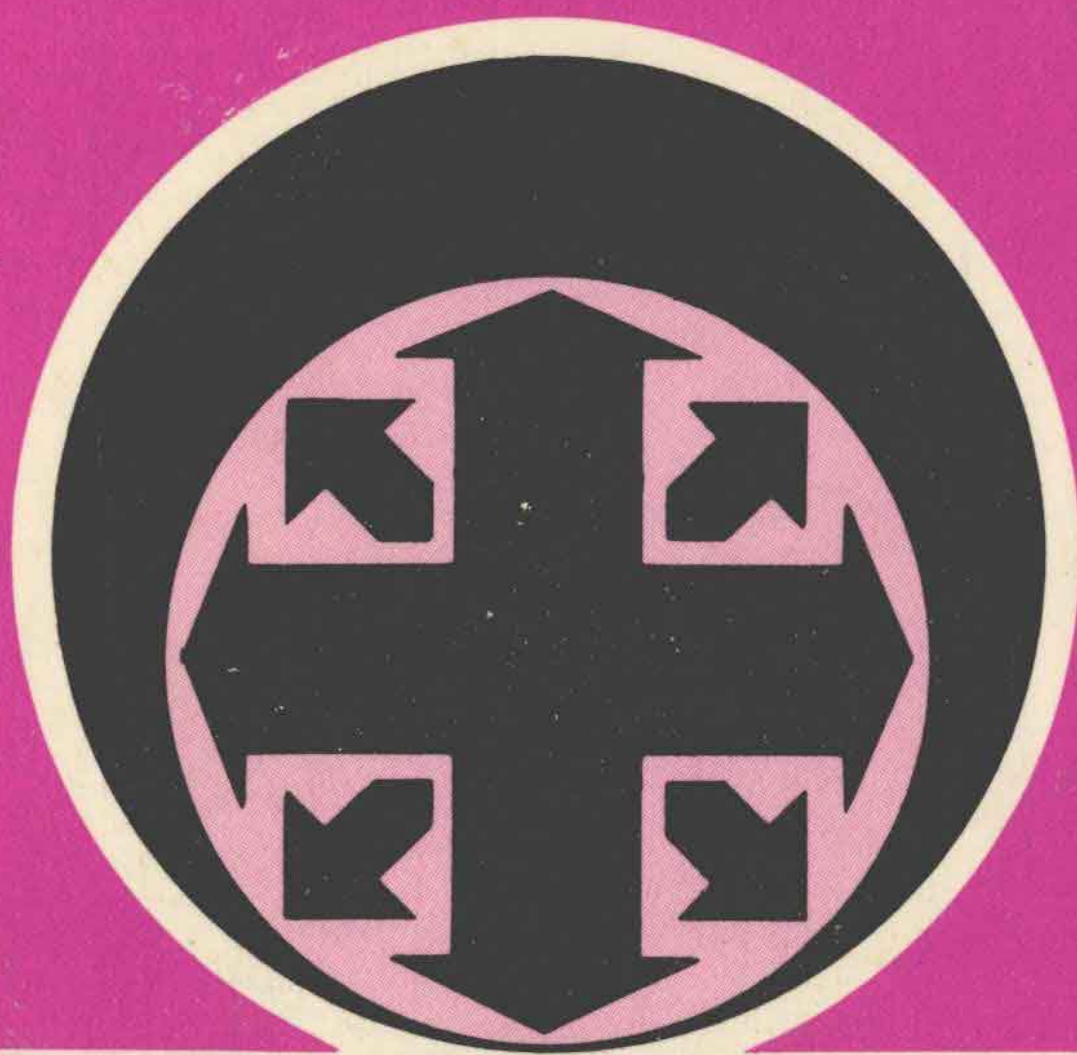


SECOND EDITION

International Marketing

L.S. Walsh



M&E HANDBOOKS

THE M & E HANDBOOK

International Marketing

L. S. WALSH

M.A., M.B.A., M.Inst.M.

*Director of Marketing Studies, Sundridge Park
Management Centre, Bromley, Kent*

SECOND EDITION



MACDONALD AND EVANS

**Macdonald & Evans Ltd.
Estover, Plymouth PL6 7PZ**

**First published 1978
Second edition 1981
Reprinted 1983**

© Macdonald & Evans Ltd. 1981

0 7121 0968 4

**This book is copyright
and may not be reproduced in whole
or in part (except for purposes of review)
without the express permission
of the publishers in writing.**

**Phototypeset in V.I.P. Times by
Western Printing Services Ltd, Bristol
Printed in Great Britain by
Hazell Watson & Viney Ltd,
Aylesbury, Bucks**

Preface

This book is concerned with international marketing, i.e. with those aspects of marketing management that are of special importance in an international context. The problems of marketing both across and within national boundaries are discussed; in other words, the book covers the whole field of international marketing, from indirect and direct export to the marketing operations of the multinational company.

