Unit 4

INTERNATIONAL MARKETING

Part 1

I. Read the text and answer the questions.

Globalisation

In the past, U.S. companies paid little attention to international trade. If they could pick up some extra sales through exporting, that was fine. However, the big market was at home, and it teemed with opportunities. The home market was also much safer. Managers did not need to learn other languages, deal with strange and changing currencies, face political and legal uncertainties, or adapt their products to different customer needs and expectations.

Today, however, the situation is much different. The 1990s mark the first decade when companies around the world must start thinking globally. Time and distance have been rapidly shrinking with the advent of faster communication, transportation, and financial flows. Products developed in one country are finding enthusiastic acceptance in other countries.

True, many companies have been carrying on international activities for decades. IBM, Kodak, Nestle, Shell, Bayer, Toshiba, and other companies are familiar to most consumers around the world. But today global competition is intensifying. Foreign firms are aggressively expanding into new international markets, and home markets are no longer as rich in opportunity. Domestic companies that never thought about foreign competitors suddenly find these competitors in their own backyards. The firm that stays at home to play it safe not only might lose its chance to enter other markets but also risks losing its home market.

Daily headlines tell us about Japanese victories over U.S. producers in everything from consumer electronics and motorcycles, to cameras and copying machines. They talk of gains by Japanese, German, Swedish, and even Korean imports in the U.S. car market. They tell us about Bic's successful attacks on Gillette, Nestlé's gains in the coffee and candy markets, and the loss of textile, furniture, and candy markets to Third World imports. Such names as Sony, Toyota, Nestle, Perrier, Norelco, Mercedes, and Panasonic have become household words. Other products and services that appear to be American are really produced or owned by foreign companies: Bantam Books, Baskin-Robbins Ice Cream, Capitol Records, Firestone Tires, Kiwi Shoe Polish, Lipton Tea, Carnation, Pillsbury, Motel 6, and Bloomingdale's, to name just a few. The United States is also attracting huge foreign investments in basic industries such as steel, petroleum, tires, and chemicals and in tourist and real estate ventures, illustrated by Japanese land purchases in Hawaii and California, Kuwait's resort development off the South Carolina coast, and Arab and Japanese purchases of Manhattan office buildings. Few U.S. industries are now safe from foreign competition.

Although some companies would like to stem the tide of foreign imports through protectionism, this response would be only a temporary solution. In the long run, it would raise the cost of living and protect inefficient U.S. firms. The answer is that more U.S. firms must learn how to enter foreign markets and increase their global competitiveness. Several U.S. companies have been successful at international marketing: Gillette, Colgate, IBM, Xerox, Corning, Coca-Cola, McDonald's, General Electric, Caterpillar, Dow, Ford, Kodak, 3M, Boeing, and dozens of other American firms have made the world their market. But there are too few like them. In fact, just five U.S. companies account for 12 percent of all exports; 1,000 manufacturers (out of 300,000) account for 60 percent.

Every country is trying to get more of its firms to internationalize. Every country wants to export more and import less. Export promotion programs abound. For example, Germany, the United Kingdom, and the Scandinavian countries are now subsidizing marketing programs to help their firms move into exporting. Denmark pays more than half the salary of marketing consultants to help small and medium-size Danish companies get into exports. Many countries go even further and subsidize companies by granting preferential land and energy costs—they even supply cash outright so that their companies can charge lower prices than do their foreign competitors.

The longer companies delay taking steps toward internationalizing, the more they risk being shut out of growing markets in Western Europe, Eastern Europe, the Far East, and elsewhere. Domestic businesses that thought they were safe now find companies from neighbouring countries invading their home markets. All companies will have to answer some basic questions: What market position should we try to establish in our country, on our continent, and globally? Who will our global competitors be and what are their strategies and resources? Where should we produce or source our products? What strategic alliances should we form with other firms around the world?

Ironically, although the need for companies to go abroad is greater today than in the past, so are the risks. Several major problems confront companies that go global. First, high debt, inflation, and unemployment in several countries have resulted in highly unstable governments and currencies, limiting trade and exposing U.S firms to many risks. Second, governments are placing more regulations on foreign firms, such as requiring joint ownership with domestic partners, mandating the hiring of nationals, and limiting profits that can be taken from the country. Third, foreign governments often impose high tariffs or trade barriers in order to protect their own industries. Finally, corruption is an increasing problem – officials in several countries often award business not to the best bidder but to the highest briber.

We might thus conclude that companies are doomed whether they stay at home or go abroad. But companies selling in global industries have no choice but to internationalize their operations. A global industry is one in which the strategic positions of competitors in given geographic or national markets are affected by their overall global positions. A global firm, therefore, is one that, by operating in more than one country, gains research and development, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors. The global company sees the world as one market. It minimizes the importance of national boundaries and raises capital, sources materials and components, and manufactures and markets its goods wherever it can do the best job. For example, Ford's "world truck" sports a cab made in Europe and a chassis built in North America. It is assembled in Brazil and imported to the United States for sale. Thus, global firms gain advantages by planning, operating, and coordinating their activities on a worldwide basis.

