We are deeply grateful to professors, friends, and our reading public in general. Most instrumental were Gary Knight, Charles Skuba, and Susan Ronkainen, who have helped us all in major ways. Their work was crucial in refining the text, providing additional research, and further discussion of societal dimensions. Thank you very much!

We are grateful to all the professors, students, and professionals using this book. Your interest demonstrates the need for more knowledge about international marketing. As our market, you are telling us that our product adds value to your lives. As a result, you add value to ours. Thank you!

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Valuable research assistance was provided by our elite student research team. They made important and substantive contributions to this book. They pursued research information with tenacity and relentlessness; they organized and analyzed research materials, prepared drafts of vignettes and cases, and reinforced everyone on the fourth floor of the Hariri Building with their can-do spirit.

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Michael R. Czinkota
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Dr. Czinkota served in the U.S. government administrations of Presidents Ronald Reagan and George H. W. Bush. As deputy assistant secretary at the Department of Commerce, he was responsible for trade. He served as head of the U.S. delegation to the OECD Industry Committee in Paris. In the Bureau of Export Administration, he was Senior Advisor for Export Controls.

Dr. Czinkota was a partner in a fur trading firm and in an advertising agency. His academic work has focused on export development strategies and the linkage between terrorism and international business. He is well known for his 25 years of Delphi Method studies, with participation by policy makers, business executives, and researchers from nations around the globe, to forecast international business change. He has written more than 140 articles in leading academic journals on the topics and was named one of the top three contributors to the international business literature by the *Journal of International Business Studies*. In 2019, the Academy of International Business awarded him the Medal for Research Leadership in the past 50 years. The American Marketing Association presented Czinkota with its lifetime achievement award. Due to his academic engagement on terrorism, Dr. Czinkota has worked with the U.S. Department of State and has testified 12 times before Congress.

He has authored 28 books in the fields of business, marketing, and trade. He also wrote three leading college textbooks, *International Marketing*, 11th edition; *International Business*, 9th edition; and *Fundamentals of International Business*, 3rd edition.

Dr. Czinkota served on the Global Advisory Board of the American Marketing Association, the Global Council of the American Management Association, the Board of Governors of the Academy of Marketing Science, and as a member of the American Council on Germany. For his work in international business and trade policy, he has been awarded honorary degrees by the Universidad del Pacífico in Lima, Peru, and the Universidad Pontificia Madre y Maestra in the Dominican Republic. The Universidad Ricardo Palma of Lima named its Global Marketing School after Dr. Czinkota.

He was named a Distinguished Fellow of the Academy of Marketing Science and a Fellow of the Royal Society of Arts in the United Kingdom. Dr. Czinkota serves on several corporate boards and has worked with corporations such as AT&T, IBM, GE, Nestlé, and US WEST. He has advised the Executive Office of the President and the U.S. General Accountability Office on trade policy issues. He also serves as an advisor to the United Nations and the World Trade Organization. Dr. Czinkota was born and raised in Germany and educated in Austria, Scotland, Spain, and the United States. He studied law and business administration at the University of Erlangen-Nürnberg and was awarded a two-year Fulbright Scholarship. He holds an MBA in International Business and a Ph.D. in Logistics from The Ohio State University.

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Dr. Ronkainen has published extensively in both academic journals and the trade press. He is co-author of *International Business* (9th edition) and *International Business* (3rd edition). His trade books include *The International Marketing Imperative* and *Mastering Global Markets*. He serves on the editorial boards of *Journal of Business Research*, *International Marketing Review*, and *Multinational Business Reviews*.

He has received the undergraduate teaching and research award twice, as well as recognition from the International Executive MBA program at Georgetown as the Outstanding Professor of the Year. He is the founder and director of the McDonough School of Business's summer program in Hong Kong.

Dr. Ronkainen holds a doctorate and a master's degree from the University of South Carolina as well as a master's of science (economics) degree from the Helsinki School of Economics. He has served as a consultant to a wide range of U.S. and international institutions. He has worked with entities such as IBM, the Rand Organization, and the Organization of American States. He maintains close relations with a number of Finnish companies and their internationalization and educational efforts.



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Dr. Cui's research has appeared in top international journals, and she has served on the Editorial Review Board for *Journal of International Marketing* since 2015. Dr. Cui has served on the Global SIG Advisory Board of the American Marketing Association since 2008, and chaired this Advisory Board between 2014 and 2017.

Dr. Cui has taught an innovative Export Management class to EMBA, MBA and undergraduate students for over a decade. This class has helped more than 70 American companies export to over 100 countries. She has been invited to chair export-related training programs at government agencies and universities around the world.

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PART

One

The International Marketing Environment

Part One introduces the international trade framework and environment. It highlights the need for international marketing activities and explores recent developments in world trade and global markets, including an overview of regional and international trade agreements. These chapters are largely devoted to macroenvironmental forces that firms and managers must be aware of when marketing internationally. In order to be successful, the marketer must adapt to the international environment and must be able to resolve conflicts stemming from differences in cultural, economic, political, and legal factors.

- 1 Global Environmental Drivers**
- 2 International Trade Frameworks and Policy**
- 3 The Role of Culture**
- 4 The Economic Environment**
- 5 The Political and Legal Environment**

Cases



Morgen Stumpe/Image Professionals GmbH/Alamy Stock Photo

Global Environmental Drivers

LEARNING OBJECTIVES

By the time you complete this chapter, you will be able to:

- Understand the rationale behind international marketing.
- Appreciate the linkages between international marketing and international trade.
- See the benefits and challenges to which international marketing exposes and is exposed to consumers, suppliers, competitors both at home and abroad.
- recognize the repercussions which the impact international marketing has on other nations and people.

The International Marketplace 1.1

Global Trends Impose New Strategic Marketing Requirements

International marketing experts agree that global business trends are even more important to marketing strategy than they were only a few years ago. Keeping on top of global trends with a focus on long-term profitable growth and competitive advantage will be vital to success. A look at the business plans of top global marketers confirms the importance of emerging markets as drivers of significant growth. For example, population increases and urbanization in large emerging markets are reshaping international marketing strategy. With an eye to the needs of global consumers, Coca-Cola, Danone, and Nestlé increasingly market nutrition rather than just food.

We expect a greater emphasis on the markets provided by second-tier cities, which are large cities not yet in the political or economic spotlight, particularly in China, India, Brazil, and Russia. In China, for example, many cities beyond Beijing, Shanghai, and Guangzhou have millions of increasingly affluent consumers yet are unfamiliar to most Western marketers. Firms will need to expand their distribution and market-entry strategies to these large population centers, thus creating new regional hubs. There must also be collaboration with the public sector to encourage infrastructural investments in these regions.

Smaller firms can also benefit from the globalization of markets by seeking opportunity in niche markets, especially those neglected or abandoned by the large players. As large corporations seek economies of scale and category dominance through billion-dollar global brands, smaller players

may discover important customer needs that have been left underserved. Valuable smaller brands may be jettisoned by the giants. For example, P&G has divested great brands like Pringles, Folgers, and Jif. Of course, smaller players will need to seek efficiencies through strategic alliances and other joint efforts to compete globally. They will also be heavily dependent on industry and government efforts to establish open markets and global technology standards.

Nations, countries, regions, and cities will also pursue niche strategies as they further specialize in the development of industry clusters. Firms will open subsidiaries, R&D centers, and representative offices in order to take advantage of proximity to customers, suppliers, new channels, research providers, and competitors. Governments will seek advantage through clusters and place greater emphasis on the special educational needs of the workforce in those industrial centers.

With more dynamic growth coming from emerging markets, the more developed economies seem destined for slower growth patterns. Inevitably, those who do not participate in economic expansion will become frustrated and seek relief through government remedies. Government has again become, and will remain, an important factor in international marketing. The dangers of an insular focus lurk. Changing times will require strong leadership from the public sector and corporations to avoid the easy, but wrong, answer of protectionism.

SOURCE: Michael R. Czinkota and Charles J. Skuba, "International Business Not as Usual," *Marketing Management*, Summer 2010.

You are about to begin an exciting, important, and necessary task: the exploration of international marketing. International marketing is enticing because it combines the science and the art of business with many other disciplines. Economics, anthropology, cultural studies, geography, history, languages, jurisprudence, statistics, demographics, and many other fields combine to help you explore the global market. Different business environments will stimulate your intellectual curiosity, which will enable you to absorb and understand new phenomena. International marketing has been compared by many who have been active in the field to the task of mountain climbing: challenging, arduous, and exhilarating.

International marketing is important because the world has become globalized and this process on occasion has become quite controversial. Increasingly, we all are living up to the claim of the Greek philosopher Socrates, who stated, "I am a citizen, not of Athens or Greece, but of the world." International marketing takes place all around us every day, has a major effect on our lives, and offers new opportunities and challenges. After reading through this book and observing international marketing phenomena, you will see what happens, understand what happens, and, at some time in the future, perhaps even make it happen. All of this is much better than to stand by and wonder what happened.

