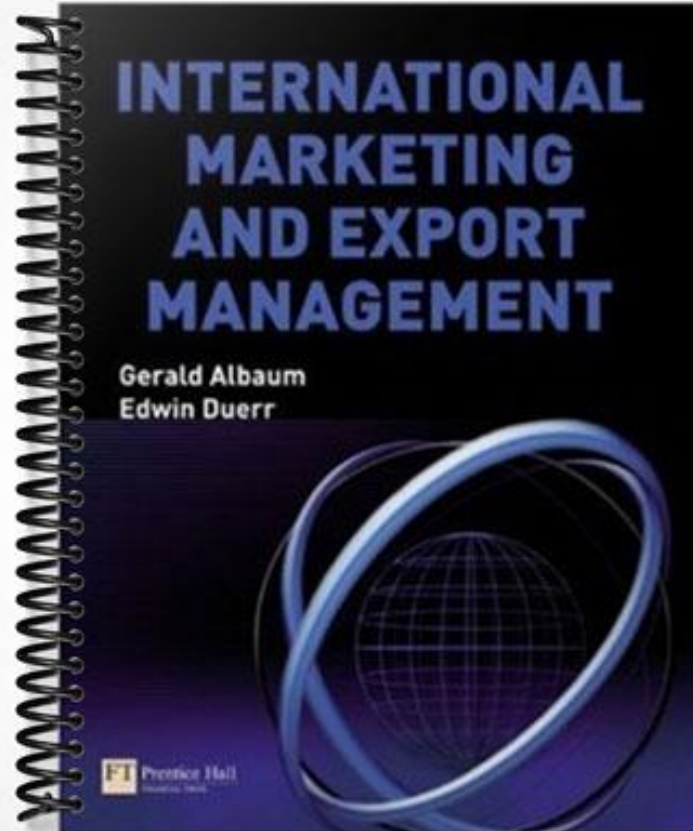


SOLUTIONS MANUAL



Instructor's Manual

International Marketing and Export Management

Sixth edition

Gerald Albaum
Edwin Duerr

For further instructor material
please visit:
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International Marketing and Exporting

LECTURE OUTLINE

Chapter 1 discusses:

The importance, opportunities and challenges of international marketing, and factors causing its rapid growth

Being effective: the nature and practice of international marketing

Export marketing strategy and planning

The increasing impact of the Internet, World Wide Web, and e-business; the critical importance of technological advances, increased competition, and innovations; and the growth of non-traditional exports

How the book is designed to be of use to students, entrepreneurs, and marketing professionals

Cases illustrating how the text material relates to current opportunities and problems.

Introduction

The growing importance of international marketing

Increasing importance of international markets and exporting due to:

- (a) greater opportunities for enterprises of all sizes, including sole proprietorships, to sell to other countries;
- (b) increasing threats from companies and competitors in other countries;
- (c) importance of international sales in spreading risk, increasing profits, covering R&D costs, understanding emerging challenges;
- (d) increasing dependence of national and regional economic health on export sales.

Reasons for the rapid growth in international business

Nine major changes driving increased globalization:

- (1) technological advances and lowered costs in communications, the Internet, the World Wide Web, and e-commerce;

- (2) increasingly sophisticated and diverse software to assist in increasing effectiveness and efficiency, lowering costs, improving products and services;
- (3) great improvements in transportation, logistics and supply chain management
- (4) increasing rates of entrepreneurial innovation and technological change;
- (5) the economic growth of China, India, and others with resulting changes in trade patterns and amounts;
- (6) continued lowering of barriers to trade and investment;
- (7) the internationalization of capital markets;
- (8) the increase in all types of strategic alliances;
- (9) continuing excess capacity in a wide range of industries.

EXHIBIT 1.1 'China and India in the international economy' discusses:

China as a major manufacturer, consumer of raw materials, producer of green house gases, and rapidly growing domestic market

India as a major supplier of services; its rapidly growing economy.

Turbulence in the international marketplace

Increasing turbulence due to:

- (a) creation of new businesses, new markets, new ways of doing business, new methods of interacting with customers;
- (b) intensified competition;
- (c) diseases, terrorism, internal unrest, wars and threats of wars;
- (d) pirating of goods, fakes, contaminated and/or dangerous products;
- (e) increased emphasis on ethics and social responsibility.

EXHIBIT 1.2 'Succeeding internationally in the 21st century' gives examples of companies that have grown internationally based on customer focus, innovation, and/or market segmentation.

EXHIBIT 1.3 'The chicken feet problem' shows how an unexpected occurrence can cause serious difficulties in exporting/importing.

Responding to increasing opportunities and threats

Increased opportunities for domestic companies to more easily enter markets abroad accompanied by increased ability of foreign companies to enter domestic markets.

Failure to be proactive in exploring foreign markets leads to missed opportunities and lack of information about potential new threats.

Exporting is no longer just an option for most companies; it is now an imperative.

Figure 1.1 shows how the forces of firm factors, home country factors, host country factors, and global factors interact to affect the movement toward increasing internationalization.

Being effective: the nature and practice of international marketing

Being effective requires that the international marketer understand:

- (a) the nature of international marketing and its unique requirements;
- (b) the alternative approaches to organizing and carrying out international activities;
- (c) the basic decisions that must be made; and
- (d) the similarities and differences between domestic and international marketing.

A definition and unique requirements

The basic definition is simple: international marketing is the marketing of goods, services, and information across political boundaries.

International marketing has the same elements as domestic marketing: planning, promoting, distributing, pricing, and support of the goods, services, and information to be provided to intermediate and final consumers.

