



Chapter 5
Developing a
Global Vision

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LEARNING OUTCOMES

- 5-1** Discuss the importance of global marketing
- 5-2** Discuss the impact of multinational firms on the world economy
- 5-3** Describe the external environment facing global marketers

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LEARNING OUTCOMES

- 5-4** Identify the various ways of entering the global marketplace
- 5-5** List the basic elements involved in developing a global marketing mix
- 5-6** Discover how the Internet is affecting global marketing

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5-1

Rewards of Global Marketing and the Shifting Global Business Landscape

Discuss the importance of global marketing

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Rewards of Global Marketing

Having a global vision means...

- Recognizing and reacting to international marketing opportunities
- Using effective global marketing strategies
- Being aware of threats from foreign competitors

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Importance of Global Marketing to the U. S.

- ◆ The United States derives 14 percent of gross domestic product (GDP) from world trade
- ◆ The main types of goods that the United States exports are automobiles, agricultural goods, machines, airplanes, computers, chemicals, and petroleum products
- ◆ 287,000 small and medium size firms export goods from the U.S.

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Job Outsourcing and Inshoring

- ◆ Outsourcing (sending U.S. jobs abroad) has been highly controversial for several decades
- ◆ Outsourcing saves money but has also cost Americans jobs
- ◆ Inshoring is returning production jobs to the United States

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Benefits of Globalization

- ◆ Expands economic freedom
- ◆ Spurs competition
- ◆ Raises productivity and living standards
- ◆ Offers access to foreign capital, global export markets, and advanced technology
- ◆ Promotes higher labor and environmental standards
- ◆ Acts as a check on government power

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5-2

Multinational Firms

Discuss the impact of multinational firms on the world economy

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Stages of Global Business Development

- 1 Companies operate in one country and sell into others
- 2 Set up foreign subsidiaries to handle sales
- 3 Operate an entire line of business in another country
- 4 Virtual operation

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Are Multinationals Beneficial?

Pros

- Account for 19 percent of U.S. private jobs
- Provide 25 percent of private wages
- 74 percent of R&D spending
- 48 percent of total exports of goods

Cons

- Technology is capital intensive and does not necessarily increase employment
- Support governments that benefit the company, not necessarily the country and its people
- May take away more wealth than they generate

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Global Marketing Standardization

Global Marketing Standardization

Production of uniform products that can be sold the same way all over the world.

Multidomestic strategy

Subsidiaries of multinational firms are allowed to compete independently in domestic markets.

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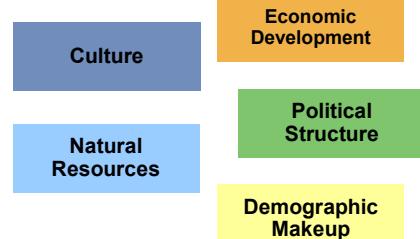
5-3

External Environment Facing Global Marketers

Describe the external environment facing global marketers

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External Environment Facing Global Marketers



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Culture

Culture

The common set of values shared by its citizens that determine what is socially acceptable.

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Culture

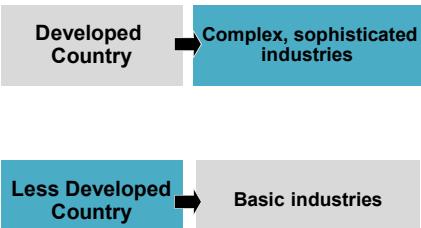
Factors to keep in mind when dealing with different cultures:

1. Language and cultural idioms
2. Customs and traditions
3. Values and expectations of sales presentations

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Economic Factors



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The Global Economy

“If America sneezes, then the rest of the world catches a cold.”

Understanding and forecasting growth and demand globally requires understanding countries around the world.

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Economic Development

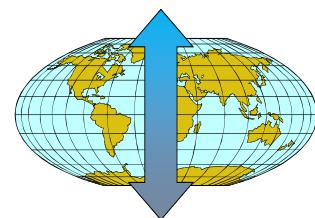
- The BRIC (Brazil, Russia, India, and China) countries will play an increasingly important role in the global economy for years to come
- By 2020, Brazil's market will top \$1.6 trillion
- The consumer markets in India and China are together projected to top \$10 trillion in 2020

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Political Structure and Actions

No private ownership
Minimal individual freedom



Little central government
Maximum personal freedom

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Legal Considerations

| | |
|-------------------------|---|
| <i>Tariff</i> | A tax levied on goods Entering a country |
| <i>Quota</i> | Limit on the amount of a product entering a country |
| <i>Boycott</i> | Exclusion of products from a country |
| <i>Exchange Control</i> | Foreign exchange must be sold to a control agency |
| <i>Market Grouping</i> | Common trade alliance |
| <i>Trade Agreement</i> | An agreement to stimulate international trade |

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Political and Legal Considerations

The Uruguay Round made changes in world trading practices
 Entertainment, pharmaceuticals, integrated circuits, and software
 Financial, legal, and accounting services
 Agriculture
 Textiles and apparel
 And created a new trade organization:
 The World Trade Organization

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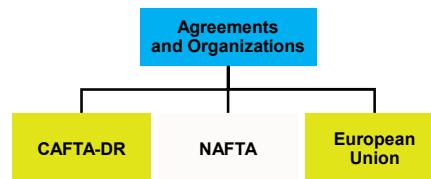
Doha Round

