i t 's good and good for you

Chapter Nineteen

The Global Marketplace

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

The Global Marketplace

Topic Outline

- Global Marketing Today
- Looking at the Global Marketing Environment
- Deciding Whether to Go Global
- Deciding Which Markets to Enter
- Deciding How to Enter the Market
- Deciding on the Global Marketing Program
- Deciding on the Global Marketing Organization

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Global Marketing Today

A global firm

- Operates in more than one country
- Gains marketing, production, R&D, and financial advantages not available to purely domestic competitors
- The global firm sees the world as one market

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Global Marketing Today

Global firms ask a number of basic questions:

- What market position should we try to establish in our own country, in our economic region, and globally?
- Who will our global competitors be, and what are their strategies and resources?
- Where should we produce or source our product?
- What strategic alliances should we form with other firms around the world?

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System

Restrictions on trade between nations include:

- Tariffs
- Quotas
- Exchange controls
- Nontariff trade barriers

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System

Tariffs are taxes on certain imported products designed to raise revenue or to protect domestic firms

Quotas are limits on the amount of foreign imports a country will accept in certain product categories to conserve on foreign exchange and protect domestic industry and employment

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System

Exchange controls are a limit on the amount of foreign exchange and the exchange rate against other currencies

Nontariff trade barriers are biases against bids or restrictive product standards that go against American product features

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System
The World Trade Organization and GATT

General Agreement on Tariffs and Trade (GATT):

- A 61-year-old treaty
- Designed to promote world trade
- Reduces tariffs and other international trade barriers

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System
The World Trade Organization and GATT

World Trade Organization

- Enforces GATT rules
- Mediates disputes
- Imposes trade sanctions

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

The International Trade System
Regional Free Trade Zones

- Economic communities are free trade zones
- European Union (EU)
- North American Free Trade Agreement (NAFTA)
- Central American Free Trade Association (CAFTA)

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Economic Environment

Economic factors reflect a country's attractiveness as a market:

- Industrial structure
- Income distribution

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Economic Environment
Industrial Structure

- Subsistence economies
- Raw material exporting economies
- Industrializing economies
- Industrial economies

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Economic Environment
Income Distribution

- Low-income households
- Middle-income households
- High-income households

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Political-Legal Environment

- Country's attitude toward international buying
- Government bureaucracy
- Political stability
- Monetary regulations

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Cultural Environment
Impact of Culture on Marketing Strategy

- Business norms
- Cultural preferences, traditions, behaviors

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Looking at the Global Marketing Environment

Cultural Environment
Impact of Marketing Strategy on Cultures

The need to adapt to local cultural values and traditions rather than imposing their own

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding Whether to Go Global

Factors to consider

- Can the company understand the consumers?
- Can it offer competitively attractive products?
- Will it be able to adapt to local culture?
- Can they deal with foreign nationals?
- Do the company's managers have the experience?
- Has management considered regulation and political environment of other countries?

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding Which Markets to Enter

- Define international marketing objectives and policies
- Foreign sales volume
- How many countries to market to
- Types of countries to market to based on:
  - Geography
  - Income and population
  - Political climate