International marketing is typically more complex (and interesting and challenging) because of differences in culture, consumer tastes and needs, economic levels and structures, market structures, ways of doing business, laws and regulations, etc.

Firm's domestic approach may be ineffective, counterproductive, or illegal in foreign markets.

International marketing manager must acquire a clear understanding of each target market, the differences that exist, and what must be done to accommodate the differences.

Activities that must be adjusted to accommodate the differences in the particular requirements and market structures of each foreign market:

- analysis of markets and potential markets;
- planning, development, and packaging of products, services, and information to best meet consumers' demands;
- selection of distribution channels that are most effective and efficient in the foreign market;
- promotion, including advertising and personal selling;

- setting of prices;
- technical and non-technical support given to customers, both before and after sales;
- organization structure, management, and remuneration of employees.

Information sources are discussed in Chapter 5, and facilitating organizations that can provide assistance and support are discussed in later chapters.

Exhibit 1.4 provides some examples of adjustments that 14 companies have made (or failed to make) in foreign markets.

Internationalization and the global marketer

Internationalization may be viewed as: a process, an end result, a way of thinking.

A firm becomes more internationalized with more involvement and commitment to foreign markets.

Most effective when developed as a carefully planned process for increasing penetration of international markets.

Should consider advantages and disadvantages of exporting, licensing, establishing sales subsidiaries, producing abroad, and forming strategic alliances.

The terms international, multinational, and global sometimes used interchangeably, but imply differences in approaches.

International marketing is a broad term for any type of marketing across national boundaries.

Multinational marketing implies a strong commitment to international marketing, and may be taken to mean that the marketer develops differentiated products and marketing strategies for each of its markets. Associated with adjusting products and practices in each country, with attendant relatively high costs.

Global marketing generally implies that the company tries to standardize products and marketing practices worldwide in order to achieve economies of scale and lower prices.

Limits to global approach: (a) significant differences in consumer demands and marketing requirements from country to country; (b) rising incomes have made consumers less price-sensitive; (c) flexible production systems have reduced the cost advantage of very large-scale production in some industries.

A combination approach of 'think globally, act locally' seems best for many companies; take a global view while also adjusting to local conditions.

With a global view:

- (a) evaluate and enter markets worldwide based on individual potential and worldwide strategy;
- (b) procure capital and invest funds on a worldwide basis according to costs and opportunities;

- (c) purchase raw materials, components, equipment, and supplies from sources worldwide;
- (d) staff organizations with best qualified managers and employees without regard to national origin.

Degree of internationalization

Measuring the degree of internationalization is useful to assist managers in thinking about how international the company is now, what potential it has, and where they want to be.

Provides the first step in determining what international strategy is appropriate for the firm.

Exhibit 1.5 lists some of the indicators useful in evaluating the level of internationalization of a firm.

Smaller companies tend to internationalize in a different manner and to a different degree: moving in to closer markets or becoming niche marketers in niche markets.

Joint ventures often used internationally as well as domestically.

International marketing management

International marketing management is faced with three basic decisions: (1) whether to engage in international marketing activities; (2) markets to be served; (3) methods or systems to be used.

Major dimensions of international marketing: exporting, importing, and management of international marketing operations to and in foreign countries.

The marketing program or mix is the planned and coordinated combination of marketing methods or tools used to achieve a predetermined goal.

Market-driven versus product or technology-driven firms; tendency to move toward market driven.

Controllable versus uncontrollable elements in determining marketing mix. (See Figure 1.2 'Schematic model of the export marketing mix.')

Profitability of any marketing program is situation specific and influenced by many variables.

The relationship of exporting and importing

Importing may be related to exporting.

Importing of machinery and/or licensing technology may lead to exporting of products.

Increasingly, manufacturers are incorporating components purchased from overseas in the products they then export.

Some similarities and differences

All marketing programs, domestic and foreign, must deal with the same variables, but their characteristics differ from one environment to another.

International marketing executives need specific knowledge of international environments and cultural empathy as well as technical competence in marketing. Exhibit 1.6 discusses characteristics of export marketing executives.

Key problems include (a) differing environments; (b) crossing of national boundaries; (c) simultaneous marketing in more than one environment.

Approach requires: (a) an international or global outlook; (b) a realistic assessment of market targets and segments of the world market to be exploited; (c) assessment of environmental factors in the market segment targeted; and (d) formulation of a marketing program.

Export marketing planning and strategy

Strategic issues: choice of countries, product markets, target segments; methods of operation, timing. (Exhibit 1.7 discusses two systems helpful in determining whether a company is ready to enter foreign markets.)

Tactical issues: product positioning, adaptation, advertising, pricing, distributing.

Figure 1.3 shows the 'Export marketing planning process.'

Export planning and strategy development components: goal, program (marketing mix), and organization.

Perceived risk is an important factor in determining how, or whether, to proceed.

Demand management

Marketing may need to be concerned with managing rather than just stimulating demand because of environmental, legal, supply, or other concerns.

States of demand: negative, none, latent, falling, irregular, full, overfull (excess demand for oil during the oil crisis), unwholesome (vice products). (Exhibit 1.8 'Various states of demand.')

Different overseas markets or major market segments may have different demand states.

The World Wide Web has increased the ability of a number of companies to shift some demand from busy to less busy period through real-time pricing.

Obstacles to exporting

Obstacles may be real or only perceived, but perceptions guide actions.

Barriers affecting many companies, particularly smaller ones, include: higher operational efforts required for foreign market, lack of information, lack of knowledge and skills, trade barriers, risk, and others (see Table 1.1).

Coping with barriers for smaller companies (see the many suggestions in Exhibit 1.9).

The Internet, the World Wide Web, and e-business

All aspects of domestic and international business operations have been impacted by the Internet, the World Wide Web, and e-business.

