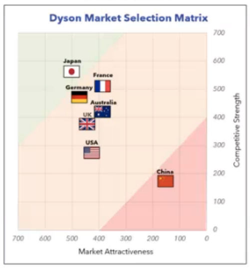
What to read up on for the exam

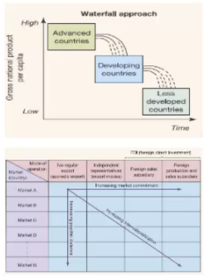
Key Takeaways Part 1

SWOT ANALYSIS

MACS



Internationalization theories



- All points should be directly associated with the case company
- Highlight certain important points in main text
- Good to talk about relationships between points across categories

- Important weights and categories need to be justified in the text
- Competitive strength can be more generic and is often qualitative
- Market attractiveness is more case specific and must be quantitative

- Multiple types (waterfall vs shower or Uppsala vs OLI etc.)
- Applying industry trends to explain the chosen approach is beneficial
- Acknowledge arguments for the other side, it is possible to be a mix

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- SWOT
  - List them, but elaborate on 2-3 of the most important ones.
- MACS
  - Know how to use it
- Internationalization theories
  - Uppsala and so on

Key Takeaways Part 2

	Coefficients	Standard errors	t-Statistic	P-Value
Constant	10.08	1.40	7.20	.00
Price	-2.40	.60	4.00	.00
Apple flavor (vs. no)	-1.30	.1	13.0	.00
Orange flavor	.90	.20	4.50	.00
Red logo (vs classic logo)	-1.50	2.00	.80	.43
US slogan on bottle	2.50	.50	5.00	.00
Blue bottle color (vs transparent bottle)	-.80	1.20	-0.70	.49
Age	2.00	0.30	6.70	.00
Income	2.50	.50	5.00	.00
Gender (female)	3.20	.80	4.00	.00

Multiple regression

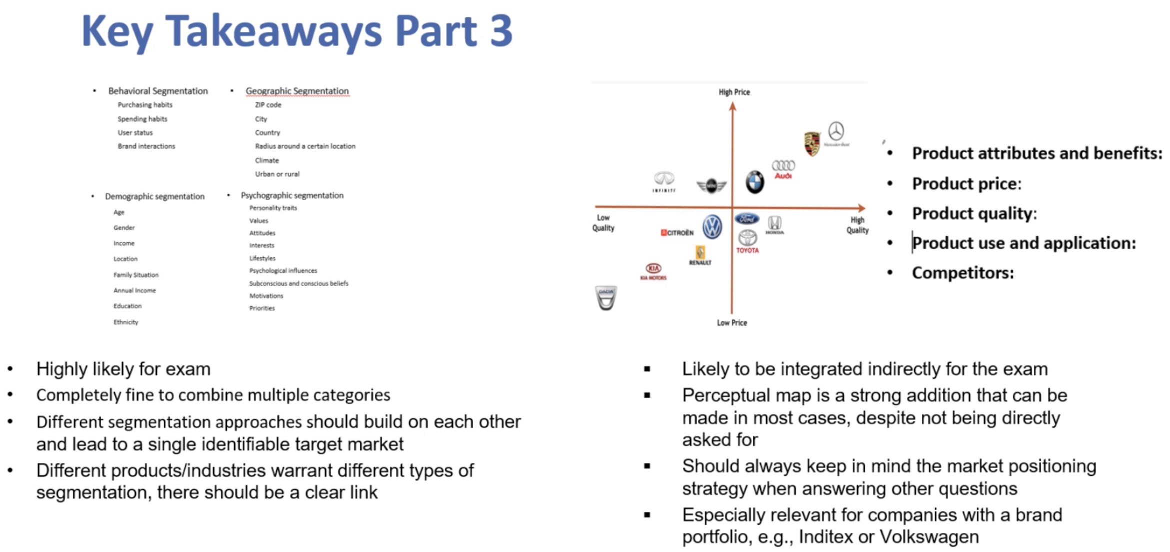
1. Identify which variables are binary (1 or 0)
2. Use the coefficients to create a linear equation
3. Make decisions and inferences for what would be best based on the coefficients of each variable
4. Substitute the relevant figures to find the correct answer

Aspect	Examples of criteria
Topic of interest	▪ Consumer attitudes towards product ▪ Willingness to pay ▪ Most attractive product features ▪ Brand awareness ▪ Consumer segmentation
Research questions	
Research approach	Qualitative vs. quantitative?
Data collection method	Primary or secondary data?
Research design	Survey, experiment, interviews, etc.
Sampling	▪ Which participants? ▪ Sampling criteria?
Data analysis method and expected output	▪ Defined criteria ▪ Linear regression
Relevance of results	Why did we do the analysis, what is the takeaway?

Marketing research (design)

- Usually the weakest part of exams (According to Edlira)
- Be sure that you have at least something regarding every aspect of the 'recipe'
- The aspects should directly link to one another in a logical way
- Should answer the 3 core questions, what kind of information is needed? How do we get this information? And how would we use this information?

- Multiple regression



- Don't just list theory
    - example: Because of this this i use this this
- USE BASS MODEL

In general
- Be specific in your arguments! (you only have 10 pages).

Chapter 1

A management team that fails to understand the importance of global marketing risks losing its domestic business to competitors with lower costs, more experience, and better products.

Global marketing requires marketers to think and act in a way that is both global and local by responding to similarities and differences in world markets.

Marketing can also be thought of as a set of activities and processes that, along with product design, manufacturing, and transportation logistics, compose a firm's **value chain**. The marketing mix is integral to the value equation. The value equation is a guide to this task:
Value = Benefits / Price (money, time, effort, etc.)

Marketing mix: The four Ps of product, price, place, and promotion
Product: Intensify focus on accessories. Boost sales of handbags, belts, and accessories—products whose sales are less cyclical than sales of clothing. Burberry Bespoke allows customers to design their own coats.

Price: "Affordable luxury" is central to the value proposition: more expensive than Coach, less expensive than Prada.

Place: Burberry is opening more independent stores in key U.S. cities, including flagship stores in Los Angeles, San Francisco, and New York; it is also expanding in London and

Hong Kong. Such locations generate more than half the company's revenue and profit.

Promotion: Encourage advocacy and sharing via social media and online channels such as Twitter, Instagram, and www.artofthetrench.com. Launch Burberry Acoustic to enhance brand relevance and to provide exposure for emerging music talent via www.burberry.com/acoustic.

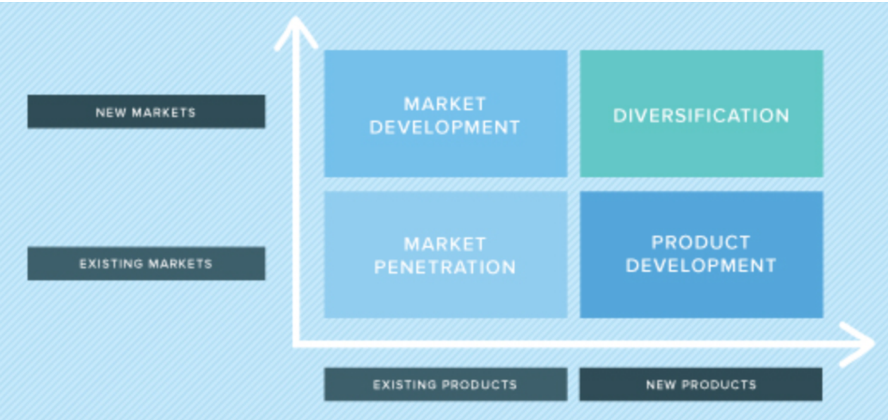
The 4 growth strategies:

Market penetration: Starbucks is building on its loyalty card and rewards program with a smartphone app that enables customers to pay for purchases electronically. The app displays a bar code that the customer can scan.

Market development: Starbucks entered Italy in 2018, starting with a 25,000-square-foot flagship Reserve Roastery in Milan. Walking distance from the landmark Duomo, the Roastery will offer pastries by local bakery Princi as well as the aperitivo beverages that are so popular throughout Italy.

Product development: Starbucks created a new instant-coffee brand, Via, to enable its customers to enjoy coffee at the office and other locations where brewed coffee is not available. After a successful launch in the United States, Starbucks rolled out Via in Great Britain, Japan, South Korea, and several other Asian countries. Starbucks also recently introduced its first coffee machine. The Versimo allows Starbucks' customers to "prepare their favorite beverages at home."

Diversification: In 2011, Starbucks dropped the word "Coffee" from its logo. It recently acquired a juice maker, Evolution Fresh; the Bay Bread bakery, and tea retailer Teavana Holdings. Next up: Revamping select stores so they can serve as wine bars and attract new customers in the evening.



Competitive advantage: When a company succeeds in creating more value for customers than its competitors do. Competitive advantage is measured relative to rivals in specific industry sectors. For example, your local laundromat is in a local industry; its competitors are local. In a national industry, competitors are national.

Global industry: is one in which competitive advantage can be achieved by integrating and leveraging operations on a worldwide scale. Put another way, an industry is global to the extent that a company's industry position in one country is interdependent with its industry position in other countries.

A marketing approach that has proved successful in one country will not necessarily succeed in another country. Customer preferences, competitors, channels of distribution, and communication media may differ.

Global marketing strategy (GMS):
1) Concentration of marketing activities: the extent to which activities related to the marketing mix (e.g., promotional campaigns or pricing decisions) are performed in one or a few country locations.
2) Coordination of marketing activities: the extent to which market- ing activities related to the marketing mix are planned and executed interdependently around the globe.
3) Integration of competitive moves: the extent to which a firm's competitive marketing tactics in different parts of the world are interdependent.

TABLE 1-3 Comparison of Single-Country Marketing Strategy and Global Marketing Strategy

Single-Country Marketing Strategy	Global Marketing Strategy
Target market strategy	Global market participation
Marketing mix development	Marketing mix development
Product	Product adaptation or standardization
Price	Price adaptation or standardization
Promotion	Promotion adaptation or standardization
Place	Place adaptation or standardization
	Concentration of marketing activities
	Coordination of marketing activities
	Integration of competitive moves

Sometimes companies learn from their subsidiary from abroad:

TABLE 1-4 Think Locally/Act Globally

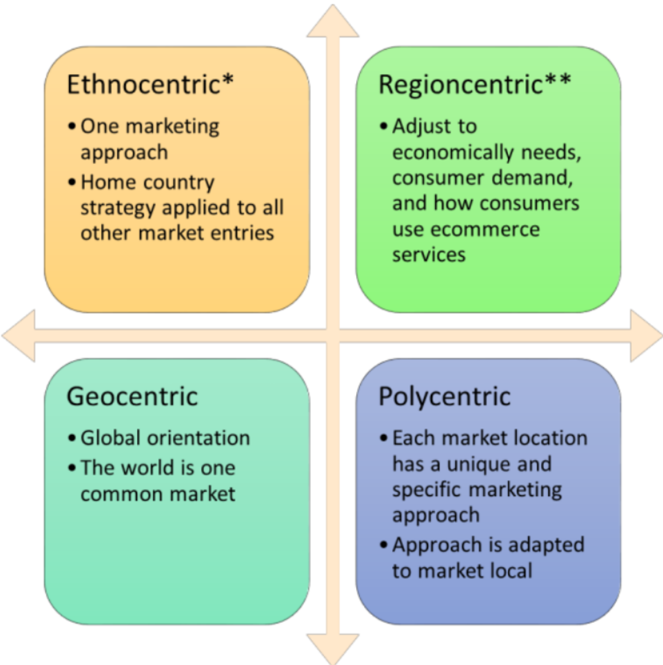
Company/Headquarters Country	Product
Cinnabon/USA	Cinnabon customers in Central and South America prefer dulce de leche. Products developed for those regions are being introduced in the United States, where the Hispanic population is a key segment.[35]
Starbucks/USA	Starbucks opened an experimental store in Amsterdam that serves as a testing ground for new design concepts such as locally sourced and recycled building materials. The best concepts will be extended to other parts of Europe. *Fast Company* magazine included Liz Muller, Director of Creative Design at Starbucks, in its "Most Creative People 2013" ranking.
Kraft Foods/USA	Tang drink powder became a $1 billion brand as regional managers in Latin America and the Middle East moved beyond orange (the top-seller) into popular local flavors such as mango and pineapple. Kraft plans to reboot Tang in the U.S. market using lessons learned abroad.[36]

