i3L Indonesia International Institute for Life Sciences

International Marketing

iSB i3L SCHOOL OF BUSINESS

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EXECUTIVE SUMMARY

In challenging economic times, international marketers are pivotal in guiding societies to make informed decisions, with their role becoming increasingly vital for economic growth. Nations focus on domestic issues but cannot ignore the global impact of their actions, as protectionism and policy changes can have worldwide repercussions.

The principles of marketing are evolving, and international marketers are at the forefront, advocating for interdependent economies and the benefits of competition and consumer choice. Despite its importance, international marketing faces scrutiny for its historical focus on sales over societal impact, leading to the development of “curative marketing” to address past wrongs. As data becomes more prevalent, the discipline must balance quantification with the social science aspect of marketing, emphasizing human interaction and cultural understanding.

The growing interest in international marketing, reflected in academic enrolment and governmental attention, underscores its significance as an economic catalyst. This module equips the students with the knowledge to excel in the international market by explaining global market dynamics, and how to apply this understanding to business. It is addressing the needs of firms at different stages of global involvement, the role of government relation, and marketing mix to enhance strategic and operational grasp of international marketing for successful global engagement.

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MODULE INTRODUCTION

Module Description

The module is designed to introduce students to the marketing practices of companies pursuing market opportunities beyond their home country and to emphasize the need to see marketing management strategies from a global perspective. Students will learn to plan successfully for the international marketing of consumer and business demands and wants. Particular attention will be given to international trade's cultural and environmental dimensions and the integration of marketing and cultural roles.

Module objectives

After finishing this module, students will have the capability to:

01 Understand the importance and knowing the basic international marketing concepts, theories, principles, and terminology in this globalized world.

02 Understand the way culture, economy, laws, and politics affect international marketing activities.

03 Identify global customers through market research and then present the overall strategic options as a market entry and expansion framework.

04 Identify the appropriate type of organizational structures for international operations

05 Ability to develop a global marketing strategy by applying the basic concepts of product, pricing, promotion, and channel distribution in an international setting

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Gillespie, K., & K Scott Swan. (2021). Global marketing. Routledge.

MODULE CONTENT

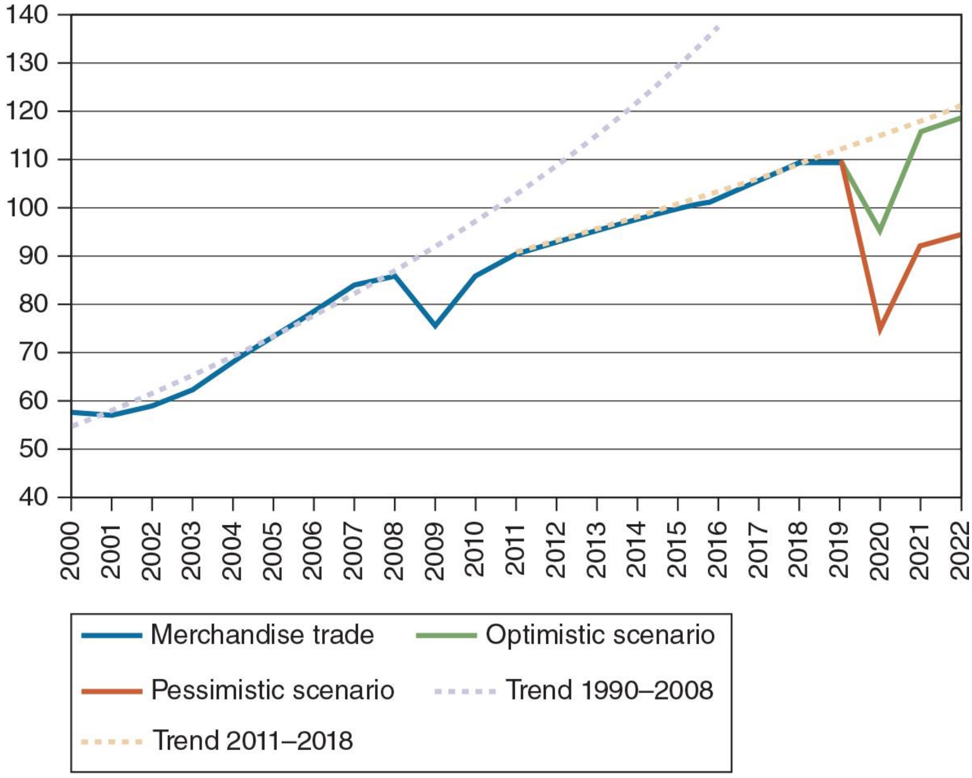
Chapter 1. Introduction to International Marketing

International marketing involves activities that create, communicate, and exchange valuable offerings globally. It includes various forms like trade, licensing, and partnerships. While it shares core principles with domestic marketing, it also faces unique challenges such as different laws, cultures, and societal expectations. Its role extends to driving societal change and fostering responsible business practices. Challenges in emerging markets like China and Russia exemplify the complexities of adapting marketing strategies to different economic and social contexts. The focus is not only on immediate transactions but also on their long-term societal effects.

International marketing is not just about transactions; it's about considering the broader impact on society and all stakeholders involved. It's a dynamic field that requires understanding and adapting to constant changes. Success in this area blends the art of creativity with the science of strategy, considering various factors such as customer location, market boundaries, risks, necessary adjustments, competition, innovation, and strategic options. The goal is to integrate these considerations into decision-making, leading to growth and an improved quality of life beyond domestic confines.

World trade has become essential, significantly affecting countries, companies, and people. Over the past decade, it expanded by 140%, enduring through tough economic times. The end of the Iron Curtain and emerging economies brought billions of new consumers, opening up prospects and difficulties. Modern technology and worldwide sourcing have changed how businesses work, blurring the lines of product origins. Groups like the EU, NAFTA, MERCOSUR, and ASEAN influence trade, and now businesses and people face a globally competitive environment filled with both opportunities and challenges.

Figure 1 Volume of world merchandise trade



SOURCE: WTO Secretariat, www.wto.org/english/news_e/pres11_e/pr628_e.htm.

Global trade has tightly interconnected the world, affecting countries, institutions, and individuals. The rise of the internet has transformed traditional industries, allowing for global reach and new customer bases. With high levels of global investment, nations and firms are increasingly interdependent, yet this relationship is constantly shifting, requiring adaptation to new trade dynamics and technological advancements.

Global economic integration has made it challenging for countries to separate domestic policies from international influences. Decisions once confined to national borders are now impacted by global market dynamics. Currency flows, driven by trade and independent financial movements, now dictate exchange rates and trade levels, often eluding government control. Technological advancements and communication have further reduced the effectiveness of traditional policy tools. While global trade has brought prosperity, it has also introduced vulnerabilities and reduced national sovereignty, prompting policymakers to seek balance through trade regulations within the framework of international agreements like the WTO. Industries must adjust to international competition to avoid obsolescence and maintain relevance.

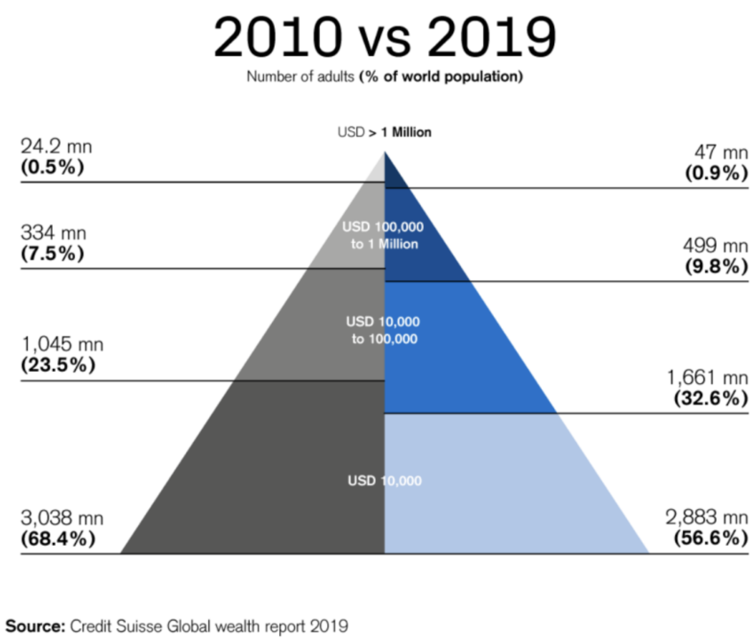
Chapter 2. Global Marketing Environment

2.1. Economic Environment.

Economic variables related to market characteristics—such as: population, income, consumption patterns, infrastructure, geography, and attitudes toward foreign involvement—serve as a starting point for assessing market potential in international marketing. While readily available, economic data should be complemented with other interpretive information, especially considering long-term planning. These indicators provide a snapshot of the past, but their relevance extends to future development.

Population data must be categorized meaningfully for effective marketing. Future market entry strategies should consider population projections, like the growth in developing countries and stagnation in Northern Europe. Marketers can find opportunities even in low-growth areas, especially among consumers aged 25 to 45. Governments' efforts to influence population trends will shape market divisions. Companies must adapt to the purchasing power and government involvement in developing markets. Demographics, household size, and urbanization rates are crucial for tailoring marketing strategies, with industrialized countries offering unique opportunities for products catering to older populations. Understanding local definitions and data sources is essential for accurate market analysis.

