



**Part Two**  
**The Global Environment**  
**and**  
**Social and Ethical**  
**Responsibilities**

**5**

**Global Markets and**  
**International Marketing**

# Objectives

1. To understand the nature of global markets and international marketing
2. To analyze the environmental forces affecting international marketing efforts
3. To identify several important regional trade alliances, markets, and agreements
4. To examine methods of involvement in international marketing activities
5. To recognize that international marketing strategies fall along a continuum from customization to globalization

# Chapter Outline

- The Nature of International Marketing
- Environmental Forces in International Markets
- Regional Trade Alliances, Markets, and Agreements
- International Involvement
- Customization Versus Globalization of International Marketing Strategies

# The Nature of International Marketing

- International Marketing
  - Developing and performing marketing activities across national boundaries
    - Provides growth opportunities
    - Promotes innovation
    - Fosters marketing of better, less expensive products



# Environmental Forces in International Markets

- Cultural, Social, and Ethical Forces
  - Beliefs and values about:
    - Family
    - Religion
    - Education
    - Health
    - Recreation



**Table 5.1****A Sampling of Cross-Cultural Behavioral Differences**

<b>Country</b>	<b>Behaviors Viewed as Rude or Otherwise Unacceptable</b>
Japan	Talking about price during negotiations
Finland	Standing with your arms folded across your chest
Belgium	Talking with your hands in your pockets
Egypt	Showing the sole of your shoe (as when legs are crossed)
Zambia	Pointing directly at someone or something
France	Chewing gum, yawning, or conversing loudly in public
Hong Kong	Blinking conspicuously during conversation
India	Expressing anger
New Zealand	Using toothpicks or chewing gum in public
England	Pushing your way in front of others standing in a line
Sri Lanka	Touching, leaning on, or sitting on an image of Buddha
Thailand	Stepping on a doorsill when entering a building

*Source:* "Gestures Around the World," Web of Culture, [www.webofculture.com/worldsmart/gestures.html](http://www.webofculture.com/worldsmart/gestures.html), July 5, 2001.

# Environmental Forces in International Markets (cont'd)

- Economic Differences Affecting International Marketing
  - Standards of living
  - Credit
  - Buying power
  - Income distribution
  - National resources
  - Exchange rates



# Environmental Forces in International Markets (cont'd)

- Trade Restrictions Affecting International Marketing
  - Import tariff
    - A duty levied by a nation on goods bought outside its borders and brought in
  - Quota
    - A limit on the amount of goods an importing country will accept for certain product categories in a specific period of time





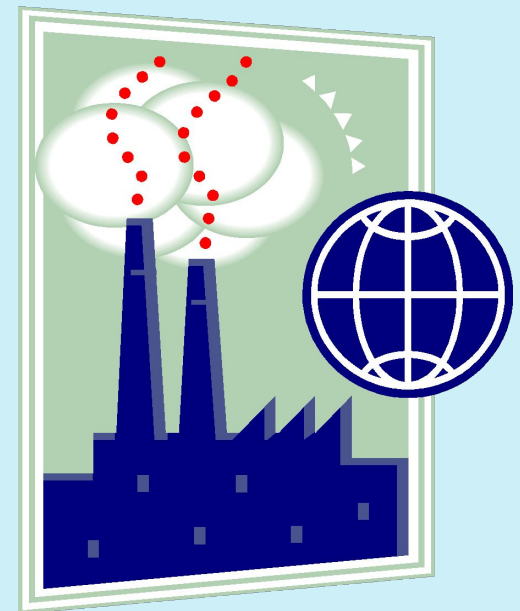
# Environmental Forces in International Markets (cont'd)

- Trade Restrictions Affecting International Marketing (cont'd)
  - Embargo
    - A governmental suspension of trade in a particular product or with a given country
  - Exchange controls
    - Government restrictions on the amount of a particular currency that can be bought or sold



