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4. Marketing / 4.6 International marketing (HL)

The big picture

According to FIFA, more than half of the world's population aged over 4 years watched the 2018 Football World Cup. The global popularity of football is matched only by the enthusiasm of fans for replica sports clothing and shoes. And in the world of football shoes, Nike and Adidas dominate the world market.

Figure 1. The football shoe market is dominated by Nike and Adidas.

Credit: simonkr, Getty Images

So what makes these two brands so famous? Why are international marketing strategies important for both Nike and Adidas? Which brand is more successful and why? Watch the video below to analyse the aggressive marketing strategy used by Adidas.

Video 1. Adidas's aggressive marketing strategy.

Theory of Knowledge

Market research is based on evidence. Businesses invest in marketing at international levels to increase viability and visibility and to achieve one of their main objectives: to increase sales revenue.

- How does culture impact international marketing?
- Does what appears to be 'good evidence' vary from culture to culture?

The video gives an overview of why multinationals invest on such a large scale. Why do you think businesses such as Nike, Samsung, Huawei and Adidas spend millions of dollars on their advertising campaigns? Has acquiring Reebok helped Adidas increase its market share? Is collaborating with influencers and celebrities helpful in gaining an edge over competitors? What advantages do businesses gain by allowing their products to feature in sports? What are the costs involved?

Due to their popularity, sporting events are guaranteed to attract audiences from all around the globe. This allows companies with mass-market products to promote their brands on a global scale. Why is having an edge over competitors and being innovative important in enabling global brands to increase their market share?

International marketing is the process of marketing goods and services in more than one country. The outcomes of international marketing are everywhere. Look around you. How many of the goods you can see have come from another country? What about the device on which you are reading this book? Or the clothes you are wearing?

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International marketing creates global opportunities for companies. If it is done well, it can lead to massive sales revenues. On the other hand, mistakes can damage brands and increase costs. Before deciding to market internationally, businesses should look into many factors, such as differences in culture, language and legal systems. This subtopic will focus on the methods of entry into international markets, and the opportunities and threats that a business may face on entering an international market. It will also examine the effect of culture and globalisation on international marketing.

Concept

Change

If a business is market oriented, it means that it designs, makes and delivers products according to customers' needs and wants. Extensive and ongoing market research will be at the centre of all its decision making. This means that businesses need to carry out good quality market research and be flexible to respond to the changing external environment.

As the Greek philosopher Heraclitus said, 'Change is the only constant'. The most important factors responsible for change in the business environment and strategy are sociocultural factors, technological factors, political and legal factors, economic factors, and demographic factors. These relate to the STEEPLE factors studies in Section 1.1.5 (/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/).

The process of globalisation makes it possible for products such as sportswear to be liked by consumers in different countries. While studying this subtopic, consider the following questions:

- How is international marketing of products and services contributing to making cultures more similar?
- To what extent does the local culture influence the marketing approach adopted by a company that aims to sell its products?

Learning objective from the IBDP Business Management guide with assessment objective level:

- **Evaluate** the opportunities and threats posed by entering and operating internationally (AO3)

Student view

Methods of entry into international markets

Operating internationally (HL)

Many successful businesses are able to generate revenue from outside their home country. Entry into international markets is achieved through successful marketing strategies that take advantage of globalisation, the merging of cultures and the trend towards worldwide markets for goods and services. This has been a consequence of fortunate economics, stable political conditions, the removal of trade barriers by national governments, improved technology in transport and communication and more unified laws across countries.

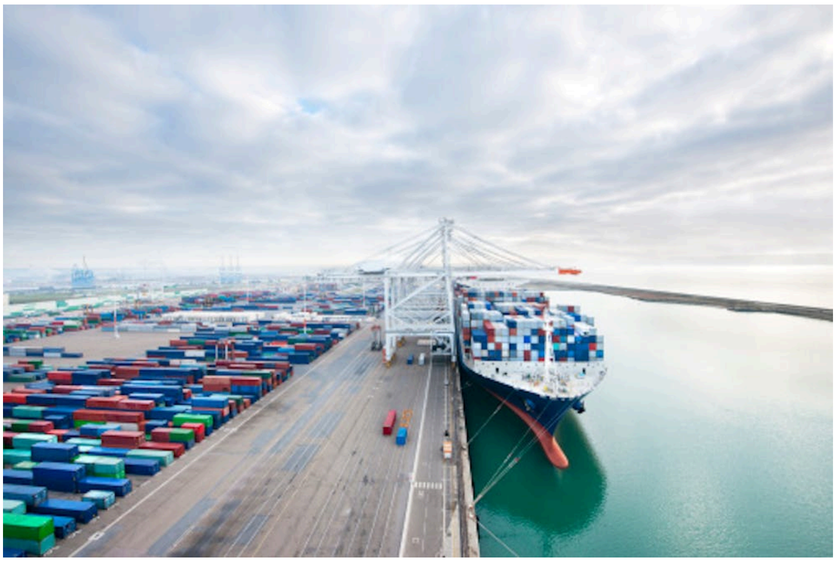

Figure 1. There are many methods to enter international markets: exporting is one of them.

