



4TH EDITION

Pervez N. Ghauri
and Philip Cateora

International Marketing

International Marketing

International Marketing

Fourth edition

Pervez N. Ghauri

Philip Cateora



London Boston Burr Ridge, IL Dubuque, IA Madison, WI New York San Francisco
St. Louis Bangkok Bogotá Caracas Kuala Lumpur Lisbon Madrid Mexico City Milan Montreal
New Delhi Santiago Seoul Singapore Sydney Taipei Toronto

International Marketing, Fourth edition
Pervez N. Ghauri and Philip Cateora

ISBN-13 9780077148157

ISBN-10 0077148150



Published by McGraw-Hill Education
Shoppenhangers Road
Maidenhead
Berkshire
SL6 2QL
Telephone: 44 (0) 1628 502 500
Fax: 44 (0) 1628 770 224
Website: www.mheducation.co.uk

British Library Cataloging in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

The Library of Congress data for this book has been applied for from the Library of Congress

Acquisitions Editor: Peter Hooper
Production Editor: Alison Davis
Marketing Manager: Geeta Kumar

Cover design by Doodle

Published by McGraw-Hill Education (UK) Limited an imprint of McGraw-Hill Education, 1221 Avenue of the Americas, New York, NY 10020. Copyright © 2014 by McGraw-Hill Education (UK) Limited. All rights reserved. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw-Hill Education., including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

Fictitious names of companies, products, people, characters and/or data that may be used herein (in case studies or in examples) are not intended to represent any real individual, company, product or event.

ISBN-13 9780077148157

ISBN-10 0077148150

© 2014. Exclusive rights by McGraw-Hill Education for manufacture and export. This book cannot be re-exported from the country to which it is sold by McGraw-Hill Education.

Dedication

For Saad P. Ghauri

Brief Contents

Preface	xvi
Acknowledgements	xxi
Guided Tour	xxiii
Online Learning Centre	xxvi
Make the Grade	xxix

Part 1 An Overview

Chapter 1 The Scope and Challenge of International Marketing	3
Chapter 2 The Dynamics of International Markets	24

Part 2 The Impact of Culture and Political Systems on International Marketing

Chapter 3 Geography and History: The Foundations of Cultural Understanding	49
Chapter 4 Cultural Dynamics in International Marketing	67
Chapter 5 The International Political and Legal Environment	90

Part 3 Assessing International Market Opportunities

Chapter 6 Researching International Markets	115
Chapter 7 Emerging Markets and Market Behaviour	138
Chapter 8 Regional Market Groups and Marketing Implications	157

Part 4 Developing International Marketing Strategies

Chapter 9 International Marketing Strategies	185
Chapter 10 International Market Entry Strategies	209
Chapter 11 International Segmentation and Positioning	228
Chapter 12 International Branding Strategies	245
Chapter 13 Exporting and Logistics	267
Chapter 14 Ethics and Social Responsibility in International Marketing	284

Part 5 Developing International Marketing Decisions

Chapter 15 Product Decisions for International Markets	305
Chapter 16 Marketing Industrial Products and Business Services	321

Chapter 17 International Distribution and Retailing	341
Chapter 18 Pricing for International Markets	371
Chapter 19 International Promotion and Advertising	399
Chapter 20 Personal Selling and Negotiations	421
Part 6 Supplementary Resources	
The Country Notebook: A Guide for Developing a Marketing Plan	441
Case Studies to Accompany Parts 1–5	447
Glossary	618
Index	625

Detailed Table of Contents

Preface	xvi	Balance of payments	31
Acknowledgements	xxi	Protectionism	32
Guided Tour	xxiii	Protection logic and illogic	32
Online Learning Centre	xxvi	Trade barriers	34
Make the Grade	xxix	Easing trade restrictions	39
		General Agreement on Tariffs and Trade (GATT)	39
		World Trade Organization (WTO)	41
		International Monetary Fund (IMF)	43
		Summary	44
		Questions	44
		Further reading	45
		Notes	45
Part 1 An Overview		PART 2 The Impact of Culture and Political Systems on International Marketing	
Chapter 1 The Scope and Challenge of International Marketing	3	Chapter 3 Geography and History: The Foundations of Cultural Understanding	49
Chapter outline	3	Chapter outline	49
Chapter learning objectives	3	Chapter learning objectives	49
The internationalisation of business	5	Geography and international markets	50
International marketing defined	8	Climate and topography	50
The international marketing task	9	Geography, nature and international trade	52
Marketing controllables	10	Social responsibility and environmental management	53
Domestic uncontrollables	10	Resources	54
Foreign uncontrollables	10	World population trends	55
Environmental adaptations	12	World trade routes	62
Self-reference criterion:		Historical perspective in international trade	62
an obstacle	13	History and contemporary behaviour	63
Different marketing orientations	14	History is subjective	64
Domestic market extension orientation	14	Summary	64
Multi-domestic market orientation	15	Questions	65
Global marketing orientation	16	Further reading	65
Globalisation of markets	17	Notes	66
Developing a global awareness	18	Chapter 4 Cultural Dynamics and International Marketing	67
International marketing orientation	20	Chapter outline	67
Summary	21	Chapter learning objectives	67
Questions	21		
Further reading	22		
Notes	22		
Chapter 2 The Dynamics of International Markets	24		
Chapter outline	24		
Chapter learning objectives	24		
The twentieth century	25		
World trade and the emergence of multinational corporations	26		
The twenty-first century and beyond	27		

Cultural knowledge	71	Summary	109
Factual knowledge	71	Questions	109
Interpretive knowledge	72	Further reading	110
Cultural sensitivity and tolerance	72	Notes	110
Culture and its elements	73	PART 3 Assessing International Market Opportunities	
Elements of culture	73		
Analysis of elements	78	Chapter 6 Researching International Markets	115
Cultural change	80	Chapter outline	115
Cultural borrowing	80	Chapter learning objectives	115
Similarities: an illusion	81	Breadth and scope of international marketing research	116
Resistance to change	81	The marketing research process	118
Planned cultural change	81	Defining the problem and establishing research objectives	119
Required adaptation	81	Developing a research plan	120
Degree of adaptation	82	Quantitative and qualitative research	120
Imperatives, adiaphora and exclusives	82	Gathering secondary data	122
Communications emphasis	84	Gathering primary data	124
Summary	87	Analysing and interpreting research information	128
Questions	88	Presenting the findings and results	128
Further reading	89	How to organise marketing research	129
Notes	89	Estimating market demand	129
Chapter 5 The International Political and Legal Environment	90	Analogy	131
Chapter outline	90	Income elasticity	131
Chapter learning objectives	90	Multinational marketing information systems	132
Political environments	91	Summary	133
Stability of government policies	91	Appendix: sources of secondary data	133
Nationalism	91	International organisations	133
Political risks	92	Chambers of commerce	134
Encouraging foreign investment	95	Trade, business and service organisations	134
Assessing political vulnerability	97	US government	134
Politically sensitive products	97	Questions	135
Forecasting political risk	97	Further reading	136
Reducing political vulnerability	98	Notes	136
Good corporate citizenship	98	Chapter 7 Emerging Markets and Market Behaviour	138
Strategies to lessen political risk	98	Chapter outline	138
Legal environments	100	Chapter learning objectives	138
Bases for legal systems	101	What are emerging markets?	139
Legal recourse in resolving international disputes	104	Growth of emerging markets	140
Conciliation	104		
Arbitration	104		
Litigation	105		
Protection of intellectual property rights: a special problem	105		
Prior use versus registration	106		
International conventions	107		
Commercial law within countries	107		
Legal environment of the EU	108		
The decision-making process	108		
Competition policy	108		

