UNIT I
Lesson 1
Introduction to International Marketing

Learning Objectives from the lesson:

1. Understanding of international marketing.
2. Distinguish between international and domestic marketing.
3. The various management orientations.
4. Why is international marketing required?
5. Benefits of international marketing.

We live in a global marketplace. As you read this chapter, you may be sitting in a chair imported from Brazil or at a desk imported from Denmark. You may have purchased these items form IKEA, the Swedish global furniture retailer. The computer on your desk could be a sleek new IBM ThinkPad designed and marketed worldwide by IBM and manufactured in Taiwan by Acer, Inc., or perhaps a Macintosh designed and marketed worldwide by Apple and manufactured in Ireland. Your shoes are likely to be from Italy, and the coffee you are sipping is form Latin America or Africa.

Good morning students, today we would start with the basics of international marketing.

MARKETING: A UNIVERSAL DISCIPLINE

As we all know the foundation for a successful global marketing program is a sound understating of the marketing discipline. Marketing is the process of focusing the resources and objectives of an organization on environmental opportunities and needs. The first and most fundamental fact about marketing is that it is universal discipline. Marketing is a set of concepts, tools, theories, practices and procedures, and experience. Together, these elements constitute a teachable and learnable body of knowledge. Although marketing is universal, marketing practice, of course, varies form country to country. Each person is unique, and each country is unique. This reality of differences means that we cannot always directly apply experience form one country to another. If the customers, competitors, channels of distribution, and available media are different, it may be necessary to change our marketing plan.

The strategic concept of marketing

By the 1990s, it was clear that the "new" concept of marketing was outdated and that the times demanded a strategic concept the strategic concept of marketing, a major evolution in the history of marketing thought, shifted the focus of marketing from the customer or the product to the customer in the context of the broader external environment. Knowing everything there is to know about the customer is not enough. To succeed, marketers must know the customer in a contact including the competition, government policy and regulation, and the broader economic, social, and political macro forces that shape the evolution of markets. In global marketing this may mean working closely with home – country government trade negotiators and other officials and industry competitors to gain access to a target country market.

A revolutionary development in the shift to the strategic concept of marketing is in the marketing objective--- from profit to stakeholder benefits. Stakeholders are individuals or groups who have an interest in the activity of a company. They include the employees and management, customers, society, and government, to mention only the most prominent. There is a growing recognition that profits are a reward for performance (defined as satisfying customers in a socially responsible or acceptable way). To compete in today's market, it is necessary to have an employee team committed to continuing innovation and to producing quality products. In other words, marketing must focus on the customer in context and deliver value by creating stakeholder benefits for both customers in context and deliver value by creating stakeholder benefits for both customers and employees. This change is a revolutionary idea that is accepted today by a vanguard minority of marketing practitioners.

Profitability is not forgotten in the strategic concept. Indeed, it is a critical means to the end of creating stakeholder benefits. The means of the strategic marketing concept is strategic management, which integrates marketing with the other management functions. One of the tasks of strategic management is to make a profit, which can be a source of funds for investing in the business and for rewarding shareholders and management. Thus, profit is still a critical objective and measure of marketing success, but it is not an end in itself. The aim of marketing is to create value for stakeholders and the key stakeholder is the customer. If your customer can get greater value for stakeholders, and the key stakeholder is the customer. If your customer can get greater value form your competitor because your competitor is willing to accept a lower level of profit reward for investors and management, the customer will choose your competitor, and you will be out of business. The spectacular inroads of the " clones" into IBM's PC market illustrate that even the largest and most powerful companies can be challenged by competitors who are more efficient or who are willing to accept lower profit returns.

Finally, the strategic concept of marketing has shifted the focus of marketing form a microeconomics maximization paradigm to a focus of managing strategic partnerships and positioning the firm between vendors and customers in the value chain with the aim and purpose of creating value foe customers. This expanded concept of marketing was termed boundary less marketing by Jack Welch, chairperson and chief executive officer (CEO) of General Electric. Marketing, in addition to being a concept and philosophy is a set of activities and a business process. The marketing activities are called the four Ps; product, price, place (distribution), and promotion (or communications). These four Ps can be expanded to five Ps by adding probe (research). The marketing management process is the task of focusing the resources and objectives of the organization on opportunities in the environment. The three basic principles that underlie marketing are discussed next.

Activity 1: Differentiate between Strategic and Tactical planning. Give examples of both the kind of planning. Ask this activity to be done by at least 3 students.

