

SUBHASH C. JAIN

# INTERNATIONAL MARKETING

6TH EDITION



# **I N T E R N A T I O N A L M A R K E T I N G**

**6TH EDITION**

**SUBHASH C. JAIN**  
**THE UNIVERSITY OF CONNECTICUT**

**SOUTH-WESTERN**  
  
**THOMSON LEARNING**

---

Australia • Canada • Mexico • Singapore • Spain • United Kingdom • United States

*International Marketing, Sixth Edition* by Subhash C. Jain

Publisher: Dave Shaut  
Senior Acquisitions Editor: Pamela Person  
Developmental Editor: Mardell Toomey  
Senior Marketing Manager: Joseph A. Sabatino  
Media Technology Editor: Kevin von Gillern  
Media Production Editor: Robin Browning  
Production Editor: Amy S. Gabriel  
Manufacturing Coordinator: Sandee Milewski  
Cover Design: Tinbox Studio Inc., Cincinnati  
Cover Image: © PhotoDisc, Inc.  
Production House: Pre-Press Company, Inc.  
Compositor: Pre-Press Company, Inc.  
Printer: West Group

COPYRIGHT ©2001 by South-Western, a division of Thomson Learning. The Thomson Learning logo is a registered trademark used herein under license.

**All Rights Reserved.** No part of this work covered by the copyright hereon may be reproduced or used in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, taping, or information storage and retrieval systems—without the written permission of the publisher.

Printed in the United States of America  
1 2 3 4 5 03 02 01 00

For more information contact South-Western, 5101 Madison Road, Cincinnati, Ohio, 45227 or find us on the Internet at <http://www.swcollege.com>

**For permission to use material from this text or product, contact us by**

- telephone: 1-800-730-2214
- fax: 1-800-730-2215
- web: <http://www.thomsonrights.com>

**Library of Congress Cataloging-in-Publication Data**

Jain, Subhash C., 1942–

International marketing/Subhash C. Jain.—6th ed.  
p. cm.

ISBN 0-324-06370-9 (alk. paper)—ISBN 0-324-10086-8 (international : alk. paper)—ISBN 0-324-06373-3 (cases v. : alk. paper)—ISBN 0-324-10085-X (cases v. : international : alk. paper)

1. Export marketing—Management. 2. Export marketing—Management—Case studies. I. Title.

HF1416 .J35 2001  
658.8'48—dc21

00-059565



After decades of resting comfortably at the top of the global marketplace, U.S. business has awakened to fierce competition. As more countries become industrial powerhouses and their companies seek larger marketplaces, international marketing as a discipline of study achieves greater significance than ever before. Japan, the most potent of all the new competitors, is pushing into such American strongholds as biotechnology and supercomputers. Western Europe is coming up fast in aeronautics and office equipment. The newly industrialized countries of China, Taiwan, South Korea, Malaysia, Singapore, India, and Brazil are establishing themselves as low-cost producers of everything from steel to television sets. In addition, the U.S. faces new competition in Canada and Mexico as a result of the North American Free Trade Agreement (NAFTA).

At the same time that American supremacy is being challenged, the powerful force of technology is driving the world toward a converging commonality: the emergence of global markets. Millions worldwide want all the things they have heard about, seen, or experienced via new communication technologies. To capitalize on this trend, American companies must learn to operate and compete globally, as if the world were one large market, ignoring superficial regional and national differences.

Global markets offer unlimited opportunities. Corporations geared to this new reality can benefit from enormous economies of scale in production, distribution, marketing, and management. By translating these benefits into reduced world prices, they can dislodge competitors who still operate with the past perspectives. Today, only companies capable of becoming global will achieve long-term success.

As more business battles cross borders, managers must broaden their view of markets and competition. Doing business in a global economy requires a lot of new learning—including how to find the right country in which to build a plant, how to coordinate production schedules across borders, and how to absorb research wherever it occurs. They must learn what sort of people to hire, how to inculcate a global mentality in the ranks, and when to sell standardized products instead of customizing them for local markets.

Only a few managers are capable of handling the competitive rigors of the new global marketplace. Even in companies long accustomed to doing business overseas, managers find it difficult to look beyond their own domain to consider the capabilities and needs of the company as a whole to serve the global marketplace. Business schools across the country face a similar problem in producing global strategists. They must focus on the development of business education programs that explain how to function effectively in today's global business environment.

