Instructor’s manual

International Marketing

2nd edition

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Chapter 1

Introduction to international marketing

Chapter outline

- What is international marketing?
- Environmental and social sustainability
- The importance of world trade
  - Global linkages
  - Domestic policy repercussions
- Opportunities and challenges in international marketing
- The goals of this book

Chapter objectives

The main objectives of this chapter are to: orient students to the role of international marketing in the past, present and future; provide students with a definition and better understanding of the concept and practice of international marketing in a globalised world; explain the influence of domestic policies on an international scale; highlight the importance of environmental and social responsibility in the international environment; introduce the students to the international business environment; present some of the opportunities and major challenges in International marketing; provide an understanding of the technological drivers of Globalisation; present the main goals of the book; and introduce an Australasian perspective to the discussed topics.

Suggestions for teaching

We find it useful to highlight the extent to which nations and their economies have become intertwined. For students, this will clearly establish that international marketing is a necessary activity which improves the lives of individuals and the welfare of nations. Yet, the forces of globalisation push some important social and political issues...
that tend to generate a good discussion with the class. Students should get engaged in discussing topics such as child labour and the environmental costs of globalisation. To illustrate the interdependence in today’s economy, the consequences of the global financial crisis is a topic that tends to get the student’s attention. Additionally, it is important to communicate the international environment’s dramatic impact on firms. As well as allow students to draw their own conclusions about the value of concentrating on the international market.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**What Thomas Friedman means when he says "the world is flat"**

**Video URL:** [http://www.youtube.com/watch?v=oM2BguxRSyY&feature=channel](http://www.youtube.com/watch?v=oM2BguxRSyY&feature=channel)

**Concept:** Thomas Friedman explains the global platform he believes has "flattened" the world.

**Clip Description:** Thomas Friedman, author of the book “The World is Flat”, talks about the importance of visualising opportunities and taking some actions. In other words, if something can be done it will be done by you or to you.

**Key outcome/points to consider:** This video is a good tool to discuss how globalisation and technology have fastened the pace of changes and how individuals and organisations cannot ignore the existence of new opportunities and challenges, which are on an international scale.

**PowerPoint slide reference:** 4-10

**Car industry – China stepping up to the plate?**

**Video URL:** [http://www.youtube.com/watch?v=PT5FhP3CWsA&feature=related](http://www.youtube.com/watch?v=PT5FhP3CWsA&feature=related)

**Concept:** News regarding the Chinese car market

**Clip Description:** The Chinese car market is on fire. China is now the largest car market in the world, position which was previously taken by the US. Additionally, China is an important market for American car makers due to its fast growing economy.

**Key outcome/points to consider:** Students will be exposed to several issues in this video. First, the Chinese steady growth in a period of Global recession. Secondly,
the shift in importance from the United States to China in the car market, the same
that is happening in several other industries. Finally, there are some environmental
concerns that come with the growth of the Chinese car market and there will be a
great increase in fuel demand.

**PowerPoint slide reference:** 6

**EU protectionism row escalates**


**Concept:** The video highlights the threat of protectionism among some members
of the European Union breaking some bloc rules.

**Clip Description:** With the Global financial crisis there has been an increase in the
protectionism of some members of the European Union and United States once
the American stimulus package has a buy American provision that stipulates that
all public projects should buy only steel and iron domestically.

**Key outcome/points to consider:** This video can be an interesting tool to discuss
how domestic policies have an effect on trade and the risks of protection. It will
both give students an introduction to stimulus packages and point the threat of
protectionism within the European Union.

**PowerPoint slide reference:** 20

**Wal-Mart’s green revolution**

**Video URL:** [http://www.youtube.com/watch?v=eUCznRsf1-Y](http://www.youtube.com/watch?v=eUCznRsf1-Y)

**Concept:** ABC News regarding Wal-Mart new sustainable green standards.

**Clip Description:** This video shows the retail giant Wal-Mart new sustainable
policy, which is as reported a game changer. It is expected that all the products
have an environmental rating, which states the costs that each product had to the
environment. Thus, every supplier will have to take into consideration the
sustainability of their products and what can be done for improve their
sustainability.

**Key outcome/points to consider:** The students will be able to understand how
environmental sustainability has been receiving an increasing amount of attention
and how organisations have to react to this pressure. It can also be discussed the
importance and consequences of the largest retailer in the world to force all of its
suppliers to provide more sustainable products and decrease environmental costs.
Introduction to international marketing

PowerPoint slide reference: 24

The Maasai go mobile – an African journey with Jonathan Dimbleby

Video URL: http://www.youtube.com/watch?v=7J2f8W43gwk&feature=player_embedded#

Concept: BBC programme shows how the Maasai tribe has benefitted from the use of mobiles

Clip Description: Documentary shows how even a remote tribe in Kenya has benefitted from the use of technology.

Key outcome/points to consider: There are two main outcomes that can be expected from this video. First, students will have an example of how isolation is practically impossible in today’s economy. Secondly, it will open their eyes to how there are several opportunities for an international business in unexpected locations and the importance of being aware of international markets.

Additionally, it can be mentioned in class that the Maasai tribe has already been using money transfers through mobile phones, thus it can be asked to the class: what other services are likely to benefit the Maasai tribe through the use of the mobile technology? What does this mean to international businesses?

PowerPoint slide reference: 30

Critical Issues

1 We’ve said that international marketing is not the same as international trade, but the problem is that most statistics focus on trade, export and imports, rather than the complex pattern of global development, production, and distribution of products. Take one global company (e.g. Sony, Coca-cola, Volkswagen) and map out its R&D, production and sales. What happens here? How much does the company spend and earn, in each place?

In this question students should conduct a research about one particular global organisation that they will choose. Some of the information that is asked in this question might be hard for the students to find, such as financial information.

- This question can be answered by applying the product lifecycle theory.
• Additionally, Appendix B (page 40), Geographical perspectives on international marketing, provide a good framework to answer this question.

• The location of the R&D location and the reason why R&D activities are concentrated in this particular country.

• Production: the patterns in production focus on the advantages of concentrating the production in this country and if there any recent changes that might affect the production patterns (e.g. http://news.smh.com.au/technology/foxconn-to-move-china-apple-production-as-costs-rise-20100629-ziee.html)

• How much does the company spend and earn in these locations is probably the most complicated part of the question to be answered due to the lack of information available. However, research articles can be a good source of information.

2 International marketing is all around us, even if we are not aware of it. Back in 2007 an American woman, Sara Bangiorni, brought out a book entitled “A year without ‘Made in China’: One’s family true life adventure in the Global economy” describing how her family tried to live a year without buying anything made in China. Let’s do a mini version of that. Keep a diary for perhaps a week or so (you might want to continue it through your international marketing course) noting what you buy and consume that is internationally marketed. Try to identify the country of production but also, as appropriate, the country of the brand.

The aim of this question is to allow students to realise how much they are affected by international marketing in their daily lives and sometimes don’t even realise. It will make the students reflect about the patterns of production and consumption. Consequently, it will highlight the importance of international marketing and the consequences of globalisation.

Students can be encouraged to read part of the book “A year without ‘Made in China’: One’s family true life adventure in the Global economy”, which is available on Google books (http://books.google.com.au/books?hl=en&lr=&id=taikveCUbgC&oi=fnd &pg=PR9&dq=A+year+without+%E2%80%98Made+in+China%E2%80%99+:+One%E2%80%99s+family+true+life+adventure+in+the+Global+economy%E2%80%99&ots=vUUaU5dtL5&sig=-zAOhgSdOgC8084uAZ12NgMNH9E#v=onepage&q&f=false) in order to enrich their analysis.
3 Environmental and social sustainability is a crucial element of contemporary international marketing. Take two comparable companies (e.g. General Motors and Toyota, Procter & Gamble and Unilever) and contrast and compare their environmental policies. Don’t overlook implementation; are they actually improving their environmental record or is it just ‘greenwash’. Use a variety of sources – company websites, media, academic articles, consumer/activist groups.

Students should do a critical analysis based on the information that they will find on the following sources of information

Company website:

- Environmental sustainability programs currently in place.
- Emphasis given to environmental sustainability.
- Search for the latest sustainability report available and compare the results of the programs in place. For instance, Procter & Gamble and Unilever sustainability report can be found on their websites:

Media/academic articles:

- Information regarding the effectiveness of the companies’ environmental policies.
- A more critical and less biased analysis on the programs in place. Articles such as the ones below can provide valuable information

Consumer activist groups:

There are several campaigns against certain companies, such as a campaign that can be found in the protection of forests in South East Asia which were in risk due to the deforestation that took place in that
area for the supply of Palm oil that is used in Dove soaps (http://www.youtube.com/watch?v=odI7pQFyjso).

Questions for discussion

1. Will the expansion of world trade in the future be similar to that in the past?

From 1999 to 2008, the world experienced a unique growth in the trade levels, as world exports nearly trebled during this period. On the other hand, the Global Financial Crisis severely decreased the volume of exports in 2009, when the world exports dropped by 12.2% if compared to 2008, which was the sharpest decline in 70 years. Yet, the world economy is recovering at a faster than expected pace, increasing by 13.5% in 2010. The world trade tends to increase as the economy recovers from the recession. This growth will be particularly higher in developing nations in Asia and Latin America.

Australian and New Zealand trade with Asian countries is likely to continue to grow at a higher pace than trade with the European Union (EU) because the annual growth rates in Asia are currently much greater than in Europe. Australia is a country rich in resources, and with the Asian economic boom, there has been a high demand for those resources. Also, the geographic proximity of Asia to Australia and New Zealand has made the logistical aspects of trade easier.

Since the 1970s, many Australian businesses have realised that the only way to expand and remain competitive is to enter the international marketplace. It is vital that the total number of firms participating in world trade increase. Australia outstripped the US, Japan and most EU nations in export growth between 1990 and 2004. During this same period, China and India experienced unprecedented growth in exports, with the Chinese service exports growing by 980%.

Governments may have an interest in promoting exports, but private-sector financial transactions have increasingly impacted the direction of exchange rates. Also, existing international agreements limit policy makers’ ability to impose import restrictions. However, policy makers’ role in the expansion of world trade could be positive, depending on how their domestic policies influence international trade. Their promotion of a good trade environment rather than a hostile one is one of the most powerful methods of aiding Australian exporters.
Expansion in general will continue because of available growth opportunities and continually advancing communications technology.

Web references:

http://www.wto.org/english/news_e/news_e.htm

2 Does increased world trade mean increased risk?

World trade leads to several economic benefits, however, increased world trade leads to higher risks because the international environment is politically and economically unstable, and differs from what companies encounter at home. Political disagreements and exchange rate fluctuations can make contracts uncertain. Increased world trade is risky for non-exporting domestic companies as well as for exporting companies because foreign competitors often threaten the domestic marketplace, as has occurred in the textile and auto industries. Manufacturing has essentially become extinct in Australia due to cost-based competition from Asian countries. This has led to companies downsizing and exiting the market completely, but it has also provided opportunities for new business to thrive on product development and branding while subcontracting manufacturing to other countries. Finally, the Global Financial Crisis, which started in the United States and soon became evident in countries all around the world illustrates how the increased world trade increases the risk. For instance, on an economic level, the decline of the American demand had a negative impact on all its commercial partners. World trade makes nations interdependent and any kind of crisis that affects a nation’s commercial partners will impact its internal economy.

Risks may be minimised by trade agreements drafted between countries or by organisations, such as the WTO. Additionally, the potential added revenues and diversification benefits from the international market offset the risks involved. Therefore, risk must always be viewed in the context of returns on investment.

3 Is it beneficial for nations to become dependent on one another?
Dependency between nations resulting from trade agreements is beneficial in that it leads to greater cooperation. In this way, dependency can lead to more peaceful economic and political relations.

However, dependency increases risk because political and economic changes in one country can affect its trading partners’ economic and national security. Economic policies currently have far-reaching effects; the ‘Asian meltdown’ in the 1990s, the Argentine financial crisis in 2001, the Global Financial Crisis, in a larger scale, and other events have impacted Australian and other global businesses. Risk of dependency is that nations requiring hard currency to buy necessary imports may become indebted to other countries. Their dependency will escalate if they continually borrow from abroad to maintain their economic systems. (The Argentine financial crisis is an example of such a situation.) This degree of dependence is not beneficial, and countries in this position must diversify their industrial bases in order to produce more of their own goods and reduce their dependency.

4 Can you think of examples of international marketing contributing to world peace?

International marketing brings interdependence among countries. As a consequence, nations have to maintain friendly and cordial relations among themselves, which brings some guarantees for world peace. For example, the formation of the 10-member ASEAN group, consisting of South-East Asian nations, with the cooperation of China, Japan, South Korea, India, Australia and New Zealand. The annual ASEAN summit is a very important event that helps Australia improve its relations with Asian countries and allows it to develop trade agreements and good will, which facilitates the export market. However, such political and economic associations can encounter their fair share of difficulties. Relationships with ASEAN have been hampered by criticism from Asian nations aimed at Japan for refusing to accept its imperialistic past as well as by Australia’s criticism of Malaysia over what it perceives to be Malaysia’s attempts to undermine its foreign policy.

The restructuring of Central Europe has resulted in a push for increased joint ventures and direct foreign investments. This radical change has meant that Australia and other western nations must strive for greater harmonisation and cooperation in the international arena of politics and economics.
5 Describe some opportunities and challenges in international marketing created by new advances in information technology.

Answers to this question will vary.

One important effect of international marketing will be greater opportunities for technology companies to supply the world with cutting-edge products. Despite concerns about the increased breadth of goods being made in lower-wage countries, the newest technologies and products will be conceived in, produced in and shipped from Australia and other technologically-advanced countries. This has led Australian industry to focus more on research and development and high-end manufacturing. In addition, there has been boom on international business conducted over the internet. Companies don’t need to be physically present in a country in order to do business with commercial partners located in other nations.

Due to improved infrastructure in many developing countries, international marketing will also likely result in an overall growth in trade. For example, new telecommunications capabilities, including wireless technologies and Internet access, will create more chances for companies around the world to identify and take advantage of international business opportunities.

Opportunities:

- Quicker and cheaper access to data from around the world.
- Easier, more reliable communications.
- New methods of advertising and promoting products internationally.
- More opportunities to find partners to manufacture and develop your products.

Challenges:

- Maintaining an adequately trained workforce.
- Improvising in markets where particular technologies have yet to become standard.
- Greater degree of competition.
- Potential for copyright and patent infringements in countries with a lack of legal governance.
Protection of Intellectual property rights.

6 What effect has the relative decline of the UK and the rise in importance of Asia had on Australia and/or New Zealand?

Since Britain joined the European Economic Community in 1973, Australian and New Zealand exports have been heavily affected. Yet, both countries were able to develop new products and new markets overseas. Australia mainly focused on Asia while New Zealand began to trade more with Australia. In 2009-2010, 64.6% of the Australian exports were destined to Asian countries, while Australia received 23% of the New Zealand exports.

The US domestic market is large enough to allow companies to grow within the economy. However, the Australian market is much smaller and requires foreign trade in order to expand. The percentage of the GDP attributable to exports is approx 19.6% in Australia. This is a mid-range result compared to the GDP export rates of the US (9.8%) and Japan (11.1%) at one end of the spectrum and New Zealand (33.2%) and England (25.8%) at the other. To encourage businesses to export, there have been several government and non-government initiatives. For example, Austrade’s New Exporter Development Program (NEDP) targets small and medium enterprises (SMEs). Most SMEs find exporting difficult and tend to stick with familiar countries, such as New Zealand or the US. NEDP attempts to overcome these issues by providing cultural and economic training for Australian companies new to exporting.

Web references:

- http://www.state.gov/r/pa/ei/bgn/35852.htm

7 What effect has the Global Financial Crisis had on international marketing?

The Global Financial Crisis generated a turbulent economic and financial environment. As a consequence, international marketing was affected by several facets of the crisis.
First of all, there was a severe decline in the global consumption which had a very negative impact in global trade. It is estimated that the volume exports volume in 2009 dropped by 12.2%.

In addition, there was a sharp fall in the commodity prices which generated severe loss for some exporting businesses and nations. However, this has been beneficial to importers.

Yet, the high risk levels generated a great instability which decreased the foreign direct investments. This can be associated to the increased difficulty in obtaining appropriate credit.

Also, protectionist measures seemed to be on the rise to stimulate the domestic economies. For instance, The European Union increased the import duties of steel pipes from China to European Union countries. The US government now requires companies to buy US steel and manufacturing products in government funded projects (page 5).

As most organisations felt a decline in their revenue, the investment in marketing also faced a fall. In addition, investment needs to be higher for a demand to be on the same level as before the crisis.

For Australian business, the global financial crisis brought some challenges and opportunities. While some companies have suffered from the decline in overseas orders, others have benefited due to the fall in the value of the Australian dollar which helped to make Australian products more cost competitive. In addition, Australia has been benefiting from the fast recovery pace that has been taking place in some Asian countries.

Web references:
Chapter 2

The economic environment

Chapter outline

- Market characteristics
  - Population
  - Income
  - Consumption patterns
  - Infrastructure
- Impact of the economic environment on social development
- Regional economic integration
  - Levels of economic integration
    - Free trade area
    - Customs union
    - Common market
    - Economic union
    - European integration
      - Australia, New Zealand and the European union
  - North American integration
- Other economic alliances
  - Integration in Latin America
  - Integration in Asia
  - Integration in Africa and the Middle East
  - Economic integration and the international marketer
- Dealing with financial crises
  - Causes of the crises
  - Effects of the crises
  - Consumer and marketer responses

Chapter objectives

This chapter introduces the most basic variables that international marketers use in screening foreign markets for both short-term and long-term opportunities. These dimensions include economic variables relating to the characteristics of individual markets: (1) population, (2)
income, (3) consumption patterns, (4) infrastructure, (5) geography and (6) attitudes towards foreign involvement in the economy. International marketers base their analysis on these variables when considering two critical questions about a market:

1. What is the (potential) size of the market?
2. What are the unique characteristics of each of these markets, and how might they be similar

These variables are accessible from secondary databases operated by individual countries as well as by larger entities, such as the World Trade Organisation (WTO) and the International Monetary Fund (IMF). Since the volume of this data is overwhelming, the international marketer must decide which variables to use to facilitate decision-making. It should be noted that this data must be used in conjunction with other information so that it may be properly interpreted. The concept of purchasing power parity is introduced to give students a deeper understanding of how better to evaluate the potential of a market.

This chapter also discusses global debt issues and variations in infrastructure around the world. In addition, this chapter also explains the forms of regional economic integration and the challenges and opportunities that economic integration creates for the international marketer, focusing mostly on the European and North American integration. However, other alliances around the globe are also discussed.

Additionally, this chapter highlights the consumer and marketer responses in the existence of a financial crisis, such as the Asian crisis of 1997 and the Global Financial Crisis.
Suggestions for teaching

Of the environmental issues, economic dimensions are the most concrete variables from which individual markets can be analysed and compared. This chapter features a considerable amount of facts and figures, which students may be quite interested in if presented in the right way. Rather than trying to accomplish too much in one session, it is worthwhile to concentrate on one data set at a time (e.g. Table 2.6, which shows consumer spending by category). Another approach to overcoming this dilemma is to assign in-class exercises so that students may discuss these issues. Activities may include:

1. Updating the tables presented in the chapter’s case studies and discussing the significance of the changes that may have emerged.
2. Developing country or product specific exercises similar to those featured in discussion questions 1 and 3.
3. Selecting a specific market (and product) for class discussion and asking small groups to research different economic data related to the issue.

Issues, such as a lack of data for every market and out-of-date information, may present critical issues for international marketers. For students in developed, industrialised nations, data may seem easily available and accessible. Often, marketing educators find that ‘Let’s collect the data’ becomes the default answer to many of their questions. The problem is that some of the desired data may not even exist. There are some countries that have not had a census for 20 or 30 years.

Students may also be surprised to discover that terminology may differ between countries. The textbook refers to the example of how ‘urban area’ has a different meaning in the Philippines than it does in Australia. Another example is the use of ‘household’ in Australia. Similarly, the significance of certain variables may differ between and within countries. For example, age does not necessarily correlate with similar product usage patterns worldwide. Within countries, economic performance may vary across regions. In China, numerous provinces still have agriculture-based economies while others have become industrialised. Students may read more about variances in the Chinese economy in The international marketplace 2.4. This is an excellent starting point for conducting further research into this topic.
Additionally, given the current discussion of economic integration between industrialised nations, the instructor can discuss ASEAN specifically in terms of the arguments for and against it as well as how companies are adjusting to it. Ask students to consider the viability and the consequences of EU-style integration in South-East Asia as well as the role of Australia and New Zealand in this integration.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**Ian Goldin: Navigating our global future**

**Video URL:**
http://www.ted.com/talks/lang/eng/ian_goldin_navigating_our_global_future.htm

**Most relevant minutes:** 00:15-3:07

**Concept:** Ian Goldin warns that not all population will benefit equally from the Globalisation and technological developments. In addition, he highlights the increase in the systemic risk.

**Clip Description:** Ian Goldin, director of the 21st Century School at Oxford, talks about some of the challenges and opportunities that come with the globalisation, focusing on how part of the world’s population is left out of several opportunities of advancement. There has been a growing inequality among countries and a growing complexity in the economic environment due to the increase of the systemic risk.

**Key outcome/points to consider:** This video is an interesting tool to discuss the social issues involved in globalisation and what can be expected in the future. A good way of start discussing this video is by revising some of the content seen in chapter 1 by mentioning the growth in the complexity generated by the increased interdependence among countries. Also, this video can be linked to the world economic pyramid to make the students think if the people in the bottom of the pyramid will benefit from the several kinds of technological advancement that we are still to see and the consequences of this exclusion.

**PowerPoint slide reference:** 3
Chinese consumers have a new wish list

Video URL: [http://www.youtube.com/watch?v=19JKczksdAI](http://www.youtube.com/watch?v=19JKczksdAI)

Concept: Documentary regarding the change in the Chinese consumption patterns

Clip Description: This video shows how the consumption patterns in China have changed in the last years due to its economical development.

Key outcome/points to consider: Students will have a better understanding of how the Chinese economical development has changed the needs and wants of consumers. Additionally, it can be discussed the development differences between the urban and rural Chinese society, and how some items that are considered a commodity in big urban centres would be luxury or unaffordable for part of the Chinese population.

PowerPoint slide reference: 10

Connectivity in ASEAN

Video URL: [http://www.cnbc.com/id/15840232/?video=1627979027&play=1](http://www.cnbc.com/id/15840232/?video=1627979027&play=1)

Most relevant minutes: 00:00-2:35

Concept: Alex Fieldman, president of the U.S.-ASEAN Business Council, explains that the importance of connectivity in ASEAN countries.

Clip Description: In this interview Alex Friedman highlights the importance of the investment in infrastructure, connectivity in particular, to attract and create new opportunities from around the world in this particular market.

Key outcome/points to consider: This video will provide students with a good visual resource of how investment in infrastructure can contribute for the creation of new business opportunities. Additionally, students will have an introduction to what ASEAN countries refer to “single window” and the importance of infrastructure to build a common market by 2015.

PowerPoint slide reference: 13

Australia and China move closer to FTA

Video URL: [http://www.abc.net.au/reslib/200804/r241916_982029.asx](http://www.abc.net.au/reslib/200804/r241916_982029.asx)

Concept: Australia and China free trade negotiations

Clip Description: The main issues involved in the negotiations of a free trade agreement between China and Australia.
Key outcome/points to consider: Students will have a better understanding of some main issues involved in the negotiations of a free trade agreement. And sensible areas, such as Agriculture and Chinese government transparency are showed in this video. Additionally, this video can be used as a tool to discuss the importance of an international marketer to be aware of free trade negotiations and ask the opportunities and challenges that this FTA could bring to Australia.

PowerPoint slide reference: 38

Critical Issues

1. What has been the impact of the global recession 2008-09 on exports from your home country? Use a mixture of statistics (Austrade, NZTE, etc.) and media to build a composite mixture. Track changes in the direction and composition of exports from 2007 onwards. For the top 10 destinations go to the statistics database on the WTO website and get their imports on the periods you are covering. Has your country’s share changed?

Australia exports:

2008 – growth of 32% in relation to 2007;
2009 – Australian exports decreased 11.7% in relation to 2008

Major export destinations:

2008
1) Japan
2) China
3) Republic of Korea
4) India
5) US
6) UK
7) New Zealand
8) Taiwan
9) Singapore
10) Indonesia

2009
1) China
2) Japan
3) India
4) Republic Of Korea
5) US
6) UK
7) New Zealand
8) Singapore
9) Taiwan
10) Indonesia

In 2009, China became the main export destination passing Japan.
In general the exports to all the top 10 countries, except China, decreased in 2009 if compared to 2008 as a result of the financial crisis.

