Chapter 5: Developing a Global Vision

Prepared by David Ferrell, B-books, Ltd.

Designed by Eric Brengle, B-books, Ltd.
Learning Outcomes

LO1: Discuss the importance of global marketing

LO2: Discuss the impact of multinational firms on the world economy

LO3: Describe the external environment facing global marketers

Copyright 2012 by Cengage Learning Inc. All Rights Reserved
Learning Outcomes

**LO4** Identify the various ways of entering the global marketplace

**LO5** List the basic elements involved in developing a global marketing mix

**LO6** Discover how the Internet is affecting global marketing
Rewards of Global Marketing

LO1

Discuss the importance of global marketing.
Rewards of Global Marketing

Global Marketing- Individuals and organizations using a global vision to effectively market goods and services across national boundaries.
Rewards of Global Marketing

Having a global vision means…

• Recognizing and reacting to international marketing opportunities

• Using effective global marketing strategies

• Being aware of threats from foreign competitors
Importance of Global Marketing to the U.S.

- U.S. exports a fifth of industrial production.

- One of every 5 jobs in U.S. is supported by exports.

- Every U.S. state has realized net employment gains directly attributed to foreign trade.

- U.S. businesses export over $800 billion in goods.
Importance of Global Marketing to the U. S.

- Exports account for 25 percent of U.S. economic growth.

- U.S. is world’s leading exporter of farm products.

- Chemicals, office machinery and computers, automobiles, aircraft, and electrical and industrial machinery make up almost half of all nonagricultural exports.

- About half of U.S. merchandise imports are raw materials, capital goods, and industrial products.
The Fear of Trade and Globalization

- Millions of Americans have lost jobs
- Millions fear losing jobs
- Threat of outsourcing if workers do not accept pay cuts
- Vulnerability to operations moving offshore
Benefits of Globalization

• Expands economic freedom
• Spurs competition
• Raises productivity and living standards
• Offers access to foreign capital, global export markets, and advanced technology
• Promotes higher labor and environmental standards
• Acts as a check on government power
Review Learning Outcome
The Importance of Global Marketing

Know global marketing is important because of economic interdependencies

Fears

Benefits

Identify global marketing opportunities

Compete against foreign competition in domestic markets

Use effective global marketing strategies

Globally-minded marketing managers:
Multinational Firms

LO²

Discuss the impact of multinational firms on the world economy.
Stages of Global Business Development

1. Companies operate in one country and sell into others
2. Set up foreign subsidiaries to handle sales
3. Operate an entire line of business in another country
4. Virtual operation
Global Marketing Standardization

Production of uniform products that can be sold the same way all over the world.
Review Learning Outcome

Impact of Multinational Firms

- Human Resources
- Physical Resources
- Financial Resources

Copyright 2012 by Cengage Learning Inc. All Rights Reserved
External Environment Facing Global Marketers

Describe the external environment facing global marketers.

LO³
Copyright 2012 by Cengage Learning Inc. All Rights Reserved
Culture

Culture- The common set of values shared by its citizens that determine what is socially acceptable.
Economic and Technological Development

- Developed Country
  - Complex, sophisticated industries

- Less Developed Country
  - Basic industries
Political Structure and Actions

No private ownership
Minimal individual freedom

Little central government
Maximum personal freedom
# Legal Considerations

<table>
<thead>
<tr>
<th><strong>Tariff</strong></th>
<th>A tax levied on goods entering a country</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quota</strong></td>
<td>Limit on the amount of a product entering a country</td>
</tr>
<tr>
<td><strong>Boycott</strong></td>
<td>Exclusion of products from a country</td>
</tr>
<tr>
<td><strong>Exchange Control</strong></td>
<td>Foreign exchange must be sold to a control agency</td>
</tr>
<tr>
<td><strong>Market Grouping</strong></td>
<td>Common trade alliance</td>
</tr>
<tr>
<td><strong>Trade Agreement</strong></td>
<td>An agreement to stimulate international trade</td>
</tr>
</tbody>
</table>
Political and Legal Considerations

The Uruguay Round made changes in world trading practices:

- Entertainment, pharmaceuticals, integrated circuits, and software
- Financial, legal, and accounting services
- Agriculture
- Textiles and apparel
- Created a new trade organization: The World Trade Organization
Political and Legal Considerations

