

# **International Marketing**

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## **The Scope and Challenge of International Marketing**

# Chapter Learning Objectives

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- Understanding global business trends.
- The changing face of U.S. business.
- The scope of the international marketing task.
- The increasing importance of global awareness.
- The importance of the self-reference criterion (SRC) in international marketing.

# Global Business Trends

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- Events and **trends affecting global business** include the followings.
  1. The rapid growth of the World Trade Organization.
  2. The rapid growth of the regional free trade areas, e.g., NAFTA and the European Union.
  3. General acceptance of the free market system among developing countries in Latin America, Asia, and Eastern Europe.
  4. The growing impact of the Internet, mobile phones, and other global media on the dissolution of national borders.
  5. Managing resources and global environment for the generations to come.

# The Internationalization of U.S. Business

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- Factors that **drive the internationalization** of US business involve:
  - The increasing globalization of markets.
  - Firms face competition on all fronts—from domestic firms and from foreign firms.
  - Many familiar U.S. companies are now foreign controlled (e.g. Some well-known brands no longer owned by U.S. companies such as Carnation (Swiss), The Wall Street Journal (Australian)).

## The Internationalization of U.S. Business cont'2

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- Increasing number of foreign companies establishing subsidiary operations or gaining entry through mergers with US companies.
- Increasing difficulty for domestic markets to sustain customary rates of growth
- Companies with foreign operations find that foreign earnings are making an important overall contribution to total corporate profits.

# The International Marketing Task

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- The international marketer's task **is more complicated** than that of the domestic marketer because the international marketer must deal with **at least two levels** of **uncontrollable uncertainty** instead of one.
- Uncertainty is created by the uncontrollable elements of all business environments, but each foreign country in which a company operates adds its own unique set of uncontrollable factors.
- The more foreign markets in which a company operates, the greater is the possible variety of foreign environmental factors with which to contend. Frequently, a solution to a problem in country market A is not applicable to a problem in country market B.