Because firms around the world are globalizing at a rapid rate, domestic firms in global industries must act quickly before the window closes on them. This does not mean that small and medium-size firms must operate in a dozen countries to succeed. These firms can practise global nichemanship. But the world is becoming smaller, and every company operating in a global industry—whether large or small—must assess and establish its place in world markets.

1. What are the advantages of home market?
2. What are the key changes of modern business environment?
3. How do these changes influence domestic companies?
4. How does the USA try to avoid foreign invasion? Is it reasonable?
5. What should American companies do in such circumstances to be successful?
6. How do countries help their companies internationalize? Give examples.

7. What are the basic issues companies should deal with to survive?

8. What are the difficulties companies face going abroad?

9. What advantages can a global company attain on the global stage? How?

10. Discuss how foreign trade, economic, political-legal, and cultural environments affect a company's international marketing decisions.

II. Exercises

1. Give the definitions to the following words or expressions:

1. international trade
2. home market
3. financial flow
4. acceptance
5. foreign investment
6. real estate venture
7. protectionism
8. subsidize
9. cash outright
10. strategic alliance
11. global firm
12. nichemanship

2. Find similar words (synonyms) and expressions in the text to the words and expressions given below:

1. increase sales
2. lack of confidence
3. favourable circumstances
4. domestic
5. weak
6. marketability
7. beneficial
8. provide with
9. set (price)
10. threat
11. rush into
12. to resist
13. make subject to
14. authorize
15. to place an order

3. Match two halves:

1. The entire place **teemed**	a) **for** 27 per cent of retail sales.
2. Subsequent media coverage of such issues as xenografting and human cloning made bioethics and bioethicists **familiar**	b) **the tide** of Japanese advances there.
3. Now it is looking to extend its factory, **expand**	c) **with** harried executives who had no time to talk to one another.
4. In China, the Flying Tigers also used the same tactics with some success, although they were unable **to stem**	d) **into** that business?
5. The Styrian as well as the Slovenian pomiculture is too small on its own, in order to persist **in the**	e) **significant regulations** on broadcast companies and established new language and local content requirements.
6. Standard tea bags still make up 63 per cent of the total market while herbal and fruit teas **account**	f) **long run** on the global market.
7. Of course, Amazon is about much more than books and music, thanks to its decision **to move**	g) **out** potentially more competitive products from developing countries.
8. So, I thought, why don't we **get**	h) **to** many Americans.
9. The best part about knowing your goals and **taking steps**	i) **toward** achieving them is that it puts you in charge of your own destiny.
10. Substantial domestic support and export subsidies in agriculture **shut**	j) **into** the leisure upholstery and salon furniture markets, and improve its productivity.
11. The Law **places**	k) **into** retailing a vast array of products.

4. Find English equivalents for the following Russian words and phrases from the text:

1. внутренний рынок	
2. валюта	
3. с появлением	
4. финансовые потоки	
5. расширяться	
6. обиходное выражение (расхожее слово)	

7. недвижимость	
8. коммерческое предприятие	
9. насчитывать 12%	
10. прожиточный уровень	
11. неэффективный экономически	
12. подвергать фирму рискам	
13. совместная собственность	
14. санкционировать	
15. участник торгов	
16. привлечь капитал	
17. собирать (осуществлять монтаж)	
18. средняя по величине компания	
19. способность выйти на незанятый рынок товаров	

5. Translate the sentences into English using the glossary and vocabulary from the text:

1. В прошлом десятилетии мы торговали только на внутреннем рынке, который приносил нашей компании достаточный доход. Действительно, наша линейка товаров выстроена с учетом структуры потребительских расходов граждан нашей страны.

2. Зарубежные фирмы очень агрессивно расширяют свою долю рынка в нашей стране. Чтобы выжить нам необходимо создать совместное предприятие в нашей отрасли производства.

3. На представленном графике вы можете видеть, что доля отечественных коммерческих предприятий составляет 84% от общего объема рынка, это означает, что финансовые потоки увеличились.

4. С появлением новых технологий и разработок время сборки машин сократилось почти в два раза по сравнению в предыдущим десятилетием. Высвобожденные ресурсы мы можем перераспределить между отделами или изменить нашу экспортную стратегию за счет расширения в новые страны.

5. Вы должны понимать, что уровень жизни и прожиточный минимум – это совершенно разные понятия. Посмотрите на данные по процентным ставкам по ипотеке и в целом по рынку недвижимости. Как это влияет на спрос?

6. По его мнению, протекционизм – это временная мера, в долгосрочной перспективе она неэффективна экономически. Это подверга-

ет риску существование высокотехнологичных компаний и не способствует росту числа средних по величине компаний.

7. В этой стране нормативно-правовое регулирование требует от зарубежных компаний предоставлять местному правительству долю собственности в коммерческом предприятии, а также определяет, что количество коренного населения Зедзибара (Z-zibar) должно составлять не менее 40% от общего количества работников компании. Поговаривают, что скоро они санкционируют ограничения на вывоз сырья из страны.

