

International business study guide

[Business](#)



IBM 414 Study Guide Ch: 12 Global Marketing Management: Planning and Organization Global Marketing - •The trend back toward localization -Caused by the new efficiencies of customization -Made possible by the Internet - Increasingly flexible manufacturing processes From the marketing perspective customization is always best •Global markets continue to homogenize and diversify simultaneously -Best companies will avoid trap of focusing on country as the primary segmentation variable International Marketing- is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. •An entry strategy into international market should reflect on analysis -Market characteristics •Potential sales •Strategic importance Strengths of local resources •Cultural differences •Country restrictions -Company capabilities and characteristics •Degree of near-market knowledge •Marketing involvement •Management commitment Exporting Indirect Exporting-requires no equity investment and thus has a low risk, low rate of return, and little control. Licensing -A means of establishing a foothold in foreign markets without large capital outlays -A favorite strategy for small and medium-sized companies -Legitimate means of capitalizing on intellectual property in a foreign market

Joint Ventures-When two or more participating companies join forces to create a separate legal entity to facilitate doing business in the international arena Direct Investment •Factors that influence the structure and performance of direct investments -Timing -The growing complexity and contingencies of contracts -Transaction cost structures -Technologytransfer -Degree of product differentiation -The previous experiences and cultural

diversity of acquired firms -Advertising and reputation barriers Example:
When a company sells to a customer in another country, the company is into
Direct exporting.

Strategic International Alliance Consortia -Similar to joint ventures and
could be classified as such except for two unique characteristics •Typically
involve a large number of participants •Frequently operate in a country or
market in which none of the participants is currently active -Consortia are
developed to pool financial and managerial resources and to lessen risks
Joint Ventures -JVs are established, separate, legal entities -The
acknowledged intent by the partners to share in the management of the JV
There are partnerships between legally incorporated entities such as
companies, chartered organizations, or governments, and not between
individuals -Equity positions are held by each of the partners Franchise -
Franchiser provides a standard package of products, systems, and
management services -Franchise provides market knowledge, capital, and
personal involvement in management -Expected to be the fastest-growing
market-entry strategy •Two types of franchise agreements -Master franchise
•Gives the franchisee the rights to a specific area with the authority to sell or
establish subfranchises -Licensing

Contract Manufacturing-is a manufacturer that contracts with a firm for
components or products. It is a form of outsourcing. Contracting
Management- is the management of contracts made with customers,
vendors, partners, or employees. Contract management includes negotiating
the terms and conditions in contracts and ensuring compliance with the
terms and conditions, as well as documenting and agreeing on any changes

or amendments that may arise during its implementation or execution. CH: 8 Developing a global vision through marketing research Challenges and problems The major difficulty is converting a series of often ambiguous business problems into tightly drawn and achievable research objectives

- The first, most crucial step in research is more critical in foreign markets because an unfamiliar environment tends to cloud problems definition
- Other difficulties in foreign research stem from failures to establish problem limits broad enough to include all relevant variables

Environmental Scanning- Careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.

Marketing Screening- The process of discovering relevant information about a tradable asset in order to determine a fair price for the asset. Primarily used to avoid creating an adverse transaction. Steps to marketing Screening- Market- A regular gathering of people for the purchase and sale of provisions, livestock, and other commodities. Requirements of effective Market Segmentation Describe the psychographic segments profiled in the Worldwide Global Scan study How can international market demand be estimated? page 236

When desired stats aren't available a close approximation can be made using local production figures plus imports, with adjustments for exports and current inventory levels CH: 13 Products and services for consumers Why are product strategy decisions the most crucial ones in the marketing mix? What two errors do multinational product managers tend to commit? Define and explain: Product, Quality Features and benefits Reliability, Durability Product

Homologation. What are the standardization/adaptation strategies that a marketer can implement and when would you recommend them? What is meant by the “diffusion of motivations”?

What are the degrees of newness that a product can exhibit and what are the (perceived) product characteristics of an innovation that affect its rate of acceptance? What is product counterfeiting and how can it be fought? CH: 14

Products and Services for Businesses ISO 9000 •Positively affects the performance and stock prices of firms •Certification of the existence of a quality control system a company has in place to ensure it can meet published quality standards -Describes three quality system models -Defines quality concepts -Gives guidelines for using international standards in quality systems Generally voluntary •EU Product Liability Directive •Now a competitive marketing tool in Europe and around the world •The ACSI approach Trade Shows •Secondary methods for marketing: -Advertising in print media -Catalogs -Web sites -Direct mail •Trade shows have become the primary and most important vehicle for doing business in many foreign countries •Total annual media budget spent on trade events: -Europeans - 22 percent -Americans - 5 percent •Benefits -Provide the facilities for a manufacturer to exhibit and demonstrate products to potential users -Allow manufacturers to view competitors products Are an opportunity to create sales and establish relationships with agents, distributors, franchisees, and suppliers •Online trade shows -Become useful in difficult economic and/or political circumstances -Are obviously a less than adequate substitute for live trade shows CH: 18 Pricing for International Markets Price Escalation- A disparity in pricing where goods have higher costs in a foreign market than

in the domestic market due to transportation and exporting costs. Price escalation can also refer to the sum of cost factors in the distribution channels which add up to a higher final cost for a product in a foreign market.