# Environmental Forces in International Markets (cont'd)

- Balance of Trade
  - The difference between the value of a nation's imports and exports
- Gross Domestic Product (GDP)
  - The market value of a nation's total output of goods and services for a given period; an overall measure of economic standing



**Table 5.2****A Comparative Economic Analysis of Canada, Switzerland, and the United States**

	Canada	Switzerland	United States
Land area (sq. mi.)	3,560,219	15,355	3,539,227
Population (millions)	31.59	7.28	278.06
Population density (persons per sq. mi.)	9	474	79
GDP, 2000 (\$ billions)	\$701	\$239	\$9,810
GDP per capita	\$22,783	\$33,326	\$35,619

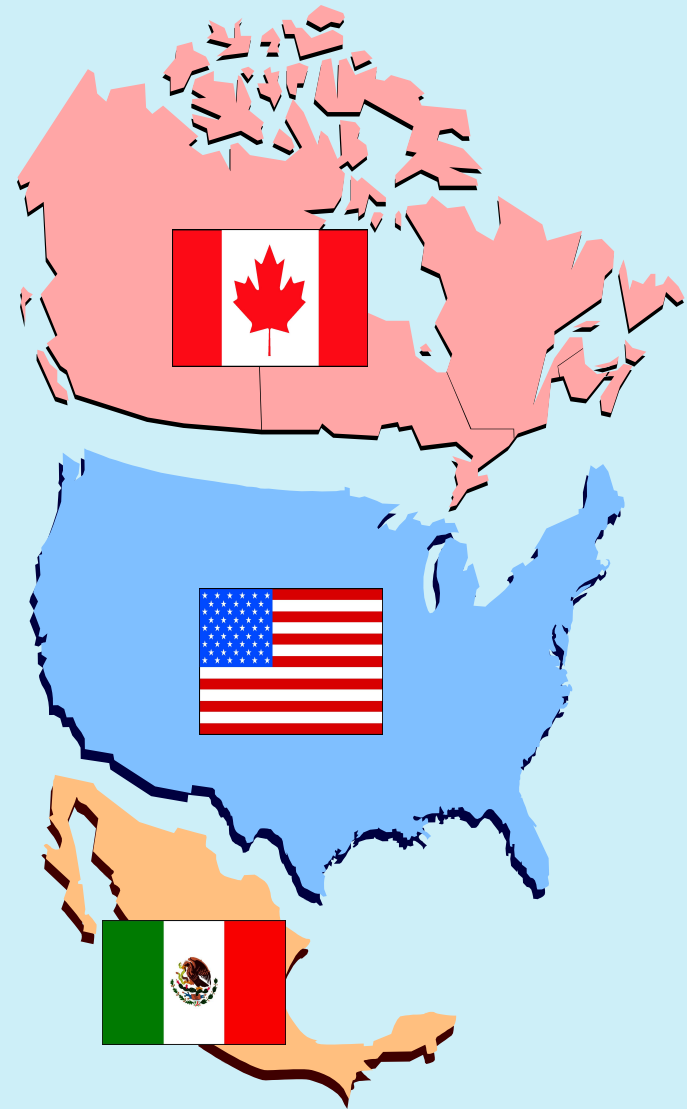
Source: Bureau of the Census, *Statistical Abstract of the United States, 2002* (Washington, DC: Government Printing Office, 2003), pp. 824–826, 834.

