

# International Marketing

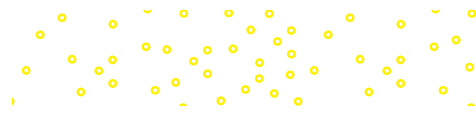
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18th Edition

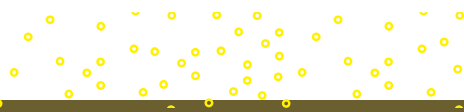


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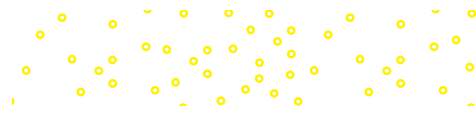
Philip R. Cateora • R. Bruce Money  
Mary C. Gilly • John L. Graham



# International Marketing



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# International Marketing

Eighteenth edition

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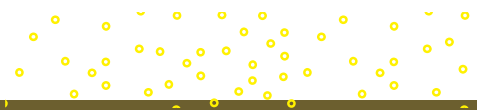
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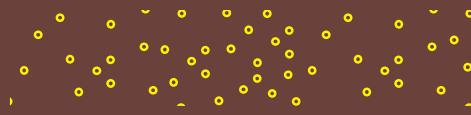
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## INTERNATIONAL MARKETING, EIGHTEENTH EDITION

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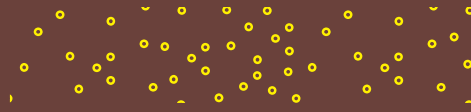
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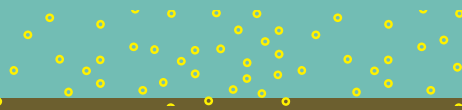
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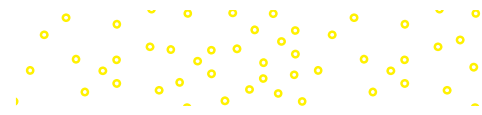
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# WALKTHROUGH



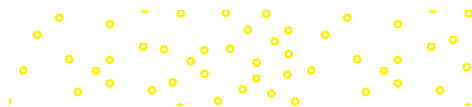
## A quick look at the new edition

**Color maps** and **exhibits** allow for a clearer presentation of international symbols and cultural meanings in marketing and advertising. In addition, photos that depend on full color for maximum impact easily bring many global examples to life. This visually stimulating combination works together to make the text material reader-friendly and accessible for instructors as well as students.

A **Chapter Outline** provides students an at-a-glance overview of chapter topics, while **Chapter Learning Objectives** summarize the chapter's goals and focus. Each chapter is introduced with a **Global Perspective** vignette, which draws upon the experiences of real companies—ranging from national exporters to global enterprises—to illustrate the significant issues discussed in the chapter. These company profiles are designed to help students combine the theories in the text with real-life applications.

Like the Global Perspectives, the **Crossing Borders** boxes offer a wealth of entertaining anecdotes from real companies. They are designed to encourage critical thinking and guide students through topics ranging from ethical to cultural to global issues facing marketers today.

We put Paris, “the city of lights,” on our cover for a number of reasons including: (1) It is the most popular tourist destination in the world; (2) There, on 12 December 2015, Parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low-carbon future, now referred to as the Paris Agreement; (3) Among all cities in the world it is the most central in the network of municipal governments that are moving faster on mitigating climate change than are national governments; and (4) At night it is particularly beautiful. Someday the lights will go on there without adding carbon to our atmosphere!





## NEW Cases

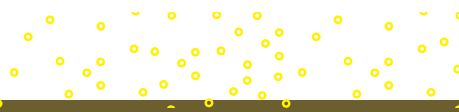
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Five new cases accompany the eighteenth edition, enlivening the material in the book and class discussions while broadening a student's critical thinking skills. These cases bring forth many of the topics discussed in the chapters and demonstrate how these concepts are dealt with in the real world. These cases can be found in Connect and SmartBook.

## Global Perspectives

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At the beginning of each chapter, Global Perspectives give examples of current company experiences in global marketing. Illustrating chapter concepts, these profiles help students to combine the theory they read about with real-life application.







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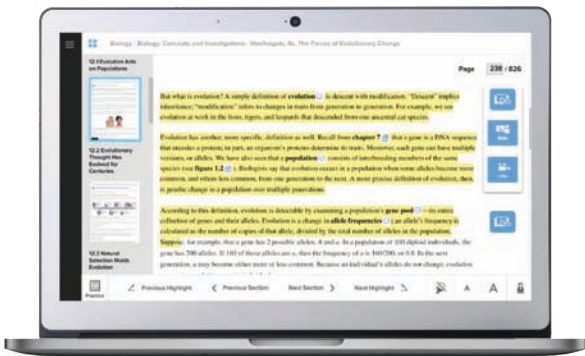
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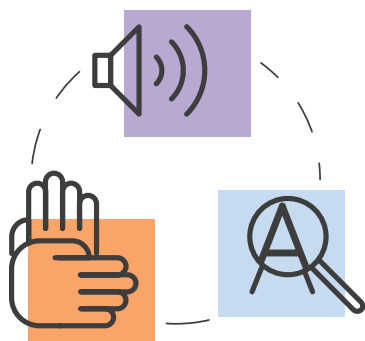
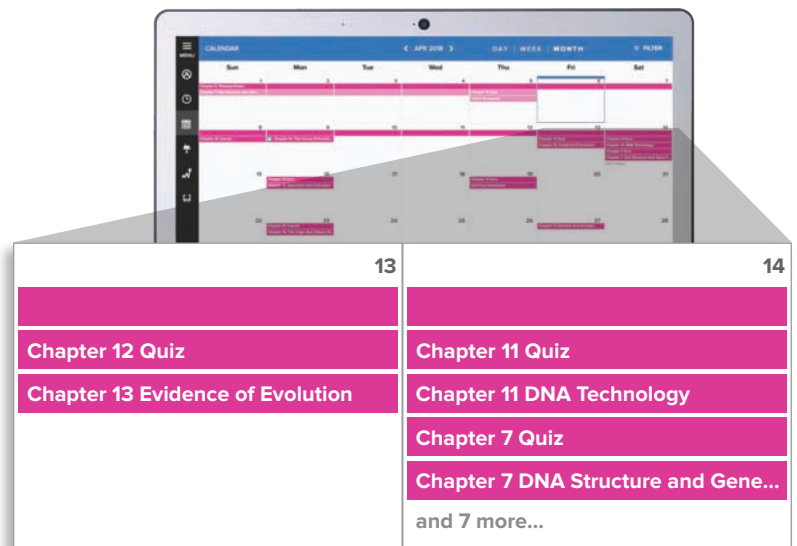
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**Instructor's Manual:** The custom-designed Instructor's Manual includes chapter summaries, learning objectives, an extended chapter outline, key terms, description of text boxes, discussion questions, and additional activities.

**Test Bank:** The Test Bank has been revised and updated to reflect the content of the eighteenth edition of the book. Each chapter includes multiple-choice, true/false, and essay questions.

**PowerPoint:** The slides include lecture material and additional content to expand concepts in the text. The PowerPoint slides also include detailed teaching notes.