Example of global and local marketing mix elements

TABLE 1-5 Examples of Effective Global Marketing: McDonald's

Marketing Mix Element	Standardized	Localized
Product	Big Mac	McAloo Tikka potato burger, Chicken Maharaja Mac (India); Rye McFeast (Finland); Adagio (Italy)
Promotion	Brand name	Slang nicknames—for example, Mickey D's (United States, Canada), Macky D's (United Kingdom, Ireland), Macca's (Australia), Mäkkäri (Finland), MakDo (Philippines), McDo (France)
	Advertising slogan "i'm lovin' it"	"*Venez comme vous êtes*" ("Come as you are") television ad campaign in France. Various executions show individuals expressing different aspects of their respective personalities. One features a young man dining with his father. The ad's creative strategy centers on sexual freedom and rebellion: The father does not realize that his son is gay.
Place	Freestanding restaurants in high-traffic public areas	McDonald's Switzerland operates themed dining cars on the Swiss national rail system; McDonald's is served on the Stena Line ferry from Helsinki to Oslo; home delivery (India)
Price	Average price of Big Mac is $5.28 (United States)	$5.91 (Norway); $3.17 (China)

EPRG Framework



Ethnocentric orientation: assumes that his or her home country is superior to the rest of the world. Assume that products and practices that succeed in the home country will succeed anywhere. This point of view leads to a **standardized or extension** approach to marketing based on the premise that products can be sold everywhere without adaptation. Ethnocentric companies that conduct business outside the home country can be described as *international companies*

Polycentric orientation: opposite of ethnocentrism. The term polycentric describes management's belief or assumption that each country in which a company does business is unique. Each subsidiary develops its own unique business and marketing strategies so as to succeed; the term *multinational company* is often used to describe such a structure. This point of view leads to a **localized or adaptation** approach that assumes products must be adapted in response to different market conditions.

Regiocentric: A region becomes the relevant geographic unit; management's goal is to develop an integrated regional strategy. Fx. a European company that focuses its attention on Europe is regiocentric. Or the US focusing on NAFTA countries, is also regiocentric.

Geocentric orientation: Views the entire world as a potential market and strives to develop integrated global strategies. *(Global or transnational company)*. A global company can be further described as one that either pursues a strategy of serving world markets from a single country, or sources globally for the purposes of focusing on specific country markets. Transnational companies serve global markets and use global supply chains, which often results in a blurring of national identity. A true transnational would be characterized as "stateless." Toyota and Honda are two examples.
The geocentric orientation represents a synthesis of ethnocentrism and polycentrism; it is a "worldview" that sees similarities and differences in markets and countries and seeks to create a global strategy that is fully responsive to local needs and wants.

At global and transnational companies, management uses a combination of **standardized (extension) and localized (adaptation)** elements in the marketing program. A key factor that distinguishes global and transnational companies from their international or multinational counterparts is mind-set: At global and transnational companies, decisions regarding extension and adaptation are not based on assumptions, but rather made on the basis of ongoing research into market needs and wants.
One way to assess a company's "degree of transnationality" is to compute an average of three ratios:
(1) sales outside the home country to total sales
(2) assets outside the home country to total assets, and
(3) employees outside the home country to total employees.

Chap 2, page 62 - 86

2-1 Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.

Economic integration stood at 10 percent at the beginning of the twentieth century; today, it is approximately 50 percent. Integration is particularly striking in the European Union (EU) and the North American Free Trade Area (NAFTA). However, protectionism and nationalism are emerging forces in some countries that may slow the pace of further integration. Currency trading represents the world's largest market.

We are in the so-called Information Age, barriers of time and place have been subverted by a transnational cyberworld that functions "24/7." Alibaba, Amazon.com, eBay, Facebook, Google, Instagram, Netflix, Snapchat, Spotify, Twitter, and YouTube are just a sampling of the companies that are pushing the envelope in this Web 3.0 world

Gross domestic product (GDP): a measure of a nation's economic activity, is calculated by adding consumer spending (C), investment spending (I), government purchases (G), and net exports (NX):
$GDP = C + I + G + NX$

2-2 Compare and contrast the main types of economic systems that are found in different regions of the world.

Economic systems:

		Resource Allocation	
		Market	Command
Resource Ownership	Private	Market capitalism	Centrally planned capitalism
	State	Market socialism	Centrally planned socialism

Market capitalism: An economic system in which individuals and firms allocate resources and production resources are privately owned. Consumers decide which goods they desire and firms determine what and how much of those goods to produce. The state promotes competition among firms and to ensure consumer protection. (Can be found in the EU and North America).
Centrally planned socialism: The state has broad powers to serve the public interest as it sees fit. State planners make "top-down" decisions about which goods and services are produced and in which quantities; consumers can spend their money on what is available. Government has ownership of entire industries as well as individual enterprises.
Centrally Planned Capitalism: An economic system in which command resource allocation is utilized extensively in an overall environment of private resource ownership
Market Socialism: Market-allocation policies are permitted within an overall environment of state ownership.

TABLE 2-1 Western Market Systems		
Type of System	Key Characteristics	Countries
Anglo-Saxon model	Private ownership; free enterprise economy; capitalism; minimal social safety net; highly flexible employment policies	United States, Canada, Great Britain
Social market economy model	Private ownership; "social partners" orientation that includes employer groups, unions, and banks; unions and corporations are involved in government, and vice versa; inflexible employment policies	Germany, France, Italy
Nordic model	Mix of state ownership and private ownership; high taxes; some market regulation; generous social safety net	Sweden, Norway

2-3 Explain the categories of economic development used by the World Bank, and identify the key emerging

Stages of economic development

TABLE 2-4 Stages of Market Development

Income Group by per Capita GNI	2016 GDP ($ millions)	2016 GNI per Capita ($)	World GDP (%)	2016 Population (millions)
High-income countries (OECD)				
GNI per capita ≥ $12,236	48,557,000	41,208	64	1,190
Upper-middle-income countries				
GNI per capita ≥ $3,956 to ≤ $12,235	20,624,000	8,177	27	2,579
Lower-middle-income countries				
GNI per capita ≥ $1,006 but ≤ $3,955	6,263,000	2,079	8	3,012
Low-income countries				
GNI per capita ≤ $1,005	402,000	612	1	659

Note: OECD, Organisation for Economic Co-operation and Development.

Low-income countries: have a GNI per capita of $1,005 or less. Countries at this income

level share the following general characteristics:
1. Limited industrialization and a high percentage of the population engaged in agriculture and subsistence farming
2. High birth rates, short life expectancy 3. Low literacy rates
4. Heavy reliance on foreign aid
5. Political instability and unrest
6. Concentration in Africa south of the Sahara

Lower-Middle-Income Countries: Have a GNI per capita between $1,006 and $3,955. Consumer markets in these countries are expanding rapidly. Vietnam (GNI per capita + 2,050), Indonesia ($3,400), and others in this group represent an increasing competitive threat as they mobilize their relatively cheap—and highly motivated—labor forces to serve the world market. The developing countries in the lower-middle- income category have a major competitive advantage in mature, standardized, labor-intensive light industry sectors such as footwear, textiles, and toys. (India)

Upper-middle-income countries: Known as industrializing or developing countries, are those with GNI per capita ranging from $3,956 to $12,235. In these countries, the percentage of the population engaged in agriculture drops sharply as people move to the industrial sector and the degree of urbanization increases. Chile, Malaysia, Mexico, Venezuela, and many other countries in this stage are rapidly industrializing. They have high literacy rates and strong education systems; wages are rising, but they are still significantly lower than in the advanced countries. Innovative local companies can become formidable competitors and help contribute to their nations' rapid, export-driven economic growth. (BRICS)
Marketing Opportunities in LDCs and Developing Countries
Despite the difficult economic conditions in parts of Southeast Asia, Latin America, Africa, and Eastern Europe, many nations in these regions will evolve into attractive markets. One role of marketing in developing countries is to focus resources on the task of creating and delivering products that are best suited to local needs and incomes.
The role of marketing—to identify people's needs and wants and to focus individual and organizational efforts so as to respond to those needs and wants—is the same in all countries, irrespective of the level of economic develop- ment

High-income countries: known as advanced, developed, industrialized, or postindustrial countries, are those with a GNI per capita of $12,236 or higher. With the exception of a few oil- rich nations, the countries in this category reached their present income level through a process of sustained economic growth.

In addition, in a postindustrial society, intellectual technology is more important than machine technology, and scientists and professionals play a more dominant role than do engineers and semiskilled workers.
Product and market opportunities in a postindustrial society are heavily dependent upon new products and innovations (since its a saturated market). Ownership levels for basic products are extremely high in most households. As a consequence, organizations seeking to grow often face a difficult task if they attempt to expand their share of existing markets. Alternatively, they can endeavor to create new markets.

The *Group of Twenty (G-20)* was established in 1999; it is composed of finance ministers and central bank governors from 19 countries plus the European Union. The G-20 includes developing nations such as Argentina, Brazil, India, Indonesia, and Turkey; Russia remains a member. Another institution to which high-income countries belong is the **Organisation for Economic Co-operation and Development** (OECD).

2-4 Discuss the significance of balance of payments statistics for the world's major economies.

Balance of payments: A record of all economic transactions between the residents of a country and the rest of the world. *The International Monetary Fund's "Balance of Payments Statistics Yearbook" provides trade statistics and summaries of economic activity for all countries in the world.*
Balance of payments is divided into the *current and capital accounts*:

- **The current account** is a broad measure that includes merchandise trade (i.e., manufactured goods) and services trade (i.e., intangible, experience-based economic output) plus certain categories of financial transfers such as humanitarian aid. A country with a negative current account balance has a **trade deficit**; that is, the outflow of money to pay for imports exceeds the inflow of money from sales of exports. Conversely, a country with a positive current account balance has a trade surplus.
- **The capital account** is a record of all long-term direct investment, portfolio investment, and other short- and long-term capital flows.

2-5 Identify world leaders in merchandise and services trade, and explain how currency exchange rates impact a company's opportunities in different parts of the world.

In 2009, China leapfrogged Germany in the global merchandise export rankings. China's top-place ranking underscores its role as an export powerhouse: The country has demonstrated continued economic strength by achieving double-digit export growth.
The United States is the world's leading services trader. The United Kingdom ranks second, with services accounting for 45 percent of that country's total exports. More than one-third of the U.K. services exports go to the EU.

