

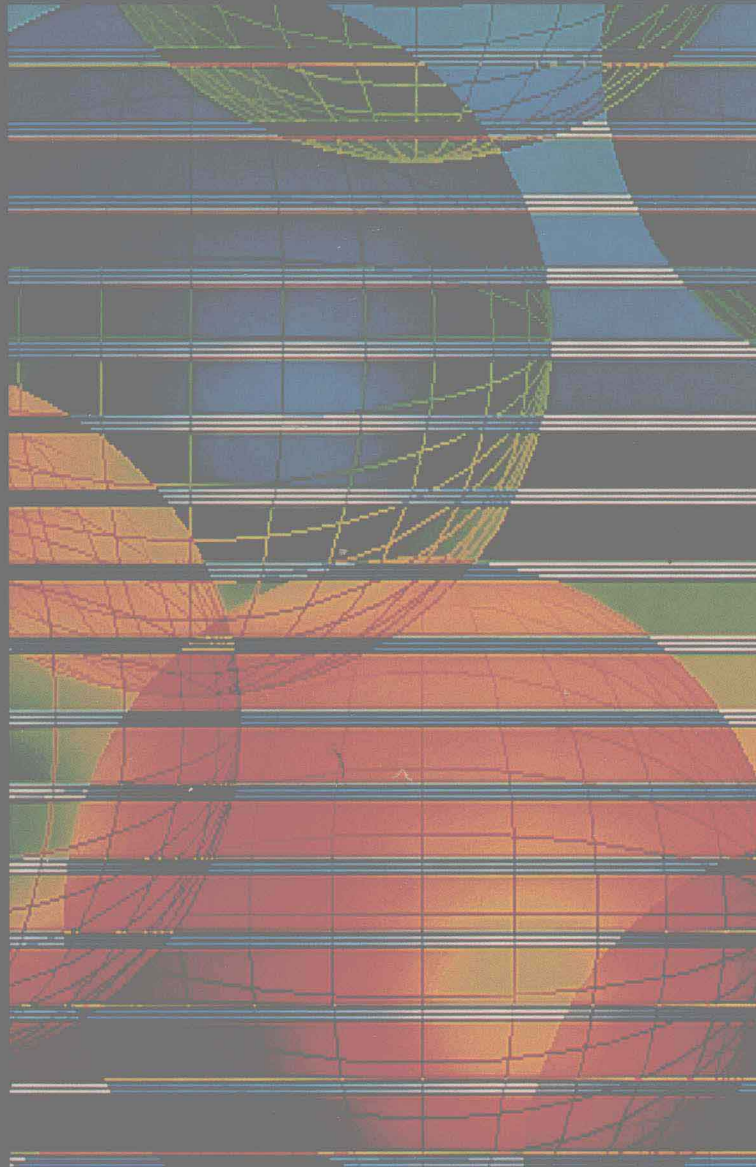
INTERNATIONAL MARKETING

PLANNING AND PRACTICE

A. COSKUN SAMLI

RICHARD STILL

JOHN S. HILL



A. Coskun Samli

UNIVERSITY OF NORTH FLORIDA

Richard Still

FLORIDA INTERNATIONAL UNIVERSITY

John S. Hill

UNIVERSITY OF ALABAMA

INTERNATIONAL MARKETING

PLANNING AND PRACTICE

MACMILLAN PUBLISHING COMPANY

NEW YORK

MAXWELL MACMILLAN CANADA

TORONTO

MAXWELL MACMILLAN INTERNATIONAL

NEW YORK OXFORD SINGAPORE SYDNEY

Editor: Charles Stewart
Production Supervisor: Helen Wallace
Production Manager: Nicholas Sklitsis
Text Designer: Natasha Sylvester
Cover Designer: Cathleen Norz
Cover illustration: West Light

This book was set in 10/12 Goudy Oldstyle by Publication Services,
printed and bound by P. R. Dornelle & Son Co.
The cover was printed by L. B. Co.

Copyright © 1993 by Macmillan Publishing Company,
a division of Macmillan, Inc.

Printed in the United States of America

All rights reserved. No part of this book may be reproduced or
transmitted in any form or by any means, electronic or mechanical,
including photocopying, recording, or any information storage and
retrieval system, without permission in writing from the publisher.

Macmillan Publishing Company is part
of the Maxwell Communication Group of Companies.

Macmillan Publishing Company
866 Third Avenue, New York, New York 10022

Maxwell Macmillan Canada, Inc.
1200 Eglinton Avenue East
Suite 200
Don Mills, Ontario M3C 3N1

Library of Congress Cataloging-in-Publication Data

Samli, A. Coskun.

