

**MKTG**  
Principles Of Marketing  
Twelfth Edition




**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
- 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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**Learning Objectives 1: Rewards of Global Marketing and the Shifting Global Business Landscape**

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**Global Marketing and Global Vision**

- **Global marketing:** Targeting markets throughout the world
- **Global vision**
  - Recognizing and reacting to international marketing opportunities
  - Using effective global marketing strategies
  - Being aware of threats from foreign competitors in all markets

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### Importance of Global Marketing to the United States

- GDP is the total market value of all final goods and services produced in a country for a given period.
  - Final refers to final products that are sold, not to intermediate products used in the assembly of a final product.
- GDP counts only final goods and services in its valuation of a country's production.



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### Job Outsourcing and Inshoring

- **Outsourcing:** Sending U.S. jobs abroad
  - Leads to corporate growth, efficiency, productivity, and revenue growth
- **Inshoring:** Returning production jobs to the United States because of rapid consumer product innovation
  - Innovation forces the need to keep product designers, marketing researchers, logistic experts, and manufacturers in close proximity



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### Benefits of Globalization

- Expands economic freedom
- Spurs competition
- Raises a nation's productivity and living standards if it opens itself to the global market
- 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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### Costs of Globalization

- Countries restrict trade and create barriers to boost exports and limit imports.
- Globalization leads to people being laid off from their jobs.
  - Thousands of unemployed Tennessee residents now receive trade adjustment assistance



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## Learning Objective 2: Multinational Firms



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## Multinational corporation

- A company that is heavily engaged in international trade, beyond exporting and importing, is called a multinational corporation.
- It moves resources, goods, services, and skills across national boundaries without regard to the country in which its headquarters is located.



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## Stages of Global Business Development

- Multinationals often develop their global business in stages.
  - Operate in one country and sell into others
  - Set up foreign subsidiaries to handle sales in one country
  - Operate an entire line of business in another country
  - Engage in virtual operation



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## Are Multinationals Beneficial?

- The role of multinational corporations in developing nations is a subject of controversy.
- Ability of multinationals to tap financial, physical, and human resources from all over the world and combine them economically and profitably can benefit any country.
- **Capital intensive:** Requiring a greater expenditure for equipment than for labor
- Does not substantially increase employment



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## Global Marketing Standardization

- **Global marketing standardization**
  - It is the production of uniform products that can be sold the same way all over the world.
- Companies with separate subsidiaries in other countries can be said to operate using a multidomestic strategy.
- **Multidomestic strategy** occurs when multinational firms enable individual subsidiaries to compete independently in domestic markets.



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## Learning Objective 3: External Environment Faced by Global Marketers



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## Culture

- Culture is the common set of values shared by the citizens of a society that determines what is socially acceptable.
- Culture underlies the family, the educational system, religion, and the social class system.
  - Cultural blunders lead to misunderstandings and perceptions of rudeness or even incompetence.
  - Language is an important aspect of culture.
  - Each country has its own unique customs and traditions that determine business practices and influence negotiations with foreign customers.



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## Economic Factors

- Complex and sophisticated industries are found in developed countries.
- Basic industries are found in less developed nations.
- GNI per capita is one measure of the ability of a country's citizens to buy various goods and services.
- **Balance of trade:** It is the difference between the value of a country's exports and the value of its imports over a given period.



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### The Global Economy

- In the past, the size of the U.S. economy was so large that global markets tended to move up or down depending on its health.
- Unfortunately, politics is playing an increasingly important role in the development of the BRICS countries (Brazil, Russia, India, China, and South Africa).
- Lower energy prices have helped India as well, as it is a major energy importer.



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### Political Structure and Actions

- Political structure is a fourth important variable facing global marketers.
- Government policies run the gamut from no private ownership and minimal individual freedom to little central government and maximum personal freedom.
- Regulation gives businesses the framework they need to grow and prosper.
- Regulation can overburden businesses and make it virtually impossible for them to operate.



