# Chapter 1 – The Scope and Challenge of International Marketing

## Teaching Objectives

As an introductory chapter, the broad goal is to provide a view of international marketing that sets the boundaries and scope of the course. The teaching objectives are to:

1. Provide students with a broad picture of the global environment within which business operates today and into the future.
2. Give students an appreciation of how the globalization of world markets and the internationalization of U.S. business and U.S. markets influence all functions of business including marketing.
3. Show how the internationalization or globalization of markets affects their professional futures regardless of where they work in business. In short, just as domestic or international business cannot escape the internationalization of business and U.S. markets, neither can students escape the influences of these international trends on their professional careers.
4. Illustrate the scope of the international marketing task.
5. Show the importance of one’s self-reference criterion in assessing international issues.
6. Illustrate the stages of becoming international and the international marketing concepts used in international marketing management.
7. Impress students with the importance of becoming globally aware.

## Comments and Suggestions

1. Key points to make are: a) An increasingly larger share of corporate profits are generated by international operations; b) In previous decades competition for U.S. markets was only among U.S. businesses with the same relative cost of money, labor, and product but now it includes competitors from the world over; c) U.S. multinationals face competition for lucrative markets from new rivals from developed as well as developing countries; and d) The growth of new markets created by changes in Latin America, Asia, Eastern Europe and the former members of USSR, India, and hopefully the MENA region.
2. Exhibit 1–3, The International Marketing Task, serves as a guide when discussing the international marketing manager’s task. With this illustration, points about the environment of business, uncontrollables and controllables can be made.
3. As an assignment for class discussion, Case 1–1, Starbucks-Going Global Fast, can be used to have students think about the marketing mix and the effects of uncontrollables and controllables both in the domestic and foreign environments. Have students read and answer the questions in the case before class. During class, have the students illustrate the various controllables and uncontrollables in Using Exhibit 1–3, The International Marketing Task, with examples from the case. Students can be challenged by asking how they would have done things differently to overcome some of the problems illustrated in the case.
4. A key point to make when discussing the self-reference criterion is that a person from one culture is often not aware that a reaction is influenced by one’s cultural background and that those from another culture may have a different perspective. It often uses Hall’s idea of the silent language of space (see Edward T. Hall, “The Silent Language in Overseas Business,” Harvard Business Review, May–June 1960, pp. 87–96 or Edward T. Hall, The Silent Language (New York: Doubleday & Co., 1959) to make this point. In this first chapter and throughout the course it is important to stress the nature of the SRC, that is, whenever confronted by some aspect of another culture one’s reaction and evaluation is routinely clouded by one’s own cultural experiences.
5. When exploring the different Stages of International Marketing Involvement it is important that students understand that the differences between global markets and global products. Further, they need to understand that a global marketing orientation does not necessarily mean standardization across all markets. Instead it may mean operating as if all the country markets in a company’s scope of operations (including the domestic market) are approached as a single global market that may have multiple market segments extending across country borders and that the company is seeking commonalties across country markets in order to standardize the marketing mix where culturally feasible and cost effective.

## Lecture Outline

1. The Internationalization of U.S. Business
2. International Marketing Defined
3. The International Marketing Task
4. Marketing Controllables
5. Domestic Uncontrollables
6. Foreign Uncontrollables
7. Self-Reference Criterion: An Obstacle
8. Becoming International
9. Stages of International Marketing Involvement
10. Global Markets and Global Marketing
11. Developing A Global Awareness

## Discussion Questions

|  |  |  |
| --- | --- | --- |
| 1. | Define: |  |
|  | International marketing | Foreign uncontrollables |
|  | Controllable elements | Marketing relativism |
|  | Uncontrollable elements | Self-reference criterion (SRC) |
|  | Domestic uncontrollables | Global awareness |

1. “. . . the marketer’s task is the same whether applied in Dime Box, Texas, or Dar es Salaam, Tanzania.”

Discuss. The only difference between domestic marketing and international marketing is that the activities take place in more than one country. Therefore, the marketing task is the same throughout the world.

1. How can the increased interest in international marketing on the part of the U.S. firms be explained?

Increased interest has been brought about because of changing competitive structures, coupled with shifts in demand characteristics throughout the world. The U.S. market has reached saturation levels for many products and services, and increasing numbers of firms are faced with surpluses which must be sold. Also, many firms find that return on investment may be higher in foreign markets than in domestic markets. Finally, more and more firms realize that tomorrow’s markets will be world markets and it is imperative that they establish world market positions early.

1. Discuss the four phases of international marketing involvement.

The first phase includes those domestic firms which have no foreign business activity except those sales made to foreign customers who come directly to the firm. The second phase includes domestic firms which have temporary surpluses which are sold abroad. Therefore, sales are made on an availability basis with little or no intention for continuing market representation. The third phase includes the domestic firms that have permanent productive capacity which is utilized to produce goods which are sold on a continuing basis in foreign markets. The fourth phase includes the international company that produces a product for the world market.

1. Discuss the conditions that have led to the development of global markets.

According to Professor Levitt and others who suggest that there is a global market for goods, this phenomenon has resulted from new communications technology, travel and other factors which have led to the markets of the world being more aware of different products and processes. As a result of this awareness, there are segments in each market who have had similar experiences and thus have common needs. These common needs are described as a demand for high quality, reasonably priced, standardized products. There is a strong feeling that within each country’s market there is a growing segment that has been exposed to ideas from around the world and thus have had their tastes and perceived needs affected. There is a strong feeling that world markets are being driven toward a converging commonality of taste and needs leading toward global markets.