As far as possible the book covers *only* international marketing: it avoids the more general aspects of marketing management, except for a brief explanatory introduction to those chapters where otherwise the reader unfamiliar with marketing theory might find himself at a disadvantage. *International Marketing* is thus likely to be of greatest interest to the domestic marketing executive taking over international responsibilities for the first time or to the student who already has a grasp of basic marketing principles.

Part I of the book presents the essential principles of international marketing, condensed into the form of study notes for ease of reference and comprehension. There has been no diversion into international trade theory on the one hand, or into the mechanics of exporting, e.g. transportation, documentation, insurance, etc., on the other. This is not because these subjects have no relevance to the international marketer, but because in these areas he is already well served by a number of excellent textbooks.

Part II examines briefly, by way of illustrating the general principles of international marketing set out in Part I, the problems of marketing in six specific countries which are all currently of real interest to the international marketer and likely to remain so for some time to come.

Part III consists of three brief case studies. Two of these are conventional in format and are intended principally as a basis for class discussion. The third case study gives a stage-by-stage account of the research and strategic planning undertaken by a major U.K. manufacturing group before entry into the West German market. The reader is given the opportunity to prepare his own solutions to the problems encountered at each stage

before comparing them with the decisions actually taken by the company.

Paradoxically, any book concerned with international marketing must have a national orientation if it is to deal in more than generalisations; even the multinational company has a home base. This book is written quite deliberately from the point of view of the *U.K.-based* international marketer. For similar reasons it adopts, as a rule, the outlook of a manufacturing company, though much of the book will also be of relevance to service industries. Finally, it has aimed, whenever possible, at a practical and decision-making, rather than a merely descriptive, approach.

It is hoped, therefore, that *International Marketing* will prove of interest to the hard-pressed U.K. marketing executive with little time to read the more voluminous (and almost all American) works on the subject. As regards students, it is written primarily for the mature student undertaking his first formal course in marketing at a polytechnic or college of technology. Perhaps, too, the university student may find it of value as a supplement or introduction to the still limited range of U.K. textbooks available in this specialised area.

International Marketing draws extensively on the author's experience as an export manager, and, subsequently, as an international marketing consultant. But experience alone is never enough. A debt is owed, and is here acknowledged, to a variety of textbooks (most of which are mentioned in the bibliography or in the list of acknowledgments) and, inevitably of course, to a whole range of the invaluable publications of the British Overseas Trade Board.

The author would like to express his appreciation of the reception accorded to the first edition of this book and, in particular, of its inclusion in the recommended reading lists of the Diploma examinations of the Institute of Marketing and for the examinations of the C.A.M. Foundation and the Institute of Export. The examples used to illustrate the principles of international marketing seem to have been particularly welcomed and, where space has permitted, the opportunity has been taken to include one or two more such examples. A number of minor matters have been revised and updated. Regrettably, in the light of recent events, it has been thought best to omit the chapter on Iran.

July, 1981

L.S.W.

Acknowledgments

The author would like to record his sincere thanks to the authors and publishers listed below who so readily gave permission for the publication in *International Marketing* of extracts from their work.

He would also like to express his particular gratitude to those authorising the publication of the case studies, all of whom devoted much time and thought to consideration of the early drafts and made many valuable suggestions for their improvement.

Examples on the pages given below are quoted, with permission, from the publications mentioned. (Examples given in the text but not listed below are original to the author.)

Pages 4 and 5: Walsh, L. S., in *Modern Marketing Thought* (eds. Miracle and Albaum), Collier Macmillan, 1975.

Pages 14, 99 (second example), 102, 140 (all) and 154: I.T.I. Research, *Concentration on Key Markets: A Development Plan for Exports* [the Betro Report], Betro Trust Committee of the Royal Society of Arts, 1977.

Pages 24 and 25 (1): Cranch, G., "Research Resources Outside Europe: India", *International Marketing Research Supplement, Market Research Society Newsletter* No. 120, p. xxii, March, 1976.