<table>
<thead>
<tr>
<th></th>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Total primary products</td>
<td>70,410</td>
<td>87,587</td>
<td>161,851</td>
<td>101,320</td>
<td>152,480</td>
<td>133,518</td>
</tr>
<tr>
<td>Unprocessed food</td>
<td>9,700</td>
<td>7,539</td>
<td>8,363</td>
<td>5,921</td>
<td>9,427</td>
<td>10,899</td>
</tr>
<tr>
<td>Processed food</td>
<td>14,067</td>
<td>14,683</td>
<td>15,402</td>
<td>15,281</td>
<td>18,144</td>
<td>14,723</td>
</tr>
<tr>
<td>Fuels</td>
<td>23,947</td>
<td>36,589</td>
<td>38,158</td>
<td>36,392</td>
<td>71,128</td>
<td>87,821</td>
</tr>
<tr>
<td>Minerals</td>
<td>16,745</td>
<td>24,310</td>
<td>33,208</td>
<td>26,148</td>
<td>50,446</td>
<td>45,907</td>
</tr>
<tr>
<td>Other primary</td>
<td>6,460</td>
<td>6,266</td>
<td>6,520</td>
<td>6,870</td>
<td>6,325</td>
<td>4,417</td>
</tr>
<tr>
<td>Total manufactures</td>
<td>34,028</td>
<td>37,036</td>
<td>41,988</td>
<td>45,251</td>
<td>47,932</td>
<td>38,623</td>
</tr>
<tr>
<td>STM (excl nickel) (b)</td>
<td>10,137</td>
<td>11,006</td>
<td>14,000</td>
<td>15,068</td>
<td>16,111</td>
<td>11,963</td>
</tr>
<tr>
<td>ETM</td>
<td>23,891</td>
<td>26,029</td>
<td>27,988</td>
<td>26,183</td>
<td>30,922</td>
<td>26,640</td>
</tr>
<tr>
<td>Other</td>
<td>13,319</td>
<td>14,469</td>
<td>19,039</td>
<td>21,814</td>
<td>22,830</td>
<td>24,098</td>
</tr>
<tr>
<td>Total merchandise exports</td>
<td>117,757</td>
<td>136,084</td>
<td>163,778</td>
<td>168,386</td>
<td>222,342</td>
<td>196,239</td>
</tr>
</tbody>
</table>

Figure 1 - Australia’s merchandise trade by broad category (Source: DFAT, 2010)

Figure 1 shows that in 2009 there was a decrease of the exports in all the categories, except unprocessed food.

Web resources:

We've used the phrase ‘tyranny of distance’. Take two products, one a merchandise good (eg. wine, laptop, mobile phone) and the other a service (eg. Skiing, education, gambling) and analyse the impact of technological change on their globalisation.

This question can be analysed by using one of the biggest catalysts of globalisation as an example, the Internet.

Before the internet:
• Harder to have access to international books.
• People had to go physically to bookstores and libraries in order to have access to books.
• More complicated to find particular books.

After the internet:
• People have easier access to books all over the word.
• Libraries and bookstores have an online catalogue.
• Books can be bought or rented through websites.
• Books don’t need to be physically distributed (digital books).
• There are several books that are available through the internet.
• Harder to protect copyrights.
• Education (University)

Before the internet:
• Research was mostly conducted through physical sources of information, and access to information was more limited.
• Prospective students had more difficulties to search for universities in other countries.

After the internet:
• Several online courses are available to students all over the world.
• Internet helps universities to attract.
• Information flows faster. Professors, students and researchers have faster access to the latest trends, theories, news and etc.
• Research collaboration among universities all around the world was made possible (cheaper and easier).

Using the statistical resources given in Q1, or other sources available through your library such as the IMF Directory of Trade Statistics (DOTS) trace the changes in the direction of exports of your country over the last three decades. What do these changes tell us about the opportunities and challenges facing international marketing?

Students should conduct research and analyse the reasons of these changes.
After the reasons are recognised, students should be able to identify the challenges and opportunities that these changes represent to an international marketer.
This answer can be linked to Chapter 1, pp. 24 – 5. There are two important aspects in this question: 1) Make students familiar with some
sources of reliable data that will contribute to their academic and professional lives, and 2) Assist and show students the importance of developing a critical analysis based on numbers. It is important to notice that this is a very deep question that students might look at from different perspectives. However, it will show them how dynamic and proactive and international marketer needs to be as each of the decades presented several opportunities and challenges to businesses.

Questions for discussion

1 Place the markets in the framework that follows:

Income level: low, middle or high

Trade structure: industrial, developing or semi-industrial (oil-exporting, primary producing, populous South Asia or least developed)

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per capita</th>
<th>Trade structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niger</td>
<td>371.567</td>
<td>low income; semi industrial; least developed</td>
</tr>
<tr>
<td>Mozambique</td>
<td>464.536</td>
<td>low income; semi-industrial; least developed</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>583.164</td>
<td>low income; semi-industrial; populous South Asia</td>
</tr>
<tr>
<td>India</td>
<td>1,031.59</td>
<td>low income; developing</td>
</tr>
<tr>
<td>Zambia</td>
<td>1,069.74</td>
<td>low income; semi-industrial; primary producing</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1,111.73</td>
<td>low to middle income; semi-industrial; oil-exporting</td>
</tr>
<tr>
<td>Iraq</td>
<td>2,107.92</td>
<td>low to middle; semi-industrial; oil-exporting (embargoed)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,329.45</td>
<td>middle to low; semi-industrial; oil-exporting, populous</td>
</tr>
<tr>
<td>Algeria</td>
<td>3,995.86</td>
<td>middle income; semi-industrial; oil-exporting</td>
</tr>
<tr>
<td>Peru</td>
<td>4,356.04</td>
<td>middle income; semi-industrial; primary producing</td>
</tr>
<tr>
<td>Jamaica</td>
<td>4,683.71</td>
<td>middle income; semi-industrial; primary producing</td>
</tr>
<tr>
<td>Brazil</td>
<td>8,220.36</td>
<td>middle income; developing</td>
</tr>
<tr>
<td>Turkey</td>
<td>8,711.16</td>
<td>middle income; developing</td>
</tr>
<tr>
<td>Poland</td>
<td>11,302.08</td>
<td>middle to high; industrial</td>
</tr>
</tbody>
</table>
Using available data, assess the market potential for (a) power generators and (b) consumer appliances in (1) the Philippines, (2) Jordan and (3) Portugal.

The Philippines:
The Philippines has allocated 5% of agricultural development funds to rural electricity programs. This has allowed businesses to open power generators, access government funding to build grids and set up the infrastructure required to supply power.

The Philippines has been urbanising extensively over the last few years. The country has developed a strong middle-class consumer population that is willing to experiment with and adopt new consumer appliances.

Jordan:
Jordan is a moderate, developing nation in the Middle East. Most of it is still highly rural, and much of the population has a traditional lifestyle. The government owns and operates most of the infrastructure, and access to the market may be difficult for electricity providers.

Due to many Jordanian’s traditional lifestyles, there may be little demand for consumer appliances. For many, a lack of access to electricity devalues the purchase of consumer appliances.

Portugal:
Portugal has faced rapid urbanisation in recent years, and as a result, there has been a greater need for infrastructure, including electricity, in cities.

Urbanisation does not necessarily increase incomes or the capacity to consume. People may become more aware of products due to the clustering of consumers and greater exposure to media. However, they
may not purchase new household appliances until they have established themselves in the urban environment.

3 From the international marketer's point of view, what are the opportunities and problems caused by increased urbanisation in developing countries?

Increased urbanisation in developing countries is advantageous for international marketing because it centralises the potential market, thereby centralising the market research and advertising areas. Urbanisation also simplifies the logistics of product distribution. The greater ease of distribution to urban areas reduces product costs, and the savings may be passed on to consumers, which increases the likelihood of consumption.

In urban areas, one phenomenon of marketing is that people are influenced by the consumption habits of those around them through the demonstration effect. This means that advertising may affect more people than it directly reaches. In contrast, in rural areas where there are few stores displaying wide arrays of products, consumers may not be as aware of the goods available to satisfy their existing needs.

Recently urbanised areas in developing countries differ from urban settings in developed countries, and marketers must adjust their techniques accordingly. For example, in developing countries people moving to urban centres have often left behind poor economic situations and are looking for new opportunities in the city. However, many of these new urban dwellers send most of their income to support family members outside the city. Thus, they may only have enough money to purchase subsistence items until they have saved more. Additionally, newly developed urban areas may lack the infrastructure to support the use of certain products. For example, many of the suburbs in Manila, the Philippines do not have electricity. This would greatly impact a company planning to market electrical appliances or any energy-related products there.

It should be noted that explosive urbanisation might complicate international marketers' operations in the country of question and elsewhere. An excellent example of this is the infant formula controversy involving 25 large multinational companies, but for which Nestlé has received most of the negative publicity. In this case, urbanisation has meant that women have replaced breastfeeding with substitutes, such as
infant formula, the proper preparation of which may be difficult if not impossible in developing countries.

In addition, the recent urbanisation in developing countries has also caused some social issues, such as the increase of crime rates, and some cities do not have the structure necessary to accommodate such a high number of people which can generate problems such as high traffic and energy issues.

4 Comment on this statement: A low per-capita income will render the market useless.

A low per capita income is often a good indicator of the purchasing power of a market. However, per capita income may inaccurately portray a nation’s market potential. Per capita figures are often represented in US dollars, which may distort a currency’s value and undervalue or overvalue the market. A more effective measurement is purchasing power parities (PPP), which shows how many units of currency are needed in one country to buy the amount of goods and services that one unit of currency will buy in another country. An example is the GDP of Japan, which is US$38 609 per capita, but once converted to PPP it falls to US$26 884, reflecting the higher cost of living in Japan.

Also, for relatively low-cost products, a market can be profitable even if the per capita income is low, as is the case with the household durables market in the Philippines. Despite the Philippines’ low per capita income, the large size of the market makes these items profitable as long as products are generally affordable. While income is more important in marketing relatively expensive goods, population is the primary factor in marketing low-cost staple goods.

Although a country’s per capita income may be low, there are usually a certain percentage of wealthy consumers who buy expensive products. Urban centres in even the poorest of countries have districts dedicated to high-income customers. International marketers must research individual countries to determine the size of its moneyed population.

For example, consider the Chinese market for personal computers. Though China has a low per-capita income and level of PC ownership (1 in 6 000), the country’s GNP growth in the 1990s was 12–3 % annually, making it an attractive market. This level of growth in a large economy is enough to allow for new competitors to enter the market.
Some high-priced products have a high demand in low income countries due to its social prestige. For instance, motorcycles and television sets in China have a high demand, regardless to their high-price in relation to the wages.

**5 What can a marketer do to advance regional economic integration?**

Regional economic integration is often the playground of policy makers. Economic integration involves a strong legal and political grounding, which is often initiated by governments and trade organisations (e.g. the WTO). A marketer can lobby such organisations to influence economic integration. For example, the US pharmaceutical industry heavily lobbies the executive and legislative branches of the US government to ensure tight patent protection for their products.

To further the marketer’s interest, firms may try to form alliances with businesses in nations and regions where they are seeking economic integration. In particular, larger companies can use their clout to join forces with companies in the target market while smaller companies can exert their influence through associations. Marketers can also work within existing frameworks to balance the effects of nationalist policies, and through their activities and investments, they can ‘reward’ countries pursuing free-trade policies.

**6 What are the implications of the Closer Economic Relations (CER) agreement for marketers in Australia and New Zealand? What other bilateral and regional FTAs are in place, or being discussed, and what might their impact be?**

The CER is at the core of the Australia/New Zealand economic/trade relationship. It went into force in 1983 and created a free-trade area among New Zealand and Australia. The elimination of custom duty tax on exports has facilitated easier exporting for Australian manufacturers. FTAs have allowed many Australian and New Zealand businesses, particularly SMEs, to pursue exporting in the world market. In addition, the cultural similarities among the two countries due to their British background make it easier for Australian and New Zealand companies to become trade partners.

AUSFTA, Australia’s free trade agreement with the US, has enabled companies, such as the Perth-based educational software company
HarvestRoad, to compete in the US market. However, AUSFTA has somewhat negatively impacted other industries in Australia, such as the film industry, which struggles to compete with the well-financed American film industry.

Australia and New Zealand have also benefited from NAFTA, the free trade agreement between the US, Canada and Mexico. Regional or bilateral agreements have the potential to exclude nations not party to the agreement. Yet, this has not been the case with NAFTA, with the Australian Department of Foreign Affairs and Trade finding that the agreement, on the whole, did not negatively impact Australian exports.

Thailand and Australia Free Trade Agreement, implemented on the 1st of January 2005 will lead to the elimination of all quota barriers and tariffs on imports from Australia. For instance, Thailand can represent a potential market for wine exporters. The tariffs on Australian wines, which were between 54 and 60% before the agreement, decreased to 40% in 2010 and will be cut down to zero by 2015 (DFAT, n.d.).

In February of 2009, Australia, New Zealand and ASEAN ministers signed the ASEAN-Australia-New Zealand Free Trade Agreement and entered into force on 1 January 2010 for eight of the twelve countries that signed the Agreement. AANZFTA contains regional rules of origin and substantial tariff reduction and elimination commitments. This agreement represents a great opportunity for Australian and New Zealand businesses.

- Australia Free Trade agreements under consideration
- Australia-China FTA Negotiations
- Australia-Gulf Cooperation Council (GCC) FTA Negotiations
- Australia-Japan FTA Negotiations
- Australia-Korea FTA Negotiations
- Australia-Malaysia FTA Negotiations
- Pacific Agreement on Closer Economic Relations (PACER) Plus
- Trans-Pacific Partnership Agreement

Web References:
Chapter 3

Trade institutions and trade policy

Chapter outline

• The historical dimension
  o Global division
• Transnational institutions affecting world trade
  o World Trade Organization (WTO)
  o International Monetary Fund (IMF)
  o World Bank
  o Regional institutions and FTAs
• Comparing international trade positions
  o Comparative trade performance
• The impact of trade and investment
  o The effect of trade
  o The effect of international investment
• Policy responses to trade problems
  o Restrictions of imports
  o Export promotion efforts
• A strategic outlook for trade and investment policies
  o A US perspective
  o An Australian and New Zealand perspective
  o A general international perspective

Chapter objectives

This chapter begins by discussing the influence of trade developments throughout history. Though trade is only one component of the broad spectrum of human activities, it has had a huge impact on all of our lives. This chapter also describes world trade policy and the major transnational institutions affecting world trade. It focuses on Australia and New Zealand's interactions with regional institutions as well as their emergence in world trade and their reduced dependence on the UK. Additionally, policy goals that both hinder and encourage international marketing activities are discussed.
Suggestions for teaching

It is very useful to spend some time on the historical dimension. Students will likely find an in-class discussion of the historical impact of international marketing very stimulating, particularly if there are foreign students who can add their viewpoints to the discussion. The building of scenarios is also very useful here. For example, ask students what life would be like in Australia if there were no international marketing.

When reviewing policy developments, encourage students to discuss how policy makers must balance conflicting priorities, such as domestic unemployment and international security needs. Group role-playing exercises usually result in lively debate when, for example, one group advocates the need for military bases abroad and another acts as a government wanting trade concessions in exchange for permission to maintain bases.

Likewise, it is also very relevant to show conflicting domestic priorities, such as import restrictions. By examining the issues discussed in The international marketplace 3.4, ‘Lamb (exporters) to the slaughter’, students will quickly understand that rational, economic decision making is not the only criterion for setting international trade policy.

In all of these debates, it is very useful to have one individual (i.e. the instructor) or group consistently take the side of the Australian consumer – as this group is often forgotten in heavy policy discussions.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

Suggested links to online video material

Make Poverty History - Click 2006

Video URL: [http://www.youtube.com/watch?v=3mJU58A9SNc&feature=related](http://www.youtube.com/watch?v=3mJU58A9SNc&feature=related)

Concept: Campaign to raise awareness of the debt problem in the world poorest countries.
Clip Description: Campaign created in 2006 to raise awareness of the debt problem faced by some African countries and put pressure into the G8 countries to make their promises happen under the logo “Make promises happen”. Campaigns as such put IMF under pressure and resulted in the reduction of debts valued at about Au$ 42 billion in 30 countries.

Key outcome/points to consider: This video will raise awareness of some controversial issues regarding the IMF, which is the debt relief for Heavily Indebted Poor Countries (HIPC) to whom debt repayment is a practically impossible task. Additionally, students can discuss the role of development countries in the relief of debt and development of HIPC.

PowerPoint slide reference: 11

World Bank: International Development Association (IDA) in Africa

Video URL: http://www.youtube.com/watch?v=BcxPOIKdwyk&feature=channel

Concept: Introduction to World Bank’s International Development Association in Africa. The IDA is a division of the World Bank that helps the world’s poorest countries.

Clip Description: World Bank’s video that shows the International Development Association actions and results in Africa.

Key outcome/points to consider: Students will have a better understanding of the work that it is done by the World Bank, in particular its arm that has as its main aim to help the development of the world’s poorest countries.

PowerPoint slide reference: 13

Selling free trade

Video URL: http://video.forbes.com/fvn/inidaily/selling-free-trade

Concept: Interview conducted by Forbes with Pascal Lamy regarding “selling free trade”.

Clip Description: Pascal Lami, WTO general-director, provides arguments for free trade and explains the domestic political problems that generate trade restrictions. He explains that to sell free trade, it is necessary to acknowledge that free trade creates winner and losers; however, more winners than losers and that domestic policies have to cope with this.
Key outcome/points to consider: Students will be exposed to arguments for free trade and the role that domestic policies should have in the economy. Students will have a better understanding of what can be considered proper domestic policies. Additionally, as it is said that there are more winners than losers in free trade, the concept of positive-sum game can be discussed with the class.

PowerPoint slide reference: 24

Peter Harrison Austrade

Video URL: http://www.youtube.com/watch?v=Rcp5nS8AbtA

Most relevant minutes: 00:37- 3:12

Concept: Peter Harrison explains the role of the Australian Trade Commission (Austrade)

Clip Description: Interview with Peter Harrison regarding the main goals of the Austrade and its export promotion efforts.

Key outcome/points to consider: Students will be exposed to the assistance that Austrade gives to Australian enterprises considering entering international markets. Thus students will be exposed to a positive example of when government institution intervention is appropriate. Austrade helps Australian business and services when entering, selecting and developing overseas markets by reducing time, costs and risks.

PowerPoint slide reference: 29

Critical Issues

1 With the Doha Round pretty much in suspension, or so it appears, there is a constant flurry of FTA’s and similar trade agreements between all sorts of partners. For instance, at the beginning of 2010, South Korean president Lee Myung-bak was in India talking with India prime-minister Manmohan Singh about a ‘strategic partnership’ that would double trade in a few years. At the same time relations across Taiwan were warming up, and negotiations were beginning on an economic cooperation free trade agreement (EFCA).

Bilateral agreements not merely stimulate trade between countries, but can also distort existing trade patterns, disadvantaging other countries. For instance, the Japan-Chile FTAA makes things difficult
for Australian and New Zealand wine exports to Japan.

The WTO does have a database, Regional Trade Agreements information system – which gives some information on trade agreements signed or under negotiation between WTO members, but it is neither comprehensive nor up to date. Nevertheless, using that as a starting place, but also using the media and official government websites, try to construct a map showing the FTA relationships of your country’s major trading partners.

- The website which is given in this question, Regional Trade Agreements Information System is a very good tool to identify the RTA that is currently in place. Students should not only be able to identify the RTA, but also analyse how these agreements can affect their countries.

- The map shows an example of the Regional Trade Agreement information system tool. This question will show students the importance of an international marketer to be aware of RTA negotiations as they might have an effect on the country where they are operating, even if the consequences are indirect.

![China's RTA](http://www.wto.org/english/tratop_e/region_e/rtaglobal_map_e.htm?country_selected=CHN&sense=b)

**Figure 2- China's RTA (Source: WTO, n.d.)**

2 Let us not forget the WTO itself. Using its website and media, give an assessment of the current state of the Doha Round. Are there
any issues that surface that have particular implications for international marketing from your country?

- In 2009/2010 several countries called for negotiations to start again.
- Brazil and the WTO president have been leading this process.
- There is a strong pressure to conclude the round in 2011.
- Most controversial topics: Agriculture, access to patented medicines, special and differential treatments, implementation issues.
- Students need to analyse how these factors will influence their countries. Other than the most controversial topics, the Doha Round will also have an effect in other areas such as services.
- A list of issues surrounding the Doha Round can be found on the following website: http://www.wto.org/english/tratop_e/dda_e/status_e/brief00_e.htm
- Additionally, more information regarding the current negotiations can be found the WTO website: http://www.wto.org/english/tratop_e/dda_e/dda_e.htm.

3 There is a lot of opposition to globalisation and to trade liberalisation. What are the major arguments against liberalisation and how do you, as a student of international marketing, engage with debate.

Most accepted arguments against trade liberalisation are:

- National defence argument
- Infant industry argument
- Dumping and its implications

Students will have different positions in relation to this topic. Thus, it is important that they justify their answers well.

Questions for discussion

4 Why is international trade important to a nation?

In addition to offering a larger market, international trade has the potential to generate larger profits and more growth than domestic trade alone. It also allows a country to buy needed imports that, without compensating exports, would otherwise be funded by gold or foreign capital.
A nation as a whole must participate in international trade in order to ensure that a trade deficit does not accrue. A trade deficit can negatively impact the nation's long-term welfare and employment levels.

International trade stimulates companies to learn new production techniques, develop new products and improve existing ones, all of which can be marketed internationally and domestically. Likewise, it compels companies to gain the competitiveness necessary to remain viable. Increased competition benefits consumers by providing them with a greater selection of goods, improved quality and lower prices.

The Australian Government recognises that trade is essential to the Australian way of life and nominates the following benefits: creation of jobs, increase in income, improvement in living standards and advantages for local regions. For instance, in regional Australia one in four jobs is export related.

Web resources:

5 Give examples of the effects of the 'Pax Americana'.

The postwar period until the early 1970s can best describe the ‘Pax Americana’ era. During the years immediately following the Second World War, the US spent billions of dollars revitalising devastated European economies through direct economic assistance or direct foreign investment. In other regions, the US poured billions into the treasuries of less developed countries and international institutions, such as the IMF or World Bank, all in the name of development. In economic terms, the US dominated international trade with its wealth, level of production and innovation. Its investments flowed throughout Asia, to the heart of Africa and to its Latin American neighbours. In short, the US ruled the playing field of international economics.

Since the collapse of the Soviet Union and its satellite states, the US has continued to play a key role in the world by trying to secure peace in conflicted regions. At the same time, it has striven to cultivate respect for American values around the globe.

6 Discuss the role of ‘voluntary’ import restraints in international marketing.
Countries selectively apply ‘voluntary’ import restraints against trading partners in an attempt to protect and aid specific domestic industries. They are considered a more ‘subtle’ form of trade barrier than quotas and tariffs. Moreover, they give nations the appearance of complying with international agreements and organisations, such as the WTO. Other import restraints include time-consuming bureaucratic regulations, customs inspection rules and ‘buy domestic’ promotions.

Such restraints protect individual industries, but that protection comes at a cost to consumers and international trade relations. Although import restraints protect certain sectors from import competition, imports may not be the only reason for an industry’s declining market share. Import restraints may bolster an industry in the short run, but companies must adapt to stay competitive and survive.

7 What is meant by multilateral negotiations?

Multilateral negotiations take place between several nations, in contrast to bilateral negotiations, which involve just two nations. Usually, the involvement of several nations means that multiple issues will be discussed. The nature of the process means that countries may have to accept an unfavourable position in order to achieve favourable results on other issues.

However, this allows each nation to claim some degree of victory in negotiations. For instance the Doha round had multilateral discussions among all WTO members to establish any necessary rules and disciplines. Due to the difficulty of members to overcome their differences, specially related to agricultural tariffs and subsidies negotiations failed.

Web resources:
http://www.wto.org/english/tratop_e/dda_e/negotiations_summary_e.htm
http://www.nationalaglawcenter.org/assets/crs/RL32060.pdf

8 How have consumer demands changed international trade?

Consumer demand has stimulated foreign companies to increase their competitively priced exports and domestic companies to develop more competitively priced, higher-quality products. The consumer is in an advantageous position, as both domestic and foreign companies must compete to meet their demands. In Australia, this is particularly true with regard to the motor vehicle, textile and shoe industries.

If the income level of a nation changes, this will affect the consumption patterns of the society for more expensive products. Also, consumers have
become more environmentally aware and the demand for ‘green’ products has increased. Factors, such as ‘food miles’ are being taken into consideration in the purchase decision.

9 Discuss the impact of import restrictions on consumers.

Import restrictions in the form of duties and tariffs keep prices higher than they would be in a free trade environment. Quotas result in consumers waiting to buy imports, which allow domestic producers to exploit the situation and raise prices, thus the consumer will be paying higher prices which will generate an increase in the cost of life. Restrictions on imports to Australia may appear to benefit consumers indirectly by minimising the trade deficit, thereby keeping more jobs and revenues within the country and creating jobs.

On the other hand, import restrictions also restrict technological progress, competitiveness and consumer choices are often hurt by such measures. An overprotected industry can become stale if it does not need to strive for technological and product innovation; this ultimately damages the position of both the global marketer and consumer. Additionally, restrictions that cause ill will between countries can increase the volatility of the international trade environment and lead to political instability, which affects consumers as citizens.

10 Does foreign direct investment have an effect on trade?

Foreign direct investment has a tremendous effect on trade for the home and host countries. For the home country, the positive aspects of the investment may include increased exports, experience in foreign business practices and expertise in international economic negotiations. Some costs for the home country may include the displacement of jobs, reduced exports and a loss of political control over the management of the firm based abroad.

For the host country, an investment by a foreign corporation implies technology transfer, skills transfer, increased employment, increased revenue, better infrastructure and possibly increased foreign exchange. While these benefits may seem very appealing, the host government faces a whole range of problems, including a foreign exchange outflow due to profit repatriation and the import of scarce materials; lack of political control over the foreign management; and the transfer of values and culture.
11 How has the direction of trade of Australia, or New Zealand, changed over the last 50 years, and why?

Like the US, Australia and New Zealand were left unscathed after the Second World War. The UK, on the other hand, suffered substantial economic damage and, as a result, lost much of its global trade presence. Historically, Australia and New Zealand had conducted a large proportion of their trade with the UK. However, the UK became a part of Europe (joining the European Economic Community in the 1970s), and it became a smaller player in the international market. As such, Australia and New Zealand have been forced to look beyond their ‘mother country’.

