

# Chapter 1

## Chapter 1-1 ~ Foundation of International Business

- Domestic Business
  - Most business activities take place inside a country's borders
  - Domestic business is making, buying, and selling goods and services within a country
- International Business
  - If you purchase an item made in another country you are participating in the GLOBAL economy
  - International business activities are needed to create, ship, and sell goods and services across national borders.
  - International business may also be called global business, international trade, and foreign trade.
  - Allows you to purchase popular goods and services made in other countries
- Materials, Parts, and Demand
  - Products made in US include materials from around the world
  - US companies buy oil and steel from other nations to use in factories
  - Nearly every US built car has parts manufactured in Japan, Mexico, Korea, England, and other countries
- Global Dependency
  - This happens when consumers need and want items created in other countries
  - Ex. Zimbabwe had to buy 90% of its food from other countries
- Global Opportunities
  - McDonald's is an example of a company opening business in other countries to expand business opportunities
  - Some companies increase sales and profits with foreign trade
  - These companies are involved in the global economy
  - Companies also create new investment opportunities for people/consumers when they expanding in other countries
- North American Free Trade Agreement (1993)
  - Removes all tariffs and encourages free trade among Canada, USA, and Mexico
  - Countries that trade with one another are less likely to have wars with each other
- When did International Business Start
  - Countries such as China, India, Japan were trading products throughout the world 15,000 years
  - Africans traded with South Americans several thousand years ago.

## 1-2

- The fundamentals of international trade
  - Trade occurs when one country exchanges items for money
  - **Imports**- products a country buys from a different country
  - **Exports**- products that are sold to other countries
- Trade Barriers
  - **Trade Barriers**- restrictions that reduce free trade among countries
    - Import taxes increases the cost of foreign products
    - Quotas restrict the number of imports
    - Laws prevent certain products from coming into a country
- International Business Environment Factors
  - Different countries have different international business operating environments
    - Geographic conditions
      - Climate
      - Terrain,seaways
      - Natural Resources
      - Agricultural Products
    - Cultural and Social factors
      - **Culture**- Accepted behaviors, customs, and values of a society\
      - Language
      - Education
      - Religion
      - Values, Customs
      - Social Relationships
    - Political and legal factors
      - A law clearly stating you can or can't do something
      - Type of country government
      - Political Stability
      - Government policies towards business
    - Economic conditions
      - Type of economic system
      - Education Level
      - Types of industries
      - Technology
  - International Business Skills
    - History, Geography, Foreign Language, Cultural Awareness, Study Skills
  - Global Citizen,Worker, Consumer
    - The global citizen's role expands as a country becomes more involved in international Business
      - Improved selection of goods and services
      - Career opportunities increase

- Increased awareness of the world

IMPORTANT: Opportunity Cost: most attractive alternative given up when a choice is made  
Farmer growing crops, opportunity cost is different crop

## Chapter 3

### Chapter 3-1 ~ Cultural Influence on Global Business

- Culture is a system of learned, shared unified, and interrelated beliefs, values and assumptions
- A mind-set or a way of thinking that is acquired over time
  - May seem strange to outsiders
- Different aspects of culture are taught in different places
  - Homes, schools, religious institutions, and work
  - Personal experiences
- Think of it like an iceberg. Can only see so much on the surface
- A subculture is a subset of part of a larger culture
- May have some values, beliefs, and assumptions as the larger culture of which it is a part
- Cultural Baggage is the idea that you carry your beliefs, values, and assumptions with you at all times
  - Influences how you respond to others
  - Set standards against which people judge behaviors
- Subculture of US business
  - Business related parts of US culture
  - Business people share a core of common beliefs values and assumptions that shape their behaviors
- Variations in business subculture worldwide
  - No two business subcultures share identical set of beliefs values and assumptions
  - However similar general cultures usually produces similar subcultures

