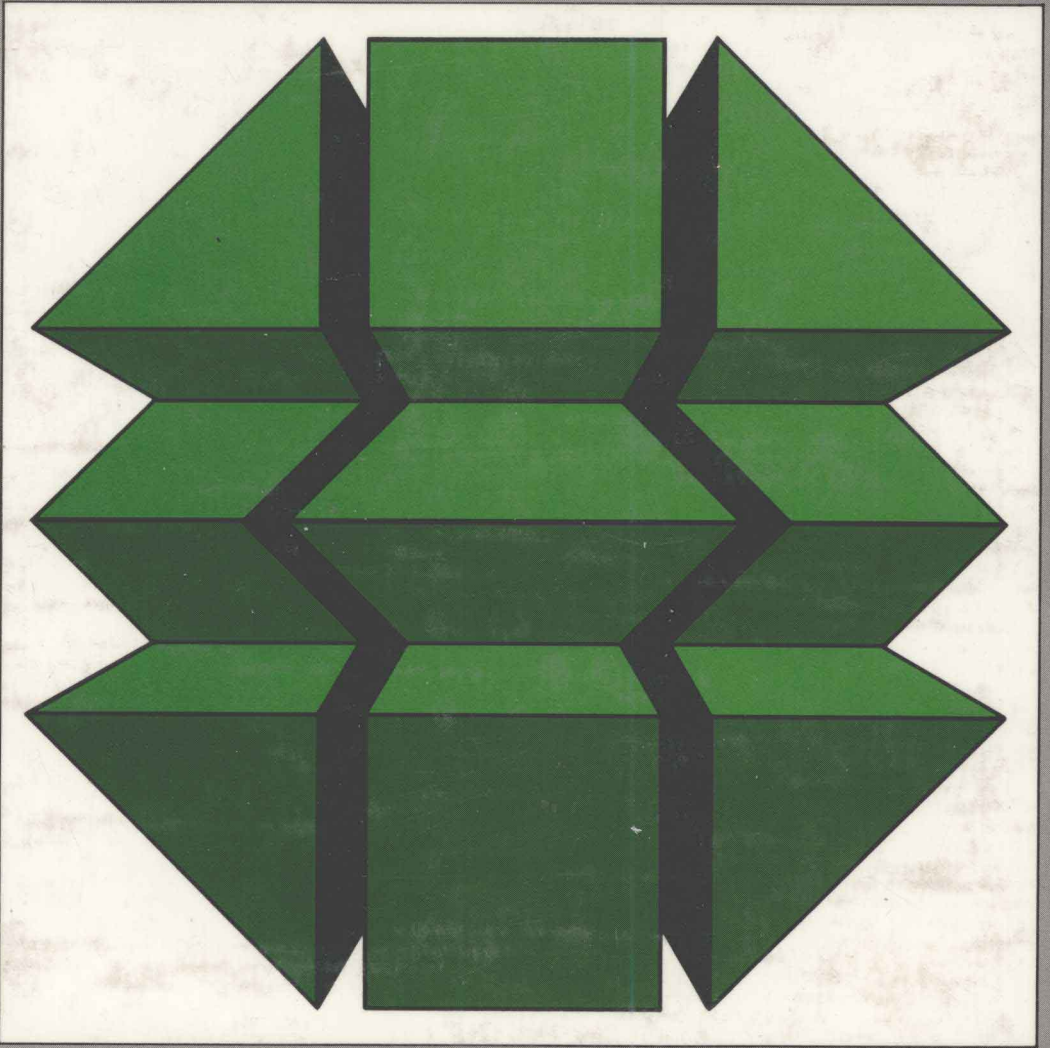


MARKETING



IN THE Edward W. Cundiff
Marye Tharp Hilger
INTERNATIONAL
ENVIRONMENT

MARKETING IN THE INTERNATIONAL ENVIRONMENT

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PREFACE

This book is designed to provide an understanding of marketing strategy from a multinational or international point of view. It is designed to meet the needs of students in an international marketing course, to teach them to focus on the world as the potential marketplace rather than the local or domestic economy. Foreign nations are viewed both as sources of new potential sales but as sources of potential competition in the domestic market. It shows that the same basic marketing inputs and strategies can be used successfully in widely different markets as long as they are adjusted in terms of environmental differences. The marketing expert does not need new and different marketing expertise to compete in foreign market; instead, he or she needs to become familiar with the environmental differences that require adaptation of strategy from nation to nation, and even from market to market within nations.

The plan of presentation starts with a definition of international marketing and its context and moves to a section on the environment for international marketing decisions. This section starts with the macroeconomic environment and the theoretical underpinning of international economic transactions. It then compares differences in business environment, the cultural environment, the economic setting in different nations, and the political and legal structure that determines how a firm can operate in each nation. The third section in the book deals with the tools necessary for effective management in new and complex multinational environments. It includes marketing research and the sources of research information in different economies, and it addresses the problems of establishing organizational structures and relationships to manage subunits that are widely separated geographically and that must adjust to widely varying environments. Part

four of the book is concerned with the standard marketing strategy inputs as they must be adjusted to foreign markets. It includes product decisions for both industrial and consumer goods, pricing decisions, promotion decisions, and distribution decisions, both channels and physical distribution. Finally, it covers some of the problems of developing and coordinating marketing strategy among varying foreign markets. The last section looks at the future and directions of change in foreign markets and foreign marketing.