Australia has turned to Asia for its trade. China and India are huge importers of Australian natural resources. Australia exports the most to China (21.6 %), followed by Japan (19.5 %) and South Korea (7.9 %). New Zealand is the 7th largest importer of Australian imports. New Zealand has focused on Australia as its export destination, with 23.4 % of its exports being sent across the Tasman. The US is New Zealand’s second largest export market, receiving 9.6 % of exports.

There has been much criticism of Australia and New Zealand for their long-standing trade deficits – despite being rich in natural resources and having a high capacity to export – while countries like Japan, with relatively low natural resources, have trade surpluses.

Australia and New Zealand have recently changed direction in terms of what they export. Besides natural resources, both countries have been exporting intellectual property through innovations in medical and scientific fields. Tourism has also become an important sector for both countries. It is projected that Chinese visitors to Australia will increase steadily over the next decade, though a recent study revealed approximately 40 % of Chinese tourists have been dissatisfied with their Australian experience. The education industry has been an important export industry with an increasing number of international students, especially from Asian countries, coming from overseas to study in Australia and New Zealand.

Web resources:
Chapter 4

The political and legal environment

Chapter outline

- Home country political and legal environment
  - Embargoes and sanctions
  - Export controls
    - A new environment for export controls
  - Import controls
  - Regulation of international business behaviour
- Host country political and legal environment
  - Political action and risk
  - Legal differences and restraints
  - Influencing politics and laws
- The international environment
  - International politics
  - International law

Chapter objectives

This chapter intends to sensitize students to the political and legal issues that affect international marketing. Much of the text is devoted to local political and legal activities, with an emphasis on how domestic actions can affect firms’ international competitiveness. This includes a discussion of embargoes, sanctions and export controls that stresses the difficulties in enforcing such actions, especially because multilateral coordinated efforts in the trade arena are rare. Additionally, import controls are evaluated in the context of their initial objectives and subsequent results. Frequently, it is found that temporary measures become permanent measures benefiting vocal constituencies.

The regulation of international business behaviour, with a focus on antitrust and bribery issues, is addressed as well. Though these regulations may inhibit firms’ business activities, they are essential in maintaining a nation’s legal and ethical priorities.
The text also evaluates the political risks that firms may encounter in host countries, such as expropriation, confiscation and domestication. Students need to understand that international business presents risks and that the government in a firm’s home country may be unable to provide assistance in the event of a major occurrence. Therefore, it is important for firms to be good corporate citizens. However, firms are often in a position to try to influence local politics and law through lobbying efforts.

Of course, when entering a foreign market, every company encounters a new legal environment to which it must adapt in order to succeed.

Suggestions for teaching

This chapter can be introduced with a topic that will engage students in participating, such as intellectual property rights. Start by asking students if they download movies and songs illegally from the Internet? After the students are already engaged in the discussion, they will probably be able to give a few reasons why companies are quite concerned about intellectual property rights when entering some countries such as China, Indonesia and Thailand. International students from countries where there is a lack of safeguards in this area can probably give some meaningful insights to the discussion. Additionally, grey markets and the reasons why they exist is a topic that will get students’ attention.

Export controls can provide an opportunity for students to examine the role of technology as well as the varying extents to which nations rely on their trading partners. For example, should a country that depends on trade with a nation unfriendly towards Australia (e.g. Zimbabwe or Iran) be expected to adopt the same international trade policies as Australia? Government-to-government relations and how they affect an international marketer can relate this topic to international politics.

Discussions on export controls are an excellent lead-in to an examination of the different circumstances under which embargoes and sanctions are invoked. These circumstances may relate to specific incidents (e.g. terrorism) or policy differences (e.g. workers’ rights), and each country’s reaction may differ (e.g. Canadian and British relations with Libya).

The bribery issue usually becomes the centre of a lively class discussion. Students may need to be reminded that this is an ethical question rather than one of cost. Nevertheless, students should consider the
reasonableness of engaging in bribery in order to complete international business transactions. An excellent resource for this discussion is the Transparency International website (www.transparency.org).

Additionally, the issue of legal differences that companies face when entering a new market should be examined. By evaluating the cost and effects of litigation, students will gain a better understanding the major impact that legal dealings can have on a firm. It may be helpful to consider this issue in the context of students’ own communities. Do they know of any businesses (e.g. obstetricians or horseback riding schools) that have had to close or change their operations because of a threat of litigation or lack of insurance coverage?

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

Suggested links to online video material

Google China

Video URL: http://www.youtube.com/watch?v=3-jkKFCxggY

Concept: Google decides to leave China due its political and legal environment.

Clip Description: The Guardian article about Google closing its mainland China search service and moving to Hong Kong due to some disagreements with the local government and laws.

Key outcome/points to consider: This video will generate a good discussion with the class as most students will be very familiarised with Google and the situation in China. Thus, it is a good video to highlight some of the challenges of Western companies doing business in China, its lack of transparency and people’s freedom to access information.

PowerPoint slide reference: 3-5

UN set to vote on Iran sanctions

Video URL: http://www.youtube.com/watch?v=O9aXXFqWms0&feature=player_embedded#

Concept: UN to vote on further sanctions on Iran
Clip Description: AlJazeera reports that the UN Security Council is set to vote on a fourth round of sanctions that would expand the arms embargo on Iran among other actions mostly due to Iran’s refusal in discussing its nuclear programme.

Key outcome/points to consider: This video is an example of how sanctions are voted by the UN council. All the students will probably be aware of Iran’s situation, thus it can be discussed with the class the consequences of these sanctions towards all the countries involved and how the population of Iran will suffer most of the consequences.

PowerPoint slide reference: 7-8

International patents

Video URL: http://www.dailymotion.com/video/x5tubd_international-patents_news#from=embed

Concept: Patents in the international market

Clip Description: Michael Cohen, Patent and Trademark attorney, explains how patents work in the international market and how patents only give protection in the country where you file it. Additionally, it explains how the processes and standards vary in different countries.

Key outcome/points to consider: This video will provide the class with a good example of a company to be aware of legal differences. Additionally, it can be discussed with the class the importance of Australian companies to be aware of the differences in Japan, for instance. The following website can be used for more information on patents:
http://www.wipo.int/patentscope/en/patents_faq.html#protection

PowerPoint slide reference: 30-32

Sweet & Maxwell video blog: International Chamber of Commerce and Arbitration in Hong Kong

Video URL: http://www.youtube.com/watch?v=KGUbdYOISEw

Concept: Role of the International Chamber of Commerce and Arbitration (ICC) in Hong Kong and Asian region.

Clip Description: Andrew Aglionby, Partner and Head of International Arbitration in the Asia-Pacific Region, at Baker & McKenzie, provides some information of the Chamber of Commerce (ICC) in Hong Kong, and what that means for the region.
Key outcome/points to consider: The students will be exposed to an international organisation which has the goal of defending the multilateral trading system. ICC activities include arbitration and dispute resolution to making the case for open trade and the market economy system, business self-regulation, fighting corruption or combating commercial crime. Thus, students will be exposed to the importance of international organisations in solving international disputes and setting some rules and standards.

PowerPoint slide reference: 36-37

Critical Issues

1 There is an ongoing debate concerning climate change and the environmental impact of international marketing. Cast your eyes back over Panorama 4.1 then do an update. What is happening? What is the current state of scientific opinion and are there any big international conferences and agreements planned? And, crucially, what are the implications of international marketing of all this?

- Students should conduct a research on government and international organisations websites in order to answer these question, such as the ones below:
- Additionally, newspaper articles can be an important source of information on the current environmental situation. Websites, such as [http://www.ted.com](http://www.ted.com) can also provide valuable insights.
- The calendar for the UNFCCC is available on: [http://unfccc.int/meetings/unfccc_calendar/items/2655.php?year=201](http://unfccc.int/meetings/unfccc_calendar/items/2655.php?year=201)
- Based on the research that students will conduct they should be able to recognise some of the implications that this topic brings to international marketers. Students should be encouraged to answer this question using terms such as Greenwash, food miles, locavores and water footprint so that they become more familiarised with these terms.

2 Let’s turn to some practical aspects. From your country, select a number of companies involved in international marketing of environmentally sensitive/ contentious products. How well are they handling this? What suggestions do you have for them to improve their performance?
• This question will enable students to come up with creative suggestions of dealing with environmental issues.
• Students should be instructed to research about the current company’s strategies when evaluating how they are handling environmentally sensitive/contentious products.

3 It is sometimes said that as tariff barriers go down, non-tariff barriers (NTB) go up. What are the major trade disputes that your country is involved in at the moment? Check government websites (DFAT, Austrade, MFAT, NZET) and various ministry websites (such as Agriculture).

• The WTO website provides a list of trade disputes per country. The link is [http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm](http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm)
• Students should understand the reasons and implications of these trade disputes.

**Questions for discussion**

1 Discuss this statement: ‘High political risk requires companies to seek a quick payback on their investments. Striving for such a quick payback, however, exposes firms to charges of exploitation and results in increased political risk’.

A firm entering an unstable and changing political environment may want to establish itself quickly, gain a foothold in the market and generate revenues to offset the costs of organisation. However, the manner in which a firm approaches business in a new market can affect its relationship with the host country. For example, a company will likely benefit if it hires local employees, join local associations or contribute to the community. On the other hand, if a firm aggressively seeks a quick payback on its investment in a foreign country, the government and business community might perceive it as being exploitative, particularly if the company brings in its own employees rather than hiring locally.

An exploitative image, particularly in developing countries with volatile political environments, may lead to severe political problems. One of the most drastic political threats facing a foreign company is confiscation, the government takeover a firm without compensation for the owners. Likewise, expropriation, another form of government takeover, could occur. However, in these instances, a firm’s owners are compensated, though usually at a
rate less than market value. Domestication, the transfer of ownership and management to the government, can also pose a risk to foreign firms. Such a transfer may restrict the flow of profits from the country.

2 How appropriate is it for governments to help drum up business for their companies abroad? Should commerce be completely separate from politics?

Commerce and politics are inevitably linked by trade agreements, local and international policies. Policymakers can assist firms doing business abroad by carefully formulating domestic and international trade policies that promote international trade. Trade policy allows governments to support businesses abroad without direct subsidisation, particularly in countries where economic and national security may present risks, and allows them to regulate the trade of products relating to national security. Government policy may also be used to create a hostile trade environment through the use of economic sanctions and embargoes.

Companies are directly affected by government policies, such as tax policies, for instance. In addition, considering the power that some private organisations have, it is not possible to avoid the influence that they have on local and international policymakers. However, organisations will defend their own interests, which might not be the same as what is best for the nation, society and etc.

3 What should be the position of your government on embargoes and sanctions? What role should the United Nations have?

Countries have used embargoes and sanctions against one another for political and economic purposes for a long time. In many instances, countries follow the lead of their allies and trading partners. For example, Australia and New Zealand tend to follow the US’ lead on embargoes and sanctions. However, their reaction often depends on the nature of the relationship with the government in office. In the past, Australia and New Zealand have taken actions independently of the US, such as when they banned sports contacts with South Africa during the apartheid era.

Many consider sanctions to be ineffective as they seldom achieve their stated objectives and tend to punish the powerless and vulnerable rather than the elite. The United Nations uses embargoes and sanctions on a consistent basis against nations that breach its protocols. The goals of UN
sanctions and embargos are to maintain or restore international peace and security. Once decided, the sanctions are mandatory and enforceable. However, it is not always easy to apply sanctions, as the Security Council’s permanent members may veto efforts to impose them. For instance, UN has passed five security resolutions on Iran, three of which impose sanctions. Sanctions have been imposed to inhibit the development of Iran’s nuclear programme and cooperate in the international community.

Web resources:
Small Business Service Home, UK Government - [http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1078152068&type=RESOURCES](http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1078152068&type=RESOURCES)


After you hand your passport to the immigration officer in country X, he misplaces it. A small ‘donation’ would certainly help him find it again. Should you give him money? Is this a business expense to be charged to your company? Should it be tax deductible?

The US prohibited firms working abroad from bribing foreign officials for business purposes with the passage of the Foreign Corrupt Practices Act of 1977. However, the 1988 Trade Act revised this legislation and distinguished between bribes made to facilitate routine governmental actions and to influence governmental policy decisions. The act legalised bribery for purposes of expediting routine processes, such as obtaining permits and licenses or processing visas and work permits. Bribery used to influence policy decisions is still strictly prohibited. A 1997 OECD agreement, ratified by both Australia and New Zealand, has further strengthened these rules. In New Zealand, the penalty for bribery can be up to seven years in prison. Despite these laws, neither Australia nor New Zealand have prosecuted any bribery cases.

To address the last part of the question, businesses usually cover fees paid to facilitate routine governmental action. The tax deductibility of such small payments varies across countries but is permitted in most nations.
5 What are the advantages and disadvantages of common versus code law for the international marketer?

Common law, the system used in Australia, New Zealand, India and the US, is based more on precedent and custom than on written statutes and codes. Code law, used by most nations, is based on written codes that attempt to cover every possible legal circumstance. Common law tends to be more flexible than code law. For commerce regulations, Australia and New Zealand use a well-defined code of regulations, making this area of law similar to code law. Under a code law system, a country can adopt rules and regulations that are specifically intended to inhibit foreign penetration of their markets. These domestic policies can have the same effect as import restrictions but in a subtler way. For example, strict health and safety standards restrict the importation of domestically consumed goods.

Australian and New Zealand have locked heads over the export of New Zealand apples to Australia. The Australian Department of Agriculture, Fisheries and Forestry have suggested restricting the import of New Zealand apples because of their fire blight parasite. These restrictions have made exporting apples unprofitable, leading New Zealand to take the issue to the WTO.

The US has been described as a ‘litigious’ society. East Asian countries, on the other hand, tend to rely more on relationships rather than the law to resolve problems. How should companies from Australia and New Zealand cope with these very different approaches?

The litigious nature of the US business environment increases costs for international marketers in the US. Firms must have liability insurance and legal departments to handle lawsuits and research potential legal problems. These insurance and legal expenses, including litigation, add to a company’s operating costs. Additionally, litigation against companies in the US is often highly publicised. Negative publicity can damage a firm’s reputation, reducing its competitiveness. For example, when a US-based company sued Tsubi, an Australian clothing brand, for using a name similar to its existing brand of clothing, Tsubi was forced to re-brand itself as Ksubi.

While litigation is a daunting prospect for Australian businesses exporting to the US, the concept of building relationships – a necessity when conducting business in East Asia – can be even more complex. Relationships are not spelt out in law; hence, businesses must equip themselves with the tools of cultural understanding to help facilitate trade with Asia. To ensure strong
relationships in host countries, Australian and New Zealand businesses must liaise with local staff and agencies to gain a deeper understanding of local culture.

6 Should Australia have controls on the export of uranium? What should be the criteria? Which countries, if any, should be barred and why?

The sale of uranium presents numerous issues and complexities. Uranium can be used for anything from research to energy production to the building of nuclear weapons, and governments and businesses recognise the danger of allowing it to slip into the wrong hands. With increased concerns about terrorism, the sale of uranium to countries capable of building nuclear weapons can be perceived as a threat to national and international peace. Given these considerations, how does a country decide whether it is safe to sell uranium?

If a selection criterion were to be applied, it could incorporate international standards, such as the Nuclear Non-Proliferation Treaty (NPT). NPT signatories include the US, France, Japan, Russia and China. However, India, a nuclear power, is not a signatory to the treaty. Despite this, India has signed treaties with both the US and Australia to import uranium. Alternatively, transparency could be used as the criterion to determine who may purchase uranium. This would prevent sales to countries that lack transparency about the products purposes (e.g. Iran).

7 How are companies in countries such as Australia and New Zealand affected by US foreign policy through mechanisms such as the Wassenaar Arrangement?

The Wassenaar Arrangement, to which Australia and New Zealand are signatories, promotes transparency and responsibility in the transfer of conventional arms. It intends to prevent the transfer of arms to organisations or nations that may threaten other nations.

The US uses its International Traffic in Arms Regulations (ITAR) to control the import and export of defence-related goods and services. The regulation dictates that information and material relevant to defence and military technologies may only be shared with US persons unless express approval or a special exemption is received from the State Department. This limits the ability of Australian and New Zealand businesses to enter
into defence deals or joint projects with US-based businesses. Defying ITAR could prove very detrimental for foreign businesses as the US has the ability to implement its national policies on an international scale. Australian and New Zealand companies running afoul of ITAR could face global bans or legal actions for failing to follow protocol when selling arms and related goods and services to the international community.
Chapter 5

The cultural environment

Chapter outline

- Culture defined
- The elements of culture
  - Language
  - Non-verbal language
  - Religion
    - Religions of the world: A part of culture
  - Values and attitudes
  - Manners and customs
  - Material elements
  - Aesthetics
  - Education
  - Social institutions
- Sources of cultural knowledge
- Cultural analysis
- The training challenge
- Making culture work for marketing success

Chapter objectives

This chapter focuses on culture’s impacts on international business. As the international dimension becomes more important to every type of business, the need for cultural sensitivity becomes more acute. Although no chapter, nor any written material for that matter, can do proper justice to the topic of culture, the chapter outlines three important topics:

1. The concept of culture.
2. The elements of culture.
3. The possible ways in which international managers can deal with the cultural environment.

The chapter emphasises the need to go beyond factual information about culture and embraces the notion that ‘one really does not learn culture, one
lives it’. Students must become aware of the multidimensional nature of culture, and have an understanding about the individual elements of culture and how they interact.

Some may treat culture as a 'soft' topic and explain it in an anecdotal fashion. However, the discussion on culture should be far more than a rehashing of previous years' business blunders. Anecdotes do serve a role but only as examples of the frameworks presented. The chapter focuses specifically on cultures in the Asia-Pacific region.

**Suggestions for teaching**

The instructor can do various things to simulate different cultures in the classroom.

A good way to start discussing this topic is to ask students to prepare a list of do’s and don’ts during a business when a foreigner is meeting with someone from their country. This activity tends to be very successful specially if there is a high variety of background among the students.

Some other different approaches can be used on an industry/market/ function-specific basis to help students experience other cultures. If the class includes students from different cultures, some of the issues as well as the end-of-chapter questions can be discussed from varying cultural perspectives. Also, students can compare how the same products are positioned across cultures (e.g. how sleeping pills are marketed, how women are portrayed in advertisements).

Inviting visitors who can relate their experiences of doing business in a foreign country can give students a better understanding of what it is like to live and work in different cultures. Possible speakers include foreign governments representatives (e.g. a commercial or industrial attaché), officers of foreign multinational corporations, retired managers who spent years abroad overseeing operations for an Australian corporation, Australian government officials, and consultants specialising in intercultural effectiveness. Additionally, filmed and recorded speeches from such individuals as well as interviews are available from a variety of sources.

Ultimately, students benefit most from participating in group activities that focus on relevant topics and that involve teams with diverse members, so that students may learn from their peers as the activity progresses. Remember that diversity does not simply refer to differing cultural
backgrounds, but may refer to varying life experiences (e.g. foreign travel, study abroad) as well. Activities may include:

- Discussions on the various dimensions of culture and how they affect marketing. For example, ask students to choose an industry and analyse culture’s impact, generally or with regard to a specific culture, on purchase patterns, usage patterns, attitudes towards the industry and attitudes towards its products or services. Hofstede dimensions can be used when comparing different countries (Figure 5.2)

- Mock negotiations and role-playing that can simulate the real experience for students.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**On the go: Lost in translation**

**Video URL:**

**Concept:** CNN reports how various cultures communicate across the globe.

**Clip Description:** Video shows some of the cultural differences that are important to understand when travelling abroad.

**Key outcome/points to consider:** It is always important for a business and leisure traveller to be aware of some elements of culture, such as non-verbal language, when visiting a different country. This video will highlight the importance of understanding the differences in personal space and the importance of body language in some locations.

**PowerPoint slide reference:** 11

**Hello Kitty’s global phenomenon**

**Video URL:**

**Concept:** Hello Kitty’s worldwide success
Clip Description: CNN report that shows the global phenomenon of Hello Kitty, an icon of the Japanese pop culture that spread around the globe.

Key outcome/points to consider: Japan’s youth shows a positive reaction toward the Western culture; however, simultaneously the world has been embracing some symbols of the Japanese pop culture, such as Hello kitty. This video will enable the instructor to discuss the globalisation effect on a cultural level.

PowerPoint slide reference: 16

Brazil: Cross-cultural business tips


Concept: Tips to avoid cross-cultural issues in Brazil

Clip Description: CNN report regarding the differences within the same country. Additionally, it mentions the differences in the “Brazilian time”.

Key outcome/points to consider: This video will raise some additional issues in cross-cultural business. It will make students more aware of some of the differences in Brazil and some of the risks of generalising that doing business in Brazil will be the same in different cities such as Rio de Janeiro and Sao Paulo.

PowerPoint slide reference: 18-19

Incorporating global awareness

Video URL: http://www.youtube.com/user/stanfordbusiness#p/search/2/4qJb5I_7kKY

Concept: Dean Garth Saloner talks about the importance of MBA students to have global awareness.

Clip Description: The MBA curriculum in Stanford University requires students to have some global experience by going on a student trip or work experience to a different country which will force them to be out of their comfort zone to be involved in a different country and learn by experience.

Key outcome/points to consider: This video highlights the importance of a business professional to learn a different culture, not only by observation, but also by experience. It can be discussed the importance of university student to have cultural sensitivity and be willing to accept new ways of doing businesses.

PowerPoint slide reference: 36-39
Business protocols in India

Video URL:  

Note: This video link takes you directly to the file to download in flash format. To stream the video online, please go to  
http://www.austrade.gov.au/Multimedia/default.aspx and navigate through the video thumbnails to find the correct one.

Concept: Austrade shows some of the business protocols in India.

Clip Description: Peter Forby, Consul General and Trade Commissioner Mumbai, explains some business protocols when doing business in India

Key outcome/points to consider: Students will be presented with different business protocols which are the consequence of cultural differences. Consequently, they will be exposed to the importance of understanding a country’s cultural differences when doing business. Additionally, it can be discussed the differences between manners and customs in a business meeting in Australia if compared to a business meeting in India.

PowerPoint slide reference: 18-19

Critical Issues

1 Many companies such as Transperfect and Bookfield Global Relocation Services are available to assist companies with the cultural challenge of internationalisation. Using their websites assess the role of these companies play in helping the international marketer (www.transperfect.com and www.bookfieldgrs.com).

- Students should conduct research using these websites to understand why these companies offer valuable services.
- Students should be encouraged to use the content from this chapter when analysing this question, in particular the cultural analysis part (pages 206-13).
- Other companies that offer assistance with a company’s cultural challenge of internationalisation can also be looked into.
2 Compare and contrast the home pages of an international marketer for presentation and content. For example, go to the homepage of Coca-cola and use the change country option in the top right corner to homepages for other countries.

- Students should notice that when in Australia, for instance, if they type www.coca-cola.com they are redirected to http://www.coca-cola.com.au/. There are two main reasons for this to happen: 1) not to load any specific server with undue load; and 2) to provide a more relevant website to the viewers. In other words, the company’s website will vary so that it can adapt to different countries that might have different products and culture. Thus, each country might require a different communication strategy.

- Several research articles can be found on how the usage of the Internet varies from one country to another.

- Additionally, the communication methods between different countries vary widely, thus the website needs to adapt. For instance, low-context culture versus high context culture.

- Companies have a different range of products worldwide or products that carry different names.

- Marketing campaigns vary in different countries.

Questions for discussion

1 Comment on the assumption, ‘If people are serious about doing business with you, they will speak English’.

When an Australian businessman raised this issue at an international conference, he expected that people would agree that English was the language of international business. Indeed, several people were of the same opinion until a Japanese businessman explained his view. ‘To me,’ he said, ‘the most important language of international business is my customer’s language’.

English may well be the language of business and finance, but its use cannot be taken for granted. Cultural myopia will undermine the development of long-term relations in business. Over 90 per cent of the world’s population has a mother tongue other than English. Although many do speak English as a second language, they may have difficulties comprehending certain words and terminology (e.g. slang) as well as distinctions between the national variations. The British and the Americans are separated by the same language.
Additionally, language capabilities serve four distinct roles in international marketing, which will benefit an English speaking person in doing business with customers from non-English speaking countries. These roles are:

- Language is important in information gathering and evaluation efforts.
- Language provides access to local society.
- Language capability is increasingly important in company communications, whether within the company or with the channel (page 191).


You are on your first business visit to one of the South-East Asian countries. You feel confident about your ability to speak the language (you studied the language in school and have taken a refresher course), and you decide to use it. During introductions, you want to break the ice by insisting that everyone call you by the first name. Speculate as to the reaction.

In many cultures, formal and informal rules dictate how people are to be addressed. Quite often these rules are not obvious to an international businessperson who is unfamiliar with the culture until they realise something is wrong. In the situation described, the person's request may imply over-familiarity and may be offensive. In many cultures, calling business associates by their first names or using the second-person singular is verboten. For example, Indians and the Chinese reserve the use of first or informal names for childhood friends while Australians tend to be informal with everyone.

Sharon Ruhly, in her book Orientation to intercultural communication (Chicago, Science Research Associates, 1976), provides a system for analysing different levels of culture. The technical level can be learned from factual materials. The formal level of culture is learned by trial and error. The informal level of culture is learned through modelling (e.g. observing the roles of men and women within a certain culture). Calling a person by their first name (at all or too soon) is a violation of the informal levels of culture. In some cultures, different degrees of ‘acceptance’ exist for addressing people. For example, in Russia, a businessperson can gauge levels of formality by observing how others address them. George Smith may start as Gospodin Smith (i.e. Mr Smith), become Georgij Ivanovich...
(‘Ivanovich’ being both his middle name and a reference to his father’s name) as a relationship develops and, finally, be referred to as Goga, a diminutive, when familiarity is established.