THE THREE PRINCIPLES OF MARKETING

The essence of marketing can be summarized in three great principles. The first identifies the purpose and task of marketing, the second the completive reality of marketing, and the third the principal for achieving the first two.

A) CUSTOMER VALUE AND THE VALUE EQUATION

The task of marketing to create customer value that is greater than the value created by competitors. Expanding or improving product and / or service benefits, by reducing the price, or by a combination of these elements, can increase value for the customer. Companies with a cost advantage can use price as a competitive weapon. Knowledge of the customer combined with innovation and creativity can lead to a total offering that offers superior customer value. If the benefits are strong enough and valued enough by customers, a company does not need to be the low-price competitor to win customer.

B) COMPETITIVE OR DIFFERENTIAL ADVANTAGE

The second great principle of marketing is competitive advantage. A competitive advantage is a total offer, vis-à-vis relevant competition that is more attractive to customers. The advantage can exist in any element of the company's offer; the product, the where
V= value
B= perceived benefits – perceived costs (for example, switching costs)
P= price

Price, the advertising and point of sale promotion, or the distribution of the product. One of the most powerful strategies for penetrating a new national market is to offer a superior product at a lower price. The price advantage will get immediate customer attention, and, of those customers who purchase the product, the superior quality will make an impression.

C) FOCUS

The third marketing principle is focus, or the concentration of attention. Focus is required to succeed in the task of creating customer value at a competitive advantage. All great enterprise, large and small, is successful because they have understood and applied this great principle. IBM succeeded and became a great company because it was more clearly focused on customer needs and wants than any other company in the emerging data-processing industry.

One of the reasons IBM found itself in crisis in the early 1990s was that its competitors had become much more clearly focused on customer needs and wants. Dell and Compaq, for example, focused on giving customers computing power at low prices; IBM was offering the same computing power at higher prices.

A clear focus on customer needs and wants and on the competitive offer is required to mobilize the effort needed to maintain a differential advantage. This can be accomplished only by focusing or concentrating resources and efforts on customer needs and wants and on how to deliver a product that will meet those needs and wants.

GLOBAL MARKETING: WHAT IT IS AND WHAT IT IS NOT

The foundation for a successful global marketing program is a sound understanding of the marketing discipline. Marketing is the process of focusing the resources and objectives of an organization on environmental opportunities and needs. The first and most fundamental fact about marketing is that it is a universal discipline. Marketing is a set of concepts, tools, theories, practices and procedures, and experience. Together these elements constitute a teachable and learnable body of knowledge.

Although the marketing discipline is universal, markets and customers are quite differentiated. This means that marketing practice must vary from country to country. Each person in unique, and each country are unique. This reality of differences means that we cannot always directly apply experience form one country to another. If the customers, competitors, channels of distribution, and available media are different, it may be necessary to change our marketing plan.

Companies who don't appreciate this fact will soon learn about it if they transfer irrelevant experience form one country or region to another. Nestle, for example, sought to transfer its great success with a four – flavor coffee line from Europe to the United States. Its U.S competitors were delighted. The transfer led to a decline of 1 percent in U.S. market share! An important task in global marketing is learning to recognize the extent to which marketing plans and programs can be extended worldwide, as well as the extent to which they must be adapted.

Much of the controversy about marketing dates to professor Theodore Levitt's 1983 seminal article in the *Harvard Business Review,* " The Globalization of Markets." Professor Levitt argued that marketers were confronted with a "homogenous global village." Levitt advised organizations to develop standardized, high-quality world products and market them around the globe using standardized advertising, pricing, and distribution. Some well-publicized failures by parker pen and other companies seeking to follow Levitt's advice brought his proposals into question. The business press frequently quoted industry observers who disputed Levitt's views. For example, Carl Spielvogel, chairman and CEO of the Backer spiel Vogel Bates Worldwide advertising agency, tale *The wall street Journal, "*Theodore Levitt's comment about the world becoming homogenized is bunk. There are about two products that lend themselves to global marketing—and one of them is Coca-Cola."

Indeed, it was global marketing that made Coke a worldwide success. However, that success was not based on a total standardization of marketing mix elements. In his book, *The Borderless world, kenichi Ohmae* explains that Coke's success in Japan could be achieved only by spending a great deal of time and money becoming an insider. That is, the company built a complete local infrastructure with its sales force and vending machine operations. Coke's success in Japan, according to Ohmae, was a function of its ability to achieve "global localization," the ability to be as much of an insider as local company nut still reaping the benefits that result form world-scale operations.