Overview of International Finance
Foreign exchange makes it possible for a company in one country to conduct business in other countries with different currencies. But financial risks can high in developing markets such as Thailand, Malaysia, and South Korea.

The spot market is for immediate delivery; the market for future delivery is called the forward market.
Devaluation can result from government action or an economic crisis; whatever the cause, devaluation is reduction in the value of a nation's currency against other currencies.
Revaluation: to allow a currency to strengthen against other currencies

A country's currency would be overvalued if the Big Mac price (converted to dollars) is higher than the U.S. price. Fx. The average U.S. price of a Big Mac is $5.06; in China, the price is 19.19 yuan. If we divide 19.19 by 6.78 (the yuan/dollar exchange rate), we get 2.83. Because this converted price is less than the U.S. price, the yuan must be undervalued.

Economic Exposure
Economic exposure reflects the impact of currency fluctuations on a company's financial perfor- mance. It can come into play when a company's business transactions result in sales or purchases denominated in foreign currencies.
In dealing with the economic exposure introduced by currency fluctuations, a key issue is whether the company can use price as a strategic tool for maintaining its profit margins. Can the company adjust prices in response to a rise or fall of foreign exchange rates in various markets? That depends on the price elasticity of demand. The less price-sensitive the demand, the greater the flexibility a company has in responding to exchange rate changes.

Managing Exchange Rate Exposure
Hedging exchange rate exposure involves establishing an offsetting currency position such that the loss or gain of one currency position is offset by a corresponding gain or loss in some other cur- rency. This practice is common among global companies that sell products and maintain operations in different countries. Specific hedging tools include forward contracts and currency options. Internal hedging methods include price adjustment clauses and intracorporate borrowing or lending in foreign currencies.

The **forward market** is a mechanism for buying and sell- ing currencies at a preset price for future delivery. If it is known that a certain amount of foreign cur- rency will be paid out or received at some future date, a company can insure itself against exchange loss by buying or selling forward.

A **put option** gives the buyer the right—but not the obligation—to sell a specified number of foreign currency units at a fixed price, up to the option's expiration date. (Conversely, **a call option** is the right—but not the obligation—to buy the foreign currency.)

Chapter 3: The Global Trade Environment - pages 94 - 121

3-1 Explain the role of the World Trade Organization in facilitating global trade relations among nations.

The World Trade Organisation (WTO) came into existence on January 1, 1995. It was the succesor to the General Agreement on Tariffs and Trade (GATT).
WTO is based in Geneva, Switzerland and provides a forum for trade related negotiations among it’s 164 members. WTO has neutral trade experts, who serve as mediators in global trade disputes (recent WTO cases can be found in table 3-1)
The WTO has a Dispute Settlement Body (DSB) thatmediates complaints concerning unfair trade barriers and other issues among the WTO’s member countries. During a 60-day consultation period, parties to a complaint are expected to engage in good-faith negotiations and reach an amicable resolution. If, after due process, a country’s trade policies are found to violate WTO rules, the country is expected to change those policies. If changes are not forthcoming, the WTO can authorize trade sanctions against the loser.

3-2 Compare and contrast the four main categories of preferential trade agreements.

A preferential trade agreement (PTA) is a mechanism that confers special treatment on select trading partners. By favoring certain countries, such agreements frequently discriminate against other countries. For that reason, it is customary for countries to notify the WTO when they enter into preferential trade agreements.

A free trade area (FTA) is formed when two or more countries agree to eliminate tariffs and other barriers that restrict trade. When trading partners successfully negotiate a free trade agreement (also abbreviated FTA), the ultimate goal of which is to have zero duties on goods that cross borders between the partners, it creates a free trade area. In some instances, duties are eliminated on the day the agreement takes effect; in other cases, duties are phased out over a set period of time.

A customs union represents the logical evolution of an FTA. In addition to eliminating internal barriers to trade, members of a customs union agree to the establishment of common external tariffs (CETs)

A common market is the next level of economic integration. In addition to the removal of internal barriers to trade and the establishment of common external tariffs, the common market allows for free movement of factors of production, including labor and capital

An economic union builds upon the elimination of internal tariff barriers, the establishment of common external barriers, and the free flow of factors. It seeks to coordinate and harmonize economic and social policies within the union to facilitate the free flow of capital, labor, and goods and services from country to country. An economic union is a common marketplace not only for goods but also for services and capital. For example, so that professionals can work anywhere in the EU, the members must harmonize their practice licensing so that a doctor or lawyer qualified in one country may practice in any other EU member coun

TABLE 3-2 Forms of Regional Economic Integration

Stage of Integration	Elimination of Tariffs and Quotas Among Members	Common External Tariff (CET) and Quota System	Elimination of Restrictions on Factor Movements	Harmonization and Unification of Economic and Social Policies and Institutions
Free trade area	Yes	No	No	No
Customs union	Yes	Yes	No	No
Common market	Yes	Yes	Yes	No
Economic union	Yes	Yes	Yes	Yes

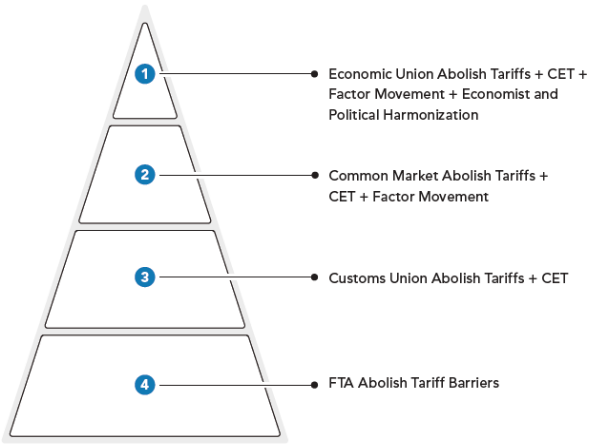


FIGURE 3-1 Hierarchy of Preferential Trade Agreements
Source: Paul Button, based on data from The World Bank.

3-3 Explain the trade relationship dynamics among signatories of the North AmericanFreeTradeAgreement (NAFTA).

In 1992, representatives from the United States, Canada, and Mexico concluded negotiations for the North American Free Trade Agreement (NAFTA). The agreement was approved by both houses of the U.S. Congress and became effective on January 1, 1994. The result is a free trade area with a combined population of more than 486 million people and a total gross domestic product (GDP) of more than $21 trillion.

3-4 Identify the four main preferential trade agreements in Latin America and the key members of each.

Central American Integration System
Central America is trying to revive its common market, which was originally set up in the early 1960s. The five original members—El Salvador, Honduras, Guatemala, Nicaragua, and Costa Rica—decided in July 1991 to reestablish the Central American Common Market (CACM). Efforts to improve regional integration gained momentum with the granting of observer status to Panama. In 1997, with Panama as a member, the group's name was changed to the Central American Integration System (Sistema de la Integración Centroamericana [SICA]; see Figure 3-4).

Andean Community

The four-nation Andean Community (Comunidad Andina [CAN]; see Figure 3-5), which includes Bolivia, Colombia, Ecuador, and Peru, celebrates its 50th anniversary in 2019.

Common Market of the South (Mercosur)
March 2016 marked the 25th anniversary of the signing of the Asunción Treaty, which signified the agreement by the governments of Argentina, Brazil, Paraguay, and Uruguay to form the Common Market of the South (Mercado Común del Sur, or Mercosur; see Figure 3-5).

Caribbean Community and Common Market (CARICOM)
CARICOM was formed in 1973 as a movement toward unity in the Caribbean. It replaced the Caribbean Free Trade Association (CARIFTA), which had been founded in 1965. The members of this organization are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. The population of the entire 15-member CARICOM is approximately 17 million (see Figure 3-6)

3-5 Identify the main preferential trade agreements in the Asia-Pacific region.

The Association of Southeast Asian Nations (ASEAN) was established in 1967 as an organization for economic,political, social, and cultural cooperation among its member countries. Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand were the original six members. Vietnam became the first Communist nation in the group when it was admitted to ASEAN in July 1995. Cambodia and Laos were admitted at the organization’s 30th anniversary meeting in July 1997. Burma (known as Myanmar by the ruling military junta) joined in 1998. The original six members are sometimes referred to as ASEAN-6.

3-6 Describe the various forms of economic integration in Europe. What is Brexit, and what are the implications for Great Britain’s relationship with Europe.

Evidence that the EU is more than a free trade area, customs union, or common market is the fact that citizens of member countries are now able to freely cross borders within the union. The EU is encouraging the development of a community-wide labor pool; it is also attempting to shake up Europe’s cartel mentality by handing down rules of competition patterned after U.S. antitrust law. Improvements to highway and rail networks are now being coordinated as well. Today 19 EU countries are also members of the eurozone (common currency).
Brexit is Great Britain's split with the EU - it has severe implications for the good relationship with the EU, as they are no longer part of the economic and political union.

3-7 Describe the activities of the key regional organizations in the Middle East.

The key regional organization in the Middle East, commonly referred to as the **Gulf Cooperation Council (GCC)**, was established in 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. These six countries hold about 45 percent of the world's known oil reserves, but their production amounts to only 18 percent of world oil output. The GCC organization provides a means of realizing coordination, integration, and cooperation of its members in all economic, social, and cultural affairs. Persian Gulf finance ministers have drawn up an economic cooperation agreement covering investment, petroleum, the abolition of customs duties, harmonization of banking regulations, and financial and monetary coordination. GCC committees coordinate trade development in the region, industrial strategy, agricultural policy, and uniform petroleum policies and prices. Current goals include establishing an Arab common market and increasing trade ties with Asia. The GCC is one of three newer regional organizations in the Middle East.
In 1989, two other organizations were established. Morocco, Algeria, Mauritania, Tunisia, and Libya banded together in the **Arab Maghreb Union (AMU)**; Egypt, Iraq, Jordan, and North Yemen created the **Arab Cooperation Council (ACC)**. Many Arabs see their new regional groups—the GCC, ACC, and AMU—as embryonic economic communities that will foster the development of inter-Arab trade and investment.

3-8 Identify the issues for global marketers wishing to expand in Africa.

Investors in Europe, stung by economic losses in the developed world, are cutting their spending.

