

## Chapter 1

### Nature of International Marketing

## Challenges and Opportunities

- Process of International Marketing
- International Dimensions of Marketing
- Domestic Marketing vs. International Marketing
- Multinational Corporations (MNCs)
  - Pros and Cons
  - Multinationality and Market Performance
  - Characteristics of MNCs
- The Process of Internationalization
- Benefits of International Marketing

## Definition of International Marketing

- Multinational process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services and to create exchanges that satisfy individual and organizational objectives

## Dimensions of Marketing

- Consumer Marketing vs. Business-to-Business Marketing
- Domestic Marketing vs. Foreign Marketing
- Comparative Marketing
- International Marketing vs. Global/Multinational Marketing
- Domestic Marketing vs. International Marketing
  - similar in nature but not in scope (scale)?
  - different in degree but not in kind?

## MNCs (MULTINATIONAL CORPORATIONS)

- Cons
  - Exploitation
  - Erosion of a Nation's Sovereignty
- Pros
  - Power and Prestige
  - Social Responsibility
  - Market Performance

## Characteristics of MNCs

- Definition by Size
  - market value
  - sales
  - profits
  - assets
  - number of employees

### Characteristics of MNCs

- **Definition by Structure**
  - number of countries in which the firm does business
  - citizenship of corporate owners and top managers

### Characteristics of MNCs

- **Definition by Performance**
  - commitment of corporate resources to foreign operations
  - amount of rewards from that commitment

### Characteristics of MNCs

- **Definition by Behavior**
  - ethnocentricity
  - polycentricity
  - geocentricity

### Behavior/ Attitude

- **Ethnocentricity**
  - orientation toward home country
  - centralization of decision making
  - efficient but not effective

### Behavior/ Attitude

- **Polycentricity**
  - strong orientation to host country
  - decentralization of decision making
  - effective but not efficient

### Behavior/ Attitude

- **Geocentricity**
  - world orientation
  - centralization + decentralization + coordination
  - efficient and effective

## Benefits of International Marketing

- Survival and Growth
- Sales and Profits
- Diversification
- Inflation and Price Moderation
- Employment
- Standards of Living
- Understanding of Marketing Process

## Chapter 2

Trade Theories and  
Economic Development

## Chapter Outline

- Basis for International Trade
  - Production Possibility Curve
  - Principle of Absolute Advantage
  - Principle of Comparative/Relative Advantage
- Exchange Ratios, Trade, and Gain
- Factor Endowment Theory

## Chapter Outline

- The Competitive Advantage of Nations
- A Critical Evaluation of Trade Theories
  - The Validity of Trade Theories
  - Limitations and Suggested Refinements
- Economic Cooperation
  - Levels of Economic Integration
- Economic and Marketing Implications

## Basis for International Trade

- **Principle of Absolute Advantage**
  - a country should export a commodity that can be produced at a lower cost than can other nations
  - or import a commodity that can only be produced at a higher cost than can other nations

## Basis for International Trade

- **Principle of Comparative/Relative Advantage**
  - a country should export either a product with the greatest comparative advantage (or with the least comparative disadvantage)
  - or import either a product for which it has the greatest comparative disadvantage (or the least comparative advantage)

## Factor Endowment Theory

- **Factors of Production**
  - labor
  - land
  - capital
  - others (technology, education, etc.)
- inequality of relative prices is a function of regional factor endowments
- comparative advantage is determined by relative abundance of such endowments

## Michael Porter The Competitive Advantage of Nations

- **Determinants of International Competitiveness**
  - factor conditions
  - demand conditions
  - related and supporting industries
  - firm strategy, structure, and rivalry
  - chance
  - government

## Economic Cooperation

- **Free Trade Area**
  - elimination of internal duties
- **Customs Union**
  - free trade area + establishment of common barriers
- **Common Market**
  - customs union + removal of restrictions on movement of production factors