Credit: Thierry Dosogne, Getty Images

International market entry strategies

When a business decides to operate in other countries, it needs to choose a strategy for entry into foreign markets. To do this, it should answer the following three fundamental questions:

- What level of control do we want to have over our marketing activities abroad?
- What level of risk are we willing to take?
- Can we bear the costs of such activities?

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Businesses can enter international markets in different ways with various outcomes in terms of control over marketing activities, level of risk, and costs of both entry to and withdrawal from the overseas market. The entry strategies described below are some of the most common strategies used by businesses when entering overseas markets.

Exporting

Exporting can be either direct or indirect. Indirect exporting occurs when a business or an exporting agency purchases products from a country with the purpose of trading those products overseas. For example, The Body Shop sources the natural ingredients for its cosmetic products directly from farmers and farmer cooperatives in over 23 different countries.

Direct exporting is the most common approach for companies that wish to ensure a long-term place in international markets and build up expertise and knowledge about their foreign customers. Direct exporting can be done through agents, distributors or direct marketing and online sales.

Exporting is the lowest risk strategy of entry into international markets and requires few resources. In the case of direct exporting, businesses are able to retain control over the marketing of their products. In the case of indirect exporting, businesses with no expertise in international marketing can benefit from selling their products at better prices.

Figure 2. Exporting is an internal method of international marketing.

Credit: alvarez, Getty Images

Table 1: Leading export countries/regions worldwide in 2019. Source: WITS (World Integrated Trade Solution)

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(https://wits.worldbank.org/CountryProfile/en/Country/WLD/Year/2019/TradeFlow/Export/Partner/by-country)

Rank	Country	Value of exports (USD)
1	USA	2.4 trillion
2	China	1.7 trillion
3	Germany	1.2 trillion
4	UK	670 billion
5	France	634 billion
6	Netherlands	607 billion
7	Hong Kong	597 billion
8	Japan	591 billion
9	Italy	573 billion
10	Canada	454 billion

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Franchising

Franchising is a form of external growth where a franchisee buys the rights to use the name and business model of a franchisor (also written 'franchiser'). The franchisor is usually a company with a successful and proven business model that wishes to expand. (See Section 1.5.4 (/study/app/business-hl/sid-351-cid-762729/book/external-growth-id-36536/) for the main advantages and disadvantages of franchising.)

This is a quick, relatively easy and cost-efficient route into foreign markets, and the franchisor retains a high degree of control over the marketing of its products.

Student view

Figure 3. Many well-known coffee shops are franchises.

Credit: xavierarnau, Getty Images

Licensing

Licensing involves one company producing another company's products and using its brand name, patents and expertise under licence. Film, television and sports industries have used this strategy successfully to enter international markets. An example is the licence that the Canadian company Entertainment One granted to the Japanese company Saga Toys to find the best partners to produce Peppa Pig merchandise, before the launch of the children's series in Japan.

Direct investment (foreign direct investment)

Direct investment, or foreign direct investment (FDI), is a long-term investment in a foreign country by a multinational company (MNC) and involves setting up factories and distribution facilities in the foreign country. The company can establish assembly operations in the foreign country to assemble components that are produced domestically. This strategy is used widely by the Japanese car manufacturers Nissan and Honda, which established assembly plants in the UK. However, these companies have been blamed by critics for not contributing sufficiently to the development of the UK economy and for the limited technology transfer, which makes it possible for them to move to another location relatively easy.

Another example of direct investment is when a business decides to develop its own foreign subsidiary, known as a **wholly owned subsidiary**, thus indicating a long-term commitment to the foreign market. The German vehicle manufacturer BMW, for example, has a network of 31

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production and assembly facilities in 15 countries, and a global sales network in more than 140 countries. Toyota has 67 manufacturing facilities worldwide and markets its vehicles in more than 170 countries and regions worldwide.

Direct investment is the most expensive strategy of entry into foreign markets. It is also the strategy with the highest risk. However, it allows the business a high level of control so that it can achieve its strategic marketing objectives.

Figure 4. Global location of Toyota factories.

Source: Brejnev (https://commons.wikimedia.org/wiki/File:World_locations_of_Toyota_factories.PNG), CC BY-SA 3.0 (https://creativecommons.org/licenses/by-sa/3.0), via Wikimedia Commons

More information for figure 4

The image is a world map highlighting countries where Toyota factories are located in red. These countries include several in North America, South America, Europe, Africa, and Asia. The map serves to show the global reach of Toyota's manufacturing operations, indicating direct investment in various regions. Countries such as the United States, Canada, Brazil, South Africa, Japan, China, and several European nations are prominently marked. The rest of the countries are shown in gray, indicating the absence of Toyota factories.

