appendix A international

introduction

Most marketers in Australia or New Zealand will, at one time or another, be confronted with international issues. This may involve deciding whether the right market development strategy involves introducing a product to another country, or considering the use of ethnic background as a segmenting variable. *Marketing: Creating and Delivering Value* is a book firmly based on the premise that fundamentally, all marketing is based on the same logic and principles, whether the consumers are at home and part of the domestic market, or abroad and part of our export markets. This is one of the reasons why we have integrated the international components as and when required in each of the chapters of the book, rather than as a separate chapter. We understand, however, that many lecturers, ourselves included, may still want to dedicate a specific lecture on the topic of international marketing and to this end, we propose in this appendix to collect and gather in one place all the international content of our book and to provide it, along with lecture slides, to instructors wishing to make use of it.

Our intention is not to be exhaustive or comprehensive about the topic of international marketing, indeed many textbooks have been dedicated to this topic alone. Instead, we offer this appendix as a depository of all international marketing content and issues covered in our book.

global aspects of marketing

Results of various studies confirm the importance of practising sound marketing principles, including the matching of products to customer needs, in international business activities.[1] For now, it is sufficient to recognise that many Australian and New Zealand companies are exposed to foreign competitors, both at home—through competition from imports—and in overseas markets. Many Australian brands are making a mark on the international scene. For some of them, success may appear to be the result of luck more than planning. For example, Australian backpackers unwittingly introduced Blundstone work boots to the UK market. However, it was a well-coordinated market development strategy, with the active pursuit of celebrity endorsements and a strategic association with the *Tap Dogs* show, which contributed to making the brand the international success it is today.[2] Obviously, when facing international rather than just local competition, companies have to operate more effectively to obtain new customers or retain existing ones.

Australian and New Zealand marketers can also benefit by studying the marketing strategies of foreign competitors. Given the outstanding commercial success of Japan and other Asian economies in recent decades, much can be learned from the study of business practices in these economies. Therefore, examples of Asian initiatives are provided throughout this text. Of course, the economies of Asia constitute attractive target markets for many Australian and New Zealand companies. As a result, comments and examples relating to Asian customers and markets are also provided throughout this book.

strategy planning for international marketing

Marketing managers must plan the company's overall marketing program so that it is sufficiently flexible to be adapted to conditions in different countries. When environmental differences are significant, top management should delegate a great deal of responsibility for strategy planning to local managers (or even intermediaries).

It is often impossible to develop a detailed plan without local knowledge. In extreme cases, local managers may be unable to explain aspects of their plans to foreign managers because these are based on subtle cultural nuances. However, plans can be judged by their results. The organisational arrangements should give these managers a great deal of freedom in their planning, but ensure tight control in relation to the plans they develop. Top management can simply insist that managers adhere to their budgets and meet the plans that they themselves have created. When a company reaches this stage, it is being managed like a well-organised domestic corporation, which insists that its managers (of divisions and territories) meet their own plans, so that the whole company's program works as intended.

As a company moves beyond a few international locations, managers may want to develop regional grouping by clustering similar countries into groups. This assists in transferring 'know-how' among operations in similar environments. Regional groupings may also reduce the cost of overall supervision, but they may be less useful than groupings based on other relevant dimensions, such as stage of economic development or language. The important issue is to develop an organisation that enables local managers to control matters that require local understanding and, at the same time, to share their accumulated experience with colleagues who face similar problems.

global marketing

Global marketing focuses on the similarities between markets around the world and attempts to develop and implement common product, place and promotion strategies and plans in those various markets.

Global marketing represents a different philosophy. It involves a focus on the similarities between markets around the world and attempts to develop and implement common product, place and promotion strategies and plans in those various markets. A key question becomes: 'Can this physical good or service be marketed throughout the world?'

Previously, some issues underlying global marketing have been mentioned briefly. Key philosophies include a belief that many markets around the world are becoming similar and national boundaries no longer define distinct markets. Similarities in markets offer opportunities to achieve more effective and/or more cost-efficient marketing mixes for those products that have universal appeal on an international scale. At the extreme, global marketing involves the planning and implementation of a common marketing mix for all countries (or markets) in which the company operates.

Many products (or marketing mixes), including Coca-Cola, Levi's, McDonald's and Pepsi, have demonstrated universal appeal around the world. Such products are offered in various markets in identical or similar designs or formats. In addition, advertising programs for many products, for example Coke and Pepsi, are almost identical in many countries.

Where similarities in relevant environmental factors, such as buyer behaviour, competition and culture, are more significant than the differences between these factors, then global marketing may be appropriate. Questions may still remain regarding the most appropriate form of global marketing to adopt.

Some organisational questions need to be addressed if global marketing is being considered. The degree of head office control and the level of local (country or regional) autonomy must be clarified. If one common marketing mix is to be developed for worldwide implementation, decisions must be made regarding who will be involved in the strategy planning process. Involving only (international) head office managers may mean that all relevant factors in all markets are not considered. If one marketing mix is adopted for all markets, responsibility for implementation in each area must be specifically assigned. Allowing some elements of the marketing mix to be developed locally may mean that implementation at the local level will focus on these elements at the expense of those developed by head office—local managers may favour local ideas and plans.

A fundamental question relates to the appropriateness of one common marketing mix, or even a common promotional program, for a particular company, product range or product in all markets around the world. Concerns about such appropriateness relate to small but significant differences that still exist between various markets; and also to the effectiveness of decision-making, implementation and control processes on a global basis.

a suggested approach to global marketing

Even when global marketing appears most appropriate (i.e. when various markets in countries around the world appear very similar with respect to a particular product), it is important to adopt a suitable process or style in utilising this approach. The following guidelines are aimed at assisting global marketers in international companies with local operations around the world to achieve an appropriate balance between head office and local involvement.

A1 going global

GE Finance's first stop is Australia[3]

General Electric (GE) is not a brand readily associated with banking or financial services. Yet, the company operates in 38 countries and more than 3 million Australians are customers of its consumer finance products. Most of GE's consumers stem from its Coles Source card, the reason behind GE's establishment in 1994. Automotive dealers and Harvey Norman also use GE products.

The low brand identification of GE in the finance market clearly needed to be rectified. A brand audit revealed that 250 different business names were used throughout the world, mostly because growth had been achieved by acquisition. Because Australia is the fourth largest market for GE consumer finance products and represents the broadest range of offerings, the new positioning for the new global brand was introduced in Australia first—to be rolled out to the rest of the world over an 18-month period of time.

The process started with market research undertaken with more than 2000 consumers and business customers. The name, GE Money, ranked at the top of a number of alternative names because it was distinctive and self-explanatory, according to Cynthia Galbincea, global head of marketing for GE Money. The brand, GE Money, wants to convey a 'can do' attitude, an ability to be 'flexible, discreet and trustworthy'.

Rebranding a company over 38 countries is a difficult task. While the name GE Money appears globally in English, the tag line 'With us, you can' appears in the language specific to each country. Finding a phrase that could resonate is all 38 countries was a major challenge.

DISCUSS

1 / What is a global marketing strategy?
2 / What are the dangers of a global marketing strategy?
3 / What are some products for which a global marketing strategy would be inappropriate?

1. Identify all important areas of similarity and all areas of difference between markets, based on market research in various markets (using a common methodology), to clarify the degree of globalisation that is appropriate and to assist in gaining commitment within the company towards the concept of global marketing. In some cases, abandon global concepts (at least in some markets) if differences between markets are significant. Recognise that each market may still comprise several segments and that several global marketing mixes may be appropriate—each aimed at a different global target market (or market segment).
2. Delegate some decision-making to local management—aim for a balance between centralised and decentralised decision-making. Include local management in the strategy planning process—partly to ensure recognition of local markets and partly to ensure local commitment to final plans.
3. Clarify which elements of the marketing mix are essential in achieving the goals or objectives of the global plan. It may be appropriate to allow some degree of local modification to other elements of the mix. Such an approach will encourage innovation at the local level, and successful innovations in some markets may be transferable to other markets. In addition, such an approach will enable finetuning of the basic global marketing mix; this in turn, will lead to more effective mixes in each market.
4. Obtain adequate feedback from local management to enable common problems, for which a global response is appropriate, to be identified, and to enable information about isolated problems and solutions to be disseminated throughout the company.
5. Consider developing a strong international culture, partly through rotation of key (potential and existing) management personnel between head office and local or subsidiary operations; thus, avoiding the development of a bureaucratic, centralised 'head office' syndrome.

The above guidelines reflect more recent arguments that there should be a balance or compromise between central control and local autonomy in the many global marketing organisations.[4]

identifying opportunities in international markets

country-to-country variations (competition)

A company that faces very stiff competition may find that the competitive environment and the opportunities are much better in another region or country. For instance, in the face of a saturated and somewhat crowded market, second-tier Perth accounting company, William Buck, decided to seek clients beyond its traditional boundaries. It opened its first international office in 2000 and it now generates more than one-third of its work from Asia.[5]

Despite the desire to avoid highly competitive situations, however, a company may find that it simply cannot do so. The company may have been established in an industry before that industry became intensely competitive. Also, as some competitors fail, new companies may enter the market looking for more attractive alternatives. In less-developed economies, involving small retailers and wholesalers, this is a common pattern. New entrants may not even know how competitive the market is, but they persist until they run out of money. Product-oriented companies are more likely than others to make such mistakes.

the global economy

In the past, marketing managers often focused their attention on the economy of their home country, but the various economies of the world are interconnected and planning is now no longer so simple for marketing managers. Changes in one economy are affecting other economies at an increasing pace. One reason for this is the increasing level of international trade, which in turn is affected by changes in and between economies. Smaller countries are more likely to be affected by economic conditions in countries with much larger economies. For example, Australia and New Zealand are affected by conditions in the US or Japan, with which they have substantial trade involvement. This explains why many Australian and New Zealand economists and financial analysts base their forecasts on what happens in New York or Tokyo. Political problems in Eastern Europe and the Middle East pose great concern for companies marketing to those parts of the world. The economic and political turmoil present in parts of Africa, Asia and Latin America may result in companies deciding to avoid, or delay, entering specific overseas markets.

Changes in the exchange rate, or the value of one country's money in another country's currency, have an important effect on international trade. When the Australian dollar is strong, it is worth more in foreign currencies. This makes Australian products more expensive overseas and foreign products cheaper in Australia. Consequently, when the dollar is strong, Australian exporters lose foreign customers to producers from other countries with correspondingly lower exchange rates.

A marketing manager is not safe from the influences of changing exchange rates just because his or her company is not involved in foreign trade. New competition arises in the domestic market as foreign products gain a competitive edge due to their lower prices. Many companies find themselves helpless during such economic change. In fact, a country's whole economic system can be affected by shifts in imports and exports, which, in turn, affects jobs, consumer income and national productivity.

In addition, many of the larger companies in countries such as Australia and New Zealand are subsidiaries of multinational corporations with overseas head offices. Frequently, there is no incentive for the parent company to establish local production facilities in countries with smaller markets, such as Australia and New Zealand. Rather, local subsidiaries are required to import products from the parent or other affiliate companies, thereby increasing the country's imports. Subsidiaries may also be precluded from pursuing export opportunities, because the parent company may wish to handle all overseas business itself.