International marketing is necessary because, from a national standpoint, economic isolationism has become impossible. Failure to participate in the global marketplace assures a nation of declining economic capability and its citizens of a decrease in their standard of living. Successful international marketing, however, holds the promise of an improved quality of life, a better society, and more efficient business transactions. *The International Marketplace 1.1* not only highlights how global market forces and marketers need to adjust to a changing environment but also clarifies how market forces and marketers are the critical catalysts between individuals, businesses, and society.

This chapter is designed to increase your awareness of what international marketing is about. It describes current levels of world trade activities, projects future developments, and discusses the repercussions on countries, institutions, and individuals worldwide. Both the opportunities and the threats that spring from the global marketplace are highlighted, and the need for an international "marketing" approach on the part of individuals and institutions is emphasized.

While international marketing may provide consumption advantages to consumers, it also opens up markets to competition, which in many instances has been unexpected and is difficult to cope with. As a result, international marketing activities do not favor everyone to the same degree. Just like Janus, the two-faced god of the Romans, international marketing can bring benefits and opportunity to some, while delivering drawbacks and problems to others. International marketers, as well as consumers of international products and services, need to understand how to make globalization work for them as well as to think about how to ensure that these benefits are afforded to a wide variety of people and countries. Therefore, both as an opportunity and a challenge, international marketing, both with its costs and benefits, is of vital concern to countries, companies, and individuals.

This chapter concludes with an explanation of the major organizational thrust of this book, which differentiates in each functional chapter between the beginning internationalist and the global corporation. This theme ties the book together by taking into account the concerns, capabilities, and goals of firms that will differ widely based on their level of international expertise, resources, and involvement. The approach to international marketing taken here will therefore permit you to understand the entire range of international activities and allow you easily to transfer your acquired knowledge into practice.

In today's time even amongst a highly digitized economy, there's often a claim that rapidity of decision making is of foremost importance. However, the authors do not

believe in such a haphazard approach to decision making in international marketing. Rather, they consider steady and focused decision making as critical for long term sound outcomes. Keep this in mind as we together proceed with our learning and analysis regarding international marketing.

International Marketing Defined

The American Marketing Association defines **international marketing** as the multinational process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.¹ International marketing has forms ranging from export–import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations, and management contracts.

As this definition indicates, international marketing very much retains the basic marketing tenets of *value* and *exchange*. There is also the focus on stakeholders and society whose present positions are to be improved. The fact that a transaction takes place across national borders highlights the difference between domestic and international marketing. The international marketer is subject to a new set of macro-environmental factors, to different constraints, and to quite frequent conflicts resulting from different laws, cultures, and societies. The basic principles of marketing still apply, but their applications, complexity, and intensity may vary substantially. It is in the international marketing field where one can observe most closely the role of marketing as a key agent of societal change and as a key instrument for the development of socially responsive business strategy. When we look, for example, at the economies of China and Russia, we can see the many new challenges confronting international marketing. How does the marketing concept fit into these societies? How can marketing contribute to economic development and the improvement of society? How should distribution systems be organized? How should the price mechanism work? Similarly, in the areas of social responsibility and ethics, the international marketer is faced with a multicultural environment of differing expectations and often inconsistent legal systems when it comes to monitoring environmental pollution, maintaining safe working conditions, copying technology or trademarks, or paying bribes.² In addition, the long-term repercussions of marketing actions need to be understood and evaluated in terms of their societal impact, using not just today's criteria but considering also the long-term perspective of future affected parties. These are just a few of the issues that the international marketer needs to address. The capability to master these challenges successfully affords a company the potential for new opportunities and high rewards. *The International Marketplace 1.2* shows how General Electric (GE) leverages its leadership in environmental business areas to seek new ideas and communicate its international marketing strategy.

The emphasis on stakeholders and society at large indicates the need for the marketer to look beyond narrow self-interest and to understand that there are many parties touched by marketing. Willing or unwilling, they all participate in the outcome of the marketing effort, and their interests must be considered.

International marketing also focuses on the need to create, communicate, and deliver value internationally. These dimensions indicate that marketing internationally is an activity that needs to be pursued, often aggressively. Those who do not participate in the transactions are still exposed to international marketing and subject to its changing influences. The international marketer is part of the exchange and recognizes the constantly changing nature of transactions. This need for adjustment, for comprehending change, and, in spite of it all, for successfully delivering value highlights the fact that international marketing is as much an art as it is a science.

To achieve success in the art of international marketing, it is necessary to be firmly grounded in its scientific aspects. Only then will individual consumers, policymakers, and business executives be able to incorporate international marketing considerations into their thinking and planning. Only

Environment and Sustainability: A Global Challenge for Ideas

Environmental concerns have become a global phenomenon, and marketers see opportunity. Clean energy, water stewardship, and sustainable manufacturing practices have become high priorities for global marketers as customers and governments worldwide have increased their expectations for corporate environmental performance.

Some corporations have chosen not only to implement sustainability programs but also to align their business strategies with the global movement toward sustainability. One such company is GE, which has included its “ecomagination” program as part of its global marketing campaign of “imagination at work.” In the first of two phases of GE’s Ecomagination Challenge, a “Powering the Grid” challenge was conducted in 2010 to invite ideas on how to build the next-generation power grid. Beth Comstock, GE’s chief marketing officer, commented about the first phase: “We ended up with about 4,000 submissions from 150 different

countries. We awarded \$55 million to over 20 different great ideas.”

In the second phase of its Ecomagination Challenge, GE launched a \$200 million “Powering Your Home” challenge in to seek new business ideas. GE invited technologists and entrepreneurs worldwide to submit ideas on how to improve household energy efficiency and to harness wind, solar, hydro, and biomass power. The 856 entrants to the challenge had the opportunity to win cash prizes and to partner with GE to develop their ideas with capital backing from leading venture capital firms. Regarding the second phase, Comstock said: “What we’re hoping is that the world’s great inventors can come up with more of these kind of ideas that we can fund, that we can maybe bring to market, that we can license.” With its Ecomagination Challenge, GE focuses its search for product innovation on global customer needs and highlights it with a global public relations program.



Korea Smart Green City Jeju display model.

SOURCE: “GE and Partners Seek Best Ideas for Eco Home of the Future in Next Phase of \$200 Million ‘Ecomagination Challenge,’” GE press release, www.genewscenter.com/Press-Releases/GE-and-Partners-Seek-Best-Ideas-for-Eco-Home-of-the-Future-in-Next-Phase

-of-200-Million-ecomagination-Challenge-2db8.aspx; and Adam Aston, “What GE Has in Store for Round 2 of the Ecomagination Challenge,” GreenBiz.com, www.greenbiz.com/blog/2011/01/28/what-ge-has-store-round-2-ecomagination-challenge.

Sean Blake/Gallo Images/Getty Images

then will they be able to consider international issues and repercussions and make decisions based on answers to questions such as the following:

- Where are my current and potential customers?
- Does my market have borders?
- Does international activity increase risk?
- What marketing adjustments are or will be necessary?
- What threats from global competition should I expect?
- How do innovation and entrepreneurship change the global marketplace?
- What are my strategic global alternatives?
- how can international marketing improve the global standard of living and contribute to improving life's pleasures?

If all these issues are integrated into each decision made by individuals and by firms, international markets can become a source of growth, profit, needs satisfaction, and quality of life that would not have existed for them had they limited themselves to domestic activities. The purpose of this book is to aid in this decision process.

The Importance of World Trade

World trade has assumed an importance heretofore unknown to the global community. In past centuries, trade was conducted internationally, but never before did it have the broad and simultaneous impact on nations, firms, and individuals both positive and negative that it has today.

- As of 2020, world trade suffered.. suffered a slowdown in both merchandise (down 3 percent from 2018) and recorded services before suffering from a sharp reduction with the emergence of the coronavirus pandemic.
- Experts estimate that world trade is likely to continue its decline. Some of this reduction in global trade retains its relative importance for nations, companies, and consumers.³
- Global growth of trade has typically out-performed the growth of domestic economies in the past few decades. However, as Exhibit 1.1 shows, forecasts vary substantially for the next few years.