8. К сожалению, мы проиграли тендер в Иксландии (X-land). Во-первых, мы не учли, что мировая инфляция затронет местную валюту. Во-вторых, мы не смогли выделить средства на выплаты местной коррупции, а ведь вы знаете, что в этой стране лучшие контракты получают не лучшие участники торгов, а те, кто предложит более высокую взятку. Как результат, мы потеряли возможность выйти на незанятый рынок.

Part 2

I. Read the text and answer the questions.

Deciding whether to Go Abroad

Not all companies need to venture into foreign markets to survive. For example, many companies are local businesses that need to market well only in the local marketplace. However, companies that operate in global industries, where their strategic positions in specific markets are strongly affected by their overall global positions, must think and act globally. Thus, IBM must organize globally if it is to gain purchasing, manufacturing, financial, and marketing advantages. Firms in a global industry must compete on a worldwide basis if they are to succeed.

Any of several factors might draw a company into the international arena. Global competitors might attack the company's domestic market by offering better products or lower prices. The company might want to counterattack these competitors in their home markets to tie up their resources. On the other hand, the company might discover foreign markets that present higher profit opportunities than the domestic market does. The company's domestic market might be shrinking, or the company might need an enlarged customer base in order to achieve economies of scale. Alternatively, it might want to reduce its dependence on any one market so as to reduce its risk. Finally, the company's customers might be expanding abroad and require international servicing.

Before going abroad, the company must weigh several risks and answer many questions about its ability to operate globally. Can the company learn to understand the preferences and buyer behaviour of consumers in other countries? Can it offer competitively attractive products? Will it be able to adapt to other country's business cultures and to deal effectively with foreign nationals? Do the company's managers have the necessary international experience? Has management considered the impact of foreign regulations and political environments?

Because of the risks and difficulties of entering foreign markets, most companies do not act until some situation or event thrusts them into the international arena. Someone—a domestic exporter, a foreign importer, a foreign government—asks the company to sell abroad. Or the company is saddled with overcapacity and must find additional markets for its goods.

Are these statements True or False? Prove you opinion, supporting it with practical examples.

1. Nowadays companies are forced to penetrate foreign market to live out.

2. International image of the company strengthens its position in a particular marketplace.

3. Local markets are invaded with valuable offers from neighbouring countries.

4. In order to reduce production costs companies narrow their customer base.

5. Entering new markets companies should downplay the risks.

6. A lot of companies continue to refuse to establish global presence until challenging circumstances require robust and decisive actions.

II. Exercises

1. Fill the gaps using the most suitable expressions from the text (part 2). In some cases you have to make some grammatical changes:

1. Another effect of increasing regional trade is developing countries' strengthened ability to ________________ international markets.

2. As negotiations in Lusaka continued, the two sides maintained their attempts to ________________ on the ground and to consolidate positions.

3. BC started operations in year 1976 and it is our pleasure to introduce us as one of the finest and reliable stock-holder and a distributor company who serves on a ________________.

4. If there is a rush order, you can split it off from the larger job order and rush it through, without ________________ resources rushing through the entire job.

5. It would also help China ________________ on export-driven growth in favour of stronger domestic consumption, one of Beijing's long-term goals.

6. If international managers do not know how to ________________ differences, they can cause rejection in the other party and even jeopardize the success of the negotiations.

7. They enable the government to gather information about world markets, technology trends, and the impact of foreign ________________, to synthesize the information into an action plan, and to communicate the plan back to the private sector and, in particular, on high-growth firms.

8. Market saturation and maturity (slow or declining sales) in domestic markets and greater government support for businesses wishing to expand overseas ________________ UK businesses into international markets.

2. Find English equivalents for the following Russian words and phrases from the text:

1. отважиться выйти на рынок	
2. отрицательно влиять	
3. заморозить ресурсы	
4. возможности получения прибыли	
5. сужающийся рынок	
6. клиентская база	
7. экономия на масштабе	
8. граждане другой страны	
9. излишек производственных мощностей	

3. Translate the sentences into English using the glossary and vocabulary from the text:

1. Не каждая компания отважится изменить свою стратегию, для того чтобы выйти на международный рынок. Есть много сомнений, добьется ли компания на зарубежном рынке тех же маркетинговых, финансовых, производственных или закупочных преимуществ, что и на внутреннем рынке. Также следует учитывать, что в связи с этим нам придется понести дополнительные расходы из-за затрат на изучение потребительских предпочтений и модели поведения покупателей в Иксландии (X-land).

2. Конкуренты снижают цены. Необходимо контратаковать! Мы начнем работать с их поставщиками сырья, чтобы заморозить их ресурсы.

3. Действительно, на данном этапе мы не можем предложить потребителю товар лучшего качества, поскольку у нас нет возможности

привлечь дополнительный капитал на исследования. Но мы можем достичь экономии на масштабе за счет расширения клиентской базы.

4. Бухгалтерия считает, что излишек производственных мощностей отрицательно сказывается на прибыли. А значит, осуществлять монтаж конечного продукта можно не на трех, а всего на двух производственных площадках.

