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Chapter Nineteen

The Global Marketplace

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The Global Marketplace

Topic Outline

- Global Marketing Today
- Looking at the Global Marketing Environment
- Deciding Whether to Go Global
- Deciding Which Markets to Enter
- Deciding How to Enter the Market
- Deciding on the Global Marketing Program
- Deciding on the Global Marketing Organization



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Global Marketing Today

A global firm

- Operates in more than one country
- Gains marketing, production, R&D, and financial advantages not available to purely domestic competitors
- The global firm sees the world as one market



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Global Marketing Today

Global firms ask a number of basic questions:

- What market position should we try to establish in our own country, in our economic region, and globally?
- Who will our global competitors be, and what are their strategies and resources?
- Where should we produce or source our product?
- What strategic alliances should we form with other firms around the world?



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Looking at the Global Marketing Environment

The International Trade System

Restrictions on trade between nations include:

- Tariffs
- Quotas
- Exchange controls
- Nontariff trade barriers



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Looking at the Global Marketing Environment

The International Trade System

Tariffs are taxes on certain imported products designed to raise revenue or to protect domestic firms

Quotas are limits on the amount of foreign imports a country will accept in certain product categories to conserve on foreign exchange and protect domestic industry and employment



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Looking at the Global Marketing Environment

The International Trade System

Exchange controls are a limit on the amount of foreign exchange and the exchange rate against other currencies

Nontariff trade barriers are biases against bids or restrictive product standards that go against American product features



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Looking at the Global Marketing Environment

The International Trade System The World Trade Organization and GATT

General Agreement on Tariffs and Trade (GATT):

- A 61-year-old treaty
- Designed to promote world trade
- Reduces tariffs and other international trade barriers



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Looking at the Global Marketing Environment

The International Trade System The World Trade Organization and GATT

World Trade Organization

- Enforces GATT rules
- Mediates disputes
- Imposes trade sanctions



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Looking at the Global Marketing Environment

The International Trade System Regional Free Trade Zones

- Economic communities are free trade zones
- European Union (EU)
- North American Free Trade Agreement (NAFTA)
- Central American Free Trade Association (CAFTA)



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Looking at the Global Marketing Environment

Economic Environment



Economic factors reflect a country's attractiveness as a market:

- Industrial structure
- Income distribution



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Looking at the Global Marketing Environment

Economic Environment Industrial Structure

- Subsistence economies
- Raw material exporting economies
- Industrializing economies
- Industrial economies



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Looking at the Global Marketing Environment

Economic Environment Income Distribution

- Low-income households
- Middle-income households
- High-income households



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Looking at the Global Marketing Environment

Political-Legal Environment

- Country's attitude toward international buying
- Government bureaucracy
- Political stability
- Monetary regulations



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Looking at the Global Marketing Environment

Cultural Environment Impact of Culture on Marketing Strategy

- Business norms
- Cultural preferences, traditions, behaviors



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Looking at the Global Marketing Environment

Cultural Environment Impact of Marketing Strategy on Cultures

The need to adapt to local cultural values and traditions rather than imposing their own



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Deciding Whether to Go Global

Factors to consider

- Can the company understand the consumers?
- Can it offer competitively attractive products?
- Will it be able to adapt to local culture?
- Can they deal with foreign nationals?
- Do the company's managers have the experience?
- Has management considered regulation and political environment of other countries?



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Deciding Which Markets to Enter

- Define international marketing objectives and policies
- Foreign sales volume
- How many countries to market to
- Types of countries to market to based on:
 - Geography
 - Income and population
 - Political climate



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Deciding Which Markets to Enter

Rank potential global markets based on:

- Market size
- Market growth
- Cost of doing business
- Competitive advantage
- Risk level



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Deciding How to Enter the Market



Amount of commitment, risk, control, and profit potential



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Deciding How to Enter the Market

Exporting is when the company produces its goods in the home country and sells them in a foreign market. It is the simplest means involving the least change in the company's product lines, organization, investments, or mission.

- Indirect exporting
- Direct exporting



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Deciding How to Enter the Market

Joint venturing is when a firm joins with foreign companies to produce or market products or services

- Licensing
- Contract manufacturing
- Management contracting
- Joint ownership

Joint venturing differs from exporting in that the company joins with a host country partner to sell or market abroad



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Deciding How to Enter the Market

Joint Venturing



Licensing is when a firm enters into an agreement with a licensee in a foreign market. For a fee or royalty, the licensee buys the right to use the company's process, trademark, patent, trade secret, or other item of value.

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Deciding How to Enter the Market

Joint Venturing

Contract manufacturing is when a firm contracts with manufacturers in the foreign market to produce its product or provide its service. Benefits include faster startup, less risk, and the opportunity to form a partnership or to buy out the local manufacturer.



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Deciding How to Enter the Market

Joint Venturing

Management contracting is when the domestic firm supplies management skill to a foreign company that supplies capital. The domestic firm is exporting management services rather than products.



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Deciding How to Enter the Market

Joint Venturing

Joint ownership is when one company joins forces with foreign investors to create a local business in which they share joint ownership and control. Joint ownership is sometimes required for economic or political reasons.



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Deciding How to Enter the Market

Direct investment is the development of foreign-based assembly or manufacturing facilities and offers a number of advantages including

- Labor
- Lower costs
- Logistics
- Raw material
- Control
- Government incentives



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Deciding on the Global Marketing Program

Standardized marketing mix involves selling the same products and using the same marketing approaches worldwide

Adapted marketing mix involves adjusting the marketing mix elements in each target market, bearing more costs but hoping for a larger market share and ROI



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Deciding on the Global Marketing Program

Product

Straight product extension means marketing a product in a foreign market without any change

Product adaptation involves changing the product to meet local conditions or wants

Product invention consists of creating something new for a specific country market

- Maintain or reintroduce earlier products
- Create new products



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Deciding on the Global Marketing Program

Product

		Product		
		Don't change product	Adapt product	Develop new product
Communications	Don't change communications	Straight extension	Product adaptation	Product invention
	Adapt communications	Communication adaptation	Dual adaptation	



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Deciding on the Global Marketing Program

Promotion

- Companies can either adopt the same communication strategy they use at home or change it for each market



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Deciding on the Global Marketing Program

Price

Uniform pricing is the same price in all markets but does not consider income or wealth where the price may be too high in some or not high enough in other markets

Standard markup pricing is a price based on a percentage of cost but can cause problems in countries with high costs



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Deciding on the Global Marketing Program

Distribution Channels Whole-Channel View

Seller's headquarters organization

supervises the channel and is also a part of the channel

Channels between nations move the products to the borders of the foreign nations

Channels within nations move the products from their foreign point of entry to the final customers



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Deciding on the Global Marketing Organization

Typical management of international marketing activities include:

- Establishing an exporting department with a sales manager and staff
- Creating an international division organized by geography, products, or operating units
- Becoming a complete global organization



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