International marketing : planning and practice / A. Coskun Samli,
Richard Still, John S. Hill.

p. cm.

Includes index.

ISBN 0-02-405550-6

1. Export marketing—United States—Management. I. Still,
Richard Ralph, 1921–1991. II. Hill, John S., 1951–. III. Title.
HF1416.6.U6S26 1993

658.8'48—dc20

92-12574
CIP

Printing: 1 2 3 4 5 6 7 8

Year: 3 4 5 6 7 8 9 0 1 2

Dedication

This book is dedicated to

*Jane Susan
Gena Evan and Ayla*

*Linda
Christopher
Richard*

*and to the memory of Richard R. Still,
1921–1991*

Preface

These are exciting times in international marketing. In almost every part of the world there is constant change—European economic and perhaps political unification; the North American Free Trade Agreement; the economic liberalization of Eastern Europe; the surging economies in the Pacific rim; and ongoing economic and cultural development elsewhere in the world. As a consequence, international marketing opportunities abound and never has the reason to be global been more compelling. We hope the authors' enthusiasm for their subject spills over onto you—our readers—and that you will find our text informative and interesting reading.

In this age of specialization, international topics buck prevailing trends. Our aim in writing this book has been to broaden student appreciation of world markets. Combined, our eighty-plus years of international marketing experience has shown us that once students' international curiosities are piqued, they remain globally focussed thereafter. Hence our objective has not been to prepare regional specialists in North America, Western Europe, Eastern Europe, and so on. Rather it has been to prepare students to be world marketers. Companies can and do specialize their international marketing functions, but good executives know not only their product and market specialties but how they fit into the broader global spectrum. The Chapter 1 geopolitical overview, therefore, provides valuable background to bring everyone "up to speed"; and our first four chapters (comprising the world environment of interna-

tional marketing) provide basic instruction in global cultures and environments.

We have found that the most effective international operators are those that understand the whys and wherefores of global behaviors. This belief is reflected in the approach of Chapter 2 to political, economic, and cultural institutions, and what are their effects on human behavior (unlike other texts that tell you such institutions influence behavior but don't say how). Then, because political, economic, and cultural change is the one constant in world markets, Chapter 3 deals with developmental issues, the emphasis here being again not just on what happens, but why.

Our environmental assessment concludes in Chapter 4 with a look at financial aspects. All transactions have monetary considerations, and the international executives we know all have good groundings in foreign exchange rates and related financial aspects.

Recognizing and evaluating world market opportunities is the focus of the second section. Overall, rarely have the three authors been impressed by corporate recognitions and assessments of international marketing opportunities. The aim of Chapters 5 through 7, therefore, is to establish a bedrock of principles by which companies (both small and large) can evaluate their own international potential and assess foreign markets as scientifically and thoroughly as possible. Chapter 6 shows how to quantify international market opportunities, and Chapter 7 illustrates how the market segmentation process can be applied

internationally. Also included in this section are exporting (Chapter 8—which includes export market assessment), and market entry strategies (Chapter 9), which are directly affected by perceptions of market opportunities.

Managing international marketing activities is the subject of Part III. While much international trade and investment occurs because of similarities in consumption patterns and in values and attitudes among nations, effective international marketers know when to fine-tune their products, prices, promotions, and distribution to local tastes. The aim of Chapters 10 through 17 is to help students recognize when it is feasible to standardize some or all marketing activities, and when there needs to be manipulations in product, promotion, pricing, and distribution options. Chapter 10 is a strategy overview that highlights the major internal and external considerations in strategy formulation. We next discuss consumer product policies and practices (Chapter 11), then move on to industrial products and marketing mixes (Chapter 12). Distribution is tackled in Chapter 13, logistics in Chapter 14, and advertising in Chapter 15. In all cases, we have strived to link theory and practice and to illustrate principles with live, corporate examples. Next, in this section, Chapter 16's emphasis is on personal selling, negotiation, and sales management in cross-cultural contexts. Much of this material is interested to reinforce and dovetail with materials in Chapters 2 and 3.

