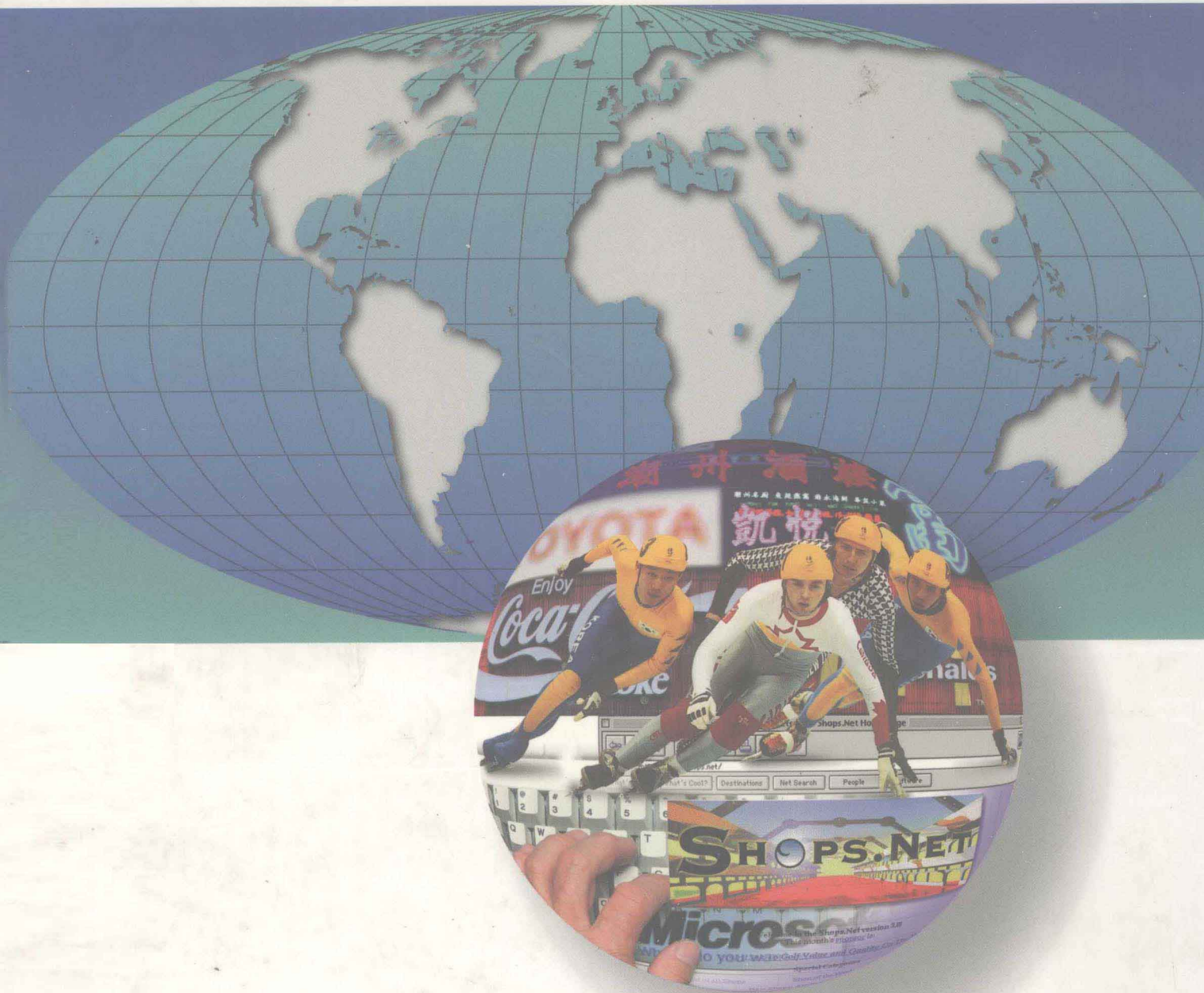


# International Marketing

T E N T H   E D I T I O N



Philip R. Cateora  
John L. Graham

# International Marketing

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

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To Nancy and Thomas, Maggie, and Angela  
To Steven A. Graham

# PREFACE

There has never been a time in modern economic history when more change has occurred in so short a period than that which has occurred in the last decade of the 20th century. New markets are springing forth in emerging economies from Eastern Europe, the Commonwealth of Independent States, China, Indonesia, Korea, India, Mexico, Chile, Brazil, Argentina—in short, globally. These emerging economies 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.