Each chapter has been planned as an independent teaching unit, starting with coverage of the relevant subject material and followed by questions for classroom discussion and a teaching case. The cases have been drawn from real life situations.

We are indebted to a great many people for the successful completion of this book. Perhaps most important are our present and former students who have helped us to define and evolve our ideas about international marketing, both in their classroom reaction and feedback and in their outside work and independent study. We are also grateful to our faculty associates, both at Emory University and at The University of Texas at San Antonio for their informal feedback and intellectual support while we were writing the book. Invaluable research assistance was provided by several conscientious and able research assistants, including Jeffrey T. Larson, Brian Peabody, and Eric Jaillet. Several colleagues at other universities provided excellent feedback and guidance throughout the development of this book. We are indebted to Sandra Huszagh, University of Georgia—Athens; Irene Lange, California State University—Fullerton; and Henry Vanderleest, Ball State University, for their insightful suggestions. Finally, we are particularly grateful to Mrs. Judy Pate for her patience and dependability in typing and reproducing and handling all related correspondence. For the errors or inadequacies in the manuscript we will take full personal responsibility.

Edward W. Cundiff
Marye Tharp Hilger

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PART I

INTRODUCTION

chapter 1

THE WORLDWIDE MARKET

The young model in the ad has evidently just stepped out of the bath, and has draped herself modestly—but not too modestly—in a lush red bath towel. The text of the ad, in German, heralds the virtues of the Aristocrat line of towels. The manufacturer? Fieldcrest Mills, an American textile manufacturer that increased its export business 58 percent in a single year by applying new selling techniques in the European market.

Fieldcrest's strategy was simple enough: it duplicated what it had learned in the United States, namely that consumers would pay a premium for high-fashion "designer" towels and sheets. So it persuaded European and Japanese department stores to install "boutiques" featuring similar items—even offering one store a written guarantee that the boutique would double the store's profits on the floor space it occupied. One result of all this selling, according to *Fortune* magazine, is that "Foreign consumers are now developing a taste for those fashionable U.S. bed and bath products." Another result is that Fieldcrest—and the textile industry as a whole, which increased its exports from \$2.2 billion in 1978 to \$3.2 billion in 1979—is making considerably more money than it otherwise would.

Ten years ago, about one-tenth of all the goods produced in the United States were sold abroad. Last year the figure was up to nearly one-fifth. Agricultural exports alone rose from \$300 million worth in 1970 to \$27 billion in 1980; manufactured goods went from \$4.1 billion to \$26 billion. From the viewpoint of the economy as a whole, these exports had an importance well beyond the revenue they provided to individual companies and industries—namely, they allowed the United States to pay its ever-growing bill for foreign oil and other key imports. "We no longer export to

buy luxuries," wrote MIT economist Lester C. Thurow not long ago, "we export to buy necessities."^{*}

INTRODUCTION

Marketing is a universal economic activity that is present in every human society. It is the mechanism that provides individuals and organizations with the products and services they want or need. As such, marketing activity transcends geographic and political divisions and serves markets wherever they exist. Some marketers never sell outside their own communities, but others, when conditions are right, may sell their products many miles from home, even in other countries around the world. A farmer in the Rio Grande Valley area of Texas may raise truck garden crops and never sell anything farther than three-hundred-miles away in San Antonio. A farmer next door may raise grapefruit and sell them in New York City, or even in London or Tokyo. Exchange is a dynamic and boundless human activity.

International trade takes place when an entrepreneur sees an opportunity to make a profit by serving the needs of users, or potential users, of a product in some other part of the world. Such trade has been carried on for as long as there have been people whose wants could not be served by local suppliers. Archeologists tell us that in prehistoric Europe, as early as the Stone Age, enterprising peddlers carried amber and flint from the Baltic coast to the Mediterranean to exchange for cowrie shells from the Red Sea or the Indian Ocean. Throughout human history, goods have moved from one place to another as marketers have perceived the opportunity to enhance their resources and standard of living through exchange.

Political or legal boundaries can pose "psychological" or perceptual constraints on exchange processes. It is often more difficult for a marketer to recognize foreign opportunities for exchange or to understand what resources are needed in order to execute exchanges. While marketing opportunities are not determined by the limits of a country's borders, exchanges across boundaries require the desire and ability to interpret an unfamiliar environment for those opportunities. As history shows, this is a natural process, one of matching resources, skills, goods, services, and/or money. Therefore, when opportunities are recognized and the environment is meaningfully interpreted, there is nothing fundamentally different about executing exchanges in any part of the world. The principles which guide the successful retailer of running shoes in Atlanta, and the one in Athens, are the same. Those same principles also guide the decisions of the grape-

^{*}"A Guide to Enterprise," © 1981, WGBH Educational Foundation, published in Association with "Enterprise," a television series on American Business, produced for PBS by WGBH, Boston, Mass., p. 7.