

INTERNATIONAL MARKETING

INTRODUCTION

Teacher

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COURSE DESCRIPTION – AIMS:

The primary objective of this course is to provide an overview of international marketing operations. The business is becoming increasingly more aware of the international marketplace. We will have a look at general examples and frameworks of international marketing through the text, lecture, and discussion. Given the rapid internationalization of business activities, critical understanding of marketing activity at an international level is a requirement for a general management and a marketing career.

This course should

- sensitize students to economic, political, and cultural differences among nations as they affect marketing
- introduce students to the international framework of organizations, laws, and practices that affect marketing
- develop students abilities to gather information, draw conclusions and present the material

LEARNING OUTCOMES:

At the end of the course, students are expected to:

- understand important concepts of international marketing,
- understand the impact of trade environments and socio-cultural environments on the international marketing strategy,
- recognize factors affecting international marketing decisions,
- know how companies can succeed in the competitive international arena.

EVALUATION SCALE

- $90 \leq A \leq 100$ - EXCELLENT – excellent execution only with the two-bit of errors
- $82 \leq B < 89$ - GOOD – in general correct work with the certain amount of errors
- $74 \leq C < 81$ - good
- $64 \leq D < 73$ - SATISFACTORY – not bad, but with the considerable number of errors
- $60 \leq E < 63$ - satisfactory
- $35 \leq FX < 59$ - **UNSATISFACTORY – repeated passing is possible**
- $F < 34$ - **UNACCEPTABLE – expulsion from the University**

TEXTBOOK & REQUIRED MATERIALS:

Available in the library

- **Bearden, W. O.** Marketing : Principles and perspectives / W. O. Bearden. — 1995. — 631.
339.138 in SumSU library
- **Frank, G. Bungham** Business marketing management / G. B. Frank. — 1998. — 632 c.
005:658.8 in SumSU library

Additional Readings:

- **Daniel W. Baack, Eric G. Harris, and Donald Baack** International Marketing - Studet`s site
<http://studysites.uk.sagepub.com/baack/study/resources.htm>
- **Bradley** (2002), *International Marketing Strategy* 4th Edition, London FT Prentice Hall.
- **Muhlbacher, Leih & Dahringer**, (2006) *International Marketing: A Global Perspective* 3rd Edition International Thomson Business

OTHER READINGS

Students are encouraged to use any other resources on International or Global Marketing.

Recommended

- · Journal of International Marketing
- · International Marketing Review
- · Journal of International Business Studies
- · European Journal of Marketing
- · Journal of International Management
- · Journal of Global Marketing



INTERNATIONAL MARKETS AND GLOBALIZATION

TOPIC I



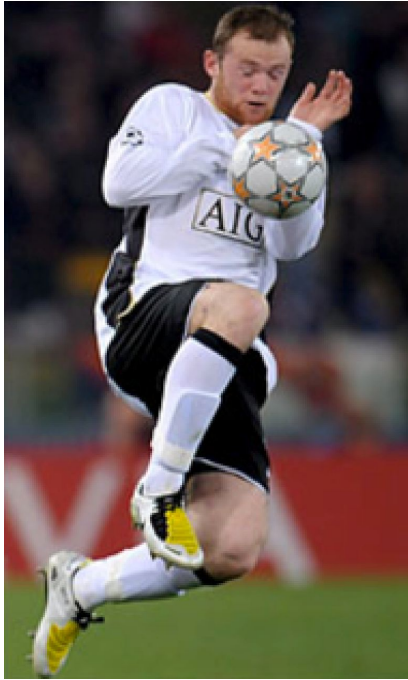
LECTURE KEY POINTS

1. Globalization
2. Worldwide Competition
3. Domestic Marketing
4. International Marketing
5. Global Marketing
6. Why Businesses Enter International Markets
7. International Marketing Strategies

