

# International Marketing

**1 Why has there been such an increase in interest by business firms in international and export marketing? Will this interest continue to increase? Why, or why not?**

- International sales provide additional profits. In some instances these additional profits are all that enable some companies to entail any profits at all. In addition to: domestic economics have become somewhat dependent upon international sales as a channel of foreign exchange needed for the import of goods and services to our own domestic economy.

- Yes, this trend will continue to increase. Due to the fact that world trade has continued to increase at a more rapid pace than the world gross product, which only further solidifies the importance of international markets.

**2 What is meant by internationalization and how does this relate to the global marketer?**

- Internationalization may be thought of as a process, a way of thinking, or an end result. For the global marketer, internationalization is most effective when developed as a carefully planned process for increasing business within the international market. There are several ways that a company may choose to market its products within the international market. However, in the approach that they choose to, they must heavily weigh all of the advantages and disadvantages of the option that they choose to implement in order to become a volatile player within the market. In addition to a company entering the global market must understand the culture and the preferences of the culture in which they are entering the market.

**3 Is taking a global view limited to companies that view themselves as global companies? Explain.**

- No, while a global marketing approach could be an attractive option for some companies, most have somewhat small levels of international activities. Internationalization is by no means limited to larger "global" companies. Smaller and medium sized companies dabble in the international markets as well. Only they often do so, on a smaller scale. Such as integrating into only a few international

companies and often doing so in such countries those have a less extensive barrier to entry.

**4 Is it meaningful to attempt to measure the degree (or amount) of internationalization of a firm? Explain.**

· Yes, measuring the degree of internationalization of a firm can be useful in the fact that it allows for management to determine how international the company is now, how international the firm can be, and how international the firm can be.

**5 What does it mean for a firm to be "market driven?" Is this really important in today's environment or can a company be successful without being so driven? Explain.**

· A market driven company must be formulated with the needs of its consumers in mind. It must be structured in such a way as to integrate the customer into the company and to maintaining a solid relationship between the consumer and company. It is geared more at creating a market as opposed to controlling any particular market.

· While it is not completely necessary for a company to be "market driven" in order to prove successful, it is however very beneficial. In order for a company to be successful in this type of market, market demand has to be than is market supply. However, in most instances the company must be capable of producing products that are wanted by consumers. This in most instances calls for a plan that allows for products as well as marketing schemes to change with the changes in business.

**6 Explain the meaning of the following statement: "If a company is to be successful in foreign markets its management must have a good understanding of all aspects of the environment within which it will be operating."**

· The company must understand that they are not doing business on their "home turf" and that with different cultures and world locations, come different preferences, different tastes, and different needs. All of which must be satisfied to ensure that the consumer is satisfied.

**7 Give two or more examples of how external factors (exogenous variables) in the international environment make export marketing more complex than domestic marketing.**

- Strategic decisions such as which countries to target
- Tactical decisions such as product positioning.

**8 What is inward internationalization? Explain the nature of the relationship between inward and outward internationalization from an individual company's perspective.**

- Inward internationalization is simply put, foreign sourcing activity.
- Inward internationalization may precede and influence the development of outward internationalization in such a way that the effectiveness of inward activities could determine the success of outward activities.
- Inward/Outward relationships can be classified as either having a direct relationship with one another or an indirect relationship. In a direct relationship the outward actions are heavily dependent upon the outcome of the inward actions; where as in an indirect relationship the two of them are not so dependent upon one another.

**9 What are the three distinct components of export planning and strategy development and how are they related?**

- Goal, Program, and Organization
- The three components are interrelated, without one of them it would be nearly impossible to achieve the others. For example, it would be very difficult to decide upon a product mix, without first setting out list goals that sets out what the company wants to do.

**10 Identify the potential barrier (or obstacles) that face companies considering - or expanding - international marketing operations. Which are most important and which are less important? Explain.**

- Communicating with foreign unit, lack of export training, lack of market information, controlling international activities, documentation requirements, foreign government and public attitudes, trade barriers, arranging transportation, packaging, etc., providing services, higher than domestic risk, financing sales, no assistance from home government.

· As far as determining which of these factors is the "most and least important," that is hard to say, b/c it is dependent upon the needs of each individual entity. For one company it could be that a lack of export training could be the most important barrier to entry, while at the same time that could be the least important barrier for another company.

**11 When considering the ethical and moral issues underlying of an international marketer, should the manager follow the utilitarian, the rights, or the justice principle? Defend your answer.**

· I personally would have to choose the "Utilitarian." Not necessarily of what it is defined as, but perhaps due to the other alternatives. In the case of the Principle of Rights, I feel as though we should try to improve and satisfy society as a whole as opposed to the "individual." In the instance of the Principle of Justice, I have a very hard time agreeing with "Compensatory Justice." It is my opinion that it is a huge "injustice" to society as a whole to "make up for past injustices." What has been in the past should remain just there, in the past. I mean honestly? I cannot even fathom the fact that one day my grandchildren may have a more difficult time getting into the university of their choice due to the fact that minorities were treated less than equal a half of a century ago.

**12 Is the role of the international marketer only to attempt to increase sales? Explain.**

· No, while increasing sales does play an o the integral role in the job of an international marketer, it is by no means the only role that he or she must assume. There are several other things that an international marketer must concern him or herself with; such as concerns over the environment, satisfying the needs of the society in which they have chosen to do business, adhering to the "laws and ways" of the land, and etc.

