

EIGHTH EDITION

# *International*

---

## M A R K E T I N G

PHILIP R. CATEORA





■ EIGHTH EDITION

# *International Marketing*

**PHILIP R. CATEORA**

*Fellow, Academy of International Business*

*Professor of Marketing and  
International Business*

*University of Colorado*



**IRWIN**

Burr Ridge, Illinois  
Boston, Massachusetts  
Sydney, Australia

© RICHARD D. IRWIN, INC., 1966, 1971, 1975, 1979, 1983, 1987, 1990, and 1993

*All rights reserved.* No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Executive editor: Rob Zwettler  
Developmental editor: Andy Winston  
Marketing manager: Scott J. Timian  
Project editor: Waivah Clement  
Production manager: Ann Cassady  
Interior designer: Lucy Lesiak  
Cover designer: Jeanne Regan  
Art coordinator: Mark Malloy  
Photo research coordinator: Patricia A. Seefelt  
Photo researcher: Charlotte Goldman  
Compositor: Better Graphics, Inc.  
Typeface: 10/12 ITC Garamond  
Printer: R. R. Donnelley & Sons Company

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

Cateora, Philip R.

International marketing / Philip R. Cateora. — 8th ed.

p. cm. — (The Irwin series in marketing)

Includes bibliographical references and index.

ISBN 0-256-10513-8 ISBN 0-256-12874-X (International ed.)

1. Export marketing. 2. International business enterprises.

I. Title. II. Series.

HF1009.5.C35 1993

658.8'48—dc20

92-16448

*Printed in the United States of America*

5 6 7 8 9 0 DOC 9 8 7 6 5

# Preface

## ■ BUILDING A FOUNDATION FOR THE 21ST CENTURY

Now, in the last decade of the 20th century, as countries have become more interdependent economically and as opportunities for international trade have increased, there is unprecedented potential for global economic growth.

The future of business is global business.

It is with the future that this eighth edition of *International Marketing* is concerned. As global economic growth occurs, understanding marketing in all cultures is increasingly important. Because the world will become an interdependent global market in the 21st century, the text of the eighth edition of *International Marketing* has been revised to keep pace with the changes facing businesses now and into the future as they are confronted by the *competitive* consequences of global trends. There is the reality of the European Economic Area (EEA), the dissolution of the USSR, the slow but steady shift of China, Eastern Europe, and the Commonwealth of Independent States (CIS) from socialist-based economies to the free enterprise system, the growing competitive importance of Pacific Rim countries, a more positive attitude toward foreign investment, and the elimination or reduction of trade barriers in India and Latin America. These are not simply news reports but changes that affect the practice of business worldwide.

*International Marketing* addresses global issues that challenge today's international marketer 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 have. Some companies' foreign marketing is limited to marketing in one country; others market in a number of countries, treating each country as a separate market; and still others—the global enterprises—look for market segments with common needs and wants across political and economic boundaries.

For the management point of view, emphasis here is on the strategic implications of marketing in different country cultures. Nine chapters address the cultural influences on marketing strategies and ten chapters present marketing management techniques and the adjustments necessary to accommodate cultural differences.

The text is designed to stimulate curiosity about management practices of companies seeking market opportunities outside the home country—to raise

the reader's consciousness about the importance of viewing international marketing management strategies from a global perspective.

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. The reader, in surveying the tasks of marketing in a foreign milieu, will not overlook the impact of crucial cultural issues.

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

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 economic and political change. To remain competitive globally, companies must be aware of all aspects of the emerging global economic order. The new and expanded topics in this eighth edition reflect issues in competition, changing market structures, ethics and social responsibility, and the development of the manager for the 21st century.

New and expanded topics in this edition include:

- Developing global awareness
- *Keiretsu (Japanese intercompany alliance)*
- Ethics and social responsibility
- Making ethical and socially responsible decisions
- Critical state of the global environment
- Enterprise of the American Initiative (EAI)
- European Economic Area (EEA)
- North American Free Trade Area (NAFTA)
- Strategic importance of the Commonwealth of Independent States (CIS), Eastern Europe, and the Baltic republics
- Privatization of state-owned enterprises (SOE)
- Green marketing
- Japanese distribution system
- Strategic international alliances
- Total quality management (TQM)
- Global market segmentation

### ■ STRUCTURE OF THE TEXT

The text is divided into three parts. The first two chapters, *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 the Global Marketing Concept. As companies restructure for the global competitive rigors of the 21st century, so too must tomorrow's manager. The successful manager must be globally aware—with a frame of reference that goes beyond a region or even a country 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 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 seven chapters in Part II deal with the cultural environment of global marketing. Cultural differences must be recognized for a global orientation and, when necessary, accommodated—if global marketing strategies are to be successful.