During the 1980s the American Assembly of Collegiate Schools of Business (AACSB) had offered seminars emphasizing how business schools might internationalize their curriculum. The U.S. Department of Education continues to provide funding for enhancing international business education. These kinds of support have helped many schools in adding international components to their existing courses, and in developing new international courses. Despite these efforts, in most business education programs insufficient attention is paid to the international dimension of business. A study commissioned by AACSB on the future of management education and development summarizes the problem:

International business is an area of the curriculum where we found a considerable amount of, at worst, lip service, and, at best, serious concern on the part of deans and faculty (but, we should

point out, *not* on the part of most corporate-sector respondents). It was one of the four specific areas most often mentioned in both interviews and on the surveys as needing more emphasis in the curriculum. The problem, as most acknowledged, is how to implement this—whether to do it through adding more specific courses on international business, international finance, international marketing and the like, or by putting more emphasis on international issues in courses already in the curriculum. This whole area has been the object of much discussion within the business school community, and we probably cannot shed much additional light on the curriculum aspects of the matter except to say this: Although there seems to be an increasing awareness among business school deans and faculty that more ought to be done to emphasize this area, this awareness of sensitivity so far does not appear to us to have been translated into a great deal of action. More is being done now than ten years ago, and this seems clearly demonstrable by an examination of curricula and in interviews with knowledgeable observers, but much more needs to be done.\*

As business schools globalize their curriculum, various specific international courses are being added to give students a worldwide perspective. Because of the deep impact of local customs and business practices on marketing, marketing requires separate exposure in the international context, more so than any other area of business. Many business schools now have international marketing courses at the undergraduate level, and some even at the graduate level. Many more schools are rapidly adding such courses.

### **Skills Developed Through Study of the Sixth Edition**

---

The sixth edition of *International Marketing* has been developed based on the methodological and theoretical underpinnings developed in various social sciences. This book also integrates major marketing paradigms and frameworks. In each case, the cultural, legal, political, and institutional implications of international operations are properly analyzed. The text aims to make the reader an “informed observer” of the global marketplace. In addition to covering all important frameworks of marketing, concepts from other disciplines (for example, finance and accounting) are touched upon, since those must be grasped to fully understand the perspective of conducting marketing across national boundaries.

This book is designed to enable readers to develop skills for making marketing decisions in the global context, addressing issues like the following:

- *Finding new markets to replace saturated markets.*
- *Customizing products for the demands of new markets.*
- *Determining which products are in demand by world customers.*
- *Determining how to best reach the customers.*
- *Applying the pricing strategies that are most appropriate.*
- *Determining which distribution channels are adequate to serve the world customers.*
- *Overcoming barriers that hinder implementation of marketing programs.*

### **Retained Features of the Sixth Edition**

---

Throughout the book, a *variety of examples* are used to illustrate the points made. Important frameworks and theories are explained with quotes from original sources. *Learning objectives* are found at the beginning of each chapter. Included at the end of the text material are *30 cases* that describe unique decision-making situations in international market-

---

\*Lyman W. Porter and Lawrence E. McKibbin, *Management Education and Development: Drift or Thrust into the 21st Century?* (New York: McGraw-Hill Book Company, 1988), p. 8.

ing. The cases provide adequate information for an intelligent and lively discussion, and should enhance the learning experience.

## New to the Sixth Edition!

---

The sixth edition has been prepared based on the feedback received from over 100 colleagues who responded to a survey on the content and structure of an international marketing course. Based on their thoughtful feedback substantial changes were made resulting in the following distinguishing features in this edition:

- *New topics* covering recent developments like the European Monetary Union, Asian Currency Crisis, economic liberalization among developing countries and other issues.
- *Expanded discussion* of entry strategies, international trade, U.S. exports, and marketing planning and strategy.
- An in-depth look at the role played by *international agreements and institutions in formulating global marketing strategies*, including discussion of the progress of the European Monetary Union.
- “*International Marketing Highlights*” boxed articles describing interesting ideas, stories, and factual information relevant to marketing decisions; Over 100 of these boxes appear throughout the book, describing real-world episodes in international marketing decision-making.
- *New and interesting examples*, both from industrialized and developing nations, to illustrate underlying concepts.
- Discussion of the latest round of *GATT talks* (i.e., the Uruguay Round) and *NAFTA*.
- *Substantial revision of chapters* on economic analysis of global trade and business, multinational sales management and foreign sales promotion, export management, and marketing planning and strategy for international business.
- *Updated* statistics, illustrations, and references to provide the most current perspectives on the subject.
- *Complete revision of the 15 cases* included from the previous edition, plus *15 new cases*. These 30 short and long cases involve such well-known companies as Colgate-Palmolive, Gillette, FedEx and UPS, Kodak and Fuji, Carvel, Seagram, IKEA, Nestlé, PSA Peugeot Citroën, ABB, Hewlett-Packard, Outback Steak House.
- Positioned at the end of each chapter, *creative questions* challenge the students on their understanding of concepts and theories presented in the text and lead to lively discussion.
- *Improved organization* of the material within the chapters for a better flow of ideas.
- Condensed coverage to keep the text to a *semester length* without compromising thoroughness.

## Supplements

---

*Instructor's Resource Kit on CD-ROM* (ISBN 0-324-06371-7) includes a variety of pedagogical aids such as answers to end-of-chapter discussion questions, true-false and multiple-choice examination questions, transparency masters, solutions to cases, suggestions for further reading,

and a listing of additional cases. Also included is a *PowerPoint Slide Presentation* with over 100 slides to complement classroom lectures. All cases in the back of the book are available as a stand-alone book, *International Marketing Cases* (ISBN 0-324-06373-3) suitable for students with relatively little background in marketing.

## Personal Attention by the Author

---

I am personally available by phone, e-mail, or during conferences to discuss and advise colleagues on the structure of their international marketing course.

## Acknowledgements

---

A project like this cannot be completed without help and advice from different sources. I have been fortunate in having the counsel of many scholars who contributed comments and criticism on previous editions. Although it is impossible to recognize them all here, I would like to thank Sanjeev Agarwal, Iowa State University; Lyn S. Amine, St. Louis University; S. Tamer Cavusgil, Michigan State University; Claude Cellich, International University, Geneva; John R. Darling, Louisiana State University at Shreveport; Roberto Friedman, University of Georgia; Pervez N. Ghauri, University of Groningen; Thomas Greer, University of Maryland; Andrew C. Gross, Cleveland State University; Erdener Kaynak, Pennsylvania State University at Harrisburg; Vinay Kotharis, Stephen Austine State University; James C. Nicholas, Connecticut World Trade Association; C.P. Rao, Kuwait University; Ravi Parameswaran, Oakland University; Ronald J. Patten, DePaul University; John K. Ryans, Jr., Kent State University; Saeed Samiee, University of Tulsa; Albert Stähli, Graduate School of Business Administration, Zurich; and Attila Yaprak, Wayne State University.

I also want to thank the following individuals for their permission to include cases written by them: Jacqueline M. Abbey, Georgetown University; Mohammed Ali Alireza, University of San Diego; Bill Bambara, University of Connecticut; Michel Berthelie, Group EM Lyon; Grady D. Bruce, California State University; Fullerton; Roland Calori, Group EM Lyon; Ellen Cook, University of San Diego; Golpira Eshghi, Bentley College; Madelyn Gangelbad, University of Missouri at Kansas City; Philip Hunsaker, University of San Diego; Michael Lubatkin, University of Connecticut; Gordon H. G. McDougall, Wilfrid Laurier University; Franklyn A. Manu, Morgan State University; Karen L. Newman, Georgetown University; Stanley D. Nollen, Georgetown University; Francese Parés, IESE, University of Navarra; George M. Puia, Indiana State University; Krishnan Ramaya, University of Southern Indiana; Lluís G. Renart, IESE, University of Navarra; José Antonio Segarra, IESE, University of Navarra; Ven Sriram, Morgan State University; Marilyn L. Taylor, University of Missouri at Kansas City; Suzanne Uhlem, Lund University; Philippe Very, Group EM Lyon; and Andrew Zacharakis, Babson College. I am indebted to Stephen M. Walsh, State University of New York College at Oneonta, for contributing 125 objective questions to the *Instructor's Manual*.