**13 Is the use of the World Wide Web appropriate only for large companies? Explain.**

· While it is not necessarily inappropriate for medium and smaller sized companies to use the World Wide Web, it is however, more difficult for them to become noticed. Even a very well designed web page will prove useless if the company is relatively small and unknown. B/C, if there is nobody looking at these "well designed web pages"; there cannot possibly be any business done on the web.

#### **14 What is e-business?**

- Sale, purchase, or exchange of goods, services, or information over the Internet or other telecommunication networks.

#### **15 Are online marketplaces useful only to businesses? Explain.**

- No, while online marketplaces have proven to be the most beneficial for large businesses and corporations, they are also useful to smaller organizations and individuals. Thus, restricting online marketplaces to only large businesses is not necessary.

#### **16 Does e-business present a threat or an opportunity to traditional stores and wholesalers? Explain.**

- For the most part e-business can prove to be beneficial for "traditional" type businesses. While some companies opt to do all business online, most have found that the greatest benefit comes from combining a mixture of "traditional" business practices with the emerging rise of e-commerce.

#### **17 What are the benefits to consumers arising from international trade? Are they the same for industrial goods as for consumer goods? What costs to consumers arise from international trade?**

- Active trade relations among countries create employment opportunities, and consumers gain as employment is their source of purchasing power for domestic and foreign goods and services.

- The nature of potential benefits of importing consumer goods are obvious - namely, lower price, an increase in supply and variety of goods from which consumers can choose, and being able to access the results of technological developments and advancements. While not quite so obvious, the effect of importing goods is the same. However, it is not a direct benefit, but depends on the impact that such imports have on domestic production sector of the economy.

- Consumers have a stake in the exports of domestic firms to the extent that high volume creates economies in the production process which are then passed on. That is, selling abroad helps to gain economy in production at home, which means lower prices to consumers of domestic products. At the same time, in order to pay for imports, there must be a capital outflow. Not only does this have a negative effect upon the country's balance of payments, but there could be a lessening of much

needed foreign currency. Increased competition to locally produced goods may exist, and labor could be affected if this competition led to lost sales and profits redundancy in employment.

**18 Discuss how exports and imports help to increase productivity and efficiency.**

- Trade is a way to increase, and perhaps even maximize, productivity. Marketing and production methods are continuously changing. While old methods evolve into new, the new techniques tend to migrate from country to country.
- Another type of response to the competition from imports that leads to increases in productivity is that of cost reduction. Cost reduction is accomplished through ways of automation, economizing in personnel, elimination of parts, and product simplifications.

**19 The productivities of factor inputs with respect to different products are determined by a combination of natural and acquired advantages. Is the productivity of the Japanese due primarily to natural or acquired advantages? How about the French or Chinese? Explain.**

- An example of how Japan's acquired advantages was more beneficial for productivity in the instance of the silk market that they had. For example, nylon practically ruined the silk industry of Japan, while the development of synthetic materials, such as synthetic rubber, has limited the expansion of their natural counterparts and may, in some cases, entirely replace them.

**20 Briefly explain the different types of economic advantage for two countries, A and B, each able to produce two products, X and Y, and discuss the conditions for trade to be advantageous (assuming no transaction costs).**

- **Absolute Advantage** The case where one country or firm has a cost advantage in one product and another country has a cost advantage in another product. In a two-country two-product world, international trade and specialization will be beneficial to each country when the country is absolutely more efficient than its trading partner.
- **Comparative Advantage** - The case where one country has an absolute advantage in the production of all products and services compared to another country, but have a greater cost advantage in some products than in other ones. When this

condition exists a country benefits by specializing in and exporting the product in which it has the greatest advantage, and importing the products in which advantage is less.

- Unequal Advantage - A situation where one country has a relative cost advantage over another country in all products. In this case neither country has any type of advantage in trading.

**21 Find an example of a country that is exporting a product for which it has an absolute disadvantage with a trading partner but where there is a comparative advantage. Explain the nature of this trading relationship.**

- If one country has an absolute advantage over another country in the production of all products, trade will be beneficial if the domestic exchange ratios in each country are dissimilar; in other words, if the country with the absolute advantage has a greater advantage in producing another. This situation is known as "the principle of comparative advantage."

- When this condition exists a country benefits by specializing in and exporting the product in which it has the greatest advantage, or a superior advantage, and importing the product in which its advantage is less, or in which it has an inferior advantage. Thus, the other country, even though it is at a disadvantage in producing all products, can benefit by specializing in and exporting the product in which its disadvantage is least.

**22 Explain the product life-cycle concept as it relates to international trade and investment. What does the concept mean to the individual firm?**

- The product life-cycle theory of international trade has been found to be a useful model for explaining not only trade patterns of manufacturers but also multinational expansions of sales and production subsidiaries, that is, it has been useful explaining certain types of foreign direct investment.

- During the process, which can be described in various stages, the innovator country of a new product is initially an exporter, then loses its competitive advantage in trading partners, and may eventually become an importer of the product some years later. The introduction stage of the trade cycle begins when the innovator company establishes a technological breakthrough in the production of a manufactured item.

- During the trade cycle's next stage, the innovator manufacturer begins to export profit to foreign markets, which are likely to be countries with similar tastes, income levels, and demand structures, i.e., other countries.
- As time passes, the manufacturer realizes that to protect its foreign sales and export profits it must locate production operations closer to the foreign markets. The domestic industry enters its mature stage as innovating firms establish subsidiaries abroad, usually in advanced countries first.
- Although an innovating country's monopoly position may be prolonged by legal rights it often breaks down over time. Once the innovative technology becomes fairly commonplace, foreign producers begin to imitate the production process. The trade cycle is complete when the production process becomes so standardized that it can be easily utilized by all nations, including lesser-developed countries.
- At the individual company level, a situation that leads to the breakdown of monopoly positions based on patents and intellectual property rights is counterfeiting and piracy.