Demand and consumption in emerging markets	141	International marketing management	186
Marketing and economic development	144	Global versus international marketing management	186
Marketing in emerging markets	145	Standardisation versus adaptation	187
Emerging market groups	148	Market-driven versus market-driving strategies	188
Eastern Europe and the Baltic States	149	Competition in the global marketplace	189
Asia	149	Quality and competitive marketing	190
The Americas	153	Cost containment and international sourcing	192
Summary	154	Collaborative relationships	193
Questions	155	Relationship marketing	195
Further reading	155	Formulating international marketing strategy	195
Notes	156	Positioning	198
Chapter 8 Regional Market Groups and Marketing Implications	157	Product life cycle and international marketing strategy	199
Chapter outline	157	Strategic planning	200
Chapter learning objectives	157	Company objectives and resources	202
Why economic union?	159	International commitment	203
Economic factors	159	The planning process	203
Political factors	159	Summary	206
Geographic proximity	159	Questions	207
Cultural factors	160	Further reading	207
Patterns of regional cooperation	160	Notes	207
Regional cooperation groups	160	Chapter 10 International Market Entry Strategies	209
Free-trade area	161	Chapter outline	209
Customs union	161	Chapter learning objectives	209
Common market	162	Becoming international	210
Political union	163	Phases of international marketing involvement	210
Global markets and regional market groups	163	Changes in international orientation	211
Europe	163	Market entry objectives	211
The Americas	172	Market opportunity assessment	213
Asia	173	Market/country selection	214
Africa	176	Invest	215
Middle East	176	Divest/license	215
Strategic implications for marketing	176	Joint venture	215
Opportunities	179	Export	215
Market barriers	179	Selective strategy	216
Ensuring EU market entry	179	Market entry strategies	217
Marketing mix implications	180	Exporting	218
Summary	180	Licensing	219
Questions	181	Franchising	220
Further reading	181	Strategic international alliances	221
Notes	181		
PART 4 Developing International Marketing Strategies			
Chapter 9 International Marketing Strategies	185		
Chapter outline	185		
Chapter learning objectives	185		

Consortia	222	global brands	251
Manufacturing	223	Own brands	252
Countertrade	224	Brand elements	253
When to choose which strategy	224	Functions of brands	254
Summary	225	Characteristics of brands	254
Questions	226	Brand management	255
Further reading	226	Brand equity	255
Notes	226	Branding strategy	255
Chapter 11 International Segmentation and Positioning	228	Brand strategy	258
Chapter outline	228	Brand portfolio strategy	258
Chapter learning objectives	228	Brand architecture	259
Market segmentation, targeting and positioning	229	Corporate branding	260
International market segmentation	230	Branding versus advertising	260
International market segments	231	Corporate identity	261
Geographic segmentation	231	Corporate reputation	262
Demographic segmentation	232	Summary	263
Psychographic segmentation	233	Questions	264
Behavioural segmentation	234	Further reading	264
Market targeting	235	Notes	264
International target market strategies	235	Chapter 13 Exporting and Logistics	267
Market positioning	237	Chapter outline	267
Approaches to positioning	238	Chapter learning objectives	267
Product characteristics or attributes	238	Regulations and restrictions on exporting and importing	268
Price–quality	238	Export controls	268
Product users	239	Import restrictions	269
Positioning in international marketing	239	Customs-privileged facilities	275
International positioning strategies	240	Foreign-trade zones	275
Global consumer culture positioning	241	Export documents	276
Local consumer culture positioning	242	Terms of sale	277
Foreign consumer culture positioning	242	Letters of credit	279
Summary	242	Packing and marking	279
Questions	242	Export shipping	279
Further reading	243	Logistics	281
Notes	243	The foreign-freight forwarder	281
Chapter 12 International Branding Strategies	245	Summary	282
Chapter outline	245	Questions	282
Chapter learning objectives	245	Further reading	282
Introduction to branding	246	Notes	283
The development of branding	246	Chapter 14 Ethics and Social Responsibility in International Marketing	284
Country-of-origin effect and		Chapter outline	284
		Chapter learning objectives	284
		Ethical environment	285
		Anti-trust: an evolving issue	287
		What is social responsibility?	287
		Analysing ethical issues and social responsibility	290
		Business ethics	292

Ethics and international marketing	292	Service and replacement parts	326
Green marketing	294	Universal standards	328
Ethical behaviour in international marketing	297	ISO 9000 certification: an international standard of quality	328
Summary	300	Relationship marketing	329
Questions	301	Promoting industrial products	330
Further reading	301	Industrial trade shows	331
Notes	301	Marketing services globally	333
		Characteristics of services	333
		Entering international markets	335
		Market environment for business services	335
		Summary	338
		Questions	339
		Further reading	339
		Notes	340
PART 5 Developing International Marketing Decisions			
Chapter 15 Product Decisions for International Markets	305	Chapter 17 International Distribution and Retailing	341
Chapter outline	305	Chapter outline	341
Chapter learning objectives	305	Chapter learning objectives	341
International markets and product decisions	306	Structure of distribution channels	342
Products and brands	309	Supplier-oriented distribution structure	342
Products and culture	309	European distribution structure	343
Innovative products and adaptation	312	Distribution structure in the USA	343
Diffusion of innovations	312	Trends: from traditional to modern channel structures	344
Degree of newness	313	The Internet	345
Physical or mandatory requirements and adaptation	314	Factors influencing marketing through the Internet	347
Product life cycle and adaptation	315	Electronic advertising	348
Screening products for adaptation	316	Distribution patterns	350
Analysis of characteristics of innovations	316	General patterns	350
Analysis of product components	316	Retailing	352
Quality products	319	Alternative middleman choices	355
Summary	319	Home-country middlemen	357
Questions	319	Foreign-country middlemen	360
Further reading	320	Government-affiliated middlemen	363
Notes	320	Factors affecting choice of channel	364
		Cost	365
		Capital requirement	365
		Control	365
		Coverage	366
		Character	366
		Continuity	366
		Locating, selecting and motivating channel members	366
		Locating middlemen	366
Chapter 16 Marketing Industrial Products and Business Services	321		
Chapter outline	321		
Chapter learning objectives	321		
The industrial product market	322		
Technology and market demand	322		
The volatility of demand in industrial markets	323		
Attributes of product quality	323		
Price–quality relationship	325		
Product design–quality relationship	325		

Selecting middlemen	367	International advertising and world brands	404
Motivating middlemen	367	Pan-European advertising	404
Terminating middlemen	367	International market segmentation and promotional strategy	404
Controlling middlemen	368	International advertising and the communication process	406
Summary	368	Challenges of international advertising	409
Questions	368	Legal and tax consideration	409
Further reading	369	Language limitations	410
Notes	369	Cultural diversity	410
Chapter 18 Pricing for International Markets	371	Production and cost limitations	411
Chapter outline	371	Media planning and analysis	412
Chapter learning objectives	371	Tactical considerations	412
Pricing policy	372	Specific media information	414
Parallel imports	372	Sales promotion	415
Skimming versus penetration pricing	375	The advertising agency	417
Leasing in international markets	376	International control of advertising	417
Factors influencing international pricing	377	Summary	419
Pricing objectives	378	Questions	419
Price escalation	378	Further reading	420
Approaches to lessening price escalation	384	Notes	420
Competition	385	Chapter 20 Personal Selling and Negotiations	421
Target customer	385	Chapter outline	421
Pricing controls	386	Chapter learning objectives	421
Administered pricing	387	Selling in international markets	422
Price setting by industry groups	387	The nature of the sales person–customer relationship	423
International agreements	390	The international selling sequence	425
Transfer pricing	390	Understanding the nuances of cross-cultural communications	426
Dumping	392	Recruitment of an international sales force	427
Countertrade as a pricing tool	393	Expatriates	428
Types of countertrade	393	Local nationals	428
Western firms and countertrade	394	Third-country nationals	429
Proactive countertrade strategy	395	Host country restrictions	429
Summary	396	Selecting an international sales force	429
Questions	396	Training and motivation	430
Further reading	397	Cross-cultural negotiations	432
Notes	397	Pre-negotiation stage	433
Chapter 19 International Promotion and Advertising	399	Face-to-face negotiation	
Chapter outline	399		
Chapter learning objectives	399		
Promotional mix	400		
International advertising	401		
Pattern advertising: plan globally, act locally	403		

stage	434	Case 3.3 Aldi and Lidl: International Expansion of Two German Grocery Discounters	503
Post-negotiation stage	436		
Summary	436		
Questions	437		
Further reading	437		
Notes	438		
Part 6: Supplementary Resources			
The Country Notebook: A Guide for Developing a Marketing Plan			
	441		
Case Studies to Accompany Parts 1–5			
	447		
PART 1			
Case 1.1 Strategy Formulation at Audi	448		
Case 1.2 Starbucks: Going Global Fast	452		
Case 1.3 Wal-Mart in Africa	458		
PART 2			
Case 2.1 Abercrombie & Fitch: Expanding into the European Market	468		
Case 2.2 Tellyo: A Start-up Company from Northern Europe and the Quest for Customers and Markets	473		
Case 2.3 Dating at IKEA China: An Unexpected Management Challenge	481		
PART 3			
Case 3.1 To Be or Not to Be (a Main Supplier of Mercadona)? The MBF Case	484		
Case 3.2 El Dawar Foods (Egypt)	492		
		PART 4	
		Case 4.1 For Fiat to Get Big in the USA, Did It Have to Start Small?	510
		Case 4.2 El-Sewedy Electrometers	518
		Case 4.3 IKEA: Entering Russia	529
		Case 4.4 Banco Mediano Español: Big Is Beautiful	534
		Case 4.5 Luxottica: Excellence in Eyewear Distribution	553
		Case 4.6 FedEx versus UPS: Competing with Contrasting Strategies in China	559
		Case 4.7 Tetra Pak's Packaging Innovations	570
		PART 5	
		Case 5.1 Levi Strauss Signature®: A New Brand for Mass-channel Retail Stores	582
		Case 5.2 Apple Inc's iPhone: Can iPhone Maintain Its Initial Momentum?	588
		Case 5.3 UGG Boots: Australian Generic Product to Global Luxury Brand	600
		Case 5.4 L'Oréal – Building a Global Cosmetic Brand	610
		Glossary	618
		Index	625