I. GLOBALIZATION

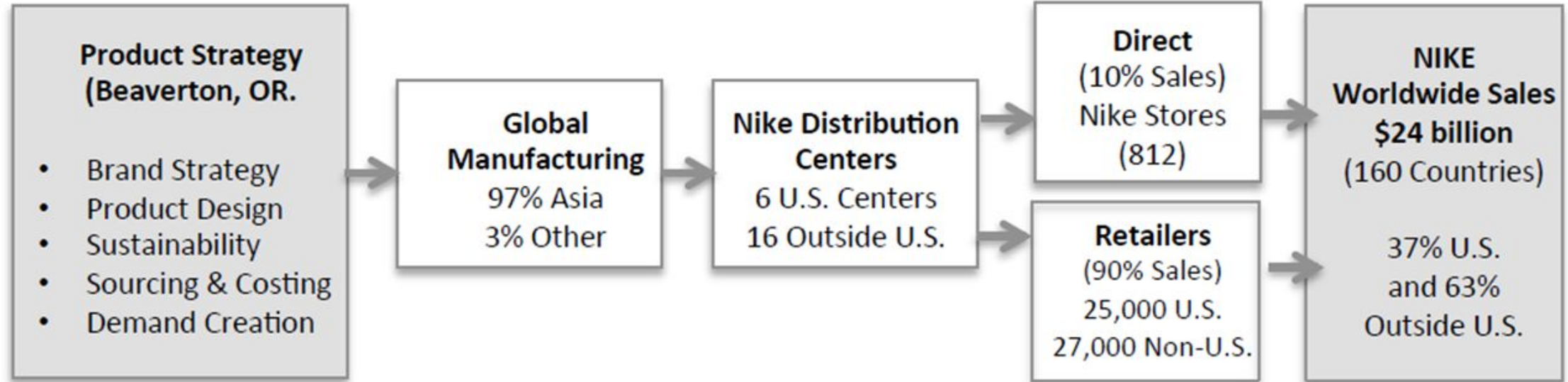


International marketing is an evolutionary process for companies with an appetite for growth and the stomach for risk



- Nike sells 120 million pairs of athletic shoes worldwide each year, representing 31 percent of the worldwide market. Over 60 percent of these sales are in 160 international country markets outside the U.S. This is an amazing feat given the complexity of international markets with respect to differences in consumer needs, language, culture, economies, political environment, government regulations, logistics and retail market infrastructures
- Nike also designs, contract manufactures, distributes and sells sports apparel and equipment.

Figure 1 Nike worldwide marketing system & regional performance



Nike Performance (billions)	North America	Western Europe	Central & East Europe	Greater China	Japan	Emerging Markets
Footwear	\$5.88	\$2.53	\$0.67	\$1.52	\$0.44	\$2.39
Apparel	\$2.48	\$1.38	\$0.44	\$0.89	\$0.32	\$0.82
Equipment	\$0.47	\$0.24	\$0.09	\$0.13	\$0.07	\$0.21
Total Sales	\$8.83	\$4.15	\$1.20	\$2.54	\$0.83	\$3.42
Direct Sales	24.0%	14.2%	0.0%	0.0%	0.0%	5.0%
Indirect Sales	76.0%	85.8%	100.0%	100.0%	100.0%	100.0%
Operating Income	\$2.00	\$0.60	\$0.23	\$0.91	\$0.14	\$0.85
Return on Sales	22.7%	14.5%	19.2%	35.8%	16.9%	24.9%

Other Businesses	Other Sales
Converse	\$1.32
Nike Golf	\$0.73
Cole Haan	\$0.54
Umbro	\$0.25
Hurley	\$0.26
Total Sales	\$3.10
Oper. Income	\$0.34
Return on Sales	11.0%

DEFINITION OF GLOBALIZATION

Globalization has had a significant impact on international marketing. More and more markets have become open to international organizations as the cost and complexity of operating overseas has been reduced by globalization

- Globalization - the development and selling of products or services intended for the global market, but adapted to suit local culture and behavior. (*Think globally, act locally*)

THE BENEFITS OF GLOBALIZATION

- lower cost resources
- decrease in the prices of products
- increase a business's market potential due to continuously improving communications technologies
- globalization has changed the way people shop
- more efficient transportation and distribution systems
- faster and more secure international transactions

Globalization will continue to bring buyers and sellers together into the future. Businesses that are able to operate in a globalized market have the best chance of succeeding with their international marketing strategies.

II. WORLDWIDE COMPETITION



THREE FACTORS A PRODUCT-MARKET MANAGER MIGHT CONSIDER IN THE GLOBAL CAR MARKET:

- (1) *How many cars are on the road worldwide?*
- (2) *How many cars are produced everyday around the world?*
- (3) *How many cars are there in China per 1000 people vs. the U.S. and Europe?*

ANSWERS:

■ (1) *How many cars are on the road worldwide?*

It is estimated that there are over 1 billion passenger cars in the world today (3); Only 19 percent are located in the U.S.