A special mention of appreciation must go to my doctoral student, Piotr Chelminski, for library search, for coordinating various revision chores and for computer work. I would like to thank the staff of our International Programs Office, especially Associate Director, Kelly Dunn, Graduate Assistant, Jay Chhatbar, and staff assistants, Amy Hotsko, Will Flynn, and Nicole Terry, for their administrative support. I am thankful to many writers and publishers for granting me the permission to include excerpts from their works.

The talented staff at South-Western deserves praise for their role in shaping the sixth edition. Team director, Dave Shaut, offered excellent advice and direction on the structure

of the sixth edition and the acquisitions editor, Pamela Person, took the initiative in getting the project off the ground. Development editor, Mardell Toomey, did a superb job of coordination, and production editor, Amy S. Gabriel, did an excellent job of managing the manuscript to completion. I am indebted to them for their help. Thanks are due to Jennifer Carley of Pre-Press Company, Inc., for the fine job of production.

I want to thank my dean, Thomas G. Gutteridge, for his encouragement and support in this endeavor, and my former professor, Stuart U. Rich of the University of Oregon, who continues to influence my thinking through his writings.

Finally, my thanks go to my wife and our children, Aarti and Amit, who have put up with me through the hectic times of book revision. They provided the time, support, and inspiration so necessary to complete a project of this nature.

*Subhash C. Jain*



	Preface	xi
<b>PART 1</b>	<i>Framework of International Marketing</i>	1
1	Aspects of International Advertising	2
2	Economic Rationale of Global Trade and Business	27
<b>PART 2</b>	<i>Perspectives of International Markets</i>	53
3	Global Marketing	54
4	International Marketing Research	94
<b>PART 3</b>	<i>The Field of International Business</i>	129
5	International Monetary System	130
6	International Finance and Accounting	148
7	Regional Market Agreements	164
<b>PART 4</b>	<i>Environmental Factors Affecting International Marketing</i>	185
8	Economic Environment	186
9	Cultural Environment	210
10	Political Environment	235
11	Legal Environment	259
<b>PART 5</b>	<i>International Marketing Decisions</i>	283
12	Product Policy and Planning	284
13	International Pricing Strategy	322
14	International Channels of Distribution	348
15	International Advertising	385
16	Multinational Sales Management and Foreign Sales Promotion	417
17	Export Marketing	438
<b>PART 6</b>	<i>Planning and Control</i>	467
18	Organization and Control in International Marketing	468
19	Marketing Planning and Strategy for International Business	495
	International Marketing Cases	C-1
	Name and Company Index	I-1
	Subject Index	I-6

## **PART I** *Framework of International Marketing* 1

- 1 Aspects of International Advertising 2**  
 Overview of the Book 4 International Business 5 International Marketing and Its Growing Importance 12 Framework of International Marketing 15 Multinational Corporations 16 Entry Strategies 19 Conclusion 24 Summary 24 Review Questions 25 Creative Questions 25
- 2 Economic Rationale of Global Trade and Business 27**  
 Theory of Comparative Advantage 28 Product Life Cycle and International Trade 33 Production Sharing 34 Internalization Theory 35 Trade Barriers and Trade Liberation 36 U.S. Trade Liberalization 44 MNCs and World Markets 46 Summary 49 Review Questions 50 Creative Questions 51

## **PART 2** *Perspectives of International Markets* 53

- 3 Global Marketing 54**  
 Global Market 55 Dimensions of the Global Market 65 Segmenting the Global Market 67 Summary 79 Review Questions 79 Creative Questions 80
- 4 International Marketing Research 94**  
 Meaning of Marketing Research 96 Framework for International Marketing Research 97 Information Requirements of International Marketers 100 Gathering Secondary Data at Home 105 Secondary Research Abroad 108 Primary Data Collection 112 Organization for International Marketing Research 115 International Marketing Information System 116 Summary 117 Review Questions 118 Creative Questions 118 Chapter Four Appendix: Sources of Secondary Data 120

## **PART 3** *The Field of International Business* 129

- 5 International Monetary System 130**  
 Development of Today's International Monetary System 131 Foreign Exchange 137 Balance Payments 143 Current and Emerging Issues 145 Summary 146 Review Questions 147 Creative Questions 147
- 6 International Finance and Accounting 148**  
 Implications of Financial Decisions for Marketing 149 Multinational Financial Management 152 Making International Investments 156 International Accounting 157 Summary 161 Review Questions 162 Creative Questions 162

