

NINTH EDITION

INTERNATIONAL MARKETING



PHILIP R. CATEORA

N I N T H E D I T I O N

INTERNATIONAL MARKETING

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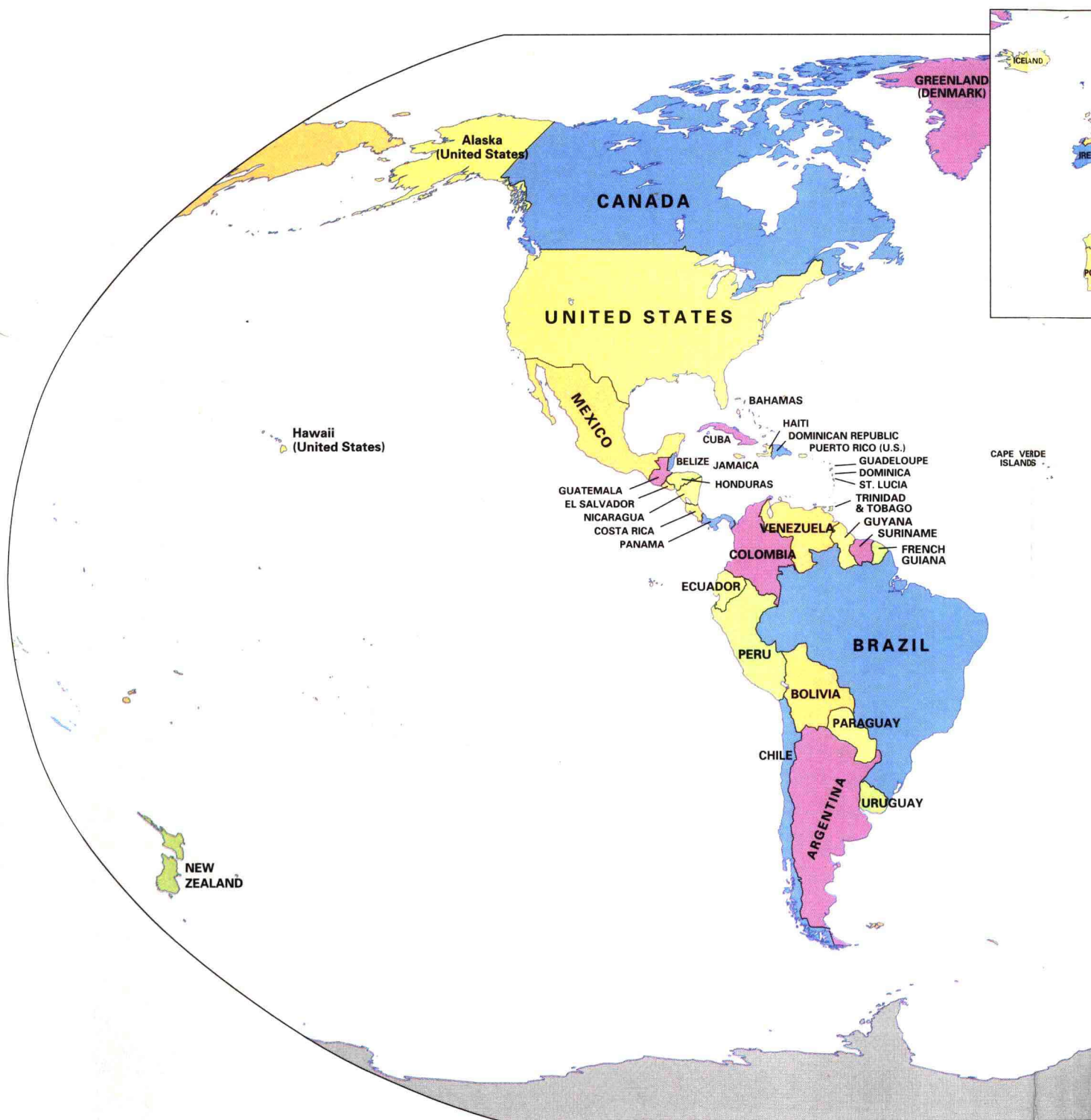