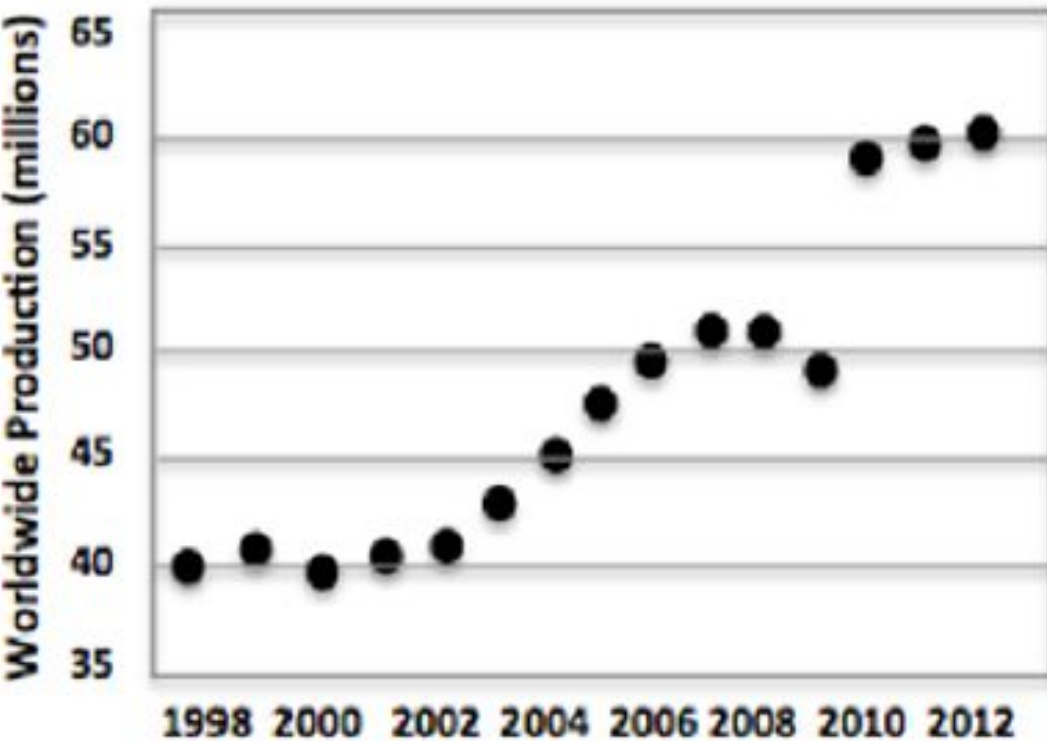
■ (2) *How many cars are produced everyday around the world?*

A car is produced somewhere in the world every second, a total of 86,400 vehicles per day.

■ (3) *How many cars are there in China per 1000 people vs. the U.S. and Europe?*

In China there are about 40 vehicles per 1,000 people, compared with approximately 700 vehicles per 1,000 people in the mature markets like the U.S., Canada, and Western Europe.