**23 Export motives can be classified as internal or external and as reactive or proactive. What is meant by these terms with respect to export marketing? Give examples of each of the combinations of export motives.**

- Reactive - A company responds to internal and external pressures and acts passively.
- Proactive - Aggressive behavior based on a company's interest in exploiting unique competence or market possibilities.
- Examples of internal proactive measures: Managerial urge, marketing advantages, economies of scale, unique product/technology competence
- Examples of proactive external measures: Foreign market opportunities, change agents
- Examples of reactive internal measures: Risk diversification, extend sales of a seasonal product, excess capacity of resources
- Examples of external reactive measures: Unsolicited orders, small home market, stagnant or declining home market

**24 Why might some companies be willing to undertake new or additional international/export marketing even though it apparently offers only similar (or even lower) levels of profitability?**

· Some countries, for example, may be able to produce domestically most kinds of products more cheaply than can be produced in foreign countries. In such circumstances, these countries will gain by importing those goods in which it has a relative disadvantage in production, and thus gain the opportunity to export goods for which it has a relative advantage in production and thus gain the opportunity to export goods for which each has a relative advantage, by reason of superior natural resources, labor, and management skills, capital resources, manufacturing processes, or technology.

**25 What is meant by a "change agent" in export marketing? Give examples of activities of each type of change agent.**

· **Change Agent** - A government or private organization that promotes export activities of business firms.

· Government agencies, industrial trade associations, banks, chambers of commerce, port authorities, and other organizations may be major promoters of export activities. Major export promotion activities include giving and guaranteeing loans, providing credit facilities and insurance, publishing basic market data on foreign markets, exhibiting at trade fairs and exhibitions, sponsoring and participating in trade missions, providing trade leads and reports on individual companies, and being party to trade agreement and conventions.

**26 How can a company determine how internationalized it is? Explain.**

· In general, the degree has been measured by quantitative indicators, such as the number of countries in which the firm is doing business, characteristics such as foreign earnings, sales, turnover, assets, the number of employees engaged in foreign activities, and so on. These quantitative indicators may be measured absolutely or relatively. The absolute component gives an indication of the amount of resources that a firm commits to foreign operations. The relative measure shows that a firm is strongly dependent on its foreign activities if it has committed a significant portion of its financial, technological, and human resources to foreign market activities.

- The firm's degree of internationalization can also be described by qualitative measures. Behavioral characteristics such as top management "international orientation", the degree of foreign experience, and so on, are very appealing, but the use of such indicators involves many measurement problems and they are difficult to operationalize.

**27 Find an example of a company that has expanded its export/international marketing activity, or started such activity, and determine the company's objectives for doing so and the results achieved.**

- For the viewpoint of the individual firm, the internationalization process is defined in terms an evolutionary process of development in a firm's international engagement.

- Export development can be described as a stimulus-response process, in which experimental learning has been considered as an important determinant. Information activities, willingness to commit resources, and managerial risk-taking behavior are essential in describing the process.

- Structural factors have often been regarded as critical determinants in the exporting activity of a firm, but the evidence to support the effect of size, product, and technology orientation is conflicting.

- Empirical evidence indicates that as companies increase their level of international involvement there is a tendency for them to change the methods by which they serve foreign markets.

- In an early stage-theory approach, Johanson and Vahlne used the market entry form as a criterion based on extensive experience with Swedish firms. The classification of firms consists of four broad stages in which the following international take place: (1) no permanent export, (2) export via agent, (3) export via a sales subsidiary, and (4) production in a foreign subsidiary.

**28 How can a company make operational use of the network model and relationship marketing in planning and implementing international marketing programs?**

- Empirical research has demonstrated that firms in industrial markets establish and develop lasting business relations with other businesses. This is known as relationship marketing. In particular this is true in international markets, where a company is engaged in a network of business relationships comprising a number of

different firms, export distributors, agents, foreign customers, competitors, and consultants as well as regulatory and other public agencies. Networks connect these business relationships where the parties build mutual trust and knowledge through interaction and that interaction means strong commitment to relationships.

- When the grouping a grouping is made on the basis of national borders, different national nets can be identified. Correspondingly, "production nets" refer to relationships between those companies whose activities are linked to a specific product line.

- When relationships develop through interaction the people or companies in the local or international environment are tied to each other through a number of different bonds: technical, social, administrative, legal, economic, and so on.

- In terms of networks, internationalization means that the firm develops business relationships in networks in other countries, that is, the network position.

- A basic assumption in the network model is that the individual firm is dependent on resources controlled by other firms. The companies get access to these external resources through their network positions. Since the development of positions takes time and depends on resource accumulations, a firm must establish and develop positions in relation to counterparts in foreign networks.

- In sum, the network approach offers a model of the market and the firm's relationship to that market. The model stresses the cumulative nature of the firm's activities in developing international market positions and seems especially important in understanding key issues involved in cooperation in industrial systems and global industry competition.

