

GEB 3373 Homework 11

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All uncited quotes are from the textbook

1. What are the basic factors involved in deciding whether to use standardization or customization?
 - Marketing costs
 - Marketing control
 - Legal differences
 - Economies of scale
 - R&D costs
2. How do legal, cultural, and economic factors influence product policy?
 - **Legal Forces:** "The laws and regulations of host countries also may affect the product policies adopted by international firms. Some countries, for instance, have imposed detailed labeling requirements and health standards on consumer products that firms, both foreign and domestic, must strictly follow. International firms must adjust the packaging and even the products themselves to meet these consumer protection regulations. [...] Countries also may regulate the design of consumer products to simplify purchase and replacement decisions. Widely varying technical standards adopted by countries for such products as electrical appliances and broadcasting and telecommunications equipment also force firms to customize their products."
 - **Cultural Influences:** "International firms often must adapt their products to meet the cultural needs of local markets. One typical adaptation is to change the labeling on the product's package into the primary language of the host country. However, in some cases a foreign language may be used to connote quality or fashion. For instance, after the fall of communism, P&G added German words to the labels of detergents sold in the Czech Republic. Market researchers had determined that products in packages labeled in English or German were viewed by Czechs as being of higher quality than products labeled in Czech. Often the ingredients of food products are modified to better please local palates."
 - **Economic Factors:** "A country's level of economic development may affect the desired attributes of a product. Consumers in richer countries often favor products loaded with extra performance features; more price-sensitive consumers in poorer countries typically opt for stripped-down versions of the same products. Sometimes a firm may have to adjust package size or design to meet local conditions. For example, firms selling toothpaste or shampoo in poorer countries often package their goods in single-use sizes to make the products more affordable to local citizens."
3. Why are brand names an important marketing tool for international business?
 - "One element international firms often like to standardize is the brand name of a product. A firm that does this can reduce its packaging, design, and advertising production costs. It

also can capture spillovers of its advertising messages from one market to the next. For example, Avon's entry into the China market was made easier by the fact that millions of consumers had seen its products advertised on Hong Kong television."

4. What are the three basic pricing policies?

1. "An international firm following a geocentric approach to international marketing will adopt a **standard price policy** , whereby the firm charges the same price for its products and services regardless of where they are sold or the nationality of the customer. Firms selling goods that are easily tradable and transportable often adopt this pricing approach out of necessity."
2. "An international firm that follows an ethnocentric marketing approach will use a **two-tiered pricing policy** , whereby the firm sets one price for all its domestic sales and a second price for all its international sales. A firm that adopts a two-tiered pricing policy commonly allocates to domestic sales all accounting charges associated with research and development, administrative overhead, capital depreciation, and so on."
3. "An international firm that follows a polycentric approach to international marketing will use a **market pricing policy** . Market pricing is the most complex of the three pricing policies and the one most commonly adopted. A firm using market pricing customizes its prices on a market- by-market basis to maximize its profits in each market."

5. What are the problems that a firm using market pricing might encounter?

- "A market pricing policy, however, can expose a firm to complaints about dumping (as discussed previously) as well as to three other risks: (1) damage to its brand name, (2) development of a gray market for its products, and (3) consumer resentment against discriminatory prices."

6. What are some of the fundamental issues that must be addressed in international advertising?

- "Products that are used for different purposes in different areas will need to be marketed differently, however. For instance, in the United States motorcycles are seen primarily as recreational products, but in many other countries they are seen mainly as a means of transportation. Thus, Honda and Kawasaki's ads in the United States stress the fun and excitement of riding. In poorer countries they stress the reliability and functionalism of motorcycles as a mode of inexpensive transportation. [...] In bilingual or multilingual countries such as Belgium, Switzerland, and Canada, international firms must adjust their mix of media outlets to reach each of the country's cultural groups. For example, Nestlé communicates to its French-speaking Swiss audience by advertising in French-language media and to its German-speaking Swiss audience via ads in German-language media. [...] Some products, such as Coca-Cola soft drinks, iPhones, Levi jeans, and McDonald's hamburgers, have almost universal appeal. Such companies frequently advertise globally, using the same advertising campaign in all the markets they serve. For example, Coca-Cola introduced a series of ads shown globally that featured its "Always Coca-Cola" slogan.⁴⁶

Sometimes international businesses may choose to make subtle adaptations to meet the needs of the local market. Unilever applied this approach to an advertising campaign for Dove soap. The company's TV commercials were identical in each market, but the actors were not. On the same stage and set, U.S., Italian, German, French, and Australian models

were filmed in succession, each stating in her own language, "Dove has one-quarter cleansing cream.""

7. What is a distribution channel? What options does an international firm have in developing its channels?
 - A distribution channel is a method through which a firm distributes their services or products. Their options are trains, airplanes, trucks, ships, or digital media. Some products are available through multiple channels as well.