Figure 2.1. World Adult Population



Source: Kate Whiting "Five Surprising Facts about Global Wealth, World Economic Forum, October 23,2019, https://www.weforum.org/agenda/2019/10/wealth-household-economie.

Income, more than population, indicates market potential for most goods. Markets need people with purchasing power, determined by income, prices, savings, and credit.
Per capita GDP is a common but imperfect measure of purchasing power, varying widely between countries. Income distribution affects market segmentation, with developed economies tending towards a middle-class majority. Marketers must consider income levels, urbanization, and purchasing power parity (PPP) for accurate market analysis, especially as financial measures may not fully capture the standard of living in developing economies.

Consumption patterns are influenced by the sophistication of a country's data collection systems. The proportion of income spent on necessities indicates a market's development level and disposable income. Engel's laws suggest that with increased income, spending on food decreases, housing remains constant, and discretionary spending rises. Clothing expenditures are lower in poorer countries due to homemade or low-cost local production. Eastern Europeans spend more on food but less on housing. Non-essential consumption areas like household goods, leisure, and transportation are susceptible to market confidence fluctuations.

Market uniformity shouldn't be assumed in large markets like Brazil, China, India, and the U.S. In China, there's a disparity between urban and rural spending, with urban consumers spending more on food and entertainment. Government investments aim to bridge regional income gaps. Product saturation data can indicate market potential, but low diffusion rates require caution as they may signal market opportunities or barriers due to low income or lack of product acceptance.

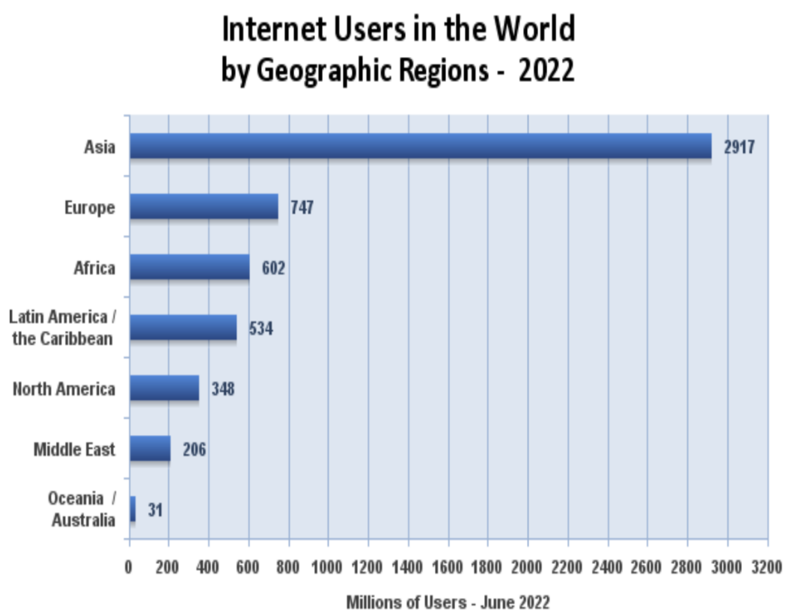
General consumption data must be interpreted carefully due to differences in product forms, such as smaller appliances in Asian and European households compared to the U.S. The proliferation of devices will continue, with smartphones becoming primary computing devices in regions like Africa. Inflation poses challenges for international marketers, affecting purchasing power and introducing uncertainty. Marketers may need to adapt products, promotions, and distribution strategies in high-inflation markets, and government price controls can impact profitability and future investments.

The quality and availability of **infrastructure** are crucial for international marketing operations. Marketers depend on local services for transportation, communication, and energy, as well as organizations that support marketing functions like communications, distribution, information, and financing. Industrialization indicators such as steel, cement, and electricity production can predict market potential for industrial goods and services. For instance, per capita energy consumption may indicate electrical market potential if distribution is even. However, affordability and compatibility with marketed products are essential.

Infrastructure development has significantly boosted agricultural output in Asia and Latin America. For example, the Philippines allocated 5% of agricultural funds to rural electrification, highlighting the importance of basic infrastructure like roads for transporting agricultural products. In Africa, the absence of infrastructure limits access to markets and new technologies for farmers.

Transportation networks (land, rail, waterway, air) are vital for distribution. Communication infrastructure, including telephones, computers, media, and wireless technology, is equally important. The rapid increase in mobile subscriptions and Internet technology diffusion has transformed business processes and consumer lifestyles, with growth varying across regions. Affordable computing and advancements in communication technologies are expected to further global market expansion and service delivery efficiency.

Figure 2.2. World Internet Users



Source: Internet World Stats, https://www.internetworldstats.com/stats.htm

The impact of economic growth often brings social challenges that were previously associated only with Western countries. Now, regions like Southeast Asia face issues such as infrastructure limitations, labor shortages, political unrest, environmental damage, and urban problems. Economic and social development are closely linked, and various indicators like urban population share, life expectancy, physician density, literacy rates, income distribution, and electricity access can reflect a country's welfare. The Physical Quality of Life Index (PQLI), which includes life expectancy, infant mortality, and literacy rates, offers a global comparison of welfare levels.

Urbanization levels in developing countries affect international marketing strategies. Products aimed at urban markets require fewer adjustments than those for national markets, which may need significant changes to meet rural consumers' expectations and experiences.

Multinational corporations can drive social change, and their actions may be regulated by governments to protect the environment, as seen with construction restrictions in Bali to prevent issues experienced in Hawaii's tourism development.

Understanding **economic interrelationships** is crucial for evaluating market potential alongside other environmental factors. Economic integration offers opportunities and challenges, requiring strategic adjustments to navigate global markets effectively. As developed markets mature, marketers explore emerging and developing markets for growth, necessitating innovation and adaptability to outperform local competitors.

2.2. Culture, Politic, and Legal Environment

2.2.1. Culture

Culture is defined as an integrated system of learned behavior patterns that are distinguishing characteristics of the members of any given society. Cultures provides identity and behavioral norms. It's a learned, shared, and generational legacy encompassing thoughts, actions, customs, language, and values. Culture is conservative, promoting continuity and sometimes challenging when adapting to new environments.

Edward T. Hall, renowned for his influential research on culture's impact on business, differentiates between high-context and low-context cultures in his work. Understanding cultural nuances, like the difference between high-context cultures (where context is crucial) and low-context cultures (where explicit communication is key), is vital for international business success.

Cultural diversity and the emergence of subcultures present both opportunities and challenges for global managers. Globalization and international business can influence cultural practices and consumption patterns, sometimes leading to accusations of **cultural imperialism.** Countries may protect their cultural heritage through policies and subsidies to safeguard cultural industries and traditions.

Even with a country's cultural dominance in sectors like film and TV, protectionist measures such as quotas may not be effective. People can still access foreign content, and domestic content might not get prime viewing slots. Additionally, cultural influence is not limited to one nation; for example, the U.S. enjoys a variety of international programs and talents, demonstrating the global nature of popular culture.

Cultural studies have identified universal traits that reflect the lifestyles of all societies, such as social customs and practices. These are consistent across cultures but vary in execution, contributing to **cultural diversity**. Marketers face challenges due to these differences, especially when targeting demographics like young affluent consumers who differ significantly across countries. International businesses must adapt to both tangible and intangible cultural aspects, depending on their market involvement and the nature of their products or services, with some requiring minimal changes and others needing significant modification.

The **elements of culture** are as followed:

- Language: verbal & nonverbal
- Religion
- Values and attitudes
- Manners and customs
- Material elements
- Aesthetics
- Education
- Social institutions

Figure 2.3.
Type of Information

	Type of Information	
Source of Information	**General**	**Country-Specific**
Objective	Examples: • Impact of GDP • Regional integration	Examples: • Tariff barriers • Government regulations
Experiential	Example: • Corporate adjustment to internationalization	Example: • Product acceptance • Program appropriateness

Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Hofstede's dimensions of culture:

1. Individualism-collectivism
2. Power distance
3. Uncertainty avoidance
4. Gender-role orientation
5. Long-term versus short-term orientation

Culture is a complex system of learned behavior patterns that define a society. It is shaped by dynamic variables such as language, religion, values, attitudes, customs, aesthetics, technology, education, and social institutions. When dealing with culture, an international manager requires both factual knowledge and interpretive understanding. While factual knowledge can be learned, true interpretation comes from lived experiences.

The challenge lies in the fact that culture cannot be fully learned; it must be experienced. Two schools of thought exist regarding cultural diversity in business:

1. **Universal Approach**:
   - Some believe that business principles apply globally, following a standardized model (similar to Nokia and the iPhone).
   - However, cultural differences persist despite globalization.
2. **Tailored Approach**:
   - Others argue that companies should adapt their business approaches to individual cultures.
   - Setting up policies and procedures in each country is akin to an organ transplant—acceptance or rejection is crucial.
   - The major challenge for international managers is to avoid cultural myopia or blindness.

Successful global companies share a common quality: patience. They build operations carefully by understanding their challengers, audiences, and customers.

2.2.2. Politic and Legal Environment.

Political and legal factors play a significant role in international marketing, even though managers may wish to overlook them. These factors can lead to conflicting outcomes due to varying interpretations and applications of regulations. Unexpected political or legal influences have the potential to disrupt well-laid business plans. Therefore, anticipating and understanding these factors is essential for successful international ventures.