3 What can a company do to culture-sensitise its staff?

A company can make its marketing staff aware of cultural differences by educating them through literature and statistical research and by sending them abroad to experience the differences. However, experience alone is not enough because a culture has many underlying factors that are not readily apparent to the casual observer. Knowledge of the local language is required if one is to learn from living in another culture.

Marketers must also learn about the religious values of a given culture, as religious holidays and food regulations affect marketing strategies. The role of religion can also determine the acceptability and effectiveness of using sexual imagery and innuendo in advertising. Likewise, marketers must observe and research lifestyles, as they can help determine product usage. For example, research can reveal how people perceive a certain product or, if the product is new, how likely they are to accept it. If a product is new, there may be cultural reasons for it not being introduced before; the product may need to be altered for it to be culturally acceptable.

The Business Council for International Understanding estimates that international personnel who go abroad without cross-cultural preparation have a failure rate of 33–66% in contrast to less than 2% of those who have had such training. In today’s environment, each and every marketer will somehow be involved with the international market. Although very few companies report training marketers in any specific way, it is an issue worth considering.

4 What can be learned about a culture from reading and attending to factual materials? Given the tremendous increase in international marketing activities, where will companies in a relatively early stage of their internationalisation process find the personnel to handle the new challenges?

Factual materials on culture abound as seen in the ‘Sources of cultural knowledge’ section of the text. The various reports that exist on doing business in any given country prepare international businesspeople before they actually experience a culture. The technical and formal dimensions of culture can be learned, but this is true for the informal dimensions to a
The internationalisation of personnel can occur in two ways: (1) by training existing personnel or (2) by recruiting outside personnel.

As the answer to questions 3 states, marketers must also learn about the religious values of a given culture, as religious holidays and food regulations affect marketing strategies. The role of religion can also determine the acceptability and effectiveness of using sexual imagery and innuendo in advertising. Likewise, marketers must observe and research lifestyles, as they can help determine product usage. For example, research can reveal how people perceive a certain product or, if the product is new, how likely they are to accept it. If a product is new, there may be cultural reasons for it not being introduced before; the product may need to be altered for it to be culturally acceptable.

Recruiting from the outside often is the only way small and medium-sized businesses can internationalise their personnel. Businesses can find appropriate staff through international graduate programs, from more advanced companies or by attracting people who have worked internationally (e.g. people who have worked on voluntary redevelopment projects in developing countries).

5  Management at an Australian company trying to market tomato paste in the Middle East did not know that, translated into Arabic, tomato paste is ‘tomato glue’. How could they have known in time to avoid problems?

A company marketing a product in a foreign country must hire a native or fluent speaker of the local language to translate materials and information. The employment of a local advertising or market research agency is an effective way to accomplish this, and such agency can also advise on cultural factors influencing the marketing of a product. Some exported products are stamped with the name of the product in the destination market's language though the packaging’s English information and labelling remain. This is acceptable and may benefit some products for which origin is a selling point.

In general, if you want to kill a message, translate it. Successful standardised marketing campaigns strive for appropriate commonalities, not 100 per cent similarity. A simple and effective way to control the translation process is through back-translation, which involves translating
the target language version back to the original language by a different person from the one who made the first translation. This approach helps detect possible omissions or blunders. Once a blunder is identified, the company can work with appropriate staff to develop an alternative translation.
Chapter 6

Building the knowledge base

Chapter Outline

- Defining the issue
- International and domestic research
  - New parameters
  - New environments
  - Number of factors involved
  - Broader definition of competition
- Recognising the need for research
- The benefits of research
- Determining research objectives
  - Going international: Exporting
  - Going international: Importing
  - Market expansion
- Determining secondary information requirements
  - Sources of data
    - Governments
    - International organisations
    - Service organisations
    - Trade associations
    - Directories and newsletters
    - Electronic information services
    - Other firms
  - Evaluating data
  - Analysing and interpreting secondary data
  - Data privacy
- The primary research process
  - Determining information requirements
  - Industrial versus consumer research
  - Determining research administration
    - Degree of research centralisation
    - Outside research services
  - Determining the research technique
    - Interviews
    - Focus Groups
Chapter objectives

This chapter is the first in the second section of the book, which focuses on the international market strategies, providing some valuable insights for managers and organisations, specially small and medium-sized ones, on how to approach an international market.

This chapter highlights secondary and primary data collection. Secondary research, discussed first, is useful as a low-cost, low-commitment and high-utility information tool. The internationalist is faced with a multitude of new environments, and management must understand the new parameters (e.g. duties, exchange rates), the increased number of factors and the broader definition of competition in its marketing research activities. However, the cost of the research relates to the expected benefits and can limit the extent of research efforts. Though a firm would ideally conduct primary research, cost restrictions may make secondary research the more viable option. In using secondary data, it is important to evaluate data quality and fit for the problem under study. Since secondary data was not originally designed for the firm’s specific purposes, it is important to make creative inferences from the data to derive information helpful to management. Unlike secondary research, primary research is conducted to meet management’s specific information needs. This chapter explains...
exploratory and descriptive research, and highlights the reasons why firms seek quick, low-cost answers.

Centralised research can provide headquarters with a great degree of control, yet it also undermines local marketing operations’ ability to respond to local needs. In this situation businesses must weigh the benefits against the costs to determine which option is best.

Primary research can involve the collection of both quantitative and qualitative data. The usefulness of the data depends on the question management seeks to have answered. In all instances, great attention must be paid to the design of the research instrument to ensure that it responds to the market environment under study. It is important to use Internet resources, but one must remember that such resources have limitations.

Additionally, corporations frequently develop international information systems to obtain information over the long term. Research tools examined in this chapter include environmental scanning and scenario building. Though information systems may not permit companies to forecast future events precisely, they do provide companies with some insights that allow management to develop response capabilities.

**Suggestions for teaching**

A good way to help students understand the value and shortcomings of secondary data is to present the students with some valuable secondary data, such as the World Competitiveness Index, and ask students to choose a country and discuss how each one of the factors would influence an international organisation thinking about entering that market. Additionally, some other international (e.g. the UN, the IMF) or consulting organisations secondary data can be used in this exercise. Also, online data sources, such as the Australian Bureau of Statistics site (http://www.abs.gov.au), can likewise provide information. This exercise will introduce students to some valuable sources of information and teach them how to interpret data from an international marketer perspective.

Another useful exercise requires students to prepare and present a one-page report to the class. This teaches students how to manage vast quantities of data and forces them to summarise their findings into a short report.
While it is worthwhile to have students engage in secondary data research, it is usually too difficult to ask them to conduct primary international research for a class project. The time constraints alone tend to restrict students’ ability to do an adequate job. However, it is useful to have students complete exercises as if they were preparing for primary research, such as developing research outline. Such an outline may include possible information sources, potential research problems in given markets (obtained through secondary data) and the development of sampling plans. These exercises work best when linked with specific countries and products so that students have a specific rather than general focus. Students who have lived abroad may be a valuable resource for the class as they can explain the difficulties one might encounter when applying Australian and New Zealand research techniques in their countries.

Additionally, the advantages and disadvantages of primary and secondary sources of data can be discussed focusing on the perspective of a small-medium organisation, so that the discussion gets more specific.


Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**World’s largest digital survey**


**Concept:** Jim Boulden talks in a CNN interview about the findings of a digital survey.

**Clip Description:** The video explains the differences in how various cultures use the internet and how assumptions about the use of internet can be risky.

**Key outcome/points to consider:** Students will be exposed to the importance of an organisation to be aware of the differences in a new environment and how a
market research can assist in understanding behavioural patterns in different cultures. This video is applied to the digital environment, which can also lead to the discussion of possibilities that the internet generates for market research.

**PowerPoint slide reference:** 5

### Consumer trends in Japan


**NOTE:** This link goes directly to a transcript of the video – scroll down and click on the ‘Watch video’ link.

**Most relevant minutes:** 0:00- 3:07

**Concept:** Austrade video that explains the consumer trends in Japan based on the findings of a research that was conducted

**Clip Description:** Video highlights the consumer trends in different Japanese segments and the opportunities that these segments offer to Australian companies.

**Key outcome/points to consider:** This video will highlight the importance for an organisation that is considering entering an international market to understand different market segments and trends with those segments. Furthermore, it will show students the importance of understanding some factors such as how social demographics are important.

**PowerPoint slide reference:** 12

### Doing Business 2011 – The World Bank

**Video URL:** [http://www.youtube.com/user/WorldBank#p/search/12/2zuRH1TiAT0](http://www.youtube.com/user/WorldBank#p/search/12/2zuRH1TiAT0)


**Clip Description:** It is explained in this video the findings of the Doing Business report 2011 and how governments and organisations can benefit from it. The report ranks 183 economies on key aspects of business regulation for domestic firms.

**Key outcome/points to consider:** This video will provide students with an example of a source of secondary data that is provided by an international organisation, World Bank. This way, students will have a better understanding of the quality data
that is made available on the internet and that can be used in a business environment and academic reports.

**PowerPoint slide reference:** 19

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**Evaluating websites**

**Video URL:** [http://www.youtube.com/watch?v=gBe4WKcQzVI](http://www.youtube.com/watch?v=gBe4WKcQzVI)

**Concept:** Information for students on how to evaluate websites

**Clip Description:** Video created by the Pollak Library Channel to show students on how to evaluate websites.

**Key outcome/points to consider:** Some students in the class may not be completely familiar with how to evaluate a website properly, which can be a problem in their academic and professional lives. Considering that most of them use the internet as their first source of information for an assignment and will continue using it throughout their career, it is very important to be able to evaluate the quality of the information they are receiving through this channel. Additionally, this video can be linked to assignments that will be required for this unit.

**PowerPoint slide reference:** 22

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**Critical Issues**

1. You are an Australian exporter who has recently gained a license to manufacture and export a new high-tech pacemaker to Asia. Using a country of your choice describe how you would undertake the initial market research.

- A PEST analysis of the selected country can be a good way of answering this question.
  - **Political:** Acceptance of foreign products and investment; government stability; social responsibility; ethics; import tariffs; taxes; trade restrictions; local laws etc.
  - **Economical:** GDP growth; per capita income; economic relationship with the company’s home-country; inflation and interest rates; exchange rate; etc.
  - **Social:** demographics; class structure; population distribution; lifestyle changes; local culture; etc.
  - **Technological:** infrastructure; access to technology; level of acceptance to technology; etc.
Corruption is a major issue in many overseas markets. In recent years the Australian Wheat Board (AWB) found itself in serious trouble because of illegal payments to the Saddan Hussein regime in Iraq. How can an international marketer assess the level of corruption in an overseas market they want to enter? (see www.transparency.org)

- Websites such as the one provided in this question can provide valuable information to an organisation that is considering entering a foreign market.
- Reports such as the Global Competitiveness Index provided by the World Economic Forum also have information on corruption and local transparency.
- In certain countries, corruption and bribery is part of the local culture and something very hard to change.

Questions for discussion

1. Discuss the possible shortcomings of secondary data.

Secondary data has several drawbacks. When utilising secondary data, the international marketer needs to take into consideration differences in definitions, measurement errors, source bias, reliability and time scale. For example, if data comes from a country or firm attempting to project a positive image or conceal information, the data may be enhanced, incomplete or inaccurate in order to convey the desired message. (Think of China’s reluctance in admitting the SARS problems or Japan’s refusal to disclose the number of whales hunted on a yearly basis.) In other instances, data may be estimated in countries with limited data collection systems or understated in countries seeking foreign aid. Additionally, secondary data is sometimes too old to be useful, particularly in rapidly changing industries.

Organisations such as the Verification Research, Training and Information Centre (VERTIC) work to ensure that international treaties and data collected are accurate. You can access VERTIC’s website, http://www.vertic.org/, for further information.

More information on secondary data: http://www.fao.org/docrep/w3241e/w3241e03.htm
2 Why would a firm collect primary data in its international marketing research?

A firm collects primary data because secondary research may not answer its specific questions. It is important to remember that secondary data was initially someone else’s primary research. Secondary data was first generated with certain questions and constraints in mind, so the results may not be valid for other questions with different constraints. Only the general findings will be useful to firms using secondary data. As such, the limitations of secondary research make primary research a better option for firms wanting to analyse potential markets and answer specific questions. Also, using primary data makes it easier for firms to do pioneering work and discover new opportunities.

3 Discuss the trade-offs between centralised and decentralised international marketing research.

The centralised and decentralised approaches are the two extremes of international research administration. In the centralised approach, the head office controls most of the company’s research. This is valuable in instances where international marketing research is intended to influence corporate policies and strategy. The centralised approach also ensures that different studies remain comparable to each other and that the results of each study are passed on to all divisions. However, this approach might not account for local market situations and cultures and, therefore, paint a less accurate picture of the market. Furthermore, the home office staff may be ill prepared to provide the proper guidance for the respective international marketing research studies. Some of these problems may be overcome by partnering with a local research agency that can provide insight into the local market and culture.

The pros and cons of the decentralised approach, which is typically used when markets vary widely, are the opposite of the centralised approach. Here local offices adapt to local market situations and cultures and, therefore, are better situated to provide the necessary guidance and support for international marketing research studies. However, the results obtained may not be comparable to other data generated elsewhere in the organisation due to different compilation methods. Additionally, there may be a lack of knowledge transference between operations, resulting in unnecessary duplication. This option may also prove more costly than centralised market research.
4 How is international market research affected by differences in language?

International market research is greatly affected by language. Researchers must be familiar with local languages and their nuances (e.g. formal language, slang and local expressions). Some questions worded incorrectly or asked at all could be seen as offensive. For example, in many Asian countries, income is not commonly discussed; hence, such information may be hard to gather in survey-based studies.

Researchers can access more information if they are literate in the local language. Hiring local staff or a local agency for a research project can help a researcher get a better understanding of the market than he or she would otherwise have as an outsider.

When gathering data, it is important to remember that direct translation from one language to another may change the meaning of the original words. To avoid misinterpretations, when translating data, the researcher should use the ‘translate back’ concept. This involves translating the original document into the target language and then using another translator to translate the material back into the original language.

5 What are some of the crucial variables you would track in an international information system?

There should be a linkage between the firm’s markets, products and consumers, and the information systems, including:

- Legal requirements for exporting and importing; taxation and profit repatriation; employment; and labour costs.
- Consumer tastes by region, class, age and gender.
- Economic trends, such as GNP growth, level of industrialisation, inflation and savings rate.
- Political trends.
- Technological trends and innovations.

6 How has information technology affected international marketing research?

Advances in information technology have allowed larger amounts of information to be stored in more compact formats. This has allowed
businesses to streamline the international marketing research process through the use of Internet technology. People can now search and locate data as well as communicate with others online at very little cost. Furthermore, information can now be disseminated and retrieved faster than ever before.

Most government and international organisations, such as WTO, publications can now be accessed via the Internet. This is especially helpful to individuals and companies that cannot easily reach to government offices and depository libraries. Other types of publications and statistics can also be found online. Most embassies, foreign governments and international organisations have websites providing useful information. Many major newspapers and industry publications provide electronic access to their archives, enabling companies to search and obtain information quickly on specific topics, such as the Japanese rice market.

International marketing researchers may also obtain information through online chat rooms and discussion forums. Numerous international trade Internet services provide access to chat rooms developed solely for networking and researching trade opportunities.

Utilising the Internet in these and other ways can decrease the amount of time, expense and frustration involved in identifying, locating, purchasing and obtaining information resources critical for expanding abroad. Anyone with a computer and a modem has access to a wealth of information on any given topic. However, the information still needs to be evaluated in terms of reliability and accuracy.

In addition, the Internet can also be utilised in the data collection of a primary research. Tools such as Google Analytics can also assist a business in understanding what consumers are looking for at their website and how to attract new customers more effectively through the Internet.
Chapter 7

Foreign market entry

Chapter outline

- Motivations to internationalise
  - Proactive motivations
  - Reactive motivations
- Change agents
  - Internal change agents
  - External change agents and export intermediaries
    - Export intermediaries
- Licensing and franchising
  - Licensing
    - Assessment of licensing
    - Principal issues in negotiating licensing agreements
    - Trademark licensing
  - Franchising
- The internationalisation process
- Foreign direct investment
  - Major foreign investors
  - Reasons for foreign direct investment
    - Marketing factors
    - Derived demand
    - Government incentives
- A perspective on foreign direct investors
  - Types of ownership
    - Full ownership
    - Joint Ventures

Chapter objectives

This chapter describes the internal and external motivations for organisations to internationalise. In addition, it provides an understanding of different entry strategies, its drawbacks and advantages.
The chapter explains different entry methods, in particular exporting, licensing and franchising and when which one of these strategies would be most recommended. The concept of change agents is discussed, as are the major concerns and problem areas that vary for firms as they enter the international market. Additionally, the importance of understanding the internationalisation process is explained.

The chapter then looks at foreign direct investment (FDI), including statistics on FDIs, and considers the motivations underlying FDI and how governments and organisations engage in the FDI process. The chapter concludes with an examination of FDIs, focusing on ownership decisions.

**Suggestions for teaching**

A good starting point is to ask students why they think a firm goes abroad. Surprisingly, the profit motive usually emerges after some discussion. Once profits are mentioned, it is useful to ask students how firms can evaluate international profitability before entering the international market. Doing so highlights the importance of understanding how global expansion strategically helps the firm as well as environmental factors that may affect profitability. Students can be encouraged to do research using ‘Search Me! Marketing online database’ to prepare for this discussion.

It is also useful to highlight the management differences between proactive and reactive firms and how these differences may relate to students' future careers. International success for the individual is likely to come quicker in a proactive firm, and students looking for international advancement should look towards such firms.

When discussing the role of external agents in the internationalisation process, it is valuable to spend some time focusing on external agents’ expectations and their comparative likelihood in meeting them. If sufficient class time is available, it may be worthwhile to focus on the appropriate role of government in export promotion. In this context, it is also useful to interlink the model of the export development process with firms’ concerns about the different stages of the international process. Students need to understand that these concerns change over time and result from management's experience, perceptions and available information.
In examining franchising and licensing, it is useful to present the class with various business activities that could be internationalised. Taken together with foreign market restrictions and different consumer needs abroad, students will quickly recognise barriers to international expansion. It is important to counterbalance these negative impressions by presenting licensing and franchising operations (e.g. McDonald's, Coca-Cola) that have succeeded. Guide students in their discussions so that they understand the factors that have made these organisations successful, and have ensured long-term survival (e.g. economies of scale, thorough understanding of customers, proprietary technology).

Discussions on FDI should examine the underlying reasons why corporations become FDIs and why some governments have encouraged FDI while others have approached it cautiously. The topic of ownership may be considered as well. If some students already have experience with FDIs, it may be useful to ask them to differentiate between the firms that have successfully managed FDI and those that have encountered difficulties with governmental and other agencies.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**Overseas franchise structure – Michel’s Patisserie**


**NOTE:** This link goes directly to a transcript of the video – scroll down and click on the ‘Watch video’ link.

**Most relevant minutes:** 0:00-2:53

**Concept:** Reasons why Michel’s Patisserie decided to enter the Chinese market through franchising.

**Clip Description:** Chris Fitzmaurice, International Operations Manager of Michel’s Patisserie explains the reasons why franchises were the best option to enter the Chinese market.

**Key outcome/points to consider:** Students will be exposed to the reasons why franchising can be an effective way of entering a new market. Also, some of the drawbacks that come with franchising can be discussed. Students can be asked to
write a list of pros and cons involved in the decision of Michel’s Patisserie to enter international markets through franchising.

**PowerPoint slide reference**: 20-22

**Imagination Entertainment market entry strategies**


**NOTE**: This link goes directly to a transcript of the video – scroll down and click on the ‘Watch video’ link.

**Most relevant minutes**: 0:00-2:50

**Concept**: Market entry strategies used by Imagination Entertainment

**Key outcome/points to consider**: This video will provide students with an example of an entrepreneurial organisation that tried several forms of market entry strategies, some of them successful, others not that much. This video will give students a practical point of view of several market entry strategies, such as licensing, joint Ventures and own distribution. Also, students can be exposed by the advantages and disadvantages of different types of ownerships.

Consequently, this video is a good resource to assist the instructor in discussing different market entry strategies.

**PowerPoint slide reference**: 11-18 and 37-41

**Foreign Investment's new landscape**

**Video URL**: [http://www.youtube.com/watch?v=Gjv0x4rPcf0](http://www.youtube.com/watch?v=Gjv0x4rPcf0)

**Concept**: After the decrease in the level of FDI due to the recession period, some major companies start to regain confidence and some changes in the FDI caused by the recession.

**Clip Description**: Paul Maidment, Forbes Editor, discusses some changes in trends of FDI in this global recovery period. The biggest one being the consumers’
commitment to sustainable practices pointing that some of the largest foreign direct investors, such as GE, Wal-Mart and Google, are already heading in this direction.

**Key outcome/points to consider:** Students will be exposed to first the top 10 foreign direct investment destinations and secondly to some of the FDI tendencies in this recession recovery period.

**PowerPoint slide reference:** 26

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**Capital inflows, foreign direct investment, portfolio investment in Africa**

**Video URL:** [http://www.youtube.com/watch?v=iBrrt-jCqnA&feature=related](http://www.youtube.com/watch?v=iBrrt-jCqnA&feature=related)

**Most relevant minutes:** 0:00-2:46

**Concept:** Rise of FDI in Africa and how ready Africa is to receive foreign investment.

**Clip Description:** Africa business news (ABN) video that shows the rise of FDI in this post-recession period. It highlights how some government policies, such as increase in taxes and stimulus, have a negative or positive impact on FDI.

**Key outcome/points to consider:** Students will have a better understanding of how government policies can attract or scare investors. Additionally, this video will provide students with an overview of foreign direct investment in Africa in the first half of 2010.

**PowerPoint slide reference:** 34

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**Peugeot, Mitsubishi discuss joint venture**


**Concept:** Talks between Peugeot and Mitsubishi to form a Joint Venture

**Clip Description:** This CNBC video shows the talks between Peugeot and Mitsubishi to form a joint venture and the motivations of both companies to form this partnership.

**Key outcome/points to consider:** The negotiations between these two companies stopped in 2010 and no deal was closed. However, this video resource will enable students to have a better understanding of the motivations of an organisation to form a joint venture. It can be discussed with the students what this deal would
Critical Issues

1 A small Australian company has developed some valuable new medical products using its unique biotechnology know-how and is now trying how to best serve the Japanese market, its choices are:

- Manufacture the product at home and let foreign distributors handle sales and marketing.
- Manufacture the products at home but set up a wholly owned subsidiary in Japan to handle sales and marketing.
- Enter a joint venture arrangement with a large Japanese pharmaceutical firm. The product would be manufactured in Europe by the 50/50 joint venture and marketed by the Japanese firm.

The cost of investment in the overseas manufacturing facilities will be major for the Australian firm, but not totally outside its reach. If these are the firm’s only options, which one would you advise it to choose and why? Can you recommend another course of action that it might follow?

- Students may choose any of the options as long as they justify their answers well. Option two is probably the hardest to justify in favour, considering it is a small company.
- A good way of choosing a strategy is elaborating a list of pros and cons for each of the options.
- If students think that neither one of the options is the ideal one, they can choose another option as long as they have good reasons to do so.

2 What services does the Export Finance and Insurance Corporation (www.efic.gov.au) offer to benefit businesses trying to export? What benefits can be derived from these services?

The Export Finance and insurance corporation offers the following services:
• Finance solutions
• Bonds
• Buyer finance
• Documentary credit guarantees
• Foreign exchange facility guarantee
• Producer offset loan
• Working capital guarantees
• Insurance solutions
• Bond insurance
• Documentary credit guarantees
• Export payments insurance
• Foreign exchange facility guarantee
• Political risk insurance
• The benefits of each of these services are available on the Export Finance and Insurance Corporation website.

Questions for discussion

1. Discuss the difference between a proactive and a reactive firm, focusing your discussion on the international market.

With respect to international marketing, the differences between a proactive and a reactive firm rest in their motivations to engage in international marketing. A proactive firm initiates the internationalisation process, while a reactive firm does not internationalise unless it is compelled to do so by external stimuli.

Motivations for proactive firms to internationalise include profit advantage, unique products, technological advantage, exclusive information, managerial urge, tax benefits and economies of scale. These factors lead to more successful marketing efforts than reactive motivations. Reactive motivations include competition, overproduction, declining domestic sales, excess capacity, saturated domestic markets and proximity to customers and ports. Environmental changes cause reactive firms to adjust their activities whereas internally planned strategies more often direct proactive firms. Therefore, proactive firms tend to remain in the world marketplace while reactive firms often withdraw when the environmental pressure ceases.

2. Explain the benefits that international sales can have for domestic market activities.
International sales sometimes benefit domestic activities by extending the life cycle of the product or the organisation itself. In addition, revenues from international sales can be invested in new product development to replace a product that is on the decline in the domestic market. International sales also contribute to economies of scale, where larger sales permit the distribution of fixed costs over more units. Besides this, in the case of overproduction, especially during periods of downturn in the domestic business cycle, international markets can represent a safety valve activity.

When international sales reach a certain percentage of sales volume (approximately 18%), they become an integral part of the business. Then firms become dependent on and plan for these sales. Revenues from exports contribute to domestic marketing, product development and other domestic activities. Most importantly, corporate planning typically considers international issues early on, even during domestic strategy formulation.