The Internet provides greatly increased speed and lowered costs in communications.

The World Wide Web, operating over the Internet, is an easily used system for providing constantly available displays of information.

The Internet

A worldwide telecommunications network providing for rapid exchange of information.

Connections made through local Internet Service Providers (ISPs).

Uses a variety of communications linkages: telephone lines, cables, fiber optic lines, and/or wireless.

Inexpensive in most countries: cost for use is that of local telephone calls plus monthly charge by the ISP.

Very wide and rapidly expanding use.

The World Wide Web (Web)

Operates on the Internet, displaying information on websites.

For advertising, attaining visibility is a problem for smaller companies.

Increasing the number of visitors involves registering with Search Engines or through traditional media campaigns.

Registration of name in one country does not provide protection of name in other countries. (See Exhibit 1.10)

'Web 2.0' sites are now widely used for advertising, facilitating cooperation, and gathering and promulgating information. The term refers to an expansion of the way the Web is used, with Blogs, social networking sites, and other interactive sites designed to allow input from multiple users.

E-business

Definition of e-business: the sale, purchase, or exchange of goods, services, or information over the Internet or other telecommunications networks.

Business-to-consumer sales (B2C) growing rapidly than overall retail sales.

For most large companies, a combination of traditional marketing and Web-based marketing appears to be most successful. (For an exception, see Case study 1.3 on eBay, Inc.)

Business-to-business (B2B) spending is much greater than B2C sales.

B2B transactions involve many activities in addition to buying and selling, including support of supply chain and distribution chain management, and provision of information for overall systems coordination.

The impact of technology

Improvements in technology have resulted in new products, the creation of additional international markets, and lowered costs of doing business.

Information technology related trade now accounts for 16% of total world trade.

Development and marketing of software to support e-business has become a major international industry.

New products have resulted from major advances in communications technology, medical research and medicines, and traditional products and manufacturing processes.

Improvements in shipping equipment and the applications of information technology in scheduling and control have reduced costs.

Expanding use of radio-frequency identification systems (RFID) is making supply chain management more effective and efficient

Exhibit 1.11 gives an indication of the range of recent advances.

Entrepreneurial approaches to international marketing

New approaches to international marketing have been made feasible by technological advances and by recognition of emerging opportunities.

E-business software allows companies to handle key functions in a coherent online system: supply chain and distribution chain management; ordering, billing, and inventory management; analyses of sales and trends; etc.

Specific software is available to support specialized functions such as Customer Relations Management (CRM) programs, and many other individual and integrated programs.

Online marketplaces

The World Wide Web has allowed the development of online market places supporting large companies, small companies, and individuals.

Exhibit 1.12 shows how small producers of handicrafts have been enabled to access the international market.

The virtual company

Advances in communications allow formation of virtual companies, based on the owner's ideas, vision, knowledge, and abilities to organize and coordinate.

Have little in the way of physical facilities and few or no employees.

Contracts with outsiders to perform most business functions.

Business-government alliances

Increasing use of joint ventures and alliances between private businesses and governmental or quasi-governmental organizations.

The growth of non-traditional exports

Exporting services of knowledge-industry workers

Greatly increased capabilities and lowered costs in communications have enabled cross-border export of information services.

Companies in lower-wage nations employ well-educated people in providing services ranging from call centers and back office support to advanced technical support, software development, and design services.

Cost was originally the main consideration in importing of information services, but for some companies objectives now include worldwide strategies to take advantage of international specialization and multi-sourcing.

There is increase in exporting of some specialized technical services from advanced countries to lower-wage nations.

India is a major exporter of services, with other Asian countries and eastern European nations expanding similar activities.

Exporting business models

Opportunities for expanding internationally may exist for companies that:

- develop a better way of organizing and doing business;

- identify and develop a new market;
- find some other innovative approach providing a competitive advantage.

Exhibit 1.13 provides examples of six companies that have successfully exported their business models to some other countries.

Purpose and approach of the book

The book is designed to:

- provide a solid introduction to international marketing;
- cover all types of international marketing entry modes and activities;
- provide additional emphasis on export management, used by many smaller firms as their entry mode and widely used by all international giants;
- be as applicable and valuable for small and medium-sized companies as for large international corporations;
- illustrate how the special requirements of exporting and international marketing affect the traditional functions of marketing;
- emphasize the knowledge and distinctive competencies required for marketing across national borders.

The book should be most useful to:

- undergraduate and graduate business students;
- those in professional qualification courses;
- Entrepreneurs and potential entrepreneurs;
- business persons concerned with increasing international opportunities and threats.

Each chapter discusses the knowledge required and adjustments that must be made in marketing functions to be successful in marketing internationally. Each chapter contains examples and cases designed to illustrate applications in current business practices and operations.

ANSWERS TO QUESTIONS FOR DISCUSSION

1.1 Why has there been such an increase in interest by business firms in international and export marketing? Will this interest continue to increase? Why or why not?

Students may approach this question in several ways.

Companies are increasingly selling to, buying from, and competing with products from companies and individuals in other nations. International sales may provide additional profits, or even the major source of profits (Swiss pharmaceutical companies; Coca-Cola). Therefore, most companies must be interested in international marketing.

The increased interest is partly the result of the growth of international markets. This growth is due to many factors including: lowering barriers to trade and investment; improvements in transportation, logistics, and communications; new products with international appeal; increased linking of companies, markets, and financing; and rapid expansion of world trade.

It is also due to: productive capacity exceeding domestic demand in many industries; increasing foreign and domestic competition in many domestic markets; and the growth of overseas markets as standards of living increase in many nations.