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Making connections

The IBDP Economics course includes the advantages and disadvantages of FDIs in recipient countries.

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Joint ventures

In a joint venture, companies from two different countries combine their resources to create a new, larger company with the purpose of launching a product into a new market. Each partner will hold an equity stake in the newly formed company and will provide expertise to enable the company's development and operation.

Examples of joint ventures include:

- **BMW Brilliance.** This car manufacturing company was established by BMW and Brilliance Auto Group in order to start manufacturing cars in China.
- **Caradigm.** This health care software and analytics company was created by Microsoft and GE Healthcare (a subsidiary of General Electric). The purpose was to enable health systems and professionals around the world to improve health care quality and experience by using real-time information.

International joint ventures provide a route of entry into markets where the government restricts foreign ownership – such as in Saudi Arabia and other Middle Eastern countries – or where speed of market entry is crucial. They are also an appropriate way of entering foreign markets when research and development costs or operations costs are high. Joint ventures are also sometimes necessary for achieving competitive advantage. This was the case for the truck divisions of Toyota and VW, which entered into a joint venture in order to combine their expertise in developing e-mobility solutions for the commercial vehicles sector.

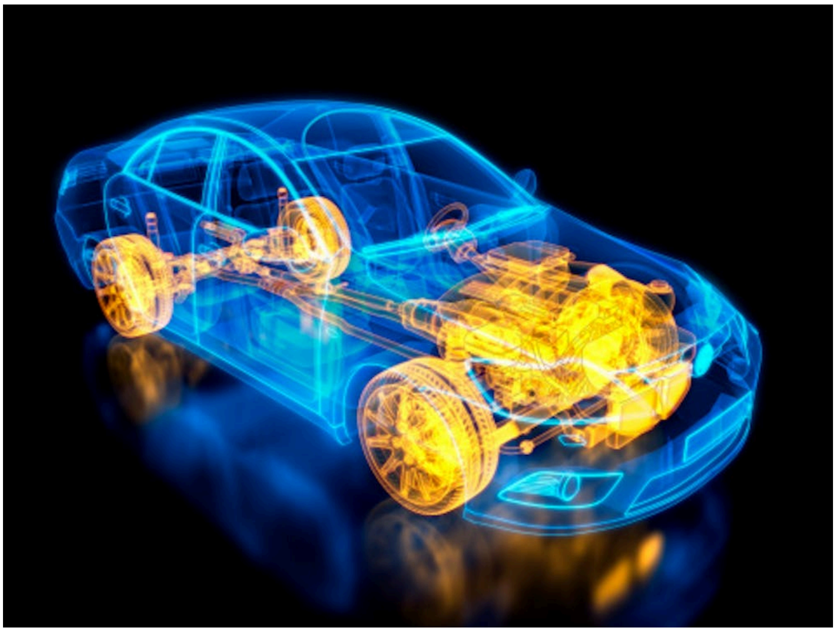

Figure 5. Several vehicle manufacturers have formed international joint ventures.

Credit: Henrik5000, Getty Images

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Mergers and acquisitions

A merger occurs when two companies legally consolidate into one company. An acquisition occurs when one company purchases the shares of another company. International mergers and acquisitions provide a fast route of entry into international markets and have been used recently by businesses from emerging markets. For example, the technology company Lenovo acquired the PC division of IBM in order to enter international markets quickly.

Acquisitions are also a method of entry into foreign markets where governments have privatised state-owned utilities companies. As a result of such privatisation, parts of these formerly state-owned companies were acquired by private or public limited businesses. Such acquisitions occurred in the 1990s in central and eastern European countries, when state-owned enterprises were privatised.

Figure 6. The Kraft Heinz Company is a multinational food company and was created from a merger between Kraft Foods and Heinz.

Source: Lacrossewi, (https://commons.wikimedia.org/wiki/File:Kraft_Heinz_Headquarters_Chicago.jpg) CC BY-SA (https://creativecommons.org/licenses/by-sa/4.0) 4.0, via Wikimedia Commons

Takeovers

A takeover occurs when one company purchases a majority or all of the shares of another company in order to gain control of the business. When 50% of the shares are acquired, the acquirer becomes the main shareholder and has decision-making control in the business. One of the most notable takeovers took place in 2000, when pharmaceutical company Pfizer took over Warner–Lambert for 90 billion USD.

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Figure 7. Pfizer took over Warner—Lambert for 90 billion USD in 2000.

Credit: Cecilie_Arcurs, Getty Images

Making connections

Section 1.5.4 (/study/app/business-hl/sid-351-cid-762729/book/external-growth-id-36536/)of the IBDP Business Management course focuses in detail on the advantages and disadvantages of the external growth methods discussed above.