- Began in 2001
- Highly contentious from the beginning
- Stalemate over lowering tariffs on industrial goods in exchange for cutting U.S. farm subsidies
- More protectionism has made talks increasingly difficult

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Political and Legal Considerations



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5.1

Members of the G-20

| | | | |
|-----------|----------------|--------------|-------------------|
| Argentina | European Union | Italy | South Africa |
| Australia | France | Japan | Republic of Korea |
| Brazil | Germany | Mexico | Turkey |
| Canada | India | Russia | United Kingdom |
| China | Indonesia | Saudi Arabia | United States |

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Demographic Makeup

Marketing Considerations:

- ◆ Population density
- ◆ Urban or rural
- ◆ Age

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Natural Resources

Shortages in natural resources create:

- ◆ International dependencies
- ◆ Shifts of wealth
- ◆ Inflation and recession
- ◆ Export opportunities if resources are abundant
- ◆ Stimulus for military intervention

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5-4

Global Marketing by the Individual Firm

Identify the various ways of entering the global marketplace

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Why “Go Global?”

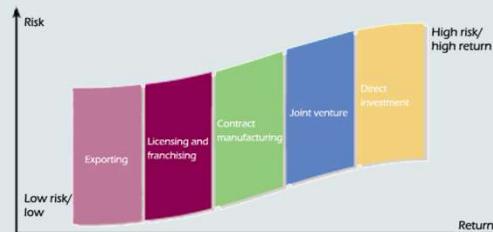
- Earn additional profits
- Leverage a unique product or technological advantage
- Possess exclusive market information
- Saturated domestic markets
- Excess capacity
- Utilize economies of scale

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5.2

Risk Levels for Five Methods of Entering the Global Marketplace



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Entering the Global Marketplace

| | |
|---------------------------|--|
| Export | Sell domestically produced products to buyers in other countries |
| Licensing and Franchising | Legal process allowing use of manufacturing/patents/knowledge |
| Contract Manufacturing | Private-label manufacturing by a foreign country |
| Joint Venture | Domestic firm buys/joins a foreign company to create new entity |
| Direct Investment | Active ownership of a foreign company/manufacturing facility |

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Export Intermediaries

| | |
|------------------|--|
| Buyer for Export | Assumes all ownership risks and sells globally for its own account. |
| Export Broker | Plays the traditional broker's role by bringing buyer and seller together. |
| Export Agent | Acts like a manufacturer's agent for the exporter in the foreign market. |

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5-5

The Global Marketing Mix

List the basic elements involved in developing a global marketing mix

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The Global Marketing Mix

The first step in creating a marketing mix is developing a thorough understanding of the global target market...

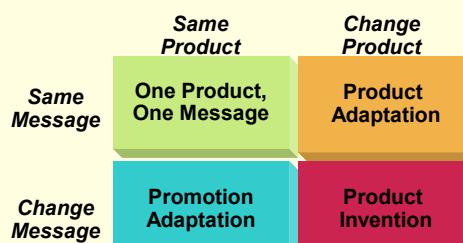
HOWEVER

...global marketing research is conducted in vastly different environments.

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Product and Promotion



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Place (Distribution)

- Adequate distribution is necessary for success in global markets
 - Lack of distribution infrastructure and cultural differences create problems
- Logistics and shipping costs have been a growing challenge for U.S. companies looking to move production overseas.
- Global trade has added to strains and charges for all forms of transportation.

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Pricing

- ◆ Must consider transportation and insurance costs, taxes and tariffs
- ◆ Determine what customers will spend
- ◆ Ensure that foreign buyers will pay price
- ◆ May need to simplify a product to lower price
- ◆ Don't assume that low-income countries are willing to accept lower quality

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Exchange Rates...

reflect the price of one's currency in terms of another country's currency.

Floating Exchange Rates...

comprise a system in which prices of different currencies move up and down based on the demand for and the supply of each currency.

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Dumping

The sale of an exported product at a price lower than that charged for the same or a like product in the "home" market of the exporter.

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Dumping

Dumping may occur as a result of exporter business strategies that include:

1. Trying to increase an overseas market share
2. Temporarily distributing products to overseas markets to offset slack demand at home
3. Lowering unit costs by exploiting large-scale production
4. Attempting to maintain stable prices during periods of exchange rate fluctuations

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Countertrade

A form of trade in which all or part of the payment for goods or services is in the form of other goods or services.

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5-6

The Impact of the Internet

Discover how the Internet
is affecting
global marketing

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The Impact of the Internet

- Opening an e-commerce site puts a company in the international marketplace
- The Internet-based economy remains hindered by brick and mortar rules, regulations, and habits

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Social Media

Global marketers use social media:

- Because it is popular around the world
- To understand customers
- For global brand building

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Chapter 5 Video

The Nederlander Organization

The Nederlander Organization is a theatre management company that manages a global network of Broadway style theatres. In this video clip, top management discusses how the Nederlander Organization grew from a small mid-west theatre management company into a global brand that helps successful producers move from Broadway to a global tour circuit.

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Part 1 Video

Scripps Networks Interactive

Understanding Buyers and Markets

Scripps Networks Interactive is a major media company responsible for popular channels such as the Food Network, Cooking channel, HGTV, and Travel Channel. Controlling these networks also means developing retail products, social media connections, advertising, app development, and Web development. This clip discusses how Scripps views its connectivity with viewers online and how advertising partnerships may change through that connectivity.

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