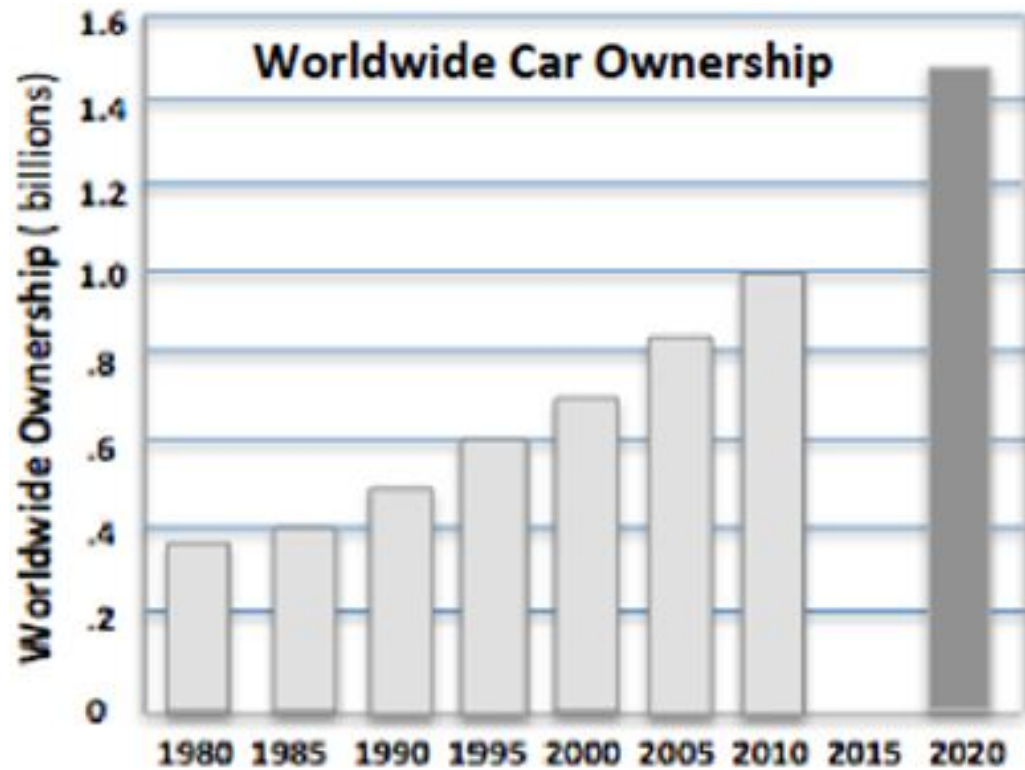
FIGURE 2: WORLDWIDE CAR PRODUCTION



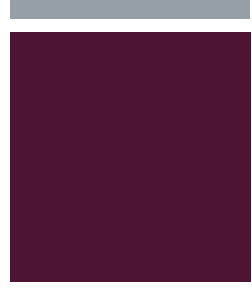
Country	Millions	Percent
China	14.49	24.00%
Japan	7.16	11.90%
Germany	5.87	9.70%
South Korea	4.22	7.00%
India	3.04	5.00%
U.S.A.	2.97	4.90%
Brazil	2.53	4.20%
France	1.93	3.20%
Spain	1.82	3.00%
Russia	1.74	2.90%

Country	Millions	Percent
Mexico	1.66	2.80%
Iran	1.41	2.30%
U.K.	1.34	2.20%
Czech Rep.	1.19	2.00%
Canada	1.00	1.60%
Slovakia	0.64	1.10%
Turkey	0.64	1.10%
Argentina	0.58	1.00%
Indonesia	0.56	0.09%
Beglium	0.56	0.09%

FIGURE 3: OWNERSHIP CREATES GLOBAL COMPETITION



Worldwide Auto-Makers: Anhui, Avtovaz, Beijing, BMW, Brilliance, Byd, Chana, Changhe, Chery, China National, Chrysler, Daewoo, Daihatsu, DaimlerChrysler, Dongfeng, Faw, Fiat, Ford, Fuji, Fujian, Gaz, Geely, General Motors, Great Wall, Guangzhou, Harbin, Hino, Honda, Hyundai, Ij-Avto, Isuzu, Kamaz, Kia, Mahindra & Mahindra, MAN, Mazda, Mitsubishi, Multicar, Nanjing, Navistar, Nissan, Nissan Diesel, Porsche, Proton, PSA, Renault, Saic, Scania, Suzuki, Tata, Toyota, Uaz, Vaz, Volkswagen, and Volvo.



III. DOMESTIC MARKETING



DOMESTIC MARKETING

- Domestic marketing is restricted to the geographical boundaries of a country. A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without consideration of how the product or service could be used in other markets.
- One of the most significant challenges that domestic marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of potential competitors who are market leaders on other continents. These marketers can be considered ethnocentric, as they are most concerned with how they are perceived in their home country.

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- International marketing is the export, franchising, licensing or full direct entry of a marketing organization into another country. This can be achieved by exporting a company's product into another country; entry through franchising or licensing in the target country; or direct investment in a foreign country. The development of the marketing mix for that country requires international marketing. This can be as straightforward as an extension of existing marketing strategies to a total customization of the marketing mix (product, price, place and promotion) for a specific country.