## Chapter 3-2 ~ Cultural and Social Organization

- Family units
  - Most societies are somewhat tied to family units
  - A nuclear family is a group that consists of parent(s) and unmarried children
  - An extended family is one that consists of parents, children, grandchildren, aunts, uncles, etc.\
- Family work relationships
  - Some countries have strong family ties to business
  - In strong connections, employees of businesses are often family members
- Education
  - Family unit provides early education for younger members
    - Including instruction in ways of its culture
  - Religious groups may provide moral and spiritual education
- Gender roles
  - Some cultures require different genders to take on different roles
    - This may include workplace roles
- Mobility
  - Cultures may be attached to their location
  - If not attached, people willing to move for better work
  - “Guest workers” may be willing to leave their home location for a temporary period of time for better work
    - Usually bring their culture with them
- Class Systems
  - A class system is a means of dividing the members of a cultural group into various levels
    - Education, occupation, heritage, income, etc.
  - Some cultures allow you to move to a different class
- Individualism and Collectivism
  - **Individualism** is the belief in the individual and her or his ability to function relatively independently
    - Ex. United States
  - **Collectivism** is the belief that the group is more important than the individual
    - Ex. Japan
- Values vary among culture
  - Technology, leadership/Power/Authority (democratic vs authoritarian), religion, time)
- Adjusting to cultural differences
  - **Ethnocentrism** is the belief that one’s culture is better than the other
  - **Culture shock** is a normal reaction to all the differences of another culture

- Reverse culture shock is your reaction to becoming acquainted with your own culture after having accepted another culture
- To be a successful participant in the global economy, you must be culturally sensitive

## Chapter 4

### Chapter 4-1 ~ Politics and Global Business

- A **political system** is the means by which people in a society make the rules by which they live
  - In a **democracy** all citizens take part in making the rules that govern them
    - Individuals are able to rule their own businesses
  - In a **totalitarian system** political control is held by either one person or a small group of people
    - Government owns businesses and makes all decisions
  - There is no pirlo form of democracy or totalitarianism system- most are government mixed
- A **host country** is the county in which a multinational enterprise is a guest
  - Help the economy of the host country
- **Social responsibility** is the process whereby people function as good citizens and are sensitive to their surroundings
  - If companies do not do this, they may be restricted in the host country
- A **home country** is where a multinational enterprise is headquartered
  - Companies in a home county are still expected to have social responsibility

### Chapter 4-2 ~ How Government Discourages Local Businesses

- Laws that protect workers and consumers
- Laws that protect workers and consumers
  - Government regulates businesses
    - Often to protect the health and safety of workers
    - In addition, government creates consumer protection laws to ensure that products are safe to use
- Trade Barriers

- Trade barriers are government actions or policies that make it difficult to trade across borders
- **Protectionism** is a government policy of protecting local or domestic industries from competition\
  - Tariffs
  - Quotas
  - Boycotts
  - Licensing Requirements
- Duty & Quota
  - Tariff or **duty** is a tax placed on products that are traded internationally
  - A **quota** is a limit on the quantity, or monetary amount, of a product that can be imported from a given country
    - Protects domestic companies from too much competition
- Boycotting and Licensing
  - When a government issues an absolute restriction on certain products from certain countries, this is called a boycott
  - Some governments control imports by requiring an import license
    - Allows a company to import goods into a country
- Political Risks
  - Government Actions or political policies can change at any time, thereby adversely affecting foreign companies
    - This is called political risk
  - Trade sanctions used when there are political disputes between countries
    - **Trade embargos** stop all import-export trade with that country
  - **Expropriation** occurs when a new government takes control and takes ownership of a foreign owned assets and companies
    - Happens in a host country
  - **Economic nationalism** encourages a country to “buy domestic” instead of buying imported products
  - Civil unrest or war interrupts all businesses
- International taxes
  - Customs duty
    - Import tax
  - Sales tax
    - Paid at time of purchase
  - Excise tax
    - Tax on specific products (tobacco)
  - Payroll related tax
  - Value-Added Tax (VAT)
    - Tax assessed on each stage of production
  - Income taxes
    - Paid by both individuals and corporations

## Chapter 4-3 ~ How Government Encourages Local Businesses

- Free Trade Zones
  - Government can directly encourage and promote international businesses through a variety of ways
  - A **Free Trade Zone** is a designated area (seaport or airport where products can be imported duty-free (tax free))
    - Assembled in those areas and then only taxes when the product leaves the area
- Most Favored Nation
  - A **most favored nation (MFN) status** allows a country to export into the granting country at a lower custom duty rate
- Free Trade agreement
  - With a **free trade agreement**, member countries agree to eliminate duties and trade barriers among members
    - Example: NAFTA between US, Mexico, Canada
- Common Markets \*\*\*\*\*
  - Countries Eliminate duties and other barriers, invest freely in member's countries, and allows workers to move freely across borders
    - Example: European Union
- Government Agencies
  - Export-import Bank of the United States (EXIM)
    - Helps finance export sales of US products
    - Provides export loans and export credit insurance (provides 100% protection from political risk for international sales)
  - Overseas Private Investment corporation (OPIC)
    - Provides insurance to US companies that establish operations in developing countries
    - Also protects from political risk
- Tax Incentives
  - The US government allows companies a corporate tax deduction on income earned in other countries
  - In addition double taxation avoidance treaties have been signed with some countries
  - Lastly some governments provide a **tax holiday** where the corporation does not pay corporate income taxes if it invests in their country