The interest will continue to increase as globalization progresses, world trade increases faster than world GDP, Foreign Direct Investment continues to increase, and the transportation, communication, cultural, and governmental barriers to trade are reduced.

The growth in international trade and marketing has presented both new opportunities and new threats. Neither can be ignored safely. Students may come up with a number of additional reasons for the continuing increase in international marketing. These specific reasons may be drawn from the Sections 'The growing importance of international marketing' and 'Reasons for the rapid growth in international business'; elsewhere in the chapter; or knowledge from outside.

1.2 What is meant by internationalization and how does this relate to the global marketer?

Internationalization is the process whereby a firm becomes increasingly committed to and involved in international business operations through specific products in specific markets. (Note: individual students may come up with somewhat different definitions based on other readings or interpretations.) The global marketer views major regions of the world as a simple or uniform market in which it markets a standardized product in a standardized way in order to achieve low relative costs. The traditional multinational company often adapts/individualizes products and practices to specific nations/regions to increase local acceptability but at an increased cost.

1.3 Is taking a global view limited to companies that view themselves as global companies? Explain.

Taking a global view is not limited to companies that view themselves as global. The automotive division of Rolls Royce (before the sale to Volkswagen) might not have considered itself a global company since production, development of marketing policies, and administration were all concentrated in the UK. It could still have a global view, marketing the same product in the same way to the same market segment everywhere in the world (with only modular changes, such as right-hand or left-hand placement of steering wheels, to accommodate to local requirements).

1.4 Is it meaningful to attempt to measure the degree (or amount) of internationalization of a firm? Explain.

It is useful for a firm to measure its degree (or amount) of internationalization as the first step in a gap analysis: assessing where the company is now with respect to international sales; how international the company could be; and how international it wants to be. The resulting analysis will enable the company to identify actions and resources needed to move from where it is now to where it wants to be.

1.5 What does it mean for a company to be 'market driven'? Is this really important in today's environment or can a company be successful without being so driven? Explain.

It means that the product and the marketing program are developed with the needs and interests of the consumer in mind. It is of critical importance to consider the consumer in every step of the marketing process from the analysis of markets and development of products through the after-sale service. In today's increasingly competitive market, if you do not provide exactly what the consumer wants, someone else will.

1.6 Explain the meaning of the following statement: 'If a company is to be successful in foreign markets, its management must have a good understanding of all aspects of the environment within which it will be operating.'

Such a statement gets to the heart of the meaning of applied marketing and the viewing of a marketing program as a system. The system consists of the set of marketing activities (endogenous) that are controllable by a firm and the set of environmental characteristics that are outside the firm's control (exogenous). Endogenous activities are used to adapt to the exogenous environment. Thus, if a company is to successfully adapt it must know all it can about that economic, socio-cultural, competitive, political, etc. dimensions of the environment within which it operates. This relationship and the specific dimensions/activities involved are shown in Figure 1.2 of the text.

1.7 Give two or more examples of how external factors (exogenous variables) in the international environment make export marketing more complex than domestic marketing.

Some examples are:

- (a) laws and regulations differ from country to country, and cover a multitude of factors including packaging and labeling requirements, health and safety requirements, etc.;
- (b) taxes, tariffs, quotas, and other restrictions may limit what you can sell, how much you can sell, and/or the costs involved;
- (c) cultural or social differences may prevent the sale of certain products, or require modifications to the products or distribution systems;
- (d) economic levels may limit markets;
- (e) geographic or infrastructure constraints may limit distribution channels; and
- (f) the extent and effectiveness of competition may be quite different.

1.8 What is the relationship between importing and exporting for an individual company?

A company may import goods or services primarily for sale in its home or other markets. Many companies, however, import/obtain goods, services, licenses, and/or technology for use in making products for export. Machine tools may be imported in order to manufacture components or products domestically. Increasingly, companies are sourcing components worldwide for use in making final products to be sold both domestically and to other countries. From an individual company's perspective, the knowledge, contacts, products, and services gained through inward internationalization may influence the development of market entry and marketing activities used in outward internationalization.

1.9 What are the three distinct components of export planning and strategy development and how are they related?

The three distinct components of export planning and strategy are:

- (a) goals (objectives to be achieved);
- (b) program (development of the marketing mix);
- (c) organization (what resources will be used and how they will be put together).

The relationship among these components represents a 'closed system'. That is, a company will start with some goal, then develop a program to achieve the goal, and must have an organization to implement the program. If, for example, the organization is not suited to the marketing program and the organization cannot be changed, the company must see if the program can be altered. If this is not possible, then the objectives must be changed to fit the organization and the marketing program capabilities.

1.10 Identify the potential barriers (or obstacles) that face companies considering – or expanding – international marketing operations. Which are most important and which are less important? Explain.

Individual student answers may vary, but should include at least some of the following. There are several types of potential barriers faced by companies considering beginning or expanding international operations. Internal to the company might be a lack of knowledge of markets, exporting procedures, methods for evaluating risk, and costs; concern over communications, after-sale service, and the maintenance of control; and lack of qualified personnel and/or lack of support by top management. External to the company may be domestic export controls, foreign trade barriers, and foreign attitudes and requirements. Which are most important depends upon a combination of the specific case and the perceptions of the management of the potential exporter.

1.11 Is the role of the international marketer only to attempt to increase sales? Explain.

The role of the international marketer is no longer simply to attempt to increase sales. While this may be of paramount importance in some cases, in other cases the marketer will need to be concerned with controlling demand. Examples of situations in which demand must be controlled include cases in which: (a) demand exceeds supply, either on a medium-term or long-term basis, as with some energy sources; (b) products or services must be allocated to various customers when there are temporary shortages of product, as with newly introduced products; (c) demand must be shifted from high-usage to low-usage periods, as in power generation; (d) specific products or services must be made available but for which full costs cannot be recovered, as in some medical services; or (e) demand should be shifted from an environmentally undesirable product to one more environmentally sound, as moving from gasoline-powered automobiles to hybrid cars or public transportation.