What does the phrase *global localization* really mean? In a nutshell, it means a successful global marketer must have the ability to "think globally and act locally." As we will see many times in this book, " global" marketing may include a combination of standard (e.g., the actual product itself) and nonstandard (e.g., distribution or packaging) approaches. A "global product" may be " the same" product everywhere and yet "

different." Global marketing requires marketers to behave in a way that is global and local at the same time by responding to similarities and differences in world markets.

As the Coca-Cola Company has demonstrated, the ability to think globally and act locally can be a source of competitive advantage. By adapting sales promotion, distribution, and customer service efforts to local needs. Coke established such strong brand preference that the company claims a 78 percent share of the soft drink market in Japan. At first, Coca Cola managers did not understand the Japanese distribution system. However, with considerable investment of time and money, they succeeded in establishing a sales force that was as effective in Japan is it was in the United States. To complement Coke sales, the Japanese unit has created products such as Georgia – brand canned coffee and Lactia, a lactic, no carbonated soft drink that promotes healthy digestion and quick refreshment expressly for the Japanese market.

Coke is a product embodying marketing mix elements that are both global and local in nature. In this book, we do not propose that global marketing is a "knee-jerk" attempt to impose a totally standardized approach to marketing around the world. A central issue in global marketing is how tailors the global marketing concept to fit a particular product or business. Finally it is necessary to understand that global marketing does not mean entering every country in the world. Global marketing does mean widening business horizons to encompass the worlds when scanning for opportunity and threat. The decision to enter markets outside the home country depends on a company's resources, managerial mind –set, and the nature of opportunity and threat. The Coca-Cola Company's soft-drink products are distributed in almost 200 countries in fact, the theme vice." Coke is the best known, strongest brand in the world its enviable global position has resulted in part form the Coca-cola symbol is available globally, the company also produces over 200 other nonalcoholic beverages to suit local beverage preferences.

A number of other companies have successfully pursued global marketing by creating strong global brands. Philip Morris, for example, has example, has made Marlboro the number one cigarette brand in the world. In automobiles, Daimler Chrysler has gained global recognition for its Mercedes nameplate BMM automobiles and motorcycles.

Global marketing strategies can also be based on product or system design, product positioning, packaging, distribution, customer service, and sourcing considerations. For example, Mc Donald's has designed a restaurant system that can be set up virtually anywhere in the world. Like Coca-cola, McDonald's also customizes its menu offerings in accordance with local eating customs. In Jakarta. Indonesia, for example, McDonald's is upscale dinning. It is the place to be and to be seen in Jakarta. Cisco systems, which makes local area network routers that allow computers to communicate with each other, designs new products that can be programmed to operate under virtually any conditions in the world.

Unilever uses a teddy bear in various world markets to communicate the benefits of the company's fabric softener. Harley-Davidson's motorcycles are positioned around the world as the all –American bike. Gillette uses the same packaging for its flagship sensor razor everywhere in the world. Italy's Benetton utilizes a sophisticated distribution system to quickly deliver the latest fashions to its worldwide network of stores.

The backbone of Caterpillar's global success is a network of dealers that supports a promise of "24 hour parts and service" anywhere in the world. The success of Honda

and Toyota in world markets was initially based on exporting cars form factories in Japan. Now, both companies have invested in manufacturing facilities in the United States and other countries form, which they export. In 1994, Honda earned the distinction of being the number one exporter of cars form the United States by shipping more than 100,000 accords and civics to Japan and 35 other countries. Gap focuses its marketing effort on

TABLE 1.1 Examples of Global Marketing	
Global Marketing Strategy	**Company/ Home Country**
Brand Name	Coca-Cola (U.S.), Philip Morris (U.S.), Daimler Chrysler (Germany)
Product Design	McDonald's (U.S), Toyota (Japan), Ford (U.S.), Cisco systems (U.S.)
Product positioning	Unilever (Great Britain / Netherlands), Harley-Davidson (U.S)
Packaging	Gillette (U.S.)
Distribution	Benetton (Italy)
Customer service	Caterpillar (U.S.)
Sourcing	Toyota (Japan), Honda (Japan), Gap (U.S.)

The United States but relies on apparel factories in low-wage countries to supply most of its clothing.

The particular approach to global marketing that a company adopts will depend on industry conditions and its source or source or sources of competitive advantage. Should Harley Davidson start manufacturing motorcycles in a low –wage country such as Mexico or china? Will U.S. consumers continue to snap up U.S. –built Toyotas? The answer to these questions is " it all depends," because Harley's competitive advantage is based in part on its "made in the U.S.A." positioning, shifting production outside the united states is not advisable at this time. Toyota's success in the United States is partly attributable to its ability to transfer world –class-manufacturing skills to the united states while using advertising to stress that its Camry is built by American, with many components purchased in the united states.