**Videos:** *International Marketing*, eighteenth edition, offers links to videos accompanied by instructional notes and discussion questions.

**Cases:** New cases accompany the eighteenth edition. These cases bring forth many of the topics discussed in the chapters and demonstrate how these concepts are dealt with in the real world. These cases are available in Connect.

**Country Notebook:** This writing guide will help students develop a marketing plan that contains information a marketer should be aware of when making decisions involving a specific country market.

## Binder-Ready Loose-Leaf Text (ISBN 1260665534)

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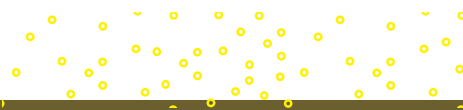
## Assurance of Learning Ready

Many educational institutions today are focused on the notion of *assurance of learning*, an important element of some accreditation standards. *International Marketing* is designed specifically to support your assurance of learning initiatives with a simple, yet powerful solution. Each test bank question for *International Marketing* maps to a specific chapter learning outcome/objective listed in the text. You can use Connect to easily query for learning outcomes/objectives that directly relate to the learning objectives for your course.

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The statements contained in *International Marketing*, eighteenth edition, are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *International Marketing*, eighteenth edition, and the teaching package make no claim of any specific AACSB qualification or evaluation, we have within *International Marketing*, eighteenth edition, labeled selected questions according to the six general knowledge and skills areas.

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# ABOUT THE AUTHORS

**Philip R. Cateora** Professor Emeritus, The University of Colorado at Boulder. Received his Ph.D. from the University of Texas at Austin where he was elected to Beta Gamma Sigma. In his academic career at the University of Colorado he has served as Division Head of Marketing, Coordinator of International Business Programs, Associate Dean, and Interim Dean. His teaching has spanned a range of courses in marketing and international business, from fundamentals through the doctoral level. He received the University of Colorado Teaching Excellence Award and the Western Marketing Educator's Association's Educator of the Year Award.

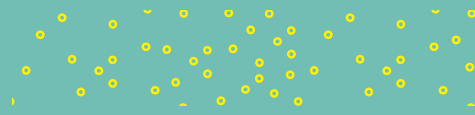
Professor Cateora has conducted faculty workshops on internationalizing principles of marketing courses for the AACSB and participated in designing and offering similar faculty workshops under a grant by the Department of Education. In conjunction with these efforts, he co-authored *Marketing: An International Perspective*, a supplement to accompany principles of marketing texts. Professor Cateora has served as consultant to small export companies as well as multinational companies, served on the Rocky Mountain Export Council, and taught in management development programs. He is a Fellow of the Academy of International Business.

**R. Bruce Money** Fred Meyer Professor of International Business and Marketing; Director of the Whitmore Global Management Center, Marriott School, Brigham Young University. Professor Money has been teaching and researching international marketing for more than 25 years. He holds a B.A. from BYU, an M.B.A. from the Harvard Business School, and a Ph.D. in marketing from the University of California, Irvine. Prior to joining BYU, he served nine years on the faculty of the University of South Carolina, perennially ranked as one of the top international business programs in the country. His international marketing research has been published in leading academic outlets such as *Journal of International Marketing*, *Journal of Marketing*, *Journal of International Business Studies*, and *Harvard Business Review* (in abstract). He has won seven teaching awards at the undergraduate, MBA, and executive MBA program levels. Prior to his academic career, Dr. Money gained 10 years of professional and nonprofit experience, mostly in the international marketing of financial services. Proficient in Japanese, his most recent business position was vice president in the Los Angeles office of The Sakura Bank, Ltd. (now Sumitomo Mitsui), one of the world's largest banks. There, he directed the bank's marketing strategy for *Fortune* 100 prospects for the western United States (11 states). Dr. Money also served as partner in a consultancy to William E. Simon, former U.S. Secretary of the Treasury, for whom he initiated a Japanese joint venture program. He also directed \$1 billion in Japanese debt and equity relationships for the Koll Company (now CB Richard Ellis), the West Coast's largest real estate developer at that time. Dr. Money has taught in dozens of executive education programs for clients such as Adobe, Nissan's Tokyo headquarters, Bosch Corporation, Bayer, CSX, and Norsk Hydro. He also has been a visiting professor of international marketing at business schools in Austria and Greece.

**Mary C. Gilly** Professor of Marketing at the Paul Merage School of Business, University of California, Irvine. She received her B.A. from Trinity University in San Antonio, Texas; her M.B.A. from Southern Methodist University in Dallas, Texas; and her Ph.D. from the University of Houston. At UCI, Dr. Gilly has served as Vice Dean, Associate Dean, Director of the Ph.D. Program, Faculty Chair in the School of Business, Associate Dean of Graduate Studies, and Chair of the Academic Senate for the campus. She was elected Chair of the UC Academic Council and served at the UC Office of the President from 2013 through 2015.

She has been on the faculties of Texas A&M University and Southern Methodist University and has been a visiting professor at the Madrid Business School and Georgetown University. Professor Gilly has been a member of the American Marketing Association since 1975 and has served that organization in a number of capacities, including Marketing Education Council, President, Co-Chair of the 1991 AMA Summer Educators' Conference, and member and chair of the AMA-Irwin Distinguished Marketing Educator Award Committee. She has served as Academic Director for the Association for Consumer Research. Professor Gilly has published her research on international, cross-cultural, and consumer behavior topics in *Journal of Marketing*, *Journal of Consumer Research*, *Journal of Retailing*, *California Management Review*, and other venues. In 2011, she received the Williams-Qualls-Spraten Multicultural Mentoring Award of Excellence. In 2018, she was inducted into the PhD Project Hall of Fame and is a 2019 Fellow of the American Marketing Association.

**John L. Graham** Professor Emeritus of International Business and Marketing at the Paul Merage School of Business, University of California, Irvine. At UCI he is the Director of the Center for Global Leadership and has served as Associate Dean, Director of the John & Marilyn Long US-China Institute for Business & Law, and Director of the Center for Citizen Peacebuilding; Visiting Scholar, Georgetown University School of Business; Visiting Professor at Madrid Business School in Spain; and Associate Professor, University of Southern California. Before beginning his doctoral studies at UC Berkeley, he worked for a division of Caterpillar Tractor Co. and served as an officer in the U.S. Navy Underwater Demolition/SEAL Teams. John is the author of *Spiced: The Global Marketing of Psychoactive Substances*, CreateSpace 2016, (with Lynda Lawrence and William Hernandez Requejo), *Inventive Negotiation: Getting Beyond Yes*, Palgrave-Macmillan, 2014; (with William Hernandez Requejo) of *Global Negotiation: The New Rules*, Palgrave-Macmillan, 2008; (with N. Mark Lam) of *China Now, Doing Business in the World's Most Dynamic Market*, McGraw-Hill, 2007; (with Yoshihiro Sano and James Hodgson, former U.S. Ambassador to Japan) of *Doing Business with the New Japan*, Rowman & Littlefield, 4th edition, 2008; and editor (with Taylor Meloan) of *Global and International Marketing*, Irwin, 2nd edition, 1997. He has published articles in publications such as *Harvard Business Review*, *Journal of Marketing*, *Journal of International Business Studies*, *Strategic Management Review*, *Journal of Consumer Research*, *Journal of International Marketing*, and *Marketing Science*. Excerpts of his work have been read into the *Congressional Record*, and his research on business negotiation styles in 22 cultures was the subject of an article in the January 1988 issue of *Smithsonian*. His 1994 paper in *Management Science* received a citation of excellence from the Lauder Institute at the Wharton School of Business. He was selected for the 2009 International Trade Educator of the Year Award, given by the North American Small Business International Trade Educators' Association.