Our final section, Part IV, deals with coordinating and controlling marketing programs. The task of planning, coordinating, and controlling business and marketing activities over many different country environments is complex. It is covered in Chapters 18 and 20. First of all, because world markets constantly change, top managements place premiums on obtaining good information in a timely manner. Chapter 18 deals with marketing information issues. Then, organizational structures used in international marketing are scrutinized in Chapter 19, and marketing control tasks are reviewed in Chapter 20. Finally, in Chapter 21, the student is placed in the posi-

tion of Chief Executive officer of a large international concern and introduced to the complexities of integrating the marketing function into global corporate planning. As Marvin Mann, CEO of IBM spin-off Lexmark remarked recently: "In the future, there will be two types of CEOs—global CEOs and unemployed CEOs!" The message is clear: For those aspiring to high corporate management levels, global is the way to go, and international marketing is the field in which future leaders much show competence.

This text could not have been brought to a happy conclusion without the help of many others. To our students, past, present, and future, we owe a debt of gratitude for stimulating our thoughts and providing a platform for testing many of the concepts in this text. Our respective Deans, Ed Johnson at the University of North Florida, and Barry Mason at the University of Alabama, provided encouragement and support. The secretarial staff at both institutions did miraculous jobs in converting our non-Palmer-like scripts into meaningful prose and we thank each one: Jane Wood, Betty Geitz, Leanna Payne; Margaret Perdue, Lisa Patrick, and Mary Burnett. We are also indebted to our assistants David McDonald, John Donaldson, and Riaz Abdul, heroes behind the scenes.

Not least we are indebted to colleagues at other universities who read and contributed to this book at various stages and who helped shape the authors' thinking and views. These include James Littlefield of Virginia Tech, James Wills of the University of Hawaii, Dhrev Grewal of the University of Miami, Attila Yaprak of Wayne State University, Tamer Cavusgil of Michigan State University, Jagdish Sheth of Emory University, Laurence Jacobs of the University of Hawaii, Erdener Kaynak of Pennsylvania State University, Joseph M. Sirgy of Virginia Institute of Technology, Tansu Barker of Brock University, Salah Hasnan of George Washington University, Michael J. Thomas of Strathclyde, E. Stuart Kirby of University of Aston, David M. Andrus, Kansas State University; Douglas N. Behrman, Florida State University; Jeffrey L. Bradford, Bowling Green

University; David R. Decker, Youngstown State University; Joseph O. Eastlack, Jr., Saint Joseph's University; M. Krishna Erramilli, University of North Texas; Mushtaq Luqmani, Western Michigan University; James Maskulka, Youngstown State University; Agnes Olszewski, Seton Hall University; Gerald D. Sentell, Tennessee Associates, Inc.; Theodore F. Smith, Old Dominion University; and Adel El-Ansary of the University of North Florida.

To these people and many others, we are indebted. To all of you we say Thank You.

Naturally the responsibility for errors and incorrect interpretations belongs solely to the authors. To those who read this book, we hope you emerge from the experience with a sense of understanding of world markets and a desire to maintain high levels of interest in global events. Please, let us hear from you, and let your suggestions be the basis for future editions!

A. Coskun Samli
John S. Hill

Brief Contents

PART ONE	The World Environment of International Marketing	1
	1. Geopolitics of World Markets	3
	2. Cultural, Political, Economic Systems and Their Interaction	32
	3. Economic, Political and Social System Changes	54
	4. The Financial Environment of International Marketing	73
PART TWO	Assessing the International Marketing Environment	105
	5. Appraising a Company's International Capabilities	107
	6. Assessing International Market Opportunities and Developing Market Potentials	118
	7. International Market Segmentation	136
	8. Exporting	164
	9. Entry Strategies	190
PART THREE	Implementing International Marketing Strategies	207
	10. International Marketing Strategy	209
	11. Marketing Consumer Products Internationally	227
	12. Marketing Industrial Products Internationally	248
	13. International Marketing Channels	271
	14. International Logistics	287
	15. Advertising and Cross-Cultural Communication	309
	16. International Personal Selling and Sales Force Management	329
	17. International Pricing	356
PART FOUR	Coordinating and Controlling Marketing Programs	373
	18. International Market Research and Information Systems	375
	19. Organizational Structure for International Marketing	396
	20. Control Feedback and Adjustment	412
	21. What the CEO Should Know About International Marketing	429