Other students may base answers on the demand states given in Exhibit 1.8.

1.12 Is use of the World Wide Web appropriate only for large companies? Explain.

The World Wide Web can be of use to companies of all sizes. It allows even very small firms to advertise and provide other information to potential customers and suppliers. The Websites of other organizations may provide information useful in determining whether they may be potential suppliers, customers, or partners in cooperative ventures.

On the World Wide Web, a company's size and physical facilities become less important than its ability to reach and attract others, and its ability to show that it can do or provide what is desired.

1.13 What is 'e-business'?

E-business (electronic business) is the sale, purchase, or exchange of goods, services, or information over the Internet or other telecommunications networks. It includes business-to-consumer sales (B2C), business-to-business transactions (B2B), and also transactions among government organizations and consumers or businesses. It can also include a wide range of facilitating and supporting services and information such as scheduling and coordination, supply chain management, distribution chain management, customer relations management, etc.

1.14 Are online market places useful only to businesses? Explain.

Online market places are being used by companies of all sizes. However, they are also useful to individuals interested in exchanging goods or services (Ebay, for example), to handicrafts producers looking for wider markets (through Novica, for example), and for governmental organizations.

1.15 Does e-business present a threat or an opportunity to traditional stores and whole salers? Explain.

It presents both a threat and an opportunity. It provides opportunities for existing companies to promote their present or new products more effectively, to gain additional sales to present customers, to gain additional customers who may not normally visit their existing facilities, and to expand to new market segments or new markets which can now be more easily reached. It allows new companies to enter existing markets.

The threat arises from the fact that existing competitors may use e-business to attract customers away from you, and new competitors may find it easier to enter your market.

1.16 What factors have resulted in the rapid rise in outsourcing of jobs overseas?

Improvements in communications technologies and capacities have made it possible for workers in one country (India, for example) to provide real-time, online information to users in another country (the US, for example). The wage differentials for well-educated people in India and the US, combined with decreases in communications costs, make the outsourcing of such work economically feasible.

1.17 Give an example of a 'business model' and how it can give rise to an opportunity to enter markets overseas.

Students may select from a number of examples. Wal-Mart has used its unique expertise in organizing its supply and distribution systems in its penetration of foreign markets. Examples of six other companies that have used their business models to expand internationally are given in Exhibit 1.13.

ANSWERS TO CASE QUESTIONS

1.1 *Export of art goods from Hungary*

1. How might a textbook such as this one be of use to: (a) the class in the assigned project, (b) the artist if he decided to export his works, and (c) a potential new importer in another country?

- (a) The students can use the textbook in developing their outline as well as in developing specific sections. As can be determined by looking through the table of contents, the textbook provides information about the factors that must be considered in developing the marketing plan. For example, the marketing plan should have sections on identifying potential markets (Chapter 5), channels for entering those markets (Chapters 6 and 7), making pricing decisions (Chapter 10), information on financing and methods of payment (Chapter 11), promotion (Chapter 12), and procedures and costs for actually handling the goods, all of which affect costs and thus the feasibility of the project. Information about particular challenges in international marketing is found throughout the book.
- (b) The artist should find the book useful in indicating areas and subjects that he must find out about and evaluate. He will need to cover much the same topics as the class, though he will concentrate on specifics that affect his particular goods. He will need to develop detailed information on the items discussed in the answer to Question 2 below. Given the potential scale of his production and sales, certain modes of entry to foreign markets are not feasible, and he will need to rely heavily on facilitating organizations such as foreign freight forwarders (see Chapter 13).
- (c) A potential new importer must also consider the same general topics as the students and artist, but will need to concentrate on the costs of obtaining the goods from abroad and the appropriate marketing strategy to use in his own country.

2. List some of the items that should be included under each of the major dimensions of a marketing plan for the art goods.

The students can be expected to come up with a wide range of items, some of which may include the following:

Potential market(s): preliminary identification; information on imports and sales of art goods of this and related types; competition; economic and socio-cultural factors.

Marketing channels available: indirect and direct exporting; alternatives and costs; control of goods, marketing, and designs.

Promotion: economical means available for low-volume art goods; to be done by whom; costs and expected effectiveness.

Financing and methods of payment: costs and bearing of risk.

Physical distribution: procedures and responsibilities (partially dependent upon method of export chosen).

Economic evaluation: estimated costs, revenues, and degree of risk.

1.2 Murphy Company Limited

- 1. Does a small company such as the Murphy Company Limited have the capability of exporting? Explain. Would it be better for the company to expand its product line for the New Zealand market?**

The Murphy Company Limited does have the capability of exporting. The company produces high quality products, which should give it an advantage in the international marketplace, and is known for superior service. Providing superior service in foreign countries will take planning, organization, and commitment.

It is difficult to state definitely whether it is best for Murphy to expand its product line in New Zealand or attempt to export its present line of dishwashers and garbage pulverizers. Both actions are viable for a company that is growing and which has high quality products and is known for superior service. More detailed performance information about the company and more specific information about the market for its present product line are needed. In addition, the goals and objectives of Bryan Murphy, the Managing Director, need to be known.