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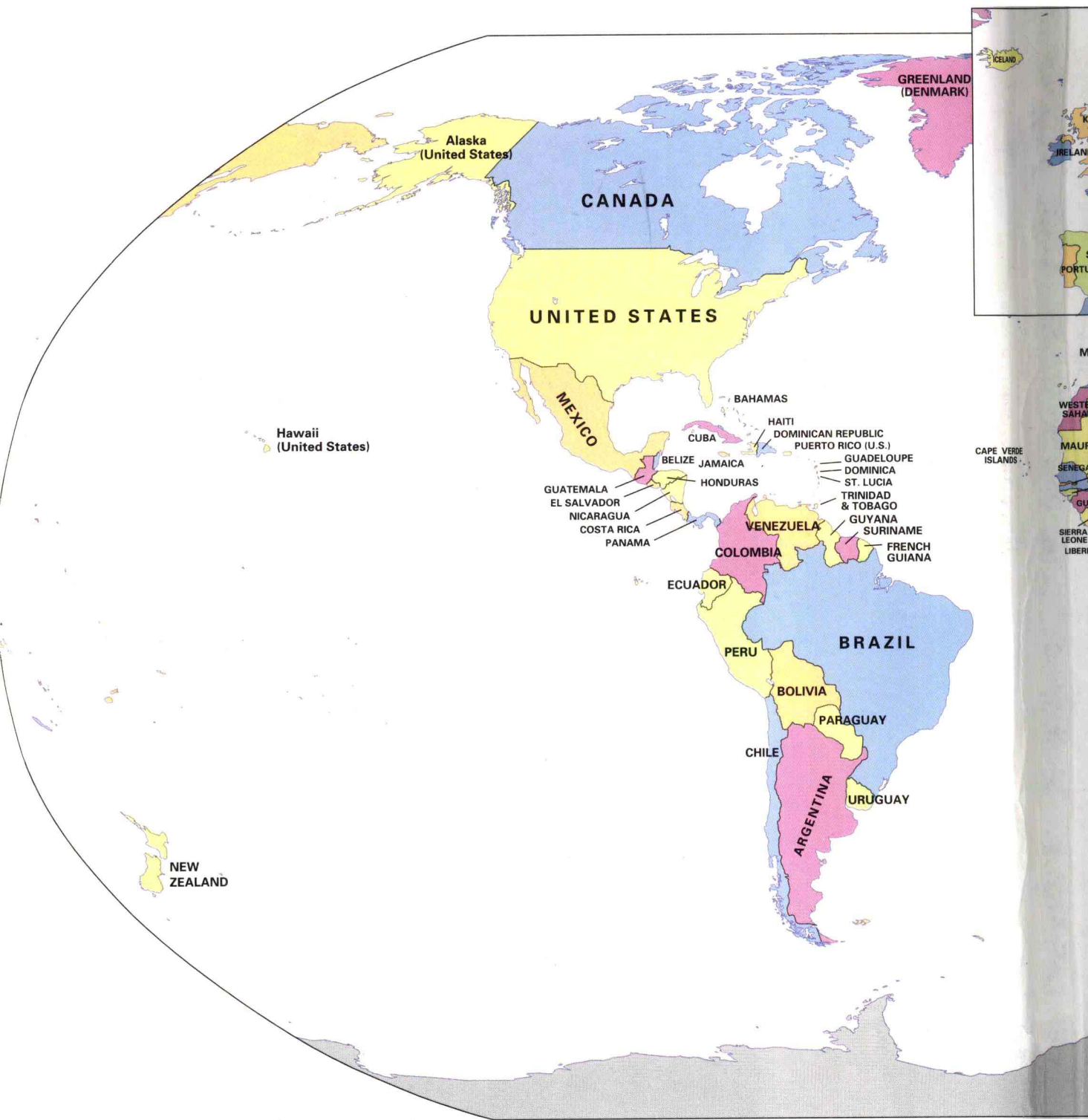
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to
Nancy
and
Thomas and Maggie