# Environmental Forces in International Markets (cont'd)

- Political and Legal Forces
  - Governmental policies, laws, and regulations
  - Import barriers (quotas, port-of-entry taxes)
  - Standards of ethics (payoffs, bribes)
- Technological Forces
  - Telecommunications (e-mail, cell phones, Internet)
  - Extent of technological infrastructure

# Regional Trade Alliances, Markets, and Agreements

- The North American Free Trade Agreement (NAFTA)
  - An alliance that merges Canada, Mexico, and the United States into a single market
    - Eliminates barriers
    - Eases investment
    - Simplifies trade



# Regional Trade Alliances, Markets, and Agreements (cont'd)

- The European Union (EU)
  - An alliance that promotes trade among its member countries in Europe
    - Market unification
    - Common currency (euro)
    - Economic efficiency



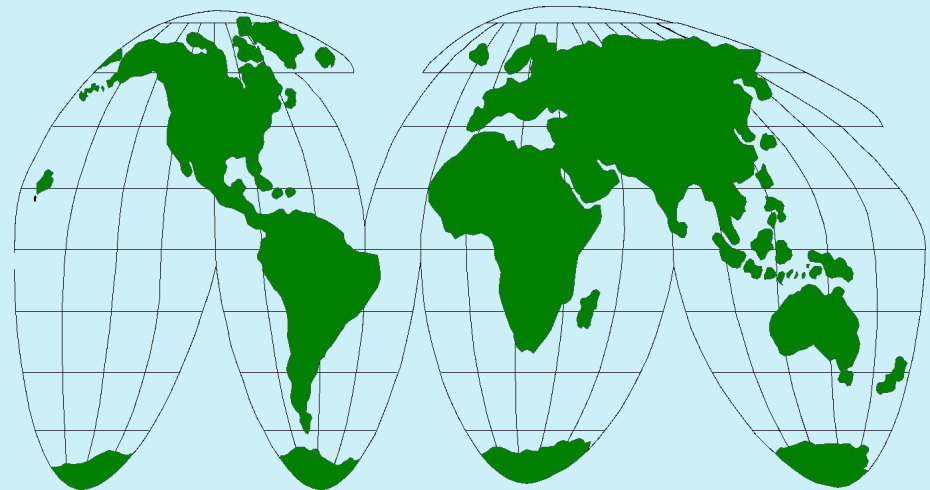
# Regional Trade Alliances, Markets, and Agreements (cont'd)

- The Common Market of the Southern Cone (MERCOSUR)
  - An alliance that promotes the free circulation of goods, services, and production factors, and has a common external tariff and commercial policy among member nations in South America



# Regional Trade Alliances, Markets, and Agreements (cont'd)

- Asia-Pacific Economic Cooperation (APEC)
  - An alliance that promotes open trade and economic and technical cooperation among member nations throughout the world





# Regional Trade Alliances, Markets, and Agreements (cont'd)

- General Agreement on Tariffs and Trade (GATT)
  - An agreement among nations to reduce worldwide tariffs and increase international trade
    - Dumping: selling products at unfairly low prices
- World Trade Organization (WTO)
  - An entity that promotes free trade among member nations
    - Provides legal ground rules for international commerce and trade policy



# Levels of Involvement in Global Marketing



FIGURE 5.1

# International Involvement

- Importing
  - The purchase of products from a foreign source
- Exporting
  - The sale of products to foreign markets
- Trading Companies
  - Link buyers and sellers in different countries
    - Not involved in actual manufacture of products
    - Market and take title to goods to facilitate overseas exchange trading



# International Involvement (cont'd)

- Licensing
  - An alternative to direct investment requiring the licensee to pay commissions or royalties on sales or supplies used in manufacturing
- Franchising
  - A form of licensing in which the franchiser grants the franchisee the right to market its product in accordance with the franchiser's standards



**Table 5.3****The Ten Largest Global Franchisers**

<b>Rank</b>	<b>Company</b>
1	Subway
2	Curves
3	McDonald's
4	GNC Franchising
5	Jani-King
6	Baskin-Robbins USA
7	Taco Bell Corp.
8	The UPS Store
9	Quizno's Franchise
10	Burger King

*Source:* "Top 10 Global Franchises for 2003," *Entrepreneur*,  
[www.entrepreneur.com/franzone/listings/topglobal/0,5835,,00.html](http://www.entrepreneur.com/franzone/listings/topglobal/0,5835,,00.html)  
(accessed Nov. 3, 2003).