Page 25 (2): Dunn, S. Watson, in *Handbook of Marketing Research* (ed. Ferber), McGraw-Hill, 1974.

Page 38: Piper, Julia, "Black Gold in the Nigerian Market Place", *Marketing*, p. 40, January, 1978.

Page 43: Robinson, R. D., "The Challenge of the Under-developed National Market", *Journal of Marketing*, p. 21, Vol. XXV, No. 6, October, 1961.

Page 61: "£25 Million Deal for Herbert", *The Sunday Times Business News*, p. 57, 18th December, 1977.

Page 75 (second and third examples): *Industrial Cooperation in Eastern Europe*, East European Trade Council, 1972.

Pages 110 (first example), 111 (second and third examples), and 112: Weigand, Robert E., "International Trade without Money", *Harvard Business Review*, p. 28, November/December, 1977.

Pages 110 (second example) and 111 (first example): Paulden, S., "How Barter Trading Works", *Marketing*, p. 39, April, 1977.

Page 118: Mason, H. R., Miller, R. R. and Weigel, D. R., *The Economics of International Business*, John Wiley and Sons, 1975.

Pages 121 and 124 (second example): Ash, B., *Tiger in Your Tank*, Cassell, 1969.

Page 124 (first example): Mauser, Ferdinand F., "Losing Something in Translation", *Harvard Business Review*, p. 14, July/August, 1977.

Page 134: Nuttall, Gwen, "Exporters Need Never Feel Out in the Cold", *The Sunday Times Business News*, p. 57, 6th November, 1977.

Page 143: Dixon, M., Jobs Column, *The Financial Times*, p. 14, 24th November, 1977.

Page 176: Poole, J., "Ins and Outs of Japan's Silent Trading War", *The Sunday Times Business News*, p. 62, 12th February, 1978.

Definitions quoted with permission from other publications are as follows.

Marketing (page 1): *Marketing*.

Multinational company (page 5): James C. Baker, in *Marketing in a Changing World* (ed. Morin), American Marketing Association, 1969.

Market research (page 15), *trade mark* (page 44), *brand* (page 44), *advertising* (page 120), *sales promotion* (page 129), and *public relations* (page 129): Alexander, Ralph S., et al., *Marketing Definitions: A Glossary of Marketing Terms*, American Marketing Association, 1960.

Figures and text have been reproduced with permission as follows.

Figure 4: *Market Research Society Newsletter*, No. 142, 1978, and the advertisers mentioned.

Figure 7: Wadinambiaratchi, G., in *The Marketing Channel* (ed. Mallen), John Wiley and Sons, 1975.

Figure 12: adapted from *Retail Distribution in Japan*, British Overseas Trade Board, 1975.

Chapter XVI, 22, (a)–(m): *Businessman's Guide to the Foreign Investment Review Act*, Government of Canada Foreign Investment Review Agency, 1975.

Where so indicated, questions have been reproduced with permission from recent examination papers of the Institute of Marketing, the Institute of Export and the C.A.M. Foundation. Quo-

tations from *Concentration on Key Markets: A Development Plan for Exports*, Betro Trust Committee of the Royal Society of Arts, 1974, have been included in other questions as indicated. The quotation in Examination Question 5 of Chapter I (Appendix IV, page 236) is taken with permission from Kotler, Philip, *Marketing Management: Analysis, Planning and Control*, 2nd edition, Prentice-Hall, 1972.

The three case studies are published with permission as follows.

Chapter XXVI: Sr. Gilberto Huber, President, and the board of directors of Editôra de Guias (LTB) S.A., Rio de Janeiro.

Chapter XXVII: Mr. John Soper, Letraset International Ltd., London.

Chapter XXVIII: Mr. W. A. Hunter, Director of Corporate Communications, and Mr. Norman Burden, formerly Director of Group Marketing, CompAir Ltd., Slough, Berks.