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 again faced with problems that challenge their values and present them 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.

The strategic implications of the *dissolution of the USSR*, the *emergence of new independent republics*, and the *shift from socialist-based to market-based economies in Eastern Europe* are examined, as are the efforts of the governments of India and many Latin-American countries to reduce or eliminate barriers to trade, to open their countries to foreign investment, and to *privatize state-owned enterprises* (SOEs).

The accelerating trend among countries to form regional market groups—evidenced by the merging of the European Community and the European Free Trade Area to form the *European Economic Area*, the negotiations of the United States and Canada with Mexico to develop the *North American Free Trade Area*, the U.S.-sponsored *Enterprise of the Americas Initiative* designed to spur the creation of a free-trade area from Alaska to Tierra del Fuego, and the creation of the *Commonwealth of Independent States*—is discussed.

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

The discussion of *strategic international alliances* reveals that the scope of what companies must do to fully capitalize on opportunities offered by global markets often exceeds the capabilities of an individual company. Strategic alliances are therefore sought to provide needed technology, innovation, pro-

ductivity, capital, market access, and help in other areas where a company needs to shore up weaknesses.

Part III has ten chapters on global marketing management. Planning and organizing for global marketing is the subject of Chapter 10. Marketing research and sources of global market information are covered in Chapter 11. Chapters 12 and 13 focus on product management, reflecting the differences in strategies between consumer and industrial products and the growing importance in world markets for business services. The discussion of *total quality management (TQM)* recognizes the critical, competitive importance in today's global market for *quality, innovation, and technology* as the keys to marketing success. Chapter 14 takes the reader through the distribution process from home country to the consumer in the target country market. The structural impediments to market entry imposed by a country's distribution system is examined in the context of a detailed presentation of the *Japanese distribution system*. Chapter 15 concludes the discussion of the distribution process with a detailed presentation of the special techniques of export operations.

Chapter 16 covers advertising and addresses the promotional element of the international marketing mix. Included in the discussion of *global market segmentation* is a recognition of the rapid growth of market segments across country markets and of the importance of market segmentation as a strategic competitive tool. Chapter 17 discusses personal selling and personnel management.

Price escalation and ways it is lessened, countertrade practices, and price strategies to employ when the dollar is strong or weak relative to foreign currencies are concepts presented in Chapter 18 on pricing.

In Part IV, Chapter 19 addresses the financial requirements of global marketing. The volatility of the value of world currencies plays a special role in international business today.

## ■ PEDAGOGICAL FEATURES OF THE TEXT

The text portion of the book provides a thorough coverage of its subject with specific emphasis on the planning and strategic problems confronting companies that market across cultural boundaries.

- Current, pithy, sometimes humorous, and always relevant examples are used to stimulate interest and increase understanding of the ideas, concepts, and strategies presented in emphasizing the importance of understanding cultural uniquenesses.
- The boxed "Crossing Borders," an innovation of the first edition of *International Marketing*, have always been popular with students. This eighth edition includes more than 30 new incidents that provide insightful examples of cultural differences while illustrating concepts presented in the text.

- The Appendix, “A Country Notebook,” is a guide for developing a comprehensive, strategic marketing plan. This detailed outline provides a format for developing a complete cultural and economic analysis of a country.
- Addition of numerous maps helps the student observe features of countries and regions discussed in the text.

## ■ CASES

Part V comprises a selection of short and long cases. The short cases focus on a single problem, serving as the basis for discussion of a specific concept or issue. The longer, more integrated cases are broader in scope and focus on more than one marketing management problem. Among the new cases are ones that address ethics, social responsibility, market strategies in the European Community, cross-cultural negotiations, and marketing a business service. The cases can be analyzed by using the information provided in the case, or they may lend themselves to more in-depth analysis, requiring the student to engage in additional research and data collection.

## ■ ACKNOWLEDGMENTS

The success of a text depends on the contribution of many people—especially those who take the time to share their thoughtful criticisms and suggestions to improve the text. I appreciate the help of many students and professors who have shared their opinions of past editions, and I welcome their suggestions on this and future editions of *International Marketing*.

Of the many who have contributed to the completion of this edition, no one has done so more creatively or enthusiastically than Nancy Cateora, without whose support and assistance this edition would never have been completed. To her I say, “muchas gracias.”

I also wish to acknowledge the helpful assistance of Janette Wong and Hien Van, who provided valuable research assistance and manuscript preparation. To the publishers and authors who permitted the reproduction of articles, cases, and other materials, I am also indebted.

