**Review and Discussion Questions**

**Chapter 1: Essentials of International Marketing**

**Review Questions**

1. Define international marketing and marketing. What is the difference between them?

International marketing is the utilization and adaptation of the best marketing practices for the purposes of conducting commerce in other countries. It includes conducting commerce with customers, clients, partners, society at large, and the *overall global community*. To be successful in the international marketplace, marketers learn about new cultures as they adapt to changes in the environment. Marketing in an international context requires comprehension of these and many other forces and factors.

Marketing may be defined as "discovering consumer needs and wants, creating the goods and services products that meet those needs, and then pricing, promoting and delivering those goods and services." The American Marketing Association (AMA) notes that marketing activities include a set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. This viewpoint expands the overall concept of marketing to include *any* exchange of value.

The essence of marketing remains the same, whether in a domestic or international setting. At the same time, entering a new country to sell goods or services requires many adjustments, some of which are relatively minor while others are more dramatic. A firm preparing to enter foreign markets should first examine the new context to identify the parts of the marketing mix that may require changes along with adjustments to managerial practices, accounting methods, human resource policies, shipping and storage programs, and other company activities.

In essence, international marketing involves adapting to meet the needs and wants of consumers in foreign markets.

1. What are the four components of the marketing mix?

The *four Ps of the marketing mix* are product, price, place (or distribution), and promotion.

1. What components are included in the promotional mix?

The promotional mix includesadvertising, sales promotion, personal selling, direct marketing, and public relations programs. Promotion incorporates all of the elements of the promotional mix, which consists of all of the activities that transmit messages about a product's value.

1. Define a market and give an example.

A marketconsists of people with wants and needs, money to spend, plus the willingness and ability to spend money on those wants and needs.

An example of a market could be the dental hygiene market in Russia. This could include people with a need or want for toothbrushes, toothpaste, floss, etc.

1. What is the difference between needs and wants?

Needs are the necessities of life that all humans require for their survival and well-being, whereas, wantsare specific expressions of needs through the desire for specific objects. For example, the need for food, a physiological need, may be expressed by the desire for a plate of lasagna or fresh fruit. Needs are necessities and wants are desires.

1. How do wants lead to demand?

When consumers have the ability and desire to satisfy their wants, this creates demand.

1. What is the market segmentation process?

The process of grouping consumers based on their needs, attitudes, and interests into market segments. Marketers group or segment consumers in ways that allow them to identify specific sets that express or have demand for various products.

1. Define target market.

A target market consists of a specific, identifiable market segment that a company seeks to reach.

1. What is the relationship between positioning and differentiation?

Positioning is creating a perception in a consumer’s mind about the nature of a company and its products relative to competitors. Most companies seek to position products as being different from competitors. An emphasis on a unique benefit or component of a product that separates that product from competitors results in differentiation. Positioning allows companies to differentiate their products from the competitors products.

1. Define globalization and identify the four divers of this process.

Globalization is the increased interconnectedness of consumers and businesses. The four drivers of globalization are: channels of communication, lower transportation costs, immigration and emigration patterns, and governmental actions.

1. What are the five factors that create international marketing complexity?

The five factors that create international marketing complexity are: culture, language, political and legal systems, economic systems, and infrastructure.

1. Define culture.

Culture is the beliefs, customs, and attitudes of a distinct group of people.

1. Describe how language might influence marketing.

Language is extremely important in international marketing. Language will affect the branding, advertising, packaging, promotion, marketing research, and communication used to market a product. For example, brand names may not translate well into other languages.

1. Compare and contrast economic systems with political and legal systems.

An economic system is the means by which countries allocate resources, goods and services to citizens. The types of economic systems present in international commerce include capitalist, communist, and mixed-economies. Political systems consist of the people within an organization, typically governments, who possess the power as well as how that power is structured. Legal systems constitute the methods for applying and implementing the laws of a country.

Economic, political, and legal systems are all entwined. Political parties usually decide what type of economic system a country will have and they use the legal system to enforce the laws. Governments are involved in all economic systems, the difference is just how large a role the government plays in this system. Political systems create laws that regulate commerce and establish trading treaties or arrangements with governments from other countries and they use the legal system to enforce these laws. Political and economic systems can both be used as ways to segment countries as we do consumers, whereas legal systems would not be used in this way.

1. Define infrastructure.

Infrastructure is defined as the organizational and physical structures that are essential for societies to operate.

1. Define sustainability.

Sustainability refers to meeting the needs of the current generation in a way the leaves future generations with the ability to also meet their needs. In simpler terms, sustainable business practices can be summarized with the phrase “Enough - For All – Forever.”