## Economic Cooperation

- **Economic and Monetary Union**
  - common market
  - + harmonization of national economic policies
  - + one money
- **Political Union**
  - harmonization of national political policies

## Chapter 3

Trade Distortions and  
Marketing Barriers

## Chapter Outline

- Protection of Local Industries
- Government: A Contribution to Protectionism
- Marketing Barriers: Tariffs
- Marketing Barriers: Nontariff Barriers
- Private Barriers
- World Trade Organization (WTO)
- Preferential Systems

### Protection of Local Industry

- Keeping Money at Home
- Reducing Unemployment
- Equalizing Cost and Price
- Enhancing National Security
- Protecting Infant Industry

### Marketing Barriers: Tariffs

- Direction: Import and Export Tariffs
- Purpose: Protective and Revenue Tariffs
- Lengths: Tariff Surcharge versus Countervailing Duty
- Rates: Specific, Ad Valorem, and Combined
- Distribution Point: Distribution and Consumption Taxes

### Marketing Barriers: Nontariff Barriers

- Government Participation in Trade
  - Administrative Guidance
  - Government Procurement and State Trading
  - Subsidies

### Marketing Barriers: Nontariff Barriers

- Customs and Entry Procedures
  - Classification
  - Valuation
  - Documentation
  - License or Permit
  - Inspection
  - Health and Safety Regulations

### Marketing Barriers: Nontariff Barriers

- Product Requirements
  - Product Standards
  - Packaging, Labeling, and Marking
  - Product Testing
  - Product Specifications

### Marketing Barriers: Nontariff Barriers

- Quotas
  - Absolute Quotas
  - Tariff Quotas
  - Voluntary Quotas

### Marketing Barriers: Nontariff Barriers

- Financial Control
  - Exchange Control
  - Multiple Exchange Rates
  - Prior Import Deposits and Credit Restrictions
  - Profit Remittance Restrictions

### Private Barriers

- Affiliated firms' business practices
- Cooperative business groups
  - *keiretsu*
  - *chaebol*

### The World Trade Organization (WTO)

- Goal: broad, multilateral, and free worldwide system of trading
- Most Favored Nation (MFN) Principle
- Normal Trade Relations (NTR) Principle

### Preferential Systems

- Generalized System of Preferences (GSP)
- Caribbean Basin Initiative (CBI)
- Other Preferential Systems

## Chapter 4

Political Environment

### Chapter Outline

- Multiplicity of Political Environments
- Types of Government: Political Systems
- Types of Government: Economic Systems
- Political Risks
- Privatization

## Chapter Outline

- Indicators of Political Instability
- Analysis of Political Risk or Country Risk
- Management of Political Risk
- Measures to Minimize Political Risk
- Political Insurance

## Types of Governments: Political Systems

- Absolutist (closed system)
  - dictatorships
  - absolute monarchies
  - communist countries
- Democracy (open system)
  - parliamentary systems
  - multiparty systems

## Types of Governments: Economic Systems

- government interference vs. market orientation
- public ownership vs. private ownership
- **Communism**
- **Socialism**
- **Capitalism**
  - Managerial Capitalism
  - Personal Capitalism
  - Cooperative Capitalism
  - Frontier Capitalism

## Political Risks

- Confiscation
- Expropriation
- Nationalization
- Domestication and Privatization
- Creeping Expropriation
- Terrorism and Kidnapping

## Measures to Minimize Political Risks

- Stimulation of the Local Economy
- Employment of Nationals
- Sharing Ownership
- Being Civic Minded
- Political Neutrality

## Measures to Minimize Political Risks

- Behind-the-Scenes Lobby
- Observation of Political Mood and Reduction of Exposure
- Political Insurance
- Other Measures

## Chapter 5

Legal Environment

### Chapter Outline

- Multiplicity of Legal Environments
- Legal Systems
- Jurisdiction and Extraterritoriality
- Legal Form of Organization
- Branch vs. Subsidiary
- Litigation vs. Arbitration