Chapter 4: Social and Cultural Environments - pages 128 - 157

Culture and Marketing

- Culture influences **consumer behavior** (attitudes towards products/services, willingness to pay)
- Culture influences **marketing mix decisions**, e.g., also preferences for humor in an advertisement or the general style of an advertising in a country
- Culture influences **business relationships** and **the way of doing business** in general

Some examples

- Cross-cultural advertisement
- Country-of origin effects
- Adaptation or standardization strategies (color, packaging, design, functions)
- Direct "culture sales"

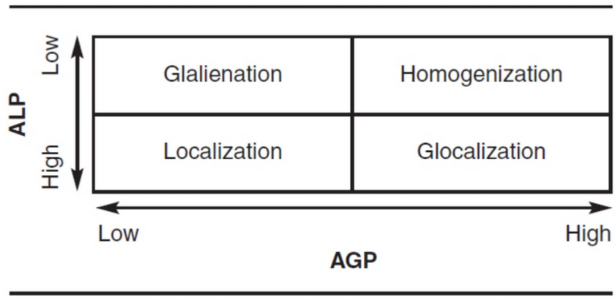
Schwartz's cultural values

Type	Definition and exemplary values
Conservatism	A cultural emphasis on **maintenance of the status quo**, propriety, and restraint of actions or inclinations that might disrupt the solidary group or the traditional order (social order, respect for tradition, family security, wisdom)
Autonomy	Conceptual distinction between **two types of Autonomy**, The first refers to ideas and thought, the second to feelings and emotions. **Intellectual Autonomy:** A cultural emphasis on the desirability of individuals independently pursuing their **own ideas and intellectual directions** (curiosity, broadmindedness, creativity). **Affective Autonomy**: A cultural emphasis on the desirability of individuals independently pursuing **affectively positive experience** (pleasure, exciting life, varied life)
Hierarchy	A cultural emphasis on the legitimacy of an **unequal distribution of power**, roles and resources (social power, authority, humility, wealth)
Egalitarianism	A cultural emphasis on **transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others** (equality, social justice, freedom, responsibility, honesty)
Mastery	A cultural emphasis on getting ahead **through active self-assertion** (ambition, success, daring, competence)
Harmony	A cultural emphasis on fitting harmoniously into the environment (unity with nature, protecting the environment, world of beauty)

Type	Defining goal	Value
Self-direction	**Independent** thought and action	Creativity, **freedom**, independent, curious, choosing own goals
Stimulation	**Excitement**, novelty, challenge in life	**Daring**, a varied life, an exciting life
Hedonism	**Pleasure** or sensuous gratification for oneself	Pleasure, enjoying life
Achievement	Personal success through demonstrating **competence** according to social standards	Succesful, capable, **ambitious**, influential
Power	Social **status and prestige**, control or dominance over people and resources	Social **power**, authority, wealth
Security	Safety, harmony, and stability of society, of relationships, and of self	Family security, national security, social order, clean, reciprocation of favors
Conformity	**Restraint of actions**, inclinations, and impulses likely to upset or harm others and violate social expectations or norms	Self-discipline, **obedien**t, politeness, honoring parents and elders
Tradition	**Respect, commitment**, and acceptance of the customs and ideas that traditional culture or religion provides	Accepting one's position in life, **humble, devout**, respect for tradition, moderate
Benevolence	Preserving and enhancing the welfare of those with whom one is in frequent personal contact (**the "in-group"**)	Helpful, hones, forgiving, loyal **responsible**
Universalism	Understanding, appreciation, **tolerance, and** protection for the welfare of all people and nature	**Broadminded**, wisdom, social justice, equality, a world at peace/of beauty, unity with nature

An application of Schwartz and Ingleharts value systems

- ALP = attitudes toward local products
- AGP = attitudes toward global products



4-1 Define culture and identify the various expressions and manifestations of culture that can impact global marketing strategies.

Definition of culture:

Anthropologists and sociologists have offered scores of different definitions of culture. As a starting point, culture can be understood as "ways of living, built up by a group of human beings, that are transmitted from one generation to another." A culture acts out its ways of living in the context of social institutions, including family, educational, religious, governmental, and business institutions. Those institutions, in turn, function to reinforce

cultural norms. Culture also includes both conscious and unconscious values, ideas, attitudes, and symbols that shape human behavior and that are transmitted from one generation to the next. Organizational anthropologist Geert Hofstede defines culture as “the collective programming of the mind that distinguishes the members of one category of people from those of another.” A particular “category of people” may constitute a nation, an ethnic group, a gender group, an organization, a family, or some other unit.
Within any large, dominant cultural group, there are likely to be subcultures— that is, smaller groups of people with their own shared subset of attitudes, beliefs, and values. Values, attitudes, and beliefs can also be surveyed at the level of any “category of people” that is embedded within a broad culture.

Marketing and culture:

First, marketers must study and understand the cultures of the countries in which they will be doing business. Second, they must incorporate this understanding into the marketing planning process. In some instances, strategies and marketing programs will have to be adapted to the local culture; however, marketers should also take advantage of shared cultural characteristics and avoid unneeded and costly adaptations of the marketing mix.

Definitions:

An attitude is a learned tendency to respond in a consistent way to a given object or entity. Attitudes are clusters of interrelated beliefs.
A belief is an organized pattern of knowledge that an individual holds to be true about the world. Attitudes and beliefs, in turn, are closely related to values.
A value can be defined as an enduring belief or feeling that a specific mode of conduct is personally or socially preferable to another mode of conduct.
Religion is an important source of a society’s beliefs, attitudes, and values. The world’s major religions include Buddhism, Hinduism, Islam, Judaism, and Christianity; the last includes Roman Catholicism and numerous Protestant denominations.
Within every culture, there is an overall sense of what is beautiful and what is not beautiful, what represents good taste as opposed to tastelessness or even obscenity, and so on. Such considerations are matters of **aesthetics.**

4-2 Compare and contrast the key aspects of high- and low-context cultures.

Edward T. Hall has suggested the concept of high and low context as a way of understanding different cultural orientations.
In a **low-context culture**, messages are explicit and specific; words carry most of the communication power. E.g. US, Switzerland, Germany.
In a **high-context culture**, less information is contained in the verbal part of a message, while much more information resides in the context of communication, including the background, associations, and basic values of the communicators. E.g. Japan, Saudi Arabia.

TABLE 4-1 High- and Low-Context Cultures

Factors or Dimensions	High Context	Low Context
Lawyers	Less important	Very important
A person's word	Is his or her bond	Is not to be relied upon; "get it in writing"
Responsibility for organizational error	Taken by highest level	Pushed to lowest level
Space	People breathe on each other	People maintain a bubble of private space and resent intrusions
Time	Polychronic—everything in life must be dealt with in terms of its own time	Monochronic—time is money; linear—one thing at a time
Negotiations	Are lengthy—a major purpose is to allow the parties to get to know each other	Proceed quickly
Competitive bidding	Infrequent	Common
Country or regional examples	Japan, Middle East	United States, Northern Europe

4-3 Identify and briefly explain the major dimensions of Hofstede's social values typology.

TABLE 4-2 Hofstede's Five Dimensions of National Culture

1. ***Individualistic***—People look after their own and family interests

   Collectivistic—People expect the group to look after and protect them

Individualistic	⟷	*Collectivistic*
United States, Canada, Australia	Japan	Mexico, Thailand

2. ***High power distance***—Accepts wide differences in power; great deal of respect for those in authority

   Low power distance—Plays down inequalities; employees are not afraid to approach nor are they in awe of the boss

High power distance	⟷	*Low power distance*
Mexico, Singapore, France	Italy, Japan	United States, Sweden

3. ***High uncertainty avoidance***—Threatened with ambiguity and experience high levels of anxiety

   Low uncertainty avoidance—Comfortable with risks; tolerant of different behavior and opinions

High uncertainty avoidance	⟷	*Low uncertainty avoidance*
Italy, Mexico, France	United Kingdom	Canada, United States, Singapore

4. ***Achievement***—Values such as assertiveness, acquiring money and goods, and competition prevail

   Nurturing—Values such as relationships and concern for others prevail

Achievement	⟷	*Nurturing*
United States, Japan, Mexico	Canada, Greece	France, Sweden

5. ***Long-term orientation***—People look to the future and value thrift and persistence

   Short-term orientation—People value tradition and the past

Long-term orientation	⟷	*Short-term orientation*
China, Taiwan, Japan		Germany, Australia, United States, Canada

Source: Stephen P. Robbins and Mary Coulter, *Management*, 12th ed. (Upper Saddle River, NJ: Pearson Education, 2014), 87.

Hofstedes's Cultural Typology is further explained on page 141.

4-4 Explain how the self-reference criterion can affect decision making at global companies, and provide a step by step example of a company adapting to conditions in a global market.

A framework for systematically reducing perceptual blockage and distortion was developed by James Lee and published in the Harvard Business Review in 1966. Lee termed the unconscious reference to one's own cultural values the self-reference criterion (SRC). To address this problem and eliminate or reduce cultural myopia, he proposed a systematic, four-step framework:

1. Define the problem or goal in terms of home-country cultural traits, habits, and norms.
2. Define the problem or goal in terms of host-country cultural traits, habits, and norms. Make no value judgments.
3. Isolate the SRC influence and examine it carefully to see how it complicates the problem.
4. Redefine the problem without the SRC influence and solve for the host-country market situation

Example with Disney on page 144

The lesson that the SRC teaches is that a vital, critical skill of the global marketer is unbiased perception—that is, the ability to see what is so in a culture. Although this skill is as valuable at home as it is abroad, it is critical to the global marketer because of the widespread tendency toward ethnocentrism and the use of the SRC. The SRC can be a powerful negative force in global business, and forgetting to check for it can lead to misunderstanding and failure.

4-5 Analyze the components of diffusion theory and its applicability to global marketing.

Everett Rogers (Sociologist) made three concepts, which are extremely useful to global marketers: *the adoption process, characteristics of innovations, and adopter categories.* Taken together, these concepts constitute **Rogers's diffusion of innovation framework.**

The adoption process:

One of the basic elements of Rogers's diffusion theory is the concept of an adoption process—the mental stages through which an individual passes from the time of his or her first knowledge of an innovation to the time of product adoption or purchase. Rogers suggests that an individual passes through five different stages in proceeding from first knowledge of a product to the final adoption or purchase of that product: awareness, interest, evaluation, trial, and adoption.

1. Awareness: In the first stage, the customer becomes aware for the first time of the product or innovation. Studies have shown that at this stage, impersonal sources of

information such as mass-media advertising are most important. An important early communication objective in global marketing is to create awareness of a new product through general exposure to advertising messages.

2. Interest: During this stage, the customer is interested enough to learn more. The customer has focused his or her attention on communications relating to the product and will engage in research activities and seek out additional information.
3. Evaluation: In this stage the individual mentally assesses the product's benefits in relation to present and anticipated future needs and, based on this judgment, decides whether to try it.
4. Trial: Most customers will not purchase expensive products without the "hands-on" experience marketers call a "trial." A good example of a product trial that does not involve purchase is the automobile test drive. For health care products and other inexpensive consumer packaged goods, a trial often involves actual purchase. Marketers frequently induce a trial by distributing free samples. For inexpensive products, an initial single purchase is defined as a trial.
5. Adoption: At this point, the individual either makes an initial purchase (in the case of the more expensive product) or continues to purchase—adopts and exhibits brand loyalty to— the less expensive product.

Studies show that as a person moves from evaluation through a trial to adoption, personal sources of information are more important than impersonal sources. It is during these stages that sales representatives and word of mouth become major persuasive forces affecting the decision to buy.

Characteristics of innovations:

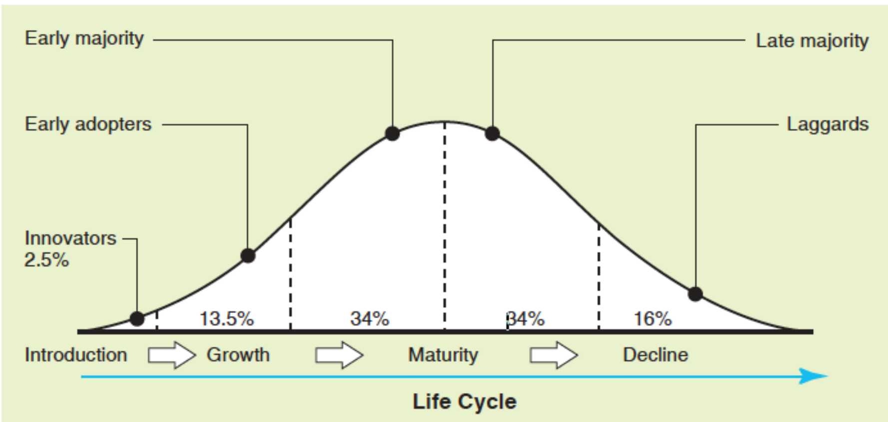
In addition to describing the product adoption process, Rogers identified five major characteristics of innovations. These factors, which affect the rate at which innovations are adopted, are relative advantage, compatibility, complexity, divisibility, and communicability.