***Philip R. Cateora***



# *Contents in Brief*

## **PART I    *An Overview*    1**

Chapter 1    The Scope and Challenge of Global Marketing    2

Chapter 2    Global Business Environment    29

## **PART II    *The Cultural Environment of Global Marketing*    61**

Chapter 3    Geography and History—The Foundation of Cultural Understanding    62

Chapter 4    Cultural Dynamics in Assessing Global Markets    96

Chapter 5    Business Customs and Practices in Global Marketing    123

Chapter 6    Political Environment—A Critical Issue    158

Chapter 7    The International Legal Environment    182

Chapter 8    Developing Markets and Market Behavior    210

Chapter 9    Multinational Market Regions and Market Groups    254

## **PART III    *Global Marketing Management*    299**

Chapter 10    Global Marketing Management—Planning and Organization    300

Chapter 11    Researching Global Markets    339

Chapter 12    Developing Consumer Products for Global Markets    371

Chapter 13    Marketing Industrial Products and Business Services    402

Chapter 14    International Distribution System    427

Chapter 15    Export Trade Mechanics and Logistics    469

Chapter 16    The Global Advertising and Promotion Effort    497

Chapter 17    Personal Selling and Personnel Management    532

Chapter 18    Pricing for International Markets    565

## **PART IV    *Corporate Context of Marketing*    603**

Chapter 19    Financial Requirements for Global Marketing    604

## **PART V    *Cases*    645**

*Name Index*    765

*Subject Index*    769

# Contents

## PART I

### AN OVERVIEW 1

#### Chapter 1 ■ The Scope and Challenge of Global Marketing 2

The Internationalization of U.S. Business 5

International Marketing Defined 9

The International Marketing Task 9

*Marketing Controllables* 10

*Domestic Uncontrollables* 11

*Foreign Uncontrollables* 12

Environmental Adjustment Needed 13

Self-Reference Criterion: An Obstacle 15

Becoming International 18

*Phases of International Marketing*

*Involvement* 18

*Changes in International Orientation* 19

International Marketing Concepts 20

*Global Markets* 23

Developing a Global Awareness 25

Orientation of *International Marketing* 26

Crossing Borders 1-1 *American-Made*

*Products Yesterday—Today* 6

Crossing Borders 1-2 *Just Because It Sells in*

*Mexico Doesn't Mean It Will Sell Elsewhere*

*in Latin America* 12

Crossing Borders 1-3 *So, Jose Gomez-*

*Meade—Are You Señor Gomez or Señor*

*Meade?* 14

Crossing Borders 1-4 *You're Sick? Is It the*

*Heart, a Virus, or Liver? It Depends Where*

*You Are From* 17

#### Chapter 2 ■ Global Business

##### Environment 29

The 20th Century 30

World Trade and U.S. Multinationals 31

Balance of Payments 35

*Current Account* 37

*Balance of Trade* 37

The Omnibus Trade and Competitiveness

Act 39

Protectionism 41

*Protection Logic and Illogic* 41

*Trade Barriers* 43

Easing Trade Restrictions 49

*General Agreement on Tariffs and Trade* 49

*International Monetary Fund* 51

Keiretsu—Tomorrow's Business

Structure? 52

*Characteristics of a Keiretsu* 56

*Benefits of a Keiretsu System* 57

*Keiretsu—Unfair Competition?* 57

*U.S. Keiretsu—A Hybrid* 57

Crossing Borders 2-1 *The Globalization of*  
*the American Economy* 35

Crossing Borders 2-2 *Who Does Lead in the*  
*Number of Trade Barriers?* 36

Crossing Borders 2-3 *Buy American—If You*  
*Can* 40

Crossing Borders 2-4 *The Japanese Market Is*  
*Open—If You Can Survive the Test* 43

Crossing Borders 2-5 *A Word for Open*  
*Markets* 46

Crossing Borders 2-6 *Trade War*  
*Looming?* 47

## PART II

### THE CULTURAL ENVIRONMENT OF GLOBAL MARKETING 61

Chapter 3 ■ Geography and History—  
The Foundation of Cultural  
Understanding 62

