

# Preface

During the last decade the international marketing field has developed enormously and the marketing function has now taken the central position in most companies. Increasing interdependence of the world economies has created new markets but also has led to increased competition and new challenges in the marketplace. The globalisation of the marketplace is now a reality, but it has led us into certain misunderstandings. The concept of the global market, or global marketing, thus needs clarification. It generally views the world as one market and is based on identifying and targeting cross-cultural similarities. In our opinion, the global marketing concept should be based on the premise of cultural differences and be guided by the belief that each foreign market requires its own culturally adapted marketing strategies. Although consumers dining at McDonald's in New Delhi, Moscow and Beijing is a reality, the idea of marketing a standardised product with a uniform marketing plan remains 'purely theoretical'.

The global marketing strategy is, therefore, different from the globalisation of the market. One has to do with efficiency of operations, competitiveness and orientation, the other with homogeneity of demand across cultures. In this book we consider it important to make this distinction and to see how it affects international marketing strategies.

In Europe, where home markets are smaller, companies like Philips, Unilever, Ericsson, IKEA, HSBC, Akzo Nobel and Nestlé are deriving up to 80 per cent of their revenues from abroad. The companies that succeed in the twenty-first century are those capable of adapting to constant change and responding to new challenges.

The economic, political and social changes that have occurred over the last decade have dramatically altered the landscape of global business. Consider the present and future impact of:

- China as a full player in the international market
- the persistent economic crisis in the Western economies
- emerging markets in Eastern Europe, Asia and Latin America where, in spite of economic and political crises, more than 75 per cent of the growth in world trade over the next 20 years is expected to occur
- the job shift in services from Western to emerging markets
- the rapid move away from traditional distribution structures in Europe, the USA and many emerging markets
- the growth of middle-income households the world over
- an increasingly (in)effective World Trade Organization (WTO) and increasing/decreasing restrictions on trade
- the transformation of the Internet from a toy for 'cybernerds' to a major international business tool for research, advertising, communications, exporting and marketing
- the increased awareness of ethical issues and social responsibility by companies.

As global economic growth occurs, understanding marketing in all cultures is increasingly important. Whether a company wants to involve itself directly in international marketing or not, it cannot escape increasing competition from international firms. This book addresses global issues and describes concepts relevant to all international marketers, regardless of the extent of their international involvement. Emphasis is on the strategic implications of competition in the markets of different countries. An environmental/cultural approach to international marketing permits a truly global orientation. The reader's horizons are not limited to any specification or to the particular ways of doing business in a single country. Instead, we provide an approach and framework for identifying and analysing the important cultural and environmental uniqueness of any country or global region.

The text is designed to stimulate curiosity about the management practices of companies, large and small, seeking market opportunities outside their home country and to raise the reader's consciousness about the importance of viewing international marketing management strategies from a global perspective.

Although this revised edition is infused throughout with an international orientation, export marketing and operations of smaller companies are not overlooked. Issues specific to exporting are discussed where strategies applicable to exporting arise and examples of marketing practices of smaller companies are examined throughout the chapters.

## New and expanded features in this edition

As a result of extensive review work with the publishers and comments from many reviewers, we evaluated the contents of this book and for this new edition have reorganised them to better reflect the way topics are taught on most international marketing courses. In particular the chapter on ethics and social responsibility has been brought forward in Part 4, emphasising its importance for international marketing strategies.

### New content

As segmentation and positioning are the bases for marketing strategy in any market, we have gathered these important issues together in a new chapter on international segmentation and positioning. This chapter explains and provides guidelines for segmentation and targeting the right customers in international markets. It also explains how companies can position their products and company image in customers' minds in different markets.

The new and expanded topics in this edition reflect issues in competition, changing marketing structures, the importance of cultural issues, ethics and social responsibility, and negotiations. The global market is swiftly changing from a seller's market to a buyer's market. This is a period of profound social, economic and political change. To remain competitive globally, companies must be aware of all aspects of the emerging global economic order.

Additionally, the evolution of information technology and global communications and their impact on how international business is conducted cannot be ignored. In the third millennium, people in the 'global village' will grow closer than ever, and will hear and see each other as a matter of course. An executive in the UK will be able to routinely pick up his or her video-phone to hear and see his or her counterpart in an Australian company or anywhere else in the world. In many respects, distance is becoming irrelevant.

Information – and, in its wake, the flow of goods – is moving around the globe at lightning speed. Increasingly powerful networks spanning the globe enable the delivery of services that reach far beyond national and continental boundaries, fuelling and fostering international trade. The connections of global communications bring people all around the world together in new and better forms of dialogue and understanding.

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

- brand new dedicated chapter on international segmentation and positioning
- the importance of ethics and social responsibility at home as well as in international markets
- the impact of the persistent economic crisis
- the European Union of 27 countries and the impact of the euro
- the Internet and its expanding role in international marketing
- big emerging markets, particularly Brazil, Russia, India and China (BRICs) and others
- evolving global middle-income households
- the importance of marketing research for marketing decision making

- enhanced emphasis on cultural issues relevant for international marketing
- the emergence of a new breed of market driving companies such as IKEA, Apple and Starbucks.