Managers cannot ignore country-specific policies and regulations for international marketing. Laws may not target international transactions directly but significantly impact firms' opportunities abroad. Examples:

- Minimum wage legislation: Affects firms using labor-intensive production processes.
- Safety regulations: Influence pricing policies in international marketing efforts.
- Environmental Superfund legislation: Chemical firms pay based on production volume, affecting commodity exports.

Governments generally support international marketing through actions like reducing trade barriers. However, specific regulations may restrict international marketing based on political objectives.

Four key areas of government activities related with international marketer:

1. **Embargoes and Sanctions**

   These terms refer to governmental actions that disrupt the free flow of trade in goods, services, or ideas.
2. **Export controls**

   Many nations have export control systems, which are designed to deny or at least delay the acquisition of strategically important goods by adversaries. Most of these systems make controls the exception rather than the rule, with exports taking place independently from politics. The United States, however, differs substantially from this perspective in that exports are considered to be a privilege rather than a right, and exporting is seen as an extension of foreign policy.

3. **Import controls**

   In some countries, imports—either all of them or specific products—are controlled using tariffs (taxes on imports) and nontariff mechanisms. Nontariff barriers include voluntary restraint agreements, which are self-imposed restrictions to avoid trade penalties. Additionally, quota systems limit the volume of imports a country accepts. Overall, these actions lead to a reduction in imported quantities.

4. **Regulating business behavior**

   International marketers must comply with the political and legal rules of their own and host countries, as well as international laws, to succeed abroad. These laws affect trade and business conduct, including boycotts, antitrust, and ethics.

   - Nations use boycotts to influence firms' behavior. A boycott involves firms refusing to do business with someone, often for political reasons. For instance, Arab nations maintain a blacklist of companies dealing with Israel. Even though enforcement has decreased, some Arab customers still demand assurances that products purchased are not from Israel or associated with Israeli business
   - Antitrust Laws: These laws regulate competition and prevent monopolistic practices. They apply to both domestic and international operations of firms. In the European Union, the European Commission scrutinizes activities like overseas acquisitions, joint ventures, and agreements with competing firms. The commission evaluates their impact on competition and can disapprove transactions.
   - Governments also regulate corporate actions related to bribery and corruption. The effects of such intervention impact business practices.

Marketers should proactively manage risks by planning legal changes and seeking compromises or government negotiations when conflicts arise. Legal action is an option, but it's slow and uncertain. Ultimately, firms must navigate political and legal uncertainties, adapting as much as possible to maintain their international business.

Chapter 3. Global Customers

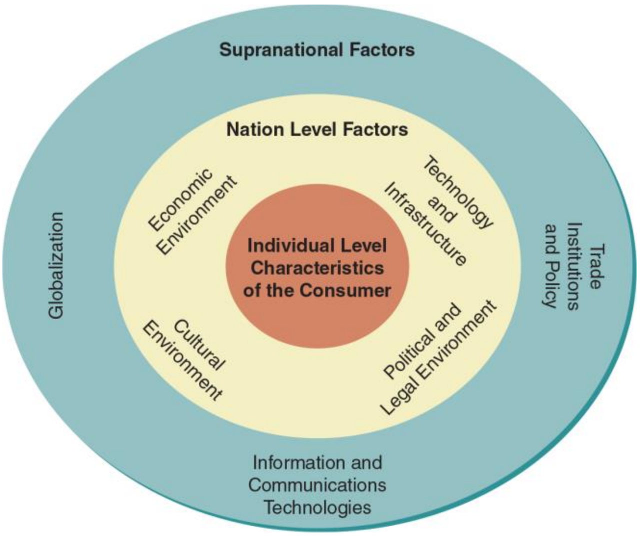
3.1. Consumer, Industrial, and Government Market.

Globalization and technological advancements have led to a unified global consumer base with similar needs, prompting firms to adopt global marketing strategies that focus on brand consistency.

Global consumers are shaped by various factors, including:

1. Situational Factors
2. Economic Status
3. Technological level
4. Personal Motives
5. Culture
6. Social Factors.

Figure 3.1.
Three tiers of Global Customer



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Industrial buyers, ranging from businesses to governments, also play a significant role in the global market. Various elements, particularly culture, economic development level, and country-specific conditions, impact industrial buyers. **Governments** are key buyers, acquiring a wide array of goods and services. Companies tackle consumer biases and country-of-origin effects by ensuring product quality, competitive pricing, and strategic partnerships.

Relationship marketing and **global account management** are crucial for maintaining customer satisfaction and managing international transactions:

- Customer Relationship Management (CRM) involves managing customer data to strengthen these relationships and increase value for top customers.
- Global account management (GAM) streamlines customer experience by providing uniform products and services globally, offering clear communication through a single point of contact, and ensuring consistent support.

3.2. Strategic Planning

Globalization is a key strategic issue for businesses, driven by various forces that push them to expand internationally. Companies must carefully choose where to grow and how to efficiently scale up. While standardizing products can save costs, often they need to be tailored to fit local preferences. Successful global companies ensure their local branches are equipped to handle global launches effectively.

Figure 3.2. Formulation of Global Strategy

Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Strategic planning is essential for adapting to the global market. It begins with understanding the company's core business and may lead to redefining its goals. When crafting a global strategy, leaders must evaluate market opportunities and competitive tactics. This could mean focusing on a single market segment worldwide or targeting multiple segments where the company excels. Resource allocation across chosen countries and segments is crucial. Ultimately, the principle of "think globally, act locally" guides customer relations and motivates local branches.

Choosing a Market Competitive Strategy

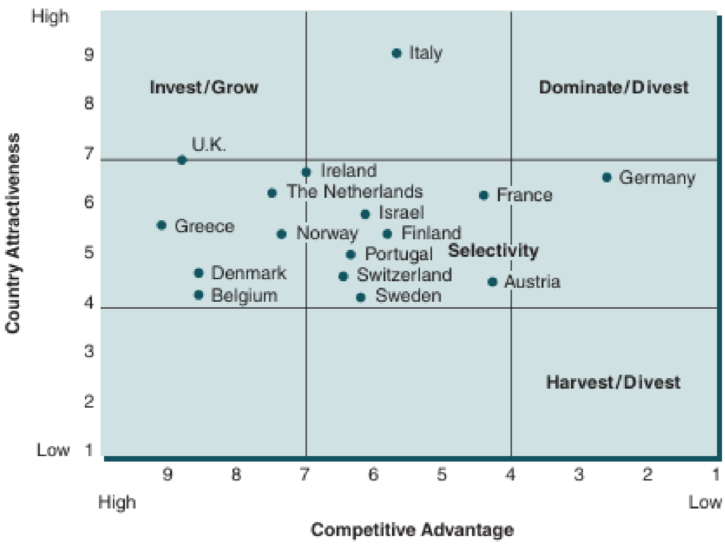
The initial phase in creating a global strategy involves selecting a **competitive approach**, then determining which international markets to enter or expand into.

Figure 3.3.
Competitive Strategies

SOURCE: Michael Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (Harvard Business School Press, 2008), Chapter 1; Xhavit Islami, Naim Mustafa, & Marija Topuzovska Latkovikj, "Linking Porter's Generic Strategies to Firm Performance," *Future Business Journal*, 6, no. 3 (2020), https://doi.org/10.1186/s43093-020-0009-1.

A global strategy means selectively targeting international markets and segments where a company can allocate its resources effectively. Typically, companies begin by analyzing regions then narrow down to specific countries. They often use existing company structures, like dividing Europe into subregions, for easier data access. **Portfolio models** help in this analysis by evaluating internal strengths—like market share and product fit—and external attractiveness—like market size and stability.

Figure 3.4. Market Portfolio Matrix in Strategy Development



SOURCES: Kevin Coyne, "Enduring Ideas: The GE–McKinsey Nine-Box Matrix," *McKinsey Quarterly*, September 2008; and Gilbert D. Harrell and Richard O. Kiefer, "Multinational Market Portfolios in Global Strategy Development," *International Marketing Review* 10, no. 1 (1993): 60–72.

Local firms face challenges and opportunities in the global market. As international giants like Boeing and McDonald's grow, local businesses must adapt or risk failure. They can't depend on government aid and must leverage their strengths or innovate to compete globally. Success lies in highlighting their unique product benefits and exploring globalization in untapped segments. The strategies they choose must align with industry globalization levels and their assets' adaptability.