There is no better illustration of the changes that have occurred in the competition for global markets in the last quarter century than that experienced by General Electric Lighting (GEL). GEL, begun in 1887, dominated the U.S. lighting market until traditional rival Westinghouse sold its lamp operations to Philips Electronics of Holland in 1983. "Suddenly," reflected GEL's chief, "we have bigger, stronger competition. They're coming to our market, but we're not in theirs. So we're on the defensive." Not long after, GEL acquired Tungsram, a Hungarian lighting company, and Thorn EMI in Britain, and then moved into Asia via a joint venture with Hitachi. As recently as 1988, GE Lighting got less than 20 percent of its sales from outside the U.S.; in 1997, more than half came from abroad. What

happened at GE Lighting has occurred over and over again to MNCs in the United States, Europe, and Asia. The companies that succeed in the 21st century will be those capable of adapting to constant change and adjusting to new challenges.

The 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 reunification of Hong Kong, Macau, and China, which finally puts all of Asia under the control of Asians for the first time in over a century.
- The European Monetary Union and the switch from local country currencies to one monetary unit for Europe.
- 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 Free Trade Area (AFTA), the Free Trade Area of the Americas (FTAA), the Southern Cone Free Trade Area (Mercosur), 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).

- The continuing privatization and deregulation of telecommunications throughout the world.
- The restructuring, reorganizing, and refocusing of companies such as IBM, Eastman Kodak, General Motors, Levi Strauss, and Nike as they respond to the changing competitive milieu of the global marketplace.
- The transformation of the Internet from a toy for “cybernerds” to a major international business tool for research, advertising, communications, exporting, and marketing.

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 tenth 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 or 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, large and small, 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 and the operations of smaller companies are not overlooked. Issues specific to exporting are discussed where strategies applicable to exporting arise and examples of marketing practices of smaller companies are examined.

## New and Expanded Topics in This Edition

The new and expanded topics in this tenth edition reflect issues in competition, changing marketing structures, ethics and social responsibility, negotiations, 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.

Additionally, the evolution of global communications and its known and unknown impact on how international business is conducted cannot be minimized. In the third millennium people in the “global village” will grow closer than ever, and will hear and see each other as a matter of course. An executive in Germany will be able to routinely pick up his/her videophone to hear and see his/her counterpart in an Australian company or anywhere else in the world. In many respects, distance is becoming irrelevant. Telecommunications, videophones, facsimile machines, the Internet, and satellites are helping companies optimize their planning, production, and procurement processes. Information—and, in its wake, the flow of goods—is moving around the globe at lightning speed. Increasingly powerful global networks spanning the globe enable the delivery of services that reach far beyond national and continental boundaries, fueling and fostering international trade. The connections of global communications bring people all around the world together in new and better forms of dialogue and understanding.

This dynamic nature of the international marketplace is reflected in the number of new and expanded topics in this tenth edition, including:

- The Internet and its expanding role in international marketing.
- Negotiations with customers, partners, and regulators.
- 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).
- Multicultural research.
- Qualitative and quantitative research.
- Country-of-origin effect and global brands.
- Industrial trade shows.

- ISO 9000.
- Trends in channel structures in Europe, Japan, and developing countries.
- Ethics and socially responsible decisions.
- Green marketing.
- Changing profiles of global managers.

## Structure of the Text

The text is divided into six 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, Multidomestic 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 dynamic environment of international trade 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 growing importance of the Internet in conducting international business is explored in depth, creating a foundation on which specific applications in subsequent chapters are presented.

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 (Chapter 3) 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.

Chapter 4 presents a broad review of culture and its impact on human behavior as it relates to international marketing. Specific attention is paid to Geert Hofstede's study of cultural values and behavior. The elements of culture reviewed in Chapter 4 set the stage for the in-depth analysis in Chapters 5, 6, and 7, business customs and the political and legal environments. Ethics and social responsibility are presented in the context of the dilemma that often confronts the international manager; that is, balancing corpo-

rate profits against the social and ethical consequences of their decisions.

The three chapters in Part III are 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 and a discussion of the Internet as a tool in the research task 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), Asian-Pacific Economic Cooperation (APEC), and the evolving Free Trade Area of the Americas (FTAA). The sagging leadership role of the United States in influencing the development of the FTAA and the accelerating influence of Brazil are explored. Also discussed is the disturbing number of trade agreements that have been executed by the European Union and Japan with the FTAA and some Latin American countries.

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 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 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.

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. Additionally, the discussion on the development of global products stresses the impor-

tance of approaching the adaptation issue from the viewpoint of building a standardized product platform that can be adapted to reflect cultural differences. The competitive importance in today's global market for quality, innovation, and technology as the keys to marketing success is explored.

