6. Marketing on a global scale

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Learning objectives

As you read this chapter, you should develop an understanding of the following key marketing concepts:

- the important role marketing can play in the success of an organization
- the various kinds of marketing
- the strategic workings of marketing components
- understand the various bases for market segmentation
- understand the role of marketing research
- understand the behavior of the individual consumer in the marketplace
- understand the primary tools available to marketers and how they are used

Defining marketing

Noted Harvard Professor of Business Theodore Levitt, states that the purpose of all business is to "find and keep customers". Furthermore, the only way you can achieve this objective is to create a competitive advantage. That is, you must convince buyers (potential customers) that what you have to offer them comes closest to meeting their particular need or want at that point in time. Hopefully, you will be able to provide this advantage consistently, so that eventually the customer will no longer consider other alternatives and will purchase your product out of habit. This loyal behavior is exhibited by people in the US who drive only Fords, brush their teeth only with Crest, buy only Dell computers, and have their plumbing fixed only by "Samson Plumbing—On Call 24 hours, 7 days a week". Creating this blind commitment—without consideration of alternatives—to a particular brand, store, person, or idea is the dream of all businesses. It is unlikely to occur, however, without the support of an effective marketing program. In fact, the specific role of marketing is *to provide assistance in identifying, satisfying, and retaining customers*.

While the general tasks of marketing are somewhat straightforward, attaching an acceptable definition to the concept has been difficult. A textbook writer once noted, "Marketing is not easy to define. No one has yet been able to formulate a clear, concise definition that finds universal acceptance". Yet a definition of some sort is necessary if we are to layout the boundaries of what is properly to be considered "marketing". How do marketing activities differ from non-marketing activities? What activities should one refer to as marketing activities? What institutions should one refer to as marketing institutions?

Marketing is advertising to advertising agencies, events to event marketers, knocking on doors to salespeople, direct mail to direct mailers. In other words, to a person with a hammer, everything looks like a nail. In reality, marketing is a way of thinking about business, rather than a bundle of techniques. It is much more than just selling stuff and collecting money. It is the connection between people and products, customers and companies. Like organic tissue, this kind of connection—or relationship—is always growing or dying. It can never be in a steady state. And like tissue paper, this kind of connection is fragile. Customer relationships, even long—standing ones, are contingent on the last thing that happened.

Tracing the evolution of the various definitions of marketing proposed during the last thirty years reveals two trends: (1) expansion of the application of marketing to non-profit and non-business institutions; e.g. charities, education, or health care; and (2) expansion of the responsibilities of marketing beyond the personal survival of the individual firm, to include the betterment of society as a whole. These two factors are reflected in the official American Marketing Association definition published in 1988.

> *"Marketing is the process of planning and executing the conception. pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual (customer) and organizational objectives." 1*

While this definition can help us better comprehend the parameters of marketing, it does not provide a full picture. Definitions of marketing cannot flesh out specific transactions and other relationships among these elements. The following propositions are offered to supplement this definition and better position marketing within the firm.

1. The overall directive for any organization is the mission statement or some equivalent statement of organizational goals. It reflects the inherent business philosophy of the organization.
2. Every organization has a set of functional areas (e.g. accounting, production, finance, data processing, marketing) in which tasks that are necessary for the success of the organization are performed. These functional areas must be managed if they are to achieve maximum performance.
3. Every functional area is guided by a philosophy (derived from the mission statement or company goals) that governs its approach toward its ultimate set of tasks.
4. Marketing differs from the other functional areas in that its primary concern is with exchanges that take place in markets, outside the organization (called a *transaction*).
5. Marketing is most successful when the philosophy, tasks, and manner of implementing available technology are coordinated and complementary.

The role of marketing in the firm: a basis for classification

Marketing is an individualized and highly creative process. Despite the availability of high-powered computers and sophisticated software capable of analyzing massive amounts of data, marketing is still more of an art rather than a science. Each business must customize its marketing efforts in response to its environment and the exchange process. Consequently, no two marketing strategies are exactly the same.

This requirement of marketing to play slightly different roles, depending upon some set of situational criteria, has in turn provided us with a division of marketing into a number of different categories. This is not to imply, however, that there are not general marketing principles that work in most businesses—there are. There is a right and wrong way to design a package. There are certain advertising strategies that tend to work more often than others. Rather, we are saying that because of certain factors, a business's approach toward marketing and the ensuing strategy will require some modification from the basic plan.

Shown in Table 4 are the most common types of marketing categories. Since these various types of marketing will be discussed throughout this text, a brief introduction is provided at this point.

Macromarketing versus micromarketing

The division of marketing into macromarketing and micromarketing is a fairly recent one. Initially, the division was a result of the controversy concerning the responsibility of marketing. Should marketing be limited to the success of the individual firm, or should marketing consider the economic welfare of a whole society? Accepting the later, or "macro", point of view dramatically changes the way marketing is carried out. In this light, every marketing decision must be evaluated with regard to how it might positively or negatively affect each person and institution operating in that society. In 1982, Bunt and Burnett surveyed the academic community in order to define more precisely the distinction between macro- and mircomarketing.4 Their findings suggest that the separation depends upon "what is being studied", "whether it is being viewed from the perspective of society or the firm", and "who receives the consequences of the activity". Examples of macromarketing activities are studying the marketing systems of different nations, the consequences on society of certain marketing actions, and the impact of certain technologies on the marketing transaction.

The use of scanners in supermarkets and automatic teller machines in banking illustrates the last example. Micromarketing examples include determining how Nikon Steel should segment its market, recommending how Denver Colorado’s National Jewish Hospital in the US should price their products, and evaluating the success of the US "Just Say No" anti-drug campaign.

Service marketing versus goods marketing

The distinction between services and goods products is not always clear-cut. In general, service products tend to be intangible, are often consumed as they are produced, are difficult to standardize because they require human labor, and may require the customer to participate in the creation of the service product.

Goods products tend to be just the opposite in terms of these criteria. Consequently, marketers of service products usually employ a marketing strategy quite different from that of goods marketers. For example, a local family physician creates tangibility by providing an environment: waiting room examination rooms, diplomas on the walls, that convinces patients that they are receiving good health care. Conversely, coffee producers create intangibility in order to appear different from competitors. This is done through colorful packaging and advertisements showing people who are successful because they start each day with a cup or two or ten of Starbuck's coffee.