### Chapter Outline

- Bribery
  - Legal Dimension
  - Ethical Dimension
- Intellectual Property
  - Categories of Intellectual Property
  - Legal Rights and Requirements

### Jurisdiction

- territorial range of authority
- a court's legal power to hear a case

### Extraterritoriality

- a country's or court's application of national laws beyond its border

### Bribery

- **Legal Dimension: Foreign Corrupt Practices Act (FCPA)**
  - Bribery is "the use of interstate commerce to offer, pay, promise to pay, or authorize giving anything of value to influence an act or decision by a foreign government, politician, or political party to assist in obtaining, retaining, or directing business to any person."

## Bribery

- **Types of Payment**

- Permissible: expediting payments
- payments to low-level officials who exercise only "ministerial" or "clerical" functions
- Illegal: payments to an official exercising discretionary authority

- **Ethical Dimension**

- Morality as a function of culture
- corporate codes of conduct

## Intellectual Property

"creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce"

- **Trademark**

- symbol, word, or thing used to identify a product made or marketed by a particular firm

- **Copyright**

- protection given to an author or artist for literary, musical, dramatic, and artistic works

## Intellectual Property

- **Patent**

- invention of a scientific or technical nature

- **Trade secret**

- know-how that is kept secret within a particular business
- e.g., manufacturing methods, formulas, plans

## Chapter 6

Culture

## Chapter Outline

- Culture and Its Characteristics
- Influence of Culture on Consumption
- Influence of Culture on Thinking Processes
- Influence of Culture on Communication Processes

## Chapter Outline

- Cultural Universals
- Cultural Similarities: An Illusion
- Communication Through Verbal Language
- Communication Through Nonverbal Language
- Subculture

### Functions of Culture

- prescriptive
- facilitating communication

### Characteristics of Culture

- socially shared
- learned
- subjective
- enduring
- cumulative
- dynamic

### Context of Culture: Low-Context Culture

- **Low-Context Culture**
  - explicit messages
  - words conveying main part of information
  - words and meanings being independent of context
  - e.g., Germany, North America
  - compatible with "lecture" advertising strategy

### Context of Culture: High-Context Culture

- **High-Context Culture**
  - indirect communication
  - message not understood without context
  - environment changing meanings of words
  - e.g., Japan, France, Asia, Middle East
  - compatible with "drama" advertising strategy

### Communication through Verbal Language

- Language Acquisition
  - "Use It or Lose It" hypothesis
- Translation
- The World's Best Language
  - English
  - Chinese
  - Spanish
  - Esperanto
- Marketing and Languages

### Communication through Nonverbal Language

- Language of Time
  - linear-separable time
  - circular-traditional time
  - procedural-traditional time
- Language of Space
- Language of Agreement
- Language of Friendship

## Communication through Nonverbal Language

- Language of Negotiation
- Language of Religion
- Language of Superstition
- Language of Color
- Language of Gifts

## Chapter 7

Consumer Behavior in the International Context

## Psychological and Social Dimensions

- Perspectives on Consumer Behavior
- Motivation
- Learning
- Personality
  - Personality Traits
  - Hofstede's National Cultures
  - Clustering: Commonality and Diversity

## Psychological and Social Dimensions

- Psychographics
  - Formation of Perception
  - Country of Origin and Perceived Product Quality
- Attitude
- Social Class

## Psychological and Social Dimensions

- Group
- Family
- Opinion Leadership
- Diffusion Process of Innovations

## Factors

- **PSYCHOLOGICAL FACTORS**
  - unit of analysis = individual
- **SOCIAL FACTORS**
  - unit of analysis = group

## Psychological Factors

- Motivation
- Learning
- Personality
- Psychographics
- Perception
- Attitude

## Social Factors

- Social Class
- Group
- Family
- Opinion Leadership
- Diffusion Process of Innovations
- Culture
- Subculture