Marketing managers must monitor the economic environment carefully. In contrast with the cultural and social environment, economic conditions change continually, and often rapidly, which requires immediate strategy changes.[6]

ethnocentrism

Strong sentiments of **ethnocentrism** or **nationalism**—an emphasis on one's country's interests above all else—affect many marketing managers. Nationalistic feelings can reduce sales or even block all marketing activity in some international markets. For many years, it has been difficult for foreign companies to conduct business in Japan, despite the fact that Japanese manufacturers of cars or home electronic products have established profitable markets in many parts of the world. Japan is under pressure to change, but the changes are occurring slowly.

Ethnocentrism or nationalism an emphasis on one's country's interests above all else.

The 'Buy Australian' policy in some government contracts and business purchases reflects this same attitude in Australia. There is support, albeit controversial, for protecting Australian producers from foreign competition—especially for producers of footwear, textiles, production machinery and cars.[7]

New Zealand, on the other hand, has reduced its import tariffs to almost nil—gambling on the expected benefits of international competition. Local industries, for instance, that anticipate increased competition from imports, are likely to be encouraged to achieve rapid gains in productivity and efficiency in order to survive.

Ethnocentric feelings can determine whether a foreign company may enter local markets, because foreign businesses must obtain permission to operate in some countries. In some political environments, this is only a routine formality. In others, much ‘red tape’ and personal influence are involved, and bribes are sometimes expected. This raises ethical and legal issues for marketing managers, because it is illegal for Australian companies to offer such bribes (at least in Australia).

Clearly, this can make it difficult for Australian and New Zealand businesses to compete with companies from those countries that do not have similar laws.

regional groupings

Important dimensions of the political environment are likely to be similar among nations that have banded together to form common regional economic entities. An outstanding example of this sort of regional grouping is the movement towards the economic unification of the countries in Europe—although several other groupings have been developed since the emergence of the **European Union (EU)**. These include the **North American Free Trade Agreement (NAFTA)**, (**www.nafta-sec-alena.org**), which lays out a plan to reshape the rules of trade among the US, Canada and Mexico; the **Association of South-East Asian Nations (ASEAN)**, whereby countries in Asia aim at economic unity; and, closer to home, the **Closer Economic Relations (CER)**, an agreement between Australia and New Zealand to remove all tariffs and quotas between the two countries.

European Union (EU) unification of the markets of European countries—to remove economic and political barriers to trade between nations.

North American Free Trade Agreement (NAFTA) lays out a plan to reshape the rules of trade among the US, Canada and Mexico.

Association of South-East Asian Nations (ASEAN) whereby countries in Asia aim at economic unity.

Closer Economic Relations (CER) an agreement between Australia and New Zealand to remove all tariffs and quotas between the two countries.

While initially based on pure economic terms, these regional groupings tend to result in standardised regulations concerning tax and trade practices as well as unified consumer markets. In addition, bilateral free trade agreements, such as that recently signed between the US and Australia, or that foreshadowed between Australia and Indonesia, have the potential to impact significantly on the volume of trade between these two countries.

The political environment does not usually change as dramatically or as rapidly as it has in Europe in the past decade. Some important political changes, both within and across nations, evolve more gradually. The development of consumerism is a good example.

market development

A **market development strategy** involves increasing sales by selling existing products in new markets. Because the new market is unfamiliar to the company, the risk involved increases. Market development may involve merely advertising in different media to reach new target customers. But it could also mean adding channels of distribution or new stores in new areas, including overseas markets. For example, McDonald’s effectively reached new customers by opening outlets in airports (e.g. Sydney and Auckland international airports), and in office buildings and zoos. The chain also expanded into new international markets, opening outlets in countries such as China, Brazil, Hong Kong, Singapore, Mexico and Russia. Similarly, Video Ezy, a franchise network of video rental stores, opened new outlets in developing suburbs or in new locations in order to attract new consumers.

Market development strategy trying to increase sales by selling existing products in new markets.

Market development may also involve searching for new uses for a product. For example, Continental Foods provides recipes showing how to use its dry soup mixes to make party dips, and insurance companies are now promoting some of their life insurance products as income-generating retirement plans.

international opportunities

Marketing managers often fail to take advantage of international markets, especially when the company’s domestic market is prosperous. Yet there are good reasons for considering other opportunities.

International trade is increasing, and trade barriers are coming down. In addition, advances in transportation and communications are making it easier and cheaper to reach international customers. With an Internet web site, even the smallest company can provide international customers with a great deal of information and a simple order facility at very little cost. Email communications and interactive electronic ordering on the Internet are fast and efficient, regardless of the customer's location.

If customers in other countries are interested in the products an organisation offers, or could offer, serving them may improve economies of scale. Lower costs (and prices) may provide a competitive advantage both in a company's home markets and abroad. Black & Decker, for example, uses electric motors in many of its tools and appliances. By selling in many countries throughout the world, Black & Decker achieve economies of scale and the unit cost (cost per motor) can be reduced significantly.

Marketing managers must also consider the possibility that an aggressive, low-cost foreign producer may enter their traditional 'home market'. For example, a number of Australian clothing manufacturers have lost their share of the market and shut down, because foreign companies manufacturing in other countries, particularly Southeast Asia, have taken their market share by offering better quality goods at lower prices.

Different countries are at different stages of economic and technological development and their consumers have different needs at different times. A company facing tough competition, thin profit margins and slow sales growth in its home market may do better in another country where demand for its product is just beginning to grow.

Unfavourable trends in the marketing environment at home, or favourable trends in other countries, may make international marketing attractive. For example, population growth in Australia and New Zealand has slowed and income is levelling off. In other countries, such as China, there are large populations, and incomes are increasing rapidly. Many Australian and New Zealand companies can no longer rely on the market growth that once drove increased domestic sales. They must look for growth from distant customers. Today, it makes little sense to assume that the best opportunities exist 'at home'.

In some instances, the risk of internationalisation can be moderated with the setting up of **strategic alliances**, where both partners stand to gain in working together towards shared goals. Of course, international expansion by way of strategic alliances requires that the right partners are identified before investments are made.

Strategic alliances where both partners stand to gain in working together towards shared goals.

A2 relationship marketing

kicking the ball on internationalisation[8]

Forming strategic alliances and parterships with 'strong' sporting clubs around the world is one of the pillars of Manchester United's marketing strategy and internationalisation process.

In Australia, Manchester United (MU) has recently teamed up with the Essendon AFL club, in a deal that is aimed at helping the club to emulate MU and forge stronger relationships with its own fans.

According to MU's director of marketing, Peter Draper, there is merit in sticking to the 80/20 rule and it is best to 'know 20 per cent of your customers really well and have a . . . relationship with them'. He knows the score: over the years MU has gained a degree of loyalty from fans that many brands would kill for. Indeed, according to author and online commentator David Icke, 'MU is no longer a soccer club but a brand'.

Essendon is not the only interested partner that wants to learn more about how to build relationships with fans. For example, Vodafone recently signed a new four-year sponsorship agreement as MU's principal sponsor and business partner. The deal, estimated to be worth $85 million, kicked off in June 2004 and it includes naming and logo rights on the club's playing kit and MU news that is delivered to wireless devices. According to Vodafone's chief marketing officer, Peter Bamford, this will not only showcase the brand on the world stage but it will also ensure a 'strong relationship with customers that we have in so many countries'.

DISCUSS

1 / How do strategic alliances reduce the risks of internationalisation?
2 / What does David Ike mean when he says, 'MU is no longer a soccer club but a brand'?
3 / How can the Essendon football club benefit from its relationship with MU?

international dimensions of market research

As previously noted, market research on overseas markets is often a major contributor towards international success. Conversely, export failures are often due to a lack of management expertise concerning local customer needs, interests and other segmenting dimensions as well as local environmental factors, including competitors' prices and products. Whether a company is small and entering overseas markets for the first time or already large and well established internationally, there are often advantages in working with local market research companies as they know the local situation and are less likely to make mistakes based on misunderstanding the customs, language or circumstances of the consumers they study.

Many large market research companies now have a network of local offices around the world to help with such efforts. In addition, multinational or local advertising agencies and intermediaries can help provide leads to identify the best local market research suppliers.

Multinational companies with well-established marketing operations in various countries may attempt to centralise some market research functions to achieve research economies of scale. Such companies might obtain significant benefits by coordinating major research projects on a global basis, perhaps establishing international project guidelines and then delegating data collection to research specialists within the marketing operations in each country. Similarly, marketing information system development activities may be coordinated from head office, but certain details may be delegated to specialists in one or more countries.

Through such head office direction, the company can hope to achieve a standardised approach to market research, partly to ensure a high standard of research and partly to allow research findings in any particular country to be compared meaningfully with those in any other country. At the same time, however, specific characteristics of the national markets and, in particular, whether their infrastructure permits a unified approach should also be considered with the input of regional offices.

international market segmentation

defining geographic area

Geographic area where a company is competing, or thinking of competing, for customers.

The **geographic area** is where a company is competing, or thinking of competing, for customers. While naming the geographic area seems trivial, it should be undertaken seriously. Fully understanding the geographic boundaries of a market can suggest new opportunities. Supermarkets in Brisbane, London, Kuala Lumpur or Wellington do not cater to all consumers in these cities, and there could be opportunities to serve unsatisfied customers in each market.

Similarly, if a company is currently aiming only at the Australian market, the possibility of world market opportunities exists. In the case of DVD players for example, some standards that are in force in different countries require that manufacturers consider these markets differently. The same applies to DVDs (i.e. digital video disks), some of which are zoned only to play in some regions of the world.

A generic-market description should exclude any product-type terms. This emphasises that any product type that satisfies the needs of the consumer can be a competitor in this generic market. The product type should be mentioned only in each product-market definition. Figure 5.2 on page 177, in Chapter 5 shows the relationship between generic-market and product-market definitions.

Creative analysis of the needs and attitudes of present and potential target markets, in relation to the benefits offered by the company and its competitors, assists in identifying new opportunities. There are many dimensions for segmenting markets, but defining markets only in terms of current products is not the best method of finding new opportunities, or planning marketing strategies.

segmenting international markets

Segmenting domestic markets, be they made of consumers or businesses, is highly challenging. So, too, is the task of international marketers as they attempt to segment other national markets, or a combination of national markets, in their marketing strategy. As a result, success in international marketing requires even more attention to segmentation. There are more than 228 countries throughout the world and each has a unique culture or cultures. There can be major differences in language, customs (including business ethics), beliefs, religions, and race and income distribution patterns from one country to another. Some of these differences are discussed in Chapter 6, but it should be apparent that these additional differences complicate the segmentation process. Even critical data are often less dependable and could be unavailable to companies moving into international markets. So, while the number of variables increases, the quantity and quality of data decreases. This is one reason why some companies insist on having local operations and decisions handled by local people. Locals, at least, have some understanding of their own markets.

A3 going global

Masstige takes over the planet[9]

In Australia, sales of luxury and prestige cars increased more than 20 per cent from 2003 to 2004. Meanwhile, other luxury brands, from Paspaley pearls to Christian Dior watches and Louis Vuitton bags are experiencing their best results ever. With millionaires (excluding the value of their residence) now estimated to exceed 100 000 in number, it seems that people are using their wealth to comfort themselves in our uncertain times.

But the trend is not limited to millionaires, an increasing number of middle-class consumers appear keen to partake in luxury and prestige brands. This has created a phenomenon dubbed 'masstige'; whereby the purchase of even one single item of a prestige brand can offer entry into a new and exclusive world.