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

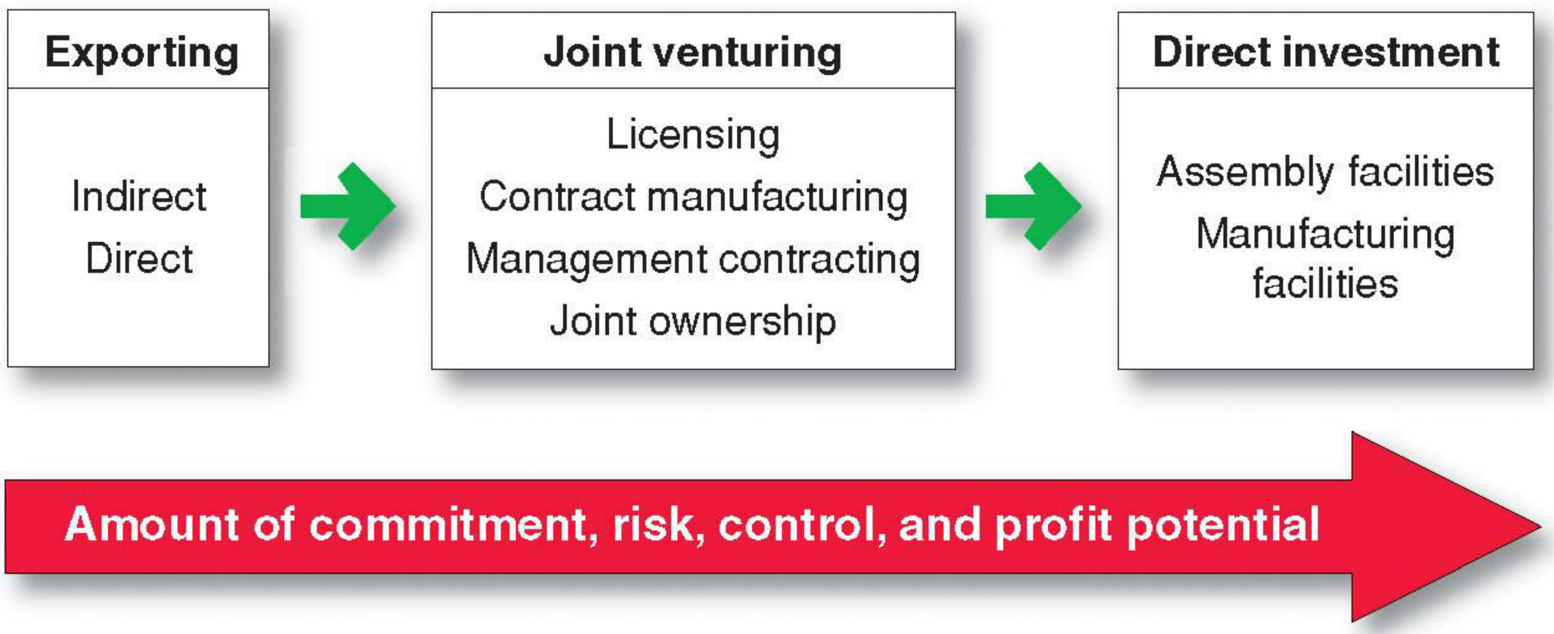
Deciding Which Markets to Enter

Rank potential global markets based on:

- Market size
- Market growth
- Cost of doing business
- Competitive advantage
- Risk level

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market



Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Exporting is when the company produces its goods in the home country and sells them in a foreign market. It is the simplest means involving the least change in the company's product lines, organization, investments, or mission.

- Indirect exporting
- Direct exporting

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Joint venturing is when a firm joins with foreign companies to produce or market products or services

- Licensing
- Contract manufacturing
- Management contracting
- Joint ownership

Joint venturing differs from exporting in that the company joins with a host country partner to sell or market abroad

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Joint Venturing

Licensing is when a firm enters into an agreement with a licensee in a foreign market. For a fee or royalty, the licensee buys the right to use the company's process, trademark, patent, trade secret, or other item of value.

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Joint Venturing

Contract manufacturing is when a firm contracts with manufacturers in the foreign market to produce its product or provide its service. Benefits include faster startup, less risk, and the opportunity to form a partnership or to buy out the local manufacturer.

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Joint Venturing

Management contracting is when the domestic firm supplies management skill to a foreign company that supplies capital. The domestic firm is exporting management services rather than products.

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Joint Venturing

Joint ownership is when one company joins forces with foreign investors to create a local business in which they share joint ownership and control. Joint ownership is sometimes required for economic or political reasons.

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding How to Enter the Market

Direct investment is the development of foreign-based assembly or manufacturing facilities and offers a number of advantages including

- Labor
- Logistics
- Control
- Government incentives
- Lower costs
- Raw material

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Standardized marketing mix involves selling the same products and using the same marketing approaches worldwide

Adapted marketing mix involves adjusting the marketing mix elements in each target market, bearing more costs but hoping for a larger market share and ROI

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Product

Straight product extension means marketing a product in a foreign market without any change

Product adaptation involves changing the product to meet local conditions or wants

Product invention consists of creating something new for a specific country market

- Maintain or reintroduce earlier products
- Create new products

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Product

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

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Promotion

- Companies can either adopt the same communication strategy they use at home or change it for each market

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Price

Uniform pricing is the same price in all markets but does not consider income or wealth where the price may be too high in some or not high enough in other markets

Standard markup pricing is a price based on a percentage of cost but can cause problems in countries with high costs

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Program

Distribution Channels
Whole-Channel View

Seller's headquarters organization supervises the channel and is also a part of the channel

Channels between nations move the products to the borders of the foreign nations

Channels within nations move the products from their foreign point of entry to the final customers

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

Deciding on the Global Marketing Organization

Typical management of international marketing activities include:

- Establishing an exporting department with a sales manager and staff
- Creating an international division organized by geography, products, or operating units
- Becoming a complete global organization

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall

This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from it should never be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher. Printed in the United States of America.

Copyright © 2012 Pearson Education, Inc.
Publishing as Prentice Hall