3 Discuss the benefits and drawbacks of treating international marketing activities as a safety valve activity.

A ‘safety valve activity’ refers to the export of products in order to move excess inventory resulting from overproduction or declining domestic sales; the exports are discontinued when the domestic market can again provide sufficient sales opportunities. This activity can benefit firms by reducing its losses in case of overproduction and generating revenue during unfavourable periods in the domestic market, specially in the short-term.

On the other hand, using a safety valve mechanism may have several drawbacks, including the development of an unreliable reputation for firms that introduce and withdraw their exports sporadically. This strategy can be hard to implement for a second time because foreign customers are not interested in temporary or sporadic business activities. International market expansion motivated by over production does not represent full commitment by management.

4 Comment on this statement: ‘Licensing is really not a form of international involvement because it requires no substantial additional effort on the part of the licensor’.
Licensing involves a firm in the international marketplace even though the firm is not exporting its products directly. If a licensee successfully produces and markets a firm's products abroad, the firm may then decide to export directly. In this way, licensing provides an introduction to international involvement and allows companies to test the waters. Although licensing does not require extensive foreign activities by the licensor, it does require research of the licensee's market environment (e.g. government regulations) in order to formulate a licensing agreement. The licensor must also research the possibility that the licensee could develop a competitive product that would threaten the licensor's future market share. Licensing agreements may also add value in activities that have high piracy rates because the local partner becomes a local force in rooting out unlicensed activities. Regardless of the market environment and competition, licensors must be sure that revenues from the venture will exceed licensing costs.

Furthermore, in a global market, where information travels fast, the failure of a product sold by the licensee may affect the licensor at home and abroad; this could be in the form of negative press coverage or legal action.

5 As a government official in the Asia-Pacific region, would you prefer the FDI of a resource seeker, efficiency seeker or market seeker?

Corporations use FDI for a variety of reasons. A resource seeker is looking for natural resources (e.g. BHP Billiton mining) or human resources (e.g. Telstra call centres in India). These corporations generally move into a new location when a resource becomes depleted or inefficient. Efficiency seekers are similar but are searching for an overall efficiency in production. They aim to use the global market to build the most efficient production facility. This may involve R&D in one country and manufacturing in another. Market seekers are looking for better opportunities in the global market in an effort to boost sales.

A government official in the Asia-Pacific region would be interested in FDI from all three sources but may prefer market seekers. In each case, the profits from FDI would likely go overseas. However, market seekers may reinvest funds to improve their market share in the import country. This will make the market more competitive and will benefit the consumers in the importing nation. Resource seekers may invest funds to improve the resource’s efficiency and capability (e.g. they may train a
low-cost labourer). Yet, resources may become inefficient (e.g. a depleted natural resources or cheaper labour available elsewhere) in which case the company may move investments to another country. Efficiency seekers are similar to resource seekers in that they may improve technology and skill levels in their countries of operation, but will move their business when they find more efficient production facilities.
Chapter 8

Channels of distribution and logistics

Chapter Outline

• Channel structure
• Channel design
  o Customer characteristics
  o Culture
  o Competition
  o Company objectives
  o Character
  o Capital
  o Cost
  o Coverage
  o Control
  o Continuity
  o Communication
• Selection of intermediaries
  o Types of intermediaries
  o Sources for finding intermediaries
    ▪ Governmental agencies
    ▪ Private sources
  o Screening intermediaries
    ▪ Performance
    ▪ Professionalism
  o The distributor agreement
  o Termination of the channel relationship
  o Grey markets
• E-commerce
• International logistics
  o The impact of international logistics
    ▪ The new dimensions of international logistics
• International transportation issues
  o Transportation infrastructure
  o Availability of modes
Chapter objectives

This chapter focuses on establishing the important linkages between the firm, its suppliers and its customers. The factors that influence the design and structure of the channels are discussed and its several forms of configuration are explained. Channel design (i.e. the length and the width) is determined by factors that can be summarised as the 11 Cs: customer characteristics, culture, competition, company objectives, character, capital, cost, coverage, control, continuity and communication. A marketer should use the 11 Cs as a checklist to evaluate the best possible length of the channel.

As channel design decisions are the most long-term of the marketing mix decisions, choosing the right intermediary becomes a crucial factor for any organisation. Thus, the chapter provides some guidelines of how to choose and find the right intermediary. Once an intermediary is chosen, the distributor agreement, outlining the functions to be performed by each party, is drafted. The agreement should stipulate effective means of communication to ensure that the relationship is carefully managed. Regardless, the emergence of parallel importing by unauthorised entities may challenge an already established relationship. Additionally, this chapter examines the distribution system in the context of the emerging e-business phenomenon.
The second part of this chapter covers international logistics, which refers to the design and management of systems that control the flow of materials into, through and out of international corporations. It highlights the benefits of approaching logistics through the systems, total cost and trade-off concepts, which can be applied to optimise a firm's performance. The marketing manager can develop logistics systems that are highly customer focused and very cost efficient. Implementation of such a system requires close collaboration and information exchange between all members of the supply chain.

Finally, this chapter examines international transportation issues, such as transit time, reliability and cost, with an emphasis on infrastructure and the availability and choice of transportation modes. International inventory management must focus on reducing order cycle times, providing acceptable customer service levels and using inventory as a strategic management tool. Packaging and warehousing must respond to international constraints, which may be restrictive (e.g. due to antiquated loading facilities) or driven by modernisation (e.g. scanning systems).

**Suggestions for teaching**

Depending on the degree on exposure students have had to the concept of channels of distribution, the amount of time spent on the basics of channel structure can vary. (Please note that some marketing programs require students to take a class on the subject.) The way to introduce the topic is to examine the configuration of distribution structures, similar to those in Figure 8.1. In order for students to gain a better understanding of the concept, ask them to construct a particular company's international channel of distribution and then present their work to the class. Students may have difficulty finding materials depicting companies' actual channels, so they should contact a company or distributor to gather information. However, constructing channels can be quite simple. For example, consider Toyota's channel to/in Australia: from Toyota Japan to Toyota Australia to the franchised dealers to the final consumer.

Given the fact that Japanese distribution systems are viewed as the most complex in the world, it would be worthwhile to focus on these systems and what can be done to overcome them. Japanese retailers are more demanding than Australian or New Zealand retailers; for example, they expect the manufacturer or wholesaler to accept returned goods that do not sell in stores. For more insight into the Japanese distribution system,
read the Toys “R” Us case study, which can be found at http://www.cscmp.org/Downloads/Public/Resources/CaseStudy/1996ToysRUsCase.pdf

Students often equate logistics with warehousing, a subject they find rather boring. Therefore, it is useful to refer to ‘The international marketplace’ items. These sections highlight how corporations can save money through coordinated logistics activities and, therefore, how the individual involved with these activities can quickly gain a high profile within the company.

To help students learn more about the import and export processes, ask students, working individually or in groups, to prepare a short report on making an export shipment or receiving an import shipment. By varying the type of shipment and its destination, students will be less likely to produce identical reports. Frequently, this is an eye-opening experience for students who simply thought that a package was brought to the postal office and shipped off. Additionally, a more complex project, requiring students to determine freight rates, assess inventory trade-offs and make choices among modes of transportation, has proven to be very insightful.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**Keeping the global supply chain moving**

**Video URL:** http://www.youtube.com/watch?v=OVYcxi1rDgE

**Most relevant minutes:** 0:00-3:00

**Concept:** Explanation of how the global supply chain works.

**Clip Description:** This video provided by the US Department of Transportation Federal Highway administration shows briefly how the global supply chain works by using a small shoes store in Saint Louis.

**Key outcome/points to consider:** This video will highlight the importance of an efficient and reliable supply chain and how businesses rely on it even though they might not be aware of its complexity due to the use of intermediaries. It covers several issues that are seen in this chapter and it is a good resource to be used
before starting with this chapter to give students an overview of global supply chain.

**PowerPoint slide reference:** 3

### The shrinking global supply chain


**Concept:** Forbes editor explains that there has been a trend in global supply chains to be getting shorter

**Clip Description:** Forbes editor, Paul Maidment, talks about a global trend of supply chains to be getting shorter and explains some of the structural forces behind this trend. Among this forces are the rising price for transportation, concerns with carbon footprint and fears of protectionism.

**Key outcome/points to consider:** This video will raise some issues regarding channel structure and channel design. The reasons behind this trend of shorter global supply chains can generate a good discussion with the class. The topic of protectionism can once again be brought into discussion with this video and why it affects the supply chain decisions.

**PowerPoint slide reference:** 5-7

### Rei: Digital distribution


**Concept:** Digital distribution of games

**Clip Description:** Video provided by ABC Australia that shows the future of online distribution in the games industry.

**Key outcome/points to consider:** This video highlights how the physical distribution of products is no longer necessary due to the advancement of the internet. This video will highlight not only the internet being used as a channel of commerce, but also as a distribution channel. It can be discussed how government policies will have to adapt to the growth in online distribution. Other examples of online distribution can be mentioned, such as the iTunes store.

**PowerPoint slide reference:** 29
Greening the supply chain (Nov 2009)

Video URL:  

**NOTE:** This link will take you to the Austrade website and a list of links – click on the link titled ‘Greening the Supply Chain (Nov 2009)’.

**Concept:** Importance of corporate social responsibility in international logistics.

**Clip Description:** Austrade movie that shows the pressure of improving sustainability in the global supply chain and the pressure that this will place in all the intermediaries that are involved in the global supply chain of a firm.

**Key outcome/points to consider:** Students will have a better understanding of how a logistics manager must take into consideration the distance that goods need to travel in terms of their carbon footprint as consumers are increasingly becoming more concerned about it.

PowerPoint slide reference: 31

**Critical Issues**

1. What type of transportation information is available to exporters?  
   Do an Internet search to find available and reliable information.  
   Identify three sites which you think would provide the most information and explain why these sites are best.

Students should be able to conduct an online research and evaluate the online sources of transportation information.  
There are several sources of information available on the Internet regarding international transportation.

- Company’s websites  
  - [http://www.agilitylogistics.com](http://www.agilitylogistics.com)
- Government websites  
- International organisations  
  - [http://www.iccwbo.org/incoterms/](http://www.iccwbo.org/incoterms/)
- Logistics magazines  
2 Identify three companies (anywhere in the world) who have not employed the same distribution strategy as their competitors. Why do you think these companies choose alternative means at reaching their customers and do you think their approach has been successful? Is it always best to go with normal practice in your industry?

- Companies need to make a series of decisions involving distribution strategy. Some of these decisions involve: Narrow x wide reach; direct x indirect; etc.
- These decisions involve adapting the distribution strategy according to the channel design and channel structures. Students can evaluate the distribution strategy implemented by the company using Table 8.1 (page 308).
- There is a wide range of examples that can be used to answer this question. Students should not have many difficulties in finding them. Many will probably choose for online x traditional channels of distribution (e.g. Blockbuster x Netflix).

Questions for discussion

1 If a small exporter lacks the resources for an on-site inspection, what measures would you propose for screening potential distributors?

If a small exporter lacks the resources for an on-site inspection, the following measures for screening potential distributors may be used:
- combine networking among peers with selective telephoning to get references in the target area
- ask the potential distributor for a local market plan and competitive analysis
- use the following sources for financial information:
  - the distributor's suppliers
  - other distributors not in direct competition
  - local banks
  - credit reports from international and local credit reporting agencies
- make a trial agreement with minimum purchase requirements
- check the distributor's reputation with customers
- determine the nature of the distributor's existing business
• find out the extent of the distributor's market coverage through the size of his physical facilities, sales training and number of sales outlets
• Test the distributor's commitment by setting reasonable conditions in the first agreement and providing them with feedback.

2 One method of screening candidates is to ask distributors for a simple marketing plan. What items would you want included in this plan?

Marketing plans should include market description and environment, market size and growth, marketing objectives, competition, opportunities and problems, marketing strategy with programs and target accounts, budgets and deadlines.

The following is a shortened version of a basic marketing plan outline:
• Situation analysis
  o Business environment
  o Market segments
  o Competition
  o Past year programs
  o Summary of the company's current position
• Company marketing objectives and strategies
• Key marketing plans by product or segment
  o Product development
  o Sourcing
  o Pricing
  o Distribution channels
  o Marketing communication
  o Distribution logistics
  o Service
  o Additional research
  o Organisation
  o Budgets
  o Summary of schedule and assignments
• Sales territory plans
  o Objectives
  o Territory strategy
  o Key account actions
  o Distribution channel actions
  o Other programs
  o Organisation
For an exporter looking at such a plan, the key will always be the financial, human and intellectual resources committed to a particular product. At the same time, the exporter has to realise that few intermediaries are in business for one company, and have to, therefore, balance their commitments.

3 Is grey marketing a trademark issue, a pricing issue or a distribution issue? As an exporter to India, how would you tackle the booming grey market in that country?

In principle, grey marketing can be discussed as any of the three issues. Those who oppose grey marketing consider it a trademark issue, with parallel importation constituting trademark violation. Those in favour of grey marketing state that it is a price discrimination issue. Specifically, if marketers want to price goods based on demand within a market, they should then be prepared to face intra-brand competition from entrepreneurs who market the product through unauthorised channels. This has been the case in India, where Apple Computer products sold in the grey market constitute 60 to 90% of total sales in the country. Due to the number of custom stamps collected during the importing process, many Apple products are too expensive for middle-class Indians to purchase. Instead Apple goods are smuggled in from other countries and sold by unauthorised dealers, making them financially more accessible.

Some argue that grey marketing is a distribution issue as the phenomenon occurs because authorised entities leak genuine, legally trademarked goods from authorised channels to entrepreneurs outside the marketer’s overall distribution scheme. Strong channel ties can ensure that genuine products are not diverted into the wrong hands. Many companies have attempted to reduce the issue of gray marketing by region encoding products (e.g. DVDs) to limit their use outside of their intended markets.
4 Contrast the use of ocean shipping to airfreight in an Australian or New Zealand context.

The main differences between the use of ocean shipping and airfreight are the transit times, the level of reliability desired (e.g. anticipated delivery time) and, of course, cost. Transit times for airfreight are clearly shorter than those for ocean freight, which makes airfreight the more reliable option. Airfreight has additional advantages over ocean shipping; it is faster, is less affected by delay-causing weather, and presents fewer risks for pilferage and breakage. However, airfreight is almost always the more expensive option. Consequently, the type of product being shipped is considered when deciding which mode to use. For example, if a product is heavy, ocean shipping will be the more economical transport choice. On the other hand, if the product is light but the destination’s port facilities are poor, airfreight will be the more convenient option. Expensive items are more likely to be shipping by air as higher-priced goods are better able to absorb the higher cost of transportation.

Australia exports substantial amounts of natural resources, such as iron ore, to other countries in the Asia-Pacific region. Due to the heavy nature of the products, ocean shipping is the preferred method of transport. Since such material is unlikely to spoil over time, the timing of the shipment is not of great concern. Although a relatively small proportion of goods are sent by airfreight, 40 % of the world’s manufactured exports by value are transported via air. This figure indicates that high-value items are more likely to be shipped by air. Hence, for countries like New Zealand that import fresh foods and other high-value perishables, shipping via airfreight is the better option in order to protect the quality of the goods and to ensure quick delivery times.

5 How can an international firm reduce its order cycle time?

Order cycle time is the total time elapsed between when an order is placed and when it is received. To reduce order cycle time, the order processing operation must be as efficient and as consistent as possible. This can be achieved by receiving the orders as quickly as possible (e.g. by telephone, fax, email or direct order entry systems), anticipating orders for goods in high demand (e.g. analyse collected data) and considering alternative modes of transportation (e.g. using airfreight rather than ocean shipping for urgent orders).
How can improved logistics infrastructure contribute to the economic development of China?

China was relatively slow to industrialise compared to other Asia-Pacific nations, such as Australia, New Zealand and Japan. Import/export controls were strong, so there was not a major demand for ports or other transport infrastructure. The localised nature of many Chinese provincial economies also meant that the storage of goods and their transport within the country was limited. As a result, Chinese firms were disadvantaged when trying to enter international markets. Lack of warehousing facilities, poor transportation alternatives and insufficient information exchange between suppliers and their customers have contributed to the unnecessary high cost of doing business in China. For example, most of China may have had railway access, but the lines have often been single track, making rail traffic coordination difficult.

The Chinese government has resolved some of these problems through large investments in infrastructure. Infrastructure in China has been consistently a key focus to the government being present in the five-year plan of the country which is now in its eleventh cycle. In the stimulus package that was released in 2008 to overcome the financial crisis, infrastructure was a core factor of attention. The Chinese RMB 4 trillion stimulus package announced in November of 2009 has infrastructure as it main focus. To support China’s rapid economic growth the government has recognised the importance in investing in railways, roads, airports, water, energy, and rural projects. Thus, China represents a great opportunity for foreign infrastructure investors, contractors, operators and equipment companies.

These investments to improve logistics infrastructure are instrumental in encouraging the international participation of Chinese firms and inward investment. The government’s investments have not only aided Chinese import/export ventures, but they have allowed foreign investors to enter the economy with confidence and fewer difficulties. Multinationals can relocate business to China with the knowledge that the logistics infrastructure will not inhibit their performance.

More information on China’s infrastructure available on:
- KPMG, Infrastructure in China report. 
Chapter 9

Product policy and adaptation in international markets

Chapter outline

- Product variables
  - Standardisation versus adaptation
  - Factors affecting adaptation
- The market environment
  - Government regulations
  - Non-tariff barriers
  - Customer characteristics, expectations and preferences
  - Economic development
  - Competitive offerings
  - Climate and geography
- Product characteristics
  - Product constituents
  - Branding
  - Packaging
  - Appearance
  - Method of operation or usage
  - Quality
  - Service
  - Country-of-origin effects
- Company considerations
- Product counterfeiting

Chapter objectives

Products often have to be altered before they can be marketed abroad. It is important to remember that a product is a bundle of tangible and intangible qualities. The core product itself (e.g. Nescafé instant coffee) may be exactly the same everywhere the product is marketed, but the way the product is perceived and promoted may vary. For example, Nescafé may be considered a luxury product in some countries whereas
it is perceived as a staple item in Australia. The factors that influence product adaptation are numerous and varied but fall into five primary categories – market, product, company-specific and brand-related variables as well as the effects of the country-of-origin. These categories provide a framework around which adaptation can be conveniently discussed. However, this chapter's objective is to go beyond a list of variables to propose what companies can actually do to prepare to meet mandatory and voluntary adaptation challenges.

Additionally, this chapter covers the issue of intellectual property violations, which has gained increased importance in today’s markets, especially with the importance of technology in trade flows.

**Suggestions for teaching**

The best starting point for the product adaptation discussion is the issue of what a product really is (i.e. What is the company selling?). Once the product concept is established, students can begin to discuss the most debated topic in international marketing: standardisation versus adaptation. The discussion should cover the positive and negative aspects of both options (as summarised in Table 9.1 in the text). When discussing this topic, global brands such as McDonald’s, Nike and Coke tend to stimulate the students to participate; examples of what these brands did in different countries are often mentioned. In addition, the students should be aware of some companies that experienced some form of failure due to the lack of adaptation to local culture. By asking the students to explain why some products failed in some countries, they will get engaged to share their knowledge. Students can use the list in table 9.1 to explain why these brands failed. In case the students are not familiarised with any products that failed to adapt to local needs, the instructor should introduce a case to the class (e.g. introduction of the Toyota Prado Land Cruiser in China, page 359).

Counterfeiting has become a familiar topic through recent substantial press coverage. It is essential to impress upon students that counterfeiting is no longer limited to faddish or luxury consumer goods, such as jeans, watches and luggage. While it was easy to separate authentic items from counterfeits in the past, improved manufacturing capabilities in developing nations have allowed for the production of counterfeit items of a quality comparable to the real deal. Now, in countries like China and India, pharmaceutical companies are producing counterfeit products. A good way to engage students in a discussion on the matter is to question whether treaties, such as the Paris Convention
for the Protection of Industrial Property and the Patent Cooperation Treaty, are effective methods of tackling counterfeiting.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

### Suggested links to online video material

#### Starbucks brewing in China


**Concept:** Starbucks products to cater to the Chinese market

**Clip Description:** This CNN report reveals how Starbucks is adapting to a tea drinking culture. It’s offering products that are not available to the rest of the world, and is boosting the coffee consumption.

**Key outcome/points to consider:** Students will be exposed to how Starbucks has entered and been successful in a culture that was not used to drinking coffee, and how some product adaptation was required. Thus, after watching this video, factors that encourage adaptation can be discussed, as well as the importance of tailoring a company’s offerings to a certain culture.

**PowerPoint slide reference:** 6-8

#### New law requires food labelling

**Video URL:** [http://www.youtube.com/watch?v=4ODtdo7tHvU](http://www.youtube.com/watch?v=4ODtdo7tHvU)

**Concept:** Federal law in the US that requires certain foods to show country of origin information

**Clip Description:** This video shows the labelling requirements for certain foods in the United States.

**Key outcome/points to consider:** The video illustrates how exports are affected by government regulations and how the exporter/importer needs to be aware of the regulations in different countries.

**PowerPoint slide reference:** 11 and 22
News update: McDonald's Japan considers tech-based services, Nikkei reports

Video URL: http://www.youtube.com/watch?v=djqCI5wbAN8&feature=fvsr

Concept: McDonald’s Japan’s interest in developing new services

Clip Description: McDonald’s Japan’s interest in developing services, such as ordering forms and car navigation systems among others.

Key outcome/points to consider: This video will provide an example of how an international organisation adapts to different countries based on a different environment and consumer trends. A class discussion can be started to talk about why McDonald’s Japan is taking this initiative, and if at this particular moment this would also work for McDonald’s Australia. The discussion will show students the importance of understanding different markets.

PowerPoint slide reference: 13-14

NY counterfeit sting


Concept: Counterfeiting brand items in New York

Clip Description: A CNN video that shows how the practice of counterfeiting products (most of them made in China) has spread in New York.

Key outcome/points to consider: This video has several points that should be taken into consideration. First, how these products manage to get into a country. Secondly, how these products damage a brand image. Third, how companies can protect themselves from these problems. Lastly, the issue of how organisations, such as WTO and governments, can help fight counterfeiting and the loss that they bring to an economy.

PowerPoint slide reference: 31-33

Critical Issues

1 Using the example of one product that it is available in many countries; to what extent has the company adapted the product for the local market? Look at all aspects of the product offering. Do you feel the company has undertaken sufficient standardisation?
What other changes would you suggest to improve sales of the product (in a country of your choice)?

- Before answering this question it is important to define the term ‘product’. The functional elements tend to be the same, but the other elements tend to vary more.
- Students should be able to recognise the product elements that require adaptation even if the functional product remains the same.
- Students should notice the number of effects that influence a product (e.g.: culture; local regulation) and how the perception of a product might change from one country to another.
- When evaluating the level of adaptations, students can use Table 9.2
- Recommendations should be made based on the evaluation.

2 Are standards like those promoted by the international organisation for standardisation (www.iso.org) a hindrance or an opportunity to exporters?

Students can argue that these standards are both an opportunity and a hindrance to exporters. However, there are more reasons to believe that international standards enhance trade.

Advantages:

- International standardisation is one way of overcoming technical barriers in international commerce.
- Mass production.
- International standards are less trade restrictive than others.
- Minimisation of the fixed and marginal costs associated with product standards by using international standards as the basis for harmonisation.

Disadvantages:

- Difficulty to change a standard when the exporter has a better way of doing things

Questions for discussion

1 Comment on the statement, 'It is our policy not to adapt products for export'.
A number of companies, such as Coca-Cola and Colgate, have this type of attitude and generally standardise their products. Some companies are in a position to market standardised products – particularly their core product – worldwide. However, with industrial products, this is rare and not adapting a product will limit it to the domestic market. Product adaptations can vary in scale but some degree of adaptation is in most of the case necessary. These adaptations might be something small such as labelling and packaging and the firm that wants to grow internationally needs to be willing to make these adaptations.

In today's internationalised marketplace, a statement like this is myopic. As there are very few sectors not affected by imports or foreign participation, companies must compete in the international marketplace whether they like it or not.

A firm's export success depends on the quality of its products and on its ability to differentiate itself from competitors in the international marketplace. Although marketing a standardised product worldwide is cost effective due to economies of scale, the potential costs of this type of marketing strategy may still demand investigative research into adaptation requirements. Ultimately, the effectiveness of the decision to standardise or adapt depends upon the type of product being exported. However, international trade and professional associations may force firms to market a standardised product worldwide.

In some situations, it is to a firm's advantage to manufacture a standardised product. Standardisation of products allows firms to benefit by using a standardised advertising, pricing and distribution approach in different national markets. For example, firms that advertise in international media (e.g. magazines or television commercials with international distribution) may find it to their advantage to market a standardised product. Companies strive to achieve this recognisability that allows such marketing in today's 'smaller' world.

2 What are the major problems facing companies, especially smaller ones, in resolving product adaptation issues?

In resolving the product adaptation issue, smaller companies face several problems. They must determine whether the effort is worth the costs involved and whether the costs of investigative research and adaptation will be offset by increased sales and cost savings.
Furthermore, the extra costs are often not direct costs and may affect domestic efforts as well.

Additionally, smaller firms may lack the local expertise to engage in investigative research and, as such, must rely upon consultants. The level of increased sales may not be able to justify the scarce resources spent on consultant fees.

3 How do governments affect product adaptation decisions of firms?

Products for export must meet foreign government regulations on product design, contents and testing. In addition, firms must stay abreast of changes to government regulations and take them into account when developing the product. Other regulations, such as those relating to profit repatriation, currency restrictions and financing, may affect the expected revenues from certain countries. Therefore, low-cost products with relatively high margins may be necessary to compensate for the risk.

The international marketer must remember that supranational entities, such as the European Union, may also have regulations that will influence product development.