Preface

During the last decade the international marketing field has developed enormously and the marketing function has now taken the central position in most companies. Increasing interdependence of the world economies has created new markets but also has led to increased competition and new challenges in the marketplace. The globalisation of the marketplace is now a reality, but it has led us into certain misunderstandings. The concept of the global market, or global marketing, thus needs clarification. It generally views the world as one market and is based on identifying and targeting cross-cultural similarities. In our opinion, the global marketing concept should be based on the premise of cultural differences and be guided by the belief that each foreign market requires its own culturally adapted marketing strategies. Although consumers dining at McDonald's in New Delhi, Moscow and Beijing is a reality, the idea of marketing a standardised product with a uniform marketing plan remains 'purely theoretical'.

The global marketing strategy is, therefore, different from the globalisation of the market. One has to do with efficiency of operations, competitiveness and orientation, the other with homogeneity of demand across cultures. In this book we consider it important to make this distinction and to see how it affects international marketing strategies.

In Europe, where home markets are smaller, companies like Philips, Unilever, Ericsson, IKEA, HSBC, Akzo Nobel and Nestlé are deriving up to 80 per cent of their revenues from abroad. The companies that succeed in the twenty-first century are those capable of adapting to constant change and responding to new challenges.

The economic, political and social changes that have occurred over the last decade have dramatically altered the landscape of global business. Consider the present and future impact of:

- China as a full player in the international market
- the persistent economic crisis in the Western economies
- emerging markets in Eastern Europe, Asia and Latin America where, in spite of economic and political crises, more than 75 per cent of the growth in world trade over the next 20 years is expected to occur
- the job shift in services from Western to emerging markets
- the rapid move away from traditional distribution structures in Europe, the USA and many emerging markets
- the growth of middle-income households the world over
- an increasingly (in)effective World Trade Organization (WTO) and increasing/decreasing restrictions on trade
- the transformation of the Internet from a toy for 'cybernerds' to a major international business tool for research, advertising, communications, exporting and marketing
- the increased awareness of ethical issues and social responsibility by companies.

As global economic growth occurs, understanding marketing in all cultures is increasingly important. Whether a company wants to involve itself directly in international marketing or not, it cannot escape increasing competition from international firms. This book addresses global issues and describes concepts relevant to all international marketers, regardless of the extent of their international involvement. Emphasis is on the strategic implications of competition in the markets of different countries. An environmental/cultural approach to international marketing permits a truly global orientation. The reader's horizons are not limited to any specification or to the particular ways of doing business in a single country. Instead, we provide an approach and framework for identifying and analysing the important cultural and environmental uniqueness of any country or global region.

The text is designed to stimulate curiosity about the management practices of companies, large and small, seeking market opportunities outside their home country and to raise the reader's consciousness about the importance of viewing international marketing management strategies from a global perspective.

Although this revised edition is infused throughout with an international orientation, export marketing and operations of smaller companies are not overlooked. Issues specific to exporting are discussed where strategies applicable to exporting arise and examples of marketing practices of smaller companies are examined throughout the chapters.

New and expanded features in this edition

As a result of extensive review work with the publishers and comments from many reviewers, we evaluated the contents of this book and for this new edition have reorganised them to better reflect the way topics are taught on most international marketing courses. In particular the chapter on ethics and social responsibility has been brought forward in Part 4, emphasising its importance for international marketing strategies.

New content

As segmentation and positioning are the bases for marketing strategy in any market, we have gathered these important issues together in a new chapter on international segmentation and positioning. This chapter explains and provides guidelines for segmentation and targeting the right customers in international markets. It also explains how companies can position their products and company image in customers' minds in different markets.

The new and expanded topics in this edition reflect issues in competition, changing marketing structures, the importance of cultural issues, ethics and social responsibility, and negotiations. The global market is swiftly changing from a seller's market to a buyer's market. This is a period of profound social, economic and political change. To remain competitive globally, companies must be aware of all aspects of the emerging global economic order.

Additionally, the evolution of information technology and global communications and their impact on how international business is conducted cannot be ignored. In the third millennium, people in the 'global village' will grow closer than ever, and will hear and see each other as a matter of course. An executive in the UK will be able to routinely pick up his or her video-phone to hear and see his or her counterpart in an Australian company or anywhere else in the world. In many respects, distance is becoming irrelevant.

Information – and, in its wake, the flow of goods – is moving around the globe at lightning speed. Increasingly powerful networks spanning the globe enable the delivery of services that reach far beyond national and continental boundaries, fuelling and fostering international trade. The connections of global communications bring people all around the world together in new and better forms of dialogue and understanding.

The dynamic nature of the international marketplace is reflected in the number of new and expanded topics in this edition, including:

- brand new dedicated chapter on international segmentation and positioning
- the importance of ethics and social responsibility at home as well as in international markets
- the impact of the persistent economic crisis
- the European Union of 27 countries and the impact of the euro
- the Internet and its expanding role in international marketing
- big emerging markets, particularly Brazil, Russia, India and China (BRICs) and others
- evolving global middle-income households
- the importance of marketing research for marketing decision making

- enhanced emphasis on cultural issues relevant for international marketing
- the emergence of a new breed of market driving companies such as IKEA, Apple and Starbucks.

New features

More than 80 per cent of the boxed **Going International** examples are brand new to this edition. These examples are carefully chosen to illustrate the points made in the text. For the fourth edition, most of these examples now act as provocative mini-cases that can be used as discussion points, featuring questions aimed at initiating exercises and discussion in the classroom. Relevant Exhibits and real-life pictures have been added to enhance the visual understanding and bases for discussion.

The **key terms feature**, which we introduced in the previous edition, has been kept and expanded following the reviewers' comments. All key terms are emboldened in the text the first time they are used, and definitions provided in the margin for quick reference. A full **glossary** of key terms is provided at the back of the book and on the Online Learning Centre (OLC).

At the end of each chapter, you'll find an improved **Further Reading** feature, where we present a selection of publications that reflect the classic, most influential and most recent studies in the area covered by the chapter. This feature has been updated throughout to include the most interesting and provocative new research to not only encourage students to go deeper into different topics, but also to help teachers in preparing interesting and enriched lectures.

Structure of the text

The text is divided into six parts. In **Part 1**, 'An Overview', the two chapters introduce the reader to international marketing and to three international marketing management concepts: the domestic market expansion concept, the multidomestic market concept and the global marketing concept. As companies restructure for the global competitive rigours of the twenty-first century, so too must tomorrow's managers. The successful manager must be globally aware and have a frame of reference that goes beyond a country, or even a region, and encompasses the world. What global awareness means and how it is acquired is discussed early in the text; it is the foundation of global marketing.

Chapter 2 focuses on the dynamic environment of international trade and the competitive challenges and opportunities confronting today's international marketer. The importance of the creation of the World Trade Organization (WTO), as the successor to GATT, is fully explored. The chapter is totally updated with new facts and realities.

The three chapters in **Part 2** deal with the impact of culture and the political environment on international marketing. A global orientation requires the recognition of cultural and institutional differences and the critical decision of whether or not it is necessary to accommodate them. These three chapters are totally re-written and streamlined. As a result, this edition has two chapters on culture instead of the three in the previous edition.