Toyota has positioned itself as a global brand independent of any country of origin link. A Toyota wherever it is made. The same thing is true for thousands of companies that have successfully positioned their brand independent of country of origin. A Harley- Davidson motorcycle made China would shock Harley buyers; the brand at this stage of its development is linked to a single country of origin, the United States.

THE PROCESS OF INTERNATIONALIZATION

For certain firms, they may have started at the outset as international firms in the sense that their mission is to be involved in international business activities. For many others, however they may have begun as domestic firms concentrating on their own domestic markets before shifting or expanding the focus to also cover international markets. It is thus useful to investigate the stages of internationalization.

Based on his review of a number of the internationalization models, which specify the various stages of internationalization models, which specify the various stages of internationalization, Andersen has proposed his own U – model which ahs received mixed empirical support. According to this model, there are four stages: (1) no regular export activities, (2) Export via independent representatives (agent) (3) establishment of an overseas sales subsidiary, and (4) overseas production/ manufacturing. The development is supposed to take place first within a specific country before being repeated across countries.

Another study found evidence to support the hypothesis that there are four identifiable stages in a firm's internationalization. The four stages are: (1) nonexporters, (2) export intenders. (3) Sporadic exporters, and (4) regular exporters. The process shows how firm were initially constrained by resource limitations and a lack of expert commitment and how they can become more and more internationalized as more resources are allocated to international activity.

At present, there is no conclusive evidence to show that domestic firms have generally indeed progressed from one stage to another as prescribed on their way to become more internationally oriented. Likewise, no empirical evidence has been provided so far to support a competing hypothesis that some firms are "born global" in the sense that their mission from the outset is to become MNCs.

MANAGEMENT ORIENTATIONS

The form and substance of a company's response to global market opportunities depend greatly on management's assumptions or beliefs--- both conscious and unconscious--- about the nature of the world. The worldview of a company's personnel can be described as ethnocentric, polycentric, egocentric, and geocentric. Management at a company with a prevailing ethnocentric orientation may consciously make a decision to move in the direction of geocentricism. The orientations are collectively known as the EPRG framework.

A) ETHNOCENTRIC ORIENTATION

A person who assumes his or her home country is superior compared to the rest of the world is said to have an ethnocentric orientation. The ethnocentric orientation means company personnel see only similarities in markets and assume the products and practices that succeeded in the home country will, due to their demonstrated superiority, be successful anywhere. At some companies, the ethnocentric orientation means that opportunities outside the home country are ignored. Such companies are sometimes called domestic companies. Ethnocentric companies that do conduct business outside the home country can be described as international companies; they adhere to the notion that the products that succeed in the home country are superior and, therefore, can be sold everywhere without adaptation.

In the ethnocentric international company, foreign operations are viewed as being secondary or subordinate to domestic ones. An ethnocentric company operates under the assumption that "tried and true" headquarters' knowledge and organizational capabilities can be applied in other parts of the world. Although this can sometimes work to a

company's advantage, valuable managerial knowledge and experience in local markets may go unnoticed. For a manufacturing firm, ethnocentrism means foreign markets are viewed as a means of disposing of surplus domestic production. Plans for overseas markets are developed utilizing policies and procedures identical to those employed at home. No systematic marketing research is conducted outside the home country, and no major modifications are made to products. Even if consumer needs or wants in international markets differ form these in the home country, those differences are ignored at headquarters.

Nissan's ethnocentric orientation was quite apparent during its first few years of exporting cars and trucks to the united state. Designed for mild Japanese winters, the vehicles were difficult to start in many parts of the United States during the cold winter cars. Nissan's assumption was that Americans would do the same thing. Until the 1980s, Eli Lilly and company operated as an ethnocentric company in which activity outside the United States was tightly controlled by headquarters and focused on selling products originally developed for the U.S market.

Fifty years ago, most business enterprise- and specially those located in a large country such as the United States could operate quite successfully with an ethnocentric orientation. Today, however, ethnocentrism is one of the biggest internal threats a company faces.