Figure 3.5.
Local Companies' competitive Strategy to compete effectively

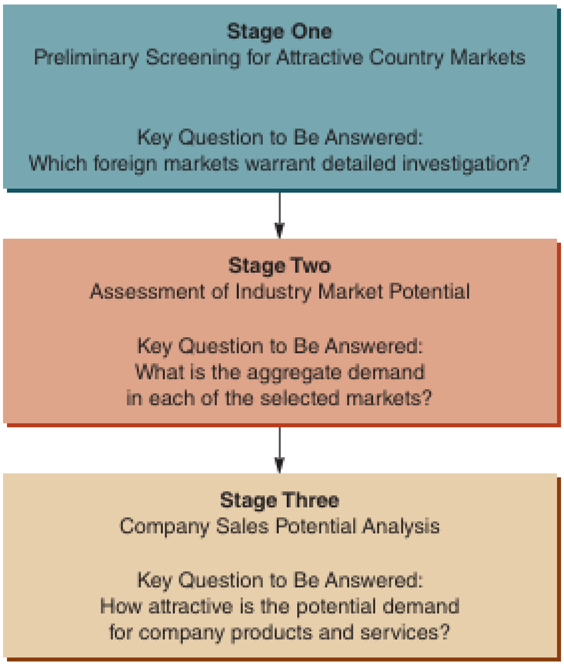
		Competitive Assets	
		Customized to Home Market	Transferable Abroad
Pressures to Globalize in the Industry	High	**Dodger** Sells out to a global player or becomes part of an alliance	**Contender** Upgrades capabilities to match globals in niches
	Low	**Defender** Leverages local assets in segments where globals are weak	**Extender** Expands into markets similar to home base

SOURCE: Jack Neff, "Emerging-Market Growth War Pits Global Brand Giants against Scrappy Local Rivals," *Advertising Age*, June 13, 2011, 4; and adapted from Niraj Dawar and Tony Frost, "Competing with the Giants: Survival Strategies for Local Companies in Emerging Markets," *Harvard Business Review* 77 (March–April 1999): 119–129.

3.3. Consumer Behavior and Market Trends

Time, resources, and expertise limits can hinder international market research, but it's essential for exploring global opportunities and informing decisions. It differs from domestic research due to varying environments and additional factors like duties and exchange rates. Companies often start with existing secondary data from various sources and may conduct primary research with methods suited to the international context. Careful analysis and presentation of data are crucial, and an international information system can support ongoing decision-making with continuous data collection and analysis.

Figure 3.6.
Stages of Assessing International Market Potential

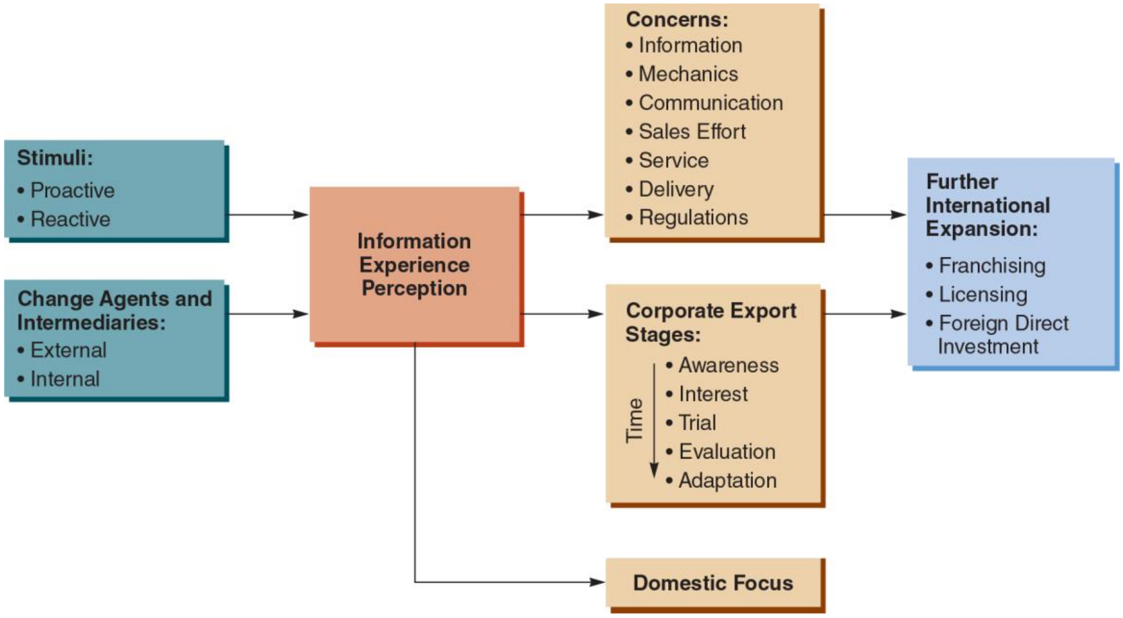


Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

3.4. Entering and Expanding in New Markets

Companies typically enter international markets gradually, but some start as global entities. Influenced by internal and external factors, and led by proactive employees and management, they navigate through stages of export development. They might use third-party services, the internet, or establish direct investments to expand globally. This expansion comes with varying risks and control levels, and is sometimes limited by a country's laws on foreign ownership. Before going global, companies must weigh factors like structure, strategy, logistics, costs, and regulations.

Figure 3.7. Model of Entering and Expanding in New Markets



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

3.5. Marketing Organization

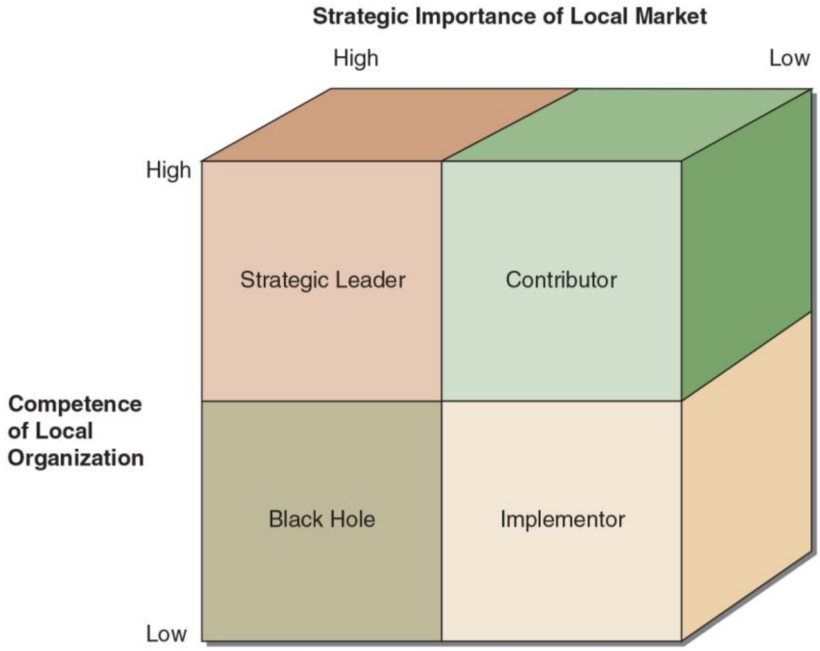
International operations hinge on structures and controls that shape the relationship between a company's headquarters and its branches. Success depends on aligning these with the firm's marketing strategy and internal strengths. Firms choose their global structure based on their level of international involvement and the significance of various business factors.

There are **six fundamental Global structure**:

1. Product-Based
2. Geographical
3. Functional
4. Customer
5. Combined or Hybrid
6. Matrix

Effective strategy implementation and adaptable control mechanisms are key, with a balance between local autonomy and corporate synergy.

Figure 3.8.
Country organizations' Role



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Controls range from formal bureaucratic methods to informal cultural processes, with performance measures tailored to actual influence rather than market fluctuations.

Figure 3.9.
Formalized Control and Cultural Control

	Type of Control		
Object of Control	**Pure Bureaucratic/ Formalized Control**	**Pure Cultural Control**	**Characteristics of Control**
Output	Formal performance reports	Shared norms of performance	HQ sets short-term performance target and requires frequent reports from subsidiaries
Behavior	Company policies, manuals	Shared philosophy of management	Active participation of HQ in strategy formulation of subsidiaries

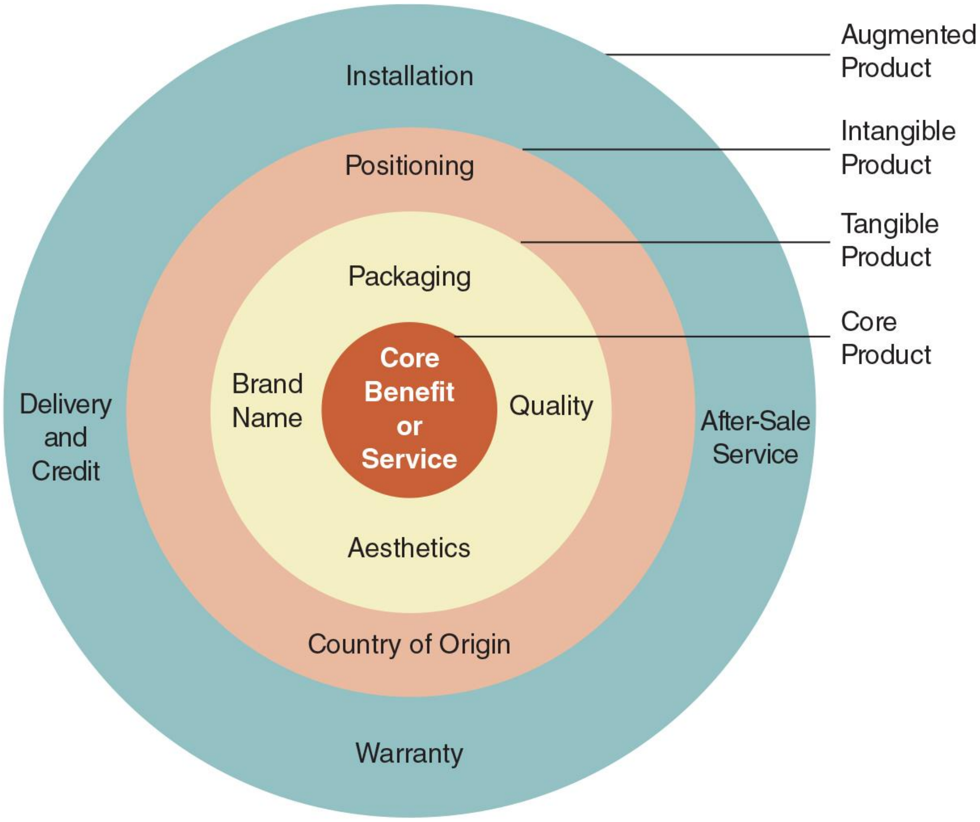
SOURCE: Peter J. Kidger, "Management Structure in Multinational Enterprises: Responding to Globalization," *Employee Relations*, August 2001, 69–85; and B. R. Baliga and Alfred M. Jaeger, "Multinational Corporations: Control Systems and Delegation Issues," *Journal of International Business Studies* 15 (Fall 1984): 28.