Looking only at the potential for export, Bryan Murphy is proceeding in a reasonable way by having the Director of Marketing, Fred Murphy, attend the Export Institute's seminar in Wellington. Rather than make a quick decision, Murphy Company is starting by acquiring basic knowledge on opportunities. In fact, the company may well be avoiding mistakes 1 and 5 as presented at the seminar. Starting with such basic knowledge the company will be better able to understand and specify its motives for export (Chapter 2 of the text) as well as conceive policies, procedures, and strategies for export market selection (Chapter 4 of the text) that are consistent with its motives and goals and objectives.

- 2. Evaluate the nine 'common mistakes' in terms of their relative importance and impact on a company such as Murphy.**

Student answers can be expected to vary. However, one thing is clear. Whether these mistakes are common, in fact, is probably irrelevant. All companies should be aware that these mistakes can occur. In that way many can be avoided and the negative impact lessened for those not avoided.

- 3. What should Fred Murphy recommend to Bryan Murphy?**

More information is required in order for an evaluation and decision to be made. Possible expansion of the domestic line involves an analysis of the potential market for proposed additional products, an estimation of development and production costs, and an estimation of expected marketing costs leading to a figure for potential profits.

An evaluation of the profit potential from exporting involves additional data gathering.

1.3 eBay, Inc.

- 1. Evaluate eBay's marketing strategies to date. What changes, if any, would you suggest?**

Ebay grew rapidly for several years based upon its original marketing strategy. However, growth in its original online business in the US slowed in spite of adding product categories and sites. Competitors have emerged in both domestic and international markets. The company's continued growth has become increasingly dependent upon acquisition of related services, not all of which have been as successful as hoped. The company needs to continue to monitor and evaluate the development of present and potential competitors, and new approaches, features,

and policies they may introduce. Their domestic marketing strategies have been largely successful to date, but need continual evaluation in the rapidly-changing market.

Ebay's international strategies need continued attention and re-evaluation. The company receives 48% of its earnings from abroad, but has encountered problems in some countries.

2. Evaluate its technical and personnel strategies. What changes, if any, would you suggest?

The founder acted quickly as growth indicated the need for professional management, something many entrepreneurs fail to do. The company added appropriate managers and personnel as problems and opportunities indicated increasing needs, keeping technological leadership a key strength of the company. In the future, the company must continue to quickly recognize emerging needs and new opportunities, and to adjust strategies as appropriate.

3. Has eBay really created a new type of market?

Yes. Ebay is the first to create an effective and efficient large-scale method for bringing together large numbers of potential buyers and sellers who otherwise would not have been in contact. (A market consists of the potential buyers and sellers of a product(s) who are in contact with each other.) They did so by entrepreneurial exploitation of technological changes.

4. Are eBay's efforts to improve interactions with its members worth the cost?

Key strengths of eBay that have enabled the company to grow so rapidly are its interactions with customers and potential customers, and its facilitating of interactions among the members. Continual development of these key strengths does need to be carried on.

5. Is continued rapid growth desirable for eBay?

Growth is desirable to maintain its market leadership position and to increase the size of the market. Growth at any cost, without regard to profitability, is undesirable. However, while no cost-benefit figures are given, increasing profits indicate that present growth rates in the current markets are not excessive. The company needs to pay particular attention to developing complete information about its existing and potential foreign markets. It should then be able to better evaluate the costs and benefits of acquisitions and expansion in specific overseas markets.

6. Where does growth appear to be feasible?

Growth appears to be feasible in overseas markets, and also in getting more people in the US involved if continued training programs are offered, and as the system is made easier to use. Careful evaluations of potential acquisitions are essential.

1.4 DaimlerChrysler AG

1. What problems would Mercedes-Benz have faced if it had remained a niche player selling 'world cars' to the luxury market worldwide?

Students may think of a number of problems. At least the following should be included:

- (a) Without a large volume of sales, it is difficult to support the costs of the frequent introduction of new models that the present world market seems to require.
- (b) Its overall size and profits would have been limited.

2. What are the key characteristics of Ford's approach to internationalization/globalization?

The characteristics of Ford's approach include:

- (a) The company began overseas marketing and then overseas production at the early stages in its corporate life.
- (b) It developed research and design centers overseas, to move closer to its international customers and later to rationalize its developmental activities.
- (c) It deliberately set about creating a global mindset in the company.
- (d) It has developed a diverse product line, including special cars for specific areas, though it prefers to produce cars that can be sold in more than one region.
- (e) It has made substantial efforts to develop cooperative relationships in strategic alliances.
- (f) Its acquisition activities appear to have been carefully thought out and coordinated (e.g., the luxury car group), though financial results to date have been disappointing.

3. What are the key characteristics of Toyota's approach to internationalization/globalization?

The characteristics of Toyota's approach include:

- (a) The company has preferred to expand through exporting.
- (b) It has gone into manufacturing only when laws or other local conditions require it to do so. It has expanded overseas production primarily to avoid actual or potential import restrictions, to avoid adverse publicity, and in some cases to take advantage of savings in labor costs.
- (c) It has studied the local business cultures before going into production abroad.
- (d) It has expanded its product line slowly as it has gained international market share.
- (e) Though it produces both global cars and vehicles for specific regions, the company prefers to maintain product design and development, and overall control, in Japan.
- (f) It maintains competitive advantage through careful control of its efficient production system.

4. Which of the three companies approached internationalization best? Explain.

It is difficult to say whether Toyota's approach or Ford's approach was best. Toyota has grown the most, rapidly. For some time it was comparatively less successful in Europe, apparently due to national preferences and lack of adjusting designs there, but is doing well at present. It is the leader in Asia. With its high legacy costs and some less attractive models of vehicles, Ford has lost market share to Toyota in the US. It continues to be accepted as a sort of European company in many countries there, though its European operations are not always profitable. It has been less effective in establishing a presence in Asia, though its joint venture with Mazda has worked well.