## *International Marketing: The Landscape* At the start of the last millennium, the Chinese were

the preeminent international traders. Although a truly global trading system would not evolve until some 500 years later, Chinese silk had been available in Europe since Roman times.

At the start of the last century, the British military, merchants, and manufacturers dominated the seas and international commerce. Literally, the sun did not set on the British Empire.

At the start of this century, the United States had surged past a faltering Japan to retake the lead in global commerce. The American domination of information technology has since been followed by the political upheaval of 9/11 and the economic shocks of 2001 and 2008. China started the 21st century as the largest military threat to the United States, and within a decade it had become a leading, though often difficult, trading partner. Now, as the 2020s are upon us, China's international influence grows while the United States cedes some global leadership under a nationalistic American president. Most would agree that Russia threatens global peace more than the rest.

There has never been a more dynamic time to teach International Marketing. What surprises do the new decade, century, and millennium hold in store for all of us? In this century, natural disasters, wars, and difficult changes in trade relationships across the globe have hampered commerce and human progress. Just in the last decade, we have witnessed the human tragedy and economic disaster of a 1000-year earthquake and tsunami and a nuclear meltdown in Japan; protests and revolutions—the so-called Arab Spring—across the Middle East and North Africa (MENA); widespread economic protests across the developed countries; and the ongoing potential for a financial meltdown in the European Union. The coming exit of the United Kingdom from the European Union is perhaps the most shocking development. The battle to balance economic growth and stewardship of the environment continues. As the new leadership in Washington, DC, dials in an America-first set of policies, the globalization of markets has slowed, despite the widespread acceptance of the democratic free-enterprise model and saturation of communication technologies such as cell phones and the Internet. It now seems that Chinese gradualism versus the Russian big-bang approach to economic and political reform has worked better. Will the information technology boom of the previous decade be followed by a demographics bust as American baby boomers continue to retire in greater numbers? Or will NAFTA and the younger generation in Mexico provide a more balanced demographic? Ten years out, the debate about global warming should be settled—more data and better science will yield the answers. Will the economic tsunami of 2008–2009 evolve into something even worse? So far the recovery in the United States, Europe, and Japan has been both tepid and uneven. China's growth is slowing; will the landing be a hard or soft one? What unforeseen advances or disasters will the biological sciences bring us? Will we conquer AIDS/HIV in Africa? Will weapons and warfare become obsolete? Will artificial intelligence (AI) finally deliver on the promise to add leisure time for the peoples of the world?

International marketing will play a key role in providing positive answers to all these questions. We know that trade causes peace and prosperity by promoting creativity, mutual understanding, and interdependence. Markets recently burgeoning in emerging economies in eastern Europe, the Commonwealth of Independent States, China, Indonesia, Korea, India, Mexico, Chile, Brazil, and Argentina and across sub-Saharan Africa have begun sputtering. These emerging economies still hold the promise of huge markets in the future. In the more mature markets of the industrialized world, opportunity and challenge also abound as consumers' tastes become more sophisticated and complex and as the hoped-for rebound in purchasing power provides consumers with new means of satisfying new demands.

With the recent volatility in the industrialized countries and the stalled growth in emerging markets has come a new competitive landscape, one vastly different from that earlier period when U.S. multinationals dominated world markets. From the late 1940s through the 1960s, multinational corporations (MNCs) from the United States had little competition; today, companies from almost all the world's nations vie for global markets.



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

- The ever-present threat of global terrorism as represented by the September 11, 2001, attacks and Russian interference in democratic elections in several countries including the U.S.
- Major armed conflicts in sub-Saharan Africa and the Middle East.
- A potential global recession emanating from the United States.
- The emerging markets in eastern Europe, Asia, and Latin America, where more than 75 percent of the growth in world trade over the next 20 years is expected to occur.
- The reunification of Hong Kong, Macau, and China, which finally put all of Asia under the control of Asians for the first time in over a century.
- The European Monetary Union and the successful switch from local-country currencies to one monetary unit for Europe, the euro, and its apparent fragility.
- The rapid move away from traditional distribution structures in the United States, Japan, Europe, and many emerging markets driven by Amazon and others.
- The shrinking of middle-income households the world over.
- The demographic of aging populations in Europe, the U.S., Japan, and China.
- The continued struggles of regional market groups such as the European Union (EU), the North American Free Trade Area (NAFTA), the Central American Free Trade Area (CAFTA), the ASEAN Free Trade Area (AFTA), the Southern Cone Free Trade Area (Mercosur), and the Asia-Pacific Economic Cooperation (APEC).
- The failure of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the United States' withdrawal from multinational trade pacts both in the Pacific Rim area and with European partners, and the British exit from the EU.
- The restructuring, reorganizing, and refocusing of companies in telecommunications, entertainment, and biotechnology, as well as in traditional smokestack industries around the world.
- The continuing integration of the Internet, smart phones, and AI into all aspects of companies' operations and consumers' lives.

These are not simply news reports. These changes affect the practice of business worldwide, and they mean that companies will have to constantly examine the way they do business and remain flexible enough to react rapidly to changing global trends to be competitive.

**International Marketing: Our Approach** As global economic growth occurs, understanding marketing in all cultures is increasingly important. *International Marketing* addresses global issues and describes concepts relevant to all international marketers, regardless of the extent of their international involvement. Not all firms engaged in overseas marketing have a global perspective, nor do they need to. Some companies' foreign marketing is limited to one country; others market in a number of countries, treating each as a separate market; and still others, the global enterprises, look for market segments with common needs and wants across political and economic boundaries. All, however, are affected by competitive activity in the global marketplace. It is with this future that the authors of the eighteenth edition of *International Marketing* are concerned.

We emphasize the strategic implications of competition in different country markets. An environmental and cultural approach to international marketing permits a truly global



orientation. The readers' horizons are not limited to any specific nation or to the particular ways of doing business in a single nation. Instead, the book provides an approach and framework for identifying and analyzing the important cultural and environmental uniqueness of any nation or global region. Thus, when surveying the tasks of marketing in a foreign milieu, the reader will not overlook the impact of crucial cultural issues.

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

Although this revised edition is infused throughout with a global orientation, export marketing and the operations of smaller companies also are included. Issues specific to exporting are discussed where strategies applicable to exporting arise, and examples of marketing practices of smaller companies are examined.