Fuelling this trend are rising income levels, which often have doubled as both spouses work, and the smaller size of family groups, as an increasing number of couples decide not to have children, or discover too late that they cannot have children.

According to Ross Honeywill, director of the Centre for Consumer Strategy, 'the luxury market has been transformed from a world of rare and expensive indulgences to one of everyday treats and rewards'. These 'neo-consumers' differ from the traditional 'AB market' in that they do not borrow status from the brand; but, rather, they take luxury into everyday life because of what they know, believe and desire. Accounting for 24 per cent of the Australian population, but accounting for half of all discretionary spending, this is a market that is well worth watching.

This leaves marketers trying to think of options that are reserved only for the 'über-rich'—such as upper-class Virgin flights with double beds; Black Amex cards; or, anytime soon, trips to the moon, courtesy of Richard Branson's spatial flights. In some cases, true luxury has gone back to being about customised and individual products or services.

At the same time, a new breed of prescient consumers, the 'prosumers', has been emerging from research undertaken in places as diverse as the US, UK, China, India, Germany and now Australia. Ahead of the pack by 6 to 18 months, how do these pre-trend setters define prestige? In a world that is increasingly defined by lack of time, the prosumers define prestige as simple, authentic and unhurried pleasure, be it a day of luxury at the spa, a trekking holiday in Peru or a week of meditation in an Indian ashram.

DISCUSS

1 / What is a 'neo-consumer'?
2 / What products appeal to 'prosumers'?
3 / What do the 'über–rich' want from their products?

international market dimensions

Segmenting international markets often requires using more dimensions, but one practical method adds only a single step to the approach discussed in Chapter 5. Marketers must segment by country or region, looking at demographic, cultural and other characteristics, including stage of economic development. This can assist in identifying regional or national submarkets that are fairly similar. The same basic approach, as discussed in Chapter 5 for final consumers or business markets, can then be applied.

Many people believe that increased communication opportunities and easier travel between countries results in a more homogeneous world market. Multinational companies need to take care when deciding whether a global strategy—segmenting the world market and targeting particular segments, regardless of their geographic position—is potentially more profitable than an international marketing strategy, where segmentation is implemented in separate countries or groups of countries.

Local expertise and understanding is essential in making such decisions. An international marketing strategy, which closely matches local market requirements with the company's offering, must be weighed against the potential for greater economies of scale obtained by sharing similar resources across world segments. A rational decision will ultimately depend on cost analysis, but it is often felt that the balance still involves 'thinking globally and acting locally'.

international consumer behaviour

global population—statistics and trends

Many marketing managers ignore opportunities outside their own countries and this may lead to missed opportunities. For example, the larger cities in Australia may seem to offer great potential to a local business, but the Australian population is not even one per cent of the total world population, which is now more than 6000 million.

The map in IAA Figure 1 on pages 12 and 13 shows where the long-term world population growth will come from. Clearly, as trade barriers are relaxed, many companies will be looking to tap into those markets where the most growth is expected. Of course, other factors such as economic development and literacy levels will also play a part in determining the attraction of any specific market.

Some additional information is provided in IAA Table 1 on pages 14 and 15, which summarises current data for representative countries from different regions around the world. Note that population growth varies widely between countries, with less-developed countries typically experiencing a greater rate of growth. For example, the population of Uganda and Saudi Arabia is expected to double in the next 25 years, whereas it will take five times longer for the population of Australia, the US or Canada to double—and even longer for Japan and some European countries. In some instances, like Ukraine or South Africa, the 2025 population is expected to be significantly less than it is today.

Population size, of course, is only one of many demographic dimensions of relevance to marketers. Of equal importance is information relating to geographic concentration or income levels, as these directly influence what, and why, people buy.

population concentration

Population density is important to marketers. If the population is geographically dispersed, as in many African countries, it is difficult and expensive for marketers to adjust time and place discrepancies between producers and consumers. Distribution costs can all but preclude some markets from being profitable and marketers must understand whether the population distribution is conducive to the establishment of a sustainable marketing plan. This is a particular problem in countries that do not have efficient highway and railway systems. Similarly, a widely spread population may make promotion more difficult, especially when there are language differences or when communication systems are poor. Of course, even in countries where population densities are low in general, the major cities may have high population densities.

There are substantial variations in the extent to which the people of a country are resident in and around urban areas. In the UK, Singapore, Israel and Argentina, as well as Australia, for example, more than 85 per cent of the population live in urban areas. By contrast, in Nepal or Ethiopia, less than 15 per cent of the people live in major urban areas.

The worldwide trend towards urbanisation is a key factor that has prompted an increased interest in international markets. Many people are leaving traditional rural areas to go to industrial and urban areas. For many companies, the concentration of people in major cities has simplified distribution and promotion strategy decisions. This is especially the case for major cities in the wealthiest countries. Affluent, 'big-city' consumers often have similar lifestyles and needs. Thus, many of the products that are successful in New York, Toronto or Paris are also likely to be of interest in Sydney, Singapore or Tokyo.

However, it is important to recognise that many of the world's consumers, whether crowded in cities or widely dispersed in rural areas, live in deplorable conditions with little hope of an escape from poverty. These people certainly have needs, but not the income to satisfy them.

income

Profitable markets require income as well as people. The amount of money people can spend affects the products they are likely to buy. When considering international markets, income is often one of the most important demographic dimensions.

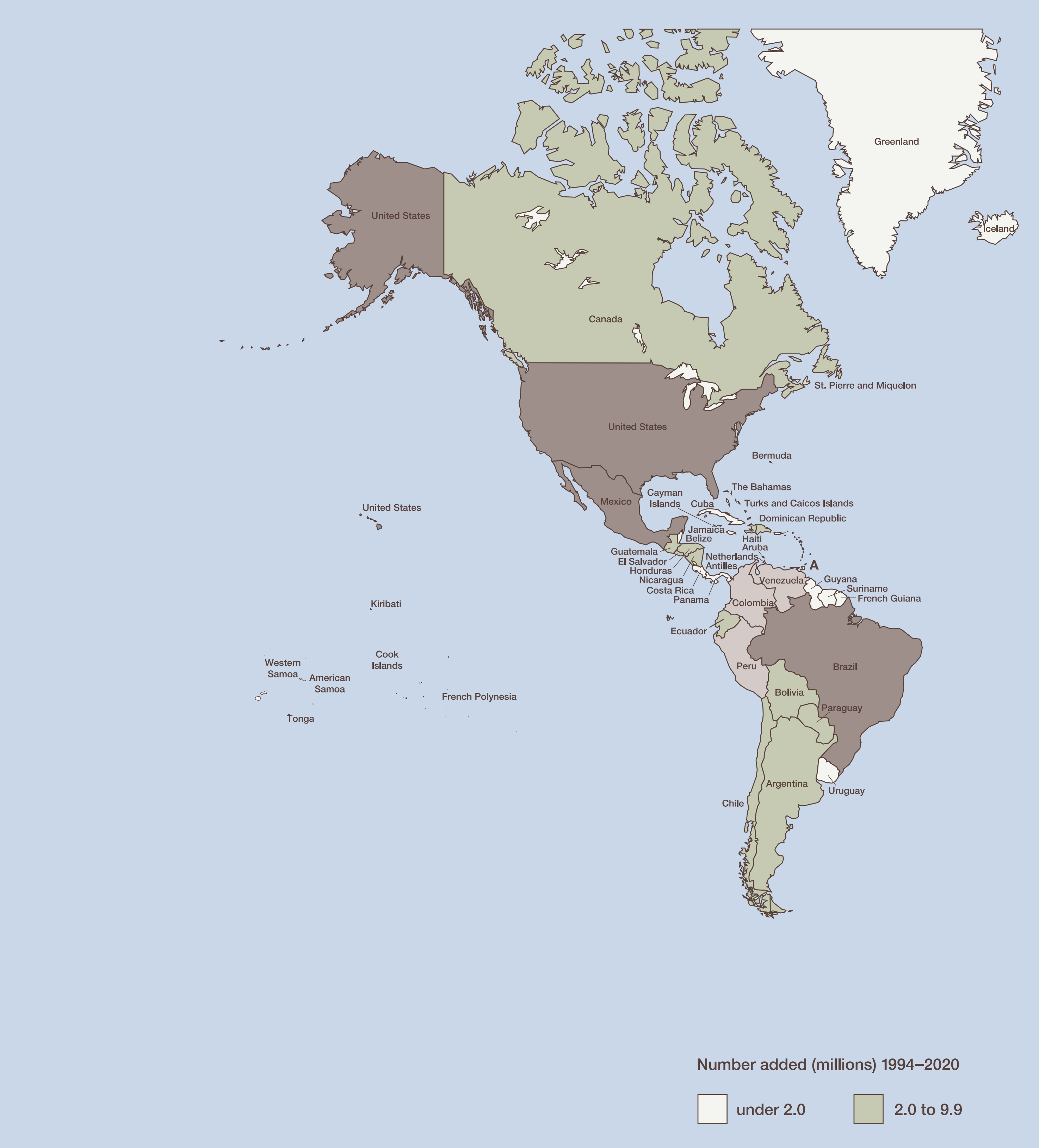
The best available measures of total income in most countries are **gross domestic product (GDP)**—the total wealth produced domestically in an economy in a given period—and **gross national product (GNP)**—the total wealth produced both domestically and overseas by an economy in a given period. Unfortunately, GDP measures are not ideal for comparing very different cultures and economies. In particular, overall GDP must be weighed against the size of the population, so that the marketer can gain a truer picture of the country's consumers' available income. In addition, because the 'real' value of many activities of self-sufficient family units outside the money economy is not included, GDP can provide a false economic picture in less-developed countries. However, gross domestic product is still a useful indicator and, occasionally, the only available measure of market potential. IAA Table 1 on pages 14 and 15 gives an estimate of GNP for each country listed. As expected, the more-developed industrial countries, including the US, Japan and Germany, have the highest share of the world's GNP. This is why so much trade takes place between these countries and why many companies view them as the most important markets.[10] Indeed, some global marketers pick and choose wealthy consumers wherever they may be—offering them special services to secure the loyal business of such desirable clients.[11]

Gross domestic product (GDP) the total wealth produced domestically in an economy in a given period.

Gross national product (GNP) the total wealth produced both domestically and overseas by an economy in a given period.