## The International Marketing Task cont'2

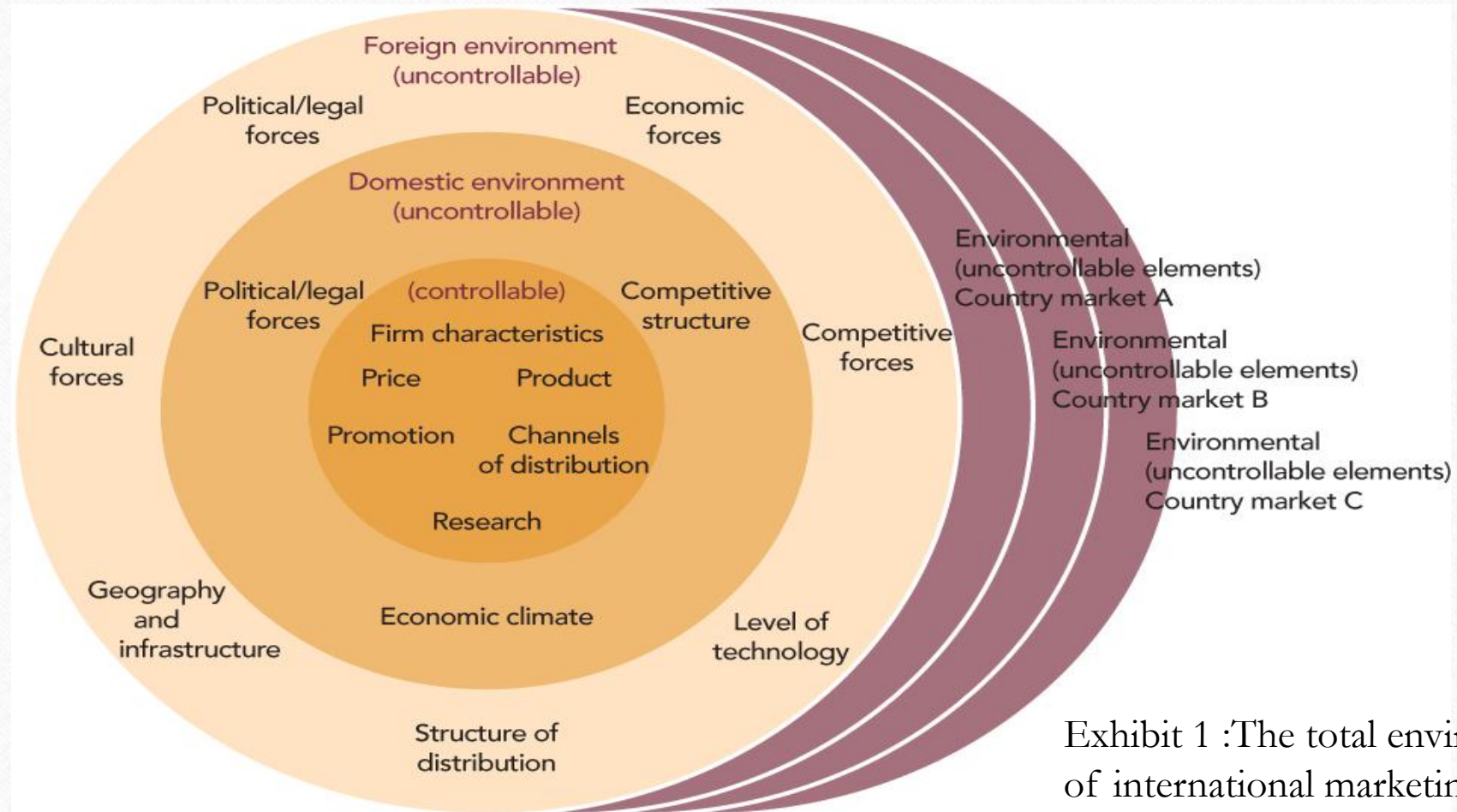


Exhibit 1 :The total environment of international marketing

# The International Marketing Task cont'3

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- Exhibit 1 which represents the total environment of international marketing shows three circles.
- The inner circle (first circle) represents **the controllable elements of domestic environment** (i.e. the area under the control of the marketing manager). It includes price, product, promotion, channels-of-distribution, and research activities.



# The International Marketing Task cont'4

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- The second circle in Exhibit 1 represents the aspects of the **domestic environment uncontrollables**. These include **home-country elements** that can have a direct effect on the success of a foreign venture: political and legal forces, economic climate, competitive structure.

# The International Marketing Task cont'5

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- The outer circle (third circle) in Exhibit 1 represents the aspects of the **foreign environment uncontrollables**. It includes elements such as: political and legal forces, economic forces, competitive forces, level of technology, geography and infrastructure, cultural forces.

## Environmental Adaptation Needed

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- The **key** to successful international marketing **is adaptation** to environmental differences from one market to another.
- Firms must adapt to uncontrollable environment of international marketing by **adjusting** the marketing mix (product, price, promotion, and distribution).
- **Adaptation** is a conscious effort on the part of the international marketer to anticipate the influences of both the foreign and domestic uncontrollable factors on a marketing mix and then to adjust the marketing mix to minimize the effects.

## Environmental Adaptation Needed cont'2

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- To adjust and adapt a marketing program to foreign markets, marketers must be able to interpret effectively the influence and impact of each of the uncontrollable environmental elements on the marketing plan for each foreign market in which they hope to do business.
- The most challenging and important adaptation that international marketers must make is cultural adjustments

## Self-reference criterion (SRC) and ethnocentrism in and ethnocentrism international marketing

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- The **primary obstacles** to success in international marketing are:
  - Person's self-reference criterion (SRC).
  - Ethnocentrism.

# Self-reference criterion SRC

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- The **self-reference criterion** SRC is defined as an unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decisions.
- The **risks of self-reference criterion** include:
  - It prevents you from becoming aware of cultural differences
  - It influences the evaluation of the appropriateness of a domestically designed marketing mix for a foreign market
  - Reacting to a situation in a way offensive to your hosts.
  - Failing to recognise the need to take action.

# Ethnocentrism

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- **Ethnocentrism** is the notion that people in one's own company, culture, or country know best how to do things.
- **Risk of Ethnocentrism:**
  - Impedes the ability to assess a foreign market in its true light.

# Controlling the influence of **SRC** and **Ethnocentrism**

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- The most effective **way to control the influence** of **self-reference criterion and Ethnocentrism** include:
  - To recognize the effects on our behavior.
  - To recognize that there may be more similarities than differences between countries.
  - To conduct cross-cultural analysis.



## Avoiding of the self-reference criterion (SRC) in international marketing

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- **To avoid the SRC**, the following steps are suggested:
  1. Define the business problem or goal in home country cultural traits, habits, or norms
  2. Define the business problem or goal in foreign-country cultural traits, habits, or norms through consultation with natives of the target country. Make no value judgments.
  3. Isolate the SRC influence in the problem and examine it carefully to see how it complicates the problem.
  4. Redefine the problem without the SRC influence and solve for the optimum business goal situation.

# Developing a Global Awareness

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- Developing global awareness is important in understanding behavior in the marketplace.
- **To be globally aware** is to have:
  1. Tolerance of cultural differences. This involves understanding cultural differences and accepting and working with others whose behaviour may be different from yours
  2. Knowledge of culture, history, world market potential, global economic, social and political trends

# Approaches to global awareness

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- Select individual managers specifically for their demonstrated global awareness.
- Develop personal relationships in other countries.
- Have a culturally diverse senior executive staff or board of directors

# Book

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- **International Marketing 15th Edition. by Philip Cateora ,Mary Gilly, John Graham.**