Contents

PART ONE The World Environment of International Marketing 1

CHAPTER ONE Geopolitics of World Markets 3

The World: An Overview	4
North America	4
<i>Geographic Characteristics</i>	4 /
<i>Historical and Cultural Perspectives</i>	4 /
<i>Commercial Characteristics</i>	7
Western Europe	7
<i>Geographic Characteristics</i>	7 /
<i>Historical and Cultural Perspectives</i>	8 /
<i>Commercial Characteristics</i>	11
Eastern Europe	13
<i>Geographic Characteristics</i>	13 /
<i>Historical and Cultural Perspectives</i>	13 /
<i>Commercial Characteristics</i>	16
Middle East and Africa	17
<i>Geographic Characteristics</i>	17 /
<i>Historical and Cultural Perspectives</i>	19 /
<i>Commercial Characteristics</i>	19
Asia	22
<i>Geographic Characteristics</i>	22 /
<i>Historical and Cultural Perspectives</i>	22 /
<i>Commercial Characteristics</i>	26
Latin America	26
<i>Geographic Characteristics</i>	26 /
<i>Historical and Cultural Perspectives</i>	28 /
<i>Commercial Characteristics</i>	28

Summary	29
CASE 1-1: Oil Crisis, 1990s Style	30

CHAPTER TWO **Cultural, Political, Economic Systems and Their Interaction** 32

Culture and Political Systems	33
<i>Components of Culture</i>	33 / <i>Cultural Groupings and Language</i> 35
Cultural Similarities and Differences	35
<i>Identifying Cultural Similarities</i>	35 / <i>Identifying Cultural Diversity</i> 40
Religions and Cultural Behaviors: An Overview	40
<i>Christianity</i>	41 / <i>Judaism</i> 41 / <i>Islam</i> 42 / <i>Hinduism</i> 42 /
<i>Buddhism</i>	43
Legal Constraints on Social Behavior	44
<i>Codes of Behavior</i>	44
High-Low Context Cultures: A Framework for Understanding Social Rules	45
<i>Country-Based Social Etiquette Practices</i>	46
Economic Effects on Behavior	47
<i>Economics and Politics</i>	47 / <i>Types of Economies</i> 48
Integrating Cultural and Economic Systems	50
<i>The U.S. Profile</i>	50 / <i>The Profile of Traditional Societies</i> 51 /
<i>Europe and Japan</i>	51
Summary	51
CASE 2-1: Preparing for 1992—What Should Companies Do?	52

CHAPTER THREE **Economic, Political, and Social System Changes** 54

Change in Economic, Political, and Social Systems	55
<i>Changes in Institutions</i>	55 / <i>Changes in Values</i> 58

Why Cultural Change Toward Modernization Occurs	60
<i>Initiating Cultural Change</i>	61 / <i>Sustaining Cultural Change</i>
62	
Effects of Cultural Change on Marketing	65
<i>Intercultural or Intracultural Marketing?</i>	65 / <i>Changes in Marketing</i>
<i>Institutions and Practices</i>	66 / <i>Changes in Consumer Behavior</i>
68	
Summary	69
CASE 3-1: The Eastern Bloc in Transition	70

CHAPTER FOUR	The Financial Environment of International Marketing	73
--------------	---	-----------

Exchange Rates	74
<i>What Are Exchange Rates?</i>	74 / <i>Exchangeability of Currencies:</i>
<i>Convertible (Hard) Currencies and Inconvertible (Soft) Currencies</i>	76 /
<i>Exchange-Rate Arrangements: Fixed or Floating Exchange Rates?</i>	77
Balance-of-Payments Principles and Supply and Demand for Currencies	81
<i>Balance of Payments</i>	81 / <i>Determination of Foreign Exchange Rates</i>
<i>with Supply and Demand for Currencies</i>	85 / <i>How and Why</i>
<i>Exchange Rates Change: What Managers Should Watch For</i>	88
Effects of Currency Realignment on World Marketing Practices and Global Business Strategies	90
<i>Effects on Trade and Marketing</i>	90 / <i>Effects on Manufacturing</i>
<i>Effects on Financial Activities</i>	95
Foreign Exchange Controls	97
<i>Restrictions on Profit/Dividend Remittance and Royalties</i>	97 /
<i>Import Licenses</i>	97 / <i>Import Deposits</i>
<i>Rates</i>	98 / <i>Multiple Exchange</i>
98	
Other Financial Forces Affecting International Marketing Operations	98
<i>Tariffs</i>	98 / <i>Country Taxation Levels</i>
98 / <i>Inflation</i>	99
Summary	99
CASE 4-1: Marketing in Adverse Economic Climates: Procter and Gamble in Latin America	101
CASE 4-2: Transfer Pricing Controversies	103