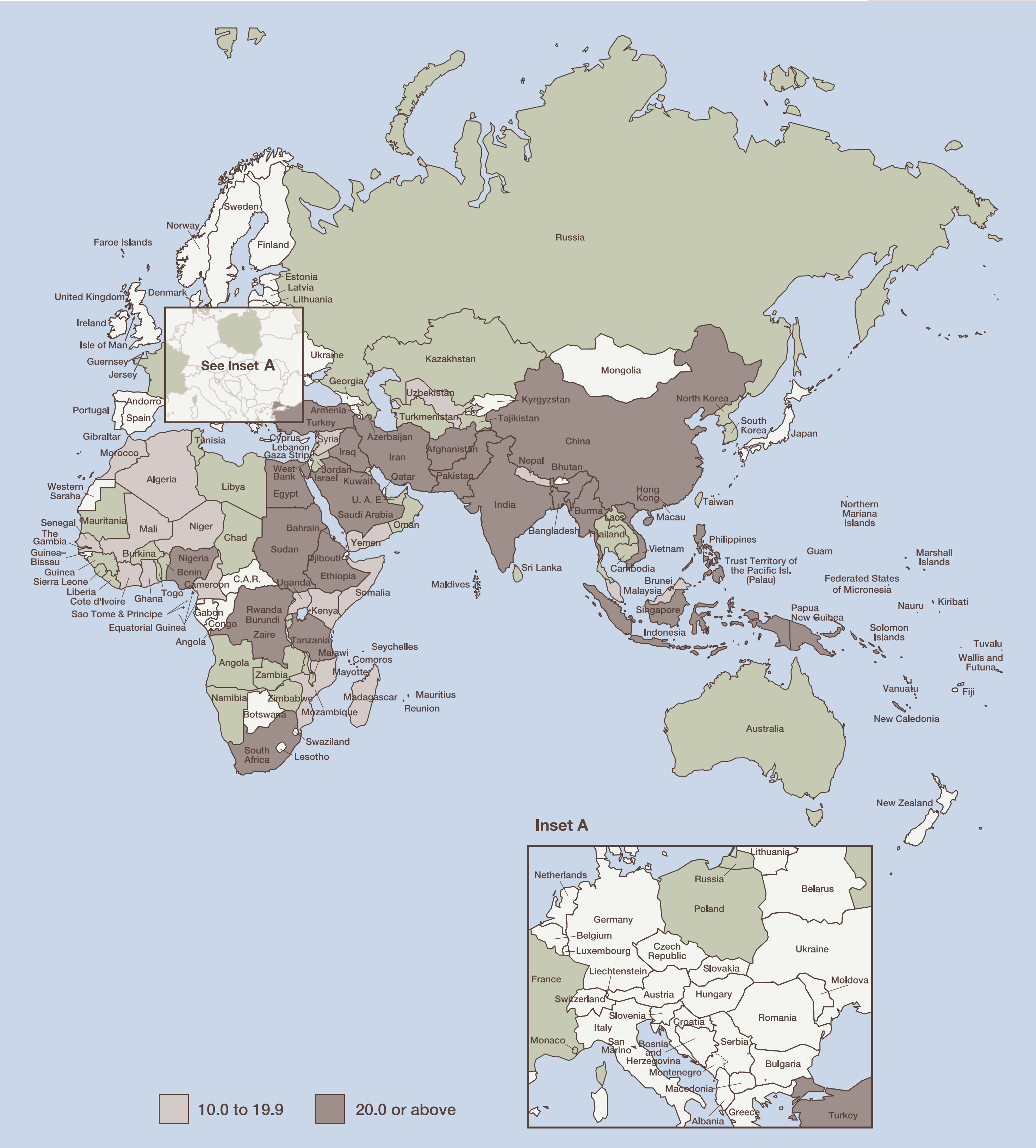
Gross national product identifies the income of a whole nation; but in a country with a large population, that income must be spread over more people. Gross national product per person (or per capita) is a useful figure because it provides some measure of the income levels of the people in a country. IAA Table 1 on pages 14 and 15 shows, for example, that GNP per capita in Australia and New Zealand is quite high, more than A$20 000. Japan, Canada, Switzerland and Germany, as well as the US, are among those countries with the highest GNP per capita. In general, these markets offer the best potential for products targeted at consumers with higher incomes.

The large number of countries with low GNP per capita is a stark reminder that much of the world's population lives in poverty. Even among those countries with the largest overall GNP, signs of this poverty are visible. In India, for example, the GNP per capita is A$700 per year, although this hides the extreme diversity of income with more than 200 million Indian people enjoying a very comfortable middle-class lifestyle. Many countries are still in



IAA Figure 1 *Population added between 1994 and 2020*

Source: Based on data from US Bureau of the Census, Reports WP/94 and WP/94-DD, *World Population Profile, 1994*, Government Printing Office, Washington DC, 1994



Faroe Islands
Norway
Sweden
Finland
Estonia
Latvia
Lithuania
United Kingdom
Denmark
Ireland
Isle of Man
Guernsey
Jersey
See Inset A
Portugal
Andorro
Spain
Gibraltar
Morocco
Western Sahara
Senegal
The Gambia
Guinea-Bissau
Guinea
Sierra Leone
Liberia
Cote d'Ivoire
Sao Tome & Principe
Equatorial Guinea
Mauritania
Mali
Algeria
Tunisia
Libya
Niger
Chad
Burkina
Ghana
Togo
Nigeria
Benin
Cameroon
C.A.R.
Gabon
Congo
Angola
Zaire
Rwanda
Burundi
Uganda
Kenya
Tanzania
Malawi
Zambia
Namibia
Botswana
Zimbabwe
Mozambique
South Africa
Swaziland
Lesotho
Madagascar
Mayotte
Comoros
Seychelles
Mauritius
Reunion
Sudan
Egypt
Ethiopia
Djibouti
Somalia
Bahrain
Yemen
Oman
Saudi Arabia
U. A. E.
Qatar
Kuwait
Jordan
Israel
West Bank
Gaza Strip
Lebanon
Cyprus
Syria
Iraq
Iran
Turkey
Armenia
Georgia
Azerbaijan
Ukraine
Russia
Kazakhstan
Uzbekistan
Turkmenistan
Kyrgyzstan
Tajikistan
Afghanistan
Pakistan
India
Nepal
Bhutan
Bangladesh
Sri Lanka
Maldives
Mongolia
China
North Korea
South Korea
Japan
Hong Kong
Macau
Taiwan
Burma
Laos
Thailand
Vietnam
Cambodia
Philippines
Brunei
Malaysia
Singapore
Indonesia
Papua New Guinea
Trust Territory of the Pacific Isl. (Palau)
Guam
Northern Mariana Islands
Marshall Islands
Federated States of Micronesia
Nauru
Kiribati
Solomon Islands
Tuvalu
Wallis and Futuna
Vanuatu
Fiji
New Caledonia
Australia
New Zealand
Inset A
Lithuania
Netherlands
Russia
Belarus
Poland
Germany
Belgium
Luxembourg
Czech Republic
Ukraine
Liechtenstein
Slovakia
France
Moldova
Austria
Hungary
Switzerland
Slovenia
Croatia
Romania
Italy
Monaco
San Marino
Bosnia and Herzegovina
Serbia
Montenegro
Bulgaria
Macedonia
Albania
Greece
Turkey
10.0 to 19.9
20.0 or above

COUNTRY	2001 POPULATION (000s)	1990–2000 PER CENT POPULATION GROWTH	2000–2010 PER CENT POPULATION GROWTH	2025 PROJECTED POPULATION (000s)	2001 POPULATION DENSITY (PEOPLE/ SQUARE MILE)	2001 PER CENT OF POPULATION IN URBAN AREAS	2001 GNI PER CAPITA	2001 GDP (MILLIONS OF $US)	2001 ILLITERACY PER CENT
Algeria	31 736	2.1	1.6	44 270	35	49	1 650	54 680	32
Argentina	37 917	1.3	1.0	45 757	35	90	6 940	268 638	3
Australia	19 358	1.2	0.9	23 023	7	85	19 900	368 726	0
Bangladesh	132 975	1.7	2.0	204 539	2 539	23	360	46 706	59
Brazil	177 753	1.5	1.1	217 825	53	81	3 070	502 509	13
Cameroon	15 110	2.4	1.9	22 440	87	48	580	8 501	28
Canada	31 593	1.2	0.9	38 165	9	78	21 930	694 475	0
Chile	15 328	1.4	1.0	18 532	53	86	4 590	66 450	4
China	1 271 085	1.0	0.6	1 448 447	354	38	890	1 159 031	14
Colombia	40 349	1.9	1.5	55 065	101	71	1 890	82 411	8
Croatia	4 334	–0.5	0.5	4 569	199	54	4 550	20 260	2
Cuba	11 184	0.6	0.3	11 831	261	75	—	—	3
Ecuador	13 184	2.2	1.8	19 154	123	61	1 080	17 982	8
Egypt	71 902	2.2	1.8	103 353	181	43	1 530	98 476	44
Ethiopia	63 959	2.7	1.8	91 205	152	15	100	6 233	60
Finland	5 176	0.4	0.1	5 208	44	61	23 780	120 855	0
France	59 658	0.5	0.4	63 085	283	74	22 730	1 390 807	0
Germany	82 281	0.3	0.0	80 637	614	86	23 560	1 846 069	0
Ghana	19 843	2.4	1.3	25 365	224	37	290	5 301	27
Greece	10 624	0.4	0.1	10 490	210	59	11 430	117 169	3
Haiti	7 288	1.7	1.8	11 083	655	35	480	3 737	49
Hungary	10 106	–0.2	–0.3	9 276	283	64	4 830	51 926	1
Iceland	278	0.8	0.4	300	7	93	28 910	7 702	0
India	1 018 504	1.8	1.4	1 361 625	897	28	460	477 342	42
Indonesia	227 741	1.8	1.4	300 277	324	39	690	145 306	13
Iran	66 791	1.4	1.1	85 480	105	66	1 680	114 052	23
Iraq	23 332	2.2	2.7	40 418	139	68	—	—	60
Ireland	3 841	0.8	0.9	4 438	144	58	22 850	103 298	0
Israel	5 938	2.6	1.3	7 612	757	91	16 750	108 325	5
Italy	57 845	0.2	0.1	56 234	508	90	19 390	1 088 754	2
Jamaica	2 666	0.7	0.7	3 250	638	50	2 800	7 784	13
Japan	126 892	0.3	0.0	120 001	832	78	35 610	4 141 431	0
Kenya	30 777	2.4	1.0	35 271	140	20	350	11 396	17
Kuwait	2 042	–0.8	3.5	4 175	297	100	18 270	32 806	18
Libya	5 241	2.1	2.3	8 323	8	86	—	34 137	19
Madagascar	15 983	3.0	3.0	32 966	71	22	260	4 604	33
Malaysia	22 229	2.2	1.8	33 065	175	57	3 330	88 041	12

IAA Table 1

Source: William D. Perreault and E. Jerome McCarthy, *Basic Marketing: A Global-Managerial Approach*, 15th Ed., McGraw-Hill, US, pp. 126–7; Quester et al., *Marketing: Creating and Delivering Value*, 4th Ed., McGraw-Hill, Australia, pp. 184–5