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### Legal Considerations (1 of 2)

- Tariff: Tax levied on goods entering a country
- Quota: Limit on the amount of a specific product that can enter a country
- Boycott: Exclusion of all products from certain countries or companies
- Exchange control: Law compelling a company earning foreign exchange from its exports to sell it to a control agency



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### Legal Considerations (2 of 2)

- Market grouping (also known as a common trade alliance): Occurs when several countries agree to work together to form a common trade area that enhances trade opportunities
- Trade agreement: Stimulates international trade. The largest Latin American trade agreement is **Mercosur**



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### The Uruguay Round, the Failed Doha Round, and Bilateral Agreements (1 of 2)

- The Uruguay Round is a trade agreement that has dramatically lowered trade barriers worldwide.
- Adopted in 1994, the agreement has been signed by 162 nations.
- A trade agreement covers services, intellectual property rights, and trade-related investment measures such as exchange controls.



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### The Uruguay Round, the Failed Doha Round, and Bilateral Agreements (2 of 2)

- Entertainment, pharmaceuticals, integrated circuits, and software
- Financial, legal, and accounting services
- Agriculture
- Textiles and apparel
- A new trade organization:
  - World Trade Organization (WTO) replaced the old General Agreement on Tariffs and Trade (GATT).



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### North American Free Trade Agreement

- **North American Free Trade Agreement (NAFTA)** created the world's largest free trade zone.
- Cheaper imports generally lower the cost of living.
- NAFTA has resulted in many low-skilled and assembly line jobs moving from the United States to Mexico.



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### Dominican Republic–Central America Free Trade Agreement

- It was instituted in 2005.
- As of 2015, all consumer and industrial goods exported to CAFTA-DR countries are no longer subject to tariffs.
- The agreement also covers intellectual property rights, transparency, electronic commerce, and telecommunications.



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### European Union

- One of the world's most important free trade zones
- EU guarantees the freedom of movement of people, goods, services, and capital between member states
- Maintains a common trade policy with outside nations and
- Individual EU member countries can also fine companies over data privacy issues



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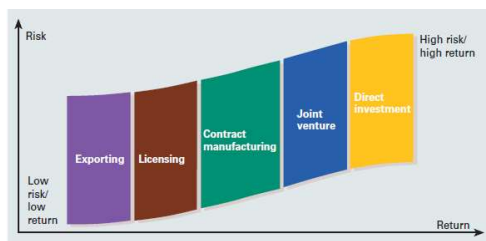
### The World Bank, the International Monetary Fund, and the G-20

- The **World Bank** offers low-interest loans to developing nations.
- The **International Monetary Fund (IMF)** was founded in 1945, one year after the creation of the World Bank, to promote trade through financial cooperation and eliminate trade barriers in the process.
- The **Group of Twenty (G-20)** finance ministers and central bank governors was established in 1999 to bring together industrialized and developing economies to discuss key issues in the global economy.



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### Exhibit 5.3 Members of the G-20



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### Demographic Makeup

- Two primary determinants of any consumer market are wealth and population.
- Three groups will generate about half the world's consumption growth:
  - Retiring and elderly in developed countries
  - China's working age population
  - North America's working age population



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### Natural Resources

- Shortages in natural resources create:
  - International dependencies
  - Huge shifts of wealth
  - Inflation and recession
  - Export opportunities if resources are abundant
  - Stimulus for military intervention



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### Learning Objective 4: Global Marketing by the Individual Firm



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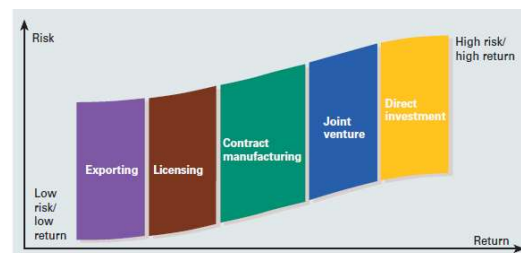
### Global Marketing by the Individual Firm

- A company should consider entering the global marketplace only after its management has a solid grasp of the global environment.
- A second stimulus is that a firm may have a unique product or technological advantage not available to other international competitors.
- Many firms form multinational partnerships called strategic alliances.