**29 There many who believe that "whatever is legal is ethical." Do you agree with this belief as it might apply to the international marketer? Explain your position and give examples of behavior in the global marketplace that would support your position.**

- Ethical behavior is at its most basic level, is what most people in a given group view as being moral, good, and right. The judgment as to whether a decision is considered ethical is "firmly anchored and steeped in a set of individual, corporate and social values, which derive from the cultural underpinnings of a society." Stated in another way, what is considered ethical in one society may be considered unethical in another.

- Three examples that illustrate these basic differences may be seen on the varying views of the paying of interest on loans, the attitudes toward women in the

workforce and the differences regarding the payment of bribes. Lending money for the payment of interest is ethical in many societies, but considered unethical in some Islamic societies. Providing equal employment opportunities for a woman is considered morally right in many countries, but is specifically prohibited by law in other countries. There are great differences in attitudes toward the payment of bribes or gratuities between countries.

**30 Is being "right" or "wrong" about moral issues in international marketing activities an absolute or is it relative? Explain.**

- The international marketer needs to understand that those in the countries in which this marketing occurs may not share his or her beliefs about what is right and wrong. Knowledge of ethics, values, and customs in the overseas markets, as well as those in the home market, is necessary for successful marketing and avoiding possible problems.
- It is important to understand that what is "right" and "wrong" is not always easy to determine, as there is no universally accepted code of behavior to aid decision makers. Knowledge of the home market and foreign market is essential to arriving at one's own behavior code for each situation faced.

**31 Various classification schemes are sometimes used to give an indication of the potential of a particular foreign market/country. Explain why these schemes should or should not be used as a basis for deciding what markets to enter.**

- Any classification scheme assumes certain homogeneity among markets in the same category, which often is not correct. Even the more traditional countries may have groups of people who, due to their income and other sets of values, will be a market for sophisticated products and services, while some of the developed countries still have portions of their population to some extent outside of the money economy.
- If complemented with the use of socio-economic, cultural, demographic, and structural data, then it becomes possible to use classifications to assess the existence of a potential market for a given product in a given country. However, the results of such an analysis may yield nothing better than the knowledge that a market exists or the product concept without ensuring the success of any given

marketing mix. At best, then, any classification schema is an indicator that further investigation is or is not warranted.

**32 Explain the meaning of “cultural universals.” Do these provide universal guides to behavior in all societies? How can the international marketer use these universals?**

- Culture can be viewed as the homogeneity of characteristics that separates one human group from another. Another way to learn about cultures is to examine cultural universals, and seek generalizations that apply to all cultures. This task is made difficult by the fact that much of the routine of living is governed by cultural characteristics of which people are only dimly aware, or perhaps even unaware.
- Learning about cultures is made even more difficult because societies or groups may share certain common culture traits, but there are also many possible subcultures with characteristic traits that explain variations in behavior within cultures. Major subcultures may be based on nationality, religion, race, and geographical area.

**33 Do you agree that the international marketer does not need to study a culture from a narrow perspective but rather needs only a broad perspective to learn about general patterns and themes? Explain your answer.**

- With regard to international marketing management, it seems best to study cultures not only from a broad perspective to learn about relevant patterns and themes, but also from a narrow perspective as behavior relates specifically to certain products or marketing efforts. This approach to studying culture can lead to information that will guide international marketing efforts, especially to determine when the same strategies and tactics can be employed in multiple countries and when they cannot.

**34 Explain the meaning of the following statement: “People are what make international marketing exciting but frustrating.”**

- It is exciting that there are so many different types of people to market, which make it possible for the global economy that we are now living in. But, at the same time it can be prove to be difficult to adhere to all of the needs of all of the people in even our own domestic markets, much less the markets of the international world.

**35 What is the "silent language" of international marketing and how does it relate to the concept of "culture is communication?"**

- Behavior itself is a form of communication. Each culture may differ in the way that it experiences and uses such things as time, space, relationships, and a host of other aspects of culture. This form of communication is known as the silent language.
- More specifically, Hall (1960) has defined the major dimensions of the silent language as they operate within international marketing as being: (1) time; (2) space; (3) things; (4) friendship; (5) agreements. These five dimensions can form the basis of a real understanding of foreign cultures. The international marketer must, if there is to be a successful and mutually profitable relationship, know how the persons whom he or she will be contacting use of each of the languages.

**36 What is the self-reference criterion and how should the international marketer apply it? Explain.**

- Lee (1966) coined the term "self-reference criterion" as a useful concept to avoid cultural bias. He suggested that problems should be defined first in terms of cultural traits, habits, or norms of the home society. They should be redefined without value judgments, in terms of the foreign cultural traits, habits, and norms. He indicated that the difference between these two specifications is an indication of the likely cultural bias, or SRC effect, which can be then isolated and carefully examined to see how it influences the concept or the problem. The value of this approach lies in forcing the manager posing the problem to make specific his or her assumptions about the cultural elements affecting the problem and to question whether or not they hold for another culture.

**37 Government can play many roles in international marketing. What are these roles and how does each affect individual business firms?**

- As an environmental force affecting international/export marketing, government intervenes in a single country's economy by being a participator, planner, controller, or stimulator. Such intervention activities can be categorized into the following three groups: (1) those that promote international/export marketing transactions; (2) those that impede such transactions; and (3) those that compete with or replace international/export marketing transactions by private business firms.
- Sub-national government agencies tend to concentrate on promoting export-marketing activities by private business firms. There are, however, some instances

where sub-national governments place restrictions that act as impediments.

- At the national level, governments engage in all kinds of activities and may or may not favor one category over another. These activities bear directly on company operations and management and affect strategy formulation and implementation.
- In addition to the many international constraints there are certain local governmental constraints that come from an exporter's home country. For instance, a company may find that it cannot do business in a particular foreign market because its home government has political differences with the foreign government in question.