1. What are the five stages for leveraging sustainability?

**A Sustainability Framework**

**Stage 1 Viewing Compliance as Opportunity**

Action: Comply with the most stringent rules and to do so before they are enforced

**Stage 2 Making Value Chain Sustainable**

Action: Focus on supply chains, operations, telecommuting, and returns

**Stage 3 Designing Sustainable Products and Services**

Action: Leverage consumer demand for “green” products

**Stage 4 Developing New Business Models**

Action: Think of new ways to deliver consumer value

**Stage 5 Creating Next-Practice Platforms**

Action: Change the Existing Paradigm

1. Define bottom-of-the-pyramid.

The group of consumers who live on less than $2 per day.

1. Define cultural relativism and the justice approach to ethical issues.

Culturalrelativism, represents the concept that an individual’s culture should inform the ethical or unethical implications of their beliefs and actions. What is accepted by one culture should be the standard when conducting business in that region.

The justice approach involves treating all people fairly and consistently when making decisions. There are two types. A concentration on the fairness of outcomes, punishments, and awards is *distributive justice*. *Procedural justice*, on the other hand, is rooted in fair and reliable use of rules and protocols. The justice approach would call for equivalent pay, working conditions, rules, and ethical behaviors in all countries where the business is active.

**Discussion Questions**

1. The marketing mix is manipulated to meet target market needs and wants. How might the following companies use this process to satisfy consumers?

The four Ps of the marketing mix are product, price, place (or distribution), and promotion.

* Jones Soda
  + Jones Soda is an alternative beverage company. Jones can use the first P (Product) to continue to offer their consumers unique beverages by offering new flavors and using high quality ingredients such as using sugar instead of high fructose corn syrup in their beverages. The flavors and ingredients can differentiate Jones from its competitors. Jones can manipulate the second p (Price) to convey quality to consumers – they can charge a higher price than other comparable beverages. Jones could manipulate the third p (Place) by either offering their beverages in certain desirable locations that consumers view as ‘special’ in some way or they could try and create more of a mass distribution strategy by selling their beverages in large stores such as Wal-Mart and Target. Finally, Jones could manipulate the last p (Promotion) in a way to appeal to their target audience. They could place ads in certain upscale magazines, or try and co-advertise with a high quality grocer, such as Whole Foods. They could also try and advertise at, or sponsor, events that their target audience attends.
* Red Bull
  + Red Bull is also an alternative beverage company. Red Bull is the market leader in the energy drink category. They can use the first P (Product) to offer new variations of their popular drink – such as, calorie free options and new flavors. They could also offer smaller options that contain the benefit of their original product. Red Bull can manipulate the second p (Price) to offer quantity discounts to loyal consumers or charge a fair price to keep their customers loyal instead of switching to another brand. Red Bull could manipulate the third p (Place) by offering their beverages in more convenient places, such as college campuses where demand for the drink is high. Finally, Red Bull has done a great job with the last p (Promotion) by using new marketing strategies. They can continue to use innovative marketing techniques to target their consumers and gain new ones. They could also use more traditional marketing avenues such as TV advertisements and magazine ads.
* Haeir
  + Haeir offers consumer electronics and home appliances. They started as an international company and international markets are often very different than US markets. They can manipulate the first p (Product) to offer unique small space appliances – this is a niche market that they can target and offer specific products to this market. They can also manipulate product by offering high quality and defect products in these markets. They can manipulate price to offer a good value to introductory customers, such as first time buyers, give them quality products that meet their needs and use this as a base for loyal customers in the future. They can manipulate the third p (Place) by selling their products in more stores to create more awareness for their brand. They could partner with IKEA, another company that offers products for small space living to create a positive synergy. Finally, they could manipulate the final p (Promotion) to create more brand awareness, by using multiple types of advertising and marketing they could enable brand recall for consumers shopping for appliances.
* Sony
  + Sony offers many different types of electronics. For this example, we will focus on Sony TVs. Sony could manipulate the product to offer a larger or clearer television set. They could use this p to differential themselves from the competition. Sony can manipulate price to create a better value for their customers. They can offer a higher quality at a comparable price to their competitors. They can manipulate place to make it convenient for consumers to buy their product. They can target the major stores and make sure that their online stores are easy to navigate and offer fair shipping rates. Finally, they can manipulate the 4th p (Promotion) to reach consumers and demonstrate to them the quality of their television sets. By letting consumers know why they should purchase a Sony television set, their competitive advantage, they can increase settings.
* Hyundai
  + Hyundai sells automobiles. Hyundai can manipulate product to offer a unique product to consumers. They can offer a high quality car and manipulate the second p (price) to offer this car at an affordable price to reach a new market. They can manipulate place by opening new car dealerships in areas to reach new consumers in new markets. Finally, they can manipulate promotion by trying to get new possible consumers into their cars – let them experience the quality of the cars first hand.