Table 4: Kinds of marketing

Classification	Example	Factors
Macromarketing	The devaluation of the yen	Emphasis of study
Micromarketing	A pricing strategy for Wal-Mart	Perspective, receiver of consequences
Goods Marketing	Nabisco International	Tangibility, standardization, storage, production, involvement
Service marketing	Chase Manhattan Bank	
For-profit marketing	Otis Elevator	Concerns for profits
Nonprofit marketing	New York Museum of Art	Tax status
Mass marketing	Sony	Nature of contact
Direct marketing	Time Magazine	Information
Internet marketing	trip.com	Process for purchasing and delivery
Local marketing	Imperial Garden Restaurant	Proximity of customers
Regional marketing	Olympia Brewery	Geographic area
National marketing	American Red Cross	Extent of distribution
International marketing	Ford Motor Company	Network, marketing
Global marketing	Qwest	variation commitment to country
Consumer goods marketing	Kraft Foods	Nature of consumer
Business-to-business marketing	IBM	Product function

For-profit marketing versus nonprofit marketing

As the terms connote, the difference between for-profit and nonprofit marketing is in their primary objective. For-profit marketers measure success in terms of profitability and their ability to pay dividends or pay back loans. Continued existence is contingent upon level of profits.

Nonprofit institutions exist to benefit a society, regardless of whether profits are achieved. Because of the implicit objectives assigned to non-profits, they are subject to an entirely different additional set of laws, notably tax laws. While they are allowed to generate profits, they must use these monies in specific way in order to maintain their non-profit status. There are several other factors that require adjustments to be made in the marketing strategies for nonprofits.

Mass marketing, direct marketing, and Internet marketing

Mass marketing is distinguished from direct marketing in terms of the distance between the manufacturer and the ultimate user of the product. Mass marketing is characterized as having wide separation and indirect communication. A mass marketer, such as Nike, has very little direct contact with its customers and must distribute its product through various retail outlets alongside its competitors. Communication is impersonal, as evidenced by its national television and print advertising campaigns, couponing, and point-of-purchase displays. The success of mass marketing is contingent on the probability that within the huge audience exposed to the marketing strategy there exist sufficient potential customers interested in the product to make the strategy worthwhile.

Direct marketing establishes a somewhat personal relationship with the customer by first allowing the customer to purchase the product directly from the manufacturer and then communicating with the customer on a first-name basis. This type of marketing is experiencing tremendous growth. Apparently, marketers have tired of the waste associated with mass marketing and customers want more personal attention. Also, modern mechanisms for collecting and processing accurate mailing lists have greatly increased the effectiveness of direct marketing. Catalogue companies (Spiegel, J.C. Penney), telecommunications companies (Sprint), and direct mail companies (Publishers Clearing House) are example of direct marketers. A modified type of direct marketing is represented by companies that allow ordering of product by calling a toll-free number or mailing in an order card as part of an advertisement.

Although (officially), Internet marketing is a type of direct marketing, it has evolved so quickly and demanded the attention of so many companies that a separate section here is warranted. Essentially, Internet technology (which changes by the moment) has created a new way of doing business. In the Internet age, the way consumers evaluate and follow through on their purchase decisions has changed significantly. "Call now!" is no longer an effective pitch. Consumers have control over how, when, and where they shop on the Internet. The Internet has all but eliminated the urgency of satisfying the need when the opportunity is presented.

Local, regional, national, international, and global marketers

As one would expect, the size and location of a company's market varies greatly. Local marketers are concerned with customers that tend to be clustered tightly around the marketer. The marketer is able to learn a great deal about the customer and make necessary changes quickly. Naturally, the total potential market is limited. There is also the possibility that a new competitor or environmental factor will put a local marketer out of business.

Regional marketers cover a larger geographic area that may necessitate multiple production plants and a more complex distribution network. While regional marketers tend to serve adjoining cities, parts of states, or entire states, dramatic differences in demand may still exist, requiring extensive adjustments in marketing strategy.

National marketers distribute their product throughout a country. This may involve multiple manufacturing plants, a distribution system including warehouses and privately owned delivery vehicles, and different versions of the marketing "mix" or overall strategy. This type of marketing offers tremendous profit potential, but also exposes the marketer to new, aggressive competitors.

International marketers operate in more than one country. As will become clear later in this book, massive adjustments are normally made in the marketing mix in various countries. Legal and cultural differences alone can greatly affect a strategy's outcome. As the US market becomes more and more saturated with US-made products, the continued expansion into foreign markets appears inevitable.

Global marketing differs from international marketing in some very definite ways. Whereas international marketing means a company sells its goods or services in another country, it does not necessarily mean that the company has made any further commitments. Usually the product is still manufactured in the home country, sold by their people, and the profits are taken back to that country. In the case of Honda Motors, for example, it means building manufacturing plants in the US, hiring local employees, using local distribution systems and advertising agencies, and reinvesting a large percentage of the profits back into the US.

Consumer goods marketing and business-to-business (industrial) marketing

Consumer goods marketers sell to individuals who consume the finished product. Business-to-business marketers sell to other businesses or institutions that consume the product in turn as part of operating the business, or use the product in the assembly of the final product they sell to consumers. Business-to-marketers engage in more personal selling rather than mass advertising and are willing to make extensive adjustments in factors such as the selling price, product features, terms of delivery, and so forth.

For the consumer goods marketer, the various marketing components are relatively fixed. In addition, consumer goods marketers might employ emotional appeals and are faced with the constant battle of getting their product into retail outlets.

Defining international marketing

Now that the world has entered the next millennium, we are seeing the emergence of an interdependent global economy that is characterized by faster communication, transportation, and financial flows, all of which are creating new marketing opportunities and challenges. Given these circumstances, it could be argued that companies face a deceptively straightforward and stark choice: they must either respond to the challenges posed by this new environment, or recognize and accept the long-term consequences of failing to do so. This need to respond is not confined to firms of a certain size or particular industries. It is a change that to a greater or lesser extent will ultimately affect companies of all sizes in virtually all markets. The pressures of the international environment are now so great, and the bases of competition within many markets are changing so fundamentally, that the opportunities to survive with a purely domestic strategy are increasingly limited to small-and medium-sized companies in local niche markets.

Perhaps partly because of the rapid evolution of international marketing, a vast array of terms have emerged that suggest various facets of international marketing. Clarification of these terms is a necessary first step before we can discuss this topic more thoroughly.

Let us begin with the assumption that the marketing process outlined and discussed in Chapters 1-4 is just as applicable to domestic marketing as to international marketing. In both markets, we are goal-driven, do necessary marketing research, select target markets, employ the various tools of marketing (i.e. product, pricing, distribution, communication), develop a budget, and check our results. However, the uncontrollable factors such as culture, social, legal, and economic factors, along with the political and competitive environment, all create the need for a myriad of adjustments in the marketing management process.