Major government programs and policies may also affect product-design decisions. If governments are major customers, the reliability of their economic and industrial expansion programs must be determined. Infrastructure development may also affect product distribution. Products that rely on a certain level of infrastructure may not be marketable in some countries until the infrastructure has been developed.

4 Aside from product, what other issues does a company have to bear in mind when considering product adaptation?

Aside from the product itself, marketers must carefully consider their target market as well as the organisation's capabilities (e.g. resources and policies) that may foster or inhibit the adaptations process.

The market for a product is often the most difficult issue to tackle. The exporting organisation is often not in a position to manipulate the characteristics of the market. Government regulations often set out strict guidelines that must be followed. For example, the Swedish government banned the sale of most aerosol sprays in 1979. This has greatly impacted exporters of aerosol products. It is also important to consider...
the characteristics of the customer, such as cultural issues and psychological factors. For example, in Japan, IKEA had to redesign some of its furniture to fit compact Japanese homes. Another market factor to keep in mind is competitive offerings currently on the market and how an exporting business can position itself against such competition.

5 Is any product ever the same everywhere it is sold?

Before answering the question, one has to define the concept of ‘product’. The functional element of a product, such as a personal computer, may be exactly the same everywhere, but certain features (e.g. the keyboard) may vary between markets. The more elements a product has, the less likely it is to be uniform everywhere.

Regardless, products are not the same everywhere they are sold. Even if the product is physically the same, customer perceptions of the product change according to how it is positioned within the marketplace. Perception may also be affected by cultural factors, such as packaging, use of colour and country-of-origin effects, and differences in promotion, advertising and distribution. The availability of service and warranties may help distinguish a product as well.

Positioning within any given market is often the key to success for a product. For example, Coca-Cola renamed Diet Coke in Japan and called it Coke Light. Labelling a product ‘diet’ would be inappropriate in Japanese culture, as Japanese women do not like to admit they are dieting. Therefore, Diet Coke was promoted as a ‘figure maintenance’ product. Positioning also influences the marketing plans for industrial goods. For example, though General Electric’s numerical controls for machine tools are standardised, the product is perceived differently depending on the marketing strategy employed. In industrialised nations, the product is sold on the basis of saving labour costs. However, in developing countries with low wages, labour substitution is not a suitable marketing tool. Instead, marketing for the numerical controls focuses on the ease of handling the product.

There is also the problem of products that may look the same but are actually different – specifically, grey market products and counterfeits. Grey market products may be the same core product but may lack such features as a warranty. Counterfeits may appear to be the same as or similar to a product, but they may pose certain dangers to consumers. For example, counterfeit pharmaceuticals have caused fatalities in China
and India; in Thailand, a man was hospitalised after taking counterfeit Viagra, the effects of which lasted over two days.

6 Why is intellectual property relevant to Australian exports?

Intellectual property is relevant to Australian exports because exporting companies need their intellectual property rights to be protected to prevent the market from being flooded with counterfeit goods. Counterfeiting leads to a sales loss in the short term, but in the long term, it can tarnish an exporter’s reputation, as customers become dissatisfied with the counterfeit goods they purchased. The EU estimates that counterfeit goods constitute up to 2% of world trade.

Patents, trademarks, copyrights or mask work registrations taken out in Australia are not applicable in other countries. Therefore, international marketers must apply for intellectual property rights in each country to which they export. If a market lacks strong intellectual property rights, marketers can seek help from government and industry-wide organisations. At the governmental level, the international marketer can lobby for more stringent anti-counterfeiting legislation or ask the government to raise the matter in bilateral or multilateral trade negotiations (e.g. WTO or WIPO). Additionally, industrial organisations can help individuals firms. Firms can join industry-wide action or conduct their own actions against violators. Such actions may include educating consumers about the dangers of counterfeits and urging them not to purchase or use products that do not meet proprietary guidelines.
Chapter 10

Product and brand management in international markets

Chapter Outline

- Global product development
  - The product development process
  - The location of R&D activities
  - The organisation of global product development
  - The testing of new product concepts
  - The global product launch
- Management of the product and brand portfolio
  - Analysing the product portfolio
    - Advantages of the product portfolio approach
    - Disadvantages of the product portfolio approach
  - Managing the brand portfolio
    - Brand strategy decisions
    - Private brand policies

Chapter objectives

This chapter focuses on the development and management of a product portfolio in the global marketplace. The first part of the chapter will elaborate on the product-development process. This process can be customer-driven, but it should still incorporate some of the cost-saving features the business has developed, as the price of the product should not undermine demand. This chapter also discusses testing new product concepts and evaluates how to launch products in foreign markets.

The second part of the chapter highlights the management of existing product and brand portfolios and leveraging product and brand resources on a worldwide basis. Particular attention is paid to the advantages and disadvantages of the product portfolio approach. The chapter also explores brand strategy decisions and private brand policies.
Suggestions for teaching

An interesting exercise to engage students in is the assessment of global marketers’ portfolios. These portfolios are available through annual reports or through corporate websites. Have students use portfolio frameworks, such as those in Figures 10.2 and 10.3, for further analysis. Also, ask students to forecast whether private label products will ever reach the same level of demand elsewhere as they have in Europe and to speculate as to why this phenomenon has occurred there.

The importance of testing a product in an international market can be highlighted by asking students to link Chapter 9 to Chapter 6. When discussing the global product launch, the global release dates for Blue Ray such as Avatar can be used as an example. It is a good idea to ask students the reasons why it has the same release date all over the world and its implications.

Portfolios can be analysed by using Figure 10.2. Students can discuss measures that the two companies should take in each of the countries. After the measures are discussed, the students can highlight the advantages and disadvantages of conducting this type of analysis.

An exercise that tends to be fun is: ask students to write on a piece of paper the three first global brands that come to their minds. The answers shouldn’t change much. Count how many times each of the brands has been named and then discuss why these brands have such a high brand image.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

Suggested links to online video material
The Sims 3 – official TV trailer

Video URL:  http://www.youtube.com/user/Games#p/search/22/U-DeJ7Z41Lw

Concept: Global product launch, The Sims 3

Clip Description: The TV trailer of The Sims 3, which is a PC game that had its global launch in June 2009.
Key outcome/points to consider: This video is a tool to start a discussion about the concept of the global product launch, its main benefits, and some of the considerations that need to be put in place to guarantee a successful product launch.

PowerPoint slide reference: 15

About P&G

Video URL: http://www.youtube.com/watch?v=JV8qhSEJYbg

Concept: P&G product and brand portfolio

Clip Description: P&G institutional video that shows several of its products and brands.

Key outcome/points to consider: This video will expose students to an organisation that carries a great variety of product lines and brands, yet is able to manage its portfolio very well. Consequently, students can engage in a discussion about how P&G manages its mix of products and the considerations P&G needs to make constantly. It is important to notice that each brand and product line is in a different stage of the product lifecycle.

PowerPoint slide reference: 18-23

Billion dollar brands

Video URL: http://www.youtube.com/user/Euromonitor#p/u/63/ztnMBok8S1A

Concept: Reasons why some global brands are so successful

Clip Description: A Euromonitor resource that shows what factors make billion dollar brands, such as Coke and L’Oréal, worth billions of dollars.

Key outcome/points to consider: The importance of brands in consumers’ options. This video can generate a discussion about what makes a global brand (such as Coke and McDonald’s) and the advantages that global brands have over smaller ones.

PowerPoint slide reference: 25

Why is private label on the rise in the United States?

Video URL: http://www.youtube.com/user/Euromonitor#p/search/1/tTo0tXBBgLs

Concept: The rise in the consumption of private labels
Clip Description: A Euromonitor report that shows how the gap between private labelling and major brands is narrowing, especially in particular categories where there is not much differentiation. The video shows how the private labels’ improved quality is one of the key reasons why there has been an increase in the consumption of private labels, added to consumers’ increasing price sensitivity.

Key outcome/points to consider: This video will generate a better understanding of the reasons contributing to the rise of private labels. This video focuses on the American market; however, since a similar rise is taking place in Australia, Woolworths and Coles can be discussed with the class as students will be more familiar with them.

PowerPoint slide reference: 31-32

Critical Issues

1 Sales of private brands are going worldwide but consumers’ perceptions still vary considerably about this brand. Why are we seeing such a growth in these brands worldwide? Take a trip to your local supermarket, identify some of the private brands on offer. How do you think they may appeal to consumers worldwide?

The emergences of strong intermediaries, such as Coles, have led to the significant increase in private brands. Intermediaries want to improve their profit while consumers have become more price-sensitive, partly due to the global recession, and less loyal to brands. For instance, Coles offers five different umbrella brands: Coles; Coles Finest; Coles Smart Buy; Coles Organic; and Coles Green Choice. Each of these brands has a different positioning. The brand Coles Finest carries gourmet food while Coles Smart Buy focuses on offering everyday essentials at an ‘unbeatable’ price.

Not only have private brands improved their quality, but also the negative perception that consumers had regarding their quality. Some consumers might still be resistant and perceive private brands as being lower quality brands; however, most consumers see private brands as great value for money.

More information on Coles private brands:
2 How is Gillette using its website (www.gillette.com) to attract younger consumers to its product portfolio?

- This question involves evaluating the website and identifying what is Giselle doing to attract younger consumers.
- Students should be oriented to access the American website as it provides more tools to attract the younger audience than the websites from some other countries.
- Gillette styler is the main tool that they use to attract the younger ones.
- Additionally, the entertainment section has several videos targeting these particular consumers. There are also some other campaigns, such as Gillette Young Guns Challenge.

Questions for discussion

1 How can a company's product line in Asia reflect the maxim ‘think globally, act locally’?

Not even the most enthusiastic globalisation advocates have proposed developing completely global product lines. Product lines need to be adaptable to accommodate local and regional differences; as such, many companies market local and regional brands in addition to their global flagship brands. This is especially the case in Asia where cultural, linguistic and religious differences require product lines to be modified for various markets. For example, McDonald’s has standardised much of its products and branding around the world, but in countries such as India, they offer mutton burgers instead of beef burgers in order to serve the Hindu majority population. In China, McDonald’s has introduced Chinese flavours to their product line to appeal to the local market. In some cases, brands developed for local markets can become global brands themselves. For example, Nestlé Australia produced Milo in 1934 and later popularised it around the world; today it is sold in over 30 countries.

2 Will a globally oriented company have an advantage over a multidomestic, or even domestic company in the generation of new product ideas?

Multinational companies certainly have an advantage over domestic firms in the generation of new product ideas. Multinationals face more competition from different companies and, therefore, are exposed to a
wider range of ideas from outside sources. Ideas for new products may also come from their diversified customer base, procurement requisitions from foreign governments and supranational organisations. Additionally, if the multinational places its R&D facilities abroad, it is able to use foreign resources, technical and scientific personnel in the idea generation process.

On the other hand, highly specialised domestic firms have some advantages over diversified multinational competitors. Domestic firms can concentrate all its efforts on one product without being concerned about allocating resources to other product lines. Also, specialised domestic firms may have a closer relationship than its multinational competitors with those sources of new product ideas.

3 What factors should be considered by companies in the Asia-Pacific region when deciding on the location of research and development facilities?

Factors that contribute to a firm's decision to locate its R&D facilities in the domestic market include:

- Economies of scale.
- Fewer set-up costs than in a foreign market.
- A lack of communication barriers that usually come with locating R&D abroad.
- Better protection of intellectual property.
- Protection and support from the domestic government.
- Centralised control.

Factors leading to the decision to locate R&D in foreign markets include:

- Geographical location in relation to other key markets.
- Ease of technology transfer from subsidiary to parent.
- Availability of trained personnel.
- Host government’s incentives and regulations, especially in developing countries.
- Product adaptation.
- Response to subsidiary pressures.
- Public relations.
- Acquisitions.
In today's environment, products are increasingly developed as part of joint endeavours between multiple sites. These are commonly known as centres of excellence; these places focus on a particular product or component of a product. For example, Whirlpool developed a super-efficient, chlorofluorocarbon-free refrigerator by using insulation technology from its European operation, compressor technology from Brazil, and manufacturing and design expertise from its US affiliates.

4 What factors make product testing more complicated in the international marketplace?

Factors that make product testing more complicated in the international marketplace include:

- Lack of a marketing research firm specialising in the host country
- Conflicting and unstructured responses if there is no centralised data collection method.
- Cultural differences affecting the interpretation of consumer behaviour.
- Lack of developed infrastructure, which makes the process more time consuming.
- Legal restrictions.
- Foreign markets' reluctance to proceed with the type of test marketing the company wishes to pursue.

5 What are the benefits of a coordinated global product launch? What factors will have to be taken into consideration before the actual launch?

If a product is to be launched globally (rather than country by country), several factors have to be ensured. The product-development process must be global and involve operations in each country where the product will be launched. The local business climate in each launch site must be assessed in order to account for and adjust to differences. In each market, information about the product and the motivation behind the launch strategy should be internally communicated.

An essential but often overlooked fact of the product launch is that it is actually the beginning of a process rather than the end. This means that market acceptance of the new product has to be reinforced.
Sales of private brands are growing worldwide but consumers’ perceptions about these brands still vary considerably. Why are we seeing such a growth in these brands world-wide? Take a trip to your local supermarket; identify some of the brands on offer. How do you think that they might appeal to consumers world-wide?

The emergences of strong intermediaries, such as Coles, have led to the significant increase in private brands. Intermediaries want to improve their profit while consumers have become more price-sensitive, partly due to the global recession, and less loyal to brands.

For instance, Coles offers five different umbrella brands: Coles; Coles Finest; Coles Smart Buy; Coles Organic; and Coles Green Choice. Each of these brands has a different positioning. The brand Coles Finest carries gourmet food while Coles Smart Buy focuses on offering everyday essentials at an ‘unbeatable’ price.

Not only have private brands improved their quality, but also the negative perception that consumers had regarding their quality. Some consumers might still be resistant and perceive private brands as being lower quality brands; however most consumers see private brands as great value for money.

More information on Coles private brands:
Chapter 11

Services marketing

Chapter outline

- Differences between services and goods
  - Link between services and goods
  - Stand-alone services
- The role of services in the domestic economy
  - The importance of international trade in services for Australia
- The role of international services in the world economy
- Global transformation of services
- International trade problems in services
  - Data collection problems
  - Regulation of services trade
- Corporations and involvement in international services marketing
  - Services and e-commerce
  - Typical international services
  - Starting to market services internationally
  - Strategic implications of international services marketing

Chapter objectives

This chapter highlights the importance of services in today’s economy. Industrialised nations are gradually becoming service economies. Services have some particular characteristics that need to be understood and their marketing has to be approached differently from the marketing of goods. The four main characteristics of services that differentiate them from goods are intangibility, perishability, inseparability and heterogeneity. Services may depend on, be complimentary to or compete with products.

Services are less transparent and less easily detected when sold internationally. Therefore, the entire area of services marketing is likely to be underrepresented in international statistics and misunderstood in terms of its importance. Since services are often delivered directly to users, they are more affected by cultural influences, political and legal
influences, and regulatory concerns than products. As such, the international marketer must be more flexible and creative in services marketing. Given current developments in the industrialised world, the international marketing of services will continue to increase in importance.

The chapter analyses the effects of deregulation and the technological changes that are enabling the internationalisation of services. It also illustrates key service industries and discusses the strategic implications of marketing services internationally.

**Suggestions for teaching**

Many students have heard about the importance of the service economy. However, it is very useful to stimulate thinking about how dependent many products are on services. Select several industries (e.g. publishing, teaching, transportation, retailing, etc.) and ask students to identify the service components of these industries. It may also be worthwhile to discuss industries that are traditionally seen as product dominant (e.g. motor vehicles) in order to highlight for students how important the service issue has become in these sectors.

The delivery of services should also be explored in class. Students need to understand how easy it is for an individual to perform services overseas (ignoring government regulations for the moment) with the use of technology. Ask students to focus on the development of national statistics in the services area. This will allow them to realise that trade statistics are mainly based on international conventions and do not necessarily reflect trade flows accurately.

Students often enjoy engaging in discussions on the need for regulating services. Though free market advocates may end up arguing with those who support the social role of many services, it is important to focus on international services. In this context, it is useful to point out to students that service exports can refer to delivering the service abroad or to having foreigners come to a country to take advantage of services there. This is particularly relevant to discussions on tourism and other services, such as medical services, provided to visitors within a country.

It is also worthwhile to find out what services students think are of the greatest value. Divide the class into several small groups and ask each one to list the services they consider to be particularly unique and
exportable. If the class has international students, they can contribute to the exercise by providing a different perspective on services. Comparing the lists drawn up by international students with those drawn up by local students often leads to very interesting discussions of varying cultures and environmental concerns.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

### Suggested links to online video material

**Services keep economy going**

**Video URL:** [http://www.abc.net.au/reslib/201011/r665836_4803861.asx](http://www.abc.net.au/reslib/201011/r665836_4803861.asx)

**Most relevant Minutes:** 00:30-3:30

**Concept:** The importance of services to the Australian domestic economy

**Clip Description:** An ABC news video that shows the importance of services to the Australian economy and its future growth.

**Key outcome/points to consider:** Students will have a better understanding of how important the service sector is for the Australian economy and its continuous growth. Thus, based on this video the instructor can highlight the importance of understanding the unique characteristics in services, in other words, understanding how different services are from goods.

**PowerPoint slide reference:** 10

**Professional and business services to Japan**


**NOTE:** This link goes directly to a transcript of the video – scroll down and click on the ‘Watch video’ link.

**Most relevant Minutes:** 00:30-2:43

**Concept:** Opportunities in the services industry in Japan

**Clip Description:** This video provided by Austrade shows some of the opportunities for Australian services providers in Japan. Some Australian companies hoping to enter Japan would benefit from the fact that the Japanese service industry is not as
developed as Australian companies.

**Key outcome/points to consider:** Students will have a better understanding of opportunities for Australian companies in an international market. Additionally, they will have a better understanding of the Japanese markets and what it takes to be successful in Japan.

**PowerPoint slide reference:** 12-13

**IBM global services**

**Video URL:** [http://www.youtube.com/watch?v=V2ZK9TuO2CY](http://www.youtube.com/watch?v=V2ZK9TuO2CY)

**Concept:** IBM global strategic services

**Clip Description:** A “Business in focus” video that shows the services IBM offers and the reasons behind the increasing demand for these services. IBM has a broad range of business and technology services.

**Key outcome/points to consider:** This video will expose students to one of the areas that have been experiencing an increase in outsourcing in the past few years, which was only made possible due to advancements in IT. This video can highlight the forces that are pushing this trend of outsourcing IT services, such as the need for companies to get into e-commerce, and the realisation that IT can be a powerful strategic weapon.

**PowerPoint slide reference:** 18-19

**Deloitte's billion dollar growth plan**

**Video URL:** [http://video.forbes.com/fvn/ceo/deloitte-quigley](http://video.forbes.com/fvn/ceo/deloitte-quigley)

**Concept:** Deloitte major international growth plan

**Clip Description:** CNN report that shows the major international growth plan that Deloitte has for the next years. Deloitte is an information processing organisation specialised in auditing, tax and investment services.

**Key outcome/points to consider:** This video can generate a class discussion about what the strategic implications for the world expansion that Deloitte is planning will be. Additionally, the class can discuss how Deloitte will be able to extend their customer base by extending their range of services in various locations, allowing global organisations to work with Deloitte all over the world.

**PowerPoint slide reference:** 23-29
Critical Issues

1 One of the most important, and complex, services traded internationally is education. What is the current role of education services in the trade of your country at the moment? Check out the latest statistics.

- Students should look for the latest statistics in websites, such as WTO, DFAT.
- Based on the statistics they should evaluate the factors that had an impact on these numbers.
- Additionally, as the questions states, students should consider the income that international students generate for the Australian economy. This includes the amount that they spend on accommodation, entertainment, food, among other factors.
- The link between immigration and international students has shown to be very strong.
- Several articles can be found on the importance of international students to the Australian economy and the consequences that the decrease in number of international students can cause to the economy, e.g. [http://www.smh.com.au/national/education/turning-off-the-tap-20100915-15csq.html?skin=text-only](http://www.smh.com.au/national/education/turning-off-the-tap-20100915-15csq.html?skin=text-only).
- The answer should take into consideration the cultural exchange that international students bring to the society, as well as the consequences that racist attacks have in this industry, e.g. [http://www.indianexpress.com/news/issue-of-attacks-on-indians-dominate-ozindia-ties-in-2010/729819/](http://www.indianexpress.com/news/issue-of-attacks-on-indians-dominate-ozindia-ties-in-2010/729819/)

2 Tourism remains the largest internationally traded service. Assess the current state of the industry and try to identify trends. Which outbound and inbound markets will grow and which will be less successful? The United Nations World Tourism Organisation website (www.unwto.org) is a good starting point. What impact will the new generation of aircraft (airbus A380, Boeing 787 Dreamliner) have on the industry? Finally, what about environmental issues? How will they affect international tourism?

- Students can find several statistics on tourism on the website that is provided in this question.
When answering these questions, students should take into consideration factors that influence world tourism, such as the Global Financial Crisis.

Victoria tourism website provides a list of trends affecting the world tourism industry (http://www.tourism.vic.gov.au/strategicplan/plan2002_2006/1_introduction/assets/intro_graph2.pdf). Based on this list students can analyse how they will affect international tourism.

Students can take into consideration Australian and New Zealand when answering questions about inbound and outbound tourism.

Some aspects to take into consideration regarding the new trend of aircrafts: more passengers should generate lower prices in the future; incidents that happened this year with Qantas A380 aircraft; Boeing 787 Dreamliner will offer more efficiency, increase customers’ comfort and reduce carbon emissions; it is the first Boeing 787 to be released in 2012. Much more information about the Boeing 787 can be found on the Internet.

Students should evaluate how this will affect international students. They should provide a critical answer to this.

Still on the topic of international tourism, but closer to home, let’s look at Australia and New Zealand tourism as competing and complementary tourism destinations. Compare and evaluate the national marketing campaigns of the two countries. In particular, comment on the Australian “Where the bloody hell are you?” campaign and New Zealand “100% pure” campaign. In addition, New Zealand attempts to link tourism branding with national, country image, branding at http://www.tourismnewzealand.com/international. What is your opinion on this?

“Where the bloody hell are you?” campaign:
  o A lot of controversy surrounding this campaign.
  o 2006 -- Banned by the Broadcast Advertising Clearance Centre in the UK, which would not allow the use of the word ‘bloody’ on television.
  o 2007 -- Slogans on roadside billboards had to be removed.
  o Also banned in Canada.
  o Campaign generated great word of mouth.
  o Campaign results can be found in details at the Tourism Australia 2006-2007 Annual report (http://www.tourism.australia.com/en-
“100% pure” campaign:
  o Has been used for the past 10 years. Everything Tourism New Zealand does internationally uses the slogan “100% pure”.
  o It highlights New Zealand’s landscapes, people, and the stories that link the two.
  o More information can be found on the Tourism New Zealand website (http://www.tourismnewzealand.com/campaigns/10-years-young).

The second part of the answer involves giving students’ giving their opinion on the strategy used by Tourism New Zealand, so answers might vary. However, most of the students should have a positive opinion about it considering the success of the “100% pure” campaign.

**Questions for discussion**

1 How has the Internet affected your service purchases?

Electronic commerce has opened new horizons for global services. Small service providers can easily do business with customers located all over the world and customers can have access to a large scale of organisations that operate online. Organisations such as eBay have made it possible to buy a wide range of products online linking customers and organisations from different countries. Facebook and Google are examples of electronic services that you don’t have to pay to use and have had a major impact in the modern society.

In conclusion, this question provides a rich opportunity for students to explain their personal involvement with the Internet. What do they use the Internet for? Is online shopping common? The discussion also provides a forum for discussing websites that provide a service but that do not sell any products (e.g. http://www.yourmovies.com.au). If there are international students in the class, ask them to explain differing Internet usage habits in their home country, why these differences exist and how long they are likely to last.

Make sure that students understand that once the Internet bridges distances, it matters very little how large these distances are. This provides an ideal further entry point for discussions on future international marketing opportunities. It is also important to point out that
complementary products (e.g. infrastructure, affordable computers, Internet access) are a necessity in the development of Internet services in some countries.

2 Discuss the major reasons for the growth of international services.

The following points can be listed as reasons for the growth in international trade:

- The growth of international services is the growth in the international trade of goods. Services are linked to these goods. For example, the growth in international travel over the last decade has spawned many travel-related services in Australia and New Zealand.
- The growth of the service industry in major world economies (e.g. the US).
- The growth in technology and professional expertise.
- The favourable effect of services on countries' balance of payments.
- The profitability of international services.
- The reduced domestic regulation of services by governments (domestic deregulation has had international repercussions).
- The increased service orientation of the developed world.

3 How does the international sale of services differ from the sale of goods?

Service transactions are not terminated with the initial sale as most product transactions are. Rather, a service transaction is the starting point of an ongoing process or relationship. Yet, service trade differs from product trade mainly because services deal with intangible goods, which add several aspects to service transactions that are not present in product sales. In the first place, services are more sensitive to cultural factors than products. Additionally, unlike with a product, one cannot store a service to meet an increased demand at a later point in time – a service is perishable. The physical presence of the customer is often required, and services often need to be custom-made, which prevents obtaining economies of scale. Customers are also more hesitant to purchase intangibles because they are not sure what exactly they are buying. The intangible aspect makes it very difficult to implement controls to ensure service quality, efficiency and consistency.
4 What are some of the international marketing implications of service intangibility?