B) POLYCENTRIC ORIENTATION

The polycentric orientation is the opposite of ethnocentrism. The term *polycentric* describes management's often-unconscious belief or assumption that each country in which a company does business is unique. This assumption lays the ground work for each subsidiary to develop its own unique business and marketing strategies in order to subsidiary to develop its own unique business and marketing strategies in order to succeed; the term *multinational company* is often used to describe such a structure. Until recently, Citicorp's financial services around the world operated on a polycentric basis. James Bailey, a Citicorp executive, offered this description of the company; " we were like a medieval state. There was the king and his court and they were in charge, right? No. It was the land barons went and did their thing. Realizing that the financial services industry is global zing; CEO John Reed is attempting to achieve a higher degree of integration between Citicorp's operating units. Like Jack Welch at GE, Reed is moving to instill a geocentric orientation throughout his company.

Activity 2: Choose 6 students and divide them into two groups. Ask each member to name companies which have the three kind of orientations. Mark them on their answers and see which team wins.

C) REGIOCENTRIC AND GEOCENTRIC ORINTATONS

In a company with a regiocentric orientation, management views regions as unique and seeks to deep an integrated strategy. For example, a U.S. company that focuses on the countries included in the North American Free Trade Agreement (NAFTA)—the United States, Canada, and Mexico --- has a regiocentric orientation. Similarly, a European company that focuses its attention on the EU or Europe is regiocentric. A company with a

geocentric orientation views the entire world as a potential market and strives to develop integrated world market strategies. A company whose management has a regiocentric or geocentric orientation is sometimes known as a global or transnational company.

PHILIPS AND MATSUSHITA: HOW GLOBAL COMPANIES WIN

Until recently, Philips Electronics, headquartered in Eindhoven, the Netherlands, was a classic example of a company with a polycentric orientation. Philips relied on relatively autonomous national organizations (called Nos in company parlance) in each country. Each No developed its own strategy. This approach worked quite well until Philips faced competition form matsushita and other Japanese consumer electronics companies in which management's orientation was geocentric. The difference in competitive advantage between Philips and its Japanese competition was dramatic.

For example, Matsushita adopted global strategy that focused its resources on serving a world market for home entertainment products. In television receivers, matsushita offered European customers tow models based on a single chassis. In contrast, Philips's European cos offered customers seven different models based on four different chassis. If customers had demanded this variety, Philips would have been the stronger competitor. Unfortunately, the product designs created by the Nos were not based on customer preferences. Customers wanted value in the form of quality, features, design – and price. Philips's decision to offer greater design variety was based not on what customers were asking for but, rather, on Philips's structure and strategy. Watch major country organization had its won engineering and manufacturing group. Each country unit had its own design and manufacturing operations. This polycentric, multinational approach was part of Phillips's heritage and was attractive to Nos that had grown accustomed to functioning independently. However, the polycentric orientation was irrelevant to consumers, who were looking for value. They were getting more value from matsushita's global strategy than from Philips's multinational strategy. Why? Matsushita's global strategy created value for consumers by lowering costs and, in turn, prices.

As a multinational company, Philips squandered resources in a duplication of effort that led to greater product variety. Variety entailed higher costs, which were passed on to consumer with no offsetting increase in consumer benefit. It is easy to understand how the right strategy resulted in matsushita's success in the global consumer electronics industry. Because the matsushita strategy offered greater customer value, Philips executives consciously abandoned the polycentric multinational approach and adopted a more geocentric orientation. A first step in this is direction was to create industry groups in the Netherlands responsible for developing global strategies for research and

The geocentric orientation represents a synthesis of ethnocentrism and polycentrism; it is a "worldview" that sees similarities and differences in markets and countries and seeks to create a global strategy that is fully responsive to local needs and wants. A regiocentric manager might be said to have a worldview on a regional scale; the world outside the region of interest will be viewed with an ethnocentric or a polycentric orientation, or a

combination of the two. Jack Welch's quote at the beginning of this chapter that "globalization must be taken for granted" implies that at least some company managers must have a geocentric orientation. However, some research suggests that many companies are seeking to strengthen their regional competitiveness rather than moving directly to develop global responses to changes in the competitive environment.

The ethnocentric company is centralized in its marketing management, the polycentric company is decentralized, and the regiocentric and geocentric companies are integrated on a regional and global scale, respectively. A crucial difference between the orientations is the underlying assumption for each. The ethnocentric orientation is based on a belief in home country superiority. The underlying assumption of the polycentric approach is that there are so many differences in cultural, economic, and marketing conditions in the world that it is impossible and futile to attempt to transfer experience across national boundaries.