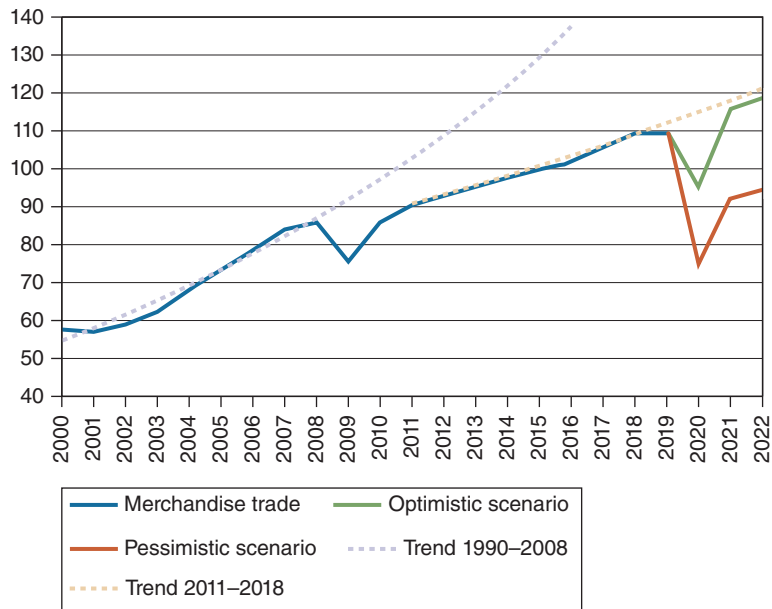


Arni Saeberg/Bloomberg/Getty Images

Ash plume from Eyjafjallajökull Volcano.

The Iron Curtain has disintegrated and newly emerging economies have liberalized their economic systems, bringing billions of new consumers into the global economic system and offering a vast array of new marketing opportunities—albeit amid uncertainty. Firms invest on a global scale, with the result that entire industries shift their locations. International specialization and cross-sourcing have made production much more efficient. New technologies have changed the way we do business, allowing us to both supply and receive products from across the world by using the Internet. As a result, consumers, union leaders, policymakers, and sometimes even the firms themselves are finding it increasingly difficult to define where a particular product has been made. There are trading blocs such as the European Union in Europe, CUSMA

Exhibit 1.1 Volume of World Merchandise Exports, 2000–2022



SOURCE: WTO Secretariat, www.wto.org/english/news_e/pres11_e/pr628_e.htm.

in North America, MERCOSUR in Latin America, and ASEAN in Asia. These blocs encourage trade relations among their members, but, through their rules and standards, they also affect the trade and investment flows of non-member countries.

Individuals and firms have come to recognize that they are competing not only domestically but also globally. World trade has given rise to global linkages of markets, technology, and living standards that were previously unknown and unanticipated. At the same time, it has deeply affected domestic policymaking and has often resulted in the emergence of totally new opportunities as well as threats to firms and individuals. *The International Marketplace* 1.3 provides an example. (Interdependence rightfully reflects mutual dependence as well.) World trade has forged a network of **global linkages** that bind us all—countries, institutions, and individuals—much more closely than ever before.

The International Marketplace 1.3

New Sources for Outsourcing

Since the 1980s, corporations in developed nations have been sending entire business functions and management roles to developing countries. Companies have been outsourcing by using efficient call centers for information technology and technical and software support. Multinational companies cut costs while developing countries benefit from an upsurge in jobs and income. Outsourcing of business processes (BPO), information technology (ITO), and infrastructure management services allow firms to remain focused on their core business capabilities but access innovative best practices and technologies in noncore areas by delegating to outsourcing specialists.

During the financial crisis of 2008 and 2009, there was significant concern that the global outsourcing business would suffer. A 2021 report by Grand View Research indicated that those concerns had been misplaced. The research indicated that the global business process outsourcing market size was valued at USD \$232.32 billion in 2020, which is expected to experience annual growth rate of 8.5% from 2021 to 2028.

However, the shape and geography of the sourcing industry continues to evolve. In its 2011 survey of the world's offshore outsourcing market, Morrison & Foerster reported that outsourcing to China is increasing relative to India and was

“boosted by the Chinese government’s announcement of generous tax incentives to outsourcing service providers in China’s most important cities.” The survey showed that outsourcing to China was principally in the area of information technology but that there was growth as well in areas such as R&D and film animation.

The annual *A.T. Kearney Global Services Location Index 2021* found that Asian countries were the top locations for offshoring of services, with India, China, Malaysia, Indonesia, Thailand, Vietnam, and the Philippines ranked among the top 10 locations.

“India, with its first-mover advantage and deep skill base, still maintains the lion’s share of the IT services market” and “is the all-around stand-out, able to provide manpower for any type of offshoring activity.” A.T. Kearney reported that “China has ‘high degrees of labor skill and corporate output—both of which buoy the nation’s digital-resonance score’” and that China’s “is ‘establishing larger tech nodes in such regions as the Southern Pearl River Delta.’”

SOURCE: <https://www.grandviewresearch.com/industry-analysis/business-process-outsourcing-bpo-market>. Morrison & Foerster Global Sourcing Group, January 2011; and <https://www.kenney.com/digital/article/?a/the-2021-kenney-global-services-location-index>.

These linkages were first widely recognized during the worldwide oil crisis of 1970, but they continue to increase, as was demonstrated dramatically in the financial crisis that was triggered in 2007.

U.S. subsidies for ethanol production from corn affect prices for other agricultural crops and livestock in the far reaches of the world. European and American business executives learned how to pronounce *Eyjaflallajokull* in 2010 as plumes of ash from that Icelandic volcano closed airports and stranded air travelers in many European cities. They received another Icelandic language lesson in 2011 when the Grimsvotn volcano erupted, although with a lesser aviation effect. Grimsvotn caused then-President Obama to cut short his visit to Ireland to avoid potential flight problems. The March 2011 earthquake and tsunami off the northeastern coast of Japan caused massive casualties and destroyed or damaged much of the regional Japanese port and highway infrastructure. This also caused a series of disasters at the Fukushima Daiichi nuclear plant that led to a level 7 “major accident” on the International Nuclear and Radiological Event Scale. This resulted in worldwide disruptions in manufacturing and trade with automotive plant closures or production cutbacks in Japan, the United States, Europe, and other parts of the world. The “just-in-time” supply chains of the automotive, semiconductor, smartphone, digital camera, and personal computer industries were immediately placed in peril around the world.

These linkages have also become more intense on an individual level. Communication has built new international bridges, be it through music or international programs transmitted by CNN, BBC, Al Arabiya, Al Jazeera, and social media. All this has encouraged similar activities around the world—where many of us wear jeans, dance to the same music on our iPods, and eat kebabs, curry, and sushi. Transportation linkages let individuals from different countries see and meet each other with unprecedented ease. Common cultural pressures result in similar social phenomena and behavior—for example, more dual-income families are emerging around the world, which leads to more frequent, but also more stressful, shopping.

World trade is also bringing about a global reorientation of corporate processes, which opens up entirely new horizons. Never before has it been so easy to gather, manipulate, analyze, and disseminate information—but never before has the pressure been so great to do so. Ongoing global technological innovation in marketing has direct effects on the efficiency and effectiveness of all business activities. Products can be produced more quickly, obtained less expensively from sources around the world, distributed at lower cost, and customized to meet diverse clients’ needs. As an example, it would have been thought impossible for a firm to produce parts for a car in more than one country, assemble the car in yet another country, and sell it in still other nations. Today, such global investment strategies, coupled with production and distribution sharing, are becoming a matter of routine. Of course, these changes increase the level of global competition, which in turn increases the challenge of staying in a leadership position.

Advances in technology also allow firms to separate their activities by content and context. Firms can operate in a “market space” rather than a marketplace by keeping the content while changing the context of a transaction. For example, a newspaper can be distributed online globally rather than house-to-house on paper, thereby allowing outreach to entirely new customer groups.

The level of global investment is at an unprecedented high. The shifts in financial flows have had major effects. They have resulted in the buildup of international debt by governments, affected the international value of currencies, provided foreign capital for firms, and triggered major foreign direct-investment activities. Societies can grow concerned about these shifts. For example, in the United States, the PATRIOT Act defines critical infrastructure as systems and assets so vital that any breakdown in them “would have a debilitating impact on security, national economic security, national public health, or safety.” A national strategy was developed for the protection of critical infrastructure in 11 sectors: agriculture and food, water, public health, emergency services, defense industrial bases, telecommunications, energy, transportation, banking and finance, chemical industry and hazardous material, and postal services and shipping. The “key assets” identified are national monuments and icons, nuclear power plants, dams, government facilities, and commercial key assets.⁴ The fact that there is increasing foreign investment in such key assets indicates that nations, firms, and people grow more and more dependent on one another.

This interdependence, however, is not stable. For the first 200 years of its history, the United States looked to Europe for markets and sources of supply. Today, U.S. two-way trade with Asia far outpaces U.S. trade with Europe. Africa may rise in importance due to its natural resources. The participants in international marketing also are changing their roles. For example, the International Monetary Fund (IMF) was founded in 1944 to help restructure impoverished economies. More recently, however, the fund has been assisting nations that used to be categorized as “wealthy,” such as Iceland, and member states of the European Union, such as Greece. It appears to become increasingly difficult to differentiate between “rich” and “poor.” For example, based on its foreign currency reserves of \$3.2 trillion, China easily qualifies for the upper echelons of the wealthy countries.⁵ However, the nation’s GDP per capita would still let it be classified as a developing nation.