Geography and Global Markets	63
<i>Climate and Topography</i>	63
Geography, Nature, and Economic Growth	67
<i>Social Responsibility and Environmental Management</i>	68
<i>Resources</i>	72
<i>World Population Trends</i>	74
World Trade Routes	84
Historical Perspective in Global Business	87
<i>History and Contemporary Behavior</i>	87
<i>History Is Subjective</i>	88
Crossing Borders 3-1 <i>Climate and Success</i>	65
Crossing Borders 3-2 <i>How Many Slaves Work for You?</i>	73
Crossing Borders 3-3 <i>The Peso Was Devalued Where?—New Mexico?</i>	77
Crossing Borders 3-4 <i>Two Different Worlds</i>	80
Crossing Borders 3-5 <i>Global Trivia: A Test for the Worldly Wise</i>	82
Crossing Borders 3-6 <i>Europe 1992—Can Italy Adjust?</i>	89
Crossing Borders 3-7 <i>Exporting Ice to India</i>	92
<b>Chapter 4 ■ Cultural Dynamics in Assessing Global Markets</b>	<b>96</b>
Cultural Knowledge	99
<i>Factual Knowledge</i>	99
<i>Interpretative Knowledge</i>	100
<i>Cultural Sensitivity and Tolerance</i>	101
Culture and Its Elements	102
<i>Elements of Culture</i>	103
<i>Analysis of Elements</i>	108
Cultural Change	111
<i>Cultural Borrowing</i>	112
<i>Similarities: An Illusion</i>	113
<i>Resistance to Change</i>	114
Planned Cultural Change	117
Consequences of an Innovation	119
Crossing Borders 4-1 <i>Two Cultures Meet—At the Fast-Food Restaurant</i>	98
Crossing Borders 4-2 <i>Green; A Double Whammy</i>	100
Crossing Borders 4-3 <i>Cultures Just Different, Not Right or Wrong, Better or Worse</i>	101
Crossing Borders 4-4 <i>Gaining Cultural Awareness in 17th and 18th-Century England—the Grand Tour</i>	105
Crossing Borders 4-5 <i>It's Not the Gift that Counts, but How You Present It</i>	109
Crossing Borders 4-6 <i>Ici On Parle Français</i>	111
Crossing Borders 4-7 <i>And So, What Does Thanksgiving Mean to You?</i>	112
Crossing Borders 4-8 <i>Why Wouldn't You Buy Fang Fang Lipstick?</i>	115
Crossing Borders 4-9 <i>"You Are Invited to Take Advantage of the Chambermaid"</i>	118
<b>Chapter 5 ■ Business Customs and Practices in Global Marketing</b>	<b>123</b>
Required Adaptation	125
<i>Degree of Adaptation</i>	125
<i>Imperatives, Adiaphora, and Exclusives</i>	126
Modes of Doing Business	129
<i>Sources and Level of Authority</i>	130
<i>Management Objectives and Aspirations</i>	133
<i>Communications Emphasis</i>	136
<i>Negotiation Emphasis</i>	142
<i>The Gender Bias in International Business</i>	147
Business Ethics	149
<i>Bribery—Variations on a Theme</i>	150
<i>Ethical and Socially Responsible Decisions</i>	152
Crossing Borders 5-1 <i>Jokes Don't Travel Well</i>	127
Crossing Borders 5-2 <i>MEISHI—Presenting a Business Card in Japan</i>	128
Crossing Borders 5-3 <i>The Eagle, an Exclusive in Mexico</i>	130
Crossing Borders 5-4 <i>Business in EC</i>	92 132
Crossing Borders 5-5 <i>Gaining Cultural Empathy the Japanese Way or the Frog in the Pond Doesn't Know about the Ocean</i>	133
Crossing Borders 5-6 <i>You Don't Have to Be a Hollywood Star to Wear Dark Glasses</i>	135

*Crossing Borders 5-7 You Say You Speak English?* 139

*Crossing Borders 5-8 Culture Gap—It Depends on Whom You Ask* 143

*Crossing Borders 5-9 When Yes Means No, or Maybe, or I Don't Know, or?* 145

*Crossing Borders 5-10 Women Negotiators—A U.S. Whammy for Some* 147

## **Chapter 6 ■ Political Environment—A Critical Issue 158**

Government and Political Party Systems 159  
     *Stability of Government Policies* 159  
     *Political Parties* 161  
     *Nationalism* 161

Confiscation, Expropriation, Domestication, and Other Risks 162  
     *Economic Risks* 165  
     *Political Sanctions* 166

Encouraging Foreign Investment 168  
     *Foreign Governments* 168  
     *U.S. Government* 168

Market Concession and Foreign Investment 169

Assessing Political Vulnerability 170  
     *Politically Sensitive Products* 171  
     *Forecasting Political Risk* 172

Reducing Political Vulnerability 174  
     *Good Corporate Citizenship* 175  
     *Strategies to Lessen Political Risk* 176  
     *Planned Domestication: An Alternative* 177  
     *Political Payoffs* 178