**38 Why is that some exporters would support voluntary export restraints agreed to by their government?**

\* Yet there are times when quotas can work to the advantage of the export company and the organizations selling its products overseas. An illustration is the voluntary restraint that the Japanese government, under strong pressure from the U.S. government, imposed on its own exports of automobiles to the United States beginning in 1983. When the number of automobiles that they could export to the United States was reduced below demand, the Japanese automobile companies responded by sending fully equipped automobiles at the top of their product lines. Because of the demand by U.S. consumers, the local retailers sold everything that was exported at a premium price. This resulted in substantial increase in profits for both the Japanese companies and their U.S. dealers. The only losers at this time were the consumers who had to pay substantially more for their automobiles.

**39 For a country of your choice, determine what its government does to promote exports and other international marketing activity.**

- An example of joint-efforts of government and business are the so-called company grouping programs that have evolved in a number of countries, often under the label of network schemes. Encouraged and facilitated by government, these schemes are designed for small and medium-sized enterprises and are used primarily - but not exclusively - for export activities. In general, an export-grouping scheme provides the opportunities for member companies to spread the initial costs and risks of international market entry, to share information and experiences, and to pool resources to support stronger promotional efforts. Illustrative uses of network schemes are the "export circles" in Finland, which have the requirement that each circle be kept small and that the companies must be non-competitive.

#### 40 What is regional economic integration, what is its objective, how is it supposed to achieve its objective, and what impact is there on individual exporters?

- In its broadest sense, economic integration means the unification in some way of separate individual economies into a larger single economy. We can view regional economic schemes as arrangements designed to promote closer economic ties within an area comprised of several politically independent countries, which minimize the economic consequences of political boundaries.
- Various schemes for achieving regional economic integration have been attempted, are operational, or have been suggested. These range from bilateral agreements to eliminate trade barriers to complete economic integration with supranational institutions.
- Regional integration schemes typically establish Rules of Origin, which include provisions for the amount of content that must be region based in order for a tariff, or at a reduced tariff if tariffs have yet to be totally eliminated.
- Exporting business firms may be affected in two basic ways by the formation of any type of regional scheme. There may be preference effect and a growth effect. For exporters located outside any particular region a preference effect means that there will be a decrease in their exports to that region because of the preferential treatment given to competitors located within the region. Of course, up to a point the outsider can become located within the region. Of course, up to a point the outsider can become more competitive by having a superior product, lower price, entering into one or more strategic alliances or at the extreme by developing a production base within the region.
- To an extent this preferential effect may be offset by the growth effect. Since a larger total market has been created, this together with the increased rate of economic growth means that consumers and industrial users will have more money to spend on products from abroad.
- Preference and growth effects also touch companies located within the regionally integrated area. The results of economic integration to inside companies will probably be lower costs and increased sales. Input costs should decrease since inputs of all kinds become available from larger areas and without a tariff charge.

**41 Should an economically integrated region be considered as one market area? Explain your answer. Would your answer vary for the European Union in contrast to, say, ASEAN?**

· In tempting to think that, from a marketing viewpoint, a region could be treated by an exporter as a single market area. The exporter that conducts operations using such a strategy will soon find that things are not as they seem. Within a region, separate markets do not cease to exist. The relevant demographic characteristics and social, legal, and cultural influences that define a market do not change just because a country is part of an area with free internal trade and perhaps even free movement of resources. In addition to variations in consumer needs and attitudes, other factors may still lead to such market differences - government regulations of marketing activities, distribution structures, and media availability, to mention just a few.

· Regional economic integration is dynamic. It is in Europe where the most dynamic events have occurred. In 1987 the 12 nations of the European Union approved the Single European Act. This Act called for the implementing of 285 accords by January 1 1993. The end result was to be the creation of the internal market, although there were already gaps that needed to be closed. Moreover, all border controls and technical barriers to trade were to be removed, government purchasing was to be opened to non-nationals, and financial services were to be opened up competitively.

**42 What is really meant by a company having a differential advantage over its competitors in one or more foreign markets?**

\* Competition comes about because business firms, in their search for a niche in the economic world, try to make the most of their uniqueness. The result, hopefully, is the establishment of a differential advantage that can give the firm an edge over what others in the field are offering.

**43 What is the social responsibility of a business firm operating in the international marketplace? Is it acceptable that these responsibilities vary by country? Explain.**

· In much of continental Europe it was believed that businesses had broader obligations including specific responsibilities toward customers, employees, suppliers, and society as a whole.

- A broader concept of corporate social responsibility began to receive widespread attention in the 1960's. Changing social values, therefore a changing social environment of business, led to a discussion of whether companies should go beyond legal requirements and proactively attempt to improve society and the environment. There were a number of arguments in favor of companies going beyond that is required, including the following: (1) business must respond to changes in society and its demands/expectations; (2) profit maximization in the long run requires a socially and physically healthy requirement; (3) it was necessary to do so in order to avoid increasing government regulation; (4) it would provide a better corporate image, with benefits in the ability to attract better employees, increased sales, improved access to capital, and improved stock performances; and (5) it might open up additional opportunities to profitability opportunities to profitability meet existing or emerging demands.

- The definition of what is socially responsible, as with the definition of ethics varies from society to society. However, the strong tendency is for societies to demand that companies act with increasing concern for the overall societal and environmental needs, as well as economic needs.