PART TWO **Assessing The International Marketing Environment** 105

CHAPTER FIVE **Appraising a Company's International Capabilities** 107

The Internationalization Process	108
Reasons for Internationalization	109
<i>Internal Reasons</i>	109 / <i>External Reasons</i> 110
Evaluating the International Capabilities of a Company	112
<i>Evaluating Internalization of Management</i>	112 / <i>Evaluating Products and Services</i> 112 / <i>Evaluating Distribution Capability</i> 114 / <i>Evaluating Promotion Capability and Financial Support</i> 114 / <i>Putting It Together</i> 115
Summary	116
CASE 5-1: An Irish Dairy Marketing Firm	117
CASE 5-2: Matsushita and the American Market	117

CHAPTER SIX **Assessing International Market Opportunities and Developing Market Potentials** 118

Techniques for Estimating International Marketing Potentials	119
<i>Trend-Analysis and Regression Techniques</i>	119 / <i>Annual Sales Formula</i> 120 / <i>Survey Data</i> 120 / <i>Coefficients of Income Sensitivity</i> 120 / <i>Multiple-Factor Technique</i> 120 / <i>Input-Output Analysis</i> 121 / <i>The ISIC Method</i> 122 / <i>The Macro Survey Approach</i> 124
Evaluating Market Opportunities	126
A Look at Eastern European Market Potentials	127
<i>Two Examples of Using the Multiple-Factor Quality Index</i>	129
Present Versus Future	130
<i>Problems in International Market Forecasting</i>	130 / <i>Can We Predict the Future from the Past?</i> 133

Summary	133
CASE 6-1: The Chilean Market	134
CASE 6-2: The Argentine Market	135

CHAPTER SEVEN **International Market Segmentation** 136

Stage 1: Locating Likely Markets	137
<i>Preliminary Screening: Consumer Products</i>	137 / <i>Preliminary Screening: Industrial Products</i>
141	
Stage 2: Bases for Segmenting Markets	141
Stage 3: Market Segmentation and International Marketing Strategy	153
<i>The Importance of Segmentation</i>	153 / <i>Looking for Differences: Segmentation Strategies for Multinational and Multilocal Marketers</i>
153 / <i>Looking for Similarities: Global Marketing and Cross-Cultural Market Segmentation</i>	156 / <i>Developing Strategically Equivalent Segmentation</i>
158	
Summary	158
CASE 7-1: Targeting Foreign Customers: The Case of American Express	159
CASE 7-2: The Case of the Mythical Japanese Middle Class	160
CASE 7-3: Segmenting the International Beer Market	162

CHAPTER EIGHT **Exporting** 164

Initiating Exports	165
Indirect Exporting	165
<i>Export Management Companies</i>	167 / <i>Export Trading Companies</i>
167 / <i>Industry-Oriented Export Operations: Webb-Pomerene Associations</i>	168 / <i>Other Indirect Exporters</i>
168	
Direct Exporting	169
<i>International Marketing Research: Export Market Analyses</i>	169 / <i>The Seven-Step Process</i>
170	
Government Assistance	186

Private Sources of Commercial Information	187
Becoming a Professional Exporter	187
Summary	188
CASE 8-1: Hard Candy Incorporated— The Case of the Inexperienced Exporter	189
CASE 8-2: T-shirt Market Analysis	189

CHAPTER NINE **Entry Strategies**

190

Entering Foreign Markets	191
What are the Viable Entry Alternatives?	192
<i>Commissioners</i>	192 / <i>Exclusive Agents</i>
<i>Franchising</i>	196 / <i>Licensing</i>
<i>Partnership</i>	198 / <i>Joint Ventures</i>
<i>Tax-Haven Subsidiaries</i>	200 / <i>Wholly Owned Subsidiaries with</i>
<i>Local Management</i>	200 / <i>Wholly Owned Subsidiaries with</i>
<i>Home-Country Management</i>	201
Should Entry Strategies Be Uniform?	201
<i>Choosing the Entry Strategy</i>	201 / <i>Gray Marketing</i>
<i>Trade Zones</i>	204
Summary	204
CASE 9-1: Pepsi and the India Market	205
CASE 9-2: Toys R Us in Japan	206
CASE 9-3: Sara Lee's L'Eggs—What Entry Strategy?	206

PART THREE **Implementing International Marketing Strategies**

207

CHAPTER TEN **International Marketing Strategy**

209

Global, Multinational, and Multilocal Marketing	210
<i>Global Marketing: Strategy Options</i>	210 / <i>How Multinational</i>
<i>Marketers Capture International Scale Economies</i>	213 / <i>Multilocal</i>