Managing External Affairs 178

*Crossing Borders 6-1 Coke's Got a Secret—And They Aren't Going to Tell* 171

*Crossing Borders 6-2 The Loser Wins When Mab-Jongg and Bribery Meet* 179

## **Chapter 7 ■ The International Legal Environment 182**

Bases for Legal Systems 183  
     *Islamic and Socialist Law* 183  
     *Common and Code Law* 185

Jurisdiction in International Legal Disputes 187

Legal Recourse in Resolving International Disputes 188

*Conciliation* 188

*Arbitration* 189

*Enforcement of Arbitration Clauses* 190

*Litigation* 191

Protection of Intellectual Property Rights—A Special Problem 191

*Inadequate Protection* 193

*Prior Use versus Registration* 193

*International Conventions* 194

Commercial Law within Countries 197

*Marketing Laws* 197

*Green Marketing Legislation* 198

*Antitrust—an Evolving Issue* 200

U.S. Laws Apply in Host Countries 201

*Foreign Corrupt Practices Act* 201

*National Security Laws* 202

*U.S. Antitrust Laws* 203

*Antiboycott Law* 205

*Extraterritoriality of U.S. Laws* 205

*Crossing Borders 7-1 Time Runs Out in Miami* 192

*Crossing Borders 7-2 When the Counterfeit Is Better than the Original, Which One Is Genuine?* 194

*Crossing Borders 7-3 Patent Law: The United States versus Japan—Differences in Culture Do Matter* 195

*Crossing Borders 7-4 Whatever You Call It—It's Still a Bribe* 203

*Crossing Borders 7-5 Turnabout Is Fair Play* 204

## **Chapter 8 ■ Developing Markets and Market Behavior 210**

Marketing and Economic Development 211

*Stages of Economic Development* 212

*Infrastructure and Development* 215

*Objectives of Developing Countries* 217

*Marketing's Contributions Overlooked* 220

Marketing in a Developing Country 222

*Level of Marketing Development* 222

*Demand in a Less-Developed Country* 226

*Less-Developed Countries and Long-Range*

*Potential* 226

Developing Markets	228
<i>The Americas</i>	228
<i>Eastern Europe and the Baltic States</i>	233
<i>Asia</i>	239
<i>Developing Markets and Regional Trading Groups</i>	246
Changing Market Behavior and Market Segmentation	246
<i>Global Market Segmentation</i>	250
Crossing Borders 8-1 <i>Market Potential in Less-Developed Countries Depends on What You Have to Sell</i>	213
Crossing Borders 8-2 <i>Infrastructure</i>	216
Crossing Borders 8-3 <i>Doing Business in the Third World—Unilever's Approach</i>	218
Crossing Borders 8-4 <i>Electronic Gadgetry Isn't Worth Much to People Who Need a Good Charcoal Stove</i>	219
Crossing Borders 8-5 <i>Those Wealthy Japanese?—The Myth of the Japanese Middle Class</i>	225
Crossing Borders 8-6 <i>Third World Faces up to Progress</i>	227
Crossing Borders 8-7 <i>History Repeats Itself</i>	231
Crossing Borders 8-8 <i>Capitalism Comes to China</i>	244
 <b>Chapter 9 ■ Multinational Market Regions and Market Groups</b>	<b>254</b>
<i>La Raison D'être</i>	257
<i>Economic Factors</i>	257
<i>Political Factors</i>	258
<i>Geographic Proximity</i>	258
<i>Social Factors</i>	259
<i>Patterns of Multinational Cooperation</i>	259
<i>Regional Cooperation Groups</i>	259
<i>Free-Trade Areas</i>	260
<i>Customs Unions</i>	261
<i>Common Markets</i>	261
<i>Political Unions</i>	262
<i>Global Markets and Multinational Market Groups</i>	263
<i>Europe</i>	264
<i>The Americas</i>	276

<i>Africa</i>	283
<i>Asian Pacific Rim</i>	286
<i>Middle East</i>	287
Future Multinational Market Groups?	288
Strategic Implications for Marketing	289
<i>Opportunities</i>	290
<i>Market Barriers</i>	292
<i>Reciprocity</i>	293
<i>Ensuring EC Market Entry</i>	294
<i>Marketing Mix Implications</i>	295
Crossing Borders 9-1 <i>Pure German Sausage Brings Out Wurst in European Community</i>	260
Crossing Borders 9-2 <i>No One Said Setting Product Standards Would Be Easy</i>	267
Crossing Borders 9-3 <i>Oh, Life Would Be Easier if We Only Had a Europlug</i>	270
Crossing Borders 9-4 <i>What Europe 1992 Will Mean to One Company</i>	291
Crossing Borders 9-5 <i>How to Compete in Japan</i>	293