## New features

More than 80 per cent of the boxed **Going International** examples are brand new to this edition. These examples are carefully chosen to illustrate the points made in the text. For the fourth edition, most of these examples now act as provocative mini-cases that can be used as discussion points, featuring questions aimed at initiating exercises and discussion in the classroom. Relevant Exhibits and real-life pictures have been added to enhance the visual understanding and bases for discussion.

The **key terms feature**, which we introduced in the previous edition, has been kept and expanded following the reviewers' comments. All key terms are emboldened in the text the first time they are used, and definitions provided in the margin for quick reference. A full **glossary** of key terms is provided at the back of the book and on the Online Learning Centre (OLC).

At the end of each chapter, you'll find an improved **Further Reading** feature, where we present a selection of publications that reflect the classic, most influential and most recent studies in the area covered by the chapter. This feature has been updated throughout to include the most interesting and provocative new research to not only encourage students to go deeper into different topics, but also to help teachers in preparing interesting and enriched lectures.

## Structure of the text

The text is divided into six parts. In **Part 1**, 'An Overview', the two chapters introduce the reader to international marketing and to three international marketing management concepts: the domestic market expansion concept, the multidomestic market concept and the global marketing concept. As companies restructure for the global competitive rigours of the twenty-first century, so too must tomorrow's managers. The successful manager must be globally aware and have a frame of reference that goes beyond a country, or even a region, and encompasses the world. What global awareness means and how it is acquired is discussed early in the text; it is the foundation of global marketing.

**Chapter 2** focuses on the dynamic environment of international trade and the competitive challenges and opportunities confronting today's international marketer. The importance of the creation of the World Trade Organization (WTO), as the successor to GATT, is fully explored. The chapter is totally updated with new facts and realities.

The three chapters in **Part 2** deal with the impact of culture and the political environment on international marketing. A global orientation requires the recognition of cultural and institutional differences and the critical decision of whether or not it is necessary to accommodate them. These three chapters are totally re-written and streamlined. As a result, this edition has two chapters on culture instead of the three in the previous edition.

Geography and history (**Chapter 3**) are included as important dimensions in understanding cultural and market differences between countries. Not to be overlooked is concern for the deterioration of the global ecological environment and the multinational company's critical responsibility to protect it.

**Chapter 4** presents a broad review of culture and its impact on human behaviour as it relates to international marketing. Specific attention is paid to Geert Hofstede's study of cultural value and behaviour. Knowledge of the business culture, management attitudes and business methods existing in a country and a willingness to accommodate the differences are important to success in an international market. This new integrated chapter provides several examples to deal with these different business practices and customs.

The political climate in a country is a critical concern for the international marketer. In **Chapter 5**, we take a closer look at the political environment. We discuss the stability of government policies, the political risks confronting a company, and the assessment and reduction of political vulnerability of products. Increasingly, interaction between business and politics is becoming important and cannot be ignored. Legal problems common to most international marketing transactions are also discussed in this chapter.

In **Part 3, Chapters 6, 7 and 8** are concerned with assessing global marketing opportunities. As markets expand, segments grow within markets, and as market segments across country markets evolve, marketers are forced to understand market behaviour within and across different cultural contexts. Multicultural research and qualitative and quantitative research are discussed in **Chapter 6**.

**Chapters 7 and 8** explore the impact of the three important trends in global marketing: (1) the growth and expansion of the world's big emerging markets; (2) the rapid growth of middle-income market segments; (3) the steady creation of regional market groups that include the European Union (EU), the North American Free Trade Agreement (NAFTA), the Southern Cone Free Trade Area (Mercosur), the ASEAN Free Trade Area (AFTA) and the Asia-Pacific Economic Cooperation (APEC).

The strategic implications of the shift from socialist-based to market-based economies in Eastern Europe and the returning impact of China on international commerce are examined. Attention is also given to the efforts of the governments of India and many Latin American countries to reduce or eliminate barriers to trade, open their countries to foreign investment and privatise state-owned enterprises.

In **Part 4, 'Developing International Marketing Strategies'**, planning and organising for international marketing are discussed in **Chapter 9**. Many multinational companies realise that to capitalise fully on the opportunities offered by global markets, they must have strengths that often exceed their capabilities. **Chapter 10** has been dedicated to entry strategies. Here we provide a model that can be followed to analyse different markets while making decisions on market selection.

**Chapter 11** is the brand new chapter on international segmentation and positioning. Once a company has decided on an overall strategy and has decided which market to enter, it has to quickly analyse whether there is a customer segment in that particular market that is relevant and can be targeted for its product/service. A company must understand the target group so that it can position its product/service in the minds of that target group, in a way that is consistent with its overall objectives and strategy.