# Chapter 5

## Chapter 5-1 ~ Methods of Business Ownership

- Sole Proprietorship- A business owned by one person
  - Elements to start one
    - New business owner must have a product or service to sell
    - Money for a building, equipment, and other start up expenses
    - Owner must know how to manage the business activities of the company or hire someone who knows
  - Advantages
    - Ease of Starting
      - Obtaining a business license and other minor legal requirements
      - Only need your own ideas and funds to get started
    - Freedom to make Business Decisions
      - All company decisions are yours
    - Owner keeps all Profits
      - Net Income/Profit- Difference between money taken in and payment for expenses
    - Pride of Ownership
      - You get to see the results of your efforts
- Bond- You will always get the principal back, also has an interest rate
  - Has lower risk, but lower return
  - Can be issued by corporations

## Chapter 5-2 ~ Methods of Business Ownership



# Chapter 6

## Chapter 6-1 ~ Imports

- Importance of importing
  - Importing provides a wide variety of products and service for us consumers
  - Exporting creates jobs and expands business opportunities
  - Importing and exporting are primary international business activities
- Imports
  - Services or products bought by a company or government from businesses in other countries
  - The importing business can create new sales or expand sales with existing customers
  - A company usually gets involved in importing for one of three reasons
    - Consumer demand for products unique to foreign countries
    - Lower cost of foreign made products
    - Foreign made parts used in domestic manufacturing
- Product Demand
  - Customers who want a unique item or a certain quality may purchase a foreign made product
  - Some goods and services may be available only from other countries
  - Almost all bananas cocoa and coffee consumed in the US are imported
- Lower Costs
  - The prices of goods and services are constantly changing
  - An item from one country may be less expensive than the same item from another country
- Production Inputs
  - Companies regularly purchase raw material and component parts for processing or assembly from other countries
  - Example: Radios, engines, transmissions, windshield washer systems for many cars essential things US came from companies in Canada Mexico Brazil Japan and Korea
- Importing activities

- Usually 4 main steps
  - Determine Demand
    - Determine whether consumers in this country will purchase imported products
    - Many companies import goods only to have these items remain in a warehouse because no one wants them due to differences in buying habits
  - Contact Suppliers
    - Contact foreign suppliers
    - Finding freight companies that provide what you want when you want it may be difficult
    - By using appropriate information sources, importers can identify companies that will best serve their needs
  - Finalize purchase
    - The importing company must come to an agreement with the supplier on specific terms for purchase
      - Who will pay shipping
      - When will times be delivered
      - How will payment be made
      - Will payment be made in advance or during shipping or after the receipt of goods
    - There are just some of the details that need to be described in the purchase agreement
  - Receive goods
    - This includes check log the order for accuracy and damage, paying for the order and paying any import duties
    - This tax can be based on either the value of goods or other factors such as quantity or weight
    - These duties are paid to customs officials
    - A customs official is a government employee authorized to collect the duties levied on imports
    - The term customs also refers to the procedures involved in the collection of duties
  - Important assistance
    - Several US government agencies are available to assist companies and individuals interested in importing
    - The customs department of the US treasury provides current information on import regulations