Chapter 4. Global Marketing Mix

4.1. Global Product & Service.

Product/service is a complex combination of tangible and intangible elements distinguishing it from others in the market. Core product of a firm may be like that of competitors. Differentiation can be achieved with the augmented features of the product

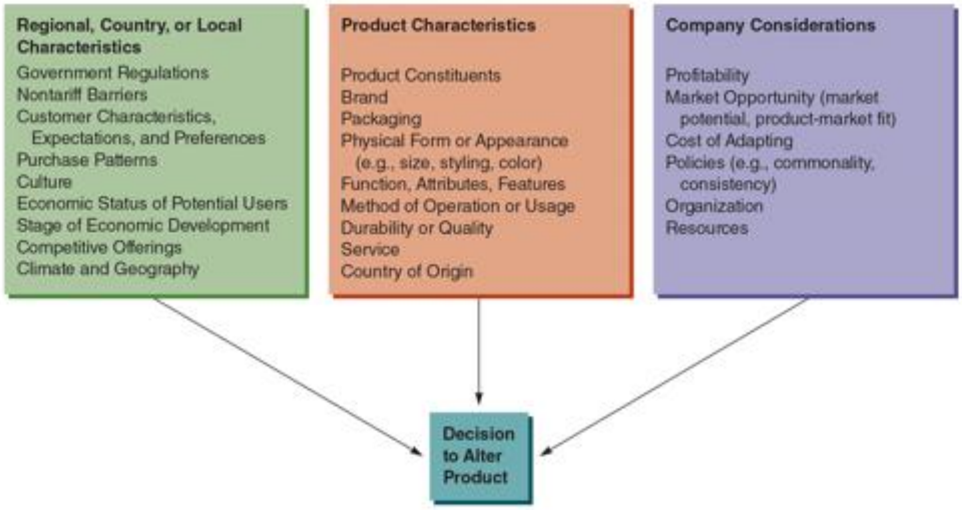
Figure 4.1.
Product Components



SOURCE: Adapted from Philip Kotler and Gary Armstrong, *Principles of Marketing*, 18th ed. (Pearson, 2020).

Marketers often overstate the appeal of global markets, which, despite convergence due to globalization, still require vigilance due to cultural and economic differences. Adapting products for international markets is complex, with no easy solutions, but formal assessment procedures can help.

Figure 4.2.
Determinants Influencing Products Adaptation



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Phases in New Product Development:

1. Concept Creation
2. Evaluation
3. Design and Development
4. Expansion
5. Market Introduction

Branding's Impact on Business Value Branding significantly benefits from portfolio analysis, influencing customer choices and creating value. On average, brands affect 18% of buying decisions, with strong brands commanding a 19% price premium. For instance, Gillette's Mach3, despite its higher price, boosted sales by 30%. Research shows that robust brands outperform weaker ones in shareholder returns.

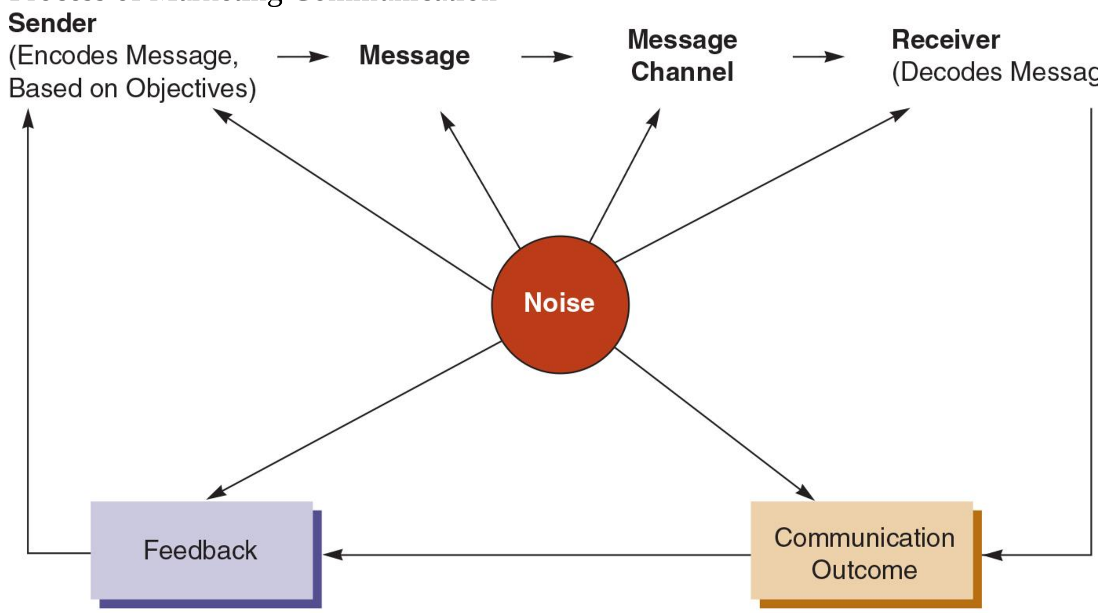
The Brand Asset Consulting model evaluates brands based on consumer sentiment and usage, with consistent global brand strength and meaning correlating with better financial performance. Disney exemplifies a globally consistent brand. Marketers can opt for **corporate, family, or individual branding strategies**, **with cobranding** also gaining traction. Brand power is evident in acquisitions where brands like Nestlé's Kit Kat and After Eight command significant premiums. Global brand rankings, such as those by Interbrand, assess brands' value and strength based on international earnings and recognition.

Product development now seeks universal elements for global efficiency, with ideas coming from various company parts, not just headquarters. Marketers must decide how to leverage their brands internationally, balancing standardization with local preferences. Intellectual property theft is a growing issue in global markets, prompting companies to take protective measures themselves.

4.2. Global Promotion

Global marketers must navigate diverse environments to select communication channels, craft messages, and measure success. The trend leans towards unified strategies with local adaptability. Effective promotion is crucial for success, utilizing tools within legal and channel constraints. Advertising agencies are vital in this process, with many firms seeking a cohesive global image.

Figure 4.3.
Process of Marketing Communication



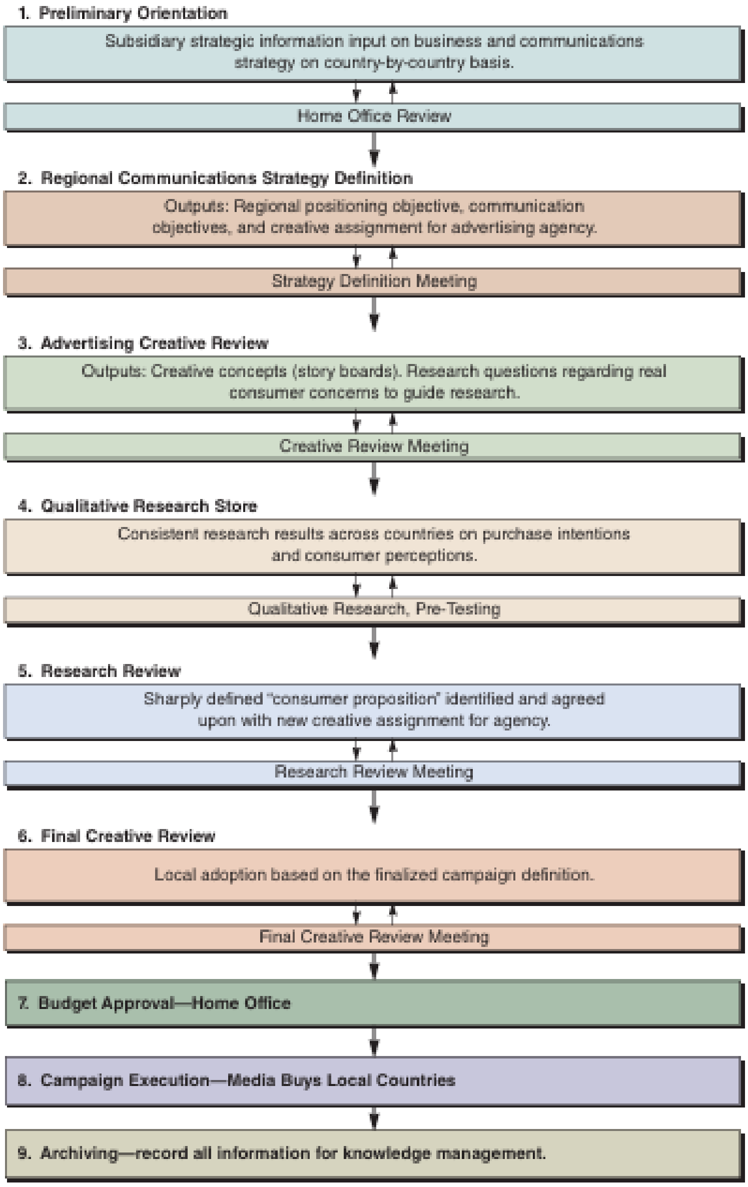
Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Promotional Campaign Planning involves seven key stages:

1. Identifying the audience
2. Setting objectives
3. Budgeting
4. Media planning
5. Messaging
6. Strategizing the approach
7. Measuring effectiveness

Decision-Making in Global Marketing Decision-making authority in global marketing ranges from full centralization to complete decentralization. Centralization allows for uniformity and efficiency, while decentralization offers local market responsiveness and cultural alignment. Many firms blend both, coordinating centrally while allowing local input, to balance global consistency with regional relevance.