## **PART III**

### **GLOBAL MARKETING MANAGEMENT 299**

<b>Chapter 10 ■ Global Marketing Management—Planning and Organization</b>	<b>300</b>
Global Marketing Management	302
<i>Global versus International Marketing Management</i>	303
<i>Benefits of Global Orientation</i>	305
Competition in the Global Marketplace	307
<i>Quality and Competitive Marketing</i>	308
<i>Cost Containment</i>	311
<i>Strategic International Alliances (SIA)</i>	314
Strategic Planning	317
<i>Company Objectives and Resources</i>	318
<i>International Commitment</i>	319
<i>The Planning Process</i>	319
Alternative Market-Entry Strategies	325
<i>Exporting</i>	325
<i>Licensing</i>	326
<i>Joint Ventures</i>	326



<i>Franchising</i>	331
<i>Consortia</i>	332
<i>Manufacturing</i>	333
Organizing for Global Competition	334
<i>Locus of Decision</i>	336
<i>Centralized versus Decentralized Organizations</i>	336
Crossing Borders 10-1 <i>The Global Enterprise—A Definition</i>	301
Crossing Borders 10-2 <i>The Meaning of Global Business—Coca-Cola around the World</i>	307
Crossing Borders 10-3 <i>Susan B. Anthony—Who Is That? A Dollar?</i>	312
Crossing Borders 10-4 <i>General Motors Networks—American Style Keiretsu</i>	315
Crossing Borders 10-5 <i>The VW Beetle—The First Global Product?</i>	324
Crossing Borders 10-6 <i>Competing with the Japanese and the Company Town</i>	327
Crossing Borders 10-7 <i>Ten Ways to Control a 50-50 Joint Venture Abroad</i>	330
Crossing Borders 10-8 <i>Liquid Tide—Where Do You Come From?</i>	333

## **Chapter 11 ■ Researching Global Markets 339**

Breadth and Scope of International Marketing Research	341
The Research Process	342
<i>Defining the Problem and Establishing Research Objectives</i>	343
Problem of the Availability and Use of Secondary Data	344
Problems of Gathering Primary Data	348
<i>Unwillingness to Respond</i>	349
<i>Sampling in Field Surveys</i>	350
<i>Cross-Cultural Studies—A Special Problem</i>	353
<i>Language and Comprehension</i>	354
Problems in Analyzing and Interpreting Research Information	357
Estimating Market Demand	358
Responsibility for Conducting Marketing Research	360

Multinational Marketing Information Systems	360
Appendix: Sources of Secondary Data	364
Crossing Borders 11-1 <i>Are Instincts Better than Marketing Research?</i>	342
Crossing Borders 11-2 <i>International Data: Caveat Emptor</i>	347
Crossing Borders 11-3 <i>Marketing Research, Don't Leave Home without It</i>	355
Crossing Borders 11-4 <i>Hanged or Suspended—It's a Matter of Translation</i>	356
Crossing Borders 11-5 <i>Industry Statistics?</i>	358

## **Chapter 12 ■ Developing Consumer Products for Global Markets 371**

Global Markets and Product Development	372
<i>Global Brands</i>	377
Products and Culture	378
<i>Innovative Products and Adaptation</i>	382
<i>Diffusion of Innovations</i>	383
<i>Degree of Newness</i>	384
Physical or Mandatory Requirements and Adaptation	387
Product Life Cycle and Adaptation	387
Product Alternatives	389
Screening Products for Adaptation	389
<i>Analysis of Characteristics of Innovations</i>	390
<i>Analysis of Product Components</i>	393
Green Marketing and Product Development	397
Quality Products	400
Crossing Borders 12-1 <i>The Muppets Go Global</i>	373
Crossing Borders 12-2 <i>Twenty-Two Million "Little Emperors" a Year in China</i>	375
Crossing Borders 12-3 <i>The Sun Never Sets on Coca-Cola</i>	376
Crossing Borders 12-4 <i>Hot Milk for Cold Cereal Changing Eating Habits</i>	379
Crossing Borders 12-5 <i>Where Design and Packaging Are King</i>	380

- Crossing Borders 12-6 What, No Middle in the Oreo? But That's the Best Part* 384
- Crossing Borders 12-7 Failure—Then Success but Only after Adaptation* 388
- Crossing Borders 12-8 Product Adaptations Around the World* 390
- Crossing Borders 12-9 The Secret of Enjoying Them Is to Imagine You're Eating A Dog* 392
- Crossing Borders 12-10 Logos Sell in Japan* 399