# Chapter 8

## Chapter 8-1 ~ p

- Legal systems\
  - Civil Law
    - Code law, is a complete set of rules enacted as a single written system or code
  - Common Law
    - Legal system that relies on the accumulation of decisions made in prior cases
  - Statutes
    - Laws that have been enacted by a body of lawmakers
    - Most often enacted to add to or change existing laws and to define laws for new situations that arise
  - Liability
    - Broad legal term referring to almost every kind of responsibility duty or obligation
      - debt , loss, and burden
  - Liability for debt generally includes claims against companies as wages owed to employees, dividends owed to stockholders, taxes owed to government and loans owed to banks
  - Companies Are also responsible to keep facilities and work procedures safe
    - If any injuries occur to workers on the job, a company could be declared negligent and therefore liable for that loss or injury
  - PRODUCT LIABILITY
    - Specific responsibility that both manufacturers and sellers have for the safety of their products is called product liability
    - Negligence, which is the failure of a responsible party to follow standards of care, can be difficult to prove
      - Modern laws has come up with strict liability since negligence can't always be proven
  - Strict liability
    - Imposes responsibility on a manufacturer or seller for intentionally or unintentionally causing injury to another
      - To prove strict liability all 6 conditions must be met:
        - Product sold in defective condition\
        - Seller is in business of routinely selling product
        - Product reached user without being substantially changed
        - The product was unreasonably dangerous to user

- User of product or budtender suffered harm or injury using product
  - Defect was the primary cause of injury
- International liability
  - Product liability laws may vary from

## Chapter 16

### Chapter 16-1 ~ Marking around the world

- International Markets
  - Tasks
    - Distribution of products
    - Development of consumer awareness
  - Magazine, television, and internet advertisement to stimulate tourists and create consumer interest in these areas
  - **Marketing:** creation and maintenance of satisfying exchange relationships between business and their customers
    - Shipping, packaging, pricing, advertising, selling
  - **International Markets:** marketing activities between sellers and buyers in different countries
    - Japanese automobile in over 140 countries
  - **Market:** likely customers for a good or service in certain geographic location
  - **COConsumer Market:** Individuals and households who are the final users of goods and services
  - **Organizational Market:** Commercial market or business to business marketing consists of buyers who purchase items for resale or additional production
    - Manufacturers, stores, schools, hotels, hospitals, and governments
    - Commonly purchases: Raw materials, machines, machine parts, warehouses, computers, office space, office supplies, internet services
- Global marketing opportunities
  - New markets to manian and exp[and profits
- **International** marketing influenced by 5 global trends
  - Expanded communications
    - Make it quick to communicate with customer all over the world
  - Technology

- Eases companies in setting up manufacturing plants in other countries
    - Improved product distribution
  - changing political situations
    - Countries desiring economic growth and cooperating with new trading partners
  - increased competitions
    - Business look for new markets in other countries, making companies more creative and effective while selling
  - changing demographic\
    - **Demographics:** traits of a country's population
      - Age, birth rate, marriage rate, gender and income distention education level, housing situation
    - When a business finds a new use for its products or finds a new group of customers, an opportunity to expand marking occurs
- Marketing Process
  - Identify business opportunities
  - Evaluate potential demand and customer behavior patterns
  - Plan the marketing strategy for the marketing mix based on marketing research
  - Carry out the marketing plan

## Chapter 16-2 ~ Marking mix and the marketing plan

- **Marketing Mix**
  - Product
    - Before goods are purchased. Items must satisfy a need or w3ant
      - **Product:** good or service being offered for sale that satisfies consumer demand
    - Culture, weather, and economic conditions affect product in a foreign market\
  - Price
    - The monetary value of a product agreed upon by a buyer and a seller\
  - Distribution
    - The activities needed to physically move and transfer ownership of goods and services from producer to consumer
      - Transporting, storing, sorting, ordering, and retailing
  - Promotion
    - Marketing efforts that inform and persuade customers
      - Different languages and customs influence promotional decisions
- Marketing of services

- Health care, financial services, and information systems have increased in recent years
  - Customer services
    - Lawyers, Doctors, dentists, hair stylists, Daycare centers, repair shops, travel agency, and music teacher
  - Commercial services
    - Quality writing, information systems, delivery, maintenance, security, and equipment rental
- **Marketing plan**
  - Document that describes the marketing activities of an organization
    - Company goals
      - What company wants to accomplish
    - Description of customers and their needs
      - Describes company's customers
    - Competitors
      - With whom they will compete
    - Economic, social, legal, and technological trends
      - What trends influence decisions
    - Financial and human resources
      - How will company's financial and human resources be used to market product. Are there sufficient funds and people for the marketing
    - Timeline
      - When will everything occur, when is stuff in demand
    - Methods of measuring success
      - Measures of success by comparing financial results with company goals. How many new customers and how does it compare to amount you previously wanted
- Elements of international marketing plan
  - How will geography, cultural, and political factors influencing global marketing activities
  - Can the product or service be sold in a standardized form or will it need to be adapted to local situations
  - Will the people be able to afford product or service, will price need to be revised for global customers
  - Does the infrastructure of other countries allow for efficient and low cost distribution
  - Should advertising be similar to or different from the promotions used in other countries
  - Is the use of strategic partnerships, such as joint ventures, appropriate for doing international marketing