Not only is the environment changing, but the pace of change is accelerating as well. Atari’s Pong was first introduced in the early 1980s; today, action games and movies are made with computerized humans. The first office computers emerged in the mid-1980s; today, tablet computers have become commonplace. E-mail was introduced to a mass market only in the 1990s; today, many college students hardly ever send personal notes using a stamp and envelope and are more likely to communicate with each other via texting than e-mail.⁶

These changes and the speed with which they come about significantly affect countries, corporations, and individuals. One change is the role participants play. For example, the United States accounted for nearly 25 percent of world merchandise exports in the 1950s, but by 2010 this share had declined by two-thirds. Also, the way countries participate in world trade is shifting. As Exhibit 1.2 shows, since 2005 trade by developing nations has grown far more quickly than that of developed nations.⁷

Of course, one needs to consider the base from which this growth has taken place. Here the European Union, China, and the United States are the consistent leaders. Also, in the past two decades, the role of primary commodities in international trade has dropped precipitously, while the importance of manufactured goods and services has increased. Most important, the growth in the overall volume and value of both merchandise and services trade has had a major impact on firms, countries, and individuals.

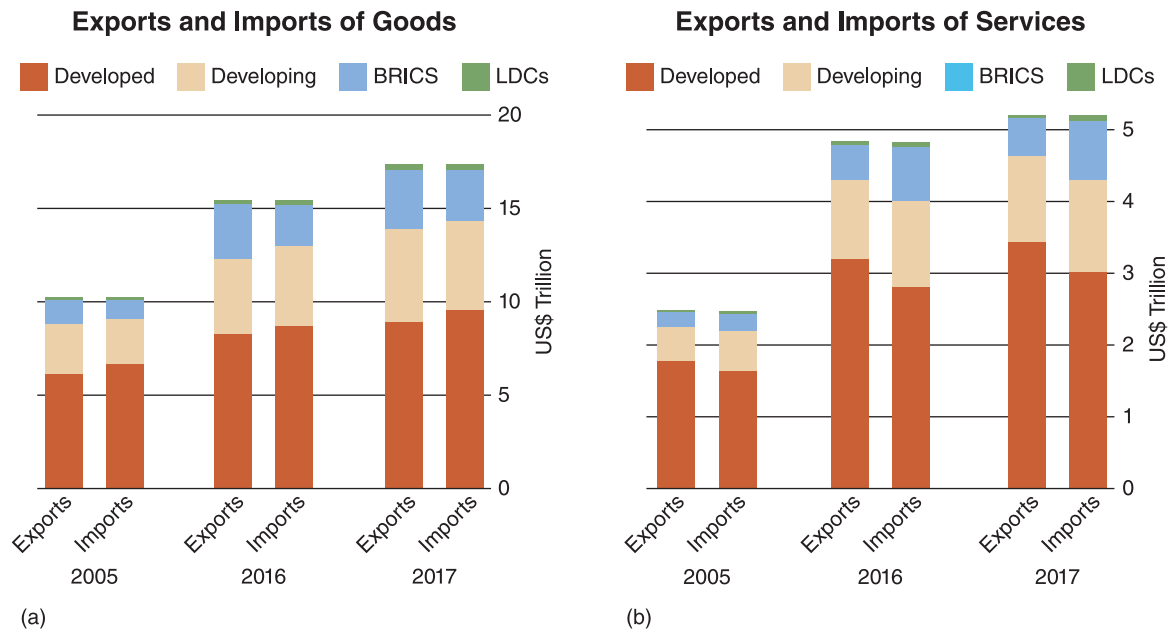
Domestic Policy Repercussions

The effects of closer global linkages on the economics of countries have been dramatic. Policymakers have increasingly come to recognize that it is very difficult to isolate domestic economic activity from international market events. Decisions that once were clearly in the domestic purview have now become subject to revision by influences from abroad, and domestic policy measures are often canceled out or counteracted by the activities of global market forces.

A lowering of interest rates domestically may make consumers happy or may be politically wise but can quickly lead to major imbalances if it results in a large outflow of funds to countries that offer higher interest rates. The amounts involved are significant.

As of June 2020 the U.S. Federal Reserve had supported \$2.3 trillion in lending to affected households, employers, financial markets, and state and local governments.⁸ The European Central Bank, during the same time, had provided 750 billion euro to its economy.

Exhibit 1.2 Values of Trade in Goods and Services by Region



SOURCE: "https://unctad.org/system/files/official-document/ditctab2020d4_en.pdf. Visit https://www.wto.org/english/res_e/statis_e/statis_e.htm for the latest.

Agricultural and farm policies, which historically have been strictly domestic issues, are suddenly thrust into the international realm. Any policy consideration must now be seen in light of international repercussions due to influences from global trade and investment.

To some extent, the economic world as we knew it has been turned upside down. For example, trade flows traditionally have been used to determine currency flows and therefore the level of the exchange rate. In the more recent past, **currency flows** took on a life of their own. Independent of trade, they set exchange rates, which are the values of currencies relative to each other. These **exchange rates** in turn have now begun to determine the level of trade. Governments that wish to counteract these developments with monetary policies find that currency flows outnumber trade flows by 100 to 1. Also, private-sector financial flows vastly exceed the financial flows that can be marshaled by governments, even when acting in concert. Major economic change can be swift and harsh, and its cause may be difficult to identify. An analogy might consist of persons traveling in a giant plastic bubble filled with vital air. Suddenly the bubble begins to shrink, the air escapes, but the passengers don't find the rupture, nor are they able to replenish the air sufficiently. Rash reaction may lead to mistakes and unintended consequences, but no reaction will lead to a hard landing.

Constant rapid technological change and vast advances in communication permit firms and countries to quickly emulate innovation and counteract carefully designed plans. As a result, governments are often powerless to implement effective policy measures even when they know what to do.

Policymakers therefore find themselves with increasing responsibilities yet with fewer and less effective tools to carry out these responsibilities. At the same time that more parts of a domestic economy are vulnerable to international shifts and changes, these parts are becoming less controllable. The global market imposes increasingly tight limits on national economic regulation and sovereignty.

To regain some of their power to influence events, policymakers have sought to restrict the impact of global trade and financial flows by erecting barriers, charging tariffs, designing quotas, and implementing other import regulations. However, these measures too have been restrained by

international trade agreements, particularly through the World Trade Organization (WTO) (www.wto.org). Nonetheless, there is a growth in trade perspectives by countries who view many existing regulations as one-sided and unfair. Global trade has therefore changed many previously held notions about nation-state sovereignty and extraterritoriality. The same interdependence that has made us more affluent has also left us more vulnerable. Because this vulnerability is spread out over all major trading nations, however, some have credited international marketing with being a pillar of international peace. Clearly, closer economic relations can result in many positive effects. At the same time, however, interdependence brings with it risks, such as dislocations of people and economic resources and a decrease in a nation's capability to do things its own way. Given the ease—and sometimes the desirability—of blaming a foreign rather than a domestic culprit for economic failure, it may well also be a key task for the international marketer to stimulate societal acceptance of the long-term benefits of interdependence.

Opportunities and Challenges in International Marketing

To prosper in a world of abrupt changes and discontinuities, of newly emerging forces and dangers, and of unforeseen influences from abroad, firms need to prepare themselves and develop active responses. New strategies need to be envisioned, new plans need to be made, and the way of doing business needs to be changed. The way to obtain and retain leadership, economically, politically, or morally, is—as the examples of Rome, Constantinople, and London have amply demonstrated—not through passivity but rather through a continuous, alert adaptation to the changing world environment. To help a country remain a player in the world economy, governments, firms, and individuals need to respond aggressively with innovation, process improvements, and creativity.

The growth of global business activities offers increased opportunities. International activities can be crucial to a firm's survival and growth. By transferring knowledge around the globe, an international firm can strengthen and build its competitive position. Firms that heavily depend on long production runs can expand their activities far beyond their domestic markets and benefit from reaching many more customers. Market saturation can be avoided by lengthening or rejuvenating product life cycles in other countries. Production sites, which once were inflexible, can now be shifted from one country to another, and suppliers can be found on every continent. Cooperative agreements can be formed that enable all parties to bring their major strengths to the table and emerge with better products, services, and ideas than they could produce on their own. In addition, research has found that multinational corporations face a lower risk of insolvency and tend to pay higher wages than do domestic companies. For example, in the European Union, export-related jobs pay 12 percent better than other jobs in the rest of the economy.⁹ At the same time, every export has to find a location where it can become an import. This import, in turn, will replace either another import or reduce employment in the importing community. Such a result can easily lead to conflicts and imbalances, which, as they grow, can lead to significant policy repercussions. In such debates, one must consider that international marketing enables consumers all over the world to find greater varieties of products at lower prices and to improve their lifestyles and comfort.