COUNTRY	2001 POPULATION (000s)	1990–2000 PER CENT POPULATION GROWTH	2000–2010 PER CENT POPULATION GROWTH	2025 PROJECTED POPULATION (000s)	2001 POPULATION DENSITY (PEOPLE/ SQUARE MILE)	2001 PER CENT OF POPULATION IN URBAN AREAS	2001 GNI PER CAPITA	2001 GDP (MILLIONS OF $US)	2001 ILLITERACY PER CENT
Mexico	101 879	1.7	1.4	133 835	137	74	5 530	617 820	9
Morocco	30 645	2.0	1.6	42 553	178	55	1 190	34 219	50
Mozambique	17 142	2.9	0.5	17 496	64	28	210	3 607	55
Nepal	25 284	2.5	2.2	39 918	479	11	250	5 562	57
Netherlands	15 981	0.6	0.4	17 250	1 220	62	24 330	380 137	0
New Zealand*	3 861	0.5	0.8	4530	14.2	70	13 100	50 500	0
Nicaragua	4 918	2.8	1.9	7 269	106	57	370	2 068	33
Nigeria	127 120	2.9	2.4	206 398	360	36	290	41 373	35
North Korea	21 940	0.8	0.9	25 755	473	59	—	—	—
Norway	4 503	0.5	0.4	4 951	38	74	35 630	166 145	0
Pakistan	144 617	2.2	1.9	213 338	481	33	420	58 668	56
Panama	2 879	1.7	1.3	3 676	97	62	3 260	10 171	8
Peru	27 484	2.1	1.5	37 487	56	72	1 980	54 047	10
Philippines	81 370	2.1	1.8	118 686	720	47	1 030	71 438	5
Poland	38 634	0.1	0.0	38 011	329	62	4 230	176 256	0
Romania	22 364	–0.2	–0.2	20 854	251	55	1 720	38 718	2
Russia	145 470	–0.1	–0.3	135 952	22	73	1 750	309 951	0
Saudi Arabia	22 757	3.3	3.3	48 517	27	83	8 460	186 489	23
Singapore	4 300	3.2	3.3	8 316	17 849	100	21 500	85 648	7
Somalia	7 489	0.8	3.1	14 862	31	28	—	—	—
South Africa	42 573	1.3	–0.4	34 045	92	54	2 820	113 274	14
South Korea	47 619	1.0	0.6	51 801	1 264	79	9 460	422 167	2
Spain	40 087	0.2	0.1	39 578	208	64	14 300	581 823	2
Sri Lanka	19 409	1.1	0.8	22 594	776	30	880	15 911	8
Sudan	36 080	2.8	2.6	61 339	39	27	340	12 525	41
Sweden	8 875	0.4	0.0	8 929	56	84	25 400	209 814	0
Switzerland	7 283	0.6	0.2	7 359	474	68	38 330	247 091	0
Syria	16 729	2.7	2.3	26 548	235	50	1 040	19 495	25
Tanzania	34 583	2.7	2.0	52 813	106	22	270	9 341	24
Thailand	63 007	1.2	0.9	73 260	313	31	1 940	114 681	4
Turkey	66 494	1.6	1.1	82 205	223	66	2 530	147 683	14
Uganda	24 170	3.1	3.0	48 040	311	16	260	5 675	32
Ukraine	48 760	–0.5	–0.6	43 293	209	67	720	37 588	0
United Kingdom	59 723	0.3	0.3	63 819	639	90	25 120	1 424 094	0
United States	284 797	1.2	0.9	349 666	79	75	34 280	10 065 265	0
Venezuela	23 917	2.0	1.4	32 061	70	87	4 760	124 948	7
Vietnam	79 544	1.6	1.3	104 436	636	24	410	37 723	7
Zimbabwe	12 332	1.8	0.6	12 773	76	32	480	9 057	11

*From Statistics NZ, estimates available at wwwz.stats.govt.nz the early stages of economic development, with most people working on farms and barely living within the money economy. In Mozambique or Madagascar, two of the most destitute economies of our time, the GNP (per person, per year) is less than A$400.

However, these people still have needs. Many are eager to improve their standard of living, but they may not be able to do so without external assistance. This presents a challenge and an opportunity to the developed nations and to their business organisations.

literacy levels

Literacy levels the proportion of a country's population able to read and write.

Literacy levels are the proportion of a country's population who are able to read and write. These levels have a direct influence on the development of the economy and on marketing strategy planning. The degree of 'literacy' affects the way in which information is delivered, which in marketing terms means promotion. Unfortunately, only about two-thirds of the world's population can read and write. Data on literacy rates are difficult to obtain because different measures are used in different countries. Even so, a look at some of the countries in IAA Table 1 on pages 14 and 15 with high illiteracy rates may prove surprising.

As shown in IAA Table 1 on pages 14 and 15, many countries with compulsory schooling boast illiteracy rates of zero per cent, as all citizens are required to spend a minimum number of years learning the elementary skills of spelling and counting. However, *literacy* is often defined more appropriately as the ability to read and comprehend the meaning of a short text, as opposed to the mere ability to spell and write words in isolation.

This definition of literacy, combined with the existence of 'fringe' populations that, because they are homeless, are not registered or accounted for in government schemes and by census bureaus, would probably result in literacy rates of less than 100 per cent, even in the best-educated countries.

In relative terms, however, IAA Table 1 on pages 14 and 15 shows how illiteracy can pose different problems for different target markets.

High illiteracy levels sometimes present difficulties with product labels and instructions for which we usually use words. Some companies have met this lack of literacy with instructions that use pictures instead of words. For example, Singer has used this approach with its sewing machines. However, even this approach can cause problems. For example, a pharmaceutical company producing a brand of painkiller believed the product benefit could be demonstrated most easily by showing three pictures of a person feeling sick, taking the medication and then feeling visibly better. The product launch proved disastrous in all countries of North Africa. There, people reading in Arabic read from right to left (not from left to right) and consequently these people saw, on the label, a happy person taking the medication and feeling quite miserable as a result![12]

segmentation

Marketers can learn a great deal about possible opportunities in different countries by studying available demographic data and trends. With the emergence of the Internet, more useful data are available. *The World Factbook*, prepared by the Central Intelligence Agency (CIA) for use by US government officials, is widely available and accessed via the CIA's web site (**www.odci.gov/cia/publications/factbook**). It gives facts and statistics on every country. The World Bank publishes *The World Development Indicators*, another excellent source for statistics on individual countries—available at the World Bank's web site (**www.worldbank.org**). The International Programs Center of the US Census Bureau also publishes an analysis on world population and related topics—*World Population Profile*. Useful statistics for individual countries are found at the US Census Bureau's web site (**www.census.gov/ipc**).

After identifying some countries or regions of possible interest (and eliminating unattractive ones), more segmentation may be required. To illustrate how useful demographic dimensions can be in this process, we look at specific characteristics of the Australian and

New Zealand markets in some detail in Chapter 6. For additional data on the Australian market, you can go to the web site of the Australian Bureau of Statistics (**www.abs.gov.au**) or, for New Zealand, see Statistics New Zealand (**www.stats.govt.nz**).

international marketing often raises ethical issues

Marketing managers from developed nations sometimes face an ethical dilemma about whether their products help, or hurt, consumers in less-developed economies. For example, a United Nations report criticised Coca-Cola and Pepsi for expanding their soft drink sales in the Philippines. The study concluded that consumers had shifted to soft drinks from local beverages, such as a mixture of lime juice and coconut water—thereby missing out on the necessary vitamins that the local beverage provided.

Some companies take advantage of lower-quality standards or less-stringent legislation in less-developed countries by exporting lower-cost alternatives for the products they market in their domestic market. Children's night clothing that is sold in Asia, for example, rarely complies with the very strict fire resistance requirements in force in most Western countries. Marketers of such products may argue that using fire-resistant cloth would make these items unaffordable for most potential consumers and that, therefore, they are justified in relaxing the fire resistance requirement—in light of the remote probability of such incidents occurring. The ethical issue, however, remains unanswered. Should a company provide such a product—even though it is potentially harmful—if the alternative for the consumer is not to have access to the product category at all?

A common strategy of marketing managers is to introduce in foreign countries—that are typically less developed than their domestic market—the products and services that are perceived as 'going out of fashion' on the home market, or those that are soon to be replaced by better and more advanced models. Many critics say that this shows little respect for overseas consumers who should also gain from the benefits of technology. To this, marketers respond 'it is not a simple argument'. If the alternative to the 'not-so-new product' is no product at all, is it better to provide overseas' consumers with, at least, the opportunity to purchase a not-so-new product, if they so choose?

Another scenario occurs when new products—as yet untested in the domestic market—are launched in an overseas market for the purpose of establishing their safety or efficacy. This is a common strategy in the pharmaceutical industry, which counters its critics by asking whether it might be better to be used as a guinea pig rather than not to receive treatment at all. More often than not, the cost of new drugs is prohibitive for most poor consumers in less-developed countries.

In such cases, a marketing manager may need to weigh the benefits and risks of trying to serve Third World markets. Some critics argue that a company should not sell its products in foreign markets if those products are illegal in the domestic market. Ultimately, however, it is often the marketing manager who must decide what to do and it is often useful to consider the steps described in Chapter 1 to deal with such ethical dilemmas.

While the notion of a hierarchy of needs seems well validated in most Western societies, it could also be argued that this concept may not be as applicable in other cultures—Eastern philosophies, for instance, encourage the neglect of bodily needs in favour of an embellishment of the mind. Likewise, tribal societies, such as Australian Aboriginals and New Zealand Maori, attach more value to the wellbeing of the group than to that of the individual. In other words, marketers should be aware of possible variations that may contradict the previously accepted—and Western-biased—concept of a needs hierarchy.

Certain aspects of consumers' buying behaviour may change over time. Frequently, this change is caused by shifts in some underlying social factors. When this occurs in overseas markets, less alert international marketers might retain outdated, stereotyped images of consumer behaviour in these markets.

For example, many Westerners believe that the typical Japanese executive works very long hours, with little time available for family life. Australian or New Zealand marketing managers with this view, when aiming products (or marketing mixes) at a market segment comprising Japanese executives, would probably take account of this factor. Promotion, for instance, might portray a Japanese executive hard at work at the office, and committed to building a successful career—with no emphasis at all on family life. In reality, however, young Japanese executives now want a more meaningful family life and they are unwilling to continue the almost total dedication to business accepted by the previous generation.[13] As a result, promotion now aimed at younger Japanese executives (or their spouses) might be more effective if it subtly portrays the importance of family life.

Culture the complete set of beliefs, attitudes, and ways of doing things that belong to a reasonably homogeneous set of people.

Culture is the complete set of beliefs, attitudes and ways of doing things that belong to a reasonably homogeneous set of people. We can think, for example, of the Australian culture, the Maori culture, the French culture or the Asian-Australian culture. People within these cultural groupings tend to be similar in outlook and behaviour. Sometimes, it is useful to think of subcultures or micro-cultures within such groupings.

For example, within the Australian culture, there are various religious and ethnic micro-cultures; there also tend to be different cultural forces in different regions of the country. People from Melbourne and Sydney, for instance, feel strongly that they are different from one another and both groups would agree that they are different from Queenslanders! Likewise, in New Zealand, people from the South Island tend to view themselves as quite different from the North Island population.

Yet, if a New Zealander and an Australian met in Beijing, it is very likely that they would feel that they come from the same, or a very similar, culture by contrast to the people surrounding them.

international market variations

Marketing planning strategies that take into consideration the cultural differences in international markets can be more complex than those for domestic markets—greater variations usually occur. Each foreign market may need to be treated as a separate market with its own submarkets. Ignoring cultural differences, or assuming that these are unimportant, almost guarantees failure in international markets.

For example, while Japanese consumers are often the first to 'snap up' a new gadget, less than 10 per cent of Japanese households have a dishwasher, compared to almost 50 per cent in Australia. Major appliances manufacturers all seem to have failed to export their standard models. One reason is that Japanese kitchens are often too small to accommodate standard size appliances. Another is that soybeans and other common Japanese food are very sticky and they do not come off well with standard machines. But even countertop models with powerful jets that do the cleaning have failed to convince Japanese consumers. This is because traditional Japanese people believe that women should be doing the cleaning up and so many Japanese housewives prefer to continue to wash the dishes rather than face the guilt. However, Matsushita has finally achieved good levels of sales for its dishwasher by focusing on hygiene and hot water conservation, rather than convenience.[14]

In countries with different cultures it is always a mistake to make assumptions and to proceed without local market research. However, this research must then be used. Cadbury undertook some market research of Japanese consumers but decided to ignore the research findings, which indicated that Japanese consumers disliked the high milk-fat content of Cadbury's Dairy Milk chocolate bars. The company proceeded with the launch of this product in Japan, regardless; and, not surprisingly, the product was a failure. In contrast, Danone undertook a major modification and testing program for its range of yoghurts and dairy desserts, until these products satisfied Japanese tastes. Predictably, these products were highly successful in the Japanese market.[15]

Marketing managers probably want to aim at people within one culture or subculture—to target its marketing mix. If a company is developing strategies for two cultures, it often needs two different marketing plans.[16] This happens in Malaysia, where advertisements are often duplicated to reflect different ethnic backgrounds of the population: Chinese, Indian or Bumi Putra.