Figure 4.4.
Campaign Development



SOURCES: Jae H. Pae, Saeed Samiee, and Susan Tai, "Global Advertising Strategy: The Moderating Role of Brand Familiarity and Execution Style," *International Marketing Review* 19, no. 2 (2002): 176–89; Clive Nancarrow and Chris Woolston, "Pre-Testing International Press Advertising," *Qualitative Market Research: An International Journal* (1998): 25–38; and David A. Hanni, John K. Ryans, Jr., and Ivan R. Vernon, "Coordinating International Advertising: The Goodyear Case Revisited for Latin America," *Journal of International Marketing* 3, no. 2 (1995): 83–98.

Personal selling involves a one-on-one engagement where a sales representative aims to comprehend and fulfill the needs of a prospective buyer, convincing them to complete a purchase. While it's an impactful form of promotion, it does come with considerable costs for each interaction. Personal selling efforts vary based on how global the business is (Figure 4.5.). Personal selling remains tailored to individual markets, with local decisions on staffing and training.

Figure 4.5.
Personal Selling's involvement level

Type of Involvement	Level of Involvement	Target of Sales Effort	Advantage/Disadvantage
Indirect exports	Low	Home-country–based intermediary	+ No major investment in international sales
			– Minor learning from/control of effort
Direct exports	Medium	Locally based intermediary	+ Direct contact with local market
			– Possible gatekeeping by intermediary
Integrated solutions	High	Customer	+ Generation of market-specific assets
			– Cost/risk

Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Direct marketing aims to foster customer relationships for immediate, measurable responses. It has evolved from direct mail and telemarketing to digital platforms like social media. Direct mail remains prevalent, offering personalized communication. The Internet enhances market presence, customer service, and data collection, pivotal for e-commerce and database marketing. Social media's influence on consumer behavior underscores its importance in sales strategies globally.

Sales promotion encompasses various marketing activities outside of advertising, personal selling, or publicity. It targets consumers with tactics like coupons, samples, and direct mail, and aims at intermediaries through trade shows and cooperative advertising. Mobile marketing is increasingly popular for its cost-effectiveness and precise targeting.

Kraft Foods' Tang is a successful example in Latin America, leveraging promotions like trading pouches for prizes. Effective sales promotions require retailer support for activities like coupon redemption. However, challenges arise due to differing regulations across markets, making global promotions complex. For instance, in Northern Europe, all promotions need government approval, and in Germany, proof of purchase cannot be required for competition entry.

Multinational brands can still execute global promotions by adapting to local laws and cultural nuances. Johnson & Johnson's Acuvue contact lens trials across multiple regions illustrate a successful adaptation to local markets. In Quebec, Canada, advertisers face taxes on contest prizes, highlighting the regulatory nuances between premiums and prizes. Overall, while global sales promotions are challenging, they are feasible with careful planning and local adaptation

Trade shows are a longstanding European tradition, crucial for marketing goods and services. They are significant investments after sales-force costs, attracting both industrial and consumer products firms. Trade events act as stages for producers, sellers, and merchants to present their wares and services to an extensive audience, encompassing prospective clients, suppliers, partners, and press.

Choosing to join a trade show is a tactical move, influenced by the intended commercial business relation with a nation. With over 19,500 trade shows generating $50 billion annually, they offer opportunities for product introduction, promotion, and networking. They are especially beneficial for showcasing products that need to be experienced in person, cultivating contacts, and finding intermediaries for new markets.

However, participation comes with challenges such as high costs, selecting the right trade fairs, and coordinating multiple divisions or partners. To maximize the investment, companies should have clear promotional objectives, engage in pre-show promotion, and track post-show performance.

Exporters can choose between general or specialized trade shows, with options to participate independently or within a national pavilion, often supported by governmental export-promotion programs. Other promotional activities include trade missions, seminar missions, solo exhibitions, and virtual trade shows.

Public relations present challenges, requiring proactive management of internal and external relationships, where community engagement and cause marketing are increasingly significant.

1. **Internal Public Relations**
    - In multinational corporations, effective internal communication is essential for fostering a cohesive corporate culture. The Japanese model emphasizes a collective “we” spirit, ensuring everyone is informed on broader marketing issues beyond their immediate roles.
    - Employee publications, often in both print and digital forms, are a key component of internal communication strategies. Companies like ExxonMobil allow affiliates to produce their own publications, reducing reliance on informal communication channels. Audiovisual tools like email and videoconferencing are increasingly used for training. Additionally, internal materials such as booklets and manuals may also be shared with external parties like distributors and visitors.

2. **External Public Relations**

- External public relations, or marketing public relations, focuses on customer interactions to establish a global identity, increase sales, and attract employees. It involves corporate symbols, advertising, customer relations, and publicity to compete globally. For example, Stanley Black & Decker uses a consistent corporate logo across products, and John Deere's magazine, The Furrow, promotes farming practices globally.

- Publicity is valued for its editorial nature, perceived as more trustworthy than advertising. It requires coordination by public relations staff for effective coverage, as seen with Carnival's new liner, the Carnival Breeze.

- Reactive public relations address unexpected market developments and criticisms, necessitating policies for openness, preparedness, integrity, and clarity. Crisis management involves task forces for immediate action.

- The emergence of consumer-generated media (CGM), such as blogs and online discussion platforms, offers both obstacles and advantages for those in marketing. Brands like Mercedes Benz actively involve their clientele by integrating user-created content within their marketing approaches.

- Public relations can be managed in-house or through agencies, with the approach varying by company needs. Product-marketing public relations may need local control, while crisis management often requires global coordination. Global marketers balance local expertise with universal messaging, using either internal teams or worldwide agency networks.

Sponsorship marketing is an investment in events or causes, predominantly directed at sports and cultural events. Companies like Coca-Cola have long-standing partnerships with events like the Olympics, seeking association with their positive global image. However, rising costs and challenges in measuring returns have led some to withdraw. Controversies and ambush marketing—where competitors imply association without permission—pose additional risks.

Cause-related marketing combines public relations, sales promotion, and philanthropy, requiring a clear social vision and long-term strategy. For instance, British Petroleum's investments in Colombia support both its business and local development. Cisco Systems' Networking Academy exemplifies linking philanthropy with competitive advantage, benefiting from an improved labour pool while gaining recognition for its social contributions.

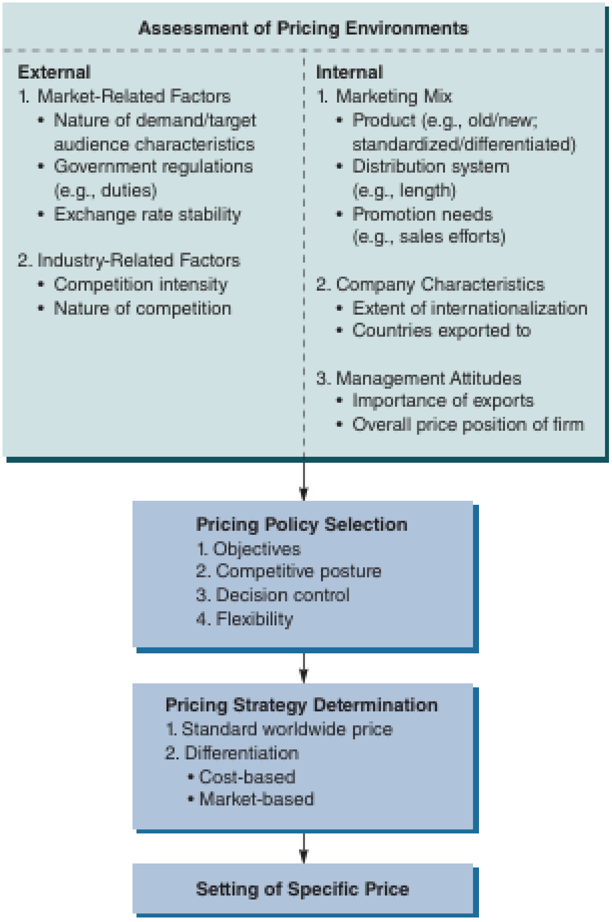
The United Nations encourages partnerships between multinationals and NGOs to address global issues. Public relations also involve certifications to ensure compliance with ethical standards, ranging from self-imposed rules to industry codes and external

NGO or government regulations. Companies must report on their adherence to these principles, with scrutiny from NGOs and other entities.