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**Exhibit 5.4 Risk levels for five methods of entering the global marketplace**



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### Methods of Entering the Global Market (1 of 3)

- **Exporting:** Selling domestically produced products to buyers in other countries
- **Buyer for export:** Intermediary in the global market that assumes all ownership risks and sells globally for its own account
- **Export broker:** Intermediary who plays the traditional broker's role by bringing buyer and seller together



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### Methods of Entering the Global Market (2 of 3)

- **Export agent:** A third type of intermediary are foreign sales agents/distributors who live in the foreign country and perform the same functions as domestic manufacturers' agents
- **Licensing:** Legal process whereby a licensor allows another firm to use its manufacturing process, trademarks, patents trade secrets, or other proprietary knowledge



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### Methods of Entering the Global Market (3 of 3)

- **Contract manufacturing:** Private label manufacturing by a foreign company
- **Joint venture:** When a domestic firm buys part of a foreign company to create a new entity
- **Direct investment:** Active ownership of a foreign company or of overseas manufacturing or marketing facilities



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### Learning Objective 5: Global Marketing Mix



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### Four Ps of Global Marketing Strategy

- Product decisions
- Promotion adaptation
- Place (Distribution)
- Pricing



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### Product Decisions

- Some of the product decision strategies are:
  - One product, one message: Developing a single product for all markets
  - Product invention: Either creating a new product for a market or drastically changing an existing product
  - Product adaptation: To alter a basic product to meet local conditions



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### Promotion Adaptation

- Promotion adaptation: To maintain the same basic product but alter the promotional strategy
- Stress durability and efficiency
- Language barriers, translation problems, and cultural differences have generated numerous headaches for international marketing managers



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### Place (Distribution)

- Adequate distribution is necessary for success in global markets.
- Solving promotional and product problems does not guarantee global marketing success.
- Heavy convenience store patronage is the norm in Taiwan.



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## Pricing

- Marketers must:
  - Consider transportation and insurance costs, taxes, and tariffs
  - Determine how much customers are willing to spend on a particular product
  - Ensure that foreign buyers will pay the price
- Marketers may need to simplify a product to lower the price:
  - Should not assume that low-income countries are willing to accept lower quality



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## Exchange Rates

- It is price of one's country's currency in terms of another country's currency.
  - If a country's currency appreciates, less of that country's currency is needed to buy another country's currency and vice versa.
- Currency markets operate under **floating exchange market rates**.
- Prices of different currencies "float" up and down based on the demand for and the supply of each currency.



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## Dumping

- Sale of an exported product at a lower price than that charged for a similar product in the "home" market of the exporter
- May occur as a result of exporter business strategies that include:
  - Trying to increase an overseas market share
  - Temporarily distributing products to overseas markets to offset slack demand at home
  - Lowering unit costs by exploiting large-scale production
  - Attempting to maintain stable prices during periods of exchange rate fluctuations



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## Countertrade

- Countertrade is a fast-growing way to conduct global business.
- It is 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.
- One common type of countertrade is straight barter.



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## Learning Objective 6: Impact of the Internet



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## e-Commerce

- Opening an e-commerce site puts a company in the international marketplace.
- Internet-based economy remains hindered by brick and mortar rules, regulations, and habits.
- Global marketers use social media:
  - Because it is popular around the world
  - To understand customers
  - For global brand building



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## Key Terms (1 of 4)

- Global marketing
- Global vision
- Gross domestic product (GDP)
- Outsourcing
- Inshoring
- Multinational corporation
- Capital intensive
- Global marketing standardization
- Multidomestic strategy
- Balance of trade
- Balance of payment



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## Key Terms (2 of 4)

- Mercosur
- Uruguay Round
- World Trade Organization (WTO)
- General Agreement on Tariffs and Trade (GATT)
- Trade Facilitation Agreement (TFA)
- North American Free Trade Agreement (NAFTA)
- Foreign direct investment
- Dominican-Republic-Central-America Free Trade Agreement (CAFTA-DR)



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### Key Terms (3 of 4)

- European Union (EU)
- World Bank
- International Monetary Fund (IMF)
- Group of Twenty (G-20)
- Exporting
- Buyer for export
- Export broker
- Export agent
- Licensing



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### Key Terms (4 of 4)

- Contract manufacturing
- Joint venture
- Direct foreign investment
- Exchange rate
- Floating exchange rates
- Dumping
- Countertrade



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