International marketing strategies

Once a company has decided to operate internationally, there is one fundamental question to answer: Should its products, services and communications be standardised across different overseas markets? If the answer is 'yes', then this would be the most efficient approach, as it would allow for huge economies of scale. However, it might not be the most effective approach in terms of generating sales and revenues, as customers from different countries and cultures have different needs.

Standardisation

A business that has a global marketing strategy aims to standardise everything in its marketing activities for all markets. The most successful companies using this strategy of standardisation offer their customers high added value by providing them with better benefits than those of competitors, especially local competitors. Examples are found in luxury goods markets where the same strong brand images are communicated to all global consumers. In 2021, Lamborghini sold 8405 cars worldwide, built and assembled in its two factories in Sant'Agata Bolognese, Italy.

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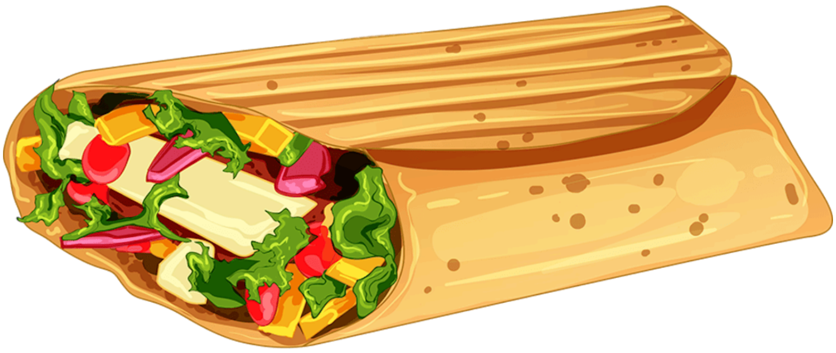
Figure 8. In luxury goods markets, a standardised global marketing strategy can be used.

Source: NearEMPTiness (https://commons.wikimedia.org/wiki/File:100_Years_Maserati_at_Autoworld_Brussels.JPG), CC BY-SA 4.0 (https://creativecommons.org/licenses/by-sa/4.0), via Wikimedia Commons

Adaptation

Most businesses use the marketing strategy of adaptation when entering foreign countries. This approach ensures that some or all elements of the marketing mix are adapted to meet the needs of local consumers. Starbucks is a good example as it offers different menus in different countries and also changes the layout of its shops to better suit the local consumers.



Paneer salsa wrap

Figure 9. McDonald's introduced a vegetarian menu in India to suit local demand.

Theory of Knowledge

Businesses operating in multiple countries need to be conscious of the different cultural values that might be held by each country. McDonald's in India is an example of a food company that has changed its menu to suit the taste of the local population.

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However, there are ethical and social sustainability issues related to the displacement of local food culture. Although it is profitable for McDonald's to cater to the needs of the local population, fast-food chains have contributed to rising obesity and diabetes in the country. People are taking less time to cook traditional foods, which are in most cases healthier.

- How might the attempts of a business to localise their product in a cultural context actually damage that cultural context?

3 section questions

Question 1

1 Exporting ✓ is the simplest form of international expansion. It involves selling overseas without the need to physically produce and manufacture in another country or establish production facilities.

Accepted answers and explanation

#1 Exporting
exporting

General explanation

Exporting involves selling overseas without the need to physically produce and manufacture in another country or establish production facilities. It is the simplest form of international expansion.

Question 2

Which method of entry into international markets indicates that two companies from separate countries have joined their resources and created a new company?

1 Joint venture ✓

2 Exporting

3 Franchising

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4 Direct investment

Explanation

In a joint venture, companies from two different countries combine their resources to create a new, larger company with the purpose of launching a product into a new market.

Question 3

A major fast-food restaurant business has decided to expand into your country. Unsure if its brand will be successful, it decides to open just a single outlet in the capital city. This store will be owned and operated by a local businessperson who has paid for the right to use the restaurant's brand name.

Which method of entry does this describe?

1 Franchising ✓

2 Joint venture

3 Direct investment

4 Exporting

Explanation

When franchising, a company allows another company to use its brand name in exchange for a fee. This method of expansion is common in the fast-food industry and has allowed companies such as McDonald's, Krispy Kreme and The Hard Rock Café to become global brands.

Exporting is a low-involvement method of entry that just involves sending products abroad. A joint venture is when two companies work together to form a new entity. Direct investment is the most heavily involved form of entry and does not include any outside partners.

4. Marketing / 4.6 International marketing (HL)

Opportunities and threats of international markets

Operating internationally (HL)

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Many businesses set objectives to grow revenues and profits. Expanding overseas can achieve these objectives once the business has achieved its domestic strategic objectives. However, all business decisions come with risk, and expanding overseas can be especially risky. This is because of customers' loyalty to companies already operating in those countries, difficulties with language and customs, and lack of knowledge of the economic, business and regulatory environment. International marketing therefore comes with both opportunities and threats.