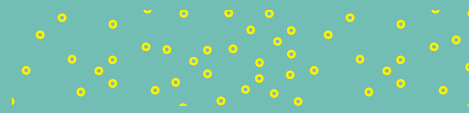
***International Marketing: New to This Edition*** This dynamic nature of the international marketplace is reflected in the number of substantially improved and expanded topics in this eighteenth edition, including the following:

- All data, text, pictures, and exhibits have been updated throughout the text. Out-of-date materials have been deleted. More than 100 new academic articles and their findings also have been integrated and cited throughout.
- New cases include both real and fictional examples of international marketing at work and challenge students to apply the concepts and topics of the book.
- **Chapter 1** New material on negative impacts of the new communication tools such as Facebook have been added to Chapter 1.
- **Chapter 2** The bumpy road of international marketing is exemplified by new trade conflicts between the Trump administration and most of the rest of the world, particularly China.
- **Chapter 3** Population growth and emerging economies both put continuing pressures on the international marketing system with respect to environmental impact. Both challenges and opportunities are created.
- **Chapter 4** New examples of the importance of culturally consistent presentations of brands, including cultural gaffes recently by Nike, Marriott, and Krispy Kreme donuts, are presented.
- **Chapter 5** Culture affects everything from Toyota's apologies to Bitcoin hacking scandals, as detailed in this chapter. We also give updates on corruption, women in global management, the new Hofstede dimension of indulgence, and the Japanese working themselves to death, literally.
- **Chapter 6** Data, text, pictures, and exhibits have been updated. The Brexit vote and the America-first philosophy of the Trump administration have signaled a fundamental change in international relations, trade, and peace. Perhaps?
- **Chapter 7** We continue the narrative of how technological changes push government policies (taxes, censorship, and cyberterrorism) around the world. We have added new material on intellectual property rights in the international context.
- **Chapter 8** The scary material about consumer privacy and the negative impacts of the new information/telecommunication systems continues to grow in this chapter as it does in the global environment.
- **Chapter 9** Economic development in Africa seems on a positive path while political conflicts in North America have become a major concern.

- **Chapter 10** Not only does the exit of the UK from the EU raise the specter of a divided EU, but also the UK itself may dissolve in the process. Russian misbehavior and economic troubles rile the world.
- **Chapter 11** The political machinations between the United States and its East Asian partners and opponents upsets markets and marketing in the area. China pushes its economic development initiative westward. Meanwhile, India continues its path of development.
- **Chapter 12** We give new examples of good global market planning and its challenges: how McDonald's and KFC manage their franchisees in the face of fewer global fast-food fans, plus the ongoing march of Netflix's worldwide expansion. We added a look at an IKEA store in Abu Dhabi.
- **Chapter 13** The Global Perspective on Disney is updated to include the new Shanghai park, plus the latest on the most famous Japanese product innovation export: heated, high-tech toilets. There are also updates on brands jockeying for global brand positioning, and who's winning.
- **Chapter 14** Updates on what the best B2B marketers of goods and services do, from reading the cultural tea leaves in relationship marketing to new virtual trade shows. There is a new two-page layout on innovations at dairy farms to reduce green-house gas emissions. Methane is gathered from cow manure!
- **Chapter 15** The newest Starbucks 30,000-square-foot megastore "roaster," showcased in Shanghai, is something to behold as a new world of retail outlets. Updates to the 6 Cs and logistics are highlighted, including new mega ships and China's Alibaba delivering goods by high-tech drones.
- **Chapter 16** Barbie, the classic marketing communication case, updates itself regularly, as it does in this chapter. Ken now sports a man-bun. Microsoft's promotion adaptations are updated, as are rankings of top global advertisers—YouTube and Google are rising quickly.
- **Chapter 17** We detail the latest global expansions of Mary Kay, the eternal corporate queen of personal selling. New insights on expatriate assignment success also are presented.
- **Chapter 18** Here we explore the pricing fallout of President Trump's 2018 tariffs levied on imports. Exchange rates and currency fluctuations, including the ruinous effects of hyperinflation (featuring a 20-billion-dollar Zimbabwe bill) are highlighted.
- **Chapter 19** New materials on the topic of inventive international negotiation are included.

**Structure of the Text** The text is divided into six parts. The first two chapters, Part 1, introduce the reader to the environmental/cultural approach to international marketing and to three international marketing management concepts: domestic market expansion, multidomestic marketing, and global marketing. As companies restructure for the global economic and competitive rigors of the 21st century, so too must tomorrow's managers. The successful manager must be globally aware and have a frame of reference that goes beyond a country, or even a region, and encompasses the world. What global awareness means and how it is acquired are discussed early in the text; it is at the foundation of global marketing.

Chapter 2 focuses on the dynamic environment of international trade and the competitive challenges and opportunities confronting today's international marketer. The importance of the creation of the World Trade Organization, the successor to GATT, is fully explored. The threats of nationalism and nativism around the globe continue to be of concern. The growing importance of cell phones and the Internet in conducting international



business is considered, creating a foundation on which specific applications in subsequent chapters are presented.

The five chapters in Part 2 deal with the cultural environment of global marketing. A global orientation requires the recognition of cultural differences and the critical decision of whether it is necessary to accommodate them.

Geography and history (Chapter 3) are included as important dimensions in understanding cultural and market differences among countries. New emphasis is placed on the concern for the deterioration of the global ecological environment and the multinational company's critical responsibility to protect it.

Chapter 4 presents a broad review of culture and its impact on human behavior as it relates to international marketing. Specific attention is paid to Geert Hofstede's study of cultural values and behavior. The elements of culture reviewed in Chapter 4 set the stage for the in-depth analyses in Chapters 5, 6, and 7 of business customs and the political and legal environments. Ethics and social responsibility are presented in the context of the dilemma that often confronts the international manager—that is, balancing corporate profits against the social and ethical consequences of his or her decisions.

We have organized Part 3 of the book into four chapters on assessing global market opportunities. As markets expand, segments grow within markets; as market segments across country markets evolve, marketers are forced to understand market behavior within and across different cultural contexts. Multicultural research, qualitative and quantitative research, and the Internet as a tool in the research task are explored in Chapter 8.

Separate chapters on economic development and the Americas (Chapter 9); Europe, Africa, and the Middle East (Chapter 10); and the Asia Pacific Region (Chapter 11) reflect the evolving marketing organizations of many multinational companies in response to the costs of travel and communications across time zones, as well as the steady creation and growth of regional market groups in all three regions. The discussions in all three chapters include details about both established and emerging markets present in each region.

The strategic implications of the dissolution of the Soviet Union and the emergence of new independent republics, the shift from socialist-based to market-based economies in Eastern Europe, and the return of South Africa, Cuba, and Vietnam to international commerce are examined. Attention also is given to the efforts of the governments of China and India and many Latin American countries to reduce or eliminate barriers to trade, open their countries to foreign investment, and privatize state-owned enterprises.

These political, social, and economic changes that are sweeping the world are creating new markets and opportunities, making some markets more accessible while creating the potential for greater protectionism in others.

In Part 4, *Developing Global Marketing Strategies*, planning and organizing for global marketing is the subject of Chapter 12. The discussion of collaborative relationships, including strategic alliances, recognizes the importance of relational collaborations among firms, suppliers, and customers in the success of the global marketer. Many multinational companies realize that to fully capitalize on opportunities offered by global markets, they must have strengths that often exceed their capabilities. Collaborative relationships can provide technology, innovations, productivity, capital, and market access that strengthen a company's competitive position.