At its simplest level, *international marketing* involves the firm in making one or more marketing decisions across national boundaries. At its most complex, it involves the firm in establishing manufacturing and marketing facilities overseas and coordinating marketing strategies across markets. Thus, how international marketing is defined and interpreted depends on the level of involvement of the company in the international marketplace. Therefore, the following possibilities exist:

- *Domestic marketing*. This involves the company manipulating a series of controllable variables, such as price, advertising, distribution, and the product, in a largely uncontrollable external environment that is made up of different economic structures, competitors, cultural values, and legal infrastructure within specific political or geographic country boundaries.
- *International marketing*. This involves the company operating across several markets in which not only do the uncontrollable variables differ significantly between one market and another, but the controllable factor in the form of cost and price structures, opportunities for advertising, and distributive infrastructure are also likely to differ significantly. Degree of commitment is expressed as follows:
    - (a) *Export marketing*. In this case the firm markets its goods and/or services across national/political boundaries.
    - (b) *Multinational marketing*. Here the marketing activities of an organization include activities, interests, or operations in more than one country, and where there is some kind of influence or control of marketing activities from outside the country in which the goods or services will actually be sold. Each of these markets is typically perceived to be independent and a profit center in its own right.
    - (c) *Global marketing*. The entire organization focuses on the selection and exploration of global marketing opportunities and marshals resources around the globe with the objective of achieving a global competitive advantage. The primary objective of the company is to achieve a synergy in the overall operation, so that by taking advantage of different exchange rates, tax rates, labor rates, skill levels, and market opportunities, the organization as a whole will be greater than the sum of its parts.1

Thus Toyota Motors started out as a domestic marketer, eventually exported its cars to a few regional markets, grew to become a multinational marketer, and today is a true global marketer, building manufacturing plants in the foreign country as well as hiring local labor, using local ad agencies, and complying to that country's cultural mores. As it moved from one level to the next, it also revised attitudes toward marketing and the underlying philosophy of business.

Ultimately, the successful marketer is the one who is best able to manipulate the controllable tools of the marketing mix within the uncontrollable environment. The principal reason for failure in international marketing results from a company not conducting the necessary research, and as a consequence, misunderstanding the differences and nuances of the marketing environment within the country that has been targeted.

Standardization and customization

In 1983, Harvard marketing professor Theodore Levitt wrote an article entitled, "The Globalization of Markets", and nothing about marketing has been the same since.2 According to Levitt, a new economic reality-the emergence of global consumer markets for single standard products-has been triggered in part by technological developments. Worldwide communications ensure the instant diffusion of new lifestyles and pave the way for a wholesale transfer of goods and services.

Adopting this global strategy provides a competitive advantage in cost and effectiveness. In contrast to multinational companies, standardized (global) corporations view the world or its major regions as one entity instead of a collection of national markets. These world marketers compete on a basis of appropriate value: i.e. an optimal combination of price, quality, reliability, and delivery of products that are identical in design and function. Ultimately, consumers tend to prefer a good price/quality ratio to a highly customized but less cost-effective item.

Levitt distinguished between products and brands. While the global product itself is standardized or sold with only minor modifications, the branding, positioning, and promotion may have to reflect local conditions.

Critics of Levitt's perspective suggest that his argument for global standardization is incorrect and that each market strategy should be customized for each country. Kotler notes that one study found that 80 per cent of US exports required one or more adaptations. Futhermore, the average product requires at least four to five adaptations out of a set of eleven marketing elements: labeling, packaging, materials, colors, name, product features, advertising themes, media, execution, price, and sales promotion.3 Kotler suggests that all eleven factors should be evaluated before standardization is considered.

To date, no one has empirically validated either perspective. While critics of Levitt can offer thousands of anecdotes contradicting the validity of standardization, a more careful read of Levitt's ideas indicate that he offers standardization as a strategic option, not a fact. Although global marketing has its pitfalls, it can also yield impressive advantages. Standardized products can lower operating costs. Even more important, effective coordination can exploit a company's best product and marketing ideas.

Too often, executives view global marketing as an either/or proposition-either full standardization or local control. But when a global approach can fall anywhere on a spectrum-from tight worldwide coordination on programming details to loose agreements on a product ideas-there is no reason for this extreme view. In applying the global marketing concept and making it work, flexibility is essential. The big issue today is not whether to go global, but how to tailor the global marketing concept to fit each business and how to make it work.

Reasons for entering international markets

Many marketers have found the international marketplace to be extremely hostile. A study by Baker and Kynak,4 for example, found that less than 20 per cent of firms in Texas with export potential actually carried out business in international markets. But although many firms view in markets with trepidation, others still make the decision to go international. Why?

In one study, the following motivating factors were given for initiating overseas marketing involvement (in order of importance):5

1. large market size

2. stability through diversification
3. profit potential
4. unsolicited orders
5. proximity of market
6. excess capacity
7. offer by foreign distributor
8. increasing growth rate
9. smoothing out business cycles

Other empirical studies over a number of years have pointed to a wide variety of reasons why companies initiate international involvement. These include the saturation of the domestic market, which leads firms either to seek other less competitive markets or to take on the competitor in its home markets; the emergence of new markets, particularly in the developing world; government incentives to export; tax incentives offered by foreign governments to establish manufacturing plants in their countries in order to create jobs; the availability of cheaper or more skilled labor; and an attempt to minimize the risks of a recession in the home country and spread risk.6

Reasons to avoid international markets

Despite attractive opportunities, most businesses do not enter foreign markets. The reasons given for not going international are numerous. The biggest barrier to entering foreign markets is seen to be a fear by these companies that their products are not marketable overseas, and a consequent preoccupation with the domestic market. The following points were highlighted by the findings in the previously mentioned study by Barker and Kaynak, who listed the most important barriers:7

1. too much red tape
2. trade barriers
3. transportation difficulties
4. lack of trained personnel
5. lack of incentives
6. lack of coordinated assistance
7. unfavorable conditions overseas
8. slow payments by buyers
9. lack of competitive products
10. payment defaults
11. language barriers

It is the combination of these factors that determines not only whether companies become involved in international markets, but also the degree of any involvement.

The stages of going international

Earlier in our discussion on definitions, we identified several terms that relate to how committed a firm is to being international. Here we expand on these concepts and explain the rationale behind this process. Two points should be noted. First, the process tends to be ranked in order of "least risk and investment" to "greatest involvement". Second, these are not necessarily sequential steps, even though exporting is apparently most common as an initial entry.

Firms typically approach involvement in international marketing rather cautiously, and there appears to exist an underlying lifecycle that has a series of critical success factors that change as a firm moves through each stage. For small-and medium-sized firms in particular, exporting remains the most promising alternative to a full-blooded international marketing effort, since it appears to offer a degree of control over risk, cost, and resource commitment. Indeed, exporting, especially by the smaller firms, is often initiated as a response to an unsolicited overseas order-these are often perceived to be less risky.