International opportunities require careful exploration. What is needed is an awareness of global developments, an understanding of their meaning, and a development of capabilities to adjust to change. Firms must adapt to the international market if they are to be successful.

One key facet of the marketing concept is adaptation to the environment, particularly the market. Even though many executives understand the need for such an adaptation in their domestic market, they often believe that international customers are just like the ones the firm deals with at home. It is here that many firms commit grave mistakes that lead to inefficiency, lack of consumer acceptance, and sometimes even corporate failure. As *The International Marketplace 1.4* explains, there are quite substantial differences in this world between consumer groups.

Emerging Consumers Bring a Smile to Coca-Cola and Consumer Goods Companies

Historically, the leading consumer goods companies of the world have focused the bulk of their marketing efforts on the most developed countries, where economic wealth and disposable income were concentrated and infrastructure allowed for them to efficiently reach consumers. Return on marketing investment was greatest in the United States, Western Europe, and Japan. However, as a result of economic liberalization and the embrace of Western capitalism by the largest emerging and developing economies, firms are taking a new look at where to find new customers.

The Coca-Cola Company “refreshes” consumers in over 200 countries. In its Vision 2020 statement, the firm summarized the dynamics of the changing global marketplace in relation to its market opportunity: “By 2020, we believe the world will experience significant social and economic shifts, from a population increase of more than 800 million people to nearly 900 million people moving into urban areas and more than 1 billion people joining the middle class. These trends indicate there will be more people with more disposable income who potentially will tap into refreshment and convenience.” That must bring a smile to Coca-Cola executives and those of other companies as well.

Firms are increasingly turning their attention east and south, where much of this change is occurring. Philips, the Amsterdam-based global health and well-being company, has stated its objective to generate at least 40 percent of its global sales in

emerging markets by 2015, using the rationale that “as the number of middle-class households in these markets grows, we expect demand for our products will increase as people have more money to spend on feeling and staying healthy.”

Procter & Gamble (P&G), which sells its brands to consumers in more than 180 countries, has similar ambitions and has simplified the expression of its strategy for growth: “touching and improving the lives of more consumers in more parts of the world, more completely.” As a part of this strategy, P&G’s CEO, Robert McDonald, stated that in 2010 “we reached an additional 200 million consumers, bringing the total served to 4.2 billion—on track toward our goal of reaching 5 billion consumers by fiscal 2015. Average per capita spending on P&G products increased in 70% of our top countries, up from 60% in fiscal 2009. And, global household penetration—the percentage of households using at least one P&G product—increased nearly two percentage points, to 61%.”

These companies are not ignoring their traditional markets either. As Coca-Cola’s 2020 Vision states: “Over the next 10 years and beyond, the United States will have some of the world’s most attractive demographics for our business. By 2020, the United States will add about 31 million people, and its teen population will also be around 31 million. Only India and China will have larger teen populations.”



Coca-Cola employees at one of three new bottling plants in China.

SOURCE: Dan Sewell, “P&G plans for Asian Growth,” Associated Press, *The Journal Gazette*, April 17, 2011, www.journalgazette.net/article/20110417/

BIZ/304179953/1031/BIZ; Robert A. McDonald, “Letter to Shareholders,” P&G 2010 Annual Report; and The Coca Cola Company, 2009 Annual Report.

Doug Kanter/Bloomberg/Getty Images

Firms increasingly understand that many of the key difficulties encountered in doing business internationally are marketing problems. Judging by corporate needs, a background in international marketing is highly desirable for business students seeking employment, not only for today but also for long-term career plans.

Many firms do not participate in the global market. Often, managers believe that international marketing should only be carried out by large multinational corporations. It is true that there are some very large players from many countries active in the world market. But smaller firms are major players, too.

In the United States, 98 percent of exporters are **small and medium sized enterprises (SMEs)**.¹⁰ Increasingly we find smaller firms, particularly in the computer and telecommunications industries, that are born global because they achieve a worldwide presence within a very short time.¹¹

Those firms and industries that are not participating in the world market have to recognize that in today's trade environment isolation has become impossible. Willing or unwilling, firms are becoming participants in global business affairs. Even if not by choice, most firms and individuals are affected directly or indirectly by economic and political developments that occur in the international marketplace. Those firms that refuse to participate are relegated to reacting to the global marketplace and therefore are unprepared for harsh competition from abroad.

Some industries have recognized the need for international adjustments. Farmers understand the need for high productivity in light of stiff international competition. Computer makers and firms in other technologically advanced industries have learned to forge global relationships to stay in the race. Firms in the steel, textile, and leather sectors have shifted production, and perhaps even adjusted their core business, in response to overwhelming onslaughts from abroad. Other industries in some countries have been caught unaware and have been unable to adjust. The result is the extinction of firms or entire industries, such as VCRs in the United States and coal mining and steel smelting in other countries.

The Goals of This Book

This book aims to make you a better, more successful participant in the international marketplace by providing information about how international markets work, how a changing context affects the marketing functions, and by eventually helping you to translate knowledge into successful business transactions. By learning about both theory and practice, you can obtain a good conceptual understanding of the field of international marketing as well as become firmly grounded in the realities of the global marketplace. Therefore, this book approaches international marketing in the way the manager of a firm does, reflecting different levels of international involvement and the importance of business–government relations.

Firms differ widely in their international activities and needs, depending on their level of experience, resources, and capabilities. For the firm that is just beginning to enter the global market, the level of knowledge about international complexities is low, the demand on time is high, expectations about success are uncertain, and the international environment is often inflexible. Conversely, for a multinational firm that is globally oriented and employs thousands of people on each continent, much more leeway exists in terms of resource availability, experience, and information. In addition, the multinational firm has the option of responding creatively to the environment by either shifting resources or shaping the environment itself. For example, the heads of large corporations have access to government ministers to plead their case for a change in policy, an alternative that is rarely afforded to smaller firms.

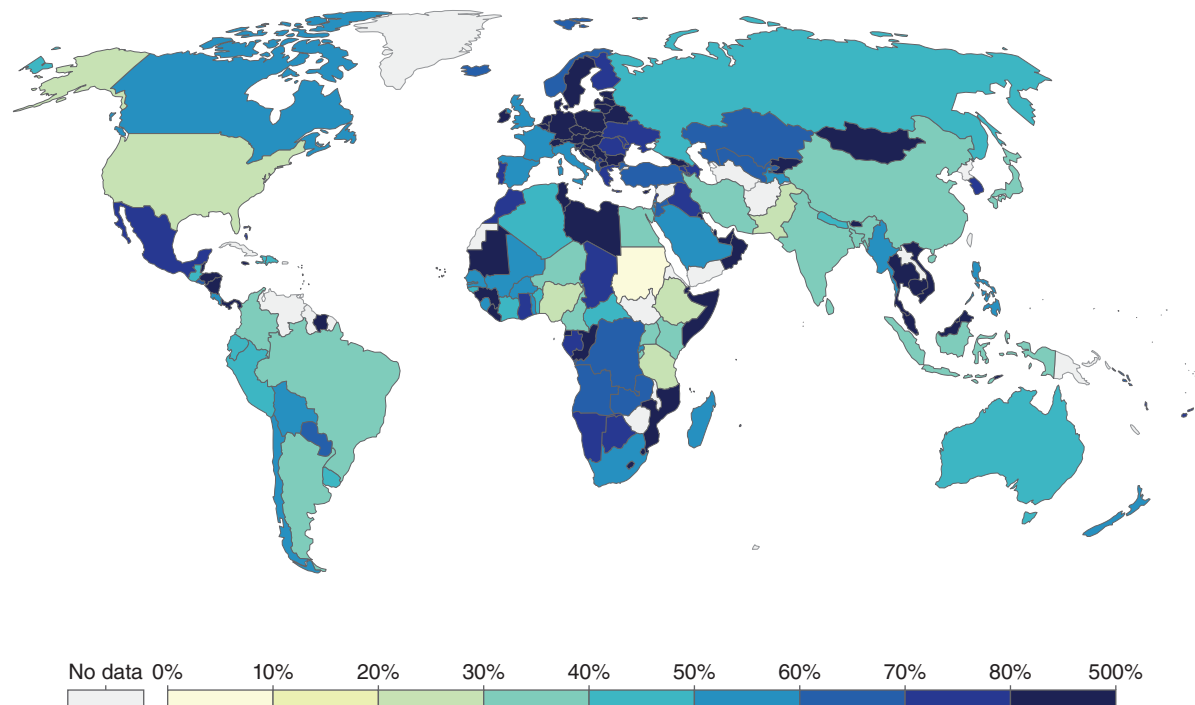
To become a large international corporation, a firm usually has to start out small. Similarly, to direct far-flung global operations, managers first have to learn the basic issues and their cultural, economic, financial, political, and legal dimensions.