The international marketing implications of service intangibility are numerous. Firstly, greater pricing flexibility is required. It is more complicated for customers to understand the price of the service and to evaluate it. Services imply a much closer contact between personnel and customers, as most services are custom-made for each client. Managers should also be aware of the greater sensitivity of services to the cultural dimension.

The nature of services (i.e. the personalisation, the greater personal interaction) makes it difficult to maintain service consistency and to evaluate and compare services. As a result, a service company's reputation is extremely important. The intangibility of services does not allow potential customers to sample a firm's 'product'; customers must rely on the supplier's reputation.

The intangibility increases the perceived risk of services if compared to tangible goods thus the international marketer needs to find ways to decrease this perceived risk. Providing customers with information so that they can be educated and have a better understanding of the service is crucial.

5 Discuss the effects of cultural sensitivity on international services.

Since services often need to be custom-made and delivered in person, they are more sensitive to cultural variations than products. For example, in India, handling money with your left hand or using an improper title when addressing customers could lead to customer dissatisfaction. Marketers can combat cultural insensitivity in the service sector by training employees, hiring locals as frontline staff, conducting more in-depth market research and implementing policies throughout the organisation to ensure that the company adapts to foreign cultures.

6 What are some ways for a firm to expand its services internationally?

WTO recognises four modes of exports of services (page 415).
 Mode 1: cross border
A user in country A receives services from abroad through its telecommunications or postal infrastructure. Students can highlight and discuss the importance of internet in this mode.

Mode 2: Consumption abroad
National of A has travelled abroad to consume the respective service, e.g. Spa in Bali.

Mode 3: Commercial presence
The service is provided within A by a locally established affiliate, subsidiary, or representative office of a foreign owned and controlled company, e.g. McDonalds’s.

Mode 4: Movement of natural persons
A foreign national provides a service within A as an independent supplier.

7 How can a firm in a developing country participate in the international services boom?

A firm in a developing country can participate in the international services boom by focusing on its comparative advantages and resources. For example, it could concentrate on labour-intensive services. Many aspects of high-technology services still require skilled human service input. As such, businesses in India and the Philippines have encouraged the establishment of service centres offering telephoned-based support for global companies such as American Express. However, if businesses are unable to do this, then joint ventures, emphasising the training of nationals, might be another option. Firms can also use their country’s natural resources, such as scenic beauty to attract tourism. In a global market where price is a legitimate measurement of competition, they can underprice other countries to establish themselves in the industry.

8 Which services would be expected to migrate globally in the next decade? Why?

The service sector will witness increased global competition in transportation due to government deregulation. Deregulation offers opportunities for firms to enter new markets and fosters competitive practices that often reduce prices and increase trade. Technological advancements have also made more efficient and less expensive means for data transmission possible. These advancements offer new ways of doing business and permit businesses to expand internationally.
Data-related service is one of the many areas that will experience a major exodus from one country to another. Not only will the service industry expand in industrial nations, but it will also establish itself in some developing countries due to changes in government restrictions and new expectations by individuals.

As a result of major advances in telecommunications technology, service companies, such as financial and legal firms, will find it increasingly easier and cost-effective to implement the types of communication networks required to operate on a global scale. The flexible telecom solutions available internationally will enable companies to exchange data with branch offices, clients or others – more easily and reliably than ever before. As competition grows among domestic and foreign providers, the cost of advanced telecom services is expected to drop. The result will be more global sourcing of labour for services industries (e.g. accountants based in Japan working on Australian balance sheets), and companies will be able to offer their services around the globe more easily (e.g. physicians in Australia diagnosing patients in Asia).
Chapter 12

Pricing in international markets

Chapter outline

- Price dynamics
- The setting the export prices
  - Export pricing strategy
  - Export-related costs
- Terms of sale
- Terms of payment
- Getting paid for exports
- Managing foreign exchange risk
- Sources of export financing
  - Commercial banks
  - Forfaiting and factoring
  - Official trade finance
- Price negotiations
- Dumping
- Transfer pricing
  - Use of transfer prices to achieve corporate objectives
  - Transfer pricing challenges
    - Performance measurement
    - Taxation
- Pricing within individual markets
  - Corporate objectives
  - Costs
  - Demand and market factors
  - Market structure and competition
  - Environmental constraints
- Pricing coordination
- Countertrade
  - Why countertrade?
  - Types of countertrade
  - Preparing for countertrade
Chapter objectives

This chapter’s primary objective is to outline the basic principles of pricing and introduce students to pricing strategies that can be used in the global market. In the first part of the chapter, the discussion is divided into three parts: the variables to be considered in setting export prices, terms of sale and terms of payment. This sets the stage to look at the pricing situation beyond the universal mechanics (i.e. first-time pricing, changing prices and pricing multiple products or product lines), including how to get paid for exports. The various terms of sales introduced by Incoterms 2000 are also outlined and their effects discussed.

The section on terms of payment explores the mechanics of securing payment. Although price may be just one issue discussed during business negotiations, it often influences the entire process. As such, this chapter highlights the basics of price negotiations. Additionally, this chapter covers dumping, which has received greater attention from the international business community as the importance of international transactions has increased.

The chapter also focuses on the pricing problems faced by multinational corporations that have direct inventories in multiple countries. The discussion analyses two issues: pricing goods and services within the corporate family and what considerations make pricing the most difficult of the marketing mix elements to standardise. Price controls are discussed as a special challenge to the international marketer.

International countertrade, or trade linked to anything other than money, is increasing in importance on the back of a lack of hard currency, greater indebtedness, the desire for new market expansions and increased bilateralism. Companies confronted with countertrade demands should not automatically shy away from such business transactions. However, in preparing for such transactions, corporations must be aware of the dangers inherent in countertrade, specifically that two separate business activities need to be planned and carried out simultaneously.

Suggestions for teaching

Instructors may find it resourceful to invite guest speakers to communicate some of this chapter’s key objectives. Guest speakers may be in a position to share case histories, which are typically the most
confidentially-held information in a company. Case histories are the best way to bring life to what students generally perceive as the most boring element of the marketing mix. For example, an export manager can discuss setting a product's price using a framework such as the one in Figure 12.1. The same concern applies when discussing pricing-related documentation. A bank representative can explain the various documents involved in getting paid for exports as well as how banks can assist international marketers. By examining the actual documents (as provided in Figure 12.4), students gain a better understanding of the issues that may arise when filling them out.

The second part of the chapter outlines the basics of transfer pricing, which students may be interested in discussing as an ethical issue. For example, consider that the Australian Taxation Office investigated Toyota for shifting profits. The issue of pricing coordination can be raised in the context of economic integration and the parallel importation phenomenon. Similarly, the emerging issue of common currencies, especially the Euro, present a number of new discussion opportunities.

A good way to relate the subject of countertrade to students is by beginning a discussion about domestic barter. Many students will be able to contribute examples from their own lives; as young children, many of them likely bartered – or traded – with their peers due to a lack of money. From there, the discussion can turn to more marketing-related issues and gradually introduce the notion of inefficiency that often relates to large transaction volumes. It is important for students to understand that the matching of needs suddenly becomes much more complex, involving more marketing activities and greater expenses. As a result, the cost of countertrade transactions is higher than the cost of transactions that do not include countertrade. At the same time, it is useful to focus on the quite limited financial resources of many companies and countries and have students consider the questions of whether some trade is better than no trade at all. Given that many companies and nations increasingly depend on trade, students will usually prefer the option of some trade.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

*Why cotton is getting more expensive?*

Video URL:

Concept: The video shows an increase in the cotton price in the post-recession period

Clip Description: A CNN report that shows some of the reasons why the price of cotton increased in the past few months. It shows some basic principles behind the price dynamics of cotton (it is mostly a matter of supply and demand). The price dropped in the last couple of years due to the recession and now, as the economy recovers, demand is increasing. In addition to the increase in demand, supply also decreased due to bad weather affecting cotton crops in some important cotton exporting countries.

Key outcome/points to consider: This video will show some basic principles behind price dynamics: supply and demand, and the importance of these variables in the price of commodities. This video can lead to discussions about the price dynamics behind commodities (such as cotton) and the external factors that lead to the increase or decrease in their prices.

PowerPoint slide reference: 3-5

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Same products, cheaper prices


Concept: Prices of Chinese products in the biggest retail outlet of Chinese products outside of China

Clip Description: CNN reporter, Stan Grant, shows how China is able to provide similar products at a much cheaper price.

Key outcome/points to consider: The main goal of this video is to discuss the reasons why China is able to provide similar products at a much cheaper price than other countries. Additionally, there are several other factors in pricing that can be discussed in this video. First, how the price of Chinese products that don’t carry a well-known brand can affect more famous brands such as Blackberry. Secondly, the issue of how much longer China will be able to keep this price/cost advantage.
**PowerPoint slide reference: 7-8**

### Strong dollar hurting local tourism

**Video URL:** [http://www.abc.net.au/reslib/201010/r656109_4657167.asx](http://www.abc.net.au/reslib/201010/r656109_4657167.asx)

**Concept:** Strong Australian dollar causes losses to the tourism industry in Australia

**Clip Description:** An ABC news video that shows how the Australian tourism industry is suffering from exchange rate fluctuations, because international tourists are finding it more expensive to come to Australia.

**Key outcome/points to consider:** This video shows how fluctuations in the domestic exchange rates have an effect on prices for international consumers. Because of the strong Australian dollar, tourism companies are likely to have to adopt different pricing strategies in order to attract international tourists. Additionally, after discussing how the strong Australian dollar affects the tourism industry, students can also discuss how international businesses are exposed to foreign exchange fluctuations and what can be done to minimise the foreign exchange risk.

**PowerPoint slide reference: 24-26**

### EU reportedly will launch China steel probe

**Video URL:** [http://www.cnbc.com/id/15840232/?video=604549489&play=1](http://www.cnbc.com/id/15840232/?video=604549489&play=1)

**Most relevant Minutes:** 00:00-1:33

**Concept:** European Union to launch an anti-dumping investigation on China in 2007

**Clip Description:** In December of 2007, the EU launched an anti-dumping investigation on Chinese steel. This video shows some of the reasons behind this dispute. It is important to notice that a lot of China’s raw material exports are under investigation by the WTO and several steel products are under high taxes due to anti-dumping justifications, which at certain cases are an excuse for protectionism.

**Key outcome/points to consider:** This video will expose students to the anti-dumping investigation. It is important for students to consider, after watching this video, what the consequences of this investigation could be and the true reasons behind it. Additionally, it is a good tool to start a discussion on the types of dumping and their definitions.
Critical Issues

1. International countertrade can be used to evade international obligations and domestic laws and regulations. What are the characteristics of countertrade which enable it to be used in that way?

   - There is a lack of transparency in countertrade contracts.
   - Some developed countries have admitted it to be the ideal way of hiding subsidies.
   - Hides infractions of anti-dumping laws.
   - Some goods can be underpriced on countertrade, which generates lower import taxes.
   - Violates the spirit of GATT because the act of FTOs in countertrading can be viewed as contractual acts as opposed to laws, and therefore outside the scope of the GATT.
   - Additionally, international obligations and domestic laws signatories might claim that the countertrade requirements are necessary to protect domestic goods from “unforeseen developments or because they are necessary to protect foreign currency reserves and balance of payments. Thus, they escape from the GATT.
   - Also, rules may be relaxed so that new industries in developing countries can be encouraged.

Source:

2. Iron ore and concentrates rank as Australia’s second largest exports, totalling A$29.9 billion in 2009. Using Austrade data available from www.dfat.gov.au, chart and trends in export of this commodity over the last 10 years. Compare the trend with prices for iron in that period and fluctuations in the Australian dollar. Are there other factors which account for the trend?

Students should be able to find a relation between the price of iron ore and the supply and demand.

Other factors: change in sea freight charges; lack of high quality Chinese iron ore; and weather (influences the efficiency with which raw materials can be mined). Students can identify some additional factors.

Questions for discussion

1. What are the implications of price escalation for Australian and New Zealand exporters?

Price escalation is the effect of both clear-cut and hidden costs on the final export price that raises it beyond the domestic price. The implications of this phenomenon include the following:

- The exporter must examine the entire marketing mix to analyse whether any elements of the mix should be changed for the exported good due to the increased price. A price increase usually leads to a repositioning of the product in the consumer's mind. Therefore, a higher level of promotion and/or a change in distribution channels may be required to achieve the desired brand image.

- Unless the marketing mix is adjusted to match the characteristics of the target market, the price increase may lead to decreased consumer demand. In addition, the marketer may lose his competitive position in the foreign market since the price of the exported good far exceeds the cost of the good domestically.

- One of the major implications is the reaction of the intermediaries. Unless they can pass on the price increase to the consumers, they will be left with a lower margin. As a result, intermediaries may resort to distributing competing goods and end distribution of the product in question.

- Any price escalation must meet company policies in terms of profit maximisation, market share, return on investment and competitive policies.

- Price escalation complicates the process of setting price quotations in terms of planning for hidden costs.

- Australian and New Zealand exporters have several options in dealing with the problem of price escalation, including:
Reorganise the channel distribution and thereby shortening the channel and adapting the product.

− Reformulate the product by including less expensive ingredients or unbundling costly features.
− Changing freight and/or duty classifications.
− Assembling product overseas.

2 Argue for the use of more inclusive shipping terms from the marketing point of view.

Inclusive terms, such as the ‘C’-terms and ’D’-terms (Incoterms 2000), are customer-orientated. They relieve the buyer of the burden of making the arrangements and possibly also reduce costs considerably. Furthermore, inclusive terms allow the exporter to control the quality of the product throughout the shipping process.

In practice this means the following:

1 Exporters can offer foreign buyers an easy-to-understand ‘delivered cost’ for the deal, and the buyer's bill will include the price of goods and transport.

2 By getting discounts on volume purchases of transport, exporters can cut shipping costs and offer lower overall prices to buyers.

3 Control of product quality and service is extended to transport, enabling the exporter to ensure that goods arrive to the buyer on time and in good condition.

4 Administrative hassle for both the exporter and the buyer are reduced because:
   − The exporter transports through a small group of carriers rather than through dozens of carriers chosen by foreign buyers.
   − Buyers can arrange delivery at the same time they purchase the product.

3 Suggest different importer reactions to a price offer and how you, as an exporter, could respond to them.

The following scenarios can present different ways in which an importer may react to a price offer and how an exporter may respond:
Pricing in international markets


<table>
<thead>
<tr>
<th>Importer’s reaction</th>
<th>Exporter’s reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Initial quote too high; a substantially lower price is required.</td>
<td>Ask buyer what is meant by too high and on what basis they are asking for a lower price. Stress the product’s quality and benefits before discussing price.</td>
</tr>
<tr>
<td>2 Better offers have been received.</td>
<td>Request more details on such offers and ask about the seriousness of such offers. Convince buyer of superiority of your offer.</td>
</tr>
<tr>
<td>3 Counter-offer is required; discounted price is expected.</td>
<td>Avoid making better offer without something in return; be specific.</td>
</tr>
<tr>
<td>4 This is my last offer.</td>
<td>Avoid accepting such an offer immediately; find out details (e.g. quantities, responsibilities, etc.).</td>
</tr>
<tr>
<td>5 The product is acceptable, but the price is too high.</td>
<td>Discuss details of costing; promote product and service benefits.</td>
</tr>
<tr>
<td>6 The initial price quoted is acceptable.</td>
<td>Find out why! Recalculate costing, check competition and only accept a trial order.</td>
</tr>
</tbody>
</table>

4 The standard worldwide base price is most likely looked upon by management as full-cost pricing, including an allowance for manufacturing overhead, general overhead and selling expenses. What factors are overlooked?

Equating the standard worldwide base price as full-cost pricing is a conservative approach that overlooks several factors. For instance, pricing based on incremental costs allows for some sales that would be lost if a company insisted on recovering the full unit cost. Mark-up under the full-cost pricing approach is based on total investment and does not consider the price changes of cost components.
The market approach also offers firms advantages. By not taking it, a firm ignores the price requirements necessary to meet the demand of competition, the regulatory requirements of the host government, expected cost increases and other eventualities. The full-cost approach also overlooks corporate objectives on return, demand and market factors; market structure and competition; and environmental constraints.

Full-cost pricing has other disadvantages as well. It is often based on distorted measurements of cost appraisal and involves a circular form of reasoning because prices influence cost through their effect on sales volume.

5 Which elements of pricing can be standardised?

The price may be standardised in the following situations:

- The firm's competitive position is the same in each of its markets.
- The firm operates in a monopolistic or oligopolistic situation.
- The consumers are homogeneous, as is often the case for consumers who are the first to try the product.
- Channels of distribution are uniform.
- Corporate objectives are uniform across all markets

In general, only relative price can be standardised which makes pricing an important element in the positioning decision for the product.
Chapter 13

International marketing communications

Chapter outline

• The marketing communications process
• Marketing communications strategy
• Communications tools
  o Business/trade journals and directories
  o Direct marketing
  o Internet
  o Trade shows and missions
  o Personal selling
    ▪ Indirect exports
    ▪ Direct exports
    ▪ Integrated exports
• Promotion in international markets
• Planning promotional campaigns
  o The target audience
  o Campaign objectives
  o The budget
  o Media strategy
    ▪ Media availability
    ▪ Product influences
    ▪ Audience characteristics
    ▪ Global media
  o The promotional message
  o The campaign approach
    ▪ Outside services
  o Measurement of advertising effectiveness
• Other promotional elements
  o Personal selling
  o Sales promotion
  o Public relations
    ▪ Internal public relations
    ▪ External public relations
Chapter objectives

The first part of the chapter focuses on the problems of establishing a 'commonness' between the buyer and the seller in the international market place. The issues discussed include:

- The basics of the (international marketing) communications process.
- The conduct of negotiations abroad.
- The principles and elements of (international) marketing communications strategy.
- The tools used to interact with facilitating agencies and customers.

The second part of the chapter builds on these basics and outlines the elements to be managed in promotional efforts in terms of environmental constraints and opportunities.

Within mass promotion, the first issue discussed is media strategy in terms of the media vehicles selected and the development of the media schedule. These in turn are influenced by media availability in the markets chosen by the international marketer, the product itself and its fit with the media as well as the intended audience's media habits. Secondly, the promotional message conveyed is analysed. Although a standard worldwide message may seem ideal, it often needs to be adjusted to work with the target market's culture, lifestyles, and economic development. For a strategy to work, it needs to have a solid organisation's support and a control mechanism to measure the extent to which intended results are achieved. Organisationally, decisions have to be made in terms of the degree of outside services and the division of tasks and authority between the headquarters and subsidiaries.

The other elements of promotion – personal selling, sales promotion and publicity – are outlined in terms of their role in a multinational marketing program. While personal selling and sales promotion are usually conducted locally with some coordination from headquarters, internal and external public relations require substantial input from headquarters. The chapter also discusses the technical side of measuring advertising effectiveness in foreign markets that differ from domestic markets.
Suggestions for teaching

This chapter continues the discussion on culture from Chapter 5 that focused on the communications problems caused by geographic and cultural separation. It may be worthwhile to begin this chapter with a refresher of these topics. It is a good idea to show adverts of the same brand in different companies (e.g. McDonald’s Japan and McDonald’s Australia) and ask what cultural aspects contribute to the differences in these ads.

Additionally, if the classroom has Internet access, go to the Cannes Lion International Advertising Festival website (http://www.canneslions.com). The website streams videos of previous winners from all over the globe. Have students analyse the various ads; divide them into small groups and ask them to study the composition of the advertisement in marketing terms (e.g. Who is the product targeting? How is this done?). Students will find this a highly engaging exercise, as many of them consider advertising as the most exciting component of marketing. Additionally, a potential topic for presentations is comparing ads in a particular product category or from the same company across different cultures.

If students’ have a solid understanding of tools used in domestic marketing, concentrate on tools that tend to have a more prominent role in international marketing (e.g. trade fairs). Introduce students to the concept using the “At the fair” case study in the text book (The international marketplace 13.1). This case study can be used to explore the benefits of trade fairs and develop links between such events and the challenges of promoting the businesses within this environment (e.g. publicity, personal selling).

This chapter is the ideal place to introduce discussion and projects related to the Internet. Use corporate websites, such as Dell Computer (http://www.dell.com/) or Microsoft (http://www.microsoft.com/), to explore how companies use the Internet. Dell’s site links to its different international sites while Microsoft provides a wealth of information under the same website (though local links are available). The class can discuss the benefits and disadvantages of both options.

In addition, online marketing tools such as Google Adwords can be discussed in more details. Ask students how an international marketer can benefit from Google Adwords. There is a very good probability that at least one student in the class will be good at e-marketing and very enthusiastic to share the benefits of online marketing tools.
In general, it is also useful to remind marketing students' of the importance of other elements of the promotion mix. In particular, these elements relate to the role of international marketers in the communities in which they operate. More marketers are realising that they should devote substantial attention to community relations. The extent of this action can be debated.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

**Suggested links to online video material**

**Old spice ad campaign goes viral**


Concept: The internet as a powerful communication tool and viral marketing

Clip Description: This CNN report shows the “Old Spice” internet campaign that generated a huge repercussion on the internet due to viral marketing. This campaign is named within the industry as an outstanding media success due to its originality by responding to people immediately.

Key outcome/points to consider: This video shows some of the possibilities that the internet provides to companies and how social media can be used to generate a successful communication strategy. It is important to understand the importance of a company to be able to use social media properly. As most students are very familiar with social media, some other examples of viral marketing will probably be mentioned after this video is played.

PowerPoint slide reference: 15

**China Sourcing Fairs**

Video URL: [http://www.youtube.com/watch?v=_zFQdZSYO-Y](http://www.youtube.com/watch?v=_zFQdZSYO-Y)

Concept: Trade shows as a powerful communication tool for industrial goods

Clip Description: China Sourcing Fair Electronics & Components – a trade show with modern electronics and components technology designed for importers,
volume buyers or purchasing managers in the electronics and components industry.

**Key outcome/points to consider:** This video is a resource that will provide students with an example of a trade show. It will expose them to some of the benefits to suppliers and buyers participating in this type of event.

**PowerPoint slide reference:** 17-18

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**Nike soccer write the future**

**Video URL:** [http://www.youtube.com/watch?v=jcWwTLMGttE](http://www.youtube.com/watch?v=jcWwTLMGttE)

**NOTE:** This video is protected, and requires a personal YouTube login and password for access.

**Concept:** Global promotional campaign

**Clip Description:** Nike advertising with international soccer stars, released worldwide before the world cup as part of the “Write your future” campaign.

**Key outcome/points to consider:** Since quite a lot of students in the class will be familiar with Nike advertising, this is a good resource to start a discussion about a brand that sends the same message across the globe. Students can be asked to apply the seven steps of planning an international campaign to the “Write your future” campaign. Additionally, students can discuss soccer as being a global sport that speaks a unique “language”.

**PowerPoint slide reference:** 26-37

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**World Cup cashes in on sponsorship**

**Video URL:** [http://www.youtube.com/watch?v=Wz-Orx3Q9pE](http://www.youtube.com/watch?v=Wz-Orx3Q9pE)

**Concept:** Sponsorship of the 2010 World Cup

**Clip Description:** An Al Jazeera resource that shows the battle and money involved in becoming one of the official sponsors of the soccer world cup, which is one of the most popular events on the planet.

**Key outcome/points to consider:** This video will expose students to the main type of event that attracts sponsorship around the world: sports. Students will be interested in this video since sport is a topic that tends to get people’s attention, thus it can be used to discuss the benefits it can bring to an organisation/brand, on the budget necessary to do so.

**PowerPoint slide reference:** 47
Critical Issues

1. Tradeshows are considered a very effective means of marketing communications. Do you agree that this is the case? You can use the CeBIT website to provide the rationale for your question.

   - Students’ answers might vary. Nevertheless, there should be an agreement that tradeshows can be effective in certain industries/types of product.
   - Pages 506-8 provide a series of arguments in favour and against the effectiveness of trade shows to exporters.
   - Students should be able to identify some of these pros and cons in the CeBIT website.
   - It can be argued that efficiency of tradeshows is highly related to the type of relationship the exporter wants to develop in a particular market.

2. Using Youtube find three advertisements from a car company of your choice. Would the three advertisements you found be suitable to show worldwide? Explain why or why not with particular reference to the countries where you feel the advertisement would not work.

   Below are some of the reasons that might be pointed out by students as the main reasons why the advertisement would not work in other markets.

   - Media availability.
   - Legal restrictions related to the content of the advertisement.
   - Different audience characteristics, e.g. low x high context audience.
   - Different product positioning.
   - Different way of evaluating the product.
   - In conclusion, differences in culture, economic development and lifestyles.

Questions for discussion
The expense of sponsoring a major global event like the World Cup or Olympics is huge, given the problem of ambush marketing. What would you advise a potential major sponsor to do?

Sport is by far the biggest beneficiary of corporate sponsorship support, mainly because sport is associated with excellence, leadership and performance. The expense of sponsorship of such global events as the World Cup or Olympics can cost organisations millions of dollars. For instance, Figure 1 shows the main sponsor of the 2010 and how much more they paid to be in this position.

![World Cup 2010 Sponsors](http://www.bme.eu.com/news/sponsorship-of-the-2010-world-cup/)

The global reach of such campaigns is incomparable to any other event. The World Cup and Olympics both attract around 2 billion viewers from...
around the world. For a global brand, such coverage does not come often. However, the downside of this type of advertising is the difficulty in achieving neutrality (i.e. ensuring a global brand does not promote a particular nation on a global scale). Failure to do so could garner unfavourable views from consumers in other countries. It is also important to keep in mind that there are many businesses competing for space at this time, including those using ambush marketing. This means that some messages may become lost in the clutter of advertising.