PREFACE

The opportunities and challenges encountered today by international marketers are greater and more diverse than ever before. New consumers are springing forth in emerging markets from Eastern Europe, the Commonwealth of Independent States, China and other Asian countries, India, Latin America—in short, globally. Some of these emerging markets have little purchasing power today but hold the promise of huge markets in the future. In the more mature markets of the industrialized world, opportunity and challenge also abound as consumers' tastes become more sophisticated and complex and as increases in purchasing power provide them with the means of satisfying new demands.

Opportunities in today's global markets are on a par with the global economic expansion that existed after World War II. Today, however, the competitive environment within which these opportunities exist is vastly different from that earlier period when United States multinationals dominated world markets. From the late 1940s through the 1960s, multinational corporations (MNCs) from the United States had little competition; today, companies from almost all the world's nations vie for global markets. The companies that succeed will be those capable of adapting to constant change and adjusting to new challenges.

Economic, political, and social changes that have occurred over the last decade have dramatically altered the landscape of global business. Consider the present and future impact of:

- Emerging markets in Eastern Europe, Asia, and Latin America, where more than 75 percent of the growth in world trade over the next 20 years is expected to occur;
- The rapid move away from traditional distribution structures in Japan, Europe, and many emerging markets;
- The growth of middle-income households the world over;
- The continued strengthening and creation of regional market groups such as the European Union (EU), the North American Free Trade Area (NAFTA), ASEAN (Association of Southeast Asian Nations) Free Trade Area (AFTA), and the Asian-Pacific Economic Cooperation (APEC);
- The successful completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and the creation of the World Trade Organization (WTO); and
- The restructuring, reorganizing, and refocusing of companies as they respond to the changing competitive milieu of the global marketplace.

These are not simply news reports. These are changes that affect the practice of business worldwide, and they mean that companies will have to constantly examine the way they do business and remain flexible enough to react rapidly to changing global trends to be competitive.

As global economic growth occurs, understanding marketing in all cultures is increasingly important. *International Marketing* addresses global issues and describes concepts relevant to all international marketers, regardless of the extent of their international involvement.

Not all firms engaged in overseas marketing have a global perspective—nor do they need to. Some companies' foreign marketing is limited to one country; others market in a number of countries, treating each as a separate market; and still others—the global enterprises—look for market segments with common needs and wants across political and economic boundaries. All, however, are affected by competitive activity in the global marketplace. It is with this future that the ninth edition of *International Marketing* is concerned.

Emphasis is on the strategic implications of competition in different country markets. An environmental/cultural approach to international marketing permits a truly global orientation. The reader's horizons are not limited to any specific nation nor to the particular ways of doing business in a single nation. Instead, the book provides an approach and framework for identifying and analyzing the important cultural and environmental uniqueness of any nation or global region. Thus, when surveying the tasks of marketing in a foreign milieu, the reader will not overlook the impact of crucial cultural issues.

The text is designed to stimulate curiosity about management practices of companies seeking market opportunities outside the home country and to raise the reader's consciousness about the importance of viewing international marketing management strategies from a global perspective.

Although this revised edition is infused throughout with a global orientation, export marketing is not overlooked. Issues specific to exporting are discussed where strategies applicable to exporting arise.

New and Expanded Topics in This Edition

The new and expanded topics in this ninth edition reflect issues in competition, changing marketing structures, ethics and social responsibility, collabora-

orative relationships, and the development of the manager for the 21st century. Competition is raising the global standards for quality, increasing the demand for advanced technology and innovation, and increasing the value of customer satisfaction. The global market is swiftly changing from a seller's market to a buyer's market. This is a period of profound social, economic, and political change. To remain competitive globally, companies must be aware of all aspects of the emerging global economic order. The dynamic nature of the international marketplace is reflected in the number of new and expanded topics in this ninth edition, including:

- Big Emerging Markets (BEMs)
- Evolving global middle-income households
- The Uruguay Round of GATT
- World Trade Organization (WTO)
- North American Free Trade Area (NAFTA)
- ASEAN Free Trade Area (AFTA)
- Asia-Pacific Economic Cooperation (APEC)
- Multi-cultural research
- Qualitative and quantitative research
- Country-of-origin effect and global brands
- Collaborative relationships
- Relationship marketing
- Industrial trade shows
- Total quality management (TQM)
- ISO 9000
- Trends in channel structures in Europe, Japan, and developing countries
- Ethics and socially responsible decisions
- Caux principles
- Green Marketing
- Changing profiles of global managers.