For each component of the marketing mix, the book discusses in detail the beginning internationalization of the firm. Some basic, yet essential, issues addressed are: What is the difference between

International Trade as a Percentage of Gross Domestic Product

Trade – Exports Plus Imports – as Share of GDP, 2020

Shown is the 'trade openness index' – the sum of exports and imports of goods and services, divided by gross domestic product.



SOURCE: <https://ourworldindata.org/grapher/trade-as-share-of-gdp>, accessed October 5, 2021.

domestic and international marketing? Does the applicability of marketing principles change when they are transferred to the global environment? How do marketers find out whether there is a market for a product abroad without spending a fortune in time and money on research? How can the firm promote its products in foreign markets? How do marketers find and evaluate a foreign distributor, and how do they make sure that their firm gets paid? How can marketers minimize government red tape, yet take advantage of any governmental programs that are of use to them? How much do governments allow or restrict the ability of marketers to implement the variable elements of the marketing mix? (See Appendix A: A Brief Review of Marketing.)

These questions are addressed both conceptually and empirically, with a strong focus on export and import operations. We will see how the international commitment is developed and strengthened within the firm.

We believe in the importance of geography for international marketing, since issues such as location, place, or climate have a major effect on marketing's opportunities and limitations. We therefore have an Appendix B to this first chapter, in which we present geographical perspectives on international marketing.

Finally, we recognize that the role of government in the marketplace is increasing dramatically. All the marketing issues are considered in relation to national policies so as to familiarize you with the divergent forces at play in the global market. Governments' increased awareness of and involvement

with international marketing require managers to be able to work with them in order to attain marketing goals. The continued references in the text to business–government interaction demonstrate a vital link in the development of international marketing strategy. In addition, we give full play to the increased ability of firms to communicate with a global market. Therefore, we develop and offer, for firms both small and large, our ideas and strategies for viable participation in electronic commerce and social networks. We also acknowledge the difference between firms that market goods versus those that market services as international marketing efforts vary.

We expect that our approach to international marketing will permit you not only to master another academic subject but also to become well versed in both the operational and the strategic aspects of the field. The result should be a better understanding of how the global market works and the capability to participate in the international marketing imperative.

SUMMARY

Over the past half-century, merchandise trade has expanded at astonishing rates. World merchandise exports had reached \$18.9 trillion by 2019 but had already suffered a decline of 3 percent well before the viral pandemic. Services, in turn, had increased to \$6 trillion.¹² As of 2019, the pandemic wreaked havoc on traditional growth patterns of trade. Nations are much more affected by international marketing than in the past. Global linkages have made possible investment strategies and marketing alternatives that offer tremendous opportunities but can also cause threats to nations and firms.

On the policy front, decision makers have come to realize that it is very difficult to isolate domestic economic activity from international market events. Factors such as currency exchange rates, financial flows, and foreign economic actions increasingly render the policymaker powerless to implement a purely domestic agenda. International interdependence, which has contributed to greater affluence, has also increased our vulnerability.

Both firms and individuals are greatly affected by international trade. Whether willing or not, they are participating in global business affairs. Entire industries have been threatened in their survival as a result of international trade flows and have either adjusted to new market realities or left the market. Some individuals have lost their workplace and experienced reduced salaries. At the same time, changes in global business has increased the opportunities available. Firms can now reach many more customers, product life cycles have been lengthened, sourcing policies have become variable, new jobs have been created, and consumers all over the world can find greater varieties of products at lower prices.

To benefit from the opportunities and deal with the adversities of international trade, business needs to adopt the international marketing concept. The new set of macro-environmental factors has to be understood and responded to in order to let international markets become a source of growth, profit, and needs satisfaction.

KEY TERMS

international marketing
global linkage

currency flows
exchange rate

small and medium sized enterprises (SMEs)

QUESTIONS FOR DISCUSSION

1. What effect did the coronavirus outbreak have upon world trade in 2020?
2. Do increased global linkages mean increased risk or more rewards?
3. What impact does international marketing have on firms and consumers? Is it beneficial to all concerned?
4. Can you think of examples of international marketing contributing to world peace?
5. Describe some opportunities and challenges in international marketing created by new advances in information technology and social media.
6. Analyze how changes in outreach capabilities affect supply chains.

EXPLORE THE GLOBE

1. Using World Trade Organization data (www.wto.org), identify the following: (1) world trade volume of merchandise goods and services for the preceding year and (2) projections for world trade volume of merchandise goods and services in the current year. Which category (goods or services) is growing faster?
2. Consult the resources available on the World Economic Forum (www.weforum.org/issues/global-risks) and the Eurasia Group (www.eurasiagroup.net) to identify three of the top global risks that international marketing firms should consider in their work abroad.

CHALLENGE US

What Is the Environment Worth to You?

In theory, all of us want a clean and sustainable environment. In practice however, few of us are willing to give up luxuries such as air conditioning, fast fashion, or even air travel.

For Discussion

1. Is it the rich countries that have exploited their own nations and many oppressed colonies for centuries? Or is it the emerging nations who have yet to have a chance to grow rich on the destruction of forests, land, and seas?
2. Are global sanctions and embargoes a fair method of enforcement, say, of the prevention of hunting elephants for their tusks, or does that deprive poor villagers of their only means of support?

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A

A Brief Review of Marketing

This appendix provides a summary of the basic concepts in marketing for the reader who wishes to review them before applying them to international marketing. The American Marketing Association defines **marketing** as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”¹

It is useful to focus on the definition’s components to fully understand its meaning. Marketing as an *activity* indicates the proactive nature of the discipline, with a specific thrust that gives direction to its user. *Sets of institutions and processes* highlight that there are inside and outside participants in the marketing effort and that the activity goes beyond a single transaction. *Creating, communicating, and delivering* emphasizes that the marketing discipline takes leadership in its activities from beginning to end and that the art and the practical implementation dimensions of the discipline are crucial in their simultaneity. The fact that there is an “exchange” and “offerings” involved is a crucial dimension setting marketing apart from other disciplines and other forms of resource acquisition. Each party gives up something of value and receives something of equal (or even perceived higher) value. It is important to recognize the powerful effect of the “offering,” which highlights the voluntary nature of the exchange and signifies the existence of freedom of choice. Carrying out the exchange is then designed to achieve satisfaction with the transaction.

Value for customers, clients, partners, and society at large presents the core focus of marketing. Physicians have as their overriding principle the Hippocratic oath, “Do no harm.” Marketers should consider any action through the prism of “Are my stakeholders better off?” There is both a dyadic and plurilateral (many-sided) aspect to marketing. Is it an individual interaction between, say, the firm and its customers? Of course it is, but there are also the relationships among the customers themselves and the consequences of the marketing effort for other parties, such as suppliers, distributors, investors, or family members, who can play the role of both clients and partners. All of these form part of a network that is defined by the interactions and relationships between its members and that creates the society in which we live.

Because marketers will be major influencers on this relationship, they need to take into account the repercussions that their actions are likely to have on these linkages. *Relationships* are key as they are indicative of the fact that actions build upon each other and are instrumental in forging bonds and inflaming disagreements. The marketer therefore cannot see any product or effort as an isolated event. Rather, it has to be understood as a component of an entire series of steps that define the bridge between

entities. Using this perspective, marketing has a very broad mission. The discipline is not narrowly confined to relationships that emerge when money is exchanged for goods. Rather, marketing has its application just as well when there is performance of a service (say, coaching Little League or fund-raising for a charity) in exchange for obtaining a good feeling and a sense of fulfillment.

The fact that marketing develops and adds value is critical. Marketing needs to be seen, after all, in the context of a planned and purposeful activity. It seeks a definite, favorable outcome for the participants of the marketing pursuit. Again, it is important to recognize that this benefit need not be seen strictly in terms of mammon. Rather, the organization itself is the one that defines what it determines to be beneficial. Therefore, there is ample room for both macro benefits, such as “more positive images of our country,” as well as micro benefits, such as “increased desire to participate in projects,” in addition to the business benefits customarily seen to be in the purview of organizations. As a result, marketing finds a full range of applicability in not-for-profit areas, such as medicine, the arts, or government areas typically wrongfully excluded from the need for marketing. The various stakeholders are also indicative of this breadth of marketing in that it gives recognition to others who have an interest in either the process or the outcome of marketing activities.

As you can see, this definition packs a lot of punch and lets marketing make a major contribution to the welfare of individuals and organizations. Nevertheless, based on our view of marketing, we will expand this definition on several dimensions. First, we believe that the terms *create*, *deliver*, and *value* overemphasize transactions as one-time events. Therefore, we add the terms *maintain* and *value stream* to highlight the long-term nature of marketing that encourages customers to continue to come back. We also believe that, as the scope of marketing is broadened, societal goals need to be added to individuals and organizations, properly reflecting the overarching reach and responsibility of marketing as a social change agent that responds to and develops social concerns about the environment, technology, and ethics. Equally important is the need to specifically broaden our marketing understanding beyond national borders. Today, sourcing and supply linkages exist around the globe, competition emerges from all corners of the earth, and marketing opportunities evolve worldwide. As a result, many crucial dimensions of marketing need to be reevaluated and adapted in a global context.