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 are examined in the framework of a detailed presentation of the Japanese distribution system. Additionally, the rapid changes in channel structure that are occurring in Japan, as well as in other countries, and the emergence of the World Wide Web as a distribution channel are presented.

In Chapter 15, the special issues involved in moving a product from one country market to another, and the accompanying mechanics of exporting, are addressed. In addition, the importance of the Internet in assisting the exporter to wade through the details of exporting is discussed in the context of the revised export regulations.

Chapter 16 covers advertising and addresses the promotional element of the international marketing mix. Included in the discussion of global market segmentation are recognition of the rapid growth of market segments across country markets and the importance of market segmentation as a strategic competitive tool in creating an effective promotional message. Chapter 17 discusses personal selling and sales management and the critical nature of training, evaluating, and controlling sales representatives.

Price escalation and ways it can be lessened, counter-trade practices, and price strategies to employ when the dollar is strong or weak relative to foreign currencies are concepts presented in Chapter 18.

In Part V, Chapter 19 is a thorough presentation of negotiating with customers, partners, and regulators. The discussion stresses the varying negotiation styles found among cultures and the importance of recognizing these differences at the negotiation table.

## 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.

The use of the Internet as a tool of international marketing is stressed throughout the text. In all occasions where data used in the text originated from an Internet source, the Web address is given. Problems that require the student to access the Internet are included with end-of-chapter questions. Internet-related problems are designed to familiarize the student with the power of the Internet in his/her

research, to illustrate data available on the Internet, and to challenge the reader to solve problems using the Internet. Many of the examples, illustrations, and exhibits found in the text can be explored in more detail by accessing the Web addresses that are included.

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 uniqueness and relevant business practices and strategies.

Each chapter is introduced with a Global Perspective, a real-life example of company experiences that illustrate salient issues discussed in the chapter. Companies featured in the Global Perspectives range from exporters to global enterprises.

The boxed "Crossing Borders," an innovation of the first edition of *International Marketing*, have always been popular with students. This tenth edition includes more than 30 new incidents that provide insightful examples of cultural differences while illustrating concepts presented in the text. They reflect contemporary issues in international marketing and can be used to illustrate real-life situations and as the basis for class discussion. They are selected to be unique, humorous, and of general interest to the reader.

Besides the special section of color maps found in Chapter 3, there are numerous maps that reflect changes important to the chapter and that help the reader observe features of countries and regions discussed in the text.

New photographs of current and relevant international marketing events are found throughout the text, as well as three special photo essays. One on advertising around the world, one on Microsoft as a global marketer of services, and the third on Solar, a global marketer of industrial goods.

"The Country Notebook—A Guide for Developing a Marketing Plan," found in Part VI, Supplementary Material, is a detailed outline that provides both a format for a complete cultural and economic analysis of a country, and guidelines for developing a marketing plan.

## Cases

In addition to "The Country Notebook," Part VI 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.

More than half of the cases are new or revised. New cases focus on healthcare marketing, negotiations, using the Internet, services and industrial marketing, and market-

ing research. 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 aid package. Below is a list of specific features:

**Instructor's Manual and Test Bank:** The Instructor's Manual, prepared by the authors, contains lecture notes and/or teaching suggestions for each chapter. A section called "Changes to This Edition" is included to help instructors adapt their teaching notes to the tenth edition. A case correlation grid at the beginning of the case notes offers alternative uses for the cases.

The Test Bank, prepared by Ron Weir of East Tennessee State University, is bound with the Instructor's Manual for ease of use. The Test Bank contains over 2,000 questions, including true/false, critical thinking, and essay formats. Computest, computerized testing software with an on-line testing feature is also available in Windows and Macintosh formats.

**Videos:** The video program has been revised for the tenth edition and contains new footage of companies, topics videos, and unique footage of global marketing operations. An accompanying booklet offers teaching notes and questions relevant to each chapter in the text.

**Powerpoint Slides:** The PowerPoint presentation that accompanies *International Marketing*, tenth edition, contains approximately 150 exhibits from the text and other sources. Fourteen maps from the text are included as well.

**World Wide Web Home Page:** The home page for *International Marketing*, tenth edition, can be found at [www.mhhe.com/need](http://www.mhhe.com/need). Included on the site will be instructor resources, such as key supplements to be downloaded. There will also be a resource for students that includes updates on information given in the text.

**Business Week Edition:** A special version of *International Marketing*, the *Business Week* Edition provides students with a value-priced, 16-week subscription to *Business Week* magazine, a respected source of business information and trends, and one that is cited throughout this text.

## Acknowledgments

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.

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

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**Philip R. Cateora**  
**John L. Graham**

# International Marketing

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