The difference between the domestic price and the target price in foreign markets due to the application of duties, dealer margins and/or other transaction costs. How can the effect of price escalation be lessened?

- Lowering cost of goods - Manufacturing in a third country - Eliminating costly functional features - Lowering overall product quality
- Lowering tariffs - Reclassifying products into a different, and lower customs classification - Modify product to qualify for a lower tariff rate within classification - Requiring assembly or further processing - Repackaging
- Lowering distribution costs Shorter channels - Reducing or eliminating middlemen
- Using foreign trade zones to lessen price escalation - Establish free trade zones (FTZs) or free ports
- Tax-free enclave not considered part of country
- Postpones payment of duties and tariffs
- Dumping - To place (goods or stock, for example) on the market in large quantities and at a low price. - Use of marginal (variable) cost pricing - Selling goods in foreign country below the price of the same goods in the home market

Gray Market- A market where a product is bought and sold outside of the manufacturer's authorized trading channels.

The unofficial trading of a company's shares, usually before they are issued in an initial public offering (IPO).

- Occur whenever price differences are greater than cost of transportation between two markets
- Major problem for pharmaceutical companies
- Exclusive distribution
- Transfer Pricing
- Prices of

goods transferred from a company's operations or sales units in one country to its units elsewhere –May be adjusted to enhance the ultimate profit of company •Benefits –Lowering duty costs –Reducing income taxes in high-tax countries –Facilitating dividend repatriation when dividend repatriation is curtailed by government policy •Objectives Maximizing profits for corporation –Facilitating parent-company control –Providing all levels of management control over profitability •Arrangements for pricing goods for intracompany transfer –Sales at the local manufacturing cost plus a standard markup –Sales at the cost of the most efficient producer in the company plus a standard markup –Sales at negotiated prices –Arm's-length sales using the same prices as quoted to independent customers Countertrade •Types of countertrade –Barter –Compensation deals –Counterpurchase or offset trade –Product buyback agreement •Problems of countertrading Determining the value of and potential demand for the goods offered –Barter houses - •The Internet and countertrading –Electronic trade dollars –Universal Currency/IRTA •Proactive countertrade strategy –Included as part of an overall market strategy –Effective for exchange-poor countries Administered Pricing- The price of a good or service as dictated by a governmental or other governing agency. Administered prices are not determined by regular market forces of supply and demand. Ch: 16 Intergrated Marketing Communications and International Advertising 6) What are the four methods of promotion and how can they be used in nternational marketing? Integrated marketing communications (IMC) are composed of advertising, sales promotions, trade shows, personal selling, direct selling, and public relations Sales promotions-marketing activities that stimulate consumer purchases and improve retailer or middlemen effectiveness and cooperation

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Public relations (PR)-creating good relationships with the popular press and other media to help companies communicate messages to their publics-customers, the general public, and governmental regulators.

Public relations firms' billings in the international arena have been growing at double digit rates for some years. Handling such international PR problems as global workplace standards and product safety recalls has become big business for companies serving large companies. International advertising-global mass media advertising is a powerful tool for cultural change, and as such, it receives continuing scrutiny by a wide variety of institutions. What are the pros and cons of standardization, adaptation and "glocalization" in international advertising?

Standardization Pros Standardized marketing for global companies typically offers significant cost benefits. If the same message works universally, you don't have to spend money to develop customized marketing messages. While you would have to adapt the language to the local markets, the conceptual premise of your messages can remain constant. Also, if your brand theme is powerful and has global appeal, a standardized approach helps people around the world share in the value proposition you offer

Cons Global marketing standardization is not sensible in all cases.

If people use your products differently or if your brand message doesn't work everywhere, you need to be flexible. McDonald's, for instance, has been successful selling its western and American cultural appeal in some countries such as Russia, Japan and France. However, the fast food chain has emphasized its relationship with local suppliers and management in some countries in the Middle East and elsewhere, where attitudes toward western

and American culture are less welcoming. Globalization Pros The main benefit of globalization is that it lets you reach a lot more customers.

As long as there is demand in an overseas market for a product or service your business offers, there is a customer base. A product that sells successfully at home will often do well in international markets, says Wesley Johnston, a marketing professor at Georgia State University. Electronics and other tech products are examples of consumer goods that sell well on the global market. Cons Before taking your business worldwide, make sure there is a market for it. Consumers in other countries often have different preferences and needs and might not have much interest in buying your product.