Part 3

I. Read the text and answer the questions.

Deciding which Markets to Enter

Before going abroad, the company should try to define its international marketing objectives and policies: First, it should decide what volume of foreign sale it wants. Most companies start small when they go abroad. Some plan to stay small seeing foreign sales as a small part of their business. Other companies have bigger plans, seeing foreign business as equal to or even more important than their domestic business.

Second, the company must choose how many countries it wants to market. For example, the Bulova Watch Company decided to operate in many foreign markets and expanded into more than 100 countries. As a result, it spread itself too thin, made profits in only two countries, and lost around $40 million. Generally, it makes better sense to operate in fewer countries with deeper penetration in each.

Third, the company must decide on the types of countries to enter. A country's attractiveness depends on the product, geographical factors, income and population political climate, and other factors. The seller may prefer certain country groups or parts of the world.

After listing possible international markets, the company must screen and rank each one. Consider the following example:

Many mass marketers dream of selling to China's 1 billion people. Some think of the market less elegantly as 2 billion armpits. To PepsiCo, though, the market is mouths, and the People's Republic is especially enticing: it is the most populous country in the world, and Coca-Cola does not yet dominate it.

PepsiCo's decision to enter the Chinese market seems fairly simple and straightforward: China is a huge market without established competition. In addition to selling Pepsi soft drinks, the company hopes to build many of its Pizza Hut restaurants in China. Yet we can still question whether market size alone is reason enough for selecting China. PepsiCo must also consider other factors: Will the Chinese government be stable and supportive? Does China provide for the production and distribution technologies needed to produce and market Pepsi products profitably? Will Pepsi and pizza fit Chinese tastes, means, and lifestyles?

Possible foreign markets should therefore be ranked on several factors, including market size, market growth, cost of doing business, competitive advantage, and risk level. The goal is to determine the potential of each market, using indicators such as those shown in Table 1. Then the marketer must decide which markets offer the greatest long-run return on investment.

Table 1

Indicators of Market Potential

Demographic Characteristics	Size of population Rate of population growth Degree of urbanization Population density Age structure and composition of the population
Geographic Characteristics	Physical size of a country Topographical characteristics Climate conditions
Economic Factors	GNP per capita Income distribution Rate of growth of GNP Ratio of investment to GNP
Technological Factors	Level of technological skill Existing production technology Existing consumption technology Education levels
Sociocultural Factors	Dominant values Lifestyle patterns Ethnic groups Linguistic fragmentation
National Goals and Plans	Industry priorities Infrastructure investment plans

1. What is the first task for the company considering going global?

2. What is the second step in deciding which markets to enter?

3. Is the type of market (country) important for decisions on entering foreign markets? Support your point of view with a particular example.

4. Are these statements true or false? Prove you opinion, supporting it with practical examples.

1) Many companies plan to stay small.

2) The company may choose how many countries it wants to market.

3) Bulova Watch Company was forced to operate in many foreign markets.

4) Bulova Watch Company stayed on the treadmill after expansion into more than 100 countries.

5) A country's attractiveness depends on the popularity of the product.

6) Mass marketers do not think about going into Chinese market.

7) China is considered to be a market with fixed competition.

8) Risk level is the most important factor to consider the possibility to enter foreign markets.

II. Exercises

1. Match two halves to make word-combinations, explain their meaning and make your own sentences using these combinations:

1. volume of foreign sale	a. enticing
2. expanded into	b. competition
3. spread itself	c. investment
4. especially	d. foreign countries
5. straightforward	e. advantage
6. established	f. foreign sale
7. competitive	g. decision
8. return on	h. too thin

2. Find English equivalents for the following Russian words and phrases from the text:

1. цели, задачи и планы продаж	
2. выходить на международный рынок	
3. разрываться на части (между несколькими делами) / браться одновременно за слишком много дел	
4. стратегия проникновения на рынок	
5. рейтинговать	
6. безалкогольные напитки	
7. затраты на ведение коммерческой деятельности	
8. показатели	
9. прибыль, полученная от инвестиций	

3. Translate the sentences into English using the glossary and vocabulary from the text:

1. Так что у нас с объемом зарубежных продаж? Наша стратегия проникновения сразу во все азиатские страны оправдывает себя? У нас уже есть возврат по вложенным средствам?

2. Иногда я берусь одновременно за слишком много дел... Кажется, это уже отражается на моем уровне жизни, потому что стиль жизни изменился. Я ничего не успеваю, а значит, это отразится на моем доходе, и в результате, на моем прожиточном уровне.

3. Пожалуйста, подберите мне статистику по степени урбанизации, плотности населения и составу населения Зедзамбии (Z-zambia). Также требуются данные о: валовом национальном продукте на душу населения, темпам роста ВНП и коэффициенту государственных инвестиций в ВНП. Еще надо узнать, какие отрасли промышленности считаются приоритетными в этой стране и существуют ли в Зедзамбии уже утвержденные планы инвестирования в инфраструктуру на эту пятилетку.