Exporting

In general, exporting is a simple and low risk-approach to entering foreign markets. Firms may choose to export products for several reasons. First, products in the maturity stage of their domestic life cycle may find new growth opportunities overseas, as Perrier chose to do in the US. Second, some firms find it less risky and more profitable to expand by exporting current products instead of developing new products. Third, firms who face seasonal domestic demand may choose to sell their products to foreign markets when those products are "in season" there. Finally, some firms may elect to export products because there is less competition overseas.

A firm can export its products in one of three ways: indirect exporting, semi-direct exporting, and direct exporting. *Indirect exporting* is a common practice among firms that are just beginning their exporting. Sales, whether foreign or domestic, are treated as domestic sales. All sales are made through the firm's domestic sales department, as there is no export department. Indirect exporting involves very little investment, as no overseas sales force or other types of contacts need be developed. Indirect exporting also involves little risk, as international marketing intermediaries have knowledge of markets and will make fewer mistakes than sellers.

In semi-direct exporting, an American exporter usually initiates the contact through agents, merchant middlemen, or other manufacturers in the US. Such semi-direct exporting can be handled in a variety of ways: (a) a combination export manager, a domestic agent intermediary that acts as an exporting department for several noncompeting firms; (b) the manufacturer's export agent (MEA) operates very much like a manufacturer's agent in domestic marketing settings; (c) a Webb-Pomerene Export Association may choose to limit cooperation to advertising, or it may handle the exporting of the products of the association's members and; (d) piggyback exporting, in which one manufacturer (carrier) that has export facilities and overseas channels of distribution handles the exporting of another firm (rider) noncompeting but complementary products.

When *direct exporting* is the means of entry into a foreign market, the manufacturer establishes an export department to sell directly to a foreign film. The exporting manufacturer conducts market research, establishes physical distribution, and obtains all necessary export documentation. Direct exporting requires a greater investment and also carries a greater risk. However, it also provides greater potential return and greater control of its marketing program.

Licensing

Under a licensing agreement, a firm (licensor) provides some technology to a foreign firm (licensee) by granting that firm the right to use the licensor's manufacturing process, brand name, patents, or sales knowledge in return for some payment. The licensee obtains a competitive advantage in this arrangement, while the licensor obtains inexpensive access to a foreign market.

A licensing arrangement contains risk, in that if the business is very successful, profit potentials are limited by the licensing agreement. Alternatively, a licensor makes a long-term commitment to a firm and that firm may be less capable than expected. Or, the licensee may be unwilling to invest the necessary resources as needed to be successful. Licensing may be the least profitable alternative for market entry. Scarce capital, import restrictions, or government restrictions may make this the only feasible means for selling in another country.

Franchising represents a very popular type of licensing arrangement for many consumer products firms. Holiday Inn, Hertz Car Rental, and McDonald's have all expanded into foreign markets through franchising.

Joint ventures

A *joint venture* is a partnership between a domestic firm and a foreign firm. Both partners invest money and share ownership and control of partnership. Joint ventures require a greater commitment from firms than licensing or the various other exporting methods. They have more risk and less flexibility.

A domestic firm may wish to engage in a joint venture for a variety of reasons; for example, General Motors and Toyota have agreed to make a subcompact car to be sold through GM dealers using the idle GM plant in California. Toyota's motivation was to avoid US import quotas and taxes on cars without any US-made parts.

Direct investment

Multinational organizations may choose to engage in full-scale production and marketing abroad. Thus, they will invest in wholly owned subsidiaries. An organization using this approach makes a *direct investment* in one or more foreign nations. Organizations engaging in licensing or joint ventures do not own manufacturing and marketing facilities abroad.

By establishing overseas subsidiaries, a multinational organization can compete more aggressively because it is "in" the marketplace. However, subsidiaries require more investment as the subsidiary is responsible for all marketing activities in a foreign country. While such operations provide control over marketing activities, considerable risk is involved. The subsidiary strategy requires complete understanding of business conditions, customs, markets, labor, and other foreign market factors.

US commercial centers

Another method of doing business overseas has come in the form of *US Commercial Centers*8. A Commercial Center serves the purpose of providing additional resources for the promotion of exports of US goods and services to host countries. The Commercial Center does so by familiarizing US exporters with industries, markets, and customs of host countries. They are facilitating agencies that assist with the three arrangements just discussed.

US Commercial Centers provide business facilities such as exhibition space, conference rooms, and office space. They provide translation and clerical services. They have a commercial library. They have commercial law information and trade promotion facilities, including the facilitation of contacts between buyers, sellers, bankers, distributors, agents, and government officials. They also coordinate trade missions and assist with contracts and export and import arrangements.

Trade intermediaries

Small manufacturers who are interested in building their foreign sales are turning to trade intermediaries to assist them in the sale and distribution of their products. These entrepreneurial middlemen typically buy US-produced goods at 15 per cent below a manufacturer's best discount and then resell the products in overseas markets. These trade intermediaries account for about 10 per cent of all US exports[9]. The trade intermediary provides a valuable service to small companies, which often do not have the resources or expertise to market their products overseas. The trade intermediaries have developed relationships with foreign countries; these relationships are time-consuming and expensive to develop.

Alliances

Heineken, the premium Dutch beer, is consumed by more people in more countries than any other beer[10]. It is also the number-one imported beer in America. Miller and Budweiser, the two largest American beer producers, have entered into global competition with Heineken, partly because the American beer market has been flat. They are doing so by forming alliances with global breweries such as Molson, Corona, and Dos Equis. Heineken has responded to the challenge, heavily promoting products such as Amstel Light and Murphy's Irish Stout. Heineken has also begun developing an alliance with Asia Pacific Breweries, the maker of Tiger Beer.

The international marketing plan

It should be apparent by now that companies and organizations planning to compete effectively in world markets need a clear and well-focused international marketing plan that is based on a thorough understanding of the markets in which the company is introducing its products. The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research, and an understanding and accurate evaluation of what is required to achieve the competitive advantage. As such, the decision sequence in international marketing (see Exhibit 26) is much larger than that of domestic markets. As noted in the next Integrated Marketing box, it is also more complicated. See below.