The attitudes and beliefs that are associated with culture tend to change slowly. Once marketers develop a good understanding of the culture of the market for which they are planning, they should concentrate on the more dynamic variables discussed previously.

organisational customers in overseas markets

Many marketers have discovered that there are good opportunities to serve business and organisational customers in different countries around the world.

Specific business customs do vary between countries and these differences can be important. For example, a salesperson working in Japan must know how to handle a customer's business card with respect. Japanese people consider it rude to write notes on the back of a card or to place the card in a wallet while the person who presented it is still in the room. Cultures, business practices, government regulations and economic developments vary between regions around the world, as does organisational buying behaviour.

Differences are perhaps greatest between Western countries, such as Australia, New Zealand, the UK and the US, on the one hand, and Asian countries such as China, Indonesia, Japan and Malaysia, on the other. However, there also may be significant differences between some countries within the same region—for example, in organisational buying behaviour between countries within the ASEAN region.

While cultural differences can be very important, the basic approaches used by marketers to deal with business customers in different parts of the world are much less varied than those required to reach individual consumers. This is probably why the shift to a global economy has been so rapid for many companies. Their business customers in different countries buy in similar ways and are reached with similar marketing mixes. Moreover,

A4 ethical dilemma

gifts, bribes and 'rigged' specifications

In some countries, government officials expect small payments, 'grease money', just to facilitate the processing of routine paperwork, inspections or decisions of the local bureaucracy. It is often necessary to allow small grease money payments if these are customary in the local culture.

Outright 'influence peddling', where government officials or their friends request bribe money to influence a purchase decision, is common in some markets and, in the past, marketers have regarded such bribes as a business cost. Increasingly, legislation is being introduced to prohibit companies from paying bribes to foreign officials. However, a manager may not be held responsible if an agent in a foreign country secretly pays bribes.

DISCUSS

1 / What is your opinion of the tendering process and the ethical ramifications of these laws?
2 / Is it wrong for companies to sell in countries that request bribes?
3 / What are the dangers for companies paying bribes?

business customers are often willing to work with a distant supplier who has developed a superior marketing mix.

selling to overseas governments

Selling to government bodies in foreign countries can be a 'real' challenge. In many cases, a company must obtain permission from the government in its own country to sell to a foreign government.

Most government contracts, such as Singapore's $6200 million stimulus package, favour domestic suppliers, if these exist. Likewise, Hong Kong's $1900 million economic stimulus package was designed to create 30 000 short-term jobs and provide money for additional government spending. Even if such favouritism is not explicit, public sentiment may make it difficult for a foreign competitor to win a contract, or government bureaucracy may simply bury a foreign supplier in 'red tape'.[17]

In Australasia, foreign companies find it more difficult to win government contracts if local companies can do the job equally well, as there is a move by most state governments in Australia to give Australian-made and Australian-owned products and services preference in purchasing.

product planning in international markets

international variations

The consumer product classes are based on how consumers view products and how they shop for them. It is important to keep in mind that the attitudes of consumers in different countries are likely to vary significantly on these dimensions.

An item that is viewed as a shopping product by most consumers in Australia, New Zealand or some similarly affluent country might be seen as a specialty product by consumers in another country. The price might be much higher when considered as a proportion of the consumer's income, and the available choices might be very different. Similarly, what is a convenient place to shop often means different things in different countries. In Japan, for example, retail stores tend to be much smaller and carry smaller selections of products.

A5 ethical dilemma

brand counterfeiting and dubious packaging practices[18]

Registration does not stop counterfeiters from making unauthorised copies. Many well-known brands face this problem. Counterfeiting is especially common in developing nations. Counterfeit copies of software programs, such as Microsoft® Windows® 98 and WordPerfect, are available in Taiwan and other Asian countries.

Because there are differences in cultural values, and counterfeiting is big business in some countries, multinational efforts to stop such counterfeiting may meet with limited success.

DISCUSS

1 / Where do you stand on these important issues?
2 / How can companies attempt to reduce counterfeiting?
3 / What marketing strategies should be used to combat counterfeiting?

The consumer-product-class concept does work in different countries, but it is vital to consider the products from the viewpoint of the target customers, not from the marketer's perspective. International marketers must recognise key differences in customer expectations. Japanese consumers are well known for the high standard of presentation they demand. Australian and New Zealand exporters of fruit and vegetables to Japan must take special care with product selection and quality standards, as well as using more attractive packaging than that required in domestic markets. Similarly, customers in some countries demand much higher standards of service. Australian and New Zealand hotels catering for wealthier North American, European or Japanese visitors must provide better service than that demanded by most local tourists.

Marketing strategy planners need to know more about potential customers than about how they buy specific products, but these classes constitute a good place to begin strategy planning.

product management in international markets

new strategies for different markets

The same product may be in different life cycle stages in different markets, so a company may simultaneously pursue different strategies for a particular product. For example, in 1957 Hindustan Motors in India began to import and assemble the British Morris Oxford motor vehicle into the protected Indian market—rebadging it as the Ambassador. Although

A6 going global

the golden Peking duck[19]

Australia's international marketing offensive is pinpointing high-yielding international tourists in key growth markets. Top of the list of target markets is China, where Tourism Australia is set to intensify its 'Brand Australia' campaign. The Chinese people are eager to explore new cultures and, as government policies are becoming more flexible, there is enormous potential for tourism growth.

The private sector is well aware of the potential of China as a revenue earner; and the Australian government is examining Australia's capability to cope with mass tourism and to identify problems that could arise. One problem that requires an urgent solution is the proliferation of rogue tourism operators, both here and in China. They are one of the greatest threats to our reputation as a quality destination.

Not only is strong volume growth in tourist numbers required, but increasing yield per visitor is essential for adding value in the tourism sector. Chinese visitors are already among the highest yielding tourists and business tourists have a comparatively higher yield. But the business tourism market is fickle and highly competitive—emerging markets, such as China, are fashion conscious and if Asian organisations decide Sydney is no longer 'it' they will go elsewhere.

Christopher Brown of the Tourism and Transport Forum says:

> *We as an industry have a duty to collude on the quality of the experience for the Chinese coming here, to make sure they are not being ripped off so that they start questioning the value of their visit. This is a golden goose which we cannot hurt, and for once the industry has to take a long-term view to ensure this is a sustainable growth market.*

DISCUSS

1 / How should Australian companies take advantage of these opportunities?
2 / How are rogue tourism operators a threat?
3 / What products would be most appealing to Chinese consumers?

the Indian market was opened to competition in the 1990s, the Ambassador had become a status symbol. So despite the fact that the British Morris Oxford is no longer available on the British market, the Indian version (the Ambassador) remains essentially unaltered and viable.

managing international channels of distribution

When they first enter international markets, most producers seek help from specialists who can provide crucial information about customer needs and insights into differences in the marketing environment. For an exporter that is attempting to enter an Asian market, it is often essential to involve local agents—partly to ensure that appropriate channel customs or proprieties are followed, but also to establish a degree of local identity in the market.

In some countries, such as Japan, there is a high degree of inflexibility regarding channel structure. A foreign company may need to adopt the same channel system—and, perhaps, the same intermediaries at lower levels of the channel—as local competitors. In such a situation, it makes sense to use local agents that are already familiar with existing channel members and structures.

International marketing managers need to take account of differences in wholesaling operations in different markets—such as the number of levels of wholesalers and the types of wholesalers that are available. Such differences may require changes to distribution strategies that were originally developed for other countries, or may provide opportunities to improve existing strategies.

international marketing logistics

transport—shipping

Sea transportation is the slowest mode of transport, but it is often the lowest-cost means of shipping heavy freight. Sea transportation is very important for international shipments—often, it is the only practical approach. This explains why port cities such as Melbourne, New York, Rotterdam, Osaka, Singapore and Sydney are important centres for international trade. Efficient and competitive international shipping services are also essential in New Zealand—given the country's distance from major overseas markets and the fact that about 99 per cent of the country's imports and exports (by volume) are carried by sea. Major international ports are located in Tauranga, Auckland and Lyttleton, near Christchurch.[20]

Coastal shipping involves sea transportation from one port in a country to another. In Australia, coastal shipping is responsible for transporting approximately 52 million tonnes of domestic freight per year. Iron ore, bauxite and crude oil represent the bulk of the coastal shipping task in Australia. Coastal shipping in New Zealand is important for the distribution of cement and petroleum products—especially between the North Island and the South Island.[21]

transport—air

Airfreight companies are playing an important role in the growth of international business. While the bulk of international cargo moves on ships, the speed of airfreight opens up global markets for many businesses that previously had only domestic opportunities. Perishable products that previously could not be shipped are now being flown across continents and oceans. Flowers and bulbs from Holland are now flown to points all over the world, as are exotic tropical fruits from Asia and Australian native flowers.

intermodal transportation

The alternative transport modes have been described separately in Chapter 11, but products are often moved using several different modes and carriers during the journey—that is, **intermodal shipments**. These intermodal shipments are usually handled by 'freight forwarders' and major transport companies, such as TNT, Mayne Logistics and Brambles, and they are especially common for international shipments. Japanese companies, such as Sony, transport stereos to Australia, New Zealand, Southeast Asia, the US and Europe by ship. On arrival at an Australian port, for example, the stereos are loaded onto trains and sent across the country before being delivered to distributors by truck or rail.

Intermodal shipments moving products using several different transport modes and carriers during the journey.

Loading and unloading the goods several times used to be a real problem. Parts of a shipment would become separated, damaged or even stolen. Handling the goods, perhaps many times, also raised costs and slowed delivery. Many of these problems are reduced with **containerisation**—that is, grouping individual items into an economical shipping quantity and sealing them in protective containers for transit to the final destination. This protects the products and simplifies handling during shipping. Some containers are as large as truck bodies.

Containerisation grouping individual items into an economical shipping quantity and sealing them in protective containers for transit to the final destination.

Freight forwarders (transportation wholesalers that combine the small shipments of many shippers into more economical shipping quantities) are especially useful in arranging international shipping. They handle the majority of the general cargo and airfreight shipped from Australia and New Zealand to countries overseas. Air Express International specialises in assisting marketing managers to identify the most efficient air cargo company to speed deliveries around the world.[22]

Freight forwarders transportation wholesalers that combine the small shipments of many shippers into more economical shipping quantities.

logistic challenges

Marketing managers in developed countries, including Australia and New Zealand, must recognise that infrastructure is limited in many developing economies. In some countries, it may prove difficult or even impossible to implement sophisticated distribution systems designed to provide high levels of customer service. Expansion into such markets may require significant modification to place elements of the marketing mix to maintain high standards of service. Alternatively, it may be necessary to make major changes to other elements of the marketing mix to compensate for lower service levels in such countries. (It is possible that customers in these countries have lower expectations regarding customer service levels, given the lack of infrastructure and the resultant impact on service standards. Such a situation might somewhat reduce the significance of these problems.)