1. **Relative advantage:** How a new product compares with existing products or methods in the eyes of customers. The perceived relative advantage of a new product versus existing products is a major influence on the rate of adoption. If a product has a substantial relative advantage vis-à-vis the competition, it is likely to gain quick acceptance. When compact disc players were first introduced in the early 1980s, industry observers predicted that only audiophiles would care enough about digital sound—and have enough money—to purchase them.In reality, the sonic advantages of CDs compared to LPs were obvious to the mass market; as prices for CD players plummeted, the 12-inch black vinyl LP was rendered virtually extinct in less than a decade. (But vinyl is making a comeback!)
2. **Compatibility**: The extent to which a product is consistent with existing values and past experiences of adopters. The history of innovations in international marketing is replete with failures caused by the lack of compatibility of new products in the target market. For example, the first consumer VCR, the Sony Betamax, ultimately failed because it could record for only 1 hour. Most buyers wanted to record movies and sports events; thus they shunned the Betamax in favor of VHS-format VCRs, which could record 4 hours of programming.

3. **Complexity**: The degree to which an innovation or new product is difficult to understand and use. Product complexity is a factor that can slow down the rate of adoption, particularly in developing country markets with low rates of literacy. In the 1990s, dozens of global companies developed new, interactive, multimedia consumer electronics products. Complexity was a key design issue; it was a standing joke that in most households, VCR clocks flashed "12:00" because users didn't know how to set them. To achieve mass success, new products have to be as simple to use as, for example, slipping a prerecorded DVD into a DVD player.
4. **Divisibility**: The ability of a product to be tried and used on a limited basis without great expense. Wide discrepancies in income levels around the globe result in major differences in preferred purchase quantities, serving sizes, and product portions. For example, CPC International's Hellmann's mayonnaise was simply not selling in U.S.-size jars in Latin America, but sales took off after the company placed the mayonnaise in small plastic packets. The plastic packets were within the food budgets of local consumers, and they required no refrigeration— another plus.
5. **Communicability**: The degree to which the benefits of an innovation or the value of a product may be communicated to a potential market. A new digital cassette recorder from Philips was a market failure, in part because advertisements did not clearly communicate the fact that the product could make CD-quality recordings using new cassette technology while still playing older, analog tapes.

Adopter Categories

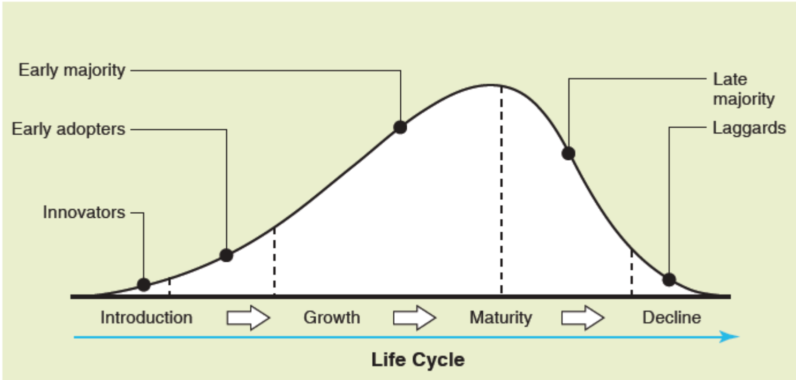
Adopter categories are classifications of individuals within a market on the basis of innovativeness. Hundreds of studies of the diffusion of innovation demonstrate that, at least in the Western world, adoption is a social phenomenon that is characterized by a normal distribution curve (see Figure 4-3). Five categories have been assigned to the segments of this normal distribution. The first 2.5 percent of people to purchase a product are defined as innovators; the next 13.5 percent are early adopters; the next 34 percent are the early majority; the next 34 percent are the late majority; and the final 16 percent are laggards.



4-6 Explain the marketing implications of different social and cultural environments around the globe.

The various cultural factors described earlier can exert important influences on marketing of consumer and industrial products around the globe; thus, they must be recognized and incorporated into a global marketing plan.

FIGURE 4-4 Asian Hierarchy for Diffusion of Innovation



Environmental sensitivity *reflects the extent to which products must be adapted to the culture-specific needs of different national markets.*

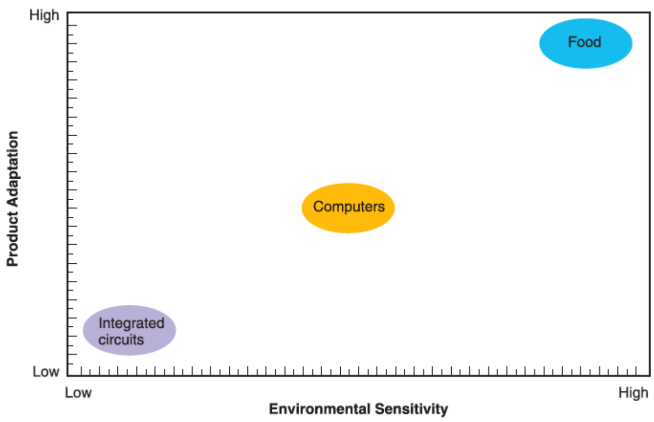


FIGURE 4-5 Environmental Sensitivity Versus Product Adaptation

Chapter 5: The Political, Legal, and Regulatory Environments - Page 160 - 194

5-1 Understand the elements of a country's political environment that can impact global marketing activities.

Global marketing activities take place within the **political environment** of governmental institutions, political parties, and organizations through which a country's people and rulers exercise power.
Like a nation has a unique culture, which reflects its society, it also has a political culture, which reflects the relative importance of the government and legal system and provides a context within which individuals and corporations understand their relationship to the political system.
Any company doing business outside its home country should carefully study the political culture in the target country and analyze salient issues arising from the political environment. These issues include the governing party's attitude toward sovereignty, present and future levels of political risk, tax policies, the threat of equity dilution, and the risk of expropriation.

Nation-States and Sovereignty

Sovereignty can be defined as supreme and independent political authority.
Richard Stanley said: *"A sovereign state was considered free and independent. It regulated trade, managed the flow of people into and out of its boundaries, and exercised undivided jurisdiction over all persons and property within its territory. It had the right, authority, and ability to conduct its domestic affairs without outside interference and to use its international power and influence with full discretion"*

Political Risk

Political risk is the possibility of a change in a country's political environment or government policy that would adversely affect a company's ability to operate effectively and profitably.
As Ethan Kapstein, a professor at INSEAD, has noted:
"Perhaps the greatest threats to the operations of global corporations, and those that are most difficult to manage, arise out of the political environment in which they conduct their business. One day, a foreign company is a welcome member of the local community; the next day, opportunistic politicians vilify it."

Political risk can deter a company from investing abroad: when a high level of uncertainty characterizes a country's political environment, the country may have difficulty attracting foreign investment.

TABLE 5-1 Categories of Political Risk

EIU	BERI	PRS Group
War	Fractionalization of the political spectrum	Political turmoil probability
Social unrest	Fractionalization by language, ethnic, and/or religious groups	Equity restrictions
Orderly political transfer	Restrictive/coercive measures required to retain power	Local operations restrictions
Politically motivated violence	Mentality (xenophobia, nationalism, corruption, nepotism)	Taxation discrimination
International disputes	Social conditions (including population density and wealth distribution)	Repatriation restrictions
Change in government/pro-business orientation	Organization and strength of forces for a radical government	Exchange controls
Institutional effectiveness	Dependence on and/or importance to a major hostile power	Tariff barriers
Bureaucracy	Negative influences of regional political forces	Other barriers
Transparency or fairness	Societal conflict involving demonstrations, strikes, and street violence	Payment delays
Corruption	Instability as perceived by assassinations and guerilla war	Fiscal or monetary expansion
Crime		Labor costs
		Foreign debt

Source: Adapted from Llewellyn D. Howell, *The Handbook of Country* and *Political Risk Analysis*, 2nd ed. (East Syracuse, NY: The PRS Group, 1998).

Taxes

Governments rely on tax revenues to fund social services, to support their military forces, and to cover other expenditures. Unfortunately, government taxation policies on the sale of goods and services frequently motivate companies and individuals to profit by not paying taxes.
The diverse geographical activity of the global corporation also requires that special attention be given to tax laws. The issue is especially acute in the tech sector; many companies make efforts to minimize their tax liability by shifting the location in which they declare income. Facebook, Amazon, Google, and Apple are some of the companies that have shifted profits earned from intellectual property to low-tax jurisdictions such as Ireland and Luxembourg.

Seizure of assets

The ultimate threat that a government can impose on a company is seizing its assets.

- **Expropriation** refers to governmental action to dispossess a foreign company or investor. Compensation is generally provided, albeit often not in the "prompt, effective, and adequate" manner provided for by international standards.
- If no compensation is provided, the action is referred to as **confiscation.**
- **Nationalization** is generally broader in scope than expropriation; it occurs when the government takes control of some or all of the enterprises in a particular industry. International law recognizes nationalization as a legitimate exercise of government power, as long as the act satisfies a "public purpose" and is accompanied by "adequate payment" (i.e., payment that reflects fair market value of the property).

5-2 Define international law and describe the main types of legal systems found in different parts of the world.

- International law may be **defined** as the rules and principles that nation-states consider binding upon themselves.

- International law **pertains** to property, trade, immigration, and other areas that have traditionally been under the jurisdiction of individual nations.
- International law **applies** only to the extent that countries are willing to assume all rights and obligations in these areas.

Common Law versus Civil Law

- **A civil-law country** is one in which the legal system reflects the structural concepts and principles of the Roman Empire in the sixth century.
- In **a common-law country,** many disputes are decided by reliance on the authority of past judicial decisions (cases). A common-law legal system is based on the concept of precedent, sometimes called stare decisis.

The legal system in many Middle Eastern countries is identified with the laws of Islam, which are associated with "the one and only one God, the Almighty".
In Islamic law, the sharia is a comprehensive code governing Muslim conduct in all areas of life, including business. The code is derived from two sources. First is the Koran, the Holy Book written in Arabic that is a record of the revelations made to the Prophet Mohammed by Allah. The second source is the Hadith, which is based on the life, sayings, and practices of Muhammad.

5-3 Understand the most important business issues that can lead to legal problems for global marketers.

The astute, proactive marketer can do a great deal to prevent conflicts from arising in the first place, especially concerning issues such as establishment, jurisdiction, patents and trademarks, antitrust, licensing and trade secrets, bribery, and advertising and other promotion activities.

Jurisdiction

Jurisdiction pertains to global marketing insofar as it concerns a court's authority to rule on particular types of issues arising outside of a nation's borders or to exercise power over individuals or entities from different countries.