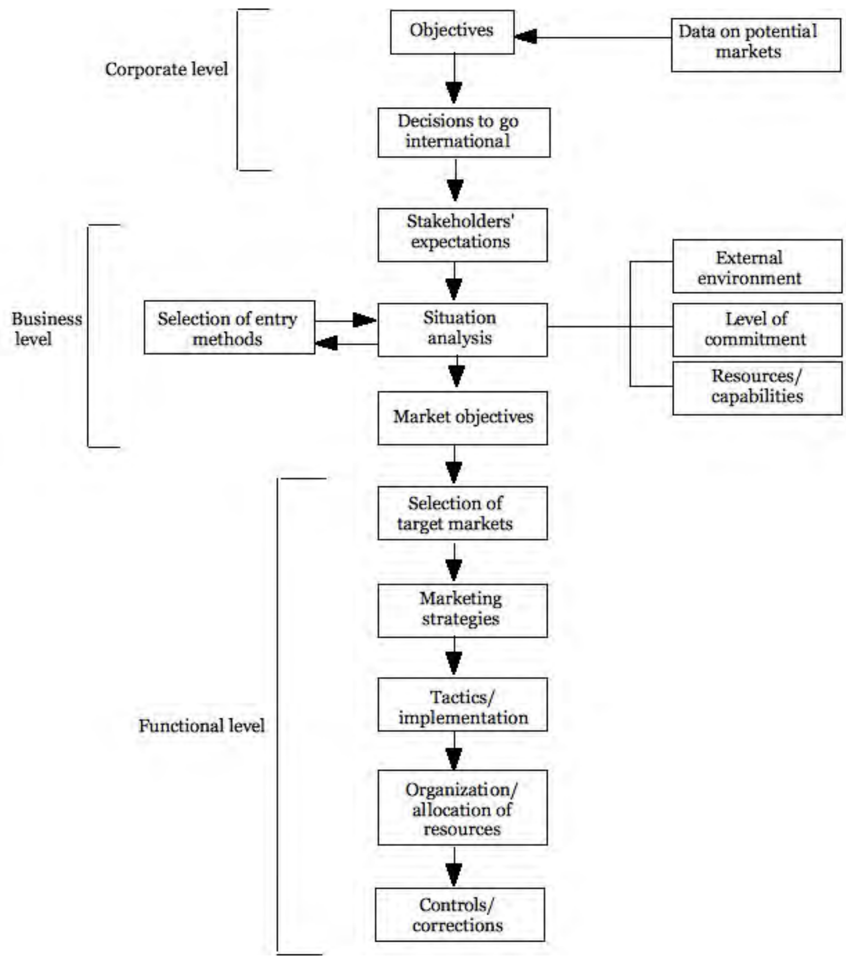

Exhibit 26: The decision sequence in international marketing

The corporate level

We begin at the corporate level, where firms decide whether to become involved in international markets and determine the resources they are willing to commit. Thus, this stage is primarily concerned with the analysis of international markets. Decisions here will be dependent on matching the results of that analysis with the company's objectives. These objectives, in turn, will be determined by the many motivating factors we have discussed in the earlier sections. The level of resources that the company is willing to commit should be determined by the strategy that is needed to achieve the objectives that have been set.

The business level

Business-level considerations begin with the assessment of the stakeholders involved in the business. It is important to clearly identify the different stakeholder groups, understand their expectations, and evaluate their power, because the stakeholders provide the broad guidelines within which the firm operates. In the case of international marketing, it is particularly important to address the concerns of the stakeholders in the host company.

The situation analysis concerns a thorough examination of the factors that influence the businesses' ability to successfully market a product or service. The results lead to a realistic set of objectives. Conducting a situation analysis in an international setting is a bit more extensive. It not only includes the normal assessment of *external* *environmental* factors and *resources/capabilities*, it also includes a determination of the *level of commitment* exhibited by the business, as well as possible methods of entry. These last two factors are interrelated in that a company's level of commitment to international markets will directly influence whether they employ exporting, a joint venture, or some other method of entry.

In turn, level of commitment and method of entry are influenced by the evaluation of environmental factors as well as resources and capabilities. The latter audits not only the weaknesses of the company, but also the strengths of the company, which are often taken for granted. This is particularly important in international markets; for example, customer brand loyalty may be much stronger in certain markets than others, and products may be at the end of their life in the domestic market but may be ideal for less sophisticated markets.

It is important, too, to evaluate the capacity of the firm to be flexible, adaptable, and proactive, as these are the attributes necessary, for success in a highly competitive and rapidly changing world.

Undoubtedly, environmental factors have received the most attention from marketers considering international markets.

Marketing objectives

Having identified stakeholder expectations, carried out a detailed situation analysis, and made an evaluation of the capabilities of the company, the overall marketing goals can be set. It is important to stress that there is a need for realism in this, as only too frequently corporate plans are determined more by the desire for short-term credibility with shareholders than with the likelihood that they will be achieved.

The process adopted for determining long-term and short-term objectives is important and varies significantly, depending on the size of the business, the nature of the market and the abilities and motivation of managers in different markets. At an operational level, the national managers need to have an achievable and detailed plan for each country, which will take account of the local situation, explain what is expected of them, and how their performance will be measured. Examples of objectives might be:

- financial performance, including return on investment and profitability
- market penetration, including sales (by volume and value), market share by product category
- customer growth, by volume and profitability
- distribution, including strength in supply chain, number of outlets
- brand awareness and value
- new product introductions and diffusion
- company image, including quality and added value (or service)

The functional level

Having set the objectives for the company, both at the corporate level and the business level, the company can now develop a detailed program of functional activities to achieve the objectives. Following the integrated approach employed throughout this text, each of the functional elements (e.g. finance, human resources, research) must be considered jointly. The international marketing strategy is doomed to failure if human resources can not find and train the appropriate employees, or research can not modify the product so that it is acceptable to consumers in another country. Ultimately, this coordination between business functions is contingent on the market entry strategy employed as well as the degree of standardization or customization deemed.

Having integrated at the function level, we next consider integration of the marketing mix elements.

Product/promotion

Keegan11 has highlighted the key aspect of marketing strategy as a combination of standardization or adaptation of product and promotion elements of the mix and offers five alternative and more specific approaches to product policy:

1. *One product, one message, worldwide:* While a number of writers have argued that this will be the strategy adopted for many products in the future, in practice only a handful of products might claim to have achieved this already.

2. *Product extension, promotion adaptation:* While the product stays the same this strategy allows for the adaptation of the promotional effort either to target new customer segments or to appeal to the particular tastes of individual countries.

3. *Product adaptation, promotion extension:* This strategy is used if a promotional campaign has achieved international appeal, but the product needs to be adapted because of local needs.

4. *Dual adaptation:* By adapting both products and promotion for each market, the firm is adopting a totally differentiated approach.

5. *Product invention:* Firms, usually from advanced nations, that are supplying products to less well-developed countries adopt product invention.

Another critical element that is closely aligned with the product and promotion is the brand. Anthony O'Reilly, Chairman of H.J. Heinz, believes that the communications revolution and the convergence of cultures have now set the stage for truly global marketing. The age of the global brand is at hand. For example, Heinz was looking to expand its 9 Lives cat food brand and Morris the Cat logo into Moscow. Although it is a stable and successful brand in the US, testing and research done by Dimitri Epimov, a local marketing manager in Moscow, led Heinz executives to make a marketing change to ensure the product's success in Russia. Namely, a fatter-looking Morris was created for packaging. Another discovery: While Americans tend to treat their kitties with tuna, Russian cat-lovers prefer to serve beef-flavored food.