- In free market economies, social responsibility for a company with a widespread private ownership would seem to include, as a minimum, the following objectives: (1) conducting business in accordance with owners' desires, including; (2) maximizing profits, or at least returning a satisfactory level of profits, while; (3) conforming to the law in both the host and home nation; and (4) conforming to the ethical values of both the host and home nation.

- The United States leads the way in corporate giving to educational, humanitarian, and cultural organizations. European corporations have traditionally been less socially proactive, partly because the European governments tend to play a more central role. In Japan, there is no tradition of corporate giving and businesses have concentrated their efforts on protection of the company and its employees.

- The international marketer must be aware of the need to act in a way that is viewed as socially responsible in both the host and home countries.

**44 Strategic export planning requires the development of an effective marketing strategy, including market selection and direction (development). What major implications does this have for the company's export manager?**

· In ensuring an effective international and export marketing strategy, the process of market selection and direction has at least three major implications for export managers. First, the marketer should not focus only on individual products and their foreign markets; there is the need to consider the role of each product and/or market within a company portfolio. Second, in addition to the traditional focus on the detailed issues of segmentation and differentiation, the process of market selection needs to focus also on the broader strategic measures used in strategic planning. Third, export marketers have a key role in the strategic planning process, since many planning tools depend heavily on marketing concepts such as market share, market definition, and the product life cycle.

**45 Explain the difference between export market selections and export market direction.**

· Export Market Selection - The process or opportunity evaluation leading to the selection of foreign markets in which to compete.

· Export Market Direction - Decision of company whether to build, hold, divest, or abandon its position in a foreign market.

**46 What is market segmentation, and why is it more complex for foreign markets than it is for domestic markets?**

· Segmentation means breaking down the market for a particular product or service into segments of customers that differ in terms of their response to marketing strategies.

· The issues of segmentation are at least as important, and often more important, for export markets as for domestic markets. Because of differences in the economic, cultural and political environments between countries, international markets tend to be more heterogeneous than domestic markets. The range of income levels and the diversity of lifestyles and of social behavior are likely to be insignificantly greater when considering the world as opposed to a national market.

**47 What is the practical value to a manager of accepting the belief that there are European customers, Asian customers, and North American customers, rather than customers from Europe, Asia, and North America?**

· A manager must understand that it is not the actual country that he or she is selling or marketing to; it is instead the people of that particular country. With each country come different cultures, preferences, norms, and so on. Therefore, it is completely necessary that he or she understand these values associated with each country.

**48 What is the best way for segmenting export markets? Explain.**

· There are many possible ways to segment on a worldwide basis, and applying mixed criteria can create the most meaningful segments. With that said, I believe that there is not any single "best way" for segmenting a market.

· It is important to note that any decision to segment on a particular basis should be evaluated in terms of the following: (1) Measurability is the degree to which segments can be identified and to which the size and purchasing power of the segments can be measured; (2) Accessibility is the degree to which the resulting segments can be effectively reached and served; (3) Profitability is the degree to which the resulting segments are large and/or profitable enough to be worth considering for separate marketing attention; and (4) Action ability is the degree to which effective programs can be formulated for attracting and serving segments

**49 Give examples of global market segments and companies that are marketing on that basis.**

\* The advertising agency Backer, Spielvogel Bates Worldwide identifies five distinct consumer segments globally, based on studying 15,000 adults in 14 countries on 5 continents. The research they conducted found global similarities in values, attitudes, and actual purchasing patterns. The consumers were then identified by demographics.

**50 Explain the difference between a proactive market selection approach and one that is reactive. Is one approach better than the other? Why?**

· The reactive market selection approach characterizes a situation where the exporter acts passively in choosing markets by filling unsolicited orders or awaits

initiatives on the part of foreign buyers, foreign representatives or other export change agents who indirectly select the market for the company. The selection process then remains very informal, unsystematic and purchase oriented, making export marketing more or less sporadic. With this approach, the exporter is responding to a situation that has emerged.

- The proactive market selection approach is, in contrast to the reactive approach, marketing oriented. The exporter is active in initiating the selection of foreign markets and the further customer segmentation of these markets.
- Obviously, there are no clear-cut divisions between the reactive and proactive approaches since many exporters will tend to apply the proactive strategy to what are considered primary markets and the reactive strategy to that the company considers to be secondary or marginal markets.

**51 Distinguish between expansive and contractible market selection procedures. If you were making a decision on such a favor, which would you prefer, and why?**

- Expansive Market Selection - An approach to selecting foreign markets that starts with the home market or existing market core as a base and expands from there on a market-by-market basis.
- Contractible Market Selection - Systematic screening of all potential markets leading to elimination of the least promising and further investigation of the most promising.
- I would choose the "expansive market selection" approach, because it provides a solid foundation in which I could start from and base my decisions on.

**52 Differentiate between market concentration and market spreading as expansion strategies. Is one universally better than the other for a given product?**

- A market concentration strategy is characterized by channeling available resources into a small number of markets, devoting relatively high levels of marketing effort and resources to each market in an attempt to win a significant share of these markets, for example, to provide export growth by market penetration. After building strong positions in existing markets the company slowly expands the scope of its operations to other countries and/or customer segments.
- A market spreading strategy is characterized by allocating marketing resources

over large number of markets in an attempt to reduce risks of concentrating resources and to exploit the economies of flexibility, for example, to provide export growth by market development.