Agreements and Organizations

- CAFTA
- NAFTA
- European Union
Demographic Makeup

Marketing Considerations:

• Population density
• Urban or rural
• Personal income
• Age
Shortages in Natural Resources

Create…

• International dependencies
• Shifts of wealth
• Inflation and recession
• Export opportunities if resources are abundant
• Stimulus for military intervention
Natural Resources

- Petroleum
- Foodstuffs
- Precious metal
- Timber
- Water
Review Learning Outcome

External Environment Facing Global Marketers

- Cultural
  - values
  - language
  - customs
  - traditions

- Economic Development

- Technological Development

- Political Structure
  - tariffs
  - quotas
  - boycotts
  - exchange controls
  - market groupings
  - trade agreements

- Demography
  - urban v. rural
  - young v. old
  - purchasing power

- Natural Resources
  - dependence
  - independence

Global Marketing Mix
Identify the various ways of entering the global marketplace.
Global Marketing Questions

• What are our options in selling abroad?

• How difficult is global marketing?

• What are the potential risks and returns?
Why “Go Global”? 

• Earn additional profits
• Leverage a unique product or technological advantage
• Possess exclusive market information
• Saturated domestic markets
• Excess capacity
• Utilize “economies of scale”
Risk Levels for Global Entry

- Low risk/low return
- High risk/high return

- Export
- Licensing
- Contract Manufacturing
- Joint Venture
- Direct Investment

Return

Risk

Copyright 2012 by Cengage Learning Inc. All Rights Reserved
Entering the Global Marketplace

- **Export**: Sell domestically produced products to buyers in other countries
- **Licensing**: Legal process allowing use of manufacturing/patents/knowledge
- **Contract Manufacturing**: Private-label manufacturing by a foreign country
- **Joint Venture**: Domestic firm buys/joins a foreign company to create new entity
- **Direct Investment**: Active ownership of a foreign company/manufacturing facility
Export Intermediaries

**Buyer for Export**
Assumes all ownership risks and sells globally for its own account.

**Export Broker**
Plays the traditional broker’s role by bringing buyer and seller together.

**Export Agent**
Acts like a manufacturer’s agent for the exporter in the foreign market.
Review Learning Outcome

Entering the Global Marketplace
The Global Marketing Mix

List the basic elements involved in developing a global marketing mix.
Product and Promotion

- **Same Product, Same Message**
  - One Product
  - One Message

- **Same Product, Change Message**
  - Promotion Adaptation

- **Change Product, Same Message**
  - Product Adaptation

- **Change Product, Change Message**
  - Product Invention
Place (Distribution)

• Adequate distribution is necessary for success in global markets
  – Some countries have complicated systems
  – Lack of distribution infrastructure and cultural differences create problems

• Innovative distribution systems can create competitive advantage
Pricing

• Must consider transportation and insurance costs, taxes, and tariffs
• Determine what customers will spend
• Ensure that foreign buyers will pay price
• May need to simplify a product to lower price
• Don’t assume that low-income countries are willing to accept lower quality
Floating Exchange Rates

Floating Exchange Rates - Prices of different currencies move up and down based on the demand for and the supply of each currency.
Dumping

1. Trying to increase an overseas market share

2. Temporarily distributing products to overseas markets to offset slack demand at home

3. Lowering unit costs by exploiting large-scale production

4. Attempting to maintain stable prices during periods of exchange rate fluctuations
Countertrade

Countertrade - A form of trade in which all or part of the payment for goods and services is in the form of other goods or services.
## Review Learning Outcome
### Developing a Global Marketing Mix

<table>
<thead>
<tr>
<th>PRODUCT + PROMOTION</th>
<th>PLACE</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Product, One Message</td>
<td>Channel Choice</td>
<td>Dumping</td>
</tr>
<tr>
<td>Product Invention</td>
<td>Channel Structure</td>
<td>Countertrade</td>
</tr>
<tr>
<td>Product Adaptation</td>
<td>Country Infrastructure</td>
<td>Exchange Rates</td>
</tr>
<tr>
<td>Message Adaptation</td>
<td></td>
<td>Purchasing Power</td>
</tr>
</tbody>
</table>
The Impact of the Internet

Discover how the internet is affecting global marketing.
Review Learning Outcome

The Impact of the Internet