**Chapter 12** is the chapter on international branding strategies that we introduced in the previous edition. It examines the different issues surrounding branding, in recognition of its growing importance to international marketing. This chapter has been further improved and updated. In **Chapter 13**, the special issues involved in moving a product from one country market to another, and the accompanying mechanics of exporting, are addressed. The exporting mechanisms and documentation are explained.

**Chapter 14** deals with an expanded discussion on ethical issues in marketing. This chapter has been brought forward to emphasise the strategic nature of these issues. It is imperative that before a company decides on marketing strategies, it is fully aware of ethical and social issues in general and for the particular market it is entering/operating in.

**Part 5** looks at developing international marketing strategies and **Chapters 15 and 16** focus on product management, reflecting the differences in strategies between consumer and industrial products and the growing importance in world markets for business services. Additionally, the discussion on the development of global products stresses the importance of approaching the adaptation issue from the viewpoint of building a standardised product platform that can be adapted to reflect cultural differences. The competitive importance in today's global market of quality, innovation and technology as the keys to marketing success is explored.

**Chapter 17** takes the reader through the distribution process, from home country to the consumer in the target country market. The structural impediments to market entry imposed by a country's distribution system are examined within the framework of a detailed presentation of the American and European distribution structure. In addition, the rapid changes in channel structure that are occurring in emerging and in other countries, and the emergence of e-commerce as a distribution channel, are presented.

The challenges faced by international marketers in foreign markets are discussed and presented in **Chapter 18**. Price escalations and ways in which these can be lessened; countertrade practices and pricing strategies under varying currency conditions are also discussed in this chapter. The factors influencing pricing decisions in different markets are thoroughly discussed.

**Chapter 19** covers advertising and addresses the promotional element of the international marketing mix. Included in the discussion of global market segmentation are recognition of the rapid growth

of market segments across country markets and the importance of market segmentation as a strategic competitive tool in creating an effective promotional message.

**Chapter 20** discusses personal selling and sales management, and the critical nature of training, evaluating and controlling sales representatives. Here we also pay attention to negotiating with customers, partners and other actors in our networks. We discuss the factors influencing business negotiations, and varying negotiation styles.

Finally, in **Part 6**, the **Country Notebook** presents an excellent framework for assignments and for marketing research exercises. This focuses on the new realities of international marketing and factors that may influence entry and competitive strategies in different markets are presented. Also in **Part 6**, building on the success of the case section from the previous edition, we have included a substantial section of excellent case-study material that can be used by students and lecturers to aid learning. You'll find 20 cases in total, half of which are brand new to this edition. The cases reflect all regions and by working through them you will encounter all kinds of marketing scenarios in all kinds of companies in all geographical territories. From supermarket chains in Germany to footballers in China; from Fiat 500 to Abercrombie & Fitch's global success as a brand – each case study is lively, contemporary, thought-provoking and expertly designed to bring out the real issues in international marketing. The shorter cases focus on a single problem, serving as the basis for discussion of a specific concept or issue. The longer, more integrated cases are broader in scope and focus on more than one international marketing problem. Information is provided in a way that enables the cases to be studied as complete works in themselves but, importantly, they also lend themselves to more in-depth analysis that requires students to engage in additional research and data collection.

## Pedagogical features of the text

The text portion of the book provides a thorough coverage of its subject, with specific emphasis on the planning and strategic problems confronting companies that market across cultural boundaries. The pedagogy we have developed for this textbook is designed to complement the rest of the book perfectly, and has been constructed with the very real needs of students and lecturers in mind.

Current, pithy, sometimes humorous and always relevant examples are used throughout each chapter to stimulate interest and increase understanding of the ideas, concepts and strategies presented, emphasising the importance of understanding the cultural uniqueness and relevant business practices and strategies.

The **Going International** boxes, an innovative feature since the first edition of *International Marketing*, have always been popular with students. This edition includes over 50 new boxes, now with questions and all providing up-to-date and insightful examples of cultural differences and international marketing at work, as well as illustrating concepts presented in the text with illustrations and pictures. They reflect contemporary issues in international marketing and real-life marketing scenarios, and can be used as a basis for solo study and as mini-case studies for lectures, as well as to stimulate class discussion. They are unique to this text, lively to read, and will stimulate all who use this book.

'**The Country Notebook: a Guide for Developing a Marketing Plan**', found in **Part 6**, is a detailed outline that provides both a format for a complete cultural and economic analysis of a country and guidelines for a marketing plan. This can be readily used by students and teachers for extended assignments.

## Online supplements

In addition to the resources in this textbook, you'll find more supplements in the **Online Learning Centre (OLC)**, which can be found at: [www.mcgraw-hill.co.uk/textbooks/ghauri](http://www.mcgraw-hill.co.uk/textbooks/ghauri).

A full list of features can be found on page xxvi