As discussed earlier, product positioning is a key success factor and reflects the customer's perceptions of the product or service. However, in countries at different stages of economic development, the customer segments that are likely to be able to purchase the product and the occasions on which it is bought may be significantly different. For example, while KFC and McDonald's restaurants aim at everyday eating for the mass market in the developed countries, in less-developed countries they are perceived as places for special-occasion eating, and are beyond the reach of the poorest segments of the population. The product positioning, therefore, must vary in some dimensions. In confirming the positioning of a product or service in a specific market or region, it is therefore necessary to establish in the consumer perception exactly what the product stands for and how it differs from existing and potential competition by designing an identity that confirms the value of the product.

Pricing

Pricing products in foreign nations is complicated by exchange rate fluctuations, tariffs, governmental intervention, and shipping requirements. A common strategy involves a marketer setting a lower price for their products in foreign markets. This strategy is consistent with the low income levels of many foreign countries, and the lower price helps to build market share. Pricing strategies are also strongly influenced by the nature and intensity of the competition in the various markets.

For these reasons, it is important to recognize at the outset that the development and implementation of pricing strategies in international markets should follow the following stages:

1. analyzing the factors that influence international pricing, such as the cost structures, the value of the product, the market structure, competitor pricing levels, and a variety of environmental constraints
2. confirming the impact the corporate strategies should have on pricing policy
3. evaluating the various strategic pricing options and selecting the most appropriate approach
4. implementing the strategy through the use of a variety of tactics and procedures to set prices
5. managing prices and financing international transactions

Perhaps the most critical factor to be considered when developing a pricing strategy in international markets, however, is how the customers and competitors will respond. Nagle 12 has suggested nine factors that influence the sensitivity of customers to prices, and all have implications for the international marketer. Price sensitivity reduces:

The more distinctive the product is:

- the greater the perceived quality
- the less aware consumers are of substitutes in the market
- if it is difficult to make comparisons
- if the price of a product represents a small proportion of total expenditure of the customer
- as the perceived benefit increases
- if the product is used in association with a product bought previously
- if costs are shared with other parties
- if the product cannot be stored

Finally, there are several inherent problems associated with pricing in international markets. Often companies find it difficult to coordinate and control prices across their activities in order to enable them to achieve effective financial performance and their desired price positioning. Simply, how can prices be coordinated by the company across the various markets and still make the necessary profit? Difficulty answering this question has led to two serious problems. *Dumping* (when a firm sells a product in a foreign country below its domestic price or below its actual costs) is often done to build a company's share of the market by pricing at a competitive level. Another reason is that the products being sold may be surplus or cannot be sold domestically and are therefore already a burden to the company. When companies price their products very high in some countries but competitively in others, they engage in a gray market strategy. A *gray market*, also called *parallel importing*, is a situation where products are sold through unauthorized channels of distribution. A gray market comes about when individuals buy products in a lower-priced country from a manufacturer's authorized retailer, ship them to higher-priced countries, and then sell them below the manufacturer's suggested price through unauthorized retailers.

Considerable problems arise in foreign transactions because of the need to buy and sell products in different currencies. Questions to consider are: What currency should a company price its products? How should a company deal with fluctuating exchange rates?

Finally, obtaining payment promptly and in a suitable currency from less developed countries can cause expense and additional difficulties. How should a company deal with selling to countries where there is a risk of nonpayment? How should a company approach selling to countries that have a shortage of hard currency?

Distribution and logistics

Distribution channels are the means by which goods are distributed from the manufacturer to the end user. *Logistics*, or physical distribution management, is concerned with the planning, implementing, and control of physical flows of materials and final goods from points of origin to points of use to meet customer needs at a profit.

Essentially there are three channel links between the seller and buyer. The first link is the seller's headquarters organization, which is responsible for supervising the channel, and acts as part of the channel itself. Channels between countries represent the second link. They are responsible for getting products to overseas markets and payment in return. Finally, the third link is the channel structure (logistics) within countries, which distributes the products from their point of entry to the final consumer.

Distribution strategies within overseas markets are affected by various uncontrollable factors. First, wholesaling and retailing structure differs widely from one nation to the next. So, too, does the quality of service provided. Differences in the size and nature of retailers are even more pronounced. Retailers more closely reflect the economic conditions and culture of that country; many small retailers dominate most of these countries.

Physical distribution to overseas markets often requires special marketing planning. Many countries have inadequate docking facilities, limited highways, various railroad track gauges, too few vehicles, and too few warehouses. Managing product inventories requires consideration of the availability of suitable warehousing, as well as the costs of shipping in small quantities.

The budget

Marketing mix components must be evaluated as part of an overall marketing strategy. Therefore, the organization must establish a marketing budget based on the required marketing effort to influence consumers. The marketing budget represents a plan to allocate expenditures to each of the components of the marketing mix. For example, the firm must establish an advertising budget as part of the marketing budget and allocate expenditures to various types of advertising media—television, newspapers, magazines. A sales promotion budget should also be determined, allocating money for coupons, product samples, and trade promotions. Similarly, budgets are required for personal selling, distribution, and product development.

How much should be spent? Consider the following example. A common question that marketers frequently ask is, "Are we spending enough (or too much) to promote the sale of our products?" A reasonable answer would revolve around another consideration: "What do we want to accomplish? What are our goals?" The discussion should next turn to the methods for achievement of goals and the removal of obstacles to these goals. This step is often skipped or avoided.

Usually, when the question is asked, "Are we spending enough?" an automatic answer is given, in terms of what others spend. Knowing what others in the same industry spend can be important to an organization whose performance lags behind the competition or to an organization that suspects that its expenditures are higher than they need to be. But generally, knowing what others spend leads to an unproductive "keeping-up-with-the-Joneses" attitude. It also assumes that the others know what they are doing.

Evaluating results

No marketing program is planned and implemented perfectly. Marketing managers will tell you that they experience many surprises during the course of their activities. In an effort to ensure that performance goes according to plans, marketing managers establish controls that allow marketers to evaluate results and identify needs for modifications in marketing strategies and programs. Surprises occur, but marketing managers who have established sound control procedures can react to surprises quickly and effectively.

Marketing control involves a number of decisions. One decision is what function to monitor. Some organizations monitor their entire marketing program, while others choose to monitor only a part of it, such as their sales force or their advertising program. A second set of decisions concerns the establishment of standards for performance; e.g. market share, profitability, or sales. A third set of decisions concerns how to collect information for making comparisons between actual performance and standards. Finally, to the extent that discrepancies exist between actual and planned performance, adjustments in the marketing program or the strategic plan must be made.