### **Chapter 13 ■ Marketing Industrial Products and Business Services 402**

- The Industrial Product 403
- Stages of Economic Development* 404
- Technology and Market Demand* 406
- Attributes of Product Quality* 408
- ISO 9000 Certification* 409
- Price-Quality Relationship* 411
- Product Design* 411
- Service and Replacement Parts* 412
- Universal Standards* 414
- Promoting Industrial Products 417
- Industrial Trade Fairs* 417
- Countertrading—A Pricing Tool 417
- Buyer's Market for Industrial Goods* 418
- Marketing Services Globally 419
- Characteristics of Services* 419
- Entering Global Markets* 420
- Market Environment for Business Services* 421
- Crossing Borders 13-1 Unfair Trade or Poor Marketing?* 405
- Crossing Borders 13-2 Now This Is What You Call Service!* 415
- Crossing Borders 13-3 In the European Community, Standards a Must for Telecommunications* 416
- Crossing Borders 13-4 Now That's a "Classy" Turn Down* 418
- Crossing Borders 13-5 Garbage Collection an International Service?* 422

### **Chapter 14 ■ International Distribution Systems 427**

- Channel of Distribution Structures 428
- Import-Oriented Distribution Structure* 429

- Japanese Distribution Structure* 431
- Trends—From Traditional to Modern Channel Structures* 435
- Distribution Patterns 436
- General Patterns* 436
- Retail Patterns* 438
- Alternative Middleman Choices 445
- Home Country Middlemen* 447
- Foreign Country Middlemen* 454
- Government-Affiliated Middlemen 458
- Factors Affecting Choice of Channels 459
- Cost* 459
- Capital Requirement* 460
- Control* 460
- Coverage* 460
- Character* 461
- Continuity* 461
- Locating, Selecting, and Motivating Channel Members 461
- Locating Middlemen* 462
- Selecting Middlemen* 462
- Motivating Middlemen* 464
- Terminating Middlemen* 465
- Controlling Middlemen* 466
- Crossing Borders 14-1 Evolving Middlemen—The Higgle* 439
- Crossing Borders 14-2 Mom and Pop Stores: Are Supermarkets Far Behind?* 442
- Crossing Borders 14-3 When Is a Supermarket Not a Supermarket, but a Department Store or Maybe Even a Shopping Center?* 443
- Crossing Borders 14-4 Distribution in Mexico—By Delivery Van and Donkey* 446
- Crossing Borders 14-5 Marketing in the People's Republic of China* 451
- Crossing Borders 14-6 Local Laws and Distribution Agreements* 463

### **Chapter 15 ■ Export Trade Mechanics and Logistics 469**

- Regulations and Restrictions of Exporting and Importing 470
- U.S. Export Controls* 471
- Import Restrictions* 474

Customs-Privileged Facilities	479
<i>Foreign-Trade Zones</i>	480
<i>Offshore Assembly (Maquiladoras)</i>	482
Export Documents	482
Terms of Sales	484
Packing and Marking	485
Export Shipping	487
Logistics	488
<i>Interdependence of Physical Distribution Activities</i>	489
<i>Effect of Country Laws on Physical Distribution Costs</i>	493
<i>Benefits of Physical Distribution Systems</i>	493
The Foreign-Freight Forwarder	494
<i>Crossing Borders 15-1 Underwear or Outerwear—The Madonna Effect</i>	477
<i>Crossing Borders 15-2 The United States Supports Free Trade—Or Does It?</i>	479
<i>Crossing Borders 15-3 Free-Trade Zones Boom in Russia and Eastern Europe</i>	480
<i>Crossing Borders 15-4 Coors Beer Flies to Tokyo</i>	491
<i>Crossing Borders 15-5 When Is a Car a Truck or a Truck a Car?</i>	494

## **Chapter 16 ■ The Global Advertising and Promotion Effort 497**

Global Advertising	498
<i>Pattern Advertising—Plan Globally, Act Locally</i>	501
<i>Global Advertising and World Brands</i>	504
<i>Pan-European Advertising</i>	505
<i>Global Market Segmentation and Promotional Strategy</i>	506
Creative Challenges	506
<i>Legal and Tax Considerations</i>	506
<i>Language Limitations</i>	507
<i>Cultural Diversity</i>	509
<i>Media Limitations</i>	510
<i>Production and Cost Limitations</i>	510
Media Planning and Analysis	511
<i>Tactical Considerations</i>	511
<i>Specific Media Information</i>	513
Sales Promotion	519
Global Advertising and the Communications Process	520
The Advertising Agency	527