## Chapter 16-3 ~ Planning global marketing activities

- **Four** elements of marketing environment
  - Geography
    - Climate and terrain affect what products can be sold where
  - Economic Conditions
    - High inflation might discourage a company from entering a foreign market. Country currency affects selling point
  - Social and Cultural Influences
    - Tastes, habits, customs, and religious beliefs
  - Political and legal factors
    - Political difference may force companies to face government regulations
- **Factors** affecting consumer behavior
  - Physical and emotional needs
    - People's basic life needs vary between countries\
    - In industrialized countries
      - Easy to prepare food products, current fashion clothing, homes with appliances and comfort
    - Less developed
      - Homegrown food, homemade clothing, modest housing
    - Human emotion matters. Gives social acceptance and personal satisfaction
  - Geographic and Demographic Factors
    - Climates and terrains will require different types of products and product transportation
    - Age, gender, and family situation influence how you spend your money
    - Market plans based on birth rate, age, marriage, income, education, housing
    - Health, travel, recreation services for nation that wants to “live long”
    - Data on people moving in countries like USA, Canada, Australia, New Zealand will help with business relocation and finding more market opportunities with high mobility rates
  - Personality and Psychographic Factors
    - Personal traits as attitude to risk, change, convenience, and competition is important for making spending decisions
    - **Psychographics:** buying factors related to lifestyle and psychological influences such as activities, interests, and opinions
      - Hobbies, family activities. Work interests. And political/social opinions

- Social and Cultural Factors
  - Families, friends, business organizations, community activities, and religious affiliation affect buying behavior
- Selecting a target market
  - **Market Segment:** distinct subgroup of customers who share certain personal or behavioral characteristics
    - High income people purchase items lower income can not
    - **Market Segment Based On:**
      - Demographics
      - Psychographics
      - Buying behavior
      - Product Benefits
    - **Segments** divided into names by attitudes and behaviors
      - Achievers
        - Successful upper income people
      - Strivers
        - Young hard working people
      - Traditionalists
        - Consumers who resist change and prefer the similars
  - **Target Market:** particular market segment that a company plans to serve
    - Company tries to meet needs of their target market
    - Based on geography

## Chapter 17

- International Product opportunities
  - When marketing a company can satisfy consumers needs and wants in 4 ways
    - New Product
      - Offering that did not previously exist
    - Improved product
      - A product that previously existed but has now been improved with technology or new features
    - Existing product with a new use
      - Company may attempt to find new uses for A PRODUCT THAT HAS BEEN ON THE MARKET
    - Existing PRODUCTS SOLD IN a new market
      - Tagging products or one marker to a different market
- Marketing products around the world
  - Consumer product categories



- Convenience goods
    - Inexpensive items that require little shopping effort
    - Marketing for these goods involves offering an item in many locations
      - Snacks sodas chips
  - Shopping goods
    - Products purchased after consumers compare brands and stores
    - Marketing for these goods involves highlighting differences in price quality and features of various brands
      - Digital cameras
  - Specialty goods
    - Unique products that consumers make a special effort to obtain
    - Marketing for these goods involves high brand recognition
- The product line
  - Assortment of closely related products designed to meet the varied need of target customers
  - Example: shoe stores also include socks, shoe laces and shoe polish
- Organizational products
  - Items used to produce other goods and services
  - Example: factories, machinery, office equipment
- Consumer and commercial services
  - Characteristics of services
    - Services are intangible
    - Company reputation, comments from consumers, and training qualifications of employees often measure the service quality
  - Types of services
    - Rented good services
      - Involves payment for temporary use of items
        - Car apartment
    - Owned goods services
      - Fees for service to the consumers property
        - Dry cleaning
    - Non goods services
      - Personal or professional services
        - Baby sitting
  - Marketing of services
    - Location
    - Packaging or appearance
    - Personalization
  - Services and international trade
    - Services account for 70 percent of GDP in the US
    - Industrialized countries have an increased demand in services