Part 4

I. Read the text and answer the questions.

Deciding how to Enter the Market

Once a company has decided to sell in a foreign country, it must determine the best mode of entry. Its choices are exporting, joint venturing, and direct investment. These three market-entry strategies involve more commitment and risk but also more control and potential profits.

Exporting

The simplest way to enter a foreign market is through exporting. The company may passively export its surpluses from time to time, or it may make an active commitment to expand exports to a particular market. In either case, the company produces all its goods in its home country. It may or may not modify them for the export market. Exporting involves the least change in the company's product lines, organisation, investments, or mission.

Companies typically start with indirect exporting, working through independent international marketing middlemen. Indirect exporting involves less investment because the firm does not require an overseas salesforce or set of contacts. It also involves less risk. International marketing middlemen – domestic-based export merchants or agents, cooperative organisations, and export-management companies – bring know-how and services to the relationship, so the seller normally makes fewer mistakes.

Sellers may eventually move into direct exporting, whereby they handle their own exports. The investment and risk are somewhat greater in this strategy, but so is the potential return. A company can conduct direct exporting in several ways. It can set up a domestic export department that carries out export activities. Alternatively, it can set up an overseas sales branch that handles sales, distribution, and perhaps promotion. The sales branch gives the seller more presence and program control in the foreign market and often serves as a display centre and customer service centre. On the other hand, the company can send home-based salespeople abroad at certain times in order to find business. Finally, the company can do its exporting either through foreign-based distributors who buy and own the goods or through foreign-based agents who sell the goods on behalf of the company.

Joint Venturing

A second method of entering a foreign market is joint venturing - joining with foreign companies to produce or market the products or services. Joint venturing differs from exporting in that the company joins with a partner to sell or market abroad. It differs from direct investment in that an association is formed with someone in the foreign country. There are four types of joint ventures: licensing, contract manufacturing, management contracting, and joint ownership.

Licensing is a simple way for a manufacturer to enter international marketing. The company enters into an agreement with a licensee in the foreign market. For a fee or royalty, the licensee buys the right to use the company's manufacturing process, trademark, patent, trade secret, or other item of value. The company thus gains entry into the market at little risk; the licensee gains production expertise or a well-known product or name without having to start from scratch. Coca-Cola markets internationally by licensing bottlers around the world and supplying them with the syrup needed to produce the product. In Japan, Budweiser beer flows from Suntory breweries, Lady Borden ice cream is churned out at Meiji Milk Products dairies, and Marlboro cigarettes roll off production lines at Japan Tobacco Inc. Tokyo Disney-land is owned and operated by Oriental Land Company under license from the Walt Disney Company. The 45-year license gives Disney 10 percent of admissions and 5 percent of food and merchandise sales, plus licensing fees.

Licensing has potential disadvantages, however. The firm has less control over the licensee than it would over its own production facilities. Furthermore, if the licensee is very successful, the firm has given up these profits, and if and when the contract ends, it may find it has created a competitor.

Another option is contract manufacturing - the company contracts with manufacturers in the foreign market to produce its product or provide its service. Sears used this method in opening up department stores in Mexico and Spain, where it found qualified local manufacturers to produce many of the products it sells. The drawbacks of contract manufacturing are the decreased control over the manufacturing process and the loss of potential profits on manufacturing. The benefits are the chance to start faster, with less risk, and the later opportunity either to form a partnership with or to buy out the local manufacturer.

Under management contracting, the domestic firm supplies management know-how to a foreign company that supplies the capital. The domestic firm exports management services rather than products. Hilton uses this arrangement in managing hotels around the world.

Management contracting is a low-risk method of getting into a foreign market and it yields income from the beginning. The arrangement is even more attractive if the contracting firm has an option to buy some share in the managed company later on. The arrangement is not sensible, however, if the company can put its scarce management talent to better uses or if it can make greater profits by undertaking the whole venture. Management contracting also prevents the company from setting up its own operations for a period of time.

Joint ownership ventures consist of one company joining forces with forcing investors to create a local business in which they share joint ownership and control. A company may buy an interest in a local firm, or the two parties may form a new business venture. Joint ownership may be needed for economic or political reason. The firm may lack the financial, physical, or managerial resources to undertake the venture alone. Or a foreign government may require joint ownership as a condition for entry.

Joint ownership has certain drawbacks. The partners may disagree over investment, marketing, or other policies. Whereas many U.S. firms like to reinvest earnings for growth, local firms often like to take out these earnings. Furthermore, whereas U.S. firms emphasize the role of marketing, local investors may rely on selling.

Direct Investment

The biggest involvement in a foreign market comes through direct investment - the development of foreign-based assembly or manufacturing facilities. If a company has gained experience in exporting, and if the foreign market is large enough, foreign production facilities offer many advantages. The firm may have lower costs in the form of cheaper labour or raw materials, foreign government investment incentives, and freight savings. The firm may improve its image in the host country because it creates jobs. Generally, a firm develops a deeper relationship with government, customers, local suppliers, and distributors, allowing it to better adapt its products to the local market. Finally, the firm keeps full control over the investment and can therefore develop manufacturing and marketing policies that serve its long-term international objectives.