Chapters 13 and 14 focus on product and services management, reflecting the differences in strategies between consumer and industrial offerings and the growing importance in world markets for both consumer and business services. Additionally, the discussion on the development of global offerings stresses the importance of approaching the adaptation issue from the viewpoint of building a standardized product/service platform that can be adapted to reflect cultural differences. The competitive importance in today's global market of quality, innovation, and technology as the keys to marketing success is explored.

Chapter 15 takes the reader through the distribution process, from home country to the consumer in the target country market. The structural impediments to market entry imposed by a country's distribution system are examined in the framework of a detailed presentation

of the Japanese distribution system. Additionally, the rapid changes in channel structure that are occurring in Japan, as well as in other countries, and the emergence of the World Wide Web as a distribution channel are presented.

Chapter 16 covers advertising and addresses the promotional element of the international marketing mix. Included in the discussion of global market segmentation are recognition of the rapid growth of market segments across country markets and the importance of market segmentation as a strategic competitive tool in creating an effective promotional message. Chapter 17 discusses personal selling and sales management and the critical nature of training, evaluating, and controlling sales representatives.

Price escalation and ways it can be lessened, countertrade practices, and price strategies to employ when the dollar is strong or weak relative to foreign currencies are concepts presented in Chapter 18.

In Part 5, Chapter 19 is a thorough presentation of negotiating with customers, partners, and regulators. The discussion stresses the varying negotiation styles found among cultures and the importance of recognizing these differences at the negotiation table.

**Pedagogical Features of the Text** The text portion of the book provides thorough coverage of its subject, with a subject emphasis on the planning and strategic problems confronting companies that market across cultural boundaries.

The use of the Internet as a tool of international marketing is stressed throughout the text. On all occasions in which data used in the text originated from an Internet source, the web address is given. Problems that require the student to access the Internet are included with end-of-chapter questions. Internet-related problems are designed to familiarize the student with the power of the Internet in his or her research, to illustrate data available on the Internet, and to challenge the reader to solve problems using the Internet. Many of the examples, illustrations, and exhibits found in the text can be explored in more detail by accessing the web addresses that are included.

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

Each chapter is introduced with a Global Perspective, a real-life example of company experiences that illustrates salient issues discussed in the chapter. Companies featured in the Global Perspectives range from exporters to global enterprises.

The boxed Crossing Borders, an innovation of the first edition of *International Marketing*, always have been popular with students. They reflect contemporary issues in international marketing and can be used to illustrate real-life situations and as the basis for class discussion. They are selected to be unique, humorous, and of general interest to the reader.

The book is presented in full color, allowing maps to depict geographical, cultural, and political boundaries and features more easily. Color also allows us to better communicate the intricacies of international symbols and meanings in marketing communications. New photographs of current and relevant international marketing events are found throughout the text—all in color.

The Country Notebook—A Guide for Developing a Marketing Plan, found in Part 6, Supplementary Material, is a detailed outline that provides both a format for a complete cultural and economic analysis of a country and guidelines for developing a marketing plan.

In addition to The Country Notebook, the 18th edition comprises a selection of short and long cases located in Connect. The short cases focus on a single problem, serving as the basis for discussion of a specific concept or issue. The longer, more integrated cases are broader in scope and focus on more than one marketing management problem; new cases focus on services marketing, pricing, and ethics. The cases can be analyzed using the information provided. They also lend themselves to more in-depth analysis, requiring the student to engage in additional research and data collection.

**Acknowledgments** The success of a text depends on the contributions of many people, especially those who take the time to share their thoughtful criticisms and suggestions to improve the text.

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**Philip R. Cateora**  
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**John L. Graham**

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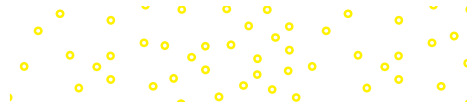
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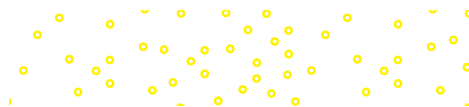
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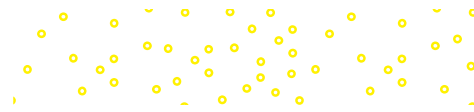
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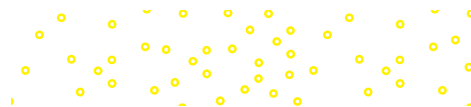
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# International Marketing

# Chapter 1

# The Scope and Challenge of International Marketing



## CHAPTER OUTLINE

Global Perspective: Global Commerce Causes Peace

The Internationalization of U.S. Business

International Marketing Defined

The International Marketing Task

Marketing Decision Factors

Aspects of the Domestic Environment

Aspects of the Foreign Environment

Environmental Adaptation Needed

The Self-Reference Criterion and Ethnocentrism: Major Obstacles

Developing a Global Awareness

Stages of International Marketing Involvement

No Direct Foreign Marketing

Infrequent Foreign Marketing

Regular Foreign Marketing

International Marketing

Global Marketing

The Orientation of *International Marketing*

## CHAPTER LEARNING OBJECTIVES

What you should learn from Chapter 1:

**L01-1** The benefits of international markets

**L01-2** The changing face of U.S. business

**L01-3** The scope of the international marketing task

**L01-4** The importance of the self-reference criterion (SRC) in international marketing

**L01-5** The increasing importance of global awareness

**L01-6** The progression of becoming a global marketer

## Global Perspective

### GLOBAL COMMERCE CAUSES PEACE

Global commerce thrives during peacetime. The economic boom in North America during the late 1990s was in large part due to the end of the Cold War and the opening of the formerly communist countries to the world trading system. However, we also should understand the important role that trade and international marketing play in producing peace.

Boeing Company, one of America's largest exporters, is perhaps the most prominent example. Although many would argue that Boeing's military sales (aircraft and missiles) do not exactly promote peace, over most of the company's history, that business has constituted only about 20–30 percent of the company's commercial activity. The company still counts customers in more than 150 countries, and its 140,000-plus employees work in more than 65 countries.<sup>1</sup> The new 787 Dreamliner uses parts from around the world, including Australia, France, India, Italy, Japan, Russia, and Sweden. Its more than 12,000 commercial jets in service worldwide carry about 1 billion travelers per year. Its NASA Services division is the lead contractor in the construction and operation of the 16-country International Space Station, first manned by an American and two Russians in the fall of 2000. The Space and Intelligence Systems Division also produces and launches communications satellites affecting people in every country.

All the activity associated with the development, production, and marketing of commercial aircraft and space vehicles requires millions of people from around the world to work together. Moreover, no company does more<sup>2</sup> to enable people from all countries to meet face to face for both recreation and commerce. All this interaction yields not just the mutual gain associated with business relationships but also personal relationships and mutual understanding. The latter are the foundation of global peace and prosperity.

Another group of companies that promotes global dialogue and therefore peace is the mobile phone industry. By 2015, the number of mobile phone subscribers exceeded 7 billion. Samsung (South Korea), Apple (United States), and Huawei (China) are the market leaders.