## Hofstede's National Culture

- Individualism vs. Collectivism
- Large vs. Small Power Distance
- Strong vs. Weak Uncertainty Avoidance
- Masculinity vs. Femininity

## Country of Origin and Perceived Product Quality

- **Factors Affecting Perception of Product Quality**
  - Country of Assembly
  - Country of Design
  - Retailer's Image
  - Brand Name
  - Marketing Factors
  - Halo Effect vs. Product-Specific Effect

## Chapter 8

Marketing Research  
and Information  
System

## Chapter Outline

- Nature of Marketing Research
- Marketing Information Sources
  - Private Sources
  - Public Sources
- Primary Research
- Sampling

## Chapter Outline

- Basic Methods of Data Collection
  - Observation
  - Questioning
- Measurement
  - Conceptual Equivalence
  - Instrument Equivalence
  - Linguistic Equivalence
  - Response Style
  - Measurement Timing
  - External Validity

## Chapter Outline

- Marketing Information System
  - System Development
  - Desirable Characteristics
  - Subsystems

## Marketing Research

- Systematic gathering, recording, and analyzing of data

## Marketing Information Sources

- **Primary data**
  - information collected firsthand to answer specific, current research questions
  - advantages: specific, relevant, and up-to-date information
  - disadvantages: high cost and amount of time

## Marketing Information Sources

- **Secondary data**
  - information already been collected for other purposes
  - advantages: lower cost and time
  - disadvantages: less meaningful data

## Basic Methods of Data Collection

- **Observation**
  - advantages: more objective data
  - disadvantages: not as versatile, higher cost, and more time
- **Questioning**
  - advantages: versatility, speed (time), and cost
  - disadvantages: less objective data

## Measurement

- **Reliability**
  - instrument yielding consistent results
- **Internal Validity**
  - instrument measuring what it is supposed to measure
- **External Validity**
  - ability to generalize research result to other populations

## Measurement Issues

- **Conceptual Equivalence**
  - a concept being interpreted in the same manner in various cultures
- **Functional Equivalence**
  - an object performing the same function in various countries
- **Definitional or Classification Equivalence**
  - an object being defined or classified in the same way in various countries

## Measurement Issues

- **Instrument Equivalence**
  - **emic instrument**: instrument designed to be used in only one culture
  - **etic instrument**: instrument designed to be applied in various cultures
- **Linguistic Equivalence**
  - translation that is equivalent to the original language

## Measurement Issues

- **Response style**
  - acquiescence
  - extreme responding
  - use of the middle response category on the rating scales
  - socially desirable responding
- **Measurement Timing**
  - simultaneous
  - sequential
  - independent

## Translation Techniques

- back translation
- parallel-blind translation
- committee approach
- random probe
- decentering

## Chapter 9

### Foreign Market Entry Strategies

## Chapter Outline

- Foreign Direct Investment (FDI)
- Exporting
- Licensing
- Management Contract
- Joint Venture
- Manufacturing

## Chapter Outline

- Assembly Operations
- Turnkey Operations
- Acquisition
- Strategic Alliances
- Analysis of Entry Strategies
- Free Trade Zones (FTZs)

## Foreign Market Entry Strategies

- **Indirect Strategies**
  - Exporting
  - Licensing
  - Management Contract
  - Turnkey Operations

## Foreign Market Entry Strategies

- **Foreign Direct Investment (FDI) Strategies**
  - Acquisition vs. Greenfield
  - Assembly vs. Manufacturing
  - Sole Venture vs. Joint Venture

## Exporting

- **Advantages**
  - simple
  - low risk
- **Disadvantages**
  - low profit
  - trade barriers
  - difficult when home currency is strong

## Licensing

- **Advantages**
  - quick expansion (entry) when capital is scarce
  - very low risk
  - allowing host country to gain technology and create jobs
  - allowing host country and licensee to keep most profit
  - circumventing trade barriers