Mercedes-Benz's acquisition of Chrysler (to form DaimlerChrysler) was a disaster. Sales of the Chrysler division were generally poor, cross-cultural problems arose in management, hoped for synergies were not realized, and distractions caused by the problems in the US at times diverted the attention of top management in Germany from its operations there. The Chrysler

division was sold in 2007 at a great loss. Mitsubishi Motors and the Korean subsidiary were also sold off after management conflicts and poor performance.

Mercedes-Benz was not successful in applying their managerial approaches to operating companies in the US and Asia.

5. Are there other approaches to internationalization/globalization that Mercedes-Benz could have taken rather than rely on large acquisitions? What problems might they have caused?

Mercedes-Benz could have taken a number of other approaches:

- (a) The company could have expanded by increasing its own development of additional models for additional market segments. This would have been costly and relatively slow.
- (b) It could have gone into real partnerships with other manufacturers to jointly develop additional models, but this might have involved loss of the desired level of control.
- (c) Students may suggest other possible approaches.

6. Should the potential problems at Chrysler and Mitsubishi have been foreseen by German management?

This is debatable. The US market and automobile sales have always shown periods of depressed demand, so a downturn might have been expected. However, the economy had been strong for so long that the possibility of a downturn might easily have been discounted. The basic weakness of Chrysler was masked by its success in selling minivans. Chrysler should have noted the problems of discounting and inventory buildup earlier, notified the German headquarters earlier, and taken action taken more quickly. This was an error on the part of Chrysler that DaimlerChrysler would not have foreseen. On the industrial and overall management of sales levels, the German top management seemed to lack the needed cultural understanding and adjustments.

The problems at Mitsubishi, related to the cover-up of defects, could not have been foreseen. However, DaimlerChrysler should have recognized the problems faced by a smaller producer when the Japanese automobile industry has great overcapacity and a weak market. Cultural problems arose in both Japan and Korea.

7. If Ford was so successful in working with Mazda, why should DaimlerChrysler have had any concerns about working with Mitsubishi?

Ford worked with Mazda for several years to develop the relatively smooth relationship they enjoy. After Ford took controlling interest in Mazda, they replaced one American CEO of Mazda because the union viewed him as too confrontational. DaimlerChrysler did not show the same amount of cultural sensitivity.

1.5 Dell, Inc.

1. Should Dell have made changes to its marketing model in the United States earlier?

Dell should have made changes sooner. Its marketing strategy of selling exclusively over the Internet and telephone did not seem to be well designed for selling either laptop or desktop PCs to individual consumers in the present environment in the United States. It lost much of its cost advantage to H-P and other producers, while H-P introduced additional features that were attractive to many potential buyers. Dell's attempts at cutting costs also led to problems with customers regarding sales and service.

2. What problems may Dell encounter in its change in approach in the United States and elsewhere?

As Dell begins to sell through retail outlets in the US, customers will be able to comparison shop. There are four potential problems/requirements in doing so. First, Dell's advantage/cachet in marketing on the basis of 'built-for-you' may be impaired (and H-P has already set up Build-your-own PC operations in some Wal-Mart stores that Dell may need to emulate). Second, there will be additional costs in doing so. Third, Dell will need to be sure that the models it offers through stores have features at least as good as those of similarly priced offerings of other brands. The final problem is that there may be some resistance/problems within the company to changing its traditional and previously very successful total reliance on direct sales.

In other markets, problems are likely to be country-specific, and will be determined partly by the differences between the present and new methods.

3. Is the use of native speakers, as was done in Germany, important elsewhere in Europe?

The case does not provide enough information to answer this question. Some general observations can be made, but a country-by-country analysis would be required for even a preliminary judgment to be made. The importance of using native speakers (without 'foreign' accents) in sales organizations is likely to be most important in countries such as France where there is a high emphasis on the national language (even though many people there speak other languages also). In countries such as The Netherlands, Denmark, and Sweden, where most people speak multiple languages, having native speakers may be less critical – but should be investigated.

4. Is Dell's Japanese marketing model likely to be successful in the long run?

The approach being used in Japan of using the Internet to appeal to consumers with low-end laptops is not likely to be successful in the long run. Low-cost private-brand manufacturers working for large retailers are taking more of the low-end market, threatening Dell's sales there. Dell's approach may also require adjustment if the market for higher-end PCs grows more rapidly in the future. (Note to instructors: Since this textbook has gone to print, it appears that PC sales are falling in Japan as more people are relying more completely on multi-function mobile phones for connections to the Internet.)

5. What marketing model should Dell use in China?

Dell's present approach to the consumer market in China does not appear to be appropriate and should be more like that now used in the US. China has a rapidly growing economy and an increasing number of potential customers. Dell has substantial knowledge of Chinese business and government relationships since it has one manufacturing facility there and is building another one. Its present approach to the consumer market, however, does not seem well suited to the preferences of potential individual purchasers. In China, personal contact is very important for most potential customers, businesses as well as individual consumers. There is an aversion among many people to buying over the Internet, particularly when the buyers do not know the sellers. Even though there are many Seven-Eleven stores in China, there are not enough to provide a deliver-payment network capable of reaching most people (as is the case in Japan). This indicates the need for displays and information availability in stores that potential buyers can visit. This, in turn, requires a knowledgeable sales force to promote the product. Dell might develop its own stores. As another approach, Dell might provide a sales force at the wholesale level that can also train in-store marketers in chain stores or individual stores. Any cost advantage Dell may enjoy with its present system is not enough to overcome the disadvantages of a distribution system with which potential individual consumers are not comfortable. In China, the emphasis on long-term relationships and trust has led a number of companies to enter the market through Chinese distributors or partners. Dell might consider such an arrangement for expanding its efforts in marketing to individual consumers.