International Control of Advertising	527
<i>Crossing Borders 16-1 Selling Levi's Around the World</i>	503
<i>Crossing Borders 16-2 Electricity Costs Are High, But That High?</i>	508
<i>Crossing Borders 16-3 Welcome to the World of Free Enterprise</i>	511
<i>Crossing Borders 16-4 The Wash Bucket They Understand!</i>	514
<i>Crossing Borders 16-5 Eastern Europe, Learning to Live with Advertising</i>	517
<i>Crossing Borders 16-6 Mobile Cinema in Kenya</i>	519
<i>Crossing Borders 16-7 Some Advertising Misses and Near-misses</i>	524
<i>Crossing Borders 16-8 The Soaps in Brazil Sell Cereal, Too</i>	526
<i>Crossing Borders 16-9 Harmonization of EC Rules for Children's Advertisements</i>	528

## **Chapter 17 ■ Personal Selling and Personnel Management 532**

Sources of Marketing and Sales Personnel	533
<i>Expatriates</i>	533
<i>Local Nationals</i>	534
<i>Third-Country Nationals</i>	534
Host Country Restrictions	535
Managing International Personnel	537
<i>Differences in Cultural Values Affect Management Practices</i>	537
<i>Recruiting and Selecting International Personnel</i>	540
<i>Training and Motivating International Personnel</i>	544
<i>Management in Former Socialist Countries</i>	546
Preparing U.S. Personnel for Foreign Assignments	547
<i>Overcoming Reluctance to Accept a Foreign Assignment</i>	548
<i>Reducing the Rate of Early Returns</i>	549
<i>Successful Expatriate Repatriation</i>	551
<i>Developing Cultural Awareness</i>	553
<i>Compensation</i>	554
<i>Adapting Personal Selling Skills to Global Markets</i>	555

Preparing the Global Manager for the Year 2000	557
The Importance of Skill in a Foreign Language	561
Crossing Borders 17-1 Lack of Commitment	536
Crossing Borders 17-2 Now, This Is Salesmanship!	538
Crossing Borders 17-3 So You Want to Own a Car in Japan?	541
Crossing Borders 17-4 The View from the Other Side	542
Crossing Borders 17-5 Japanese Boot Camp—Preparing for Sales in America	543
Crossing Borders 17-6 The Risks of a Foreign Assignment	549
Crossing Borders 17-7 The Eyes Have It!	555
Crossing Borders 17-8 Where There's a Will There's a Way	557
Crossing Borders 17-9 A Look Into the Future?—Tomorrow's International Leaders? An Education for the 21st Century	561

## Chapter 18 ■ Pricing for International Markets 565

Pricing Policy	566
Pricing Objectives	566
Parallel Imports	567
Approaches to International Pricing	570
Leasing in International Markets	572
Price Escalation	572
Costs of Exporting	573
Sample Effects of Price Escalation	578
Approaches to Lessening Price Escalation	580
Using Foreign-Trade Zones to Lessen Price Escalation	582
Dumping	584
Administered Pricing	586
Price Setting by Industry Groups	586
Government-Influenced Pricing	589
International Agreements	589

Countertrades as a Pricing Tool	590
Types of Countertrade	590
U.S. Firms Reluctant to Countertrade	593
Problems of Countertrading	594
Proactive Countertrade Strategy	597
Intracompany Pricing Strategy	598
Price Quotations	599
Crossing Borders 18-1 VWs at Luxury Prices—The Dane Curse Where VW's Cost \$35,568	568
Crossing Borders 18-2 Who Sets Prices?	570
Crossing Borders 18-3 Everybody Wins in a Japanese/USSR Countertrade	574
Crossing Borders 18-4 Now These Are High Prices!	582
Crossing Borders 18-5 Foreign-Trade Zones, What Do They Do?	583
Crossing Borders 18-6 Some Examples of Countertrade	591
Crossing Borders 18-7 Cuttlefish—Who Wants Cuttlefish?	593
Crossing Borders 18-8 "Dallas" Arrives in China	596

## PART IV CORPORATE CONTEXT OF MARKETING 603

### Chapter 19 ■ Financial Requirements for Global Marketing 604

Capital Needs for International Marketing	605
Working Capital Requirements	605
Market Penetration Costs	607
Capital Investment	609
Sources of Government Funds for International Marketing Operations	609
Foreign Commercial Payments	613
Letters of Credit	614
Bills of Exchange	615
Cash in Advance	615
Open Accounts	616
Forfaiting	617