Situations exist where infrastructure is so inadequate that a company cannot afford to continue operations in a particular market or to source products from a particular country. The further removed the company is from that developing country, the greater the difficulties are likely to seem. A typical Australian or New Zealand company, used to relatively reliable transportation and other infrastructure-related services, would probably perceive greater contrasts in China than a typical Hong Kong company that is familiar with congested transport and warehouse facilities.

Entry into some markets may require a company to upgrade its physical distribution systems so that the systems are relative to its operations in other countries, to meet specific customer requirements. For example, Australian and New Zealand strawberry producers utilise fast and reliable airfreight services (as well as superior packaging) to ensure freshness of product as part of their strategy to enter the Japanese market.

international aspects of pricing policies

International marketers must recognise that there may be significantly different pricing practices (and expectations) in different countries. For example, Japanese intermediaries maintain relatively high prices for consumer products that are sold within Japan. An Australian or New Zealand producer, attempting to export to Japan, must recognise that the price of a product to Japanese consumers may be much higher than that paid by consumers at 'home'.

Exporting to, or direct involvement in, various overseas markets increases the number of factors affecting pricing policy. Prices are influenced by the various environmental factors in each country in which the organisation's products are sold. These include competitive, economic and political factors—which may vary significantly from one country to another. Pricing policy cannot be based on domestic criteria alone; and without a clear international pricing policy, there is a risk that the prices of the organisation's products in different countries will lack harmony with the country's culture or consistency with other elements of the marketing mix.[23]

It may be difficult or time consuming to develop an adequate understanding of local factors (especially regarding competition and established channel pricing structures) without input from locally based people. If a local marketing operation is not established, an organisation may utilise local agents, even if its own salespeople visit on a reasonably regular basis.

A country's money also has a *price level*—that is, its worth in some other currency. The Australian dollar was worth US$0.57 in June 2002. Exchange rates fluctuate over time, and the fluctuations can be large. Amazingly, at one point in 1971 the Australian dollar was worth more than the US dollar—US$1.10. By 1990 it had fallen to a more realistic US$0.70, but in September 2001 it fell to a low of US$0.48 before beginning to rise again. Likewise, the New Zealand dollar fluctuates in price or value compared with other countries' currencies.

Exchange rate fluctuations can have a significant effect on whether or not a marketing manager's price level has the expected result. A weaker domestic currency boosts exports as the price of goods and services sold overseas becomes lower in the foreign currency. Farmers in Australia and New Zealand welcome a downward readjustment of their currencies—making their products more internationally competitive without changing their cost structure.

intra-company pricing

Transfer pricing the pricing of products sold between affiliated companies (such as between parent and subsidiary, or between different subsidiaries) based in different countries.

One contentious aspect of international pricing policy involves so-called **transfer pricing**—the pricing of products sold between affiliated companies (such as between parent and subsidiary, or between different subsidiaries) based in different countries. Governments in host countries are often concerned about alleged practices of low transfer pricing for sales to parent companies in overseas countries. Such pricing constitutes a means of transferring profits from subsidiary to parent companies, thereby reducing company tax commitments in the host country.

setting prices in international markets

Sometimes companies may view entering overseas markets as a way of utilising excess capacity. Therefore, they may be willing to achieve prices that are above their marginal costs but well below their domestic prices. Such companies may become involved in anti-dumping complaints, while other companies may have difficulty competing against 'dumped' products. (**Dumping** has been defined in two ways: the international shipment of products sold below the costs of production; and the selling of products in overseas markets at prices lower than those of equivalent products in the home market.) The World Trade Organisation's Anti-dumping Code prohibits dumping.

Dumping the international shipment of products sold below the costs of production, or the selling of products in overseas markets at prices lower than those of equivalent products in the home market.

Considering the complexity of the calculations involved in determining the marginal cost of some products, particularly services, it is no wonder that accusations of 'dumping' may have been directed at rival exporters. In recent years there has been an increase in the number of investigations of dumping both in Australia (e.g. in relation to the import of textiles, clothing and footwear) and overseas (e.g. BHP Billiton's export of steel products to the west coast of the US).[24]

international aspects of marketing communications

When Australian and New Zealand companies enter the international market, they are confronted with additional difficulties in designing an effective marketing communications program. Quite apart from the immediate issue of language, they need to determine whether the same benefits will be sought by different consumers and whether the types of messages used in the domestic market can be effectively used elsewhere.

In the case of 'global marketing', the same segment of consumers is targeted around the world, with the same (or a similar) marketing mix. In such instances, a standardised approach to marketing communications makes sense. Similar advertisements and sales promotions are implemented in the different national markets where the product or service is found. For example, Coca-Cola and Singapore Airlines use identical campaigns in all countries in which they operate.

International marketing, on the other hand, requires that the marketing mix is tailored to meet the needs of the *target market/s*—defined as the most appealing customers located in each of the different countries or regions in which a company may choose to operate. In such a situation, for a given country, the best marketing communications program is designed to appeal to, and suit the taste and lifestyle of, the local consumers. This may result in the same product or service being promoted quite differently in different markets. For example, Colgate promoted its toothpaste with the use of a very popular singing group in Thailand. From the initial television campaign a national talent contest developed. Promotional materials were provided to schools, and even audiotapes of the advertising music were sold.

In recent years, the Internet has created many opportunities for marketing communications to be conducted online—directly from the company to potential or existing consumers. For example, according to an estimate by International Data Corp, the online population in China was 27 million in 2001 (about the same as in Japan) and e-commerce transactions were estimated at $4000 million by 2003—up from only about $42 million in 1999, despite many obstacles such as the reluctance of Chinese consumers to use credit cards.[25]

Clearly, such developments have profound effects on the way in which it is possible to communicate across borders. One immediate consequence has been the increased use of English for marketing communications, as English is the predominant language of the Internet.

There are also interesting opportunities for non-competing advertisers in export-oriented countries (including Australia and New Zealand) that are willing to cooperate in the placement of advertisements or the development of integrated marketing communications campaigns in order to achieve 'country-of-origin' synergy. For example, the grouping of Australian advertisements in media blocks on a country-by-country or regional basis may assist in the development (or maintenance) of an awareness of Australian goods and services.

international aspects of advertising and sales promotions

legal aspects of advertising

In most countries, the government takes an active role in deciding what kinds of advertising are permitted, what is considered fair and what is inappropriate. In Australia and New Zealand, as in the US, print advertisements must be identified so that they are not confused with editorial content—in other countries, it is quite usual for advertisements and editorial content to be intermixed. So-called 'advertorials', however, are becoming more and more common, particularly in women's magazine pages.

Most countries place limits on the number and length of commercials on broadcast media. In Italy, a TV advertisement can be shown only 10 times per year (although this restriction may change as broadcast rules in Europe become more unified).

Differences in regulations mean that marketing managers may face very specific limits in different countries, and local experts may be required to ensure that companies do not waste money developing advertising programs that will never be shown, or that consumers believe to be deceptive.[26]

global agencies for global advertising

The vast majority of advertising agencies are small, with 10 or fewer employees each. However, recently some large agencies have merged, creating 'mega-agencies' with worldwide networks. IAA Table 2 provides a list of the top nine agency supergroups and examples of some of the products for which these agencies have developed advertising campaigns.

The table shows that although the head offices of these networks are in various countries, the networks have offices throughout the world. As this suggests, the move towards international marketing is a key reason behind the mergers.

AGENCY	HEADQUARTERS	WORLDWIDE GROSS INCOME (2002) US$ MILLION	PRODUCTS
Omnicom Group	New York	7536.3	Visa, Pepsi, Gillette, FedEx, DaimlerChrysler
Interpublic group of companies	New York	6203.6	John Deere, Samsung, Dockers, Hewlett-Packard
WPP Group	London	5781.5	Ford, IBM, Motorola, Mattel, American Express
Groupe Publicis	Paris	2711.9	BMW, CitiBank, L'Oreal, Hallmark, Timberland
Dentsu	Tokyo	2060.9	Sega Enterprises, Toshiba, Dreamcast, Matsushita, Hitachi
Havas	Suresne (France)	1841.6	Peugeot, Royal Caribbean, Intel, Evian, Air France
Grey Global Group	New York	1199.7	Hasbro, Mars, Oracle, Procter and Gamble, Nokia
Hakuhodo	Tokyo	860.8	Sapporo, Sony, Honda, Citizen, Panasonic
Cordiant Communications Group	London	788.5	Wendy's, Pfizer, CDW, Kellogg's, Nestlé

IAA Table 2 *Top nine advertising agency supergroups and examples of products they advertise*

Before these mergers, it was often difficult for a marketer to find a capable, full-service agency in the countries in which it wanted to advertise. The mergers combined the strengths of individual agencies. The mega-agency can offer varied services wherever in the world a marketing manager needs them. This may be especially important for managers in large corporations such as Toyota, Renault, Unilever, NEC and PepsiCo, all of which advertise throughout the world.[27]

During the 1980s, many international consumer products companies tried to use one global advertising message all around the world. Of course, they translated the message or made other minor adjustments, but the focus was on one global copy strategy. Some companies did this believing they would avoid the costs of developing different advertisements for different countries. Others felt that customers' basic needs were the same, even if these customers were in different countries. Some just did it because it was fashionable to globalise during the early-1980s.

This approach worked for some companies. Coca-Cola Amatil and Gillette, for example, feel that the needs their products serve are very similar for all consumers. For example, Coca-Cola recognised the power Harry Potter holds over children (and their parents) when it signed an unprecedented deal, valued at A$300 million for the worldwide marketing rights to the first three Harry Potter movies, ensuring that only it can run Harry Potter promotions.[28]

However, many companies that focused only on consumer similarities experienced terrible results. They may have saved money by developing fewer advertisements, but they lost sales because they did not develop advertising messages (and whole marketing mixes) aimed at specific target markets. In effect, they tried to appeal to a global mass market while failing to recognise significant differences between consumers in some countries (as identified in Chapter 6).

Combining smaller market segments into a single, large target market makes sense if the different segments can be served with a single marketing mix. When that is not the case, the marketing manager should treat the segments as different target markets and develop a different marketing mix for each market. For international marketing managers and advertising managers, this means achieving a balance between combining markets in particular regions and treating each country as a separate market.

global aspects of sales promotion

In some countries, legislation may constrain or prevent the use of specific promotional activities. For example, tobacco companies know very well that what is allowed in some of their markets is simply illegal in others. In Malaysia, for instance, it is quite possible for the marketing manager of a brand of cigarettes such as Salem to organise large-scale sampling of the product. This practice would be quite illegal in other countries where the ban on advertising and promoting cigarettes is stringently enforced, such as in Australia and New Zealand.

In a few countries (including Australia), there may even be differences in relevant legislation between different provinces or states. For example, competitions and sweepstakes are subject to lottery and gaming laws that differ from one state to another, making it difficult to design truly national competitions.

The differences in cultural and social factors between consumers in different countries explain why certain promotional mixes are more appropriate in some countries than in others. Obviously, international marketers must be aware of differences in legislation and other factors when planning promotional activities in overseas markets. Often, managers prefer to delegate the planning (and implementation) of these activities to local managers or outside specialists, who better understand local legislation, customs and practices.