· On the other hand, the rationale for market spreading is based on the weakness of market concentration. Market spreading offers a position of greater flexibility, less dependence on particular export markets, and a lower perception of risk and uncertainty in the international marketplace.

**53 If sales response functions are S-curves, is it more cost effective to expand a little marketing effort in each of several markets, or to concentrate efforts on fewer markets? What if the response functions are concave?**

· Conventional wisdom often argues that if a company faces an S-curve response function, a market concentration strategy based on seeking a large market share of a few markets usually is preferred. This relies on empirical evidence that shows that higher market shares are associated with high profitability. To provide a high market share often requires a strong resource commitment to a sales subsidiary in export marketing. For many small and medium-sized exporters who are not in a position to increase marketing expenditures to a level where efforts lead to increasing returns in sales response, a contraction strategy may not be feasible. Facing an S-curve sales function, the smaller exporter may use its marketing resources more productively by spending  $E_1$  costs for sales  $S_1$  in several markets rather than spending  $E_2$  for sales  $S_2$  in one or two markets. This means that there may be advantages in accepting a low market share in a large number of markets as opposed to pursuing market concentration even in the case of an S-curve function.

· On the other hand, when a company believes that it faces a concave response function, there should be a strong motivation to follow a strategy of market spreading. Such a strategy is based on the premise that it is easy worldwide to capture a small market share for very low marketing expenditures, for example by extensive use of independent agents. This is especially an attractive strategy for the small and the medium-sized exporter where efficient use of a limited marketing budget creates a great market value and gives rise to particular advantages.

**54 Can a company in developing its foreign market portfolio use the concept of critical mass? If so, how can it be used? If not, why not?**

· Critical mass means that a minimum level of size and effectiveness has been achieved. Typically, profits tend to increase once critical mass has been reached and the exporter is better able to meet the competitive demands of the marketplace.

· Companies typically have limited resources and this means that they cannot be successful in an unlimited number of foreign markets. Hence, there is, need for selectivity in choice of markets. Over the long term, Markets so selected should be developed in a sequence that will best balance resources to be used with requirements for critical mass. In order to be successful pursuing selectivity a company needs a method for selecting the right portfolio of foreign markets. One approach that has been helpful for setting priorities among markets in such a portfolio is a matrix that is based on market attractiveness and company position relative to critical mass. The result of evaluating markets is a graphic representation of current or potential foreign markets that would seem to warrant greater resources and attention, and markets that do not. This tool allows a company to access the value of each market in light of its strategic objectives, strengths, and local market conditions.

**55 How would you respond to a person making the following statement: "As a general rule, the export marketing manager has a few sources of information available for use in market selection?"**

\*While the sources available for gathering information are classified into only two categories, including internal and external sources, there is an unlimited amount of information that can be gathered from these two types of sources. So, I would have to say that the comment is very misleading.

**56 For three different products that are being exported, or are exportable, list the major sources of information on competitors' activities.**

\* Trade publications; competitors' house organs; salespeople, who are alert for information from the wholesaler or retailers they call on, and who may sometimes be given a specific task to ascertain certain information from such intermediaries; overseas-based agents and distributors; salespeople, engineers, and officers of the company, who participate in social or professional activities that bring them into contact with competitors' personnel in a way that may permit them to learn

something about what competitors are doing; direct observation of competitors' activities - such as the introduction of new products and advertising campaigns.

**57 Explain how the flow of transactions and the flow of the physical product relate to foreign entry mode.**

· The transactions flow is accomplished by the series of sales transactions negotiated or facilitated by the channel members that ultimately transfer ownership of the product to the final buyer. The physical flow moves the product itself to the final buyer through a series of physical movements and storage points. Throughout international marketing channels these two elements tend to coincide, but exceptions do occur. For example, the use of an export broker involves only the element of transactions; but when an export merchant is involved both elements typically coincide.

· Many specific types of organizations may be involved performing the transactions and physical flows in a given international marketing channel of distribution. Of primary significance are the marketing organizations - independent companies of various types, overseas sales offices, and so on - that directly participate in these flows.

· A system composed of marketing organizations that connect that manufacturer to the final users or consumers of the companies' products in a foreign market.

**58 Why is the decision regarding foreign market entry mode a particularly important decision for international marketers to make?**

· In a number of respects the choice of entry modes or international marketing channels is important to management.

· Decisions on international marketing channels influence the price that final users or consumers will pay.

· Policies concerning channels are related to production decisions. In the first place, location of production base is the first channel decision that has to be made. Second, fluctuations in production may be reduced by proper selection of such channels. Greater production stability tends to eliminate or reduce problems of inventory control that face all of the channel members.

· Another reason that entry mode selection is important is that the procedure of developing international channels can be slow and costly. The time and cost

required in development can hinder a company that wants to expand its international operations by entering new foreign markets.

- A typical manufacture may do business in many countries, each one having a unique state of general economic activity at any one period of time and each one exhibiting its own cyclical pattern of economic activity. The existence of such fluctuations, and their difference from country to country, makes the entry mode decision and the management of existing chemicals moist difficult.

- Entry mode is a vital part of the international marketing mix. Decisions on channels can limit the alternatives available to the manufacturer in the other activities making up the marketing mix, or at the very least constrain the tactical implementation of the other marketing variables. Also the selection of specific marketing channels reduces promotion alternatives.