1. Differentiate between a global company and a multinational company.

The main distinction between a global and a multinational company is that a global company assumes there are segments across countries which have the same needs and wants and designs a standardized, high quality, reasonably priced product for those segments and markets it as if there are no differences among the country markets. On the other hand, a multinational company operates in a number of countries and adjusts its products and marketing practices for each market. The multinational company has a specific marketing plan and adapts products for each country market. The philosophy for the multinational company is that there are cultural differences among countries that require specific adaptations for those markets. This is contrasted with the global company which sees the entire world, or major regions of it, as a single entity requiring no specialized adjustments. This distinction may be more myth than fact and reflects Professor Levitt’s opinion.

1. Differentiate among the three international marketing concepts or levels of involvement.

Companies can be described by one of three orientations to international marketing management:

1. Domestic Market Expansion Concept (that is, No Direct Foreign Marketing, Infrequent Foreign Marketing, and Regular Foreign Marketing)
2. International Marketing (sometimes referred to as multi-domestic marketing)
3. Global Marketing

It is expected that differences in the complexity and sophistication of a company’s marketing activity depend on which of these orientations guides its operations.

The Domestic Market Extension Concept. The domestic company that seeks sales extension of its domestic products into foreign markets illustrates this orientation to international marketing. It views its international operations as secondary to and an extension of its domestic operations. The primary motive is to dispose of excess domestic production. Domestic business is its priority and foreign sales are seen as a profitable extension of domestic operations. While foreign markets may be vigorously pursued, the orientation remains basically domestic. Its attitude toward international sales is typified by the belief that if it sells in Peoria it will sell anywhere else in the world. Minimal, if any, efforts are made to adapt the marketing mix to foreign markets. The firm’s orientation is to market to foreign customers in the same manner the company markets to domestic customers. It seeks markets where demand is similar to the home market and its domestic product will be acceptable. This Domestic Market Expansion Strategy can be very profitable. Large and small exporting companies approach international marketing from this perspective.

Multi-Domestic Market Concept. Once a company recognizes the importance of differences in overseas markets and the importance of offshore business to their organization, its orientation toward international business may shift to a Multi-Domestic Market Strategy. A company guided by this concept has a strong sense that country markets are vastly different (and they may be, depending on the product) and that market success requires an almost independent program for each country. Firms with this orientation market on a country-by-country basis with separate marketing strategies for each country. Subsidiaries operate independently of one another in establishing marketing objectives and plans. The domestic market and each of the country markets have separate marketing mixes with little interaction among them. Products are adapted for each market with minimum coordination with other country markets, advertising campaigns are localized as are the pricing and distribution decisions. A company with this concept does not look for similarity among elements of the marketing mix that might respond to standardization. Rather, it aims for adaptation to local country markets. Control is typically decentralized to reflect the belief that the uniqueness of each market requires local marketing input and control.

Global Marketing Concept. A company guided by this new orientation or philosophy is generally referred to as a global company, its marketing activity is global marketing, and its market coverage is the world. A company employing a Global Marketing Strategy strives for efficiencies of scale by developing a standardized product, of dependable quality, to be sold at a reasonable price to a global market (that is, the same country market set throughout the world). Important to the Global Marketing Concept is the premise that world markets are being “driven toward a converging commonalty” that seek much the same ways to satisfy their needs and desires and thus, constitute significant market segments with similar demands for the same product the world over. With this orientation a company attempts to standardize as much of the company effort as is practical on a world-wide basis. Some decisions are viewed as applicable worldwide, while others require consideration of local influences. The world as a whole is viewed as the market and the firm develops a global marketing strategy.

1. Prepare your lifelong plan to be globally aware.

Student exercise. A minimum would be a reading list plus some commitment to study different countries.

1. Discuss the three factors necessary to achieve global awareness.

The three factors necessary to achieve global awareness are: 1) objectivity; objective in assessing opportunities, evaluating potential, and responding to problems. Too often mistakes are made because companies are swept away with generalities and make investments only later to find out that their commitment or abilities were not sufficient to succeed, 2) tolerance toward cultural differences; tolerance is understanding cultural differences and accepting and working with others whose behavior may be different from yours, 3) knowledgeable; knowledgeable about cultures, history, world market potentials, and global economy and social trends is critical for a person to be culturally aware. To be successfully in international business and globally aware, a person needs to keep abreast of the enormous changes occurring throughout the world. The 21st century will usher in great change and opportunities. The knowledgeable marketer will identify those opportunities long before it becomes evident to others.

1. Define and discuss the idea of global orientation.

A global orientation means operating as if all the country markets in a company’s scope of operations (including domestic market) are approachable as a single global market and to standardize the marketing mix where *culturally feasible* and *cost effective* or to adapt the marketing mix where culturally required and cost effective. A global orientation does not mean to follow a single strategy of standardization without regard for cultural differences nor does it imply that the marketing effort must be adapted to every cultural difference. Instead, it means looking for market segments with similar demands that can be satisfied with the same product, standardizing the components of the marketing mix that can be standardized, and, where there are significant cultural differences that require parts of the marketing mix to be culturally adapted, adapting.

1. Visit the Bureau of Economic Analysis homepage <http://www.bea.gov/>. Select the section, Inter-national articles, and find the most recent information on Foreign Direct Investments in the United States. Which country has the highest dollar amount of investment in the United States? Second highest?

This exercise is designed to familiarize the student with the Internet and the data available from the BEA.