Opportunities from entering and operating internationally

An **opportunity** is a favourable external condition or trend that might be beneficial for a business. Opportunities are external factors responsible for creating prospective openings for a business to grow, expand and develop. Entry into international markets can provide the following opportunities for businesses.

Larger pool of customers and greater sales revenue

The main motivation for international expansion is, of course, to increase sales revenues. The global population is over 7.9 billion people and average incomes are rising. If companies can design products with global appeal, the potential revenues might increase and might attract and increase consumer demand. According to the World Bank, average GDP growth globally is expected to be 4.1% in 2022, with lower income countries expected to grow at an average rate of 4.6%. This growth represents a big opportunity for international companies to enjoy large increases in sales revenue and profits.

Lower costs of production and economies of scale

International marketers can benefit from lower production costs in foreign countries. There are lower costs of production due to the larger size of the company, which can result in economies of scale. Economies of scale mean that, as a company increases its sales, the average cost of producing its goods or services should reduce. There are many factors that lead to economies of scale, all of which are explored fully in Section 1.5.2 (/study/app/business-hl/sid-351-cid-762729/book/internal-and-ext-economies-id-36534/). Once average costs begin to fall, companies have two options: They can reduce their selling price in an effort to gain more sales, or they can keep their selling price the same and enjoy higher profit margins.

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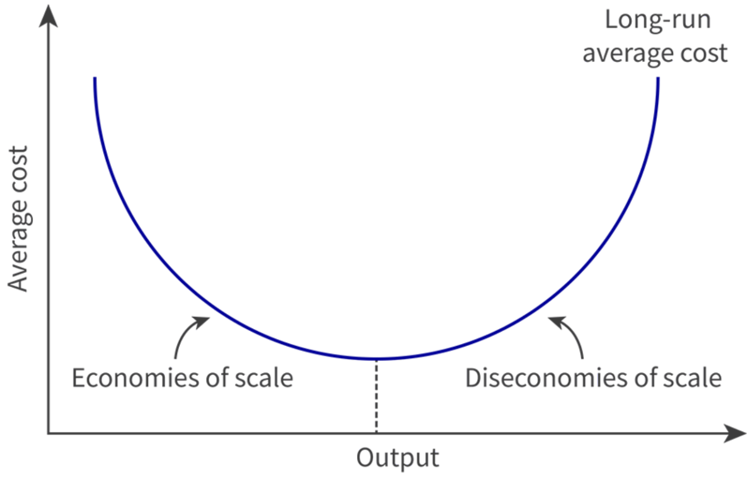

Figure 1. Economies of scale reduce average costs.

More information for figure 1

The image is a diagram showcasing the concept of economies of scale, depicted through the outline of a U-shaped curve. The curve indicates a reduction in average costs as production quantity increases and then flattens or starts to increase as diseconomies of scale occur. The X-axis is labeled as 'Quantity of Production' and the Y-axis as 'Average Cost'. The curve illustrates that when a company grows, its costs per unit decrease until a certain point, after which the costs may begin to increase again.

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Spreading risks

Having operations in multiple countries can help businesses spread risks; if one country where a business operates is experiencing a recession, the business may be able to rely on healthy sales in another country. For example, BMW sales declined in Germany in 2008 due to the global financial crisis of that year, however, its sales increased in China and the Middle East in the same period.

Improved brand reputation

Once a brand is able to expand into a foreign market, it will benefit from increased recognition within both that market and the original market. Part of this will be the result of knowing that the brand is from a particular country. For example, customers abroad knowing that a particular brand has sold well in Europe or the USA already may help to establish a perception of the brand in the minds of customers. In addition, customers might gain confidence in the brand if they know it is already successful. They are more likely to trust the product and what it promises.

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Threats for entry into international markets

Threats are the external factors that pose challenges to businesses that wish to expand internationally.

STEEPLE analysis, first introduced in **Section 1.1.5** (/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/), provides a framework for analysing external influences. STEEPLE factors can also be considered an advantage or opportunity because they are external. Some factors – such as climate conditions, certain laws and ecological factors – can actually help the organisation to make more money. Opening in China, for example, can be attractive because of its less stringent laws about polluting the environment.

Sociocultural, legal, political, technological and economic differences play an important role in, and influence, international markets. The explanation of each of these is discussed below.

Making connections

Section 1.1.5 (/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/) of this book provides a detailed analysis of the STEEPLE tool.

Figure 2. The STEEPLE analysis framework.

More information for figure 2

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The image is a diagram representing the STEEPLE analysis framework. At the center is a light blue hexagon labeled "Steeple." Surrounding this central section are six colorful labeled segments aligned with the edges of the hexagon.