Individuals and small companies also make a difference—perhaps a subtler one than large multinational companies, but one just as important in the aggregate. Our favorite example is Daniel Lubetzky's company, PeaceWorks. Mr. Lubetzky used a fellowship at Stanford Law School to study how to foster joint ventures between Arabs and Israelis. Then, following his own advice, he created a company that combined basil pesto from Israel with other raw materials and glass jars supplied by an Arab partner to produce the first product in a line he called Moshe & Ali's Gourmet Foods. The company now sells products in eight different industry segments in over 5,000 stores in the United States and has its headquarters on Park Avenue in New York, as well as business operations in the Middle East, Central and South America, South East Asia, and Africa. Again, beyond the measurable commercial benefits of cooperation between the involved Arabs, Israelis, and others is the longer-lasting and more fundamental appreciation for one another's circumstances and character. Another firm operating with similar goals is SodaStream, a \$1.5 billion maker of home carbonation devices. At its main manufacturing facility in Rahat, a Bedouin city in Israel, it employs a most diverse workforce including Jews, Palestinians, Bedouins, and Druze among others.

International marketing is hard work. Making sales calls is no vacation, even in Paris, especially when you've been there 10 times before. But international marketing is important work. It can enrich you, your family, your company, and your country. And ultimately, when international marketing is done well, by large companies or small, the needs and wants of customers in other lands are well understood, and prosperity and peace are promoted along the way.<sup>3</sup>

Sources: For more details, see <http://boeing.com>; <http://airbus.com>; <http://peaceworks.com>; Heidi Vogt, "Making Change: Mobile Pay in Africa," *The Wall Street Journal*, January 2, 2015, p. B6; Devin Leonard and Yaacov Benmeleh, "How SodaStream Makes—and Markets—Peace," *Bloomberg BusinessWeek*, December 25, 2017, pp. 60–65. Cell phone sales data are available at <http://www.mobithinking.com>.

<sup>1</sup>Boeing's 2017 Annual Report (<http://www.boeing.com>).

<sup>2</sup>The European commercial aircraft manufacturer Airbus is beginning to catch up, employing 134,000 people around the world (see Airbus's 2017 Annual Report, <http://www.airbus.com>).

<sup>3</sup>In response to criticisms of globalization catalyzed by the riots in Seattle in 1999, a growing literature argues for trade as a fundamental cause of peace. For a variety of such arguments, see Jagdish Bhabwati, *In Defense of Globalization* (Oxford: Oxford University Press, 2004); Thomas L. Friedman, *The World Is Flat* (New York: Farrar, Straus, and Giroux, 2005); Clifford J. Schultz III, Timothy J. Burkink, Bruno Grbac, and Natasa Renko, "When Policies and Marketing Systems Explode: An Assessment of Food Marketing in the War-Ravaged Balkans and Implications for Recovery, Sustainable Peace, and Prosperity," *Journal of Public Policy & Marketing* 24, no. 1 (2005), pp. 24–37; William Hernandez Requejo and John L. Graham, *Global Negotiation: The New Rules* (New York: Palgrave Macmillan, 2008), chapter 13; Steven Pinker, *Enlightenment Now: The Case for Reason, Humanism, and Progress* (New York: Viking, 2018).



The relationships between mobile phones and riots is well demonstrated by these two pictures. Mobile devices enable demonstrators to communicate and organize to great effect, even supporting successful revolutions such as those in Egypt in 2009. Particularly valuable are the photographic capabilities now available, which deliver the world as a witness to violence. Pictured on the left is Silicon Valley entrepreneur Micha Beniofi during the 2014 democracy protests in Hong Kong. His start-up, Open Garden, has produced an app branded as FireChat that allows smartphones to talk directly to one another via their embedded Bluetooth and Wi-Fi radios. He happened to be in Hong Kong on a layover between visits to potential customers in India and China. The tech-savvy demonstrators (Hong Kong has the highest concentration of cell phones of any city at 2.39 per person) appreciate the app—it allows them to organize even if the government shuts down cell phone services.<sup>4</sup> Meanwhile, nobody in the world works harder to keep order than the Chinese authorities in Beijing. A recent riot over unavailability of the latest Apple iPhone is, of course, nothing like those in Cairo or Hong Kong, and even might seem a little bit humorous, except that people were injured there as well.

(left: ©Muddy Ignace/DYDPPA/REX/Shutterstock; right: ©Feng Li/Getty Images)

### LO1-1

The benefits of international markets

Never before in American history have U.S. businesses, large and small, been so deeply involved in and affected by international business. A global economic boom, unprecedented in modern economic history, has been under way as the drive for efficiency, productivity, and open, unregulated markets sweeps the world. Powerful economic, technological, industrial, political, and demographic forces are converging to build the foundation of a new global economic order on which the structure of a one-world economic and market system will be built.

When we wrote those words 20 years ago to open the eleventh edition of this book, the world was a very different place. The nation was still mesmerized by the information technology boom of the late 1990s. Most did not visualize the high-tech bust of 2001 or the Enron and WorldCom scandals. No one could have imagined the September 11, 2001, disasters, not even the perpetrators. The wars in Afghanistan and Iraq were not on the horizon. The major international conflict grabbing headlines then was the series of diplomatic dustups among China, Taiwan, and the United States. Who could have predicted the disruptions associated with the 2003 SARS outbreak in Asia? The great Indian Ocean tsunami of 2004 was perhaps impossible to anticipate. Oil priced at more than \$100 per barrel was also unthinkable then—the price seemed to have peaked at about \$40 per barrel in late 2000. Then in 2015, the world price of oil collapsed again to below \$50 per barrel from more than \$100 per barrel a few months earlier.

Through all these major events, American consumers had continued to spend, keeping the world economy afloat. Layoffs at industrial icons such as United Airlines and Boeing and a generally tough job market did not slow the booming American housing market until the fall of 2007. Lower government interest rates had yielded a refinancing stampede, distributing the cash that fueled the consumer spending, which finally began flagging in early 2008. Then in September and October of that year, the housing bubble burst, and the world financial system teetered on collapse. The ever-faithful American consumer stopped

<sup>4</sup>Noam Cohen, “Hong Kong Protests Propel FireChat Phone-to-Phone App,” *The New York Times*, October 5, 2014, online; and “It’s Not Over,” *The Economist*, January 2, 2015, pp. 16–17.

buying, and world trade experienced its deepest decline in more than 50 years, a drop of 11.0 percent. Then in 2011, the earthquake and tsunami that hit Japan and the floods in Thailand caused major trade disruptions. And seeing into the future is harder now than ever. Most experts expect global terrorism to increase, and the carnage in Madrid, London, Mumbai, and Paris seem to prove the point. Finally, as the global economy tries to recover, international trade tensions take on new importance. Competition from new Chinese companies continues to raise concerns in the United States.<sup>5</sup> Brazilian and Indian multinationals are stepping up competitive pressures as well, particularly as their and other emerging economies fared better during the most recent global downturn.

The turn of the decade brought astonishing surprises in the form of global protests and violence in response to the inequities that marked the financial losses suffered by citizens, both within and across countries. The so-called Arab Spring was ignited by a Tunisian street vendor's self-immolating protest of economic conditions and police harassment. Large-scale protests ensued in 15 countries in North Africa and the Middle East, resulting in the overthrow of autocratic governments in Tunisia, Egypt, and Libya. Along the Mediterranean coast, Greece, Italy, and Spain are feeling the pain of the global recession, creating the potential for a new north-south schism in the European Union. The protests in Greece were particularly violent. Both China and India experienced widespread protests against the heavy hands of governments there. In the United States, the Occupy Wall Street protests were imitated in several other cities around the nation and the world.