Geography and history (**Chapter 3**) are included as important dimensions in understanding cultural and market differences between countries. Not to be overlooked is concern for the deterioration of the global ecological environment and the multinational company's critical responsibility to protect it.

Chapter 4 presents a broad review of culture and its impact on human behaviour as it relates to international marketing. Specific attention is paid to Geert Hofstede's study of cultural value and behaviour. Knowledge of the business culture, management attitudes and business methods existing in a country and a willingness to accommodate the differences are important to success in an international market. This new integrated chapter provides several examples to deal with these different business practices and customs.

The political climate in a country is a critical concern for the international marketer. In **Chapter 5**, we take a closer look at the political environment. We discuss the stability of government policies, the political risks confronting a company, and the assessment and reduction of political vulnerability of products. Increasingly, interaction between business and politics is becoming important and cannot be ignored. Legal problems common to most international marketing transactions are also discussed in this chapter.

In **Part 3**, **Chapters 6, 7 and 8** are concerned with assessing global marketing opportunities. As markets expand, segments grow within markets, and as market segments across country markets evolve, marketers are forced to understand market behaviour within and across different cultural contexts. Multicultural research and qualitative and quantitative research are discussed in **Chapter 6**.

Chapters 7 and 8 explore the impact of the three important trends in global marketing: (1) the growth and expansion of the world's big emerging markets; (2) the rapid growth of middle-income market segments; (3) the steady creation of regional market groups that include the European Union (EU), the North American Free Trade Agreement (NAFTA), the Southern Cone Free Trade Area (Mercosur), the ASEAN Free Trade Area (AFTA) and the Asia-Pacific Economic Cooperation (APEC).

The strategic implications of the shift from socialist-based to market-based economies in Eastern Europe and the returning impact of China on international commerce are examined. Attention is also given to the efforts of the governments of India and many Latin American countries to reduce or eliminate barriers to trade, open their countries to foreign investment and privatise state-owned enterprises.

In **Part 4**, 'Developing International Marketing Strategies', planning and organising for international marketing are discussed in **Chapter 9**. Many multinational companies realise that to capitalise fully on the opportunities offered by global markets, they must have strengths that often exceed their capabilities. **Chapter 10** has been dedicated to entry strategies. Here we provide a model that can be followed to analyse different markets while making decisions on market selection.

Chapter 11 is the brand new chapter on international segmentation and positioning. Once a company has decided on an overall strategy and has decided which market to enter, it has to quickly analyse whether there is a customer segment in that particular market that is relevant and can be targeted for its product/service. A company must understand the target group so that it can position its product/service in the minds of that target group, in a way that is consistent with its overall objectives and strategy.

Chapter 12 is the chapter on international branding strategies that we introduced in the previous edition. It examines the different issues surrounding branding, in recognition of its growing importance to international marketing. This chapter has been further improved and updated. In **Chapter 13**, the special issues involved in moving a product from one country market to another, and the accompanying mechanics of exporting, are addressed. The exporting mechanisms and documentation are explained.

Chapter 14 deals with an expanded discussion on ethical issues in marketing. This chapter has been brought forward to emphasise the strategic nature of these issues. It is imperative that before a company decides on marketing strategies, it is fully aware of ethical and social issues in general and for the particular market it is entering/operating in.

Part 5 looks at developing international marketing strategies and **Chapters 15 and 16** focus on product management, reflecting the differences in strategies between consumer and industrial products and the growing importance in world markets for business services. Additionally, the discussion on the development of global products stresses the importance of approaching the adaptation issue from the viewpoint of building a standardised product platform that can be adapted to reflect cultural differences. The competitive importance in today's global market of quality, innovation and technology as the keys to marketing success is explored.

Chapter 17 takes the reader through the distribution process, from home country to the consumer in the target country market. The structural impediments to market entry imposed by a country's distribution system are examined within the framework of a detailed presentation of the American and European distribution structure. In addition, the rapid changes in channel structure that are occurring in emerging and in other countries, and the emergence of e-commerce as a distribution channel, are presented.

The challenges faced by international marketers in foreign markets are discussed and presented in **Chapter 18**. Price escalations and ways in which these can be lessened; countertrade practices and pricing strategies under varying currency conditions are also discussed in this chapter. The factors influencing pricing decisions in different markets are thoroughly discussed.

Chapter 19 covers advertising and addresses the promotional element of the international marketing mix. Included in the discussion of global market segmentation are recognition of the rapid growth

of market segments across country markets and the importance of market segmentation as a strategic competitive tool in creating an effective promotional message.

Chapter 20 discusses personal selling and sales management, and the critical nature of training, evaluating and controlling sales representatives. Here we also pay attention to negotiating with customers, partners and other actors in our networks. We discuss the factors influencing business negotiations, and varying negotiation styles.

Finally, in **Part 6**, the **Country Notebook** presents an excellent framework for assignments and for marketing research exercises. This focuses on the new realities of international marketing and factors that may influence entry and competitive strategies in different markets are presented. Also in **Part 6**, building on the success of the case section from the previous edition, we have included a substantial section of excellent case-study material that can be used by students and lecturers to aid learning. You'll find 20 cases in total, half of which are brand new to this edition. The cases reflect all regions and by working through them you will encounter all kinds of marketing scenarios in all kinds of companies in all geographical territories. From supermarket chains in Germany to footballers in China; from Fiat 500 to Abercrombie & Fitch's global success as a brand – each case study is lively, contemporary, thought-provoking and expertly designed to bring out the real issues in international marketing. The shorter cases focus on a single problem, serving as the basis for discussion of a specific concept or issue. The longer, more integrated cases are broader in scope and focus on more than one international marketing problem. Information is provided in a way that enables the cases to be studied as complete works in themselves but, importantly, they also lend themselves to more in-depth analysis that requires students to engage in additional research and data collection.

Pedagogical features of the text

The text portion of the book provides a thorough coverage of its subject, with specific emphasis on the planning and strategic problems confronting companies that market across cultural boundaries. The pedagogy we have developed for this textbook is designed to complement the rest of the book perfectly, and has been constructed with the very real needs of students and lecturers in mind.

Current, pithy, sometimes humorous and always relevant examples are used throughout each chapter to stimulate interest and increase understanding of the ideas, concepts and strategies presented, emphasising the importance of understanding the cultural uniqueness and relevant business practices and strategies.

The **Going International** boxes, an innovative feature since the first edition of *International Marketing*, have always been popular with students. This edition includes over 50 new boxes, now with questions and all providing up-to-date and insightful examples of cultural differences and international marketing at work, as well as illustrating concepts presented in the text with illustrations and pictures. They reflect contemporary issues in international marketing and real-life marketing scenarios, and can be used as a basis for solo study and as mini-case studies for lectures, as well as to stimulate class discussion. They are unique to this text, lively to read, and will stimulate all who use this book.

'**The Country Notebook: a Guide for Developing a Marketing Plan**', found in **Part 6**, is a detailed outline that provides both a format for a complete cultural and economic analysis of a country and guidelines for a marketing plan. This can be readily used by students and teachers for extended assignments.

Online supplements

In addition to the resources in this textbook, you'll find more supplements in the **Online Learning Centre (OLC)**, which can be found at: www.mheducation.co.uk/textbooks/ghauri4

A full list of features can be found on page xxvi

Acknowledgements

Publisher's acknowledgements

Our thanks go to the following reviewers for their comments at various stages in the text's development:

Christine Sorensen, University of Northumbria

Caroline Burr, Bournemouth University

Paul Ankers, Portsmouth University

Keith Burton, University of the West of England

Natasha Evers, National University of Ireland, Galway

Al Halborg, Coventry University

Mat Robson, University of Leeds

Jyoti Navare, Middlesex University

Patrick L'Espoir Decosta, Stockholm University

We would also like to thank the following who have contributed case studies to the new edition:

Aisha Kandil, The American University in Cairo

Anna Jonsson, School of Economics and Management, Lund University

Antonio Majocchi, University of Pavia, Italy

Birgit Hagen, University of Pavia, Italy

Claire Roederer, École de Management Strasbourg, University of Strasbourg

Dina El Alaily

Dr Marina Apaydin, The American University of Beirut

Farida El Zomor

Farida Hossam, The American University in Cairo

Federico Marinelli, Colegio Universitario de Estudios Financieros (CUNEF)