Structure of the Text

The text is divided into six parts. The first two chapters, in Part I, introduce the reader to the environmental/cultural approach to international marketing and to three international marketing management concepts—Domestic Market Expansion Concept, Multi-Domestic Market Concept, and Global Marketing Concept. As companies restructure for the global competitive rigors of the 21st

century, so too must tomorrow's managers. The successful manager must be globally aware and have a frame of reference that goes beyond a country, or even a region, and encompasses the world. What global awareness means and how it is acquired is discussed early in the text; it is at the foundation of global marketing.

Chapter 2 focuses on the global marketing environment and the competitive challenges and opportunities confronting today's international marketer. The importance of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and the creation of the World Trade Organization (WTO), the successor to GATT, are fully explored. The Japanese *keiretsu* is examined both as a strong competitor and as a model, some of whose features may be adopted to gain a competitive advantage.

The five chapters in Part II deal with the cultural environment of global marketing. A global orientation requires the recognition of cultural differences and the critical decision of whether or not it is necessary to accommodate them.

Geography and history are included as important dimensions in understanding cultural and market differences among countries. Not to be overlooked is concern for the deterioration of the global ecological environment and the multinational company's critical responsibility to protect it.

As a company expands its global reach, decision makers are often faced with problems that challenge their values as they are presented with the dilemma of balancing corporate profits against the social and ethical consequences of their decisions. Ethics and social responsibility are discussed, and a decision tree is presented to lead a decision maker through a series of questions about ethics and social responsibility.

Part III includes three chapters concerned with assessing global market opportunities. As markets expand, segments grow within markets, and as market segments across country markets evolve, marketers are forced to understand market behavior within and across different cultural contexts. Multicultural research and qualitative and quantitative research are explored in chapter 8.

Chapters 9 and 10 in Part III explore the impact of the three important trends in global marketing: (1) the growth and expansion of the world's big emerging markets; (2) the rapid growth of middle-income market segments; and (3) the steady creation

of regional market groups that include the North American Free Trade Area (NAFTA), the European Union (EU), ASEAN Free Trade Area (AFTA), and Asian-Pacific Economic Cooperation (APEC).

The strategic implications of the dissolution of the USSR, the emergence of new independent republics, the shift from socialist-based to market-based economies in Eastern Europe, and the return of South Africa and Vietnam to international commerce are examined. Attention is also given to the efforts of the governments of India and many Latin-American countries to reduce or eliminate barriers to trade, open their countries to foreign investment, and to privatize state-owned enterprises.

These political, social, and economic changes that are sweeping the world are creating new markets and opportunities, making some markets more accessible while creating the potential for greater protectionism in others.

In Part IV, Developing Global Marketing Strategies, planning and organizing for global marketing is the subject of chapter 11. The discussion of collaborative relationships, including relationship marketing and strategic alliances, recognizes the importance of relational collaborations among firms, suppliers, and customers in the success of the global marketer. Many multinational companies realize that, to fully capitalize on opportunities offered by global markets, they must have strengths that often exceed their capabilities. Collaborative relationships can provide technology, innovations, productivity, capital, and market access that strengthen a company's competitive position. Relationship marketing recognizes the benefits of establishing and maintaining long-term relationships between a company, its suppliers, and its customers.

Following Chapter 11, the special issues involved in moving a product from one country market to another, and the accompanying mechanics of exporting, are addressed.

Chapters 13 and 14 focus on product management, reflecting the differences in strategies between consumer and industrial products and the growing importance in world markets for business services. Additionally, the discussion on the development of global products stresses the importance of approaching the adaptation issue from the viewpoint of building a standardized product platform that can be adapted to reflect cultural differences. The discussion of Total Quality Management

socially responsible behavior, are included in one case as a guide for evaluating the issues in the case.

The cases can be analyzed by using the information provided. They also lend themselves to more in-depth analysis, requiring the student to engage in additional research and data collection.

Supplements

We have taken great care to offer new features and improvements to every part of the teaching aids package. Below is a listing of specific features:

Instructor's Manual: New are lecture notes and/or teaching suggestions for each chapter. A section of "Changes to this edition" will also help instructors adapt their teaching notes to the current edition. A new case correlation grid before the case notes offers alternative uses for the cases. In addition, this instructor's manual has been prepared with more open space and visual cues to make it more easy to use.

Test Bank: The test bank, written by Ronald Weir, of East Tennessee State University, is entirely new, with over two thousand questions. We have reduced the number of true-false and added more critical thinking and essay questions. The CompuTest 4 computerized testing system is also available in DOS, Windows, and Macintosh formats.