V. GLOBAL MARKETING



DEFINITION OF GLOBAL MARKETING

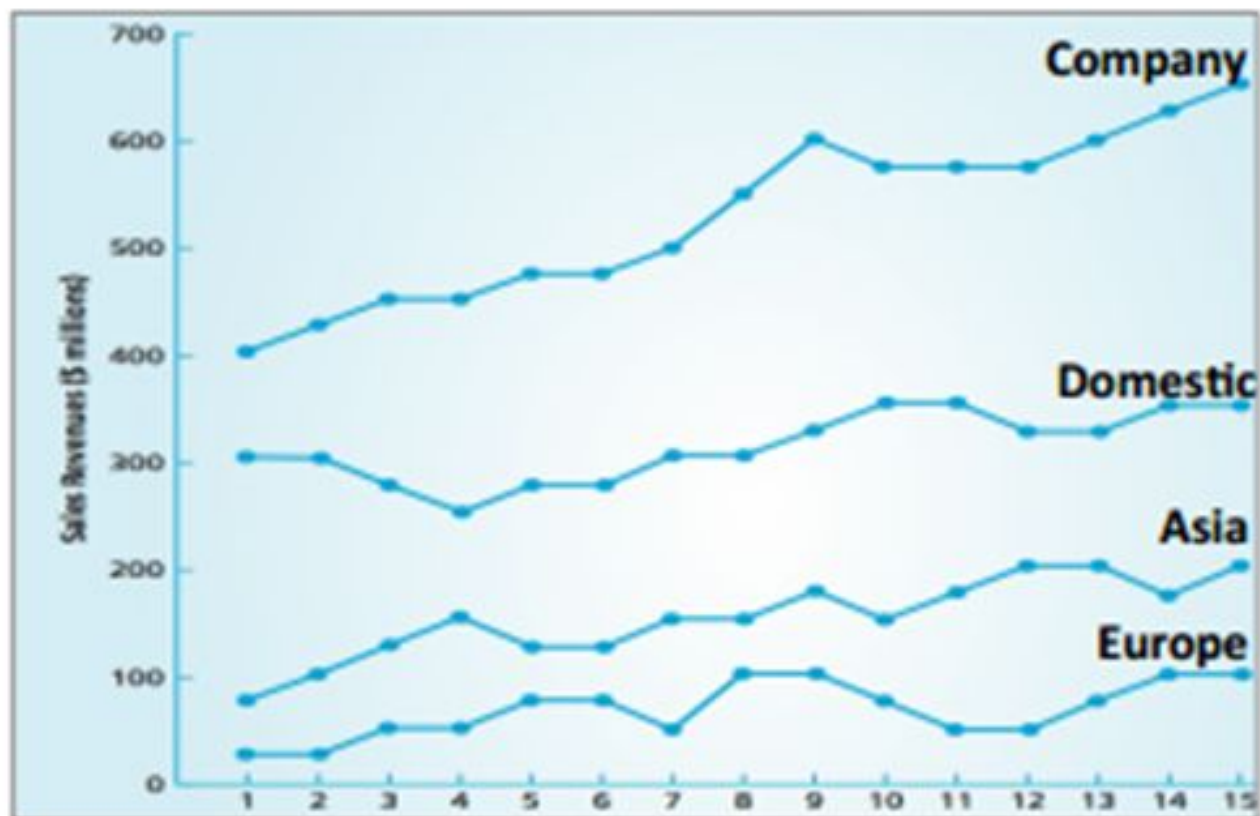
Global marketing is defined as the firm's commitment to coordinate its marketing activities across national boundaries in order to find and satisfy global customer needs better than the competition. This implies that the firm is able to:

- develop a global marketing strategy, based on similarities and differences between markets;
- exploit the knowledge of the headquarters (home organization) through worldwide diffusion (learning) and adaptations;
- transfer knowledge and 'best practices' from any of its markets and use them in other international markets.