Hadiya Faheem, ICMR Center for Management Research

Heini Vanninen, Lappeenranta University of Technology

Hend Mostafa, The American University in Cairo

Indu P., ICMR Center for Management Research

Joaquín López Pascual, Colegio Universitario de Estudios Financieros (CUNEF)

Jocelyn Probert, CEIBS

Mayamin El Saady, The American University in Cairo

Nadia Gamal El Din

Olli Kuivalainen, Lappeenranta University of Technology

Rudolf R. Sinkovics, University of Manchester, Manchester Business School

Salma Shafie, The American University in Cairo

Sherine Kabesh, The American University in Cairo

Stefan Schmid, ESCP Europe

Sumelika Bhattacharyya, CEIBS

Syeda Maseeha Qumer, ICMR Center for Management Research

Sylvie Hertrich, École de Management Strasbourg, University of Strasbourg

Thomas Kotulla, ESCP Europe

Tobias Dauth, ESCP Europe

Ulf Elg, School of Economics and Management, Lund University

Ulrike Mayrhofer, IAE Lyon, Jean Moulin Lyon 3 University

V. Sarvani, ICMR Center for Management Research

Veronika Tarnovskaya, School of Economics and Management, Lund University

Vivek Gupta, ICMR Center for Management Research

Authors' acknowledgements

We also would like to thank a team of colleagues who helped us in typing, editing and preparing the manuscript. Our special thanks in this regard to Ibne Hassan, Ayse Akcal and Saad Ghauri.

We appreciate the help of all the many students and professors who have shared their opinions of past editions, and we welcome their comments and suggestions on this and future editions of *International Marketing*.

A very special thank you to Peter Hooper at McGraw-Hill, Maidenhead, who helped us in more than one way to finish this edition on time.

Pervez Ghauri and Philip Cateora

Every effort has been made to trace and acknowledge ownership of copyright and to clear permission for material reproduced in this book. The publishers will be pleased to make suitable arrangements to clear permission with any copyright holders whom it has not been possible to contact.

Guided Tour

Chapter Learning Objectives

What you should learn from Chapter 1

- What is meant by international marketing
- To understand the scope of the international marketing task
- To comprehend the meaning and the importance of the self-reference criterion (SRC) in international marketing
- To identify and manage the factors influencing the internationalisation of companies
- To evaluate the progression of becoming an international marketer
- To see how international marketing concepts influence international marketers
- To appreciate the increasing importance of global awareness and marketing opportunities

Learning Objectives

Each chapter opens with a set of learning objectives, summarising what you will learn from each chapter.

Marshall Plan

a plan designed to assist in the rebuilding of Europe after the Second World War

After the Second World War, as a means to dampen the USA set out to infuse the ideal of capitalism throughout as sible. The **Marshall Plan** to assist in rebuilding Europe, fin opment assistance to rebuild Japan and funds channelle International Development and other groups designed to fos underdeveloped world were used to help create a strong tion of colonial powers created scores of new countries in striving of these countries to gain economic independence offered by the Western countries, most of the developing new markets were created.

Key Terms

These are highlighted throughout the chapter and definitions are provided in the margins for quick and easy reference.

EXHIBIT 1.4: Most spoken languages in 2012

Most spoken languages in 2012	Number of people (millions)
1 Chinese (Mandarin)	1,213
2 Spanish	329
3 English	328
4 Arabic	221
5 Hindi	182
6 Bengali	181
7 Portuguese	178
8 Russian	144
9 Japanese	122
10 German	90

Source: Ethnologue, 16th edn (2013).

Exhibits

Each chapter provides a number of figures and tables to illustrate and summarise important information.

Going International 1.2

EVOLUTION OF A MULTINATIONAL COMPANY

- 1964 Phil Knight, an accountant at Price Waterhouse, and college track coach Bill Bowerman put in \$500 each to start Blue Ribbon Sports.
- 1970 Bowerman, inspired by the waffle iron, dreams up new shoe treads, which evolve to become the best-selling US training shoe.
- 1971 Blue Ribbon changes its name to Nike and adopts the swoosh as its logo, designed by a college student for \$35. She later gets an undisclosed number of stocks.



Going International boxes

This book is full of these relevant and contemporary examples of international marketing, which bring the topic to life. Many of them include discussion questions designed to prompt class debates.

SUMMARY

The first section of *International Marketing* offers an overview of international marketing, and a discussion of the global business, political and legal environments confronting the marketer. International marketing is defined as the performance of business activities beyond national borders. The task of the international marketer is explained. Key obstacles to international marketing are not just foreign environments but also our own self-reference criteria (SRC) and ethnocentrism. This section deals exclusively with the uncontrollable elements of the environment and their assessment. The next section offers chapters on assessing international market opportunities. Then, management issues in developing global marketing strategies are discussed. In each chapter the impact of the environment and culture on the marketing process is illustrated. Space prohibits an encyclopaedic approach to all the issues; nevertheless, we have tried to present sufficient detail so readers appreciate the real need to make a thorough analysis whenever the challenge arises. The next chapter provides a framework for this task.

Summary

These summaries briefly review and reinforce the main topics covered in each chapter to ensure you have acquired a solid understanding of the topics.

QUESTIONS

- 1 Is the marketer's task the same whether applied in Amsterdam, London or Kuala Lumpur? Discuss.
- 2 How can the increased interest in international marketing on the part of European firms be explained?
- 3 Discuss the four phases of international marketing involvement.
- 4 Discuss the conditions that have led to the development of global markets.
- 5 Differentiate between a global company and a multinational company.
- 6 Differentiate among the three international marketing orientations.
- 7 Relate the three international marketing orientations to the EPRG schema.

Questions

These questions help you test the knowledge you have acquired from the chapter.

FURTHER READING

- Theodore Levitt, 'The Globalization of Markets', *Harvard Business Review*, 1983, May–June, pp 92–102.
- Peter Buckley and Pervez Ghauri, 'Globalization, Economic Geography and Multinational Enterprises', *Journal of International Business Studies*, 2004, 35(2), pp 81–98.
- Esther Tippmann, Pamela Sharkey Scott and Vincent Mangematin, 'Problem Solving in MNCs: How Local and Global Solutions are (and are not) Created', *Journal of International Business Studies*, 2012, 43(8), pp 746–71.

Further Reading

The further reading for each chapter guides you towards the best secondary sources available.

Preliminary marketing plan

Information gathered in the previous sets of guidelines serves as the basis for developing a marketing plan for your product/brand in a target market. How the problems and opportunities that surfaced in the preceding steps are overcome and/or exploited to produce maximum sales/profits are presented here. The action plan reflects, in your judgement, the most effective means of marketing your product in a country market. Budgets, expected profits and/or losses, and additional resources necessary to implement the proposed plan are also presented.

Guidelines

- I The marketing plan.
 - A Marketing objectives.
 - 1 Target market(s) (specific description of the market segment).
 - 2 Expected sales 20–.
 - 3 Profit expectations 20–.
 - 4 Market penetration and coverage.
 - B Product adaptation, or modification – using the product component model as your guide,

- a Marking
- b Containe
- 4 Documentati
- 5 Insurance cl
- 6 Freight forw
- If your company
tion or traffic m
consider using a
distinct advantag
ing one.
- E Channels of distr
- This section pres
types of distribut
- 1 Retailers.
 - a Type and
 - b Retail m
type of r
 - c Methods
(cash/cre
 - d Scale o
(small/la
- 2 Wholesale m
 - a Type a

Country Notebook

This feature provides a format for undertaking both a complete cultural and economic analysis of a country, as well as guidelines for a marketing plan.

Cases Outline

- Case 1.1** Strategy Formulation at Audi
- Case 1.2** Starbucks: Going Global Fast
- Case 1.3** Walmart in Africa

Case 1.1

Strategy Formulation at Audi

Audi: the success of cars 'Made in Germany'

The German company Audi, part of the Volkswagen Group, is enjoying unprecedented levels of success, particularly in the international marketplace. In 2012,

Audi: a brand of the Volkswagen Group

Audi is part of the German Vol is one of the world's leading aut ers and the largest carmaker

Case Studies

The book includes an extensive case study section, featuring in-depth studies of a variety of companies from around the world.