Intellectual Property: Patents, Trademarks, and Copyrights

Patents and trademarks that are protected in one country are not necessarily protected in another, so global marketers must ensure that all forms of intellectual property are registered in each country where business is conducted.

- A patent is a formal legal document that gives an inventor the exclusive right to make, use, and sell an invention for a specified period of time. Typically, the invention represents an "inventive leap" that is "novel" or "nonobvious."

- A trademark is defined as a distinctive mark, motto, device, or emblem that a manufacturer affixes to a particular product or package to distinguish it from goods produced by other manufacturers
- A copyright establishes ownership of a written, recorded, performed, or filmed creative work.

Infringement of intellectual property can take a variety of forms.

- Counterfeiting is the unauthorized copying and production of a product. An associative counterfeit, or imitation, uses a product name that differs slightly from a well-known brand but is close enough that consumers will mistake it for the genuine product.
- Another type of counterfeiting is piracy, the unauthorized publication or reproduction of copyrighted work. Counterfeiting and piracy are particularly important in industries such as motion pictures, recorded music, computer software, and textbook publishing. Companies in these industries produce products that can be easily duplicated and distributed on a mass basis.

Antitrust

Antitrust laws in the United States and other countries are designed to combat restrictive business practices and to encourage competition.

Some legal experts believe that the pressures of global competition have resulted in an increased incidence of price-fixing and collusion among companies. As then Fair Trade Commision (FTC) Chairman Robert Pitofsky said, *"For years, tariffs and trade barriers blocked global trade. Now those are falling, and we are forced to confront the private anticompetitive behavior that often remains."*

A cartel is a group of individual companies that collectively set prices, control output, or take other actions to maximize profits.

Licensing and Trade Secrets

Licensing is a contractual agreement in which a licensor allows a licensee to use patents, trademarks, trade secrets, technology, or other intangible assets in return for royalty payments or other forms of compensation. More details on page 181-182.

Bribery and Corruption: Legal and Ethical Issues

Bribery is the corrupt business practice of demanding or offering some type of consideration—typically in the form of cash payments—when negotiating business deals. While most countries have anti corruption laws that prohibit bribery, enforcement is often lax. That is not the case in the United States.

TABLE 5-4 2016 Corruption Rankings

Rank/Country	2016 CPI Score	Rank/Country	2016 CPI Score
1. Denmark	90	166. Venezuela	17
1. New Zealand	90	168. Guinea-Bissau	16
3. Finland	89	169. Afghanistan	15
4. Sweden	88	170. Libya	14
5. Switzerland	86	170. Sudan	14
6. Norway	85	170. Yemen	14
7. Singapore	84	173. Syria	13
8. Netherlands	83	174. North Korea	12
9. Canada	82	175. South Sudan	11
10. Germany	81	176. Somalia	10

Note: Transparency International's Corruption Perceptions Index (CPI) scores countries on their perceived levels of public-sector corruption on a scale from 0 (highly corrupt) to 100 (very clean).
Source: Adapted from 2016 Corruption Rankings. Copyright 2016 Transparency International: the global coalition against corruption. For more information, visit www.transparency.org.

Investigative reporters often file stories regarding bribery or other forms of malfeasance.
In emerging countries, journalists may themselves become targets if they criticize the rich or powerful.
When companies operate abroad in the absence of home-country legal constraints, they face a continuum of choices concerning company ethics:

- At one extreme, they can maintain home-country ethics worldwide with absolutely no adjustment or adaptation to local practice.
- At the other extreme, they can abandon any attempt to maintain company ethics and adapt entirely to local conditions and circumstances as company managers perceive them in each local environment.

Between these extremes, one approach that companies may select is to utilize varying degrees of an extension of home-country ethics. Alternatively, they may adapt in varying degrees to local customs and practices.

5-4 Describe the available alternatives for conflict resolution and dispute settlement when doing business outside the home country.

Alternative dispute resolution (ADR) methods allow parties to resolve international commercial disputes without resorting to the court system.

- **Arbitration** is a negotiation process that the two parties have, by prior agreement, committed themselves to using. It is a fair process in the sense that the parties using it have created it themselves. Generally, arbitration involves a hearing of the parties before a three-member panel; each party selects one panel member, and those two panel members in turn select the third member. The panel renders a judgment that the parties agree in advance to abide by.
- There are different forces and organisations for arbitration. (See page 186)

5-5 In general terms, outline the regulatory environment in the European Union.

The regulatory environment of global marketing consists of a variety of governmental and nongovernmental agencies that enforce laws or set guidelines for conducting business. These regulatory agencies address a wide range of marketing issues, including price control, valuation of imports and exports, trade practices, labeling, food and drug regulations, employment conditions, collective bargaining, advertising content, and competitive practices.
The Treaty of Rome established the European Community (EC), the precursor to the EU. This treaty created an institutional framework in which a council (the Council of Ministers) serves as the main decision-making body, with each country member having direct representation.
The other three main institutions of the community are:

- **the European Commission, the EU's executive arm**
- **the European Parliament, the legislative body**
- **and the European Court of Justice**

Chapter 6, 196 - 223

6-1 Discuss the roles of information technology, management information systems, and big data in a global company's decision-making processes.

Information technology (IT): refers to an organization's processes for creating, storing, exchanging, using, and managing information.
A management information system (MIS): provides managers and other decision makers with a continuous flow of information about company operations. MIS is a broad term that can be used to refer to a system of hardware and software that a company uses to manage information. An MIS should provide a means for gathering, analyzing, classifying, storing, retrieving, and reporting relevant data.
Big data: refers to extremely large data sets that can be subjected to computational analysis to reveal patterns and trends.
BI network: to enable interactive access to data, enable manipulation of these data, and to provide managers and analysts with the ability to conduct appropriate analysis. By analyzing historical and current data, situations, and performances, decision makers get valuable insights upon which they can base more informed and better decisions.

Electronic data interchange (EDI) system: allows a company's business units to submit orders, issue invoices, and conduct business electronically with other company units as well as with outside companies. See more on page 200

Intranet: is a private network that allows authorized company personnel or outsiders to share information electronically in a secure fashion without generat- ing mountains of paper.

Only recently have big data collection and analysis been applied to business situations. A case in point is video-streaming pioneer Netflix, which has collected more than 10 billion movie ratings from subscribers. Netflix also gathers demographic data about all its subscribers, including age, gender, and place of residence. Netflix knows, for example, that some 20-something males have viewing habits that many people would associate with 70-year-old females, and vice versa. Netflix managers must determine how to use the ratings in conjunction with demographic information and viewership data so that new subscribers enjoy a better content- discovery experience.

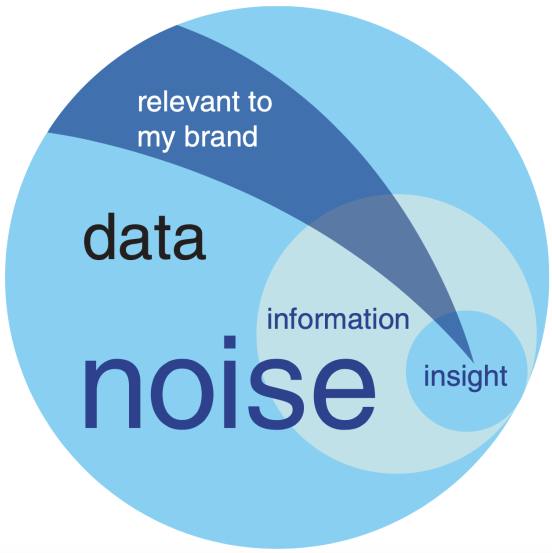


FIGURE 6-1 Relationship Between Data, Information, and Insight.

In addition to EDI, retailers are increasingly using a technique known as **efficient consumer response (ECR)** in an effort to work more closely with vendors on stock replenishment. ECR can be defined as a joint initiative of members of a supply chain working together to improve and optimize aspects of the supply chain to benefit customers. ECR systems utilize **electronic point of sale (EPOS)** data gathered by checkout scanners to help retail- ers identify product sales patterns and determine how consumer preferences vary with geography.

EPOS, ECR, and other IT tools are also helping businesses improve their ability to target consumers and increase loyalty. The trend among retailers is to develop customer-focused strategies that will personalize and differentiate the business. In addition to point-of-sale (POS) scanner data, loyalty programs such as Tesco's Clubcard, which use electronic smartcards, provide retailers with important information about shopping habits. Customer

relationship management (CRM) is an important business tool that helps companies leverage the data they collect through such systems.
CRM tools allow companies to determine which customers are most valuable and to react in a timely manner with customized product and service offerings that closely match customer needs. If implemented correctly, CRM can make employees more productive and enhance corporate profitability; it also benefits customers by providing value-added products and services.

Modern IT tools provide the means for a company's marketing information system and research functions to provide relevant information in a timely, cost-efficient, and actionable manner. Overall, then, the global organization has the following needs:

- An efficient, effective system that will scan and digest published sources and technical journals in the headquarters country as well as in all countries in which the company has operations or customers.
- Daily scanning, translating, digesting, abstracting, and electronic inputting of information into a market intelligence system. Today, thanks to advances in IT, full-text versions of many sources are available online as PDF files. Print documents can easily be scanned, digitized, and added to a company's information system.
- Expanding information coverage in other regions of the world.

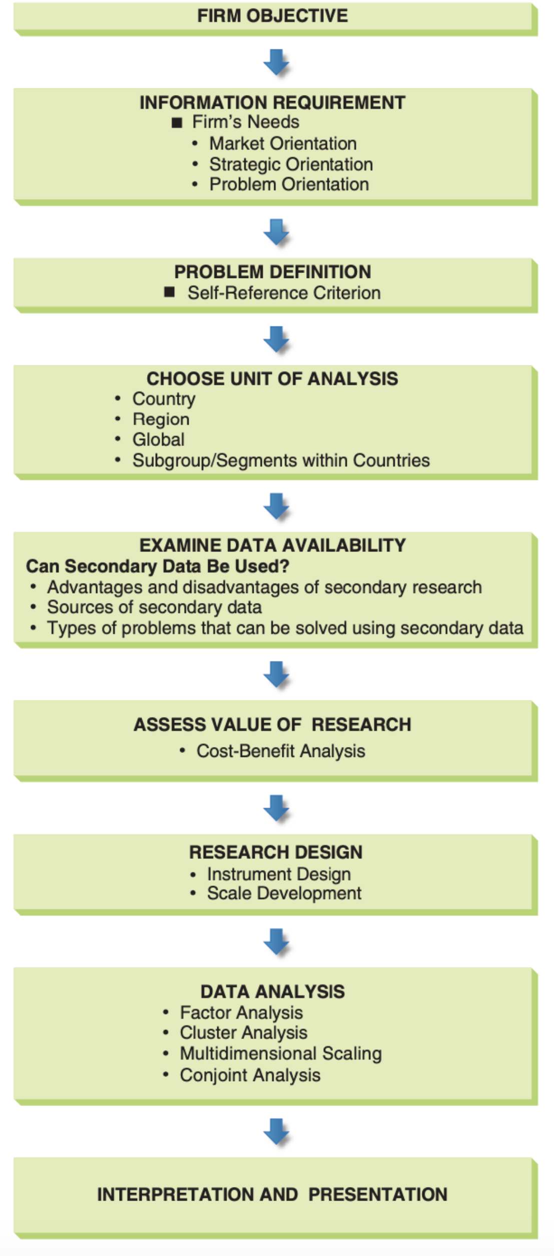
6-2 Describe the various sources of market information, including direct perception.