- At the top, the segment labeled "Social" is in grey.
- To the top right, the "Technological" segment is colored in pink.
- To the middle right, the "Economic" segment is in yellow.
- At the bottom right, the "Ethical" segment is orange.
- At the bottom left, there is a segment labeled "Political" in purple.
- The "Legal" segment, in light orange, is on the middle-left position.
- Finally, the top-left segment, labeled "Environmental," is in green.

Each labeled section converges towards the central hexagon, signifying their interconnection within the STEEPLE framework, which analyzes various external factors affecting organizational decision-making.

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Exam tip

If you forget the threats for entry into international markets, remember STEEPLE, and apply and analyse the same factors to the case study given in Paper 2 type questions.

Sociocultural factors

The difference in social, political, legal, cultural and demographic factors might make businesses alter their marketing strategies in order to meet the demands, preferences and culture of their international customers. When businesses do not have enough knowledge of the country in which they operate, this can act as one of the most important threats they might face. For example, language barriers might hinder operations and sales in countries where the main language used by the business is not spoken.

International businesses should consider the differing social and demographic conditions in different countries. Price of products might differ when sold to an affluent country with high incomes. There is greater demand for sports cars in Middle Eastern countries than in India. The price of German cars will be different when sold in the US as compared to Indonesia. Another factor is multiculturalism. The United Arab Emirates (UAE), for example, is a multicultural

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society where marketing takes place in different languages, catering to the needs of the international audience. Having local knowledge of different business etiquettes in different countries might also help businesses to grow and expand.

Technological and economic factors

Online marketing and e-commerce have increased competition among international businesses. To stay competitive, businesses need to change and adapt a strategy that will increase demand among online buyers.

Economic factors

Global incomes vary greatly, which means that products need to be tailored to satisfy different consumer budgets.

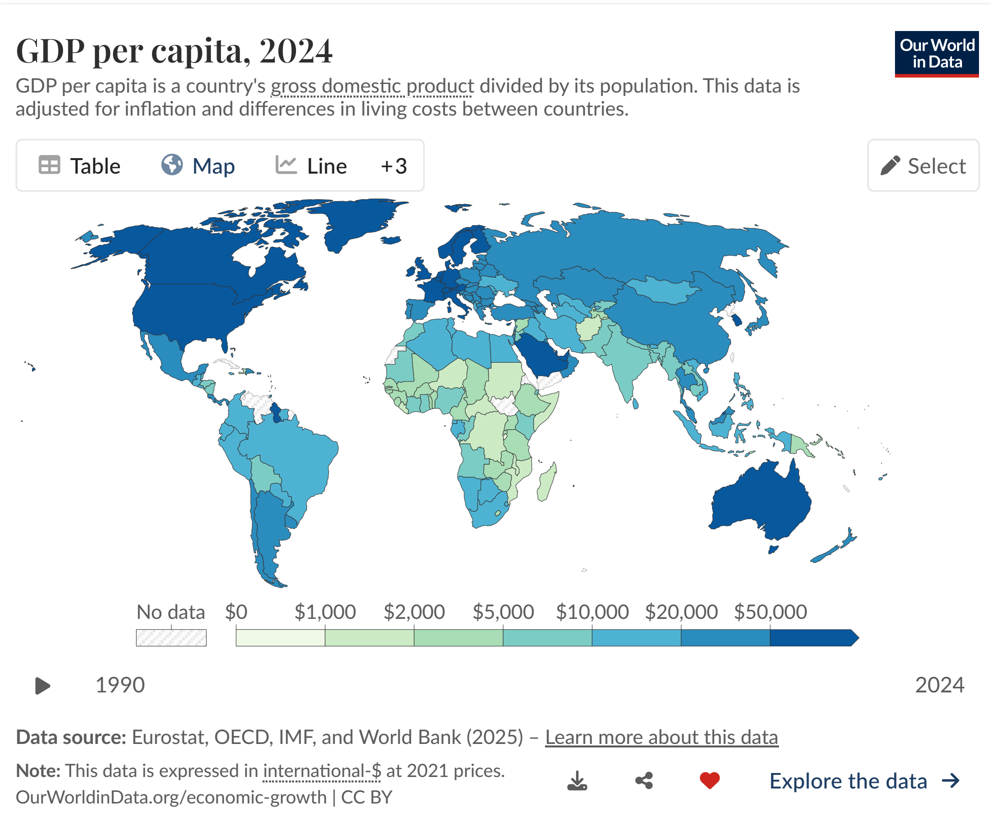

Figure 3. Countries creating the highest GDP per capita.

More information for figure 3

An interactive map, sourced from World Bank, 2023, provides GDP per capita across various countries over time. It helps users explore economic disparities by displaying GDP per capita for different nations, adjusted for inflation to account for differences in living costs. By interacting with the map, users can analyze global income distribution and identify regions with higher or lower economic performance.