- Today more people work in service industries than in manufacturing industries all over the world

17-2

- New products
  - Generally new products arise because of two things
  - Customer needs
    - One of the main sources of new product ideas
    - Example: caller id created in direct response to customer need
  - Technology
    - Other major source of new products
    - Example: fax machine, cellular phones, and video games
- New product development process
  - Generating product ideas
    - Based on comments from customers, product ideas other companies have developed and new technology
  - Evaluating product ideas
    - Cost, production possibility, and marketplace acceptance
  - Research product ideas
  - Marketing product ideas
    - Putting product out on market for sale
- Marketing Research process
  - Marketing research: orderly collection and analysis of data that is used to obtain information about a specific marketing concern
  - Phase 1: Identify problem
  - Phase 2: Collect data
  - Phase 3: Analyze data
  - Phase 4: Report results
- Data collection and analysis for marketing research
  - Secondary data
    - Data that has already been collected and published
  - Primary data
    - Surveys
    - Interview
    - Observations
    - Experiments
- Primary data
  - Surveys and interviews
    - Companies use these to collect data about opinions, behaviors, and knowledge of consumers
  - Quantitative research uses numeric data to study consumers

- Can be difficult to gather in some countries
  - Qualitative research uses open ended search
    - Can be difficult to gather data on the attitudes and behaviors of consumers
    - Can be gathered through a focus group
- Observations
  - Sometimes what people say is different that what they do
  - Observational research involves data collection by watching and recording different behaviors
  - Researchers can actually watch shoppers or cash registers can observe what brushes are made during certain days hours
  - In some cases observations are unable to gather information on the attitudes opinions or motivation of consumers
- Experiments
  - Most complex of all the primary data
    - Requires comparison of two or more very similar situations
    - Expensive to conduct but more helpful in industrialized countries
  - A test market is an experimental research study that measure the likely success of a new good or service
    - Companies usually use one or two cities to try out a new item
  - Analyzing and using research data
    - Once all the data has been obtained company will look through it to better guide their decisions in marketing process

17-3

<https://docs.google.com/presentation/d/1C94SE8mfbQLOYlc0fP9gVIEqxH3otIEln0i37PSpC-0/edit#slide=id.p11>

## Chapter 18

18-1

- Every business has to decide how much to charge for their product
  - Export costs, values of foreign currencies, and the availability of transportation systems influences the price
- Costs
  - A company cannot sell an item for less than its costs the company make or for the company to buy
  - Cost of modifying -product tariffs fees exports document fees exchange rates and transportation costs all have to be factored in
- Consumer Demand
  - Economic conditions may affect demand of a product at certain prices

- For example when prices are high consumers are less likely to buy item then when prices are low
  - Cultural conditions of a country may also affect this demand
- Competition
  - Competition keeps price lower
  - If you have a product that has a lot of competition you need to be aware of what price other products are being sold for
- Pricing methods
  - Marketing managers use a variety of methods to determine appropriate prices
    - Markup pricing
    - New product pricing
    - Psychological pricing
    - Discount pricing
- Markup pricing
  - Markup- An amount is added to the cost of a product to determine the selling price. It includes operating costs and a profit on the item
    - $\text{Cost} \times \text{Percentage} = \text{markup}$ ,  $\text{Cost} + \text{markup} = \text{selling price}$
    - $\text{Revenue} = \text{price} \times \text{quantity}$
  - Items in constant demand have a lower markup
    - Fast food
  - Items that are not always in demand have a higher markup
    - Jewelry
- Product pricing
  - Competitive pricing
    - Used if competition already present
  - Skim pricing
    - Sets a relatively high introductory price
    - Depends on their customers that will buy the product at any price to cover costs of production
  - Penetration pricing
    - Sets a low introductory price
    - Helps to gain strong acceptance in the market
- Psychological pricing
- pROMOTIONAL pRICING
  - Back to school or end of season sales
  - May involve a loss leader a very low priced item to lure customers into the store
- Odd even pricing
  - Pricing ending in a 5 or 9 present a bargain to customers
- Prestige pricing
  - People believe a higher priced item is better quality than the exact same item at a lower price
- Price lining
  - A store may offer all merchandise in a category at the same price