Although environmental scanning is a vital source of information, research has shown that executives at the headquarters of global companies obtain as much as two-thirds of the infor- mation they need from **personal sources.** A great deal of external information comes from executives based abroad in company subsidiaries, affiliates, and branches. These executives are likely to have established communication with distributors, consumers, customers, suppliers, and government officials. Headquarters-based executives generally acknowledge that company executives overseas are the people who know best what is going on in their areas.

Direct sensory perception provides a vital background for the information that comes from human and documentary sources. Direct perception gets all the senses involved. It means seeing, feeling, hearing, smelling, or tasting for oneself to find out what is going on in a particular country, rather than getting secondhand information by hearing or reading about a particular issue.

6-3 Identify the individual steps in the traditional market research process, and explain some of the ways global marketers adapt them.

Market research, by contrast, is the project-specific, systematic gathering of data. The American Marketing Association defines marketing research as “the activity that links the consumer, customer, and public to the marketer through information.” In **global market research**, this activity is carried out on a global scale. The challenge of global market research is to recognize and respond to the important national differences that influence the way information can be obtained. These include cultural, linguistic, economic, political, religious, historical, and market differences.



Step 1: Information Requirements

The first two questions a marketer should ask are “What information do I need?” and “Why do I need this information?
Formal research often is undertaken after a problem or opportunity has been identified. A company may need to supplement direct perception with additional information to determine whether a particular country or regional market does, in fact, offer good growth potential. What proportion of potential customers can be converted into actual customers? Is a competitor making inroads in one or more important markets around the world? Is research on local taste preferences required to determine whether a food product must be adapted?

Step 2: Problem Definition
Managers sometimes make decisions based on home-country marketing success that can turn out to be wrong when applied globally. Marketers might also assume that a marketing program that is successful in one country market can be applied to other country markets in the region.

Step 3: Choosing the Unit of Analysis
The next step involves the need to identify in which part(s) of the world the company should be doing business and to find out as much as possible about the business environment in the area(s) identified. For example, a company that is considering entering China may focus initially on Shanghai. Located in the Jiangsu province, Shanghai is China’s largest city and main seaport.

TABLE 6-1 **Subject Agenda Categories for a Global Marketing Information System**

Category	Coverage
1. Market potential	Demand estimates, consumer behavior, review of products, channels, communication media
2. Competitor information	Corporate, business, and functional strategies; resources and intentions; capabilities
3. Foreign exchange	Balance of payments, interest rates, attractiveness of country currency, expectations of analysts
4. Prescriptive information	Laws, regulations, rulings concerning taxes, earnings, dividends in both host and home countries
5. Resource information	Availability of human, financial, physical, and information resources
6. General conditions	Overall review of sociocultural, political, and technological environments

Step 4: Examining Data Availability
The first task at this stage is to answer several questions regarding the availability of data. Which type of data should be gathered? Can secondary data—for example, data available in company files, the library, industry or trade journals, or online databases—be used?

The following sites are excellent online resources for foreign trade, economic indicators, and other current and historical data.

- The U.S. government's most comprehensive source of world trade data is the National Trade Data Base (NTDB), an online resource from the Department of Commerce.
- The Bureau of Economic Analysis (www.bea.gov)
- the Census Bureau (www.census.gov)
- Trade data for the European Union are available from Eurostat (epp.eurostat.ec.europa.eu).

- Other important sources of data are the World Bank, the International Monetary Fund, and Japan's Ministry of International Trade and Industry (MITI). *The Economist* and the *Financial Times* regularly compile comprehensive surveys of regional and country markets and include them in their publications. Data from these sources are generally available in both print and electronic form.

Step 5: Assessing the Value of Research
When data are not available through published statistics or studies, management may wish to conduct further study of the individual country market, region, or global segment. However, collecting information costs money. Thus, the marketing research plan should also spell out what this information is worth to the company in dollars (or euros, or yen, or some other currency) compared with what it would cost to collect it.
The many small markets around the world pose a special problem for the researcher. The relatively low profit potential in smaller markets justifies only modest expenditures for marketing research, so the global researcher must devise techniques and methods that keep expenditures in line with the market's profit potential

Step 6: Research Design
Secondary data can be used, the researcher can go directly to the data analysis step. Suppose, however, that data are not available through published statistics or studies. Then a *Primary data* must be gathered through original research pertaining to the particular problem identified in step 1. At this point, it is time to establish a research design. (See page 209-216.)

Step 7: Data analysis
The data collected up to this point must be subjected to some form of analysis if they are to be useful to decision makers.

- First, the data must be prepared
    - They must be logged and stored in a central location or database.
- Data analysis continues with tabulation
    - That is, the arrangement of data in tabular form. Researchers may wish to determine various things: the mean, median, and mode; range and standard deviation; and the shape of the distribution (e.g., that of a normal curve or not).
- If the researcher is interested in the interactions among variables, interdependence techniques such as **factor analysis, cluster analysis, and multidimensional scaling** can be used to study these aspects of the data.
    - **Factor analysis** can be used to transform large amounts of data into manageable units. In this form of analysis, variables are not classified as dependent or independent. Instead, subjects are asked to rate specific

product benefits on five-point scales.

TABLE 6-2 Hypothetical Scales for Obtaining Consumer Perceptions of Google Pixel 2 Smartphone

Instructions: Please rate this product on the following product characteristics or benefits.

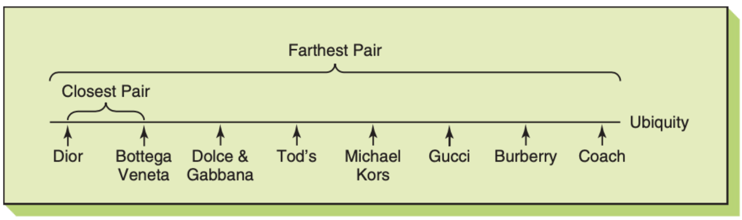
	Rating				
	Low				High
Variables (Product Characteristics/Benefits)	1	2	3	4	5
1. Long battery life	—	—	—	—	—
2. Many apps available	—	—	—	—	—
3. 4G Internet access	—	—	—	—	—
4. Thin case	—	—	—	—	—
5. Intuitive interface	—	—	—	—	—

- **Cluster analysis**: allows the researcher to group variables into clusters that maximize within- group similarities and between-group differences.
- **Multidimensional scaling (MDS):** is another technique for creating perceptual maps. When the researcher is using MDS, the respondent is given the task of comparing products or brands, one pair at a time, and judging them in terms of similarity. The researcher then infers the dimensions that underlie these judgments. MDS is particularly useful when there are many alternatives from which to choose—soft drink, toothpaste, or automotive brands, for instance—and when consum- ers may have difficulty verbalizing their perceptions. To create a well-defined perceptual map, a minimum of eight products or brands should be used.

TABLE 6-3 MDS Study Inputs: Similarity Judgment Scales for Pairs of Luxury Brands

	Very Similar				Very Different
	1	2	3	4	5
Burberry/Gucci	—	—	—	—	—
Burberry/Coach	—	—	—	—	—
Burberry/Michael Kors	—	—	—	—	—
Burberry/Tod's	—	—	—	—	—
Burberry/Dolce & Gabbana	—	—	—	—	—
Burberry/Dior	—	—	—	—	—
Burberry/Bottega Veneta	—	—	—	—	—

- **Conjoint analysis** is a tool that researchers can use to gain insights into the combina- tion of features that will be most attractive to consumers; it is assumed that features affect both perception and preferences



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6-4 Compare the way a multinational firm organizes the marketing research effort with the way a global or transnational firm approaches the organizing issue.

In the multinational company, responsibility for research is delegated to the operating subsidiary. In contrast, the global company delegates responsibility for research to operating subsidiaries but retains overall responsibility and control of research as a headquarters' function.
A key difference between single-country market research and global market research is the importance of comparability. In practice, this means that the global company must ensure that research is designed and executed so as to yield comparable data. ***Comparability*** means that the results can be used to make valid comparisons between the countries covered by the research.

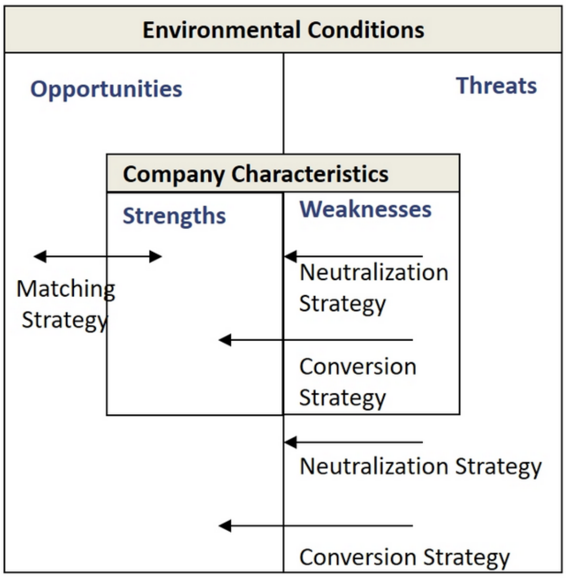
Global firm: The research director for a global firm must pay particular attention to whether data gathered are based on emic analysis or etic analysis. These terms, which come from anthropology, refer to the perspective taken in the study of another culture. **Emic analysis** is similar to ethnography in that it attempts to study a culture from within, using its own system of meanings and values.
Etic analysis is "from the outside"; in other words, it is a more detached perspective that is often used in comparative or multicountry studies.

6-5 Explain how information's role as a strategic asset affects the structure of global corporations.

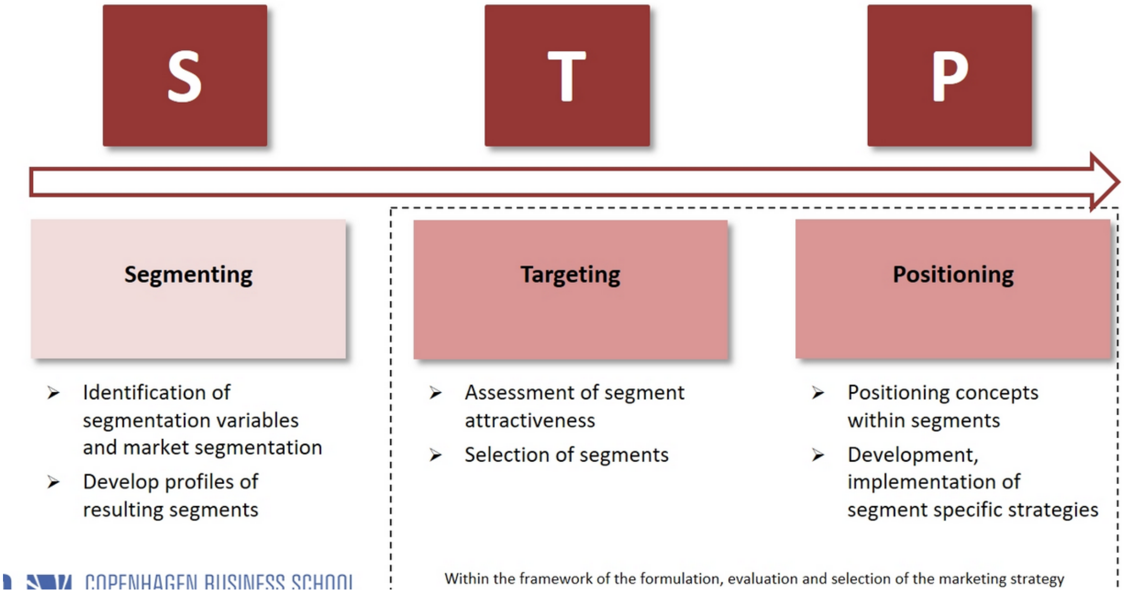
Information intensity in the firm has an impact on perceptions of market attractiveness, competitive position, and organizational structure. The greater a company's information intensity, the more the traditional product and market boundaries are likely to shift. In essence, companies increasingly face new sources of competition from other firms in historically noncompetitive industries, particularly if those other firms are also information intensive.