Once a plan is put into action, a marketing manager must still gather information related to the effectiveness with which the plan was implemented. Information on sales, profits, reactions of consumers, and reactions of competitors must be collected and analyzed so that a marketing manager can identify new problems and opportunities.

The international marketing environment

A number of factors constitute the international environment: social, cultural, political, legal, competitive, economic, plus technology. Each should be evaluated before a company makes a decision to go international.

The social/cultural environment

The cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between our cultural background in the United States and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programs. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

This task is not as easy as it sounds as various features of a culture can create an illusion of similarity. Even a common language does not guarantee similarity of interpretation. For example, in the US we purchase "cans" of various grocery products, but the British purchase "tins". A number of cultural differences can cause marketers problems in attempting to market their products overseas. These include: (a) language, (b) color, (c) customs and taboos, (d) values, (e) aesthetics, (f) time, (g) business norms, (h) religion, and (i) social structures. Each is discussed in the following sections.

Language

The importance of language differences cannot be overemphasized, as there are almost 3,000 languages in the world. Language differences cause many problems for marketers in designing advertising campaigns and product labels. Language problems become even more serious once the people of a country speak several languages. For example, in Canada, labels must be in both English and French. In India, there are over 200 different dialects, and a similar situation exists in China.

Colors

Colors also have different meanings in different cultures. For example, in Egypt, the country's national color of green is considered unacceptable for packaging, because religious leaders once wore it. In Japan, black and white are colors of mourning and should not be used on a product's package. Similarly, purple is unacceptable in Hispanic nations because it is associated with death.

Consider how the following examples could be used in development of international marketing programs:

- In Russia, it is acceptable for men to greet each other with a kiss, but this custom is not acceptable in the US.
- Germans prefer their salad dressing in a tube, while Americans prefer it in a bottle.
- In France, wine is served with most meals, but in America, milk, tea, water, and soft drinks are popular.

McDonalds's Corporation has opened 20 restaurants in India. Since 80 per cent of Indians are Hindu, McDonald's will use a nonbeef meat substitute for its traditional hamburger. The likely beef substitute will be lamb, a very popular meat in India. In anticipation of its restaurant openings, McDonald's conducted extensive market research, site selection studies, and developed a relationship with India's largest chicken supplier. McDonald's has opted to market its product in India, largely because India's population of more than 900 million represents one sixth of the world's population.

Values

An individual's values arise from his/her moral or religious beliefs and are learned through experiences. For example, in America we place a very high value on material well-being, and are much more likely to purchase status symbols than people in India. Similarly, in India, the Hindu religion forbids the consumption of beef, and fast-food restaurants such as McDonald's and Burger King would encounter tremendous difficulties without product modification. Americans spend large amounts of money on soap, deodorant, and mouthwash because of the value placed on personal cleanliness. In Italy, salespeople call on women only if their husbands are at home.

Aesthetics

The term *aesthetics* is used to refer to the concepts of beauty and good taste. The phrase, "Beauty is in the eye of the beholder" is a very appropriate description for the differences in aesthetics that exist between cultures. For example, Americans believe that suntans are attractive, youthful, and healthy. However, the Japanese do not.

Time

Americans seem to be fanatical about time when compared to other cultures. Punctuality and deadlines are routine business practices in the US. However, salespeople who set definite appointments for sales calls in the Middle East and Latin America will have a lot of time on their hands, as business people from both of these cultures are far less bound by time constraints. To many of these cultures, setting a deadline such as "I have to know next week" is considered pushy and rude.

Business norms

The norms of conducting business also vary from one country to the next. Here are several examples of foreign business behavior that differ from US business behavior:

- In France, wholesalers do not like to promote products. They are mainly interested in supplying retailers with the products they need.
- In Russia, plans of any kind must be approved by a seemingly endless string of committees. As a result, business negotiations may take years.
- South Americans like to talk business "nose to nose". This desire for close physical proximity causes American business people to back away from the constantly forward-moving South Americans.
- In Japan, businesspeople have mastered the tactic of silence in negotiations. Americans are not prepared for this, and they panic because they think something has gone wrong. The result is that Americans become impatient, push for a closure, and often make business concessions they later regret.

These norms are reflected in the difficulty of introducing the Web into Europe (see the next Integrated Marketing box).

Religious beliefs

A person's religious beliefs can affect shopping patterns and products purchased in addition to his/her values, as discussed earlier. In the United States and other Christian nations, Christmastime is a major sales period. But for other religions, religious holidays do not serve as popular times for purchasing products. Women do not participate in household buying decisions in countries in which religion serves as opposition to women's rights movements.

Every culture has a social structure, but some seem less widely defined than others. That is, it is more difficult to move upward in a social structure that is rigid. For example, in the US, the two-wage earner family has led to the development of a more affluent set of consumers. But in other cultures, it is considered unacceptable for women to work outside the home.

The political/legal environment

The political/legal environment abroad is quite different from that of the US. Most nations desire to become self-reliant and to raise their status in the eyes of the rest of the world. This is the essence of nationalism. The nationalistic spirit that exists in many nations has led them to engage in practices that have been very damaging to other countries' marketing organizations. For example, foreign governments can intervene in marketing programs in the following ways:

- contracts for the supply and delivery of goods and services
- the registration and enforcement of trademarks, brand names, and labeling
- patents
- marketing communications
- pricing
- product safety, acceptability, and environmental issues

Political stability

Business activity tends to grow and thrive when a nation is politically stable. When a nation is politically unstable, multinational firms can still conduct business profitably. Their strategies will be affected however. Most firms probably prefer to engage in the export business rather than invest considerable sums of money in investments in foreign subsidiaries. Inventories will be low and currency will be converted rapidly. The result is that consumers in the foreign nation pay high prices, get less satisfactory products, and have fewer jobs.

Monetary circumstances

The *exchange rate* of a particular nation's currency represents the value of that currency in relation to that of another country. Governments set some exchange rates independently of the forces of supply and demand. The forces of supply and demand set others. If a country's exchange rate is low compared to other countries, that country's consumers must pay higher prices on imported goods. While the concept of exchange rates appears relatively simple, these rates fluctuate widely and often, thus creating high risks for exporters and importers.

Trading blocs and agreements

US companies make one-third of their revenues from products marketed abroad, in places such as Asia and Latin America. The North American Free Trade Agreement (NAFTA) further boosts export sales by enabling companies to sell goods at lower prices because of reduced tariffs. Regional trading blocs represent a group of nations that join together and formally agree to reduce trade barriers among themselves. NAFTA is such a bloc. Its members include the US, Canada, and Mexico. No tariffs exist on goods sold between member nations of NAFTA. However, a uniform tariff is assessed on products from countries not affiliated with NAFTA. In addition, NAFTA seeks common standards for labeling requirements, food additives, and package sizes.