<b>7</b>	<b>Regional Market Agreements</b>	<b>164</b>	
	Effects of Market Agreements on Marketing	165	Early Attempts at Regional Economic Integration 167 Types of Market Agreements 168 Market Agreements in Force 169 Summary 182 Review Questions 183 Creative Questions 183
<b>PART 4</b>	<b><i>Environmental Factors Affecting International Marketing</i></b>		<b>185</b>
<b>8</b>	<b>Economic Environment</b>	<b>186</b>	
	Macroeconomic Environment	187	Microeconomic Environment 193 Economic Environment and Marketing Strategy 195 Analysis of Economic Environments 197 Opportunities in the Developing World 206 Summary 207 Review Questions 208 Creative Questions 208
<b>9</b>	<b>Cultural Environment</b>	<b>210</b>	
	The Concept of Culture	211	Cultural Field 212 Culture and Marketing 218 Cultural Analysis—The Primacy-of-Host-Country Viewpoint 224 Cultural Adaptation 226 Cultural Change 229 Summary 231 Review Questions 232 Creative Questions 232
<b>10</b>	<b>Political Environment</b>	<b>235</b>	
	Politics and Marketing	236	Sources of Political Problems 238 Political Intervention 240 Political Perspectives 244 Political Risk Assessment (PRA) 251 Summary 256 Review Questions 257 Creative Questions 257
<b>11</b>	<b>Legal Environment</b>	<b>259</b>	
	International Legal Perspectives	260	Host Country Laws 262 U.S.Laws 266 Arbitration 278 Summary 280 Review Questions 281 Creative Questions 281
<b>PART 5</b>	<b><i>International Marketing Decisions</i></b>		<b>283</b>
<b>12</b>	<b>Product Policy and Planning</b>	<b>284</b>	
	Meaning of Product	285	International Product Planning 285 Product Design Strategy: Standardization or Customization 289 Developing an International Product Line 296 Foreign Product Diversification 307 Brand Names and Trademarks 308 International Packaging 314 International Warranties and Services 316 Summary 317 Review Questions 318 Creative Questions 319
<b>13</b>	<b>International Pricing Strategy</b>	<b>322</b>	
	Importance of Pricing	323	Parent Company's Role in Pricing 323 Aspects of International Price Setting 331 Transfer Pricing 339 Handling Interdivisional Conflicts 341 Dumping 341 Meeting the Import Challenge 342 Leasing 343 Summary 344 Review Questions 346 Creative Questions 346
<b>14</b>	<b>International Channels of Distribution</b>	<b>348</b>	
	Perspectives of International Distribution Channels	349	International Channel Members 353 Channel Management 363 Wholesaling in Foreign Environments 371 Retailing in Overseas Markets 372 International Franchising 378 International Physical Distribution 379 Summary 382 Review Questions 383 Creative Questions 383
<b>15</b>	<b>International Advertising</b>	<b>385</b>	
	Perspectives of International Advertising	386	Determining Advertising Strategy: Standardization versus Localization 389 Media 398 International Advertising

Program **404** Global Advertising Regulations **410** Industry Self-Regulation **412**  
 Summary **413** Review Questions **414** Creative Questions **415**

- 16 Multinational Sales Management and Foreign Sales Promotion 417**  
 Sales Personnel and Personal Selling Abroad **418** Formulating Policy Guidelines  
**423** Implementing Policy **424** Repatriation and Reassignment **428** Interna-  
 tional Sales Negotiations **429** Foreign Sales Promotion **431** Public Relations  
 Overseas **433** Summary **435** Review Questions **435** Creative Questions **436**

- 17 Export Marketing 438**  
 U.S. Export Trade **439** U.S. Government Encouragement of Exports **444**  
 U.S. Government Hindrance of Exports **453** Export Management **453** Export  
 Procedure **456** Duty-Free Zones **462** Barter **463** Summary **464** Review  
 Questions **465** Creative Questions **465**