<i>Marketing Orientations</i>	213 / <i>Combining Global, Multinational, and Multilocal Strategies</i>	213
Global Allocation of Company Resources: Strategic Market Expansion		214
<i>Factors Affecting Foreign Market Expansion</i>	214 / <i>Competitive Aspects of Foreign Market Expansion</i>	218
Gaining the Competitive Advantage		220
<i>Generic Strategies</i>	220 / <i>Competitive Strategy: Japanese Style</i>	221 /
<i>A Typology of Competitive Strategies</i>		222
Summary		223
CASE 10-1: Meeting the Japanese Challenge—The Case of Motorola		224
CASE 10-2: The Walt Disney Corporation—Going Global or Going Multinational?		225

CHAPTER ELEVEN	Marketing Consumer Products Internationally	227
----------------	--	------------

International Product Concepts		228
<i>Physical Components</i>	228 / <i>Packaging</i>	229 / <i>Auxiliary Services</i>
<i>Country-of-Origin Effects</i>		229
International Product Management		230
<i>Product-Mix Decisions</i>	230 / <i>Standardization, Adaptation, or Innovation Strategies</i>	232
International Product Life Cycles		239
International Product Portfolio Analysis		241
<i>Classification of Products</i>	241 / <i>An Illustration</i>	241
International Product Positioning		245
Summary		246
CASE 11-1: Casio Company		247
CASE 11-2: Pepsi-Cola in Romania		247

CHAPTER TWELVE	Marketing Industrial Products Internationally	248
----------------	--	------------

The Advent of Global Competition		249
<i>The Free Trade Era</i>	249 / <i>Political Factors</i>	250 / <i>Financial Elements</i>
<i>Establishment of World Standards</i>		252

Responding to Worldwide Competition	252
<i>Thinking Globally</i>	253 / <i>Acting Locally</i> 254
Distribution, Promotion, and Pricing of Industrial Products	258
<i>Distribution</i>	258 / <i>Promotion</i> 260 / <i>Pricing</i> 262
Marketing Industrial Services	263
<i>Adjusting to Local Circumstances</i>	263 / <i>Competing in the World Services Market</i> 264
Summary	267
CASE 12-1: The Race to Semiconductor Leadership	267
CASE 12-2: From National Conglomerate to Regional Company to Global Enterprise: The Baby Bells Go International	268

CHAPTER THIRTEEN **International Marketing Channels**

271

Differences Between U.S. Domestic and International Channels	272
Power and Conflict in International Channels	274
<i>Power</i>	274 / <i>Conflict</i> 274
Alternative International Marketing Channels	275
Channel Orientation	276
Channel Selection	277
<i>Internal Factors</i>	277 / <i>External Factors</i> 278
Channel Structure	279
Channel Management	280
Improving International Distribution Management	282
International Strategic Alliances	283
Summary	284
CASE 13-1: GM Goes to Asia	285

CHAPTER FOURTEEN International Logistics
287

The Importance of Logistics: Some Illustrations	288
Overseas Sourcing of Raw Materials, Components, and Products	289
<i>Marketing-Related Conditions</i>	289 / <i>Manufacturing-Related Conditions</i>
<i>Conditions</i>	290 / <i>Global Sourcing Within Multinational Corporations</i>
<i>Corporations</i>	290
International Sourcing	292
<i>Locating Foreign Sources</i>	292 / <i>Free Trade Zones</i>
Integrating Procurement into the Manufacturing Process: The Japanese Just-in-Time (JIT) System	295
<i>Advantages of the JIT System</i>	295 / <i>The GM-Toyota Joint Venture</i>
<i>Venture</i>	295
Moving the Product to the Customer	296
<i>Trends in Transportation</i>	296 / <i>International Storage and Retrieval Systems</i>
<i>Systems</i>	300
Improvements in Communication	303
The Folly Intergrated Logistics System: The Japanese Global Marketing Network	303
<i>The Four Stages of Procurement</i>	303 / <i>The Japanese Approach to Global Sourcing and Logistics</i>
<i>Global Sourcing and Logistics</i>	304
Summary	306
CASE 14-1: Waterford Crystal: To Outsource or Not to Outsource—That is the Question	308

CHAPTER FIFTEEN Advertising and Cross-Cultural Communication
309

The International Advertising Environment	310
Communication—Every Society's Business	310
<i>Advertising in Eastern Europe</i>	310 / <i>Advertising in the United States and Western Europe</i>
<i>and Western Europe</i>	311 / <i>Advertising in Newly Industrialized</i>