Contents

<i>Preface</i>	v
<i>List of Illustrations</i>	xv
<i>List of Tables</i>	xvi

PART ONE: PRINCIPLES OF INTERNATIONAL MARKETING

I	<i>The International Marketing Concept</i>	1
	Marketing; International marketing	
II	<i>Strategic Decisions in International Marketing</i>	7
	Introduction; The international marketing decision; The market selection decision	
III	<i>International Market Research</i>	15
	Introduction; International research strategy; Desk research; Field research; Organising for international market research	
IV	<i>International Product Decisions I: Product Policy</i>	33
	Introduction; Product modification; New product development; Product elimination	
V	<i>International Product Decisions II: Packaging, Labelling, Servicing and Trade Marks</i>	41
	Packaging; Labelling; Servicing; Trade Marks	
VI	<i>International Distribution Decisions I: Alternative Channels</i>	47
	Introduction; Channels between nations; Channels within nations	

VII	<i>International Distribution Decisions II: Indirect Export</i>	54
	Export houses; U.K. buying offices; Co-operative export marketing	
VIII	<i>International Distribution Decisions III: Direct export</i>	62
	Sales direct to customer; International trading companies abroad; Agencies; Distributors and stockists; Branch offices; Marketing subsidiary abroad	
IX	<i>International Distribution Decisions IV: Joint Ventures</i>	70
	Licensing; Franchising; Industrial co-operation agreements; Contract manufacture; Management contract	
X	<i>International Distribution Decisions V: Manufacture Abroad</i>	79
	The initial investment decision; Location of investment; Assembly operations; Joint ventures; Acquisition of a company abroad	
XI	<i>International Distribution Decisions VI: Foreign-Market Channel Design and Management</i>	90
	Channel design; Channel management	
XII	<i>International Pricing Decisions I: Pricing Strategies</i>	97
XIII	<i>International Pricing Decisions II: Export Pricing</i>	102
	The export quotation; Marginal-cost pricing; Devaluation; Barter trading	
XIV	<i>International Pricing Decisions III: Foreign-Market Pricing Decisions</i>	115
	Government influences on pricing; International transfer pricing	

XV	<i>International Communications I: Media Advertising</i>	120
	Introduction; Standardisation The advertising message; Advertising media; Advertising agency selection	
XVI	<i>International Communications II: Sales Promotion and Public Relations</i>	129
	Introduction; Sales promotion in general; Exhibitions; Store promotions; Public relations	
XVII	<i>International Communications III: International Sales Management</i>	138
	Introduction; The travelling sales force; The export salesman abroad; The national sales force	
XVIII	<i>International Communications IV: Agency Sales</i>	146
	Agency search; Agency selection; The agency agreement; Agency motivation	
XIX	<i>Organising For International Marketing</i>	156
	Introduction; The export department; The international division; Multinational organisation	

PART TWO: MARKETING IN SELECTED COUNTRIES

XX	<i>Marketing in Brazil</i>	169
XXI	<i>Marketing in Japan</i>	175
XXII	<i>Marketing in Nigeria</i>	181
XXIII	<i>Marketing in the U.S.A.</i>	185
XXIV	<i>Marketing in the U.S.S.R.</i>	189
XXV	<i>Marketing in the Federal Republic of Germany</i>	194

PART THREE: CASE STUDIES

XXVI	<i>Editôra de Guias (LTB) S.A.: A Brazilian Sales Force</i>	199
XXVII	<i>Letraset in N. America; A Contrast in Distribution Strategies</i> Letraset Ltd.; Letraset Canada Ltd.; Letraset in the U.S.A.	205
XXVIII	<i>CompAir Ltd.: Entry into the West German Market</i>	214
	<i>Appendixes</i>	
	I Bibliography	229
	II Addresses of Organisations Mentioned in the Text	231
	III Examination Technique	233
	IV Examination Questions	236
	<i>Index</i>	249

List of Illustrations

1. International marketing: the five major decisions	8
2. Geographical market segmentation on a global scale	13
3. International research strategy: a stage-by-stage approach	18
4. Omnibus surveys abroad	19
5. Distribution channels between nations (direct and indirect export)	50
6. Distribution channels between nations (manufacture abroad)	51
7. Typical wholesale–retail distribution patterns	91
8. Marketing organisation structures	158
9. Development of export function as export sales increase	160
10. The international division: functional and regional organisation	162
11. Multinational company organisation	167
12. Typical wholesale–retail distribution system in Japan	177
13. The Letraset dry transfer process	206
14. CompAir's product lines	216 and 217
15. CompAir Ltd. research terms of reference	219
16. CompAir Ltd. research design	222

List of Tables

I	Systematic desk research: guides to information sources in the U.S.A.	22
II	International market research: agency selection	28 and 29
III	B.O.T.B. assistance for market research abroad	30
IV	Alternative international product modification strategies	34
V	Comparison of typical characteristics of U.K. export houses	55
VI	Some central purchasing agencies and groups covering department and variety stores in France	63
VII	CompAir's competitors	223

PART ONE

THE PRINCIPLES OF INTERNATIONAL MARKETING

CHAPTER I

The International Marketing Concept

MARKETING

1. Definition of marketing. As marketing has developed as a technique, numerous definitions have been offered. Today there are several different, authoritative and entirely acceptable definitions. The U.K. Institute of Marketing defines marketing as: "the management process responsible for identifying, anticipating and satisfying customer requirements profitably".