---

**PART 6** *Planning and Control* 467

---

- 18 Organization and Control in International Marketing 468**  
 Alternative Organizational Designs **469** Choosing Appropriate Organizational  
 Structure **476** New Perspectives on Organization: Corporate Networking **478**  
 Delegating Decision-Making Authority to Foreign Subsidiaries **481** Performance  
 Evaluation and Control of Foreign Operations **486** Conflicts and Their  
 Resolution **490** Summary **492** Review Questions **493** Creative Questions **493**
- 19 Marketing Planning and Strategy for International Business 495**  
 Dimensions of International Planning and Strategy **496** Planning at a Subsidiary  
 Level **497** Marketing Planning at the Corporate Level **502** Information Scanning  
 Monitoring **511** Achieving Planning Effectiveness **511** New Emphasis on  
 Global Strategic Market Planning **512** Epilogue **514** Summary **518** Review  
 Questions **519** Creative Questions **520**

---

*International Marketing Cases* C-1

---

- Case 1: Kodak vs. Fuji **C-2**  
 Case 2: Curtis Automotive Hoist **C-4**  
 Case 3: Farggi **C-10**  
 Case 4: Hatfield Graphics, Inc. **C-27**  
 Case 5: PBS (A) and PBS (B) **C-30**  
 Case 6: Colgate-Palmolive Company **C-45**  
 Case 7: Currency Concepts International **C-47**  
 Case 8: Outback Goes International **C-52**  
 Case 9: California Foods Corporation **C-72**  
 Case 10: Chivaly International **C-75**  
 Case 11: U.S. Automakers in Asia **C-76**  
 Case 12: Nestlé (Ghana) Ltd. **C-80**  
 Case 13: EQ Bank **C-87**  
 Case 14: Kellogg in Europe **C-90**  
 Case 15: The Gillette Company **C-93**  
 Case 16: IKEA **C-95**  
 Case 17: NOVA Biomedical and the Iran Deal **C-99**  
 Case 18: The Clondike Works **C-108**  
 Case 19: All Shave in Saudi Arabia **C-110**  
 Case 20: Seagram Co. **C-111**

Case 21: Carvel in Beijing	<b>C-113</b>
Case 22: Hewlett-Packard: Designjet Online	<b>C-131</b>
Case 23: The Kellogg Company	<b>C-145</b>
Case 24: Avon Products, S.A. de C.V.	<b>C-147</b>
Case 25: Connecticut Corporation	<b>C-150</b>
Case 26: FedEx and UPS in China—Competing with Contrasting Strategies	<b>C-153</b>
Case 27: PSA Peugeot Citroën	<b>C-156</b>
Case 28: ABB in China: 1998	<b>C-168</b>
Case 29: Barossa Winery	<b>C-181</b>
Case 30: MacDermid, Inc.	<b>C-191</b>
Name and Company Index	I-1
Subject Index	I-6



**PART • I**

# **Framework of International Marketing**

# **Aspects of International Advertising**

---

## **CHAPTER FOCUS**

After studying this chapter, you should be able to

- Explain the growing importance of international business.
- Describe how international marketing differs from domestic marketing.
- Discuss the significant role of multinational corporations in the expansion of business on an international scale.
- Compare alternative entry routes into foreign markets.

One of the most significant economic developments since World War II is the increasing internationalization of business. Although business has been conducted across national boundaries for centuries, during the last four decades business dealings have escalated on a global scale. Leading corporations around the world have increasingly turned their attention to international business in order to maintain a competitive edge in today's dynamic economic scene.

This increase of international business affects the world economic order profoundly. It is a change with an impact comparable to that of the Industrial Revolution. In fact, today's global activity has been described as the second Industrial Revolution. Today's market provides not only a multiplicity of goods, but goods from many places. It is not surprising if your shirt comes from China, your jeans from Mexico, and your shoes from Italy. You may drive a Japanese car equipped with tires manufactured in France, nuts and bolts manufactured in India, and paint from a U.S. manufacturer (see International Marketing Highlight 1.1).

Consider McDonald's emerging MacWorld. Big Macs are on sale in 100 countries. By 2005, more than half of all the firm's restaurants are expected to be abroad. Business outside the United States is lucrative. In 1995 the 38 percent of McDonald's restaurants outside the United States accounted for 47 percent of its \$29.9 billion in worldwide sales and 54 percent of its \$2.6 billion operating profit. In 1995 the average sales at each of the company's restaurants abroad rose from \$2.25 million to \$2.42 million. Yet in America average sales fell from \$1.58 million to \$1.54 million. Operating profit margins show a similar trend.<sup>1</sup>

### International Marketing Highlight 1.1

#### Do You Know Where Your Ford Was Made?

The 1992 Ford cars get controllers for their antilock brakes from Germany, engine computers from Spain, shock absorbers from Japan, and key axle parts from England. Windshields, instrument panels, seats, and fuel tanks are made in Mexico.