4.3. Global Pricing

Effective pricing is crucial in the marketing mix and is vital for a business's survival, ranking just below the product itself. Export pricing is complex due to factors like distance, currency changes, duties, and distribution channels. The goal is to drive demand and maintain long-term profitability. Financing exports is essential to ensure sales and manage risks. With global market integration, coordinating pricing strategies across markets is increasingly important to ensure payment and profitability.

Figure 4.6.
Steps in determining export pricing.



SOURCES: Elements of model adopted from Matthew Myers, S. Tamer Cavusgil, and Adamantios Diamantopoulos, "Antecedents and Actions of Export Pricing Strategy: A Conceptual Framework and Research Propositions," *European Journal of Marketing* 36, nos. 1/2 (2002): 159–89; and Barbara Stöttinger, "Strategic Export Pricing: A Long and Winding Road," *Journal of International Marketing* 9, no. 1 (2001): *S* 40–63.

Global marketing features **three primary pricing strategies**:

1. Standard Worldwide Pricing
   A uniform price across all markets, which is simple to implement and suitable when product differentiation is minimal.

2. Dual Pricing:
   Different prices for domestic and export markets, with cost-plus and marginal cost methods to determine export prices. Cost-plus covers all costs ensuring profit, but may reduce competitiveness. Marginal cost sets prices based on direct costs only, allowing for competitive pricing but risking dumping allegations.
3. Market-Differentiated Pricing
   Prices are set according to market conditions, allowing for frequent adjustments in response to competition and exchange rates. This strategy is more complex but aligns with market demands.

Initially, exporters often use cost-plus pricing, but it may not reflect market conditions accurately. Over time, they tend to adopt more flexible, market-driven approaches. Pricing decisions are crucial and usually centralized, overseen by top management.

When preparing an export quotation, it's essential to account for unique **export-related costs** beyond domestic expenses. These include product modifications for foreign markets, operational costs like market research and additional shipping, and market entry costs such as tariffs and currency risks. Such costs can lead to price escalation, where export prices significantly exceed domestic ones.

To manage **price escalation,** exporters can employ strategies like:

- Reorganizing distribution channels,
- Adapting the product to reduce costs,
- Using more favourable tariff classifications, or
- Producing overseas to benefit from duty drawbacks.

Developing accounting systems to monitor export activities is essential to prevent unforeseen expenses, like extended negotiations in various markets

Incoterms created by the International Chamber of Commerce specify the obligations of both buyers and sellers engaged in global business, which cover aspects like pricing and the point at which ownership changes hands. The 2010 revision reflects modern transport and communication methods. Incoterms specify delivery methods, with seven rules for any transport mode and four for water transport only.

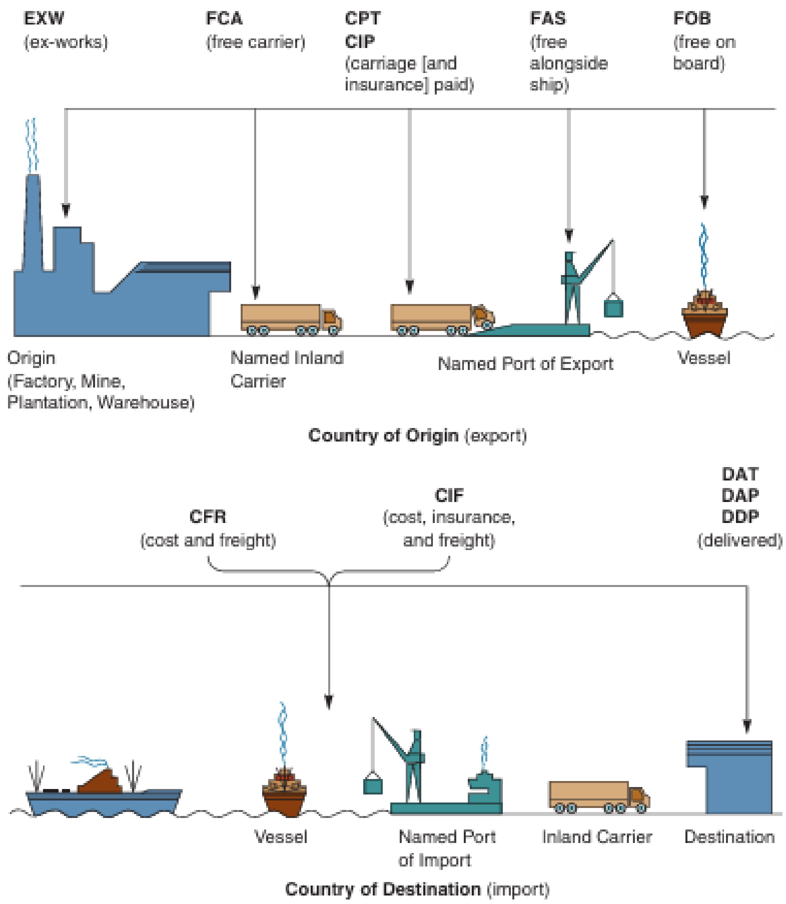
Common terms include:

- EXW (Ex Works): Buyer bears all costs beyond the seller's location.
- FCA (Free Carrier): Seller loads goods; buyer handles subsequent costs.
- CPT (Carriage Paid To): Seller pays transport to the destination; buyer covers insurance.
- CIP (Carriage and Insurance Paid To): Seller pays transport and minimum insurance to the destination.
- DAT (Delivered at Terminal): Seller delivers and unloads goods at the terminal.

- DAP (Delivered at Place): Seller delivers goods; unloading responsibility is negotiated.
- DDP (Delivered Duty Paid): Seller covers all costs, including import duties, to the buyer's location.
- FAS (Free Alongside Ship): Seller places goods alongside the ship; buyer manages loading and further costs.
- FOB (Free on Board): Seller covers costs until goods are on board the vessel.
- CFR (Cost and Freight): Seller pays to the port of import, excluding insurance.
- CIF (Cost, Insurance, and Freight): Seller includes insurance and all transport charges to the port of import.

Exporters increasingly offer inclusive terms like CIF or DDP to simplify buyer transactions, control quality, and reduce administrative tasks. These strategies can enhance competitiveness and customer satisfaction.

Figure 4.7.
Incoterms



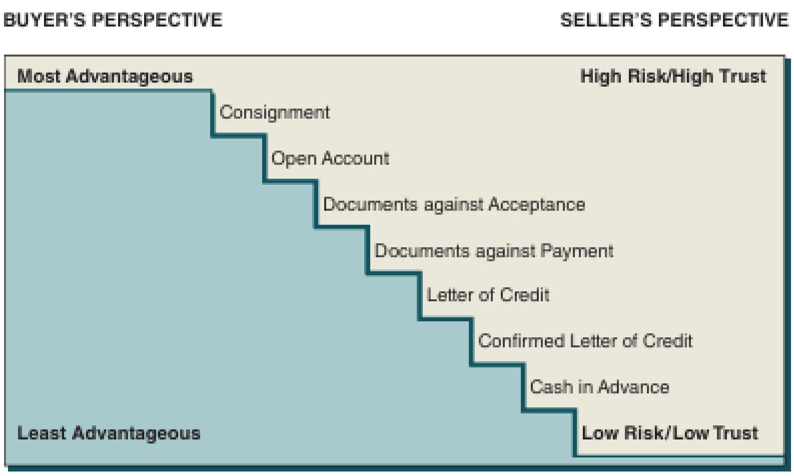
Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Export credit and payment terms significantly impact the profitability of export transactions. Exporters must balance their credit policies with the importer's needs, considering factors like payment amount, competitive terms, industry practices, financing capacity, and the relative strength of the parties.

Payment methods range from cash in advance to open accounts (Figure 4.8.), with letters of credit being a common and secure option. These can be irrevocable, confirmed, and revolving, providing different levels of security and flexibility. Compliance with all terms is crucial to ensure payment. With e-commerce growth, online platforms like TradeCard are emerging for B2B transactions. Drafts, similar to checks, are used for actual payment, with sight and time drafts offering different payment timings. Open accounts are common domestically but carry risks without written debt evidence. Exporters must manage these risks to maintain profitability and secure payment.

- **Cash in Advance:** Eliminates all risk for the exporter and provides immediate access to funds. This is the most advantageous condition for the exporter.
- **Letter of Credit:** A financial document provided by a bank at the importer's request.
- **Documents Against Payment (D/P):** The importer is required to make payment upon presentation of the draft, prior to receiving the shipping documents from the bank.
- **Documents Against Acceptance (D/A):** The importer commits to paying for the goods on an agreed future date, as established in the agreement between the exporter and importer.
- **Open Account:** Standard business practice in domestic trade.
- **Consignment:** Payment is postponed until the goods are sold by the importer. This is the most favorable condition for the importer.