The continuing violence in the Middle East has again drawn the United States and an array of allies into the conflicts in Iraq and Syria. No one sees an end to this ongoing tragedy, and many believe outside interventions will make little difference, or just make things worse. The West African ebola debacle transformed from a scare into a real threat for the rest of the world.<sup>6</sup> The oil and gas boom caused by new discoveries and technologies has been a pleasant surprise in the United States. However, environmentalists decry the consequent increases in the use of fossil fuels and the dangers of fracking.

Two political events in 2016 shook the foundations of global trade, peace, and prosperity. First, in June, voters in the United Kingdom approved a break with the European Union in a highly contentious referendum. Second, in the United States, Donald Trump was elected



These two pictures illustrate the steps forward and back in international trade and peace. On the left, we see a rail link between North and South Korea has opened for the first time in nearly 60 years to provide transportation of raw materials and managers from the South, bound for a special economic development zone at Kaesong in the North.<sup>7</sup> On the right we see the saber rattling of North Korea that threatens the peace and commerce in the entire East Asia area, and perhaps beyond as North Korean missiles are now capable of reaching the United States. (left: ©Han Myung-gu/EPA/REX/Shutterstock; right: ©KCNA/EPA-EFE/REX/Shutterstock)

<sup>5</sup>Sui-Lee Wee, "Promising Drugs, Made in China," *The New York Times*, January 4, 2018, pp. B1, B7.

<sup>6</sup>Manny Fernandez and Jack Healy, "CDC Says It Should Have Responded Quicker to Dallas Ebola Case," *The New York Times*, October 15, 2014, p. A19.

<sup>7</sup>Bruce Wallace, "2 Trains Cross Korean Border," *Los Angeles Times*, May 17, 2007, p. A4.



The European Parliament votes to start discussions with Turkey about joining the European Union. Trade is beginning to bridge the religious divide between Christian Europe and Muslim Asia Minor. Despite this positive vote, European equivocation is pushing Turkey toward building stronger trade links with its Arab neighbors. Ultimately, this may be a positive turn of events if Turkey is finally invited to join the European Union. Meanwhile, by a thin margin, voters in the United Kingdom chose to leave the European Union by supporting the so-called "Brexit" initiative. Now protesters are calling for reconsideration. We should all hope the United Kingdom stays in the European Union, for the sake of the global economy and world peace. (left: ©Str/AP Images; right: ©SAPhotog/Shutterstock)

the 45th president. Both votes signaled a dangerous turn toward nationalism, both the political and economic kind. Accompanying this political turmoil was an unprecedented steep downturn in international trade of 16 percent between 2014 and 2016. The global economy actually continued to grow during those years, masking this scary crash of international commerce.

International marketing is affected by and affects all these things. In particular, the costs of risks in the politically and financially unstable North Africa/Middle East region have burgeoned. The potential economic disruptions in the European Union affect the forecasts and prospects for all multinational firms around the world. Even before the 2009 financial crisis, and for the first time in its history, McDonald's had closed its operations in a few Middle Eastern and Latin American countries. Damaged economies, increasing competition, and anti-Americanism have affected sales revenues everywhere. Indeed, the salient lesson for those involved in international commerce is to expect the unexpected. Any executive experienced in international business will verify that things never go as planned in global commerce. You still have to plan and forecast, but markets, particularly international ones, are ultimately unpredictable. The natural fluctuations in markets are best managed through building strong interpersonal and commercial relationships and broad portfolios of businesses. Flexibility means survival.

Perhaps now, more than ever, whether or not a U.S. company wants to participate directly in international business, it cannot escape the effects of the ever-increasing number of North American firms exporting, importing, and manufacturing abroad. Nor can it ignore the number of foreign-based firms operating in U.S. markets, the growth of regional trade areas, the rapid growth of world markets, and the increasing number of competitors for global markets.

Of all the events and trends affecting global business today, four stand out as the most dynamic, the ones that will influence the shape of international business beyond today's "bumpy roads" and far into the future: (1) the rapid growth of the World Trade Organization and new free trade agreements around the world; (2) the trend toward the acceptance of the free market system among developing countries in Latin America, Asia, and eastern Europe; (3) the burgeoning impact of the Internet, mobile phones, and other global media on the dissolution of national borders; and (4) the mandate to manage the resources and global environment properly for the generations to come.

Today most business activities are global in scope. Technology, research, capital investment, and production, as well as marketing, distribution, and communications networks, all have global dimensions. Every business must be prepared to compete in an increasingly interdependent global economic and physical environment, and all businesspeople must be aware of the effects of these trends when managing either a domestic company that exports or a multinational conglomerate. As one international expert noted, every American company is international, at least to the extent that its business performance is conditioned in part by events that occur abroad. Even companies that do not operate in the international arena are affected to some degree by the success of the European Union, the export-led growth in South Korea, the revitalized Mexican economy, the economic changes taking place in China, military conflicts in the Middle East, and climate change.

The challenge of international marketing is to develop strategic plans that are competitive in these intensifying global markets. For a growing number of companies, being international is no longer a luxury but a necessity for economic survival. These and other issues affecting the world economy, trade, markets, and competition are discussed throughout this text.

## The Internationalization of U.S. Business

### LO1-2

The changing face of U.S. business

Current interest in international marketing can be explained by changing competitive structures, coupled with shifts in demand characteristics in markets throughout the world. With the increasing globalization of markets, companies find they are unavoidably enmeshed with foreign customers, competitors, and suppliers, even within their own borders. They face competition on all fronts—from domestic firms and from foreign firms. A huge portion of all consumer products—from automobiles to dinnerware—sold in the United States is foreign made. Sony, Norelco, Samsung, Toyota, and Nescafé are familiar brands in the United States, and for U.S. industry, they are formidable opponents in a competitive struggle for U.S. and world markets.

Many familiar U.S. companies are now foreign controlled or headed in that direction. When you drop in at a 7-Eleven convenience store or buy Firestone tires, you are buying directly from Japanese companies. Some well-known brands no longer owned by U.S. companies are Carnation (Swiss), *The Wall Street Journal* (Australian), and the all-American Smith & Wesson handgun that won the U.S. West, which is owned by a British firm. The last U.S.-owned company to manufacture TV sets was Zenith, but even it was acquired by South Korea's LG Electronics Inc., which manufactures TVs and other products. Pearle Vision, Universal Studios, and many more are currently owned or controlled by foreign multinational businesses (see Exhibit 1.1). Foreign direct investment in the United States is more than \$3 trillion.<sup>8</sup> Companies from the United Kingdom lead the group of investors, with companies from Japan, the Netherlands, Canada, and France following, in that order.