BENEFITS OF INTERNATIONAL MARKETING

International marketing daily affects consumers in many ways, though its importance is neither well understood nor appreciated. Government officials and other observers seem always to point to the negative aspects of international business. Many of their charges are more imaginary than real. The benefits of international marketing must be explicitly discussed in order to dispel such notions.

Survival

Because most countries are not as fortunate as the United States in terms of market size, resources, and opportunities, they must trade with others to survive. Hong Kong has historically underscored this point well, for without food and water form China proper, and The British colony would not have survived long. The countries of Europe have had similar experience, since most European nations are relatively small in size. Without foreign markets, European firms would not have sufficient economies of scale to allow them to be competitive with U.S. firms. Nestle mentions in one of its advertisements that its own country, Switzerland, lacks natural resources, forcing it to depend on trade and adopt the geocentric perspective.

International competition may not be a matter of choice when survival is at stake. A study of five medical – sector industries found that international expansion was necessary when foreign firms entered a domestic market. However, only firms with previously substantial market share and international experience could expand successfully. Moreover firms that retrenched after an international expansion disappeared.

Growth of Overseas Markets

Developing countries, in spite of economic and marketing problems, are excellent markets. According to a report prepared for U.S. Congress by the U.S. Trade Representative. Latin America and Asia / Pacific are experiencing the strongest economic growth.

The conference Board is a business information service that assists senior executives and other leaders in arriving at sound decisions, and more than 3,000 organizations in over fifty nations participate as Associates. The conference Board's study of some 1500 companies found that U.S manufactures with factories or sales subsidiaries overseas outperformed their domestic counterparts during the 1980s in terms of growth in nineteen out of twenty major industry groups and higher earnings in seventeen out of twenty groups.

American marketers cannot ignore the vast potential of international markets. The world market is more than four times larger than the U.S market. In the case of Amway Corp, a privately held U.S manufactures of cosmetics, soaps, and vitamins, Japan represents a larger market than the United States.
A slowing of the growth of the U.S population and changing lifestyles explain why the growth of other markets should be viewed with a critical eye. The fitness craze has contributed mightily to the leveling of U.S. sales of cigarettes and liquor. However, sales of cigarettes in the former Soviet Union are still going strong. Some 575 billion cigarettes were sold there in 1994 as compared to 490 billion cigarettes sold in the United States. Russian smokers apparently show no concern about the health risks. Not surprisingly, international giants Philip Morris Co., R.J. Reynolds tobacco international SA, And British – American Tobacco Co. have entered the market aggressively. Without outside markets, executives of U.S. distillers and tobacco firms probably would be driven to drink and smoke to forget their troubles.

Sales and Profits

Foreign markets constitute a large share of the total business of many firms that have wisely cultivated markets abroad. Many large U.S companies have done very well because of other overseas customers. IBM and Compaq, for example, sell more computers abroad than at home. According to the U.S Department of Commerce, foreign profit of American firms rose at a compound annual rate of 10.8 percent between 1982 and 1991, almost twice as fast as domestic profits of the same companies.

The case of Coca – Cola clearly emphasizes the importance of overseas markets and (marketing strategy 1 – 2) international sales account for more than 80 percent of the firms operating profits. In terms of operating profit margins, they are less than 15 percent at home but twice that amount overseas. For every gallon of soda that Coca – Cola sells, it earns thirty – seven cents in Japan – a market difference form the mere seven cents per gallon earned in the United States. The Japanese market contributes about $ 350 million in operating income to Coca – Cola (vs. $324 million in the U.S. market). Making Japan the company's most profitable market. With consumption of Coca – Cola's soft drinks averaging 296 eight – ounce servings per person per year in the United States, the U.S market is clearly saturated. Non U.S. consumption, on the other hand, averages only about forty servings and offers great potential for future growth.

Activity 3: The faculty should ask the students as to what are the benefits of international marketing for companies and should extra marks for answers outside the coursepack.

Diversification

Demand for most products is affected by such cyclical factors as recession and such seasonal factors as climate. The unfortunate consequence of these variables is sales fluctuations, which can frequently be substantial enough to cause layoffs of personnel. One way to diversify a company's risk is to consider foreign markets as a solution for variable demand. Such markets even out fluctuations by providing outlets for excess production capacity. Cold weather, for instance, may depress soft drink consumption. Yet not all countries enter the winter season at same time, and some countries are relatively warm year round. Bird, USA Inc., a Nebraska manufacturer of go – carts and minicars for promotional purpose, has found that global selling has enabled the company to have year round production. "It may be winter in Nebraska but it's summer in the Southern Hemisphere" – somewhere there's a demand and that stabilizes our business.