## Licensing

- **Disadvantages**

- very low profit
- licensee becoming future competitor
- licensee's poor performance
- difficulty in terminating licensing agreement

## Management Contract

- **Advantages**

- minimum investment
- minimum political and economic risks

- **Disadvantages**

- low profit (management fee as compensation)

## Joint Venture

- **Advantages**

- maximizing profit while minimizing risk
- sharing of resources
- allowing host country to gain technology and create jobs
- circumventing trade barriers
- local partner's market knowledge
- local partner's political connections

## Joint Venture

- **Disadvantages**

- conflict with partner
- sharing of profit
- loss of control
- difficulty in terminating relationship

## Local Manufacturing

- **Advantages**

- job creation for host country
- host country gaining resources (capital and technology)
- low trade barriers
- higher profit
- utilization of local labor
- host country's economic incentives

## Local Manufacturing

- **Disadvantages**

- expropriation risk
- large capital investment

## Assembly Operations

- **Advantages**
  - circumventing trade barriers
  - utilization of local labor
- **Disadvantages**
  - local product-content laws

## Acquisition

- **Advantages**
  - quick market penetration
  - synergy
- **Disadvantages**
  - host country's resentment
  - high acquisition costs
  - unforeseen problems

## Strategic Alliances

- Mergers and Acquisitions
- Licensing Agreements
- Joint Ventures
  - all joint ventures are strategic alliances
  - not all strategic alliances are joint ventures
  - not necessary for strategic alliances to have equity investment
  - not necessary for strategic alliances to form a new business entity

## Free Trade Zones (FTZs)

- secured domestic area in international commerce
- legally outside a country's customs territory
- area designated by a government for duty-free entry of goods

## Free Trade Zones (FTZs)

- not used basically for warehousing
- future: benefit derived from manufacturing, not storing.
- **Advantages**
  - job retention and creation
  - facilitating imports
  - facilitating exports

## Chapter 10

Product Strategies:  
Basic Decisions &  
Product Planning

## Chapter Outline

- What Is a Product?
- New Product Development
- Market Segmentation
- Product Adoption

## Chapter Outline

- Theory of International Product Life Cycle
  - Stages and Characteristics
  - Validity of the IPLC
  - Marketing Strategies
- Product Standardization vs. Product Adaptation
  - Arguments for Standardization
  - Arguments for Adaptation

## Chapter Outline

- A Move Toward World Product: International or National Product?
- Marketing of Services
  - Importance of Services
  - Types of Services
  - The Economic and Legal Environment
  - Marketing Mix and Adaptation
  - Market Entry Strategies

## Product

- a bundle of utilities or satisfaction

## New Product Development

- generation of new product ideas
- screening of ideas
- business analysis
- product development
- test marketing
- full-scale commercialization

## Product Adoption

- relative advantage
- compatibility
- trialability/divisibility
- observability
- complexity
- price

### Theory of International Product Life Cycle (IPLC)

- Stage 0--Local Innovation
- Stage 1--Overseas Innovation
- Stage 2--Maturity
- Stage 3--Worldwide Imitation
- Stage 4--Reversal

### Product Standardization vs. Product Adaptation

- **Arguments for Standardization**
  - simplicity and cost
  - consistent company or product image
  - musical recordings and works of art
  - industry specifications
  - cultural universals

### Product Standardization vs. Product Adaptation

- **Arguments for Adaptation**
  - big-car syndrome
  - left-hand-drive syndrome

### Mandatory Product Modification

- Government regulations
- Electrical current standards
- Measurement systems
- Operating systems

### Optional Product Modification

- Physical distribution
- Local use conditions
- Climatic conditions
- Space constraint
- Consumer demographics as related to physical appearance

### Optional Product Modification

- User's habits
- Environmental characteristics
- Price
- Limiting product movement across national borders (gray marketing)
- Historical preference or local customs and culture