The key to success in global event advertising such as the World Cup lies in pre- and post-event marketing communications, such as the sponsorship of local events or a follow-up event focusing on a favourite sportsman or special moments from the event. This reinforces the sponsorship around the event and increases association between the event and the brand. To target ambush marketing, sponsors should work with event organisers to have tighter legal control over ambush marketing.

2 Comment on the opinion that ‘practically speaking, neither an entirely standardised nor an entirely localised advertising approach is necessarily best’.

This is probably one of the oldest and most debated issues in all of international marketing: standardisation versus localisation. In this case it is in the promotion context. Standardisation’s advantages come from economic benefits and efficiency that results from narrowing the communication to the fewest possible versions without jeopardising the message being received properly. Good ideas are not commonplace and should be exploited to the full whenever possible. On the other hand, local competition and environmental conditions (i.e. culture, economic conditions and lifestyles) call for adjustments in the approach. Furthermore, the localisation approach gives the local managers the incentive to perform. However, they may be reinventing the wheel.

Globalisation has tried to cut through this controversy with headquarters providing guidelines to the subsidiaries on a campaign’s basics (e.g. the message intent). For example, Microsoft uses a mixed localised and standardised approach to global campaigns. For their home and business products, the slogan – ‘Your Potential. Our Passion.’ – is standardised. However, the text and voiceover in the advertisements are localised. This ensures that a global company such as Microsoft does not
alienate local markets but, at the same time, promotes the same message in its campaigns.
While Nike “write your future” 2010 world Cup campaign can be a good example of a globalised campaign as it was the same all over the world, as there are no dialogs in the advert, not even the language had to be adapted. The only small adjustment that had to be made is the translation of the slogan “write your future” that appears in the last few seconds of the advert into the local language.

3 What type of adjustments must advertising agencies make as more companies want ‘one sight, one sound, one sell’ campaigns?

Clients seeking such campaigns (e.g. Nike – write your future) are looking for two important criteria: coverage and quality. The mega-agency trend, started for the most part by the Saatchi brothers in the mid-1980s, is partly a result of globalisation and international competition. Global agencies often have local branches in many countries; often, these branches were acquired by or merged with global agencies. Large agencies are also forming working relationships to varying degrees with local agencies that are familiar with a market’s idiosyncrasies and ‘hot buttons’. For an example, see Figure 13.8, which shows localised ads from a global Marriott campaign.

4 Discuss problems associated with measuring advertising effectiveness in foreign markets.

The Australian market is unique in that campaigns can be tested with media isolation. In other places, like Europe, the effects of spill over are substantial. Consider that in Luxembourg consumers often watch national networks stations as well as channels from Germany, the Netherlands, Belgium and France. Given these challenges, international marketers use innovative approaches to testing that use certain markets as approximations of others. For example, the Belgian market is sometimes used to estimate the effects in other Western European countries.

International marketers may also take advantage of services such as A.C. Nielsen, which has internationalised its own operations. However, compared to markets like Australia, New Zealand, the US or those in
Western Europe, many markets lack testing services, making the process more expensive.

5 Some exporters report that they value above all the broad exposure afforded through exhibiting at a trade show, regardless of whether they are able to sell directly at the event. Comment on this philosophy.

Trade shows have been marketing practice since 1240 in Europe. They are a great means for manufacturers, distributors and other vendors to display products to a large, selective audience. There are approximately 16,000 trade shows per year globally, generating over $50 billion in revenue. They are a great way for exporters looking to establish themselves in a country to introduce their products to the market and network with local businesses. Exporters may find intermediaries in the market and have an opportunity to demonstrate their product against competition. Attending trade shows also puts a human face on a new product, which may make consumers more likely to try it. Trade shows are also an excellent place to collect marketing research data.

The disadvantage of trade shows – particularly when marketers are unable to sell to potential consumers – is that they may seem highly unprofitable from the perspective of a financial controller. The cost may not be directly justified with any sales. This means that exporters need to implement methods of evaluating the usefulness of trade shows. This way, later sales can be linked to a past trade show appearance.
Chapter 14

International marketing strategy, planning, implementation and control

Chapter outline

- The strategic planning process
- Assessment and adjustment of core strategy
  - Market and competitive analysis
  - Internal analysis
- Formulation of global marketing strategy
  - Choice of competitive strategy
  - Country-market choice
  - Segmentation
- Development of the global marketing program
  - Product offering
  - Marketing approach
  - Location of value-added activities
  - Competitive moves
- Strategic implementation
  - Organisational structure for strategy implementation
  - Organisational designs
    - Little or no formal organisation
    - The international division
    - Global organisational structures
    - Evolution of organisational structures
  - Control
    - Types of controls
    - Exercising control
Chapter objectives

This chapter identifies and discusses the formulation of international strategies in marketing. It explores the different approaches of developing global marketing programs. The chapter explains the role of the organisation in the international context. When initiating their internationalisation efforts, many firms have primarily or exclusively domestic operations. However, as the importance of international operations grows, an international division may be established. Global organisations typically continue to evolve out of competitive necessity. These organisations may be formed along different dimensions, such as product, area, customer, function or process. Matrix structures cut across enormous organisational complexities in order to promote cooperation among business units and to achieve synergistic effects. To further organisational unity and the encouragement of local initiative, many multinationals have developed networked global organisations.

Organisational control is important for management in order to integrate the various functions performed by different entities. Its purpose is to reduce uncertainty, increase predictability and ensure that behaviour is compatible between different parts of the organisation. Controls can either be bureaucratic (i.e. based on limited and explicit set of regulations and rules) or cultural (i.e. based on shared beliefs and expectations). Output controls measure corporate performance based on established benchmarks while behavioural controls focus more on the human dimension. Australian firms tend to focus more on bureaucratic and output controls while others focus more on cultural and behavioural controls. This difference is a function of different views of personnel, turnover rates and priorities.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

Suggestions for teaching

A good way of starting this chapter is by asking students to read the Costco case study (page 582), which will allow the instructor to start the class by discussing the standardisation x adaptation strategy. It would be interesting to ask half of the class to defend that Costco should adapt an
standardisation strategy and the other half should defend an adaptation strategy. Additionally, encourage students to consider the advantages and disadvantages of concentration versus diversification marketing strategies (see Table 14.1). Once again, use articles collected from business publications to find examples for both methods of globalisation.

Use the case study on Procter & Gamble (The international marketplace 14.1) to examine such organisational structures. By comparing the organisational structures of firms with different emphases (e.g. consumer versus industrial, firms with operations in a few countries versus those with global operations), students can gain an appreciation for the complexities of organisational issues. Also, Figure 14.6, 14.7 and 14.8 can be used to differentiate types of global organisational structures. Ask students to provide an example, other than the one that is in the textbook, of organisations that use each type of organisational structure.

It is also useful to remind students that people tend to concentrate on familiar tasks. Therefore, there may be subtle discrimination against foreign activities because work in that area requires constant alertness and education. It is necessary for management to emphasise the importance of international activities through organisational structure and control.

Additionally, students should discuss the various types of controls available to an organisation. Remind students of the fallibility of benchmarks alone so that they develop a better appreciation of the need for cultural and behavioural controls. Highlight this fact by asking student to think about control issues in their own environments; they will realise that most control occurs informally.

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.

Suggested links to online video material

CEO on Etihad strategy

Video URL:
Most relevant Minutes: 00:00-2:55

Concept: Etihad growth strategy in the Gulf

Clip Description: CEO of Etihad Airways talks to CNN about the company’s growth strategy in the Gulf and all the opportunities that he sees in this market.

Key outcome/points to consider: This video can be linked to the “Assessment and adjustment of core strategy” section in the book, since some of the main questions a company needs to ask when selecting its strategy are highlighted in the video. Consequently, students can probably assess part of Etihad’s strategy based on the information provided in this video.

PowerPoint slide reference: 4

PayPal CEO explains company strategy in China

Video URL: http://www.youtube.com/watch?v=57eppP5FgsQ

Concept: PayPal’s strategy in China

Clip Description: CEO of PayPal, Scott Thompson, talks about the PayPal strategy in China. It provides a good insight to the PayPal business model in China and how PayPal can contribute to China’s small businesses and contribute to China’s cross-border trade.

Key outcome/points to consider: Students will understand how the Chinese market is important for PayPal’s global strategy and the reasons why PayPal is interested in this particular market. Moreover, it will be highlighted what differentiates PayPal from its competitors. Thus, after watching this video, it should be discussed PayPal’s type of strategy and country-market factors that were taken into consideration when choosing to expand its operations to China.

PowerPoint slide reference: 10

Working at Google Bangalore, India

Video URL: http://www.youtube.com/watch?v=aJVQUkuN4EQ

Concept: Google employee talks about the company’s organisational design

Clip Description: This video shows Google’s organisational structure and design that allows engineers to work on all stages of products, and how that makes for a more satisfying work experience.

Key outcome/points to consider: The main point of this video is to show how important it is for a company to have an organisational structure that is in
accordance with its strategy. As most of the students will be aware, Google is a company that relies heavily on innovation in order to be successful globally. Thus, an organisational structure that allows space for creativity is crucial. Finally, students should be able to recognise the type of organisational structure that is adopted by Google based on this video, which is a project matrix structure.

**PowerPoint slide reference:** 18-20

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**Culture at Nestlé Purina PetCare company**

**Video URL:** [http://www.youtube.com/watch?v=BMWLoWB0t3Y](http://www.youtube.com/watch?v=BMWLoWB0t3Y)

**Concept:** Nestlé Purina PetCare’s organisational culture

**Clip Description:** This video shows why Nestlé Purina PetCare’s organisational culture plays an important role in achieving the company’s main goals. Additionally, it highlights the importance of a company to have a shared, common vision and shared values as a form of control.

**Key outcome/points to consider:** The main outcome that can be expected from this video is to expose students of the importance of an organisational culture. Companies should have a shared set of values and global vision in order to have a certain consistency. As it is shown in the video, one of the most effective instruments of cultural control is the careful sectioning and training of corporate personnel. Thus, after watching this video, students should be able to recognise some instruments used to maintain an organisational culture and the reasons why it is important. Additionally, they should understand that even though the organisational culture should be the same around the globe, some adaptations to the local culture are required.

**PowerPoint slide reference:** 27

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**Critical Issues**

1. Outline the basic reasons why a company does not have necessarily have to be large and have years of experience to succeed in the global marketplace. To support your answer find examples of small companies in your country that have succeeded in some ways overseas.

- A good starting point to this question is Panorama 14, page 551.
• Internet companies are the most famous type of organisation that do not have to be large or experienced to succeed in the global market place, e.g. Facebook.

• Additionally, students can find several websites that provide information on why small companies can succeed in the global market place. Some government websites provide a list of services that assists a small company when entering an international market.

2 Choose a company operating in the Asia Pacific region and analyse its organisational structure. Information to support your answer will be easily accessed in various company websites.

• Students should identify the type of structure among the options in Chapter 5.

• Students should consider the reason why the company decided for this particular organisational structure.

• Additionally, they should analyse the current structure and evaluate if it is in accordance with its strategy and its level of international development.

Questions for discussion

1 Why is the assessment of internal resources critical as early as possible in developing a global strategic marketing plan?

When the initial planning for global marketing strategy occurs, it is important to consider the plan’s implications on the firm’s internal dimensions, especially with regard to the resources required. These resources are not only measured in financial terms but in terms of human resources as well. According to a survey in International Business magazine, companies find it extremely difficult to locate and recruit marketing managers who think globally. Also, global strategy assessments may reveal that a strategic business unit is not capable of executing and achieving the necessary tasks. For example, after assessing internal resources in the early 1990s, Nokia decided to focus on mobile phones and sold its other product lines, including personal computers and toilet tissue.

2 Firms differ, often substantially, in their organisational structures even within the same industry. What accounts for these differences in their approaches?
The structure that an organisation chooses to adopt depends on a series of factors. Industry is one of them, but it is not the only one. There are a series of other factors that need to be taken into consideration when deciding which structure to adopt. Some of these factors are:

- Organisational objectives/philosophy/mission.
- Manufacturing facilities: companies that have a centralised manufacturing may prefer a product structure. If the manufacturing of the products is decentralised an area structure would be more recommendable.
- Degree of adaptation necessary of the product.
- Level of international development.
- Different customer groups.
- Size of the business.

3 What changes in the firm and/or in the environment might cause a firm to abandon the functional approach?

The functional approach is the most simple from an administrative perspective and most effective for companies with limited product lines (usually smaller companies) because it maximises the use of available resources. However, the functional approach has some disadvantages. Delays may occur in obtaining quick decisions or actions due to the firm’s separate functional entities. Also, bottlenecks may result from sequential task performance, and conflicts over product priorities may occur as well. The functional approach may become inefficient because these disadvantages become more apparent as a firm grows – by either increasing its product line, obtaining more diverse customers, or expanding geographically. Additionally, this type of structure may generate conflicts between departments with different goals and create managers whose scope is relatively low. Other factors that may cause a firm to restructure are competitive pressures and changes in the general environment. The company may need to react to competition or environmental changes more quickly than the functional approach allows.

4 One of the most efficient means of control is self-control. What type of program would you prepare for an incoming employee?

A program for an incoming employee should focus on the interaction between employees. The goals of communicating corporate values can only be achieved by focusing on intra-corporate communication and
socialisation. The informal side could include weekly happy hours, barbecues, beach trips, sports activities or similar activities within company standards. In developing social programs, care should be taken to ensure that activities are culturally appropriate. Additionally, formal elements, such as seminars and official training, are important ingredients that should be employed. Rotation by job and by location may also be used.

One such program is the following seven-step program of socialisation:

- Candidates are subjected to a rigorous selection process.
- New employees are subjected to experiences calculated to induce humility and to question prior behaviour, beliefs and values.
- Companies send the recruits into the trenches to master one of the disciplines at the core of the company's business.
- At every stage of a person's career, the company measures the individual's achieved operating results and rewards them accordingly.
- All along the way, the company promotes adherence to its transcendent values.
- The company emphasises its history and certain events that reaffirm the importance of the firm's culture.
- The company supplies promising individuals with role models.
Chapter 15

The future of international marketing

Chapter outline

• The international marketing environment
  o The political environment
    ▪ Planned versus market economies – is the state withering away?
    ▪ The north-south relationship
  o The international financial environment
  o Population patterns
  o The technological environment

• The trade framework

• Governmental policy

• The future of international marketing management
  o International planning and research
  o Product, product development and production policy
  o International communications
  o Distribution and logistics strategies
  o International pricing
  o What’s in store for international marketing? A cautious look into the future

Chapter objectives

This final chapter wraps up the content of the book by highlighting some global changes that will affect international marketers. First, the chapter starts by providing an understanding of this financial crisis and the current recovery period. In this context, the global impact of emerging economies in Asia, such as China and India, is discussed, as are the current and future roles of established economies, like the US.

Additionally, this chapter highlights some changes in the political, economical, financial, social and technological environment. These
changes are applied to the Australasia context and a certain focus is given to the world’s most important players such as China and United States.

The last part of the chapter highlights how these changes are going to affect the international planning and research, products, international communications, distribution and logistics, and international pricing. In conclusion, international marketing is full of changes and this is what makes it so fascinating, thus the international marketer needs to be constantly informed and ready to take a proactive response toward these changes.

Suggestions for teaching

By the time this chapter is discussed, students are already beginning to look forward to their activities after the end of the semester. Therefore, it is useful to focus on how suddenly things can change and how great the impact of such changes can be. Use examples to which students can relate, such as the world after 11 September 2001, Global Financial Crisis, climate change and the importance of the invention of the wheel.

At this stage of the course, many students are very excited about international marketing. To give students some perspective on global business, introduce them to entrepreneurs who have gone global. The international marketplace 15.1 case study showcases three significant global entrepreneurs. A good way to end the class is ask students to predict the future of the global market. Questions to consider include:

- Which countries will become global market leaders and in which industries?
- How will Australia and New Zealand cope with the evolving Asian markets?
- How will Australia and New Zealand be affected by the changes in the marketing environment?
- What Australian and New Zealand industries will be benefited from these changes? What industries will suffer because of these changes?
- What are your greatest concerns regarding the future?

Encourage students to access ‘Search Me! Marketing online database’ to find more information that can assist them in answering the questions for discussion.
Suggested links to online video material

Power in emerging markets

Video URL: http://video.forbes.com/fvn/inj/power-in-emerging-markets

Concept: Jerome Booth talks about the shift in power from developed countries to emerging economies.

Clip Description: CEO of Forbes interviews Jerome Booth, Head of Research at Ashmore Investment Management, regarding the rising importance of developing countries in today’s economy. For instance, after the credit crunch, Brazilian and other Latin American banks gained market share in the Latin American market, which used to be dominated by US banks.

Key outcome/points to consider: This video will expose students to the new dynamics that can be expected in the future economically and politically due to the rise of emerging economies. Thus, this is the moment for the class to give their own insights of what can be expected in the future due to the rise of countries such as China and the US no longer being on the in the spotlight.

PowerPoint slide reference: 6-8

Professor Hans Rosling on ageing Europe

Video URL: http://www.youtube.com/watch?v=QHCt6PmSs0k&feature=related

Concept: Europe’s ageing population

Clip Description: Professor Hans Rosling shows graphically how Europe’s population has gotten older over time. The matrix provided by Hans helps us understand the countries that will have problems due the ageing population based on the fertility rates.

Key outcome/points to consider: This video should bring into consideration the implications of an ageing society. These implications are mostly social and governmental but will also generate implications to marketing.

PowerPoint slide reference: 14-15

The top tech trends in 2009

Concept: A list of top tech trends in 2009

Clip Description: This CNN rank shows the technological trends of 2009. They are ranked by 1) Social media, 2) Video sharing, and 3) Smart phones.

Key outcome/points to consider: It is important to highlight that 2010 was the year of social media. Consequently, this video should make students think about the consequences of the rise in social media to an international marketer. Additionally, the increasing popularity of smart phones is generating a series of opportunities; some of these opportunities can probably be listed by the students. Finally, students can think of what the top technological trends of 2010 were.

PowerPoint slide reference: 17

Simon Upton on the importance of green growth

Video URL: http://www.youtube.com/user/oecden#p/c/9332F14C1F703E1A/0/anW56v6X6mU

Concept: Importance of sustainable green growth

Clip Description: OECD resource that shows the importance of green growth. It highlights the green growth agenda, which is identifying policy tools to catalyse the green growth. Additionally, the green growth should be seen as a means to secure human progress.

Key outcome/points to consider: This video will show how important green growth is in the current world scenario. Students should consider what this green growth will mean to global businesses in the future and how international marketers will have to adapt to this trend.

PowerPoint slide reference: 25

Critical Issues

1 Prediction is a hazardous business. Some years ago it was widely assumed that ICT would render movement from A to B redundant. We would work from home (teleworking), business travel would be replaced by teleconferencing, and international education would transfer to cyberspace. Things haven’t quite worked out that way and international web-based education has not really taken off in the way pioneers envisaged. Andrew Tnason’s article suggests that it has not been as successful as anticipated; do you agree? If
so, why? On the other hand, you may decide that the industry as a whole has performed much as expected, but that U21 Global has underperformed. If so, why? Finally, what do you think are the prospects for online international education over the next ten years?

Online education disadvantages:

- Requirement of more self-discipline and self-motivation than a traditional course/class.
- Lack of interaction with the lecturer and fellow students. Some of the most important learning in university comes from the interaction with other students from a diverse background.
- Some people do not have ready access to the necessary technology.

Online education advantages:

- Convenience and flexibility.
- Accessible from anywhere in the world.
- Advancements in technology.
- Increase in the number of courses available and institutions offering online courses.

Answers to this question might vary. Students might argue in both ways as there is no right or wrong answer. However, they should be able to justify their answers properly. The arguments above are just a few that can be used in their answers.

2 Demographic change, in particular an aging society, is one of the big issues facing international marketing. The age composition has a profound effect on markets because many products are age-specific. It follows that change in that composition will also have an impact, shrinking the markets for some products and increasing it for others. When we look internationally, the situation gets more complicated as societies are aging at different rates. List what you consider the most important age-specific products, not forgetting to include services. Then have a look at the statistics on ageing, and predictions.

Finally, bring the two sets of information together. Consider your country’s top five export markets and analyse the effect their aging will have on exports to them; again, don’t forget services.
Below is a list of products that can be listed as age-specific.

- Public transport due to health issues; the demand for easy access as public sector tends to age.
- Health services.
- Home care, nursing, assisted living.
- Care facilities for the aged.
- House: smaller houses, easier to clean and access. Home adaptations might be necessary.
- Hospitality/entertainment.
- Education/courses for this segment: painting, university degrees, etc.
- Physical activities for the aged.
- Food.
- Others.

Students must analyse the aging trends in the five main export destinations of their home-countries and identify opportunities of services and products in this market. The CIA factbook or UN website might be good sources of statistics on the aging population.

3 Ageing is not the only aspect of demographics which is important to international marketing. Consider, for instance, urbanisation. What is the effect of urbanisation on markets? What product that it promotes growth for? How does it change people’s consumption patterns?

List what you consider the most important urbanisation products, not forgetting to include services. Then have a look at the statistics on urbanisation, and predictions.

Finally, bring the two sets of information together. Consider your country’s top five export markets and analyse the effect their urbanisation will have on exports to them; again, don’t forget services.

Students should analyse the five main export destinations when answering this question. Below are some products and services that tend to have an increase in the demand:

- Food: less time to cook.
- Services: increase the demand for services in general due to a busier life-style, e.g. cleaners, restaurants, etc.
• Education: a more competitive environment, demand for education will grow.
• Public transport: needs to adapt to the increase in demand.
• Clothes: people in urban areas tend to be more concerned with fashion trends.
• City infrastructure.
• Housing: near the urban centres.
• Increase in crime (some countries): security services, products.

Questions for discussion

1 For many developing countries, debt repayment and trade are closely interlinked. What does protectionism mean to them?

In many developing countries, protectionism started first as a way of saving foreign exchange for debt payment, becoming later a strategy for development of the national industry. Trade is the means through which developing countries obtain the foreign currency they need to pay their debts. If countries were to create protectionist measures to close their markets, developing countries would most likely be unable to export the amount of goods necessary to repay loans. However, if debtor nations were to impose protectionist measures to limit the amount they import, they would not only save foreign currency but would also encourage their own markets to develop. Therefore, short-term protectionism in developing countries can benefit local producers. However, protectionism as a development tool tends to create inefficient domestic industries.

Also, such measures may provoke retaliatory restrictions by other countries. Protectionism may also come with the devaluation of the local currency, such as the Chinese currency, which tends to create a surplus in the balance of payments as it benefits exporters.

2 Is international marketing segmentation ethical if it deprives the poor of products?

Answers to this question will vary widely, but this can be the basis for class discussion. The following is one possible answer:

If the poor are unable to afford the offered product, then the argument against international segmentation is invalid because the segmentation is not depriving the poor of anything. However, if international
segmentation deprives the poor of products that they need but cannot afford, then it could be viewed as unethical.

This question is at the heart of the ethical and legal debate over list-priced pharmaceuticals in emerging economies, such as the legal battles between South Africa and the pharmaceutical companies that produce HIV-management drugs. Many people in South Africa as well as other parts of Africa cannot afford retroviral drugs. Therefore, South Africa decided to permit the distribution (and production) of cheaper alternatives to the patented, branded pharmaceuticals, mainly sourced within Africa and India for a fraction of the cost.

3 How do security and environmental concerns change the way international firms do business?

Environmental and social responsibility have been at the centre of discussions as never before. Consumers around the world are concerned with “food miles” and environmental impact. Thus, businesses need to be aware of how this will affect consumers’ choices and adapt towards these new consumer’s concerns. Moreover, this opens a new market for ‘green’ companies and products. Fast growing economies will turn from ‘growth at any costs’ to a more environmentally sustainable growth,

With heightened security, transport has become slower and more expensive. Airports and seaports are heavily policed, and import goods are regularly monitored; this has slowed the process of transferring goods. Security concerns have also led marketers to place increased importance on building relationships with their international partners. Companies, customers and governments have discovered that non-economic issues can play a major role in business.

4 Do you agree that regional trade groupings like the EU and APEC will cause a fundamental change in the movement of goods and services across borders? To what extent does this affect the marketing strategies of MNCs?

These groupings have already affected trade flows by facilitating interaction between group members. This has benefited large organisations, but has hurt firms that thought that they could isolate themselves from globalisation.
MNCs have been affected in that they have a greater reach within a grouping. However, they have been subject to trade conflicts between groupings (e.g. EU and US). For example, the EU pressed charges against Microsoft for breaching trade practices. This action was much more powerful than if any individual nation had taken legal action against Microsoft. Microsoft was fined €497 million and was forced to comply with EU orders.

5 Some people argue that in the next decade a successful corporate marketing strategy must take into account the promotion of public goods (such as contributing to reducing environmental pollution and global warming). Do you agree with this and why?

Easier international communication has led to greater international scrutiny of corporations. Consumers, particularly in wealthier markets, have become more concerned with quality-of-life issues at home and abroad. If they perceive a firm as threatening to quality of life, they may react and retaliate by withholding their consumption power.

This is a good opportunity for students to discuss the relative merits of corporate activities (e.g. wealth creation for shareholders, benefits for stakeholders) and the degree to which the rules of industrialised countries should apply to the developing world. Students can also examine and analyse the actions of corporations that have taken a lead in promotion of public goods (e.g. Westpac, The Body Shop).

6 What do you think are the qualifications needed to successfully locate a good job in international marketing in the next decade?

Companies looking for qualified employees to fill international marketing positions will likely seek people who are sensitive to other cultures, patient, able to adapt to new conditions and capable of resolving conflict. Additionally, relevant professional and personal experience as well as the ability to speak global and important regional languages will likely help potential candidates.