Videos: The video cases now contain nearly two hours of company case-oriented videos, topics videos, and select, unique footage of global marketing operations. An accompanying booklet offers teaching notes and questions for each chapter.

Software: *The Country Notebook* software program takes students through each step of the Country Notebook, with suggestions and examples. The new Windows-based version of the program can accept imported tables and graphics to simplify the creation of a complete international marketing plan.

PowerPoint Slides: New to this edition is the inclusion of a PowerPoint software disk containing the transparency masters, including maps.

International Readings Booklet: This booklet, available in some packages, reprints current global business articles.

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The success of a text depends on the contributions of many people, especially those who take the time to share their thoughtful criticisms and suggestions to improve the text.

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In addition, over 200 instructors—unfortunately, too many to list here—responded to surveys that helped shape the content and structure of this edition, as well as provided impetus for some very positive changes in the supplement package.

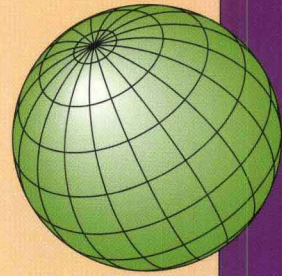
I appreciate the help of all the many students and professors who have shared their opinions of past editions, and I welcome their comments and suggestions on this and future editions of *International Marketing*.

A very special thanks to the production staff, researchers, designers, artists, and editors at Richard D. Irwin, Inc., whose enthusiasm, creativity, constructive criticisms, and commitment to excellence has made this edition possible.

Of the many who have contributed to the completion of this and all previous editions, no one has done more so creatively or enthusiastically than Nancy Cateora, without whose support and assistance this edition would never have been completed. To her I say, "thank you."

Philip R. Cateora

THE CHALLENGES OF GLOBAL MARKETING: THE COLGATE-PALMOLIVE STORY



I. THE CHALLENGE OF DIFFERENT CULTURES

Colgate markets its products on six continents.



Belgium, Europe



United States, North America



Australia



South Africa, Africa



China, Asia



India, Asia



*Colombia,
South America*

II. THE CHALLENGE OF FINDING EFFECTIVE MEDIA

Colgate uses a variety of media to create brand/product awareness.



Philippines. Informative in-store promotions help consumers match the various formulas of Palmolive Optima 2-in-1 shampoo-conditioner to different hair types.



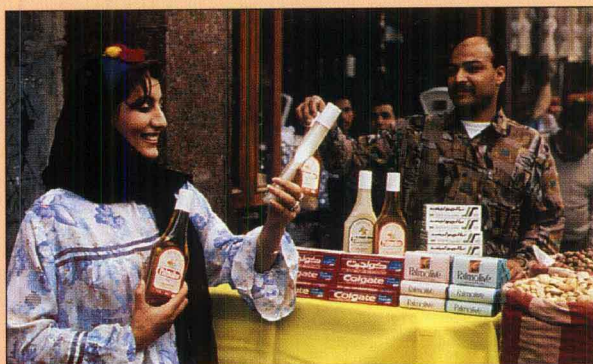
Romania. Colorful outdoor advertising helps build share in Romania, where Colgate-Palmolive has 80 percent of the toothpaste market and 55 percent in soap.



Poland. Television and billboard advertising in places like the Warsaw central train station support rapid growth in Eastern Europe.



Canada. Introduced in 1992, Javex Clean Plus bleach with cleaner established Colgate-Canada as number two in the all-purpose cleaner market.



Egypt. A full line of Colgate and Palmolive brand products reaches buyers in Cairo through booths set up in traditional open-air markets.



Argentina. Colgate's established operations enabled the rapid launch of Mennen deodorants through such retail outlets as this Jumbo Hypermarket in Buenos Aires.



United States. Working closely with its major accounts, such as Wal-Mart, Colgate helps them boost profits while building its own.

III. THE CHALLENGE OF REACHING CUSTOMERS

Colgate distributes through different types of retailers to reach its target markets.



Mexico. Palmolive Optima, recently introduced in seven Latin American countries, is increasing Colgate's shampoo market share in the region.



Colombia. The brand equity of Axion dishwashing paste — a market created by Colgate — expanded with the 1992 introduction of Axion gel, sold in outdoor markets such as this one in Cali.