- Finally, the relations between the manufacturer and marketing organizations, and between two marketing organizations at different levels - such as wholesalers and retailers - can create some difficult problems for both. The basic source of difficulty is the inherent conflict of interest between the two. The selling organization wants for the buyer to sell as much as possible for the minimum possible margin. In contrast, the marketing company buying for resale wants to maximize its own profits. This conflict is compounded by the complication in relations that arise because the companies involved will come from different cultures, societies, political systems, and so forth. In general, however, the area of mutual interest is far greater than that of conflict.

### **59 Discuss the nature of the "whole channel concept."**

- Management should be striving always to select the best international marketing channel: the one that comes closest to completely satisfying target customers, fits the entire international marketing mix, and still satisfies the company's overall objectives. In this endeavor, the channel of distribution should be viewed as an integrated system with the manufacture on one end and the final user on the other end. This can be called the whole channel concept.

- In the first place, it is the headquarters organization that supervises that channels used, including any intermediary marketing organizations. As such, then, it is an integral part of the channel itself. Second, the specific channel alternatives used can influence the structure of the headquarters organization. Third, companies with fairly rigid organization structures will find themselves in a position where the existing headquarters organization can limit the alternative avenues to

serve foreign markets. Since a channel is only as good as its weakest link, international marketers should be concerned with all of the links in the channel.

**60 Evaluate the use of the Internet for export and other international marketing market entry modes.**

· Increasingly, some companies are turning to the Internet as a means of exporting to foreign markets. The Internet has potential usefulness for companies that can sell direct to the foreign market or direct to intermediaries within the domestic market who would then handle the export transactions.

· This is a tool that either supplants or supplements other techniques such as direct mail or telemarketing, or even personal selling. However, as with all newer technologies, the international marketer who chooses to use the Internet should do so selectively, and with caution. There are still many legal issues to be resolved that could affect relationships consummated by this means.

**61 Governmental regulations can affect the viability and effectiveness of a company using the Internet as a foreign market entry mode. Contrast the government regulations governing e-commerce in the United States, A European Union country, and an Australian country. Is the Internet easier to use - regulation - wise - in one of the countries? Explain.**

\* The newness and rapid changes in technology have led to what amounts to a regulatory vacuum in many areas. In China, for example, the Ministry of Information Industry has issued many rules restricting what dot-coms' can do and censoring what they can say. In Europe, companies face a patchwork of conflicting local regulations. Europe's privacy laws for instance, are much tougher than those in the United States. A digital signature may be legal in one country, but invalid in another. Thousands of different business and sales taxes are levied around the world. The globalization of the Internet is creating pressures to develop a globally accepted commercial code.

**62 A number of alternative entry modes were identified in the chapter. Locate a company that uses export and one using overseas production or a strategic alliance. Describe their market entry strategies and determine why the companies differ in the entry mode being used.**

- Contract manufacturing is a strategy that involves contracting for the manufacture or assembly of products by manufacturers established in overseas markets, while still retaining the responsibility for marketing. Under certain circumstances, for example, in the book-publishing field, the contractor firm may distribute the products through its own outlets. This method allows a company to break into international marketing without making the final commitment of setting up complete manufacturing and selling operations; yet the way is kept open for implementing long-term development policy at an appropriate time. Often this approach is used for sourcing because of lower cost of production. Nike and other shoe producers, use Asian contract manufacturers.

- Assembly operations are the establishment of assembly facilities that represents a cross between exporting and foreign manufacturing. When following this strategy, a manufacturer exports components or parts. At the foreign assembly site these parts, often with those from other suppliers, are then put together to form the complete product. When a product is exported in this manner, savings may be realized in freight charges, various foreign government fees, and in some countries customs duties. Assembly has been widely used in the global automobile industry, particularly by Japanese companies.

**63 Identify the major factors that have a bearing on the type of market entry that an international marketer might select. Is there any one or more that are more important than others? Explain fully.**

- Target markets are certain market-related factors that operate as international marketing channel determinants. These can be categorized into the following three groups: (1) The nature, size, and geographical distribution of customers; (2) The needs, requirements and preferences of these customers; (3) The level of economic development of the market.

- In addition, the question of market access may arise in a given situation. The extent to which there is access to a marketer will depend upon other factors such as the location and needs of customers, the competitive situation and the infrastructure development and intermediary availability within the market. Finally,

political stability and legal barriers can be significant entry mode determinants.

- If potential buyers are diverse in character, if they are widely dispersed geographically, and if they buy frequently and in small quantities, there must be broad product availability, which would require the use of wholesalers and retailers within the market. At the same time, the preferences of customers cannot be ignored. If customers expect to find products in certain types of marketing organizations, then they must be there regardless of what the size and geographical concentrations indicate.

- The level of economic development of a foreign market entry mode is a determinant in that it affects the overall organization of alternative channels that is the structure of distribution.

#### **64 Why should a company make a specific channel decision for each product going to each overseas market?**

\* The criteria for selecting export-marketing channels that have been discussed in this section, while not all-inclusive are sufficient to show the complexity of the problem. Seldom, if ever, will the international marketer find the channel determinants all pointing in one direction. Management must find a balance among them and evaluate alternative systems.

#### **65 Select an industrially developed country (perhaps Japan or a European country) and a relatively less developed country (perhaps a Latin American or African country). Contrast the relative importance of the factors that should be taken into consideration by a foreign-based manufacturer of a low-unit priced packaged goods selling in both markets, when determining policy on selecting appropriate channels of distribution in those markets. In which case is a managerial decision easier to make? Discuss.**

- The nature of the product affects channel selection because products vary so widely in their characteristics and use and because the selling job may differ markedly. For instance, the technical nature of a product must be taken into consideration.

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