

## Chapter 7

- **Primary data:** data collected or observed by a business and relates specifically to its needs or problem. It contains more costs
- **Secondary data:** data collected by someone other than the user, such as surveys. It contains less cost.
- **Logistics:** Consists of the flow of goods and service both into and out of an organization. Ex: transportation, inventory management, warehousing, and storage, and packaging
- **Royalty:** a percentage of the sale of the licensed product
- **Target market:** the segment of the consumer market to which a particular good is targeted
- **demographic information:** statistical data about various aspects of the population. Ex: gender, age, etc
- **Ethnocentrism:** the belief that your own culture, values, and beliefs, and customs represent the right way of doing things, and that other value systems are not important
- **Economies of scale:** the cost advantages that enterprises obtain due to their scale of operation, with cost per unit of output decreasing with increasing scale.
- **Competitive advantage:** the ability of one company to produce a product more cheaply than another company
  - Typical competitive advantages are
    - **Lower production costs:** the more products you make in one country, using the same labour and sharing overhead costs, the cheaper each individual unit is to make
    - **Lower distribution cost:** companies with factories in their target market have lower costs
    - **Product differentiation:** difference in quality, packaging, etc
    - **Brand equity:** the number of consumers that can identify the brand

## Marketing activities

- **Market research**
  - finds or collects data to help solve marketing problems

- Primary data & secondary data
- Statistics helps determine how well a product will sell given different ways it could be produced
- **Product development**
  - Major part is market research, which contains an assurance that the business will be successful
  - Companies use data and additional research to refine their products so it will appeal to the audience
- **Pricing**
  - The price of a product must take into account costs, including the amount of labour, the cost of materials, and overhead
  - Using data collected throughout the stages to determine the best pricing for products
- **Advertising and promotion**
  - Convince the customer to buy the product
  - Ads can outline unique creative designs and special features. EX: internet ads, posters, billboards
- **Sales**
  - Businesses must determine the best way to sell their products.
  - Ex: opening their own retail, selling online
- **Logistics**
  - Consists of the flow of goods and service both into and out of an organization
  - Transportation, inventory management, warehousing, and storage, and packaging

### The four Ps of International marketing

- **Product**
- **Place**
- **Price**
- **Promotion**

## Product

- Products sold in a foreign country must be modified to adapt to the culture, language, or laws of the foreign market
  - These modifications usually occur in the following areas
    - **Packaging:** weights, colours, and legal, labelling and language requirements
    - **Ingredients**
    - **Style**

## Place

- **Centralized strategy:** all of a company's manufacturing and marketing is performed in one location.
- **Decentralized strategy:** a company sets up a manufacturing plant in another nation, or hires a sales force there, or even licenses its brand to a local manufacturer, rather than performing all manufacturing and marketing in one location. Ex: coca-cola.
- **Ecommerce:** using e-distribution. Customers can quickly and easily pay with methods like PayPal
  - Transaction types
    - **B2C:** business to consumer, operated by major retailers
    - **B2G:** business to government, sells things to various governments
    - **B2B:** business to business, sells things online to other businesses
- **Sales Agent:** an individual hired and paid a commission by a company to market its product to potential buyers and distributors.
- **Trade show:** a collection of manufacturers and distributors of similar products who rent space, set up display booths, and sell to registered buyers seeking products for their retail business.
- **Branch plant:** building and staffing a branch plant is the most expensive market entry strategy but could be the most effective
  - Advantage

- Shipping costs are lower
- Import regulations and tariffs are not an issue
- Product modifications are easier
- **Acquisitions:** to remove competitions in a foreign country. A company buys a small company to make it part of them. They can also be used to acquire new skills, patents, or key people
- **Licensing agreement:** a contract giving someone the right to use a patent or trademark
  - Manufacturers pay the owner of the trademark a fee, usually a royalty
  - Three types of licensing agreement
    - **Manufacturing agreement:** the right to manufacture a product
    - **Distribution agreement:** the rights to sell a product
    - **Franchising agreement:** grants the owner of a manufacturing or distribution company to a local franchisee. Ex: Subway restaurant

## Price

- **Centralized market entry strategy** increases the price of their product when selling in foreign markets
  - These increases in price arise because of added expenses in the following areas:
    - **Labour costs:** labour in foreign countries is often much cheaper than in Canada
    - Shipping costs
    - **Duties and tariffs:** some countries charge a tax on imports to protect local industries
    - **Legal costs:** modifications to conform to standards in a foreign market can be expensive

## Promotion

- Three ways to promote and advertise products when selling in a foreign market
  - **Use existing ads:** saves money, but markets must be similar
  - **Translate ads:** replicating an ad campaign in another language is difficult

- **Create new ads:** expensive, but the internet has made customizing promotions must easier

## The TwoCs of international marketing

### - Consumers

- A business must determine its target market, which is typically defined by demographic information
- Canadian businesses wanting to sell abroad must avoid ethnocentrism

### - How to avoid ethnocentrism

- Visit the foreign country and feel how it's like to live there
- Read country profiles on the internet to see how it's like there
- Offer products in language to suit their demands
- **Discretionary income:** the money remaining from an individual's salary or wages after all essential living expenses, including rent and groceries.