Figure 4.8.
Payment Options for Export transactions



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Exporters must mitigate the **risk of non-payment in transactions**:

1. Commercial risk involves the overseas buyer's insolvency or delayed payments, often due to market downturns, demand shifts, competition, or new technologies. These risks are exacerbated in international markets by distance and cultural differences.
2. Political risks, such as government actions delaying payment, are also a concern and are outside the buyer's and seller's control.

In international trade, **exchange rate fluctuations** can impact the profitability of transactions. Exporters quoting in their own currency avoid exchange risk but may deter buyers; quoting in the buyer's currency transfers the risk to the exporter. To mitigate this risk, exporters can use hedging strategies like forward contracts, which lock in exchange rates, or financial instruments like options and futures, which offer the right to buy or sell currency at a set price. These tools help manage potential losses due to currency value changes and are available through financial institutions and exchanges. Historically, U.S. exporters have experienced varying dollar values, affecting their international pricing strategies.

Most international marketers help their overseas customers obtain suitable financing, as the terms of export financing can greatly influence the total cost for buyers. For instance, between two competitors for a $1 million sale, one offering a 3% interest rate and the other 4% over ten years, the interest difference amounts to $55,000. Often, buyers may choose the seller offering more favorable credit terms, even if it means compromising on quality and price.

Key providers of export financing:

1. Global Commercial Banks
    - Global commercial banks offer trade financing based on their relationship with exporters, transaction specifics, borrower's country, and export insurance availability. However, many U.S. exporters face challenges securing financing, especially for high-tech or foreign receivables, without guarantees or collateral.
    - Strong banking relationships enhance service levels and support international transactions. Banks' international reach, through their own networks or alliances, is crucial for exporters, with some banks specializing in global networks to aid trade financing.

2. Forfaiting and Factoring
    - Forfaiting offers exporters immediate cash by selling their bills of exchange or promissory notes, guaranteed by the importer's bank, to a third party at a discounted rate. This method transfers all risks to the buyer, simplifies documentation, and provides full coverage without restrictions. However, it's not always available in high-risk countries and may cost more than public trade insurance.

- Factoring houses may buy an exporter's receivables at a discount, offering financial services like credit protection and collections, though the exporter may still be responsible if the importer defaults.

3. Official Trade Finance
    - Official financing for exports can be in the form of loans or guarantees, including credit insurance. Loans involve government funds with interest, while guarantees mean the government ensures repayment to private lenders. These programs protect against commercial and political risks, encourage competitive payment terms, and help banks stay active in international finance. Export Credit Agencies (ECAs) like Coface and Hermes support national exports with government backing.
    - The U.S. Ex-Im Bank, established in 1934, provides various financing options to support U.S. exports, with a focus on environmental exports, small businesses, and municipal lending, particularly active in markets like India.

Leasing is a significant part of the capital goods industry, with a large portion of companies in the U.S. and globally engaging in it. It's particularly notable in sectors like commercial aviation and in countries like Russia, where it's a key trade activity. Modern leasing firms have expanded their roles from mere financiers to asset managers and business partners, offering comprehensive services to tech-focused companies, including those in e-commerce and online infrastructure development.

Local managers usually handle pricing decisions, with guidance from the parent company. Pricing is influenced by various environmental factors unique to each market. **Transfer pricing** can present challenges within the company and from external tax and regulatory bodies. Management must navigate a global landscape marked by diverse tax structures, fluctuating currency exchange rates, assorted government regulations, and a variety of economic and social obstacles. Global marketers need to fully grasp these factors and their interplay, particularly when aiming for regional or global pricing alignment. As markets become more integrated, the need for effective control and coordination grows.

Countertrade, driven by financial constraints and market conditions, is increasingly used by countries to mitigate trade financing risks, bypass price controls, enter new markets, and ensure transaction quality. It offers stability in long-term sales and has been utilized by nations like China to acquire technology and boost local manufacturing in strategic industries

Figure 4.9.
Different forms of Countertrade

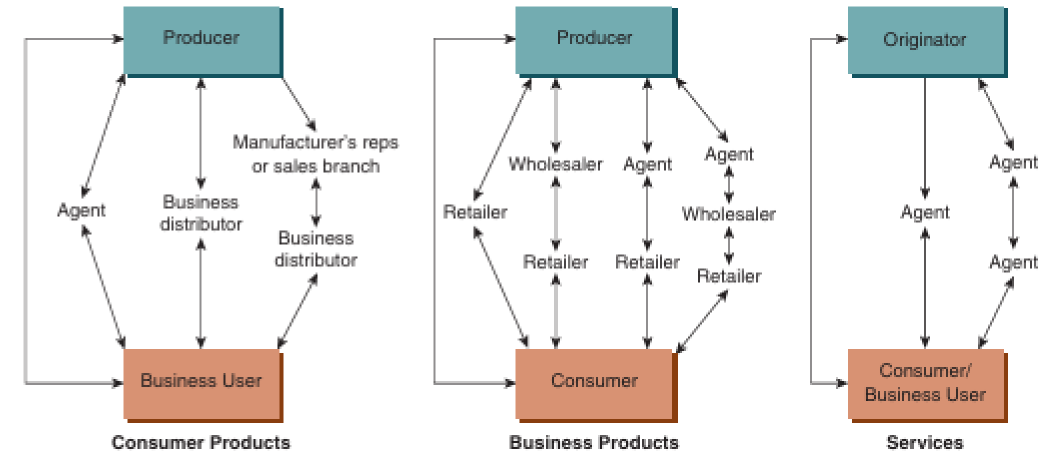
Barter	Goods are exchanged directly for other goods of approximately equal value
Counterpurchase	The participating parties sign two separate contracts that specify the goods and services to be exchanged
Buyback	One party agrees to supply technology that enables the other party to produce goods with which the price of the technology is repaid
Clearing arrangements	Clearing accounts are established in which firms can deposit and withdraw the results of their countertrade activities
Switch-trading	Credits in the account can be sold or transferred to a third party
Offset	Industrial compensation mandated by governments when purchasing defense-related goods and services in order to counterbalance the effect of this purchase on the balance of payments

Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

4.4. Global Distribution

Distribution channels are vital for connecting producers and consumers, involving various entities that perform multiple functions. They must be adaptable to market changes. Producers often use intermediaries to find distributors. These channels are collaborative teams, not just pathways, and are integral to marketing and problem-solving.

Figure 4.10.
Channel Configuration for consumer, business, and services



Source: Czinkota, Michael R. International Marketing. S.L., Cengage Learning, 2020.

Distribution channel require careful design to meet customer needs, ensure long-term viability, and maintain quality.Having determined the basic design of the channel, the international marketer will then decide on the number of different types of intermediaries to use and how many of each type, or whether to use intermediaries at all. The latter would be the case in direct distribution using, for example, sales offices or e-commerce. The more the channel operation resembles a team, the more effective the overall marketing effort will be.

Selecting **intermediaries** is key in international distribution, involving a choice between independent distributors and more controlled agents. Government services like the U.S. Department of Commerce and private sources can aid in finding these partners. Direct methods, trade fairs, and online platforms are also effective for connecting with potential distributors and agents, fostering long-term business growth.

Competitiveness depends on cost efficiency. **International logistics and supply chain management** are of major importance because distribution comprises between 10 and 30% of the total landed cost of an international order.

- International logistics manages the flow of materials within a global company, integrating operations like exports and imports. It aims for efficiency through just-in-time delivery, electronic data interchange, and early supplier involvement, leading to effective supply chain management. The process involves materials management and physical distribution, focusing on cost-effectiveness and sustainability. Key logistics concepts include a systems approach, minimizing total costs, and understanding trade-offs to optimize logistics and maximize after-tax profits.
- Supply chain management involves a holistic strategy that encompasses the planning, obtaining, transforming, and moving of goods, as well as close collaboration with stakeholders such as suppliers and clients. It's about coordinating supply and demand both within and between companies. Technological advancements, such as EDI, have significantly improved supply chain efficiency, as seen in Gestamp's case, leading to better productivity and fewer errors. Globalization expands supplier options, but long-term success hinges on the supplier's performance

International transportation is crucial for firms as it affects the receipt of goods. It involves infrastructure, mode availability, and mode selection.

1. Infrastructure
   In developed countries, reliable transportation networks are expected, but internationally, infrastructure can vary greatly. Some nations have strong import and export systems but poor internal distribution, affecting trade costs and success. Marketers must understand and plan for these international infrastructures, as transportation choices can significantly impact business viability. For example, a company's failure to account for local conditions led to the closure of a new plant due to impractical transportation methods. Additionally, service frequency and specific carrier requirements can differ widely by location.
2. Model availability
   International shipping often involves ocean or airfreight, in addition to rail or truck, and includes intermodal transfers like land and sea bridges.

3. Mode selection
   International marketers must choose transportation modes based on transit time, reliability, cost, and non-economic factors. Airfreight offers faster delivery but at a higher cost, suitable for high-value or urgent shipments. Ocean freight is slower but more cost-effective for bulk items. Decisions also consider government influences and international agreements, which can affect carrier choices. Effective logistics management balances these factors to optimize operations and costs.

International logistics is more complex than local logistics because it covers longer distances and has to deal with different country rules. Effective logistics management, particularly adapting to technological advancements, is increasingly essential for business competitiveness.

Security issues have changed how logistics work, too. Governments are now more focused on safety, which can slow down trade. Businesses must be ready for these delays and also plan for returning goods and recycling, which are becoming more important.