Based on these considerations, our expanded definition of marketing is “an organizational function and a set of processes for creating, communicating, delivering, and maintaining value streams to consumers and for managing customer relationships in ways that

benefit the organization, its stakeholders, and society in the context of a global environment.”²

The concepts of satisfaction and exchange are at the core of marketing. For an exchange to take place, two or more parties must come together in person, through the mail, or through technology, and they must communicate and deliver things of perceived value. Potential customers should be perceived as information seekers who evaluate marketers' efforts in terms of their own drives and needs. When the offering is consistent with their needs, they tend to choose the product; if it is not, they choose other alternatives. A key task of the marketer is to recognize the ever-changing nature of needs and wants. Increasingly, the goal of marketing has been expanded from sensing, serving, and satisfying individual customers to taking into consideration the long-term interests of society.

Marketing is not limited to business entities but involves governmental and nonbusiness units as well.

Marketing techniques are applied not only to goods but also to ideas (for example, a “Made in Japan” campaign) and to services (for example, international advertising agencies). The term *business marketing* is used for activities directed at other businesses, governmental entities, and various types of institutions. Business marketing accounts for well over 50 percent of all marketing activities.

Strategic Marketing

The marketing manager's task is to plan and execute programs that will ensure a long-term competitive advantage for the company. This task has two integral parts: (1) the determination of specific target markets and (2) marketing management, which consists of developing and operationalizing marketing mix elements to best satisfy the needs of individual target markets.

Target Market Selection

Characteristics of intended target markets are of critical importance to the marketer. These characteristics can be summarized by eight Os: occupants, objects, occasions, objectives, outlets, organization, operations, and opposition.³

Occupants are targets of the marketing effort. The marketer must determine which customers to approach and also define them along numerous dimensions, such as demographics (age, sex, and nationality, for example), geography (country or region), psychographics (attitudes, interests, and opinions), or product-related variables (usage rate and brand loyalty, for example). Included in this analysis must be the major influences on the occupants during their buying processes.

Objects are what is being bought at present to satisfy a particular need. Included in this concept are physical objects, services, ideas, organizations, places, and persons.

Occasions are moments when members of the target market buy the product or service. This characteristic is important to the marketer because a product's consumption may be tied to a particular time period—for example, imported beer and a festival.

Objectives are the motivations behind the purchase or adoption of the marketed concept. A computer manufacturer markets not hardware but solutions to problems. Additionally, many customers look for hidden value in the product they purchase, which may be expressed, for example, through national origin of the product or through brand name.

Outlets are places where customers expect to be able to procure a product or to be exposed to messages about it. Outlets include not only the entities themselves but also spots within a particular place. Although aseptic packaging made it possible to shelve milk outside the refrigerated area in supermarkets, customers' acceptance of the arrangement was not automatic: the product was not where it was supposed to be. In the area of services, outlet involves (1) making a particular service available and communicating its availability and (2) selecting the particular types of facilitators (such as brokers) who bring the parties together.

Organization describes how the buying or acceptance of a (new) idea takes place. Organization expands the analysis beyond the individual consumer to the decision-making unit (DMU). The DMU varies in terms of its size and its nature from relatively small and informal groups like a family to large groups (more than 10 people) to formal buying committees. Compare, for example, the differences between a family buying a new home-entertainment center and the governing board at a university deciding which architectural firm to use. In either case, to develop proper products and services, the marketer should know as much as possible about the decision-making processes and the roles of various individuals.

Operations represent the behavior of the organization buying products and services. Increasingly, industrial organizations are concentrating their purchases with fewer suppliers and making longer-term commitments. Supermarkets may make available only the leading brands in a product category, thereby complicating the marketer's attempts to place new products in these outlets.

Opposition refers to the competition to be faced in the marketplace. The nature of competition will vary from direct product-type competition to competition from other products that satisfy the same need. For example, Prince tennis rackets face a threat not only from other racket manufacturers but also from any company that provides a product or service for leisure-time use. Competitive situations will vary from one market and from one segment to the next. Gillette is number one in the U.S. market for disposable razors, with Bic a distant runner-up; however, elsewhere, particularly in Europe, the roles are reversed. In the long term, threats may come from outside the industry in which the marketer operates. As an example, digital watches originated in the electronics industry rather than the watch industry.

Analyzing Kotler's eight Os, and keeping in mind other uncontrollable factors in the environment (cultural, political, legal, technological, societal, and economic), the marketer must select the markets to which efforts will be targeted. In the short term, the marketer has to adjust to these environmental forces; in the long term, they can be manipulated to some extent by judicious marketing activity. Consumerism, one of the major forces shaping marketing activities, is concerned with protecting the consumer whenever an exchange relationship exists with any type of organization. Manifestations of the impact of consumerism on marketing exist in labeling, product specifications,

promotional campaigns, recycling expectations, and demands for environmentally friendly products.

Because every marketer operates in a corporate environment of scarcity and comparative strengths, the target market decision is a crucial one. In some cases, the marketer may select only one segment of the market (for example, motorcycles of 1,000+ cc) or multiple segments (for example, all types of motorcycles), or the firm may opt for a very broad approach to the market (for example, any two-wheeled conveyance, with or without an engine, with or without a cover, usable for one or more passengers).

Marketing Management

The marketing manager, having analyzed the characteristics of the target market(s), is in a position to specify the mix of marketing variables that will best serve each target market. The variables the marketing manager controls are known as the elements of the marketing mix, or the four Ps: product, price, place, and promotion.⁴ Each consists of a submix of variables, and policy decisions must be made on each.

Product policy is concerned with all the elements that make up the good, service, or idea that is offered by the marketer. Included are all possible tangible characteristics (such as the core product and packaging) and intangible characteristics (such as branding and warranties). Many products are a combination of a concrete product and the accompanying service; for example, in buying an Otis elevator, the purchaser buys not only the product but an extensive service contract as well.

Pricing policy determines the cost of the product to the customer—a point somewhere between the floor created by the costs to the firm and the ceiling created by the strength of demand. An important consideration of pricing policy is pricing within the channel of distribution; margins to be made by the middlemen who assist in the marketing effort must be taken into account. Discounts to middlemen include functional, quantity, seasonal, and cash discounts as well as promotional allowances. An important point to remember is that **price** is the only revenue-generating element of the marketing mix.

Distribution policy covers the **place** variable of the marketing mix and has two components: channel management and logistics management. Channel management is concerned with the entire process of setting up and operating the contractual organization, consisting of various types of middlemen (such as wholesalers, agents, retailers, and facilitators). Logistics management is focused on providing product availability at appropriate times and places in the marketing channel.⁵ Place is the most long-term of all the marketing mix elements; it is the most difficult to change in the short term.

Communications policy uses **promotion** tools to interact with customers, middlemen, and the public at large. The communications element consists of these tools: advertising, sales promotion, personal selling, and publicity. Because the purpose of all communications is to persuade, this is the most visible and sensitive of the marketing mix elements.

Blending the various elements into a coherent program requires trade-offs based on the type of product or service being offered (for example, detergents versus fighter aircraft), the stage of the product's life cycle (a new product versus one that is being revived), and resources available for the marketing effort (money and personnel) as well as the type of customer at whom the marketing efforts are directed.

The Marketing Process

The actual process of marketing consists of four stages: analysis, planning, implementation, and control.

Analysis begins with collecting data on the eight Os and using various quantitative and qualitative techniques of marketing research. Data sources will vary from secondary to primary, internal to external (to the company), and informal to formal. The data are used to determine company opportunities by screening a plethora of environmental opportunities. The company opportunities must then be checked against the company's resources to judge their viability. The key criterion is competitive advantage.

Planning refers to the blueprint generated to react to and exploit the opportunities in the marketplace. The planning stage involves both long-term strategies and short-term tactics. A marketing plan developed for a particular market includes a situation analysis, objectives and goals to be met, strategies and tactics, and cost and profit estimates. Included in the activity is the formation of a new organizational structure or adjustments in the existing one to prepare for the execution of the plan.

Implementation is the actual carrying out of the planned activity. If the plans drawn reflect market conditions, and if they are based on realistic assessments of the company's fit into the market, the implementation process will be a success. Plans must take into account unforeseeable changes within the company and environmental forces and allow for corresponding changes to occur in implementing the plans.