A similar situation pertains to business cycle: Europe's business cycle often lags behind that of the United States. That domestic and foreign sales operate in differing economic cycles works in the favor of General Motors and Ford because overseas operations help smooth out the business cycles of the North American market.

Marketing strategy 1-2
The real thing vs. the Pepsi generation

A global market can balance good market with bad ones while there is no question that the U.S cola market is the biggest one in the world, it is a highly mature market, and the profit potential is limited, cola has shrunk form 63.3 percent of soft – drink sales in the United state in 1984 to 58.8 percent in 1993 – a loss of $2.4 billion in potential retail sales.

The united states leads the world in coca – cola consumption. Averaging 296 eight ounce serving per person per year. The comparable figures for other markets are: Mexico (275 servings), Germany (189), Canada (169), Japan (124), Great Britain (89), France (56) Egypt (18) Russia (2) and china (1) in the case of India's 890 million people, each person only consumes an average of three servings in a year, well below the levels found in Pakistan (9) and Thailand (75).

In addition to being the world's most populous nations, china and India are two of the world's fastest growing economies, and Japanese, European, and American firms are all quite excited about doing business With and in china and India. Undoubtedly, china and India have plenty of room to grow as a market. If the Chinese and Indians can be persuaded to drink just one more serving per person a year, coca –cola and Pepsi can derive additional sales of more than two billion cans.

Coca –cola has been particularly aggressive in East Europe, Asia, and South America. It has opened plant in Romania, Norway, and India while planning several more in china, Hungary, Lithuania, and Thailand. When the Soviet Union Collapsed, PepsiCo held on to its network of state run bottlers so as to utilize their ties to old-line management. Coca cola on the other hand, quickly got rid of the government link and spent more than $ 1.5 billion in former East bloc countries to build a new business form scratch. As a result, Pepsi's lead due to its early distribution deals evaporated. Coke now leads in market share in every Eastern European country. In addition it also has a wide lead in Latin America.

Inflation and Price Moderation

The benefits of export are readily self – evident. Imports can also be highly beneficial to a country because they constitute reserve capacity for the local economy. Without imports (or with severely restricted imports), there is no incentive for domestic firms to moderate their prices. The lack of imported product alternatives forces consumers to pay more, resulting in inflation and excessive profits for local firms. This development usually acts as a prelude to workers demand for higher wages, further exacerbating the problem of inflation. Import quotas imposed on Japanese automobiles in the 1980 saved 46200 U.S production jobs but at a cost of $ 160,000 per job per year. This huge cost was a result of the addition of $400 to the prices of U.S cars and $1000 to the prices of Japanese imports. This windfall for Detroit resulted in record – high profits for U.S automakers.

The short-term gain derived from artificial controls on the supply of imports can in the long run return to haunt domestic firms. Not only do trade restrictions depress prices competition in the short run, but also they can also adversely affect demand for years to come. In Europe, when prices of orange juice were driven upward, consumers switched to apple juice and other fruit drinks. Likewise, Florida orange growers found to their dismay that sharply higher prices turned consumers to other products. After the 1962 freeze, it took the citrus industry ten years to win back these consumers. United states orange growers finally learned to live with imports because they found that imported Brazilian juice, by minimizing price increases, is able to keep consumers.

Employment

Trade restrictions, such as the high tariffs caused by the 1930 Smoot –Hawley Bill, which forced the average tariff rates across the board to climb above 60 percent, contributed significantly to the greater Depression and have the potential to cause wide – spread unemployment again. Unrestricted trade. On the other hand, improves the world's GNP and enhances employment generally for all nations.

Importing products and foreign ownership can provide benefits to a nation. According to the institute for International Economics – a private, nonprofit research institute – the growth of foreign ownership has not resulted in a loss of jobs for Americans, and foreign firms have paid their American workers the same, as have domestic firms.

Business week found that, unlike those who are employed in the import competing and domestic sectors. Those working in an exporting industry are more likely to be college educated to earn higher wages, and to be in a good position to benefit form worldwide growth.

U.S. Trade Facts

The United States is the world's largest economy and the largest market. In 1995 the United States retained its position as the world's largest exporter.