### - Competition

- Similar products that already exist in a foreign market are a major marketing problem
- Direct competition: businesses that provide products or services that are almost identical to those offered by the company
- Indirect competition: consumers in every country have a certain amount of discretionary income and regular spending habits
- Competitive advantage

## Chapter 8

### Logistics

- the management of the flow of goods and services both into and out of an organization, from the point of origin to the point of consumption. It consists of transportation, inventory management, warehousing and storage, and packaging

### Three types of logistics strategies

- **Production:** a manufacturing business ensures that each machine and workstation in a plant has the right material in the right quality
- **Business:** ensures a steady flow of goods and information through computers terminals, transportation links, and storage facilities
- **Military:** planning and carrying out the movement, supply, and maintenance of military forces.

### Supply chain activities

#### Supply chain

- Sum total of all activities involved in moving raw materials, processed goods, and finished products into an organization, and moving the semi-processed of finished goods toward the end-consumer

#### Vertical integration

- A form of business organization in which a company owns the whole supply chain, or significant portions of it, from acquisition of raw materials to retailing.

#### Horizontal integration

- A method of expanding a company by acquiring its competitors.

### Main links in the supply chain

- **Inventory management**
  - Record sales

- Point of sale terminal: tracks retail sales by recording the code of stock number of each stock-keeping unit
- **Storage:**
  - companies are responsible for the storage of goods because it takes up space and incomes possibility of dealing with theft and damage
  - JIT inventory systems: eliminates storage altogether
- **Cash-flow management**
  - Negotiates payment terms, sets up the payment method and arranges an exchange of funds across the supply chain
  - Letter of credit: issued by a buyer's bank to prove that they have sufficient collateral on deposit to pay for a shipment.
- **Supplier management**
  - **Sourcing or procurement**
    - **Outsourcing:** the process of hiring an outside organization that is not affiliated with the company to complete specific tasks that were previously handled internally by the company itself
    - **Near Sourcing:** business placing some or all of its operations close to where its products are sold
    - **Insourcing:** a business practice performed within the operational infrastructure of the organization to handle function that is normally outsourced
    - **Offshoring:** the relocation of a business process from one country to another, usually to save on labour costs
    - **Inshoring:** the process of moving a business operation from overseas to the local country

#### Supply Chain- Physical distribution

- **inbound distribution:** the process of receiving goods that are sent to a company

- **Receiving process:** the established system used to monitor and track goods arriving at a business
- **Outbound distribution:** the process of arranging shipment of goods from a company to its customers. Normally, the seller is responsible for arranging the shipment of goods to the buyer
- **Carrier:** transport goods

#### The selection of a carrier depends on several different factors

- What is being shipped
- Weight of the shipment
- Speed of delivery required
- Cost of the carrier
- Destination of the shipment

#### Methods of physical distribution in the supply chain

##### **Motorized carriers-** trucks, vans, motorcycles

- The cost of shipping a full truckload (FTL) is lower than shipping a less-truckload (LTL)
- Many motorized carriers often freight consolidation, where goods from different sellers (shippers) are stored in a warehouse until there is an FTL of goods bound for a particular destination

##### **Rail**

- Trains are slower than truck transport and have a more limited range
- Ideal for long distances and much cheaper than truck transport
- Can carry materials from ports to inland cities

##### **Ocean freight**

- Used by importers and exporters that deal with businesses on other continents
- Inexpensive but slower, and must be used with at least one other carrier

##### **Air freight**

- Very fast, but very expensive



- Weight restrictions limit size of their shipments

### **Containerization**

- The use of standard-sized reusable metal boxes, to store and ship freight

### **Issues in the supply chain include**

- Reliability of sources
- Oil prices
- Unstable political climate
- Piracy
- Optimization

### **Sources of help for Canadian businesses**

- Department of foreign Affairs and international trade: helps businesses to expand to foreign market
- The Canadian Trade Index: worth entering; distribution
- Fraser Institute: offers helps and advices
- Customs Brokers
- Industry Canada
- Canada Border Services Agency

### **Foreign marketing and Canadian shopping habits**

- Canadian businesses must stock goods from around the world to compete with online retailers.
- Retailers must guarantee a unique selection of products by visiting international trade shows or accessing online distributors.
- Increase in foreign ownership of Canadian manufacturers means it is more difficult to buy Canadian-made goods

- Canadian businesses must remind shoppers that they sell and produce Canadian goods