For example, if you sell Canadian flags, you might not find much demand in countries outside Canada. Another risk of going global is that it can be costly. This is especially true if you decide to set up operations in other countries. Finally, different countries have different regulatory standards. Products that can be made and sold freely in some markets might run up against stiff regulatory hurdles in other countries. Adaptation Explain the statement, “The search for a global advertising campaign can be the spearhead of the search for a coherent global marketing strategy. What types of errors are committed when advertisers attempt to go global? •Consumer criticism •Deceptive advertising •Decency and blatant use of sex •Self-regulation •Government regulations What challenges confront international advertisers when they attempt to develop creative and media strategies? •Language is one of the major barriers to effective communication through advertising •Translation challenges •Low literacy in many countries •Multiple languages

within a country •In-country testing with the target consumer group avoids problems caused by linguistic differences) Can personal selling and sales promotion be standardized in international markets? What role do publicity and public relations play in international marketing? what are the three sources of personnel for international assignments and how can U. S. personnel be trained for such assignments? Expatriates- -Numbers are declining -Important for highly technical or involved products -High cost - Cultural and legal barriers -Limited number of high-caliber personnel willing to live abroad Virtual Expatriates- -Manage operations in other countries but don't live there Local Nationals Transcend both cultural and legal barriers - Familiar with distribution systems and referral networks -Headquarters personnel may ignore their advice -Lack of availability -Sales positions viewed negatively What are the differences in cultural values that can affect management practices in foreign cultures? How has the profile of global managers changed in recent years? •Objectivity -“ Separating people from the problem” •Competitiveness and equality-Japanese appear to be the best negotiators with the highest profits -Japanese appear to be more equitable with buyers Time -The passage of time is viewed differently across cultures Describe the negotiation process. Stages 1. Non Task Sounding - Report 2. Task related exchange of info - Sales Pitch •Let the foreign counterparts bring up business •Expect a large number of questions but little feedback •Allow periods of silence •Use multiple communication channels •Understand the lack of, or the bluntness of negative feedback •Meet aggressive first offers with questions, not anger 3. Persuasion - Handling of objectives Task-related information exchange versus persuasion •Avoid threats, warnings, and other aggressive negotiation tactics •Avoid emotional

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outbursts •Ask more questions •Use third parties and information channels of communication 4. Consensus & agreement - The close •Write down concession-making strategies •Understand differences in decision-making styles •In many cultures, no concessions are made until the end of the negotiations CH 15 International Marketing Channels #8 Describe the difference between traditional, import-oriented distribution systems and modern ones.

Page 421 In an imported-oriented or traditional distribution an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers. Describe the current Japanese System; how can an international marketer secure a foothold in the Japanese System? Small retailers are considered to be the foundation of the Japanese distribution system. Distribution in Japan has long been considered the most effective nontariff barrier to the Japanese market.

What are the pros and cons of using foreign vs. home country middlemen? Foreign Middlemen-Pros-shorter channels and deal with middlemen in constant contact with the market (page 434) Home Country Middlemen-(domestic middlemen) companies relegate foreign market distribution to others. Offer many advantages for companies with small international sales volume, those inexperienced with foreign markets, those not wanting to become immediately involved with the complexities of international marketing, and those wanting to sell abroad with minimal financial and management commitment.

Con- limited control over the entire process. Page 431 What are the strategic goal--the 6C's of channel strategy? page 436 COST CAPITAL REQUIREMENTS CONTROL COVERAGE CHARACTER CONTINUITY How should you go about locating, selecting and motivating middlemen? page 438 Locating- productivity or volume, financial strength, managerial stability, and capability, and the nature and reputation of the business. Selecting-low volume or low potential volume hampers most prospects, many are underfinanced and some simply cannot be trusted.

Motivating- motivational techniques that can be employed to maintain middlemen interest and support for the product may be grouped into five categories: financial rewards, psychological rewards, communications, company support, and corporate rapport. What is the significance of the internet for international distribution and what issues must a prospective e-vendor consider? page 441 Internet is an important distribution method for multinational companies and a source of products for businesses and consumers. Put the consumer in control of marketing and distribution globally #9

What is the purpose of export restrictions? are limitations on the quantity of goods exported to a specific country or countries by a government. Describe the process necessary to determine whether or not an export license is required? An export license is not required Define and explain the following: boycott, free-trade zone (FTZ), maquiladoras, bill of lading, and foreign-freight forwarder. Boycott-is an act of voluntarily abstaining from using, buying, or dealing with a person, organization, or country as an expression of protest, usually for social or political reasons.

Sometimes, it can be a form of consumer activism. Free-trade zone-customs privileged (In a FTZ, payment of import duties is postponed until the product leaves the FTZ area and enters the country. Page 536) Maquiladora-is the Mexican name for manufacturing operations in a free trade zone (FTZ), where factories import material and equipment on a duty-free and tariff-free basis for assembly, processing, or manufacturing and then export the assembled, processed and/or manufactured products, sometimes back to the raw materials' country of origin.

Example given in class (Tijuana) Bill of lading-is a document used in the transport of goods by sea. It serves several purposes in international trade. Foreign-freight forwarder-is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Forwarders contract with a carrier to move the goods. A forwarder does not move the goods but acts as an expert in supply chain management What is physical distribution (logistics)?

Involves more than the physical movement of goods. It includes the location of plants and warehousing, transportation mode, inventory quantities and packing. What is the physical distribution concept? Takes into account the interdependence of the costs of each activity; a decision involving one activity affects the cost and efficiency of one or all others. Page 449 What are the pros and cons of the different modes of transport available to international marketers?