6. What marketing model should Dell use in India?

In India, there is an emphasis on personal contact. Dell should use a marketing model similar to that described above for China.

TEST BANK

1. Growing interest in international marketing is due to:
 - (a) increased opportunities to enter foreign markets.
 - (b) increased competition from domestic and foreign firms.
 - (c) lowered trade barriers.
 - (d) All of the above.
 - (e) None of the above.
2. More rapid growth in globalization has been limited by the lack of improvements in logistics and supply chain management.
 - (a) True
 - (b) False
3. China has become more important in international business
 - (a) as a major exporter of manufactured goods.
 - (b) as a major consumer of raw materials.
 - (c) because of its large and growing domestic market.
 - (d) All of the above.
 - (e) None of the above.
4. A major weakness of the Chinese economy is the almost complete lack of both domestic and foreign research and development facilities.
 - (a) True
 - (b) False
5. India
 - (a) continues to have a very low growth rate in its national economy.
 - (b) is now a major exporter of manufactured goods.
 - (c) has become a major exporter/international supplier of information services.
 - (d) All of the above.
 - (e) None of the above.
6. Greatly reduced turbulence in the international marketplace has been a major factor in increasing international trade.
 - (a) True
 - (b) False

7. Success in the international marketplace usually depends upon some combination of customer focus, innovation, and market segmentation.
 - (a) True
 - (b) False
8. Internationalization may be viewed as:
 - (a) a process.
 - (b) an end result.
 - (c) a way of thinking.
 - (d) All of the above.
 - (e) None of the above.
9. With regard to internationalization and the global marketer:
 - (a) the multinational or global corporation should view the world as a single market for every product.
 - (b) the multinational or global corporation should view the world as a number of markets and provide complete standardization in products.
 - (c) the multinational or global corporation should take a contingency approach and standardize or adapt products depending upon the products and markets.
 - (d) All of the above.
 - (e) None of the above.
10. The variables in the marketing program:
 - (a) include controllable variables such as geography and cultural characteristics.
 - (b) include uncontrollable variables such as the company's marketing activities.
 - (c) are independent of each other.
 - (d) All of the above.
 - (e) None of the above.
11. While many firms start out as market driven, most end up as product or technology driven.
 - (a) True
 - (b) False
12. The relative export profitability of any marketing program or component is situation specific.
 - (a) True
 - (b) False
13. As long as an individual has an understanding of foreign environments and cultural empathy, it is not necessary to have technical competence in marketing to be a successful international marketing executive.
 - (a) True
 - (b) False

14. The export performance of a company is affected by the firm itself, the company's markets and industry, and the export strategy chosen.
 - (a) True
 - (b) False
15. In the modern international environment, profit is no longer a necessary goal for the private business firm.
 - (a) True
 - (b) False
16. The basic marketing mix decision includes planning and strategy with regard to market entry, products, promotion, channels of distribution, and price.
 - (a) True
 - (b) False
17. There is a single accepted definition for the term 'globalization'.
 - (a) True
 - (b) False
18. A company with a global view operates without regard for national boundaries, except as they affect the relative desirability of one course of action over another.
 - (a) True
 - (b) False
19. Importing may be linked to making products for export by:
 - (a) importing technology/intellectual property for use in developing products for export.
 - (b) importing equipment to be used for producing exports.
 - (c) importing components for assembly into products to be exported.
 - (d) All of the above.
 - (e) None of the above.
20. The basic decisions facing potential and actual international marketing management are:
 - (a) whether to engage in international marketing activities at all.
 - (b) what specific individual markets are to be served.
 - (c) the method or system to be used to get the products into the hands of the users in foreign countries.
 - (d) All of the above.
 - (e) None of the above.
21. Innovations and changes have created new opportunities for some individuals and companies while creating threats or challenges to other companies.
 - (a) True
 - (b) False

22. The World Wide Web will soon replace the Internet.
- (a) True
 - (b) False
23. E-business:
- (a) includes only activities carried out on the World Wide Web.
 - (b) includes only the functions of buying and selling goods.
 - (c) has resulted in the development of an international industry in the development and marketing of software to support e-business.
 - (d) All of the above.
 - (e) None of the above.
24. At present, online marketplaces are being used only by large corporations.
- (a) True
 - (b) False
25. The exporting of services of knowledge-industry workers is done almost exclusively by high technology companies in the highly developed countries.
- (a) True
 - (b) False
26. One advantage that firms have in exporting business models is that they do not have to be adjusted for use in the foreign country.
- (a) True
 - (b) False
27. A 'virtual company' is one:
- (a) that has no substantial physical headquarters or other physical facilities.
 - (b) contracts with other organizations to perform almost all business functions.
 - (c) may be comprised of only an individual with a desk, communications linkages, and knowledge.
 - (d) All of the above.
 - (e) None of the above.
28. A business model can be successfully exported only if it needs no adjustments or modifications for use in the foreign country.
- (a) True
 - (b) False

ANSWERS TO TEST BANK QUESTIONS

- | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (d) | 2. (b) | 3. (d) | 4. (b) | 5. (c) | 6. (b) | 7. (a) | 8. (d) |
| 9. (c) | 10. (e) | 11. (b) | 12. (a) | 13. (b) | 14. (a) | 15. (b) | 16. (a) |
| 17. (b) | 18. (a) | 19. (d) | 20. (d) | 21. (a) | 22. (b) | 23. (c) | 24. (b) |
| 25. (b) | 26. (b) | 27. (d) | 28. (b) | | | | |