- Socks at \$3, \$5, or \$7
- Discount pricing
  - Seasonal discount
    - Certain times of the year, designed to get rid of inventory
  - Cash discount
    - If invoices are paid quickly, a cash discount is given
  - Quantity discount
    - More of an item bought, more of a discount
  - Trade discount
    - Manufacturers sell to retailers for less than retail price
- Pricing in global markets
  - Countertrade
    - Direct exchange of products or services between companies in different countries
      - Helps to curb the effect of fluctuating currency rates
  - Dumping
    - Selling imported products at a lower price than what is asked in the company's home country
      - Drives out competition and causes workers to lose jobs
      - Governments may have anti dumping laws

18-2

- Global distribution activities
  - Distribution channels
    - Direct distribution channel is the path taken by a good or service to get from the producer to the final user
    - In a Direct Distribution Channel producers sell goods or services directly to the final user
    - Indirect distribution channel occurs when goods or services are sold with the use of one or more intermediaries between the producer and the consumer
  - Distribution channel members
    - Agents(brokers)
      - Brings together buyers and sellers
    - Wholesalers
      - Buys large quantities of an item and resells them to a retailer
    - Retailers
      - Convenience stores, general merchandise retailers, speciality stores, direct sellers, online retailers, automatic vending
  - Functions of wholesalers
  -

Function	Description
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Proving information	Communicating between manufacturers and retailers
Processing orders	Providing needed products for retailers to sell
Storing and Transportation	Maintaining warehouses and shipping capabilities
Financing and taking possession	Accepting ownership of finished goods and extending credit to consumers
Promoting	Advertising and selling top retailers and helping retailers promote to their consumers

- Services provided by retailers

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Services	Description
Product selection	Variety of sizes styles and brands
Convenience	Location hours of operation parking availability and ease of making purchase
Product quality	Product excellence and reputation
Sales staff assistance	Information about product features uses and store policies
Special services	Delivery ease of exchanging or returning items and special sales

- Global Intermediaries IMPORTANT

- Export management company (EMC)
  - Provides complete distribution services for business that sell in foreign markets
- Export trading company (ETC)
  - Full service (buy and sells) global distribution intermediary
- Freight forwarder
  - Ships goods to other countries
- Customs broker
  - Specializes in moving goods through customs process

Distribution channel members- marketplace → amazon → consumer

Global Intermediaries- Export management

18-3

- Preparing for shipment
  - Packing and labeling
  - Documentation
    - Bill of Lading (contract between exporter and transporter)
    - Certificate of origin
    - Export declaration (required by us for shipments over \$500)
    - Destination control statement
    - Insurance certificate
- Transportation in the global market
  - Motor carrier
  - Railroad
  - Waterway
  - Pipeline
  - Air carrier
  - Intermodal movements

## Chapter 19

19-1

- The communication process(things that interfere with clear communication)
  - Source
    - Sender of the message
  - Encoding
    - Putting an idea into words and symbols
  - Message
    - The ideas that is being communicated
  - Medium
    - The channel used to carry the message
  - Decoding
    - Receiving the message
  - Audience
    - Intended receiver of the message
  - Feedback
    - Communication from the audience
      - Which of them is not part of the mix(sample test question)
- International promotional activities
  - Four main promotional activities
    - Advertising
      - Television and radio commercials

- Magazine ads
  - Website ads
  - Billboards
- Personal selling
  - Face to face setting
  - Over the telephone
  - Personalized letters
  - Personalized email messages
- Publicity
  - Newspaper articles
  - Website articles
  - Magazine articles
  - Television and radio news coverage
- Sales Promotion
  - Coupons
  - Contests
  - Free Samples
  - In store displays
- The international promotional mix
  - Pulls Promotions
    - Directed at final users of item
    - Companies want consumers to pull product by demand item to store
    -
  - Push promotions
    - Directed at members of the distribution channel
    - Attempt to get wholesalers to push a product to sellers, discounts in store displays or contests

19-3

- Personal Selling
  - The personal selling process
    - Identify customers
    - Prepare a presentation
    - Obtain feedback
    - Close the sale
    - Provide customer service
  - Personal selling in international markets
    - Expatriates
    - Local nationals
    - Third country nationals



- Citizens of one country who are employed in another country and working for a third country. German working in Chile for an Italian company
- Other international promotional activities
  - Public relations
  - Global sales promotions
    - Coupons
    - Premium
    - Contests and sweepstakes
    - Point of purchase promotions
    - Specialty advertising