For this reason, concurrently with implementation, **control** mechanisms must be put into effect. The marketplace is ever dynamic and requires the monitoring of environmental forces, competitors, channel participants, and customer receptiveness. Short-term control tools include annual plan control (such as comparing actual sales to quota), profitability control, and efficiency control. Long-term control is achieved through comprehensive or functional audits to make sure that marketing not only is doing things right but is doing the right things. The results of the control effort provide valuable input for subsequent planning efforts.

These marketing basics do not vary regardless of the type of market one is planning to enter or to continue operating within. They have been called the "technical universals" of marketing.⁶ The different environments in which the marketing manager must operate will give varying emphases to the variables and will cause the values of the variables to change.

KEY TERMS

marketing	place	planning
product	promotion	implementation
price	analysis	control

ENDNOTES

1. American Marketing Association, "Definition of Marketing," www.marketingpower.com/Pages/default.aspx, accessed February 23, 2021.
2. Michael R. Czinkota, Massaki Kotabe, Demetris Vrontis, Riad Shams, *Marketing Management*, 4th ed. (New York, Springer Publishing, 2021), 4–5.
3. Philip Kotler presents the eight Os in the eighth edition of *Marketing Management: Analysis, Planning, and Control* (Englewood Cliffs, NJ: Prentice Hall, 1994), 174–75.
4. The four Ps were popularized originally by E. Jerome McCarthy. See William Perreault, Jr., Joseph Cannon, and E. Jerome McCarthy, *Essentials of Marketing*, 17th ed. (Burr Ridge, IL: Irwin/McGraw-Hill, 2021).
5. Bert Rosenbloom, *Marketing Channels: A Management View*, South-Western College Publishers July 2012.
6. Robert Bartels, "Are Domestic and International Marketing Dissimilar?" *Journal of Marketing* 36 (July 1968): 56–61.

Geographical Perspectives on International Marketing

The globalization of business has made geography indispensable for the study of international marketing. Without significant attention to the study of geography, critical ideas and information about the world in which business occurs will be missing.

Just as the study of business has changed significantly in recent decades, so has the study of geography. Once considered by many to be simply a descriptive inventory that filled in blank spots on maps, geography has emerged as an analytical approach that uses scientific methods to answer important questions.

Geography focuses on answering “Where?” questions. Where are things located? What is their distribution across the surface of the earth? An old aphorism holds, “If you can map it, it’s geography.” That statement is true because we use maps to gather, store, analyze, and present information that answers “Where?” questions. Identifying where things are located is only the first phase of geographic inquiry. Once locations have been determined, “Why?” and “How?” questions can be asked. Why are things located where they are? How do different things relate to one another at a specific place? How do different places relate to each other? How have geographic patterns and relationships changed over time? These are the questions that take geography beyond mere description and make it a powerful approach for analyzing and explaining geographical aspects of a wide range of different kinds of problems faced by those engaged in international marketing.

Geography answers questions related to the location of different kinds of economic activity and the transactions that flow across national boundaries. It provides insights into the natural and human factors that influence patterns of production and consumption in different parts of the world. It explains why patterns of trade and exchange evolve over time. And because a geographic perspective emphasizes the analysis of processes that result in different geographic patterns, it provides a means for assessing how patterns might change in the future.

Geography has a rich tradition. Classical Greeks, medieval Arabs, Enlightenment European explorers, and contemporary scholars in the United States and elsewhere have organized geographic knowledge in many different ways. In recent decades, however, geography has become more familiar and more relevant to many people because emphasis has been placed on five fundamental themes as ways to structure geographic questions and to provide answers for those questions. Those themes are (1) location, (2) place, (3) interaction, (4) movement, and (5) region. The five themes are neither

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exclusive nor exhaustive. They complement other disciplinary approaches for organizing information, some of which are better suited to addressing specific kinds of questions. Other questions require insights related to two or more of the themes. Experience has shown, however, that the five themes provide a powerful means for introducing students to the geographic perspective. As a result, they provide the structure for this discussion.

Location

For decades, people engaged in real estate development have said that the value of a place is a product of three factors: location, location, and location. This statement also reflects the importance of location for international marketing. Learning the location and characteristics of other places has always been important to those interested in conducting business outside their local areas. The drive to learn about different areas, especially their resources and potential as markets, has stimulated geographic exploration throughout history. Explorations of the Mediterranean by the Phoenicians, Marco Polo’s journey to China, and voyages undertaken by Christopher Columbus, Vasco da Gama, Henry Hudson, and James Cook not only improved general knowledge of the world but also expanded business opportunities.

Assessing the role of location requires more than simply determining specific locations where certain activities take place. Latitude and longitude often are used to fix the exact location of features on the earth’s surface, but to simply describe a place’s coordinates provides relatively little information about that place. Of much greater significance is its location relative to other features. The city of Singapore, for example, is between 1 and 2 degrees north latitude and is just west of 104 degrees east longitude. Other locational characteristics are far more important if you want to understand why Singapore has emerged as such an important locale for international business. Singapore is at the southern tip of the Malay Peninsula near the eastern end of the Strait of Malacca, a critical shipping route connecting the Indian Ocean with the South China Sea. For almost 150 years, this location made Singapore an important center for trade in the British Empire. After it attained independence in 1965, Singapore’s leaders diversified its economy and complemented trade in its bustling port with numerous manufacturing plants that export products to nations around the world. Singapore quickly became one of the world’s leading manufacturers of disk drives and other electronic components, using its pivotal location on global air routes to quickly ship these lightweight, high-value goods around the world. The same locational advantages have

spurred its rise in recent decades as a business and financial-services center for eastern Asia.

An understanding of the way location influences business therefore is critical for the international marketing executive. Without clear knowledge of an enterprise's location relative to its suppliers, to its market, and to its competitors, an executive operates like the captain of a fogbound vessel that has lost all navigational instruments and is heading for dangerous shoals.

Place

In addition to its location, each place has a diverse set of characteristics. Although many of those characteristics are present in other places, the ensemble makes each place unique. The characteristics of places—both natural and human—profoundly influence the ways that business executives in different places participate in international economic transactions.

Natural Features

Many of the characteristics of a place relate to its natural attributes. **Geologic characteristics** can be especially important, as the presence of critical minerals or energy resources may make a place a world-renowned supplier of valuable products. Gold and diamonds help make South Africa's economy the most prosperous on that continent. Rich deposits of iron ore in southern parts of the Amazon Basin have made Brazil the world's leading exporter of that commodity, while Chile remains a preeminent exporter of copper. Coal deposits provided the foundation for massive industrial development in the eastern United States, in the Rhine River Basin of Europe, in western Russia, and in northeastern China. Because of abundant pools of petroleum beneath desert sands, standards of living in Saudi Arabia and nearby nations have risen rapidly to be among the highest in the world.



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A Chilean mine extracting copper; one of the preeminent exporters of copper.

The geology of a place also shapes its **terrain**. People traditionally have clustered in lower, flatter areas because valleys and plains have permitted the agricultural development necessary to feed the local population and to generate surpluses that can be traded. Hilly and mountainous areas may support some people, but their population densities are invariably lower. Terrain also plays a critical role in focusing and inhibiting the movement of people and goods. Business leaders throughout the centuries have capitalized on this fact. Just as feudal masters sought control of mountain passes in order to collect tolls and other duties from traders who traversed an area, modern executives maintain stores and offer services near bridges and at other points where terrain slows down travel.

The terrain of a place is related to its **hydrology**. Rivers, lakes, and other bodies of water influence the kinds of economic activities that occur in a place. In general, abundant supplies of water boost economic development because water is necessary for the sustenance of people and for both agricultural and industrial production. Locations like Los Angeles and Saudi Arabia have prospered despite having little local water because other features offer advantages that more than exceed the additional costs incurred in delivering water supplies from elsewhere. While sufficient water must be available to meet local needs, overabundance of water may pose serious problems, such as in Bangladesh, where development has been inhibited by frequent flooding.

The character of a place's water bodies also is important. Smooth-flowing streams and placid lakes can stimulate transportation within a place and connect it more easily with other places, while waterfalls and rapids can prevent navigation on streams. The rapid drop in elevation of such streams may boost their potential for hydroelectric power generation, however, thereby stimulating development of industries requiring considerable amounts of electricity. Large plants producing aluminum, for example, are found in the Tennessee and Columbia river valleys of the United States and in Quebec and British Columbia in Canada. These plants refine materials

that originally were extracted elsewhere, especially bauxite and alumina from Caribbean nations like Jamaica and the Dominican Republic. Although the transport costs incurred in delivery of these materials to the plants is high, those costs are more than offset by the presence of abundant and inexpensive electricity.

Climate is another natural feature that has a profound impact on the economic activity within a place. Many activities are directly affected by climate. Locales blessed with pleasant climates have become popular recreational havens, attracting tourists whose spending fuels the local economy. Florida, the Côte d'Azur of France, the Crimean Peninsula of Ukraine, and the "Gold Coast" of northeastern Australia are just a few examples of popular tourist destinations whose primary attribute is a salubrious