2. The essentials of marketing. Whatever the formal definition, it is generally accepted that true marketing requires, on the part of the supplying organisation:

- (a) a genuine attention to customers' needs and wants (usually a specific target segment is selected);
- (b) satisfaction of those needs and wants *at a profit*;
- (c) orientation of the whole organisation towards the customer-satisfaction process.

3. The marketing mix. Marketing includes such business activities as:

- (a) *the planning and development of products* that customers require, with appropriate packaging and support services, e.g. repair facilities;
- (b) *the distribution of those products* through appropriate channels, e.g. wholesalers, retailers, etc., which will provide the services required by the customers;
- (c) *the establishment of prices* which offer both value to the customers and a satisfactory profit for the supplier;
- (d) *promotion of the products*, including advertising, sales promotion, public relations and personal selling.

These four activities (often referred to as product, place, price and promotion) constitute the *marketing mix*. They include, in summary, all the elements of marketing decision-making under the supplier's control, i.e. *controllables*.

4. The marketing environment. The marketer must also take into account environmental factors over which he has no control, i.e. *uncontrollables*, but which will significantly affect the degree of success he achieves. These environmental factors include:

- (a) *economic development;*
- (b) *technological development;*
- (c) *social and cultural influences;*
- (d) *political and legal decisions;*
- (e) *business practices and institutions;*
- (f) *competitive activity.*

The task of marketing management is to formulate and implement the marketing mix which will enable the organisation to adapt to its environment in such a way that its profit and other objectives are achieved as nearly as possible.

INTERNATIONAL MARKETING

5. The international marketing environment. The task of international marketing management is, similarly, to adapt the marketing mix to the environment, but in this case the environment is vastly changed. Although environmental differences may readily be discerned *within* any one nation, those differences *between* nations are, as a rule, far more marked.

(a) *Economic development.* There is, of course, a striking disparity in levels of economic development between nations, from subsistence economies still dependent on primitive agriculture, through nations relying largely on raw-material exports (Chile) and industrialising nations (Brazil), to the industrialised economies of North America and Western Europe.

(b) *Technological development.* Each country has developed to a different technological level. The marketer is concerned not merely with high-level technology but with the whole range of technology, right down to manpower skills.

(c) *Social and cultural influences.* Adaptation to social and cultural differences between nations is a major concern of the international marketer, particularly in advertising and promotion.

(d) *Political and legal decisions.* Some governments may be hostile to imports, or even to foreign investment; other countries may actively encourage investment from abroad. These attitudes may change suddenly in politically unstable countries; expropriation is to be feared. Price controls or exchange restrictions may be imposed.

(e) *Business practices and institutions.* As regards business practices, reference need only be made to the fundamentally opposed views held in the U.S.A. (see XXIII) and Soviet Russia (see XXIV). As regards institutions the field is wide, but banks may be taken as an example: in some Western European countries banks play a much more direct and influential role in business than, say, in the U.K.

(f) *Competitive activity.* The international marketer may face different competitors in different countries. In some, local competition may be well entrenched, perhaps enjoying governmental (or customer) discrimination in its favour.

6. International aspects of marketing. The environmental differences summarised above, significant though they are, do not imply any fundamental change in marketing as a technique. There still remains a basic similarity of human motivation and economic practice throughout the world. The *principles* of marketing are of universal application.

International environmental differences, however, do require a change of emphasis. Certain aspects of marketing that are largely irrelevant in a purely national context, such as barter trading (see XIII, 14) achieve real importance. Other aspects of marketing require, in international trade, a far more detailed knowledge than might be necessary within any one nation, e.g. licensing (see IX, 2), joint ventures (see IX and X, 15) and the use of agents in the selling function (see XVIII).

It is with these special international aspects of marketing, and as far as possible with these aspects only, that this book is concerned.

7. Definition of international marketing. Although "international marketing" is a common enough expression among marketers, there is no generally accepted formal definition. It is perhaps best regarded as a shorthand expression for the special international aspects of marketing already discussed (see 6).

An appropriate formal definition of international marketing however, might be: