Chapter 7
Global Marketing
Chapter Objectives

1. Describe the importance of global marketing from the perspectives of the individual firm and the nation.

2. Identify the major components of the environment for global marketing.

3. Identify the basic functions of GATT, WTO, NAFTA, FTAA, CAFTA-DR, and the European Union.

4. Identify the alternative strategies for entering foreign markets.
Chapter Objectives

5. Differentiate between a global marketing strategy and a multidomestic marketing strategy.

6. Describe the alternative marketing mix strategies used in global marketing.

7. Explain the attractiveness of the United States as a target market for foreign marketers.
Benefits of Going Global

- Additional revenue
- New insights into customer behavior
- Alternative distribution strategies
- Advance notice of new products
- A major key to achieving success in foreign markets
  - Ability to adapt products to local preferences and culture
International Marketing Environment

- International economic environment
- International social-cultural environment
- International technological environment
- International political-legal environment
Multinational Economic Integration

- **Free-trade area**, in which participating nations agree to free trade among themselves, abolishing tariffs and trade restrictions
- **Custom union** establishes a free-trade area and uniform tariffs for nonmember nations
- **Common market** extends customs union by reconciling all government trade regulations
General Agreement on Tariffs and Trade (GATT)

- International trade accord that has helped reduce world tariffs
World Trade Organization (WTO)

- Replaced GATT
- It oversees GATT agreements
- Serves as a forum for trade negotiations
- Mediates disputes
- Works to further reduce trade barriers
North American Free Trade Agreement (NAFTA)

- Accord removing trade barriers between Canada, Mexico, and the United States
- NAFTA is particularly important to U.S. marketers because Canada and Mexico are two of its largest trading partners
The Free Trade Area of the Americas and CAFTA-DR

- Proposed free trade area stretching the length of the entire Western hemisphere
- Designed to extend free trade benefits to additional nations in North, Central, and South America
- Central American Free Trade Agreement–DR (CAFTA-DR) – Trade agreement among the United States, Central American nations, and the Dominican Republic
European Union (EU)

- Customs union that is moving in the direction of an economic union by:
  - Adopting a common currency
  - Removing trade restrictions
  - Permitting free flow of goods and workers throughout the member nations
- Goal is to remove all barriers to free trade among its members
Going Global

- Marketers go global because:
  - Their domestic market is saturated
  - They have strong domestic share
  - Globalization of customers
  - Globalization of competitors
Going Global

- New customers in emerging markets
- Reduced trade barriers
- Advances in technology
- Enhanced customer responsiveness
figure 7.3
Levels of Involvement in Global Marketing

Degree of Control

- Low
- Moderate
- High

Exporting and Importing

Contractual Agreements
- Franchising
- Foreign Licensing
- Subcontracting

International Direct Investment
- Acquisitions
- Joint Ventures
- Overseas Divisions

Degree of Risk

- Low
- Moderate
- High
From Multinational Corporation to Global Marketer

- Multinational corporation - Significant operations and marketing activities outside its home country
  - Examples: General Electric, Siemens, Mitsubishi

- Important changes since 1960:
  - No longer exclusively U.S. based
  - Multinationals no longer think of their foreign operations as mere outsourcing appendages
Developing an International Marketing Strategy

- Global marketing strategy – Standardized marketing mix with minimal modifications that a firm uses in all of its domestic and foreign markets
  - Can effectively market some goods and services to segments in many nations that share cultures and languages
  - Can be highly effective for luxury products that target upscale consumers everywhere
  - Major benefit is its low cost to implement
### Figure 7.4
Alternative International Product and Promotional Strategies

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<th>Product Strategy</th>
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<tr>
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<td>Same Product</td>
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<td>Straight Extension</td>
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<td>Mars Snickers candy bar</td>
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<td>Different Promotion</td>
<td>Promotion Adaptation</td>
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International Distribution Strategy

- Marketers must set up proper channels and anticipate extensive physical distribution problems.
- A distribution decision involves two steps:
  - The firm must decide on a method of entering the foreign market.
  - It must determine how to distribute the product within the foreign market through that entry channel.
Pricing Strategy

- Competitive, economic, political, and legal factors can limit pricing decisions
- Adaptation to local markets
- Emergence of commodity marketing organizations - An important development in pricing strategy for international marketing
The United States as a Target for International Marketers

- U.S. is an inviting target for foreign companies
- U.S. consumers have a high level of discretionary income