The interface consists of a color-coded world map where each country is shaded based on its GDP per capita. Darker shades typically represent higher income levels, while lighter shades indicate lower GDP per capita. Users can hover over

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individual countries to view specific GDP values and compare economic performance between nations.

Users will gain insights into global economic inequality, recognizing patterns of wealth distribution and economic development.

The data points highlight how different regions have evolved economically. The legend below the map reads, no data and from 0 dollars to 50,000 dollars. The color of the legends ranges from light to dark. High-income countries such as the United States, Germany, and Japan are typically shaded in darker colors, indicating strong economic performance. In contrast, lower-income nations, particularly in parts of Sub-Saharan Africa and South Asia, appear in lighter shades, reflecting economic challenges. Users can explore historical events, such as recessions or periods of rapid growth, to see their impact on global GDP per capita.

The table tab presents GDP per capita data for various countries, sourced from the World Bank. Users can sort, filter, and compare economic performance across different nations and years.

As **Figure 3** shows, huge amounts of global wealth are concentrated in northern regions. However, many of the poorer southern regions are growing fast. If companies want to target these consumers, they must adapt their marketing mix. For example, Gillette has developed a new razor, made of cheaper materials, which it sells to consumers with lower incomes in countries such as India.

Growth and development in China has lifted 800 million people out of poverty since the 1980s. As these people join the consuming class (an opportunity), they will also be earning higher incomes. China is no longer the cheap manufacturing environment it once was.

In addition, shipping costs will vary depending on the distances that goods need to be transported. The fastest transportation method is by air, but this can cost up to 100 dollars or more per item. Shipping by boat takes much longer but is cheaper. Differing qualities of infrastructure in countries will also determine how easy it can be to operate in a foreign country, as will the quality of the labour market. Declining economic performance such as recessions, increase in price levels (inflation), and tight labour markets can all make it more difficult for a business to operate abroad.

Environmental factors

Due to both the rapid growth of trade and advancements in technology, international trade has increased substantially. Environmental factors such as increased risk of flooding, drought, storms or other natural disasters in some parts of the world – many due to climate change – pose threats to businesses. Increased emissions and destruction of the habitat due to cutting down forests (deforestation) are two of the ways the environment has been impacted. As an example, Indonesia is the top producer and exporter of palm oil, however palm oil production

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involves extensive deforestation. In order to increase the supply of palm oil, the government in Indonesia sells licences to producers to buy and deforest. As a result of this unsustainable means of increasing supply, the EU has stopped importing palm oil from Indonesia, decreasing Indonesia's export revenue. The EU has banned palm oil in the name of sustainability.

Concept

Sustainability and ethics

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Businesses need to meet human needs (of customers, employees and suppliers) within planetary boundaries, no matter where they are located in the world. This involves watching out for human wellbeing and the environment. To be ethical simply means that a business needs to adopt morally acceptable practices and values throughout all its business processes, whether it is operating domestically or internationally.

Ethical practices are when businesses decide to make a commitment towards the environment and simultaneously increase their business operations. The need to protect the environment is more important than ever. Businesses have a responsibility to ensure that their activities are carried out in a sustainable manner in order to protect the needs of future generations. Businesses should be mindful of environmental laws or legislation in the different countries in which they operate. Not complying can reduce the competitiveness of the business and can act as an ethical barrier in its operations. Businesses have a responsibility to deliver their products in a sustainable manner.

While studying the opportunities and threats businesses face in operating in internal markets, consider the following:

- How could entering a market and operating internationally make it more difficult for a business to act ethically?
- How might ethical and sustainable business activity in international markets impact a company's costs and revenues, both positively and negatively?

Political factors

Countries that have a stable political environment, such as Singapore or the United Arab Emirates, are relatively low-risk places in which to do business. In contrast, the political uncertainty in countries such as North Korea or Afghanistan make those countries much more risky for businesses.

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Legal factors

Businesses operating internationally must abide by the different laws and regulations of the countries in which they operate. Product standards and trading laws vary around the world. Understanding the legal environment can be difficult for companies seeking to expand internationally.

Other legal issues relate to international trade barriers. When a product is exported to another country, it may be subject to trade restrictions such as a tariff or quota. These restrictions can increase costs and slow down distribution times. For example, the trade war between Europe and the US in 2020–2021 had a considerable impact on international businesses and aircraft manufacturers.

Legal requirements such as trademarks, patents and copyrights should also be adhered to in different countries. Moreover, it is important for businesses to comply with laws about how they advertise their products in different countries. For example, in India, it is illegal to advertise or sell beef burgers.

Marketing products carefully, as well as being conscious about external factors, is important for businesses. Some large businesses have learned about this the hard way by making some international marketing mistakes (see **Table 1**). In these well-known examples, a domestic marketing campaign or advertisement did not work well with the company's international customers.