Glossary

act of God – An extraordinary natural event not reasonably anticipated by either party to a contract, ie earthquakes, floods, etc.

activist groups – See *Green activist*. Refers to these groups, eg Greenpeace.

adaptation – Making changes to fit a particular culture/environment/conditions, eg when we produce special/modified products for different markets.

administered pricing Relates to attempts to establish prices for an entire market.

advertising campaign – Designing and implementing particular advertising for a particular product/purpose over a fixed period.

by refusing to allow impor currency for the seller's cu

Boston Consulting Grou strategy and general mana specific models to tackle

boycott – A coordinated r services of a certain comp

brand loyalty – When cus brand.

branding – Developing an brand name.

broker – A catchall term f performing low-cost agent

Glossary

The comprehensive glossary at the end of the text provides a quick reference tool for learning.

Online Learning Centre

www.mheducation.co.uk/textbooks/ghauri4

Students – Helping you to Connect, Learn and Succeed

We understand that studying for your module is not just about reading this textbook. It's also about researching online, revising key terms, preparing for assignments, and passing the exam. The website above provides you with a number of **FREE** resources to help you succeed on your module, including:



International Marketing
4th EDITION
Pervez N. Ghauri
and Philip Cateora

Information Center

- Overview
- Features Summary
- Table of Contents
- Book Inquiries
- Sample Chapter
- About the Authors
- Request Lecturer Copy
- Request Payment
- Buy the Book
- Make the Book
- Get Adobe Reader
- Try our Cool Offers on...
- Feedback

International Marketing, 4/e
Pervez Ghauri, King's College London, UK
Phillip Cateora, University of Colorado, USA
ISBN: 0077348150
Copyright year: 2014

Welcome to the Online Learning Centre for International Marketing, 4th edition

Now in its fourth edition this successful introduction to international marketing has been thoroughly revised, updated and developed throughout to reflect the most recent developments in today's dynamic business environment. Contemporary, engaging, and accessible, International Marketing is essential reading for the aspiring practitioner, here you can find a host of information about the book and a range of downloadable supplements for students and lecturers.

STUDENT CENTRE

The Student Centre contains material to accompany the study of International Marketing. This material includes:

- Interactive Map
- Glossary

You can click on the menu to the left of this page to view these resources. Chapter-by-chapter resources can be viewed by clicking on the drop-down list.

LECTURER CENTRE

The Lecturer Centre for this title contains a host of downloadable material for lecturers who adopt International Marketing 4th edition. The material in the Lecturer Centre includes:

- PowerPoints
- Lecturer outlines
- Class study reading notes
- Answers to end of chapter questions
- Additional essay questions
- Teaching Suggestions
- Cases from previous editions
- EZ Test testbank

ACCESSING THE LECTURER CENTRE

The Lecturer Centre is for instructors and lecturers only and as such is password-protected. In order to request the password to access the Lecturer Centre, please fill in your details on the [request password](#) page. A McGraw-Hill representative will contact you in due course.

REQUEST LECTURER COPY

- *Self-test questions to prepare you for mid-term tests and exams*
- *Glossary of key terms to revise core concepts*
- *Web links to online sources of information to help you prepare for class*

Lecturer support – Helping you to help your students

The Online Learning Centre also provides lecturers adopting this book with a range of resources designed to offer:

- **Faster course preparation** – time-saving support for your module
- **High-calibre content to support your students** – resources written by your academic peers, who understand your need for rigorous and reliable content
- **Flexibility** – edit, adapt or repurpose; test in EZ Test or your department's Course Management System. The choice is yours.

The materials created specifically for lecturers adopting this textbook include:

- *Lecturer's Manual to support your module preparation, with case notes, guide answers, teaching tips and more*
- *PowerPoint presentations to use in lecture presentations*
- *Image library of artwork from the textbook*
- *Solutions manual providing accuracy-tested answers to the problems in the textbook*
- *Case Notes with guide answers to case questions, written to help support your students in understanding and analysing the cases in the textbook*

- *Cases from previous editions*
- *Answers to end of chapter questions*
- *Additional essay questions*
- *Teaching suggestions*

To request your password to access these resources, contact your McGraw-Hill Education representative or visit www.mheducation.co.uk/textbooks/ghauri4



Test Bank available in McGraw-Hill EZ Test Online

A test bank of hundreds of questions is available to lecturers adopting this book for their module through the EZ Test online website. For each chapter you will find:

- A range of multiple choice, true or false, or essay questions
- Questions identified by type to help you to select questions that best suit your needs

McGraw-Hill EZ Test Online is:

- **Accessible** anywhere with an Internet connection – your unique login provides you access to all your tests and material in any location
- **Simple** to set up and easy to use
- **Flexible**, offering a choice from question banks associated with your adopted textbook or allowing you to create your own questions
- **Comprehensive**, with access to hundreds of banks and thousands of questions created for other McGraw-Hill titles
- **Compatible** with Blackboard and other course management systems
- **Time-saving** – students' tests can be immediately marked and results and feedback delivered directly to your students to help them to monitor their progress.

To register for this FREE resource, visit www.eztestonline.com



create

Let us help make our **content** your **solution**

At McGraw-Hill Education our aim is to help lecturers to find the most suitable content for their needs, delivered to their students in the most appropriate way. Our **custom publishing solutions** offer the ideal combination of content delivered in the way which best suits lecturer and students.

Our custom publishing programme offers lecturers the opportunity to select just the chapters or sections of material they wish to deliver to their students from a database called CREATE™ at

<http://create.mheducation.com/uk/>

CREATE™ contains over two million pages of content from:

- textbooks
- professional books
- case books – Harvard Articles, Insead, Ivey, Darden, Thunderbird and BusinessWeek
- Taking Sides – debate materials

Across the following imprints:

- McGraw-Hill Education
- Open University Press
- Harvard Business Publishing
- US and European material

There is also the option to include additional material authored by lecturers in the custom product – this does not necessarily have to be in English.

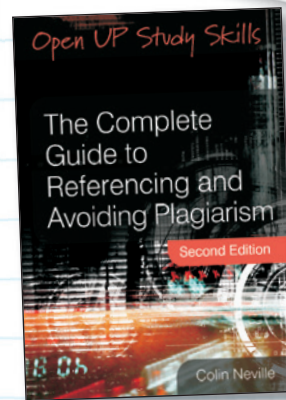
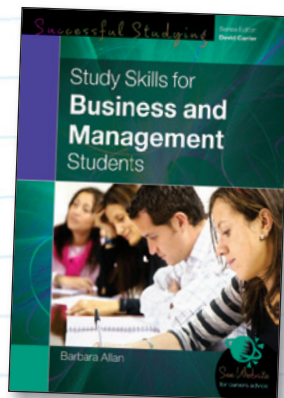
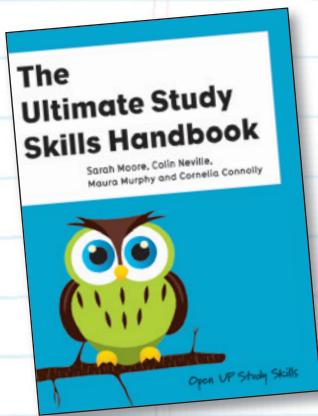
We will take care of everything from start to finish in the process of developing and delivering a custom product to ensure that lecturers and students receive exactly the material needed in the most suitable way.

With a Custom Publishing Solution, students enjoy the best selection of material deemed to be the most suitable for learning everything they need for their courses – something of real value to support their learning. Teachers are able to use exactly the material they want, in the way they want, to support their teaching on the course.

Please contact your local McGraw-Hill Education representative with any questions or alternatively contact Warren Eels e: **warren.eels@mheducation.com**.

Improve
your
grades!

20% off any
Study Skills
book!



Our Study Skills books are packed with practical advice and tips that are easy to put into practice and will really improve the way you study. Our books will help you:

- ✓ Improve your grades
- ✓ Avoid plagiarism
- ✓ Save time
- ✓ Develop new skills
- ✓ Write confidently
- ✓ Undertake research projects
- ✓ Sail through exams
- ✓ Find the perfect job

Special offer!