Other foreign companies that entered the U.S. market through exporting their products into the United States realized sufficient market share to justify building and buying manufacturing plants in the United States. Honda, BMW, and Mercedes are all manufacturing in the United States. Investments go the other way as well. Ford bought and sold Volvo; PacifiCorp acquired Energy Group, the United Kingdom's largest electricity supplier and second-largest gas distributor; and Wisconsin Central Transportation, a medium-sized U.S. railroad, controls all U.K. rail freight business and runs the Queen's private train via its English, Welsh & Scottish Railway unit. It also has acquired the company that runs rail

<sup>8</sup><http://www.bea.gov>, 2018.



## Exhibit 1.1

### Foreign Acquisitions of U.S. Companies

Source: Compiled from annual reports of listed firms, 2018.

U.S. Companies/Brands	Foreign Owner
7-Eleven	Japan
Ben & Jerry's (ice cream)	U.K.
Budweiser	Belgium
Chrysler	Italy
Chrysler Building (NYC)	Abu Dhabi
Church's Chicken	Bahrain
CITGO	Venezuela
Columbia Pictures (movies)	Japan
Firestone (tires)	Japan
French's Mustard (not France!)	U.K.
Frigidaire	Sweden
Genentech	Switzerland
Gerber	Switzerland
Holiday Inn	U.K.
Huffy Corp. (bicycles)	China
Oroweat (breads)	Mexico
Purina (pet food)	Switzerland
Random House (publishing)	Germany
RCA (televisions)	France/China
Smith & Wesson (guns)	U.K.
Smithfield Foods (pork)	China
Swift & Company (meatpacking)	Brazil
<i>The Wall Street Journal</i>	Australia
T-Mobile	Germany
Waldorf Astoria Hotel (NYC)	China

shuttles through the Channel Tunnel. Investments by U.S. multinationals abroad are nothing new. Multinationals have been roaming the world en masse since the end of World War II, buying companies and investing in manufacturing plants. What is relatively new for U.S. companies is having their global competitors competing with them in “their” market, the United States. One of the more interesting new entrants is Chivas USA, a Mexican-owned soccer team that plays its matches in Southern California.

Once the private domain of domestic businesses, the vast U.S. market that provided an opportunity for continued growth now must be shared with a variety of foreign companies and products. Companies with only domestic markets have found increasing difficulty in sustaining their customary rates of growth, and many are seeking foreign markets in which

Along with NAFTA have come two of Mexico's most prominent brand names. Gigante, one of Mexico's largest supermarket chains, now has several stores in Southern California, including this one in Anaheim. On store shelves are a variety of Bimbo bakery products. Grupo Bimbo, a growing Mexican multinational, has recently purchased American brand-named firms such as Oroweat, Webers, Sara Lee, and Mrs. Baird's Bread. (©John Graham)



## CROSSING BORDERS 1.1

### *Blanca Nieves, La Cenicienta, y Bimbo (Snow White, Cinderella, and Bimbo)*

Bimbo is a wonderful brand name. It so well demonstrates the difficulties of marketing across borders. In *Webster's Dictionary* "bimbo" is defined as ". . . a term of disparagement, an attractive, but empty-headed person, a tramp."

Meanwhile, in Spain, Mexico, and other Spanish-speaking countries, the word "bimbo" has no pejorative meaning. Indeed, it is often simply associated with the little white bear logo of Bimbo brand bread. Bimbo is the most popular brand of bread in Mexico and, with the North American Free Trade Agreement (NAFTA), is stretching its corporate arms north and south. For example, the Mexican firm most recently acquired the U.S. brands Sara Lee and Bestfoods; Mrs. Baird's Bread, the most popular local brand in Dallas, Texas; and Fargo, the most popular bread brand in Argentina. And you can now see 18-wheelers pulling truckloads of Bimbo products north on Interstate 5 toward Latino neighborhoods in Southern California and beyond.

Perhaps Bimbo is the reason the city leaders in Anaheim so feared Gigante's entrance into their city. Gigante, the Mexican-owned supermarket chain, features Bimbo buns, tomatillos, cactus pears, and other Latino favorites. Gigante already had three stores in Los Angeles County. But it was denied the city's permission to open a new market near the "Happiest Place on Earth." One has to wonder if Disneyland, Anaheim's biggest employer, may have been fretting over the juxtaposition of the Bimbo brand and its key characters, blonde, little, all-American Alice and her cinema sisters. Actually, a better case can be made that the Gigante-Anaheim imbroglio was more a matter of a mix of nationalism, xenophobia, and even racism. The city council eventually was forced to allow Gigante to open.

American firms often have run into similar problems as they have expanded around the world. Consider French nationalism. French farmers are famous for their protests—throwing lamb chops at their trade ministers and such. Or better yet, Culture Minister Jack Lang commented about the U.S. Cartoon Network: "We must fight back against this American aggression. It is intolerable that certain North American audiovisual groups shamelessly colonize our countries."

Consider our own fear and loathing of "Japanese colonization" in both the 1920s and the 1980s. This apparent xenophobia turned to racism when Americans stoned Toyotas and Hondas but not Volkswagens and BMWs or when we decried Japanese takeovers of American firms and ignored Germany's gorging on the likes of Bankers Trust, Random House, and Chrysler.

PEMEX's current ban on American investments in the oil and gas industry in Mexico is a good example of nationalism. However, when British Petroleum buying ARCO is no problem, but Mexican cement giant CEMEX buying Houston's Southdown is, that's racism at work.

A cruel irony regarding Gigante's problems in Anaheim is well revealed by a quick drive around Tijuana. During the last few decades, the change in Tijuana's retail facade has been remarkable. In this border town, after NAFTA, McDonald's, Costco, Smart & Final, and other American brands now dominate the signage.

Sources: John L. Graham, "Blanca Nieves, La Cenicienta, y Bimbo," *La Opinion*, February 22, 2002, p. C1 (translated from the Spanish); Culture Minister Jack Lang quoted in Scott Kraft, "Culture Clash: New Turner Network Is Galling the French," *Los Angeles Times*, September 25, 1993; Clifford Kraus, "New Accents in the U.S. Economy," *The New York Times*, May 2, 2007, pp. C1, C14; "Sara Lee Completes Sale to Bimbo," *Chicago Sun-Times*, November 7, 2011; <http://www.GrupoBimbo.com>, accessed 2018.

to expand. Companies with foreign operations find that foreign earnings are making an important overall contribution to total corporate profits. A four-year Conference Board study of 1,250 U.S. manufacturing companies found that multinationals of all sizes and in all industries outperformed their strictly domestic U.S. counterparts. They grew twice as fast in sales and earned significantly higher returns on equity and assets. Furthermore, U.S. multinationals reduced their manufacturing employment, both at home and abroad, more than domestic companies did. Another study indicates that despite the various difficulties associated with internationalization, on average, firm value is increased by global diversification.<sup>9</sup> Indeed, at least periodically, profit levels from international ventures exceed those from domestic operations for many multinational firms.

Exhibit 1.2 illustrates how important revenues generated on investments abroad are to U.S. companies. In many cases, foreign sales were greater than U.S. sales, demonstrating the global reach of these American brands. However, in 2016 the percentage of foreign revenues

<sup>9</sup>John A. Doukas and Ozgur B. Kan, "Does Global Diversification Destroy Firm Value?," *Journal of International Business Studies* 37 (2006), pp. 352-71.