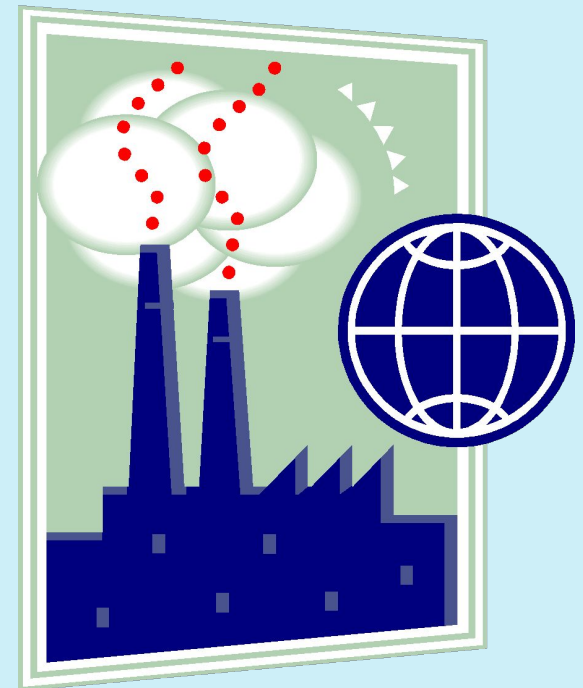
# International Involvement (cont'd)

- Contract Manufacturing
  - Hiring a foreign firm to produce a designated volume of product to specification
- Joint Ventures
  - A partnership between a domestic firm and a foreign firm or government
  - Strategic alliance
    - A partnership formed to create a competitive advantage on a worldwide basis



# International Involvement (cont'd)

- Direct Ownership
  - A situation in which a company owns subsidiaries or other facilities overseas
- Multinational Enterprise
  - A firm that has operations or subsidiaries in many countries



**Table 5.4****The Ten Largest Global Corporations**

<b>Rank</b>	<b>Company</b>	<b>Country</b>	<b>Industry</b>	<b>Revenues (in millions)</b>
1	Wal-Mart Stores	U.S.	General merchandiser	\$246,525
2	General Motors	U.S.	Motor vehicles	\$186,763
3	Exxon Mobil	U.S.	Petroleum refining	\$182,466
4	Royal Dutch/Shell Group	Netherlands/Britain	Petroleum refining	\$179,431
5	BP	Britain	Petroleum refining	\$178,721
6	Ford Motor	U.S.	Motor vehicles	\$163,871
7	DaimlerChrysler	Germany	Motor vehicles	\$141,421
8	Toyota Motor	Japan	Motor vehicles	\$131,754
9	General Electric	U.S.	Diversified financials	\$131,698
10	Mitsubishi	Japan	Trading	\$109,386

Source: "Global 500: The World's Largest Corporations," *Fortune*, July 15, 2003, p. 106.



# Customization Versus Globalization of International Marketing Strategies

- Customization
  - Adjusting marketing mixes according to cultural, regional, and national differences
- Globalization
  - The development of marketing strategies that treat the entire world (or its major regions) as a single entity
    - Includes standardization of products, promotion campaigns, prices, and distribution channels
    - “Think globally, act locally”

# Customization Versus Globalization of International Marketing Strategies (cont'd)

- Effect of a Firm Having a Global Presence
  - Provides global competitive opportunities for creating value through
    - adapting to local market differences
    - exploiting economies of global scale and scope.
    - acquiring optimal locations for activities and resources.
    - maximizing the transfer of knowledge across locations.



## After reviewing this chapter you should:

- Understand the nature of global markets and international marketing.
- Be able to analyze the environmental forces affecting international marketing efforts.
- Be able to identify several important regional trade alliances, markets, and agreements.
- Be able to discuss methods of involvement in international marketing activities.
- Recognize that international marketing strategies fall along a continuum from customization to globalization.