As a valued customer, buy online and receive 20% off any of our Study Skills books by entering the promo code **BRILLIANT**



www.openup.co.uk/studyskills





PART 1

An Overview

Chapter 1	The Scope and Challenge of International Marketing	3
Chapter 2	The Dynamics of International Markets	24

Chapter 1

The Scope and Challenge of International Marketing

Chapter Outline

Chapter learning objectives	3
The internationalisation of business	5
International marketing defined	8
The international marketing task	9
Environmental adaptations	12
Self-reference criterion: an obstacle	13
Different marketing orientations	14
Globalisation of markets	17
Developing a global awareness	18
International marketing orientation	20
Summary	21
Questions	21
Further reading	22
Notes	22

Chapter Learning Objectives

What you should learn from Chapter 1

- What is meant by international marketing
- The scope of the international marketing task
- The meaning and the importance of the self-reference criterion (SRC) in international marketing
- How to identify and manage the factors influencing the internationalisation of companies
- How to evaluate the progression of becoming an international marketer
- How international marketing concepts influence international marketers
- The increasing importance of global awareness and marketing opportunities

The modern world is organised on the basis that each nation state is sovereign and independent from other countries. In reality, however, no country can completely isolate its internal affairs from external forces. Even the most inward-looking regimes have realised the limitations of their own resources as well as the benefits of opening up their borders. This major change in the orientation of most regimes has led to an enormous amount of activity in the international marketplace.

The global economic boom of the 1990s has been one of the drivers for efficiency, productivity and open, unregulated markets that has swept the world.¹ Never before in world history have businesses been so deeply involved in and affected by international global developments. The first decade of the twenty-first century, on the other hand, brought political turmoil and economic crisis that swept throughout the world and affected almost every country. Powerful economic, technological, industrial, political and demographic forces are converging to form the foundation of a new global economic order on which the structure of a world economic and market system will be built.²

Whether or not a company wants to participate directly in international business, it cannot escape the effect of the ever-increasing number of domestic firms exporting, importing and/or manufacturing abroad; the number of foreign-based firms operating in most markets; the growth of regional trade areas; the rapid growth of world markets; and the increasing number of competitors for global markets. Of all the trends affecting global business today, five stand out as the most dynamic and as the ones that are influencing the shape of international business:

- 1 the interdependence of the world economies and globalisation of production and consumption²
- 2 the rapid growth of regional **free-trade areas** such as the EU, NAFTA, **ASEAN** and **APEC**
- 3 the increase in wealth and growth in most parts of the world, causing enhanced purchasing power as well as volatility in financial markets throughout the world
- 4 the evolution of large emerging markets such as Brazil, China, India, Russia, Indonesia, Turkey and Pakistan
- 5 availability of advanced methods of communication and transportation due to developments in information technology.

free-trade area

where products can move freely, without tariffs and restrictions

ASEAN

the fourth-biggest trade area of the world comprising 10 Southeast Asian countries

APEC

Asia-Pacific cooperation among 21 member states. APEC promotes free trade and economic cooperation between members

economic change

change in economic conditions, eg growth or recession

These forces affecting international business have led to a dramatic growth in international trade and have contributed to a perception that the world has become a smaller and more interdependent place.³ If we look at the Swiss multinational company Nestlé, ‘The Food Company of the World’, it claims its products are sold in every country in the world. It has factories in more than 80 countries and has many brands that are recognised all over the world.⁴ Toyota and its subsidiaries sell their cars in more than 170 countries, giving it a presence in more countries than any other auto manufacturer.⁵

Every business must be prepared to compete in an increasingly interdependent global economic environment, and all business people must be aware of the effects of these trends when managing a multinational conglomerate or a domestic company that exports. As one international expert noted, ‘every company is international, at least to the extent that its business performance is conditioned in part by events that occur abroad’.⁶ Even companies that do not operate in the international arena are affected to some degree by the **economic changes** taking place in China and India as well as the recent economic crisis. The interdependence among nations and markets has, however, not been affected. Companies have become even more aggressive to capture new markets in order to compensate for recessions at home or economic slow down in their

traditional markets.

As competition for world markets intensifies, the number of companies operating solely in domestic markets is decreasing. Or, to put it another way, it is increasingly true that the business of any business is international business. The challenge of international marketing is to develop strategic plans that are competitive in the intensifying global markets. These and other issues affecting the world economy, trade, markets and competition will be discussed throughout this text.

The internationalisation of business

With the increasing globalisation of markets, companies find they are unavoidably enmeshed with foreign customers, competitors and suppliers, even within their own borders. They face competition on all fronts – from domestic firms and from foreign firms. A significant portion of all televisions, mobile phones, clothes and tableware sold in Western Europe is foreign made. Sony, Panasonic, Samsung, Nokia, LG, Toyota and Nissan are familiar brands all over the world and for Western industry, they are formidable opponents in a competitive struggle for world markets.

Many familiar domestic companies are now foreign controlled. When you shop for groceries at Aldi or Lidl supermarkets, or buy a SEAT car, you are buying indirectly from a German company. Some well-known brands no longer owned by Western companies are Carnation (Swiss), Brooks Brothers clothing (Canada), Land Rover and Jaguar that are now owned by TATA, an Indian conglomerate, and the Godiva chocolate brand, which is now owned by a Turkish company. There is hardly any country that is not involved in international trade and investment (Exhibit 1.1 shows the top 30 trading countries). In fact, both inward and outward foreign investment in most countries is quite common. This is illustrated by Exhibit 1.2.

EXHIBIT 1.1: Top 30 countries for trade and expansion

Rank	2011	Country GDP (purchasing power parity) (billion \$)	Population (millions)	Export (billion \$)	Import (billion \$)
1	USA	15,290	313	1,497	2,236
2	China	11,440	1343	1,904	1,743
3	India	4,515	1205	299.4	461.4
4	Japan	4,497	127	788	808.4
5	Germany	3,139	81	1,408	1,198
6	Russia	2,414	142	520.9	322.5
7	Brazil	2,324	199	256	219.6
8	UK	2,290	63	479.7	639.5
9	France	2,246	65	587.1	688.5
10	Italy	1,871	61	523.9	556.4
11	Mexico	1,683	114	349.7	350.8
12	Korea, South	1,574	48	556.5	524.4
13	Spain	1,432	47	303.6	363.1
14	Canada	1,414	34	462.4	461
15	Indonesia	1,139	248	201.5	166.1
16	Turkey	1,087	79	143.5	232.9
17	Iran	1,003	78	131.8	76.1
18	Australia	926.2	22	272.1	243.4
19	Taiwan	887.3	23	307.1	279.4
20	Poland	781.5	38	193.9	208
21	Argentina	725.6	42	84.27	70.73
22	Netherlands	713.1	16	551.8	493.1
23	Saudi Arabia	691.5	26	359.9	117.4
24	Thailand	609.8	67	221.6	196.3
25	South Africa	562.2	48	104.5	102.6
26	Egypt	525.6	83	27.91	53.97
27	Pakistan	494.8	190	25.35	35.82
28	Colombia	478	45	56.22	54.7
29	Malaysia	453	29	225.6	177.1
30	Nigeria	418.7	170	103.9	69.49

Source: CIA World Factbook (1 January 2012).

EXHIBIT 1.2: Direct foreign investment flows in selected countries, 2011

Countries	Inflow (million \$)	Outflow (million \$)	Net outflow (million \$)
USA	226,937	396,656	-169,719
Canada	40,932	49,569	-8,637
Belgium	89,142	70,706	18,436
UK	53,949	107,086	-53,137
France	40,945	90,146	-49,201
Italy	29,059	47,210	-18,151
Poland	15,139	5,860	9,279
Switzerland	(196)	69,612	
Spain	29,476	37,256	-7,780
Sweden	12,091	26,850	-14,759
The Netherlands	17,129	31,867	-14,738
Germany	40,402	54,368	-13,966
Japan	(1,758)	114,353	

Source: *World Investment Report 2012*, p 203.

Companies with existing foreign operations realise they must be more competitive to succeed against other foreign and domestic multinationals in every market. They have found it necessary to spend more money and time improving their marketing positions abroad because competition for these growing markets is intensifying. For the firm venturing into international marketing for the first time, and for those already experienced (for example, MNC versus SME), the requirement is generally the same – a thorough and complete commitment to foreign markets and, for many, new ways of operating to handle the uncertainties of foreign markets.