Summary on page 224.

Strategies in SWOT



Chap 7 Segmentation, targeting & positioning, pages 232 - 259



Global market segmentation: is the process of identifying and categorizing groups of customers and countries according to common characteristics.

- First you target
    - involves evaluating the segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond.
- Then you position
    - differentiate the product or brand in the minds of target customers.

7-1 Identify -the- variables -that- global- marketers can use to segment global markets,- and -give an example of each.

- **Contrasting views of global segmentation**
    - The choice of one or more variables to use as a basis for grouping customers.
        - fx demographics, behavior etc.
- **Demographic segmentation:** measurable characteristics of populations, such as income, population, age, distribution, gender, education and occupation (GNI pr. capita, GDP) - These informations can be found on the World Bank
    - Segmenting global markets by income and population
    - Age segmentation
        - Global teens: young people between 12 and 19.
        - Global elite: affluent customers who are well travelled and have the money to spend on prestigious products.
    - Gender segmentation
- **Psychographic segmentation:** grouping people in terms of their attitudes, values and lifestyles.
    - Attained buy questionaieres

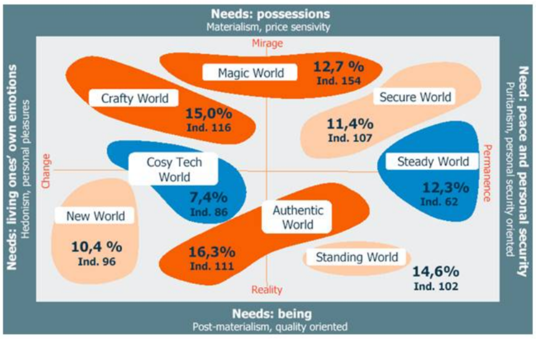
- **Behavior segmentation (purchasing behavior observation):** whether people buy and use a product as well as how often and how much they use or consume.
    - Consumers can be categorized in:
        - *Usage rates*: light, medium, heavy
        - *User status*: potential users, ex-users, first timers or users of competitors products.
            - 80/20 rule or law of disproportionately: 80% of a company's revenue are accounted for by 20% of a firm's products or customers. fx nine of McDonalds country markets account for 80% of the total profit made.
- **Benefit segmentation (purchasing behavior observation):** Focuses on the numerator of the value equation (the B in V) B/P. It's based on the marketers´superior understanding of the problem a product solves, or the benefit it offers. Fx. Campbell soup gives a nutritious meal in Japan in little time.
- **Ethnic segmentation** : fx African/black americans, asian americans, hispanic etc.

Segmentation methods

- **Euro-Socio styles (gfK)**

  - Survey of 7000 consumers in 6 European countries
    - France
    - Germany
    - Italy
    - Poland
    - Spain
    - UK
  - 8 „Euro-Socio"-Styles

Comparison of Italy versus EU-6



- **Euro consumers**

  - Successful Idealists
    - 5%-20% of the population
    - persons who have achieved professional and material success while maintaining commitment to abstract or socially responsible ideals
  - Affluent Materialists
    - Status-conscious 'up-and-comers'
    - Business professionals
    - Use conspicuous consumption to communicate their success to others
  - Comfortable Belongers
    - 25% - 50% of a country's population
    - conservative
    - content with the comfort of home, family, friends, and community
  - Disaffected Survivors
    - lack power and affluence
    - harbor little hope for upward mobility
    - tend to be either resentful or resigned
    - concentrated in high-crime urban inner city
    - attitudes tend to affect the rest of society

- **K-means method**

Steps in the K-Means procedure:

1. Division of the objects into K-clusters. Random assignment of the data points to the clusters (of equal size if possible) (start partition).
2. Selection of the distance measure and calculation of the centroids of each cluster.
3. For each data point:
   - ➢ Calculate the distance of each data point to each centroid.
   - ➢ Evaluation: If the data point shows the smallest distance to the "own" centroid, it stays with this centroid, otherwise the data point will be assigned to the next cluster.
   - ➢ Calculation of the new centroids.
4. Repeat step 3 until there are no more changes/swaps.

See lecture about segmentation to find calculation for distance and K-method

7-2 Explain- the- criteria that global marketers use to choose specific markets to target.

After segmenting the market by one or more of the criteria just discussed, the next step is to assess the attractiveness of the identified segments. This part of the process is especially important when sizing up emerging country markets as potential targets, due to pitfalls like, overestimation, target countries because of the fear of missing out and third, the danger of management's network of contact will emerge as a primary criterion for targeting.

With these pitfalls in mind, marketers can utilize three basic criteria for assessing opportunity in global target markets:

- **Current size of the segment and anticipated growth potential**
    - Is the market segment currently large enough to present the company with the opportunity to make a profit? If the answer is "no" today, does it have significant growth potential to make it attractive in terms of the company's long-term strategy?
        - Take into consideration that even though a single-country market can be small, same segments can exist and be served all over the world.
- **Competition, and compatibility with the company's overall objectives**
    - A market segment or country market characterized by strong competition may be a segment to avoid. However, if the competition is vulnerable in terms of price or quality disadvantages, it is possible for a market newcomer to make significant inroads.
    - By contrast, many examples can be cited of companies whose efforts to develop a position in an attractive country market ended in failure.
- **The feasibility of successfully reaching a designated target.**
    - If a market segment is judged to be large enough, and if strong competitors are either absent or deemed to be vulnerable, then the final consideration is whether a company can and should target that market. The feasibility of targeting a particular segment can be negatively impacted by various factors.
        - significant regulatory hurdles may limit market access
        - Other marketing-specific issues can also arise. In India, for example, 3 to 5 years of work is required to build an effective distribution system for many consumer products.
    - To make this decision, a marketer must consider several criteria:
        - Will adaptation be required? If so, is this move economically justifiable in terms of the expected sales volume?
        - Will import restrictions, high tariffs, or a strong home-country currency drive up the price of the product in the target-market currency and effectively dampen demand?
        - Is it advisable to source locally? In many cases, reaching global market segments requires considerable expenditures for distribution and travel by company personnel. Would it make sense to source products in the country for export elsewhere in the region?
        - Is the company targeting a particular segment compatible with the company's overall goals, brand image, or established sources of competitive advantage?

Framework for selecting target markets (preliminary screening tool)

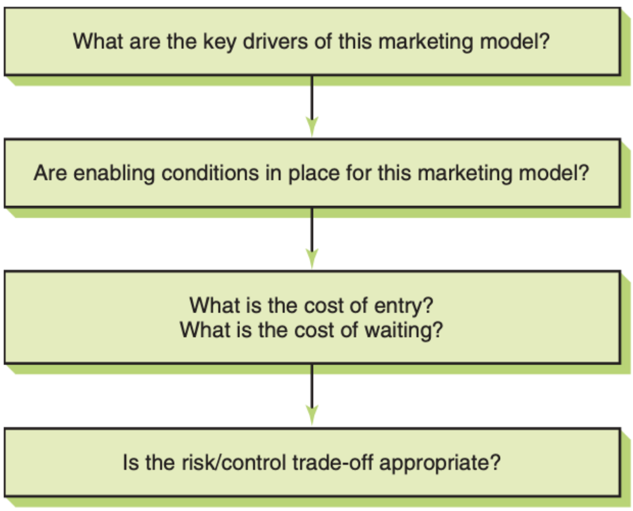
TABLE 7-6 Market Selection Framework

Market (population)	Market Size	Competitive Advantage		Market Potential	Terms of Access	Market Potential
China (1.3 billion)	100	0.07	=	7	0.50	3.5
Russia (143 million)	50	0.10	=	5	0.35	1.7
Mexico (122 million)	20	0.20	=	4	0.90	3.6

David Arnolds preliminary screening tool (beginning at the product market level)

Consists of:

1) Marketing drivers
    a) fx brand name, distribution as the key or tech-savvy sales staff
2) Enabling conditions
    a) fx in India, refrigeration is not widely available in shops and market food stalls. This factor creates challenges for Nestlé and Cadbury as they attempt to capitalize on Indians' increasing appetite for chocolate confections. Although Nestlé's KitKat and Cadbury's Dairy Milk bars have been reformulated to better withstand the heat, the absence or rudimentary nature of refrigeration hampers the companies' efforts to ensure their products are in saleable condition.
3) First-mover advantages or disadvantages



One way to determine the marketing model drivers and enabling conditions is to create a product–market profile. The profile should address some or all of the following basic questions:

1. Who buys our product or brand?
2. Who does not buy our product or brand?
3. What need or function doesourproduct serve?Does our product or brand address that need?
4. Is there a market need that is not being met by current product or brand offerings?

5. What problem does our product solve?
6. What are customers currently buying to satisfy the need, or solve the problem, that our product targets?
7. What price are they paying for the product they are currently buying?
8. When is our product purchased?
9. Where is our product purchased?

7-3 Understand how Global Marketers use a product–market grid to make targeting decisions.

The next step in assessing market segments is a company review of current and potential product offerings in terms of their suitability for the country market or segment. This assessment can be performed by creating a **product–market grid** that maps markets as horizontal rows on a spreadsheet and products as vertical columns. Each cell represents the possible intersection of a product and a market segment.

TABLE 7-7 2012 Product–Market Grid for Lexus, Selected Country Markets

Country Segment	Lexus Brand										
	IS	RX	CT	LS	GS	IS C	IS F	LX	ES	LFA	HS
Asia											
China	X	X	X	X	X	X		X	X	X	
Hong Kong	X	X	X	X	X	X				X	
Taiwan	X	X	X	X	X	X	X	X	X		
India											

7-4 Compare and contrast the three main target market strategy options.

1) Standardized Global Marketing
    a) is analogous to mass marketing in a single country. It involves creating the same marketing mix for a broad mass market of potential buyers
2) Concentrated Global Marketing
    a) involves devising a marketing mix to reach a niche. A niche is simply a single segment of the global market.
3) Differentiated Global Marketing
    a) represents a more ambitious approach than concentrated target marketing. Also known as multisegment targeting, this approach entails targeting two or more distinct market segments with multiple marketing mix offerings. This strategy allows a company to achieve wider market coverage.

Undifferentiated (Mass) Marketing	Differentiated (Segmented) Marketing	Concentrated (Niche) Marketing	Micromarketing	
			Local Marketing	Individual Marketing
Whole market with one offer → Ignore segments	Decide to target several different market segments, separate offers for each	Concentrate on one or a few segments or niches	→ cities, neighbour-hoods, specific stores	→ 1 person

Targeting broadly → Targeting narrowly