## International Product Strategies

- **Standardized Product**
  - Domestic product introduced internationally, with minor or no modification
- **Localized Product**
  - Domestic product adapted for foreign markets
  - Product designed specifically for foreign markets

## International Product Strategies

- **Global Product**
  - Product designed with international (not national) markets in mind
  - Product having universal features
  - Product being adaptation-ready, when necessary

## Chapter 11

### Product Strategies: Branding & Packaging Decisions

## Chapter Outline

- Branding Decisions
- Branding Levels and Alternatives
  - Branding vs. No Brand
  - Private Brand vs. Manufacturer's Brand
  - Single Brand versus Multiple Brands
  - Local Brands vs. Worldwide Brand

## Chapter Outline

- Brand Consolidation
- Brand Origin and Selection
- Brand Characteristics
- Brand Protection
- Packaging: Functions and Criteria
- Mandatory Package Modification
- Optional Package Modification

## Brand

- any word, name, symbol, or device or any combination thereof used by a manufacturer or merchant to identify this goods and distinguish them from those manufactured or sold by others

## Functions of Brand

- create identification and brand awareness
- guarantee a certain level of quality, quantity, and satisfaction
- help with promotion

## Branding Decisions

- Branding vs. No Brand
- Private Brand vs. Manufacturer's Brand
- Single Brand versus Multiple Brands (in one country)
- Local Brands vs. Worldwide Brand

## Branding vs. No Brand

- **Commodity**
  - unbranded or undifferentiated product
  - sold by grade, not by brands
  - flexibility in quality and quantity control
  - lower production costs along with lower marketing and legal costs.
    - demand being strictly a function of price

## Branding vs. No Brand

- **Product**
  - value-added commodity
  - better identification and awareness
  - promotion and differentiation
  - consumer confidence, brand loyalty, and repeat sales
  - possible to use premium pricing
  - allowing effective branding

## Private Brand vs. Manufacturer's Brand

- **Distributor's (Private) Brand**
  - lower retail price for price-sensitive consumers
  - higher profit margin for distributor

## Private Brand vs. Manufacturer's Brand

- **Manufacturer's Brand**
  - better image and market acceptance
  - no promotion hassles for distributor

### Private Brand vs. Manufacturer's Brand

- **"Least Dependent Person" Hypothesis**
  - least dependent person is stronger party
  - stronger party has more resources and market acceptance
  - least dependent person is likely to prevail on brand choice

### Single Brand vs. Multiple Brands (in one country)

- **Single Brand**
  - full attention for maximum impact
  - based on assumption of market homogeneity
- **Multiple Brands**
  - market segmentation
  - based on assumption of market heterogeneity

### Local Brands vs. Worldwide Brand

- **Worldwide Brand**
  - based on assumption of market homogeneity
  - uniform brand image
  - convenient identification
  - status and prestige
  - maximum market impact
  - lower production costs
  - lower advertising costs

### Local Brand vs. Worldwide Brands

- **Local Brands**
  - allowing quality variations
  - easier pronunciation by local consumers
  - avoiding negative connotation.
  - avoiding legal complications
  - circumventing price control
  - discouraging gray marketing

### Brand Characteristics

- short and easy to pronounce (in local languages)
- suggesting product benefits without negative connotations
- unique or distinctive (or capable of being distinctive)

### Hierarchy of Registration Eligibility

- **Fanciful Mark**
  - coined solely for purpose of identifying a particular product
  - strongest legal protection
- **Arbitrary Mark**
  - ordinary word that is used on a product in a totally nondescriptive way
- **Suggestive Mark**
  - subtly indicating something about a product
    - requiring consumers to use imagination to link the mark to a product's characteristic

## Hierarchy of Registration Eligibility

- **Descriptive Mark**

- immediately conveying a product's characteristic, quality, or feature
- not requiring consumers to use imagination

- **Generic Mark**

- identifying a product rather than its manufacturer/marketer
- no legal protection