Going International 1.1

APPLE'S JOURNEY TOWARDS TOP POSITION

Apple: The beginning	1976	Apple Computer is founded. Apple I is introduced
	1979	Jobs and team of engineers visit Xerox PARC, where they see a demo of mouse and graphical user interface
	1980	Apple goes public in biggest IPO since Ford Motor in 1956. Jobs' 15 per cent stake is worth more than \$200m
	1983	The Apple Lisa is released, inspired by Xerox's user interface
Out of a Job. What's next ?	1984	The Macintosh is introduced. The '1984' commercial airs during the Super Bowl
	1985	Jobs is ousted from Apple. Launches Next , pays Paul Rand \$100,000 to design logo
	1986	Jobs buys Pixar from George Lucas for \$10m
	1988	The Next Cube is released. Price: \$6,500
	1993	After years of sluggish sales, Jobs lays off half the employees of Next and repositions it as a software company
	1995	Pixar releases Toy Story , the first full-length computer animated film, to rave reviews. + Pixar goes public one week later; Jobs' 80 per cent stake is worth \$585m
1996	Apple announces acquisition of Next for \$430m; posts \$816m loss for the year	



Jobs' return to Apple	1997	Jobs becomes interim CEO of Apple, replaces board, launches ' Think Different ' campaign
	1998	Apple returns to profitability. The iMac debuts, becomes the fastest-selling Macintosh ever. Pixar releases <i>A Bug's Life</i>
	2000	Jobs becomes permanent CEO of Apple. + Board gives Jobs a Gulfstream V jet and 40 million options
iTunes and beyond	2001	Big year for introductions: first Apple stores, the iPod , iTunes and the OS X operating system. Apple grants Jobs another 15 million options. + Pixar releases <i>Monsters Inc</i>
	2003	Jobs swaps underwater options for restricted shares. + Jobs is diagnosed with pancreatic cancer; board decides not to disclose it. + Pixar releases <i>Finding Nemo</i> to record box office
	2004	Jobs undergoes cancer surgery, discloses both cancer and 'cure' the next day. + <i>The Incredibles</i> is released
	2005	iPod Nano is released. Huge hit
Apple ascendant	2006	Pixar is sold to Disney, making Jobs its largest shareholder, with a stake now worth \$4.6bn + Cars is released. + Apple board announces backdating investigation, informs SEC. + board confirms backdating, but clears Jobs and management. Company announces \$105m restatement. + Disney launches internal investigation of backdating at Pixar
	2007	iPhone is introduced. + Apple stock hits a record \$199.83 a share. + SEC files suit against Fred Anderson and Nancy Heinen. SEC clears company. Anderson settles with SEC , issues statement challenging Jobs' account. + Disney board acknowledges backdating but clears Pixar management
	2008	Apple stock drops 40 per cent in two months in a down market
	2009	Apple introduces the next generation of iPhone and launches iPod Nano with video camera
	2010	Apple awards Cook a bonus valued at \$22m for leading the company during Jobs' six-month leave, during which its shares soared about 70 per cent. Apple begins selling the iPad in April 2010, a 10-inch touchscreen tablet, and has an 84 per cent share of the tablet market by year's end. Researcher iSuppli estimates 12.9 million iPads were shipped as of 10 December. The Beatles' 13 albums become available on iTunes, ending years of talks between Jobs, Beatles' management company Apple Corps and Beatles label EMI Group
	2011	Jobs announces that he will take another medical leave. Verizon Wireless, a venture of Verizon Communications Inc and Vodafone Group Plc , starts selling the iPhone in stores and puts an end to AT&T's exclusive contract for the phone in the USA. Apple launches a long-awaited subscription service for magazines, newspapers, videos and music – a move that could hurt streaming services Netflix and Hulu. Apple launches the iPad 2 , a sleeker, lighter version of its tablet with a new dual-core processor, two cameras and, for the first time, it comes in either white or black

Source: *Fortune*, 17 March 2008, pp 56–62. <http://www.reuters.com/article/2011/03/02/us-apple-timeline-idUSTRE72170T20110302>.

The world that has lost its kings echoes the reality of today's technology industry, where the battle lines between the four large companies seen as dominating the customer Internet (Google, Apple, Facebook and Amazon) are in furious flux. The death of Steve Jobs, Apple's monarch, robbed the technology world of the nearest thing that it had to royalty. But even before Jobs' passing, tension was growing between the great powers of the web generation as the onset of mobile computing upset the previous balance of power.

The tech industry has a history of bitter rivalries: IBM and Apple in the 1980s; Microsoft and Netscape in the 1990s. But the rivalries shaping the market today are even richer and more complicated, not least because they have a personal edge. Three of the big four are still run by men who made their billions as founder, or co-founder, of their empires: Amazon's Jeff Bezos, Google's Larry Page and Facebook's Mark Zuckerberg. And although Jobs no longer rules Apple, he groomed Tim Cook, his successor as chief executive. 'In the modern history of technology we have never seen such a highly engaged group of chief executives and founders,' says Mary Meeker, a partner at Kleiner Perkins Caufield & Byers, a venture-capital company.

This has allowed the companies to pile cash into their war chests (Exhibit 1.3). They will need them. All four grew up when computing was basically something done at a desk or on a laptop with the programs you had to hand. Now, as in Mr Martin's realm of Westeros, where the reader is always being apocalyptically assured that 'winter is coming', their world is undergoing great change.

EXHIBIT 1.3: Coins and the realms

	Year founded	Employees	Market value	Revenue (\$bn)	Profit/loss (\$bn)	Cash (\$bn)
Apple	1976	76,100	548.2	156.5	41.7	121.3
Amazon	1994	81,400	110.7	57.3	Nil	5.2
Google	1998	53,546	222.8	47.5	10.6	46.8
Facebook	2004	4,331	56.9	4.6	-0.1	10.5

Apple now finds itself competing with rivals that have radically different ways of making money. Amazon is flogging its Kindle e-readers and tablet computers, which use a modified version of Android, at pretty much what it costs to produce and sell them. Where Apple used iTunes to sell iPods, Amazon uses its tablets to sell everything else in the world.

Apple has been lobbing lawsuits around in the smartphone arena as if armed with a trebuchet. Google snapped up Motorola Mobility in large part to get its hands on the firm's thousands of patents issued and pending, thus bulking up its own defences and accumulating ammunition to fling at the fortresses of the competition.

No one looks likely to win quickly. 'There will be a lot of trench warfare,' predicts Roelof Botha of Sequoia Capital, a venture investor. And that looks likely to be great news for consumers, who will be able to choose from an ever wider range of innovative and cheap (or free) technologies.

- Can Apple win this battle?

Source: *Bloomberg* and *The Economist*, 1 December 2012, p 27.

International marketing defined

International marketing is the performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. The only difference in the definitions of domestic marketing and international marketing is that the marketing activities take place in more than one country. This difference accounts for the complexity and diversity found in international marketing operations. Marketing concepts, processes, and principles are to a great extent universally applicable, and the marketer's task is the same whether doing business in Amsterdam, London or Jakarta. The goal of a business is to make a profit by promoting, pricing and distributing products for which there is a market. If this is the case, what is the difference between domestic and international marketing?

The answer lies not with different concepts of marketing, but with the environment within which marketing plans must be implemented. The uniqueness of foreign marketing comes from the range of unfamiliar problems and the variety of strategies necessary to cope with the different levels of uncertainty encountered in foreign markets.

Competition, legal constraints, government controls, weather, consumer behaviour and any number of other uncontrollable elements can, and frequently do, affect the profitable outcome of good, sound

marketing plans. Generally speaking, the marketer cannot control or influence these uncontrollable elements, but instead must adjust or adapt to them in a manner consistent with a successful outcome. What makes marketing interesting is the challenge of moulding the controllable elements of marketing decisions (positioning, product, price, promotion and distribution) within the framework of the uncontrollable elements of the marketplace (competition, politics, laws, consumer behaviour, level of technology and so forth) in such a way that marketing objectives are achieved. Even though marketing principles and concepts are universally applicable, the environment within which the marketer must implement marketing plans can change dramatically from country to country. The difficulties created by different environments and cultures and adjusting membership strategies accordingly are the international marketer's primary concern.

The international marketing task

The international marketer's task is more complicated than that of the domestic marketer because the international marketer must deal with at least two levels of uncontrollable uncertainty instead of one. Uncertainty is created by the uncontrollable elements of all business environments, but each foreign country in which a company operates adds its own unique set of uncontrollables. Exhibit 1.4 illustrates the total environment of an international marketer. The inner circle depicts the controllable elements that constitute a marketer's decision area, the second circle encompasses those environmental elements at home that have some effect on foreign-operation decisions, and the outer circles represent the elements of the foreign environment for each foreign market within which the marketer operates. As the

EXHIBIT 1.4: The international marketing task