The main disadvantage of direct investment is that the firm faces many risks, such as restricted or devalued currencies, falling markets, or government takeovers. In some cases, a firm has no choice but to accept these risks if it wants to operate in the host country.

1. What are the three main ways of entering a foreign market? Name them.
2. Explain what exporting means.
3. What ways of exporting are used in international marketing?
4. Discuss the advantages and disadvantages of both of them.
5. What is the essence of joint venturing?
6. Give the types of joint venture.
7. Explain the essence of licensing. What are the advantages of licensing and what are the dangers of this type of entering a foreign market?
8. How do companies use contract manufacturing?
9. What are the advantages and disadvantages of this method?
10. What is meant by joint ownership ventures?
11. What are the positive and negative sides of it?
12. What is the third major way of entering a foreign market?
13. Discuss the benefits of this way of entering a foreign market.

II. Exercises

1. Fill the table giving market-entry strategies and their options:

STRATEGIES	1.	2.	3.
Options	1.1	2.1	3.1
	1.2	2.2	3.2
		2.3	
		2.4	

2. Match two halves:

a)

1. to venture into — a) the international arena
2. affected by — b) foreign nationals
3. to gain — c) a worldwide basis
4. compete on — d) foreign markets
5. to tie up — e) on

6. to adapt to	f) resources
7. to deal with	g) global positions
8. thrust them into	h) cultures
9. decide	i) advantages
10. cost of	j) doing business

b)

11. through	k) an agreement
12. working through	l) a department
13. set up	m) the licensee
14. on behalf of	n) investment
15. joins with	o) exporting
16. enters into	p) country
17. ice cream is	q) churned out
18. control over	r) middlemen
19. to buy some share in	s) the managed company
20. disagree over	t) a partner
21. host	u) the company

3. Find English equivalents for the following Russian words and phrases from the text:

1. избыточный продукт	
2. специалисты по продажам	
3. осуществлять прямой экспорт	
4. зарубежные филиалы	
5. от имени и по поручению	
6. заключить договор	
7. владелец лицензии	
8. лицензионный платёж	
9. производственный опыт	
10. производственная база	
11. управление по контракту	
12. приносить поступление дохода	
13. сборочно-монтажное оборудование	
14. иностранное государство, на территории которого создаются филиалы и открываются представительства	
15. перевозка грузов	
16. выводить прибыть	

4. Fill the gaps using word combinations or their parts from the previous exercise, and then translate these sentences:

1. Once neighbouring and regional markets have been successfully explored, services providers may ____________________ other markets.
2. However, other countries with sound economic fundamentals and institutions have also been ____________________ global financial instability.
3. Companies and multinationals that are apparently reputable are known to engage in underhand deals with high-level officials in order to ____________________ over their competitors or to carry out unethical operations.
4. Numerous branch offices and agencies create the necessary customer proximity on ____________________.
5. To stay competitive in the global economic marketplace, companies have to ____________________ their internal culture.
6. But we were deliberately ____________________ position in which we were left with no choice but to agree to additional terms.
7. Based on those considerations managers might ____________________ the most appropriate option.
8. Export passes ____________________ middlemen who control processing and quality who conduct expositions, while individual gatherers direct their production to stores or markets.
9. The secretariat has ____________________ a website for all UNCTAD activities, a separate segment of which has been devoted to the CSTD.
10. Its members are vested with the exclusive power to act ____________________ of the company.
11. Rather, we must ____________________ with ____________________ and allies to share the burdens of common security.
12. Well with that sort of advantage you can ____________________ a lot of cars.
13. The 1981 Act was sufficient for the Government of the United Kingdom to exercise effective ____________________ a licensee.
14. Economists ____________________ over how much this increases trade.
15. In the end, the ____________________ country has harvested additional benefits when the SMEs have gone global.

5. Translate the sentences into English using the glossary and vocabulary from the text:

1. Как мы уже говорили, в результате излишка производственных мощностей наши склады переполнены. Рассмотрим возможность экс-

порта излишка товаров в Иксландию. Сначала опробуем стратегию косвенного экспорта, привлечем для маркетинга среднюю по величине международную компанию-посредника, которая окажет нам поддержку своими знаниями и контактами.

2. Если данная стратегия оправдает себя и у нас будет доход по зарубежным инвестициям, попробуем экспортировать напрямую. Что это значит? Наймём собственных специалистов по продажам, которые будут заниматься продажами, распространением и продвижением нашего бренда. Откроем зарубежный филиал – офис, который также будет выполнять функции выставочного центра и центра клиентского обслуживания. Привлечение иностранных дистрибьюторов, которые будут работать от нашего имени, сейчас не обсуждается из соображений экономии средств.

3. Лицензирование – хорошая идея! Я читала, что многие корпорации живут за счет лицензионных платежей. Производственный опыт и «имя» нужно продавать! Только как мы будем контролировать их производственную базу, следить за соблюдением производственных процессов, есть и другие вопросы... И чем это отличается от франшизы или контрактного производства?