One of the potentially interesting results of trade agreements like NAFTA is that many products previously restricted by dumping laws, laws designed to keep out foreign products, would be allowed to be marketed. The practice of *dumping* involves a company selling products in overseas markets at very low prices, one intention being to steal business from local competitors. These laws were designed to prevent pricing practices that could seriously harm local competition. The laws were designed to prevent large producers from flooding markets with very low priced products, gain a monopoly, and then raise prices to very high levels. In 1993, about 40 nations, counting the European Community as one, had anti-dumping legislation. Those in favor of agreements argue that anti-dumping laws penalize those companies who are capable of competing in favor of those companies that are not competitive.

Almost all the countries in the Western hemisphere have entered into one or more regional trade agreements. Such agreements are designed to facilitate trade through the establishment of a free trade area customs union or customs market. Free trade areas and customs unions eliminate trade barriers between member countries while maintaining trade barriers with nonmember countries. *Customs Unions* maintain common tariffs and rates for nonmember countries. A *common market* provides for harmonious fiscal and monetary policies while free trade areas and customs unions do not. Trade agreements are becoming a growing force for trade liberalization; the development of such agreements provides for tremendous opportunities for US companies doing business in Latin America and North America.

The creation of the single European market in 1992 was expected to change the way marketing is done worldwide. It meant the birth of a market that was larger than the United States, and the introduction of European Currency Units (Euros) in place of the individual currencies of member nations. Experience in multilingual marketing would help non-European companies succeed in this gigantic market. With new technologies such as multilingual processing programs, it would be possible to target potential customers anywhere in Europe, in any language, and in the same marketing campaign.

Progress toward European unification has been slow-many doubt that complete unification will ever be achieved. However, on 1 January 1999, 11 of the 15 member nations took a significant step toward unification by adopting the Euro as the common currency. These 11 nations represent 290 million people and a USD 6.5 trillion market. Still, with 14 different languages and distinctive national customs, it is unlikely that the EU will ever become the "United States of Europe”.

Tariffs

Most nations encourage free trade by inviting firms to invest and to conduct business there, while encouraging domestic firms to engage in overseas business. These nations do not usually try to strictly regulate imports or discriminate against foreign-based firms. There are, however, some governments that openly oppose free trade. For example, many Communist nations desire self-sufficiency. Therefore, they restrict trade with non-Communist nations. But these restrictions vary with East-West relations.

The most common form of restriction of trade is the tariff, a tax placed on imported goods. Protective tariffs are established in order to protect domestic manufacturers against competitors by raising the prices of imported goods. Not surprisingly, US companies with a strong business tradition in a foreign country may support tariffs to discourage entry by other US competitors.

Expropriation

All multinational firms face the risk of expropriation. That is, the foreign government takes ownership of plants, sometimes without compensating the owners. However, in many expropriations there has been payment, and it is often equitable. Many of these facilities end up as private rather than government organizations. Because of the risk of expropriation, multinational firms are at the mercy of foreign governments, which are sometimes unstable, and which can change the laws they enforce at any point in time to meet their needs.

The technological environment

The level of technological development of a nation affects the attractiveness of doing business there, as well as the type of operations that are possible. Marketers in developed nations cannot take many technological advances for granted. They may not be available in lesser developed nations. Consider some of the following technologically related problems that firms may encounter in doing business overseas:

- Foreign workers must be trained to operate unfamiliar equipment.
- Poor transportation systems increase production and physical distribution costs.
- Maintenance standards vary from one nation to the next.
- Poor communication facilities hinder advertising through the mass media.
- Lack of data processing facilities makes the tasks of planning, implementing, and controlling marketing strategy more difficult.

The economic environment

A nation's economic situation represents its current and potential capacity to produce goods and services. The key to understanding market opportunities lies in the evaluation of the stage of a nation's economic growth.

A way of classifying the economic growth of countries is to divide them into three groups: (a) industrialized, (b) developing, and (c) less-developed nations. The *industrialized nations* are generally considered to be the United States, Japan, Canada, Russia, Australia, and most of Western Europe The economies of these nations are characterized by private enterprise and a consumer orientation. They have high literacy, modem technology, and higher per capita incomes.

Developing nations are those that are making the transition from economies based on agricultural and raw materials production to industrial economies. Many Latin American nations fit into this category, and they exhibit rising levels of education, technology, and per capita incomes,

Finally, there are many *less developed* nations in today's world. These nations have low standards of living, literacy rates are low, and technology is very limited.

Usually, the most significant marketing opportunities exist among the industrialized nations, as they have high levels of income, one of the necessary ingredients for the formation of markets. However, most industrialized nations also have stable population bases, and market saturation for many products already existing. The developing nations, on the other hand, have growing population bases, and although they currently import limited goods and services, the long-run potential for growth in these nations exists. Dependent societies seek products that satisfy basic needs-food, clothing, housing, medical care, and education. Marketers in such nations must be educators, emphasizing information in their market programs. As the degree of economic development increases, so does the sophistication of the marketing effort focused on the countries.

The competitive environment

Entering an international market is similar to doing so in a domestic market, in that a firm seeks to gain a differential advantage by investing resources in that market. Often local firms will adopt imitation strategies, sometimes successfully. When they are successful, their own nation's economy receives a good boost. When they are not successful, the multinational firm often buys them out.

Japanese marketers have developed an approach to managing product costs that has given them a competitive advantage over US competitors. A typical American company will design a new product, then calculate the cost. If the estimated cost is too high, the product will be taken back to the drawing board. In Japan, a company typically starts with a target cost based on the price that it estimates the market is most willing to accept. Product designers and engineers are then directed to meet the cost target. This approach also encourages managers to worry less about product costs and more about the role it should play in gaining market share. Briefly, at Japanese companies like NEC, Nissan, Sharp, and Toyota, a team charged with bringing a product idea to market estimates the price at which the product is most likely to appeal to the market. From this first important judgment, all else follows. After deducting the required profit margin from the selling price, planners develop estimates of each element that make up the product's cost: engineering, manufacturing sales, and marketing. US firms tend to build products, figure how much it costs to build the product, and then ask whether the product can be sold at a profitable price. US companies tend not to assess what the market will be willing to pay.

Discussion questions

- What is a competitive advantage? How does marketing contribute to the creation of a competitive advantage?
- Describe the reasons for studying marketing.
- What adjustments are necessary as you apply marketing principles to various cultures/countries?
- List the steps in the market segmentation process.
- What is the value in conducting formal marketing research?
- Discuss several reasons why marketers continue to have a difficult time understanding, predicting, and explaining consumer behavior.
- Present a diagram of the consumer decision process. What is the role of marketing in each stage of this process.
- Briefly describe the major strategies a firm might use to enter a foreign market.
- How does the cultural environment affect international marketing activities?
- Why is marketing critical to the success of a business?

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