1. There are four main drivers of globalization: 1) Channels of Communication, 2) Lower Transportation Costs, 3) Immigration and Emigration Patterns, and 4) Governmental Actions. How have these forces influenced your own life? Consider both your social life and your interaction with businesses.
   1. There are many ways in which the drivers of globalization have influenced by social life and interactions with businesses. Channels of communication have not only influenced how I interact with my friends through text messaging, cell phones, emails and facebook, but have also changed the way in which I interact with my colleagues and my family. Instead of either calling or writing someone a letter, there are many ways to interact with one another. Also, channels of communication have influenced the way I interact with businesses. For example, if I have a question or a complaint about a product I can first check the company’s website to look for additional information or I can email the company to let them know I am dissatisfied with a product or service.
   2. Lower transportation costs have influenced the products I buy and the places and friends that I am able to visit. I am able to buy imported cheese and electronics from my local stores. I am able to travel cross-country to visit friends that I haven’t seen in a while. If transportation costs were not lower than previous times I would not be able to afford to do these things.
   3. Immigration and emigration have affected both my social life and consumption life. These have changed the types of friends that I have been able to make, I have been able to become friends with people from all over the world, something that would have been impossible without these. These have changed many consumption patterns, but most evident in my life is the type of food that I am able to buy. I am able to enjoy many new cuisines and find many new grocery products in the store because of these drivers of globalization.
   4. Government actions have played a less noticeable impact upon my daily life, but they have allowed for the many different types of products that I am able to consume. They have allowed me to travel and allowed my friends to travel to the United States. They have affected what I am able to purchase due to taxes and fees (or lack thereof for foreign products). Our government gives us many options.

3. Identify differences, in simple terms, differences in the factors creating international marketing complexity for the following countries. These factors are culture, language, political and legal systems, economic systems, and infrastructure.

* India – Is a complex country that is very big, has many people, and is broken up into many different territories. Each territory speaks their own language, thus, a national marketing plan would be difficult. While there is a common language, this still varies across regions and contains different dialects. It would be very difficult to create a mass marketing plan. Additionally, India has a very large proportion of the citizens living under the poverty line, making it very difficult for many people to purchase daily necessities. Transportation (infrastructure) can be very difficult to navigate in India – the cities may be very crowded while some locations in the country are very remote.
* Brazil – Is a very large country, it is the 5th largest country in the world. Brazil is not only large, but it has extremely diverse terrain. This could make distribution of products very difficult. Brazil has a favorable political and legal system for businesses. Brazil is composed of many different cultures and ethnic groups which could pose a challenge for a national marketing campaign.
* Kenya – Launching an international marketing campaign in Kenya could face difficulties from the diverse peoples, cultures, and the numerous county governments. There are 47 county governments that are semi-autonomous. There are many different languages spoken in the country and some people only speak their mother tongue, which would make advertising and packaging difficult.
* Slovenia – Is a member of the EU and is an overall wealthy nation. The majority of people speak the same language. The biggest complexity for Slovenia appears to be that the majority of the country is covered by hills and mountains making distribution difficult.
* Mongolia – Mongolia is a relatively new market economy which may make it difficult to launch an international marketing campaign in the country. There is a large population of the country that is nomadic or semi-nomadic which can make marketing and selling extremely difficult. Additionally, many individuals in Mongolia live below the poverty line which means purchasing can be extremely difficult. Finally, many of the roads in Mongolia are only simple gravel roads which would make large scale distribution difficult.

4. Sustainability is increasingly viewed as a potential driver of firm success. What are the implications of this perspective? Incorporate the framework in Figure 1.7 into your answer.

Sustainability can be seen as a positive opportunity for firms. The five stages can be used to see how sustainability can add to firm value. In the first stage, **Stage 1 Viewing Compliance as Opportunity**, firms can find ways to use sustainable options in an affordable way before they enforced. If they do this they can avoid having to enforce expensive changes to their operations after they become enforced. In the second stage, **Stage 2 Making Value Chain Sustainable,** firms have the opportunity to make their supply chains and operations sustainable. Here firms can make sure their chains and operations are sustainable and possibly affordable. Through this they can ensure their operations can continue into the future without harming the environment. In the third stage, **Stage 3 Designing Sustainable Products and Services**, they can design their products are services to be sustainable. This can be a strong core capacity that the company can use as a strategic marketing tool. They can make sustainable “green: products that consumers are looking for and are often willing to pay more for. There is a large demand for green and renewable products and the company can use this competitive advantage in their marketing campaign. In the fourth stage, **Stage 4 Developing New Business Models**, companies can try to find new ways to deliver value to consumers in a sustainable and effective manner. They can try new ways of packaging current goods and new ways of transporting these goods to consumers. This can lower their operating costs and be a competitive advantage in the market place. Finally, they can look to the last stage, **Stage 5 Creating Next-Practice Platforms**, and really be creative by changing the existing standard in which their products are sold and delivered to the consumer. Think of maybe the delivery of music via the internet instead of through CDs. This is a new paradigm that is sustainable and better for the environment.