4. Управление по контракту – это способ проникновения на зарубежный рынок с низкими рисками и немедленным поступлением дохода. Потенциал такого вида управления в том, что позднее появляется возможность получить в собственность долю управляемой компании. Однако, смущает геополитическая обстановка в Зедзамбии. PEST-анализ показывает, что нам следует быть осторожными в стране с непредсказуемо меняющейся нормативно-правовой базой. Девальвация валюты и снижение уровня жизни населения может привести к правительственному перевороту.

5. Мы открыли совместное предприятие по политическим мотивам, потому что местное правительство иначе не соглашалось пустить нас на рынок. Теперь мы не можем найти общий экономический язык с ними. Мы понимаем, что прибыль надо реинвестировать, а они хотят выводить прибыль. Они считают, что эти вялотекущие продажи – это нормально, а мы знаем, что надо сделать акцент на маркетинг.

6. Что мы получим от прямых инвестиций в эту отрасль экономики Зедзибара? Взгляните на график, пожалуйста. На этой оси показан рост производственных мощностей. Цветовые индикаторы отражают потенциальное снижение затрат за счет экономии средств на сырье, зарплате служащих, грузоперевозках и налоговых льгот.

III. Discussion

1. Pair Work

International Marketing is the promotion and sale of goods and services across national frontiers. Large trade blocks with hundreds of millions of potential consumers have opened up huge new markets as trade within and between these blocks offers increasing potential for growth.

Imagine you meet your partner socially. During an evening together you talk about international marketing. Discuss the advantages and disadvantages of doing business across national frontiers.

There are two lists of advantages and disadvantages below. They are different for Student A and Student B. You can think of others.

Discuss suggestions agreeing and disagreeing – depending on your view.

Student A	
Advantages of international marketing – more interesting, better career possibilities – opportunities to set up trans-national partnerships, joint ventures, etc. – easier to recruit top people – better quality products – helps economic growth, jobs	Disadvantages of international marketing – more competition – need for more market research – higher costs – less personal producer/customer relationship – increased administration and bureaucracy – more training needs

Student B	
Advantages of international marketing – more customers/consumers – longer production runs leading to cost savings – economies of scale – lower prices – improves international relations	Disadvantages of international marketing – language barriers – cost of setting up sales networks – lower prices – higher communication costs – currency conversion problems

2. a) Choose a local business to analyse its ability to operate globally. Consider the following factors:

– market position on a local market
– strategies and resources they use
– changes in their strategies and resources in case of going global
– attractiveness of their product/service
– the necessity for its customization/adaptation in case of going global
– the necessity of adopting to new business cultures in case of going global

– local competitors

– future foreign competitors in case of going global

– international experience

– what foreign regulations should they take into account in case of going global

b) Present your findings to the group, answer their questions. Get their opinion and advice.

3. After reading text 3 define marketing objectives and policies of your company in terms of anticipated volume of sales, number and types of countries to enter. Determine the potential of the market in terms of market size, market growth, and cost of doing business, competitive advantage, and risk level using indicators given in Table 1.

4. Think about your own company. What is the best way of going global? Give a detailed description of the chosen approach. Explain how your company might adopt its marketing mix for international market.

5. Presentation/Project

Generate all the ideas from your previous findings and provide valuable insights into the whole process of going global on the example of your chosen company according to the following scheme:

6. Business Role

Who Should We Take Over

Introduction

a) With your partner, discuss what factors different people in a company would think important when looking for another firm to take over. Look at the list of personnel and write at least on factor next to each post:

CEO: ______________________
Marketing Manager: ______________________
Production Manager: ______________________
Financial Director: ______________________
Personnel Manager: ______________________
I.T. Manager: ______________________
Communications Manager: ______________________
Sales Manager: ______________________

b) Now compare your ideas with those of the rest of the group. Decide together on the three most important criteria for choosing a firm to take over.

Situation

You work for 'LaSBE' – La Siciete Belge d'Electicite (The Belgian Electrical Company). Your company makes electric motors of two basic kinds – heavy motors for products like lifts, forklift trucks and electrical vehicles, and light motors for equipment such as washing machines, electric drills, dishwashers, and vacuum cleaners. As the market for light motors is very competitive, it is important for the profitability of your company to maintain a balance in production between large and small motors.

It's quite a big firm: you have a workforce of over 4000, and factories all over Europe – two in Italy, one in Spain, and three in Belgium. Your best market is Italy, but sales in Benelux and Spain are nearly as high and Germany and Britain are also big customers.

There are more than 40 firms in Europe making the same kind of motors, and imports from the Far East are taking an increasingly greater share of the market. Although you are the number two in Europe, you only have about 8% of the market. Most analysts think that in a few years many of the small manufacturers will either go out of business, of be taken over.

Within your company it is generally agreed that since productivity is very good in your factories, and since it is very difficult for you to increase market share without cutting your profits, the way ahead is for you to take over other competitors. You have recently taken over the factories in Italy and in Spain, and your aim is to become the European leader.