Despite differences between countries, there may still be some opportunities to develop global or regional promotional programs. Global brands such as Coca-Cola or Levi's can successfully replicate part of their promotional programs from one country to the next. In some instances, only minor modifications may be required. As always in marketing, the decision will have to be based on a trade-off between the potential savings that a standard promotional program can afford, and the potential harm that the lack of country customisation could generate.

international aspects of personal selling

international structure

If a company has enterprises around the world, it is likely to establish marketing operations in various countries. While there may be some degree of control from an international head office, management within each country may be responsible for a wide range of marketing activities, including personal selling.

If the organisation is decentralised, with marketing decision-making delegated to operations in each country, the issues previously discussed are relevant. Those responsible for planning and implementing the personal selling strategies will make decisions based on corporate guidelines and environmental factors relevant to their own countries.

In a centralised company, managers with international or regional responsibilities may provide detailed guidelines on strategic issues, such as the role and structure of the sales force, but they may delegate implementation to local management. Astute international managers recognise the appropriateness of authorising local people to 'tailor' the personal selling strategies to suit the needs of their particular countries.

Some local operations have a high degree of autonomy, perhaps with their own manufacturing or distribution facilities as well as their own marketing operation. In such a case there is likely to be little or no need for the international head office to interfere in personal selling strategies at the local level.

A company with a worldwide structure may benefit by passing on new ideas, or successful selling strategies, from one country to all others. Outstanding salespeople in one country could be used to assist in the development of selling skills in another country. The global operation would probably present a local face in each country.

International sales representatives need additional skills and training to assist them in coping with differences in language and culture. Consider an Australian or New Zealander selling to business customers in Japan or China. Japanese buyers tend to be dedicated to personalised customer service. They are relatively sceptical and aloof, and may act in a manner that reflects the superior status that Japanese society assigns to buyers relative to sellers. In contrast, the Chinese buyers, as hosts to the foreign company's representatives, will be extremely polite and humble and follow strict Chinese etiquette.

Importantly, Japanese customers expect suppliers to be committed to an ongoing, long-term customer–supplier relationship. Indeed, in Japan, there is an assumption that contractual arrangements will be continuous unless some dramatic event occurs to force a change in the relationship. Consequently, the Japanese buyer will initially place a great deal of emphasis on assessing whether a prospective supplier has the potential to become a worthwhile long-term partner. To the Chinese buyer, the idea that a relationship should benefit both parties over the long term is quite new. The traditional Chinese philosophy is that 'the Chinese come first and all others second'. The Chinese people see negotiations as an opportunity for learning, and they will delay closure in order to learn as many details as possible. It is important when dealing with Chinese customers to set boundaries regarding the extent and type of information the company is willing to share.

To many Western salespeople without selling experience in Japan or China, these approaches by Japanese and Chinese customers often appear to be stalling tactics, aimed at 'wearing down' the foreign supplier. While there may be some truth in this view, this is not the primary purpose.

Unlike the Western perspective, the Japanese view of reality incorporates a belief that people should attempt to maintain a balance or harmony in life. Japanese negotiators maintain such harmony by avoiding strong emotional language, such as use of the word 'no'. Thus, if challenged on some point, Japanese negotiators often do not argue or even discuss the particular point—preferring to remain silent. Both the Japanese and Chinese negotiators believe that maintaining the 'face' of both parties is essential.

The Chinese negotiation style is somewhat different from the Japanese. In answering questions during negotiations, Chinese negotiators have extreme difficulty in being candid and forthright, and they may give foreigners the answer they want to hear, rather than the truth, in order to save the 'face' of both parties. In contrast to Japanese negotiators who avoid the word 'no', Chinese negotiators use this word often, but not in the Western sense of the word. They simply believe it is impolite to accept anything on the first offering and want the other party to offer a second, third or even fourth time before they graciously accept. Such culturally determined communication styles often confuse, and are misinterpreted by, Western executives.[29]

Selling internationally usually involves lengthy negotiations, at least in the initial stages. When a regular contract has been agreed, less-specialised salespeople may handle the relationship; but, more often than not, senior managers and top sales executives must be involved in the negotiations that precede a contract. Learning appropriate negotiation skills is a major task for companies seriously considering the export market.

planning and implementing international strategies

When companies decide to enter international markets, the complexity of planning and implementation is increased. There are six ways for a company to plan the implementation of their strategy in an international marketing context:

1. exporting
2. licensing
3. contract manufacturing
4. management contracting
5. joint venturing and
6. wholly owned subsidiaries. (See IAA Table 3 overleaf.)[30]

Involvement in international marketing can lead to the development of companies into worldwide businesses that transcend national boundaries. These **multinational corporations (MNCs)** have a direct investment in several countries and run their businesses, depending on the choices available, anywhere in the world. Well-known MNCs include Pacific-Dunlop (Australia), Coca-Cola (US), Toyota (Japan), Nestlé (Switzerland), Philips (Netherlands), Shell Oil (UK–Netherlands) and Adidas (Germany). They regularly earn more than one-third of their total sales or profits abroad and have well-accepted worldwide brands.

Multinational corporations (MNCs) have a direct investment in several countries and run their businesses, depending on the choices available, from anywhere in the world.

These powerful organisations hire local workers, build local plants, and establish relationships with local businesses and governments. They plan marketing strategies to deal with nationalistic feelings and border barriers, treating these as purely part of the marketing environment.

Politically, the world is not yet unified, but business is moving in that direction. New kinds of corporations and laws to govern multinational operations may need to be developed. In the future, business and politics may not be limited by national boundaries.

	DEFINITION	WHEN EFFECTIVE	COMMENTS
Exporting	Selling some of what the company is producing to overseas markets.	Effective if do not have sufficient knowledge of chosen market to plan implementation details. Effective to eliminate surplus production or to obtain a 'feel' for the demand in the overseas market.	Frequently involves the appointment of an overseas-based distributor or agent to handle the marketing of the product or service in that market.
Licensing	Selling the right to use some process, trademark or patent for a fee or royalty.	Effective way of entering a market if sound partners are available.	Licensee: • takes most of the risk • invests capital to obtain right to operate • does most of the planning and implementation.
Contract manufacturing	Handing over production to others while retaining control of the marketing function.	Effective if: • labour relations are difficult • problems obtaining supplies or government cooperation.	No easier to plan the marketing program but easier to implement.
Management contracting	Seller provides management skills while others own production and distribution facilities.	Effective in unstable environments where facilities may be taken over by government or damaged by riots or wars.	Low risk as company makes no commitment to fixed assets (facilities).
Joint venturing	Domestic company enters into a long-term partnership with an overseas company.	Effective when a close working relationship can be developed, perhaps based on one company's technical and marketing knowledge and the other partner's market knowledge and political connections.	Requires commitment from both parties and there must be agreement on a joint plan. Disagreements can occur over objectives and operating policies, which can sometimes lead to major problems.
Wholly owned subsidiary	Separate business operation owned by the parent company.	Effective in stable country when there is a desire for complete control of all marketing plans and operations. Requires the greatest investment.	Requires the greatest investment. Can export excess capacity from low production cost country to countries with higher production costs.

IAA Table 3 *International market entry strategies*

ethical marketing in international markets

globalisation

Increasingly, marketing managers face global competition. Some consumers and some managers hate that thought. Worldwide competition creates even more pressure on marketing managers to figure out what it takes to gain a competitive advantage at home and in foreign markets. But with the challenge comes opportunities. The forces of competition in and among market-directed economies help speed the diffusion of marketing advances to consumers everywhere. As macro-marketing systems improve throughout the world, more consumers will have income to buy products from wherever in the world those products come.

Marketers cannot afford to bury their heads in the sand and hope that international competition will go away. Rather, they must realise that it is part of today's marketing environment and they must undertake the sort of marketing strategy planning that rises to the challenges it poses.

However, many consumers are extremely concerned about the speed of **globalisation**—that is, considering the whole world as a market. They argue that large multinational companies are becoming bigger than governments and, as a result, are becoming able to avoid the democratic processes by which citizens may direct the system in which they live. This criticism is justified.

For example, Wal-Mart (the US-based multinational) in 2001 collected revenues that were approximately equal to those of the Swedish economy (US$220 000 million); whereas, for the same year, ExxonMobil exceeded the GDP of Turkey (US$191 000 million) and General Motors exceeded the GDP of Denmark (US$177 000 million), and so on. Enron, the now disgraced US company, exceeded the GDP of countries such as South Africa, Finland and Greece.[31]

Given the size of these large multinational companies, is it not natural to expect that their influence will far exceed that of usual businesses? Is it really possible for any government to control companies that have more financial muscle than they do? At a time when political influence and lobbying go hand in hand with donations to political parties, are consumers not entitled to fear the rise of global corporations?

These issues are the source of much public debate. For example, food biotechnology company Monsanto was accused of manufacturing debt in poor rural countries when it developed seeds that would force the purchase of a specific fertiliser and would prevent farmers from harvesting their grain for future crops. Pharmaceutical companies such as GlaxoSmithKline and Bayer have also battled repeated suggestions that they profiteer from Third World endemic diseases to generate profit at the cost of people's lives. Shell was accused of allowing, by its inaction, the murder of political opponents by one African government with which it has signed exploration contracts. Closer to home, Microsoft has been the target of many computer users for building-in software obsolescence and forcing upgrades onto a market it has all but captured.

Paradoxically, however, the anti-logo, anti-globalisation movement is occurring at a time when researchers say a global consumer segment is emerging. A recent record growth in sponsorship has been linked to this global segment. The Olympic Games and other world sporting events have become the arena in which global brands acquire and reinforce their meaning for millions of consumers around the world. In particular, 'mainstream' youth are becoming increasingly alike in what they seek and in the meaning they ascribe to branded products.

It seems that marketers are now confronted with a dichotomised market, comprising a loud minority of anti-capitalists and a silent majority of 'brand junkies'. However, both groups seem to agree in expecting that companies around the world should be socially responsible and give back services or funds to the communities in which they operate.

Marketers of global brands argue that consumers' needs are often shared by people all over the world, justifying a standardised marketing approach, which benefits consumers by bringing prices down and making products more affordable. As consumers travel and as information technology, including the Internet, brings images of lifestyles from one country to another, an increased homogenisation of the consumer market is not surprising and should be welcomed rather than feared.

Opponents, however, argue that large multinationals now enjoy such considerable economic power as to be able to direct developing countries' governments. With increasing interference between the economic and the political agenda, the critics of globalisation say that even in the leading world economies, such as those of the US and the European countries, lobbying and political donations provide multinational corporations with excessive and undemocratic influence over the political decision-making process.[32]

Importantly, an examination of the world's 10 largest companies shows that six of them are American, suggesting that perhaps globalisation is a misnomer. A more accurate description of the process would be to call it 'Americanisation'; and this process is enhanced

Globalisation considering the whole world as a market.

and facilitated by the Internet, which has established English as the *lingua franca* of the World Wide Web.

This issue is brought sharply in focus with the revolt of the anti-globalisation movement at World Trade Organisation meetings; the dramatic increase in the flow of economic refugees around the globe; and the September 11 attack on the World Trade Centre in New York, in 2001, by terrorist groups rejecting the US model of development. Whether we like it or not, globalisation will be one of the key issues shaping the world in decades to come.

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