Table1. Examples of international marketing mistakes.

Company	Slogan/brand name	Problems
American Motors	A mid-size car named the 'Matador'.	In Spanish, 'matador' translates as 'killer'.
Braniff Airlines	The slogan 'Fly in leather'.	In Spanish this slogan means 'fly naked'.
Ford	The slogan, 'Every car has a high-quality body', which was part of an advertising campaign in Belgium.	When translated to Dutch (one of Belgium's official languages), this slogan actually means 'every car has a high-quality corpse'.
Pepsi	The slogan 'Come alive with the Pepsi generation'.	In Chinese this slogan means 'Pepsi brings your ancestors back from the grave'.

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Company	Slogan/brand name	Problems
HSBC	The slogan 'Assume nothing'.	In several countries, this translates as 'do nothing'.

Activity

Learner profile: Knowledgeable
Approaches to learning: Thinking skills (critical thinking)

Examine this list of opportunities and threats:

- periods of recession
- reduced costs due to higher pool of labour available
- authoritarian government regime; ban of several food items
- increase in incomes
- high import tariffs
- lower restrictions on advertising/marketing
- language barriers
- niche target markets
- lack of competition
- improved communication and infrastructure

Create a table as shown below and classify each of the above as either an opportunity or a threat by adding it to the correct column.

Opportunity	Threat

3 section questions

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Question 1

1 Threats ✓ are the external factors that pose challenges to businesses wishing to expand internationally.

Accepted answers and explanation

#1 Threats
threats

General explanation

Threats are the external factors that pose challenges to businesses wishing to expand internationally. For example, trade barriers such as tariffs and quotas — used by different countries — might increase costs for businesses that export their goods.

Question 2

Which one of the following is a threat of entering and operating in international markets?

1 Imposition of tariffs ✓

2 Increase in customer base

3 Economies of scale

4 Improved brand reputation

Explanation

When a product is exported to another country, it may be subject to trade restrictions such as a tariff or quota. These can increase costs and slow down distribution times, so are a threat for entry into international markets and not an opportunity. All the other responses are opportunities associated with entering and operating internationally.

Question 3

Which one of the following is an opportunity of entering and operating in international markets?

1 Lower costs of production and economies of scale ✓

2 Lack of local knowledge

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3 Increase in trade restrictions

4 Increase in unemployment

Explanation

International marketers can benefit from lower production costs in foreign countries. There are lower costs of production due to the larger size of the company, which can result in economies of scale.

4. Marketing / 4.6 International marketing (HL)

Terminology exercise

Section Student... (0/0) Feedback Print (/study/app/business-hl/sid-351-cid-762729/book/terminology-exercise-id-39024/print/) Assign

Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

There are several ways to enter international markets, from ______ (least risky), to ______ investment (most risky).

Operating in many countries can create ______ for businesses because it means they can grow, expand and develop. However, it can also create ______; there are various external factors that pose challenges to businesses who wish to expand internationally.

Once a company has decided to expand internationally, there are two basic models of international marketing strategy that it can follow. The first is a ______ strategy, which involves using the same marketing mix for every country. With this strategy, products are not tailored to meet the needs of local markets; instead, a single marketing offer is presented to all global consumers. The second is an ______ strategy, whereby goods and services are tailored to meet the needs of local consumers; all elements of the marketing mix could potentially be updated.

adaptation | opportunities | threats | exporting | standardisation | foreign direct

Check

Student view

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Interactive 1. Key Concepts in International Marketing.

4. Marketing / 4.6 International marketing (HL)

Checklist

Section Student... (0/0) Feedback Print (/study/app/business-hl/sid-351-cid-762729/book/checklist-id-39025/print/) Assign

What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
  - exporting
  - direct investment
  - joint ventures
  - strategic alliances
  - franchising
  - mergers and acquisitions
- explain methods of entering international markets (AO2)
- evaluate opportunities and threats of international markets (AO3)
- outline international marketing strategies (AO1)

4. Marketing / 4.6 International marketing (HL)

Reflection

Section Student... (0/0) Feedback Print (/study/app/business-hl/sid-351-cid-762729/book/reflection-id-48333/print/) Assign

Teacher instructions

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic's contents might have impacted the way they view the subject.

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The following table shows you how each prompt aligns to the DP *Business management guide*:

Prompt #	Syllabus alignment
1	**Concept:** Sustainability
2	**Learner profile:** Thinkers

Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.

Reflection

In this subtopic you learned about international marketing.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.

1. To what extent does international marketing pose a threat to cultural sustainability?
2. What do you think the world would be like if we only consumed goods that were made where we live?

Once you submit your response, you won't be able to edit it.

0/2000

Submit

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Rate subtopic 4.6 International marketing (HL)

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