You are meeting today to come to a decision on who to take over next. You have not got detailed information about the profits and turnover of the different firms you might want to buy, but you can make a preliminary decision on a firm or firms that you are interested in:

c) You must decide:
– which markets you most need to concentrate on
– where you need increased production facilities
– which competitor(s) you should aim to take over

Location of the SBE group head office, factories and candidates for takeover

Name	Country	Information	Pros & Cons

Use the following cards to be prepared for the meeting:

A. The CEO

Chairing the meeting: You are the Chief Executive Officer of the company. You chair the meeting, and make sure everyone speaks. Organize the meeting in the following way:

1. List on the board the candidates for takeover, where they are situated, and anything the participants know about their financial situation.

2. Start the main part of the debate, which will consist of argument about the pros and cons of taking over the different candidates. Write up the strong and weak pints of each candidate on the board.

Your own point of view: As an ambitious person, you personally would like to take over the German market leader, Sunnschein. This would make your company the undisputed number one in Europe.

B. The Financial Manager

You favour making a bid for Sunnschein, the leader in the German electric motor market. You know the President is very keen to take over this company, and you are very anxious to remain in his or her favour.

There are other arguments in favour of this move. These are:

– Germany is the only major market where you have no factories

– Sunnschein is the number six in Europe, so if you took them over, you would immediately become the number one

– Sunnschein has big contract with major German firms such as Miele and Bosch

– Sunnschein has been having difficulties, and is losing money at the moment, so it would be a good time to buy

C. The Marketing Manager

You admit that sales in Germany are not as good as they should be, but think a takeover of Sunnschein would be a mistake. Here are your reasons:

– Sunnschein is in trouble. Last year they made record losses; they were forced to make 500 people redundant, and their productivity is very low

– German customers like to buy from German firms. You feel that if you take over Sunnschein, they will lose their contracts with Bosch and Miele

As a marketing person, you think the Spanish market is much more important. According to forecasters you have consulted recently, growth in the Spanish electric motors market will be the strongest in Europe in the next five years, and two of your important customers – Black and Decker, and Philips – are building new plant in Spain.

The best thing, therefore, would be to take over a Spanish firm. What about Torredos? They are very strong on the household electrical goods market (dishwashers, electric drills), and if you took them over, it would give you a dominant position in this area.

D. The Director of Human Resources

You have found it difficult to integrate the Italian and Spanish subsidiaries in the last few years. The Italian firms were taken over in 1988 and 1989 and the Spanish factory, which is a very modern one, in 1994.

The Italian firms were taken over when they were in big financial trouble, so they were relived to be saved. However, the Spanish are not very cooperative in their day-to-day dealings with head office in Belgium, as they reckon their products are better than Belgian ones. More important from your point of view, they say that there is a nice family atmosphere in their factory which you will spoil with your emphasis on productivity and profits.

You are therefore not at all keen on taking over another Spanish firm. You're not too keen on Sunnschein either: it would be just too big for you to manage, as their firm is almost as big as yours, with nearly 3000 employees.

So you are really against taking over anyone for the moment. You would prefer a breathing space of a couple of years. However, if this is not possible, you would suggest taking over a British firm. How about CGE, who are in financial difficulty, but have big contracts with Hoover?

E. The Production Manager

You naturally look at this question from the point of view of production. You see two major problems:

The first is the imbalance of your European production structure – you need production facilities in Britain and Germany, which is where a lot of your customers are.

The second is the fact that you need to keep a balance between your light and heavy motors. You are over-dependent on light motors for household goods, and this market is very competitive and not very profitable. You would like the firm you take over to be a builder of heavy motors for forklift trucks, electric vehicles and so on.

You therefore wish to avoid taking over a major competitor, as this would create an even greater imbalance in your production. You would go for two or three small competitors in Britain or Germany. How about Bolton Electric (they make forklift truck motors) or Madeburg Motor (electric vehicle motors)?

F. The Sales Manager

These are the percentages of sales to different countries:

Italy 20%
Benelux 19%
Spain 17%
Germany 14%
Britain 13%
France 5%
Sweden 3%
Others 5%
Outside Europe 4%

You know that your colleagues will argue that you have no production facilities in Britain and Germany, But you don't think this is very important. What is important is making the best product at the cheapest price, and if you do this, you will make inroads into the important German and Spanish markets, wherever the motors are produced. You have heard than Torredos in Spain have very low production costs, and that CGE in Britain have done a lot to improve their quality in recent years. Why not consider one (or both) of these for takeover?

G. The Quality Control Manager

You have done a lot to improve the quality of your products in the last few years. The Belgian products have slowly improved, and the Italians are much better than they were, although it should be said that when you took their factory over their quality was poor. You've had trouble with the Spanish factory, who think their quality is quite good enough, and that in any case it's none of your business how good or bad their quality is.

You would therefore be very reluctant to take over another Spanish firm. You have a lot of admiration for the high quality of German products, and would be delighted to take over one of their firms.