*Source: Fortune, June 17, 1992, p. 53.*

Worldwide consumers, particularly those in the developed countries, truly live in a global village. Young Europeans, Americans, and Japanese alike sport Benetton sweaters made in Italy, covet Japanese compact disc players, and haunt similar hangouts.

And America is irrevocably enmeshed in this global business (see International Marketing Highlight 1.2). We export some 20 percent of our industrial production, and we sell two out of five acres of our farm produce abroad.

In 1999 U.S. exports of goods and services supported a total of 14.4 million U.S. jobs. From 1993 to 1999, exports accounted for approximately 80 percent of U.S. real economic growth. The U.S. Department of Commerce estimates that over 38,000 U.S. manufacturing companies export, slightly more than one-third of all U.S. firms.<sup>2</sup> Almost one-third of U.S. corporate profit derives from international trade and foreign investment. The share of trade in the gross national product has more than doubled in the past decade. Considering our potential exposure to import penetration, more than three-fourths of U.S. goods are now effectively in international competition, and more than half the supplies of 24 important raw materials, ranging from petroleum to cobalt, come from foreign sources.

### International Marketing Highlight 1.2

#### Globalization of Dollar Demand

There are now \$422 billion of U.S. currency in circulation worldwide. More than two-thirds of this currency circulates abroad. So it is no wonder that when the United States

rolled out redesigned, hard-to-counterfeit bills in 1996, the Treasury planned on spending \$31 million over five years on brochures in 23 languages to convince people around the world to accept the new bills. The dollar has clout even in Iran, Iraq, and Cuba. It can pay your way even in remote villages.

---

*Source: USA Today, March 15, 1996, p. 1.*

Global marketing for U.S. companies makes sense when we realize that about 95 percent of the world's population and two-thirds of its total purchasing power are currently located outside this country. Even for relatively small companies, the global business activity has become irresistible. The U.S. Department of Commerce reports that 60 percent of American firms exporting today have fewer than 100 employees.<sup>3</sup>

A Conference Board study showed that a commitment to the international marketplace is important to sustained growth and superior profitability. Sales for firms with no foreign activities grow at half the average, whereas those for firms with international activities grow faster in every industry and in most size categories. Profitability as well rises for firms with a broad global scope. Companies with foreign plants in all three major global regions (North America, Europe, and the Pacific Rim) significantly outperform companies with more restricted international activities, both in return on assets and return on equity.<sup>4</sup>

Briefly, a worldview based on outmoded concepts of nationality and traditional antagonisms among nations and ethnic groups is not useful in today's global business environment. In fact, the first conceptual leap toward a pragmatic and productive businessperson's worldview would be to dismiss such a view outright and instead consider the inhabitants of different countries as a single race of consumers with shared needs and aspirations. Attaining this concept is critical, because recognition of new opportunities requires an awareness of new realities.

Doing business is a creative enterprise. Doing business outside one's own country is a much more demanding, complicated enterprise. Consider advertising. In the United States television advertising of consumer products is taken for granted. However, in many countries, such as the Netherlands, commercials are not permitted on television. In other countries television advertising is permitted only on a limited scale. In Switzerland, commercials are broadcast between 6:30 AM and 8:00 AM on weekdays. As another example of cultural differences, consider alcohol use in Japan, where drinking is widely considered part of the work ethic. Many businessmen openly talk about getting drunk. Whiskey is advertised abundantly on television. Beer is sold from vending machines on the street. All this would be unthinkable in the United States.

Similarly, the retailing industry structure varies dramatically across nations. In the United Kingdom, France, and Germany, an everincreasing percentage of total retail sales is made through large national retailing chains. In Italy, China, and Brazil, the retail industry is made up essentially of independent "mom and pop" stores. Still other countries have strong cooperative retailing or buying groups.

Just from this limited consideration of marketing perspectives, it is clear that international business necessitates an awareness of the clash of cultural standards among countries. These differences require analytical abilities and business acumen of the international marketers.

---

## Overview of the Book

In this chapter we will examine what international marketing is, how it differs from domestic marketing, and why international marketing must be studied as a separate subject. Chapter 2 analyzes the rationale behind worldwide economic activity.