Goods Trade

- United states two-way trade totaled $ 1324.3 billion in 1995 with exports of $ 574.9 billion ad imports of $749.4 billion.
- The 1995 U.S. merchandise trade deficit was $ 174.6 billion larger than in 1994.
- U.S. goods exports increased to 8.0 percent of the nation's gross domestic product in 1995, up form 7.3 percent in 1994. That compares with 1994 shares of GDP for Germany of 24.2 percent and for Japan of 8.6 percent.
- In 1995 the United States accounted for an estimated 11.6 percent of world's goods exports.
- Total U.S. goods imports in 1995 were comprised of 84 percent manufactured goods; 8 percent mineral fuels; and 8 percent agricultural and other goods.
- In 1995 jobs supported by goods and services experts reached a record 11million. On average, the wages of workers in jobs supported by goods experts are 13 percent higher than the national average.
- From 1891 through 1970, the United States had an unbroken string of trade surpluses. After 1970, it had deficits in every year except 1973 and 1975.
- Canada was the United States, leading foreign market for export in 1995. followed by Japan, Mexico, the United Kingdom, South Korea, and Germany, Canada was also the United States leading supplier followed by Japan, Mexico, China, and Germany.
- Capital goods, including aircraft, are the largest category of U.S. exports, followed by industrial supplies and materials, than non-automotive consumer goods, automotive products, and – collectively – goods, feeds, and beverages.
- The commerce department estimates that over 37000 U.S. manufacturing companies exports, slightly more than one – third of the approximately 104600 U.S. companies that export.
- Approximately two thirds of U.S. goods exports are by U.S. owned multinational corporations, with over one – third of these exports by the U.S. parent corporation shipped to foreign affiliates.

Business Services Exports

- Exports of U.S. services are over one third as large as U.S. exports of goods.
- Exports and imports of services totaled $ 208.8 billion and $ 145.8 billion, respectively in 1995.
- In 1995 U.S. exports of services accounted for about 3.1 percent of the nation's GDP. Travel service receipts and passenger fares accounted for over 38 percent of the total.
- The United States is the world's largest exporter of business services by far, with 16.5 percent of the world's total in 1994. France was second with 8.3 percent.

Unfortunately there is no question that globalization is bound to hurt some workers whose employers are not cost competitive. Some employers may also have to move certain jobs overseas so as to reduce costs. As a consequence, some workers will inevitably by unemployed. As in the case of the state of Connecticut, some 200000 jobs were lost, while United Technologies Corp. (the state's largest employer) has reduced the number of jobs from 51,000 to fewer than 32,000. It is extremely difficult to explain to those who must bear the brunt of unemployment due to trade that there is a net benefit for the country.

Standards of Living

Trade affords countries and their citizen's higher standards of living than otherwise possible. Without trade, product shortages force people to pay more for less. Products taken for granted. such as coffee and bananas, may become unavailable overnight. Life in most countries would be much more difficult were it not for the many strategic metals that must be imported. Trade also makes it easier for industries to specialize and gain access to raw materials. While at the same time fostering competition and efficiency. A diffusion of innovations across national boundaries is a useful by – product of international trade. A lack of such trade would inhibit the flow of innovative ideas.

Understanding of Marketing Process

International marketing should not be considered a subject or special case of domestic marketing. As commented by the chairman of the supervisory board of N.V. Philip's Gloeilampen – fabrieken.

"American managers should really understand, not just say they understand, that there are other parts of the world beside the United States. If Americans started doing business with other countries, they would develop greater understanding as well as more trade. And that is the most important thing. After all – that society be open to each other. To close yourself off is the worth thing that can happen."

Marketing Strategy 1 –3
It is OK to Be Un-American

The Economist is a news and business
Weekly publication. Wanting American
Readers to subscribe to its publication,
It makes the following points:
The Japanese drink more U.S. bourbon
Than American. New York City is merely the world
Third largest urban center an only two
American cities rank among the top
Twenty.
When it comes to foreign aid, Denmark is
The most generous nation on earth –
nearly seven times as giving as America.

Read only the U.S. press and your might end up with a wholly one sided dangerously inaccurate – view of the entire world. Because it's un – American, the Economist is so popular among the ranks of those in the know. The economist is the news and business weekly whose beat is

When an executive is required to observe marketing in other cultures, the benefit derived is not so much the understanding of a foreign culture. Instead, the real benefit is that the executive actually develops a better understanding of a foreign culture. Instead, the real benefit is that the executive actually develops a better understanding of marketing in one's own culture. For example, Coca – Cola Co. has applied the lessons learned in Japan to U.S. and European markets. The study of international marketing thus can prove to be valuable in providing insights for the understanding of behavioral patterns often taken for granted at home. Ultimately, marketing as a discipline of study is more effectively studied.