WHY BUSINESSES ENTER INTERNATIONAL MARKETS



FIGURE 3: SMOOTHING COMPANY SALES PERFORMANCE AND ENHANCING SALES GROWTH



Served Markets	Sales Variance (*)	Growth Rate
• Domestic	42%	1.0%
• Asia	17%	6.7%
• Europe	57%	1.12%
<hr/>		
Company	6%	3.5%

(*) The unexplained variance relative to the market trend

Reactive Market Entry

- Competitive Pressure & Survival
- Overproduction & Excess Capacity
- Saturated Domestic Market

Proactive Market Entry

- Competitive Advantage
- Sales Profit Growth
- Low Cost Production & Tax Benefits

INTERNATIONAL MARKETING STRATEGIES





Opportunity to Build a Global Brand →

Domestic Marketing Adjacent Country Regional Countries Lead Country Major Region Expand within Major Region Lead Country Other Regions Expand Within Other Regions

None

Breadth of International Marketing
(Number International Countries Served)

Over 100

FIGURE 4: INTERNATIONAL SALES AND COUNTRY BREADTH

Company	Intl. Sales (*)	Countires
H&M	94%	43
Louis Vuitton	89%	66
IKEA	86%	25
Carrefour	85%	33
KFC	73%	120
Hewlett-Packard	65%	170
Nike	63%	162
Apple	63%	14
Groupe Danona	60%	120
McDonald's	44%	123
Starbucks	29%	51

(*) Percent sales outside domestic market



FIGURE 5: INTERNATIONAL MARKETING: COUNTRIES SERVED & RETAIL LOCATIONS

IKEA (25 Countries)

Countries	Locations	Percent
Germany	46	13.6%
USA	38	11.2%
France	29	8.6%
Italy	20	5.9%
United Kingdom	18	5.3%
Sweden	17	5.0%
Spain	15	4.4%
Russia	14	4.1%
Netherlands	12	3.6%
China	11	3.3%
Other	118	34.9%
Total	338	100.0%

Carrefour (33 countries)

Countries	Locations	Percent
France	221	15.2%
China	220	15.2%
Spain	172	11.8%
Brazil	150	10.3%
Poland	84	5.8%
Turkey	73	5.0%
Indonesia	70	4.8%
Taiwan	70	4.8%
Italy	45	3.1%
Belgium	45	3.1%
Other	302	20.8%
Total	1452	100.0%

Wal-Mart (15 countries)

Countries	Wal-Mart	Percent
USA	4237	42.8%
Mexico	2088	21.1%
Central America	662	6.7%
United Kingdom	541	5.5%
Brazil	512	5.2%
China	370	3.7%
Japan	419	4.2%
Africa	347	3.5%
Canada	333	3.4%
Chile	316	3.2%
Other	63	0.6%
Total	9888	100.0%

Costco (7 countries)

Countries	Costco	Percent
USA	450	71.3%
Canada	85	13.5%
Mexico	33	5.2%
United Kingdom	25	4.0%
Japan	17	2.7%
South Korea	9	1.4%
Taiwan	9	1.4%
Australia	3	0.5%
		0.0%
		0.0%
		0.0%
Total	631	100.0%

McDonald's (123 countries)

Countries	Locations	Percent
USA	18590	56.3%
Japan	3598	10.9%
China	1500	4.5%
Brazil	1414	4.3%
Germany	1361	4.1%
United Kingdom	1250	3.8%
France	1200	3.6%
Australia	780	2.4%
Mexico	500	1.5%
Italy	450	1.4%
Other	2357	7.1%
Total	33,000	100.0%

Kentucky Fried Chicken (120)

Countries	Locations	Percent
USA	4780	26.6%
China	4200	23.3%
Japan	1200	6.7%
United Kingdom	800	4.4%
Canada	700	3.9%
South Africa	660	3.7%
Australia	600	3.3%
Malaysia	500	2.8%
Indonesia	420	2.3%
Thailand	400	2.2%
Other	3740	20.8%
Total	18,000	100.0%

Starbucks (over 50 countries)

Countries	Starbuck's	Percent
USA	13729	65.7%
Canada	1324	6.3%
Japan	29	0.1%
China	20	0.1%
United Kingdom	18	0.1%
South Korea	17	0.1%
Mexico	15	0.1%
Taiwan	14	0.1%
Philippines	12	0.1%
Turkey	11	0.1%
Other	5702	27.3%
Total	20891	100.0%

Apple (40 Countries)

Countries	Locations	Percent
USA	253	61.4%
United Kingdom	37	9.0%
Canada	28	6.8%
Australia	20	4.9%
France	16	3.9%
Italy	13	3.2%
Germany	11	2.7%
Spain	10	2.4%
China	8	1.9%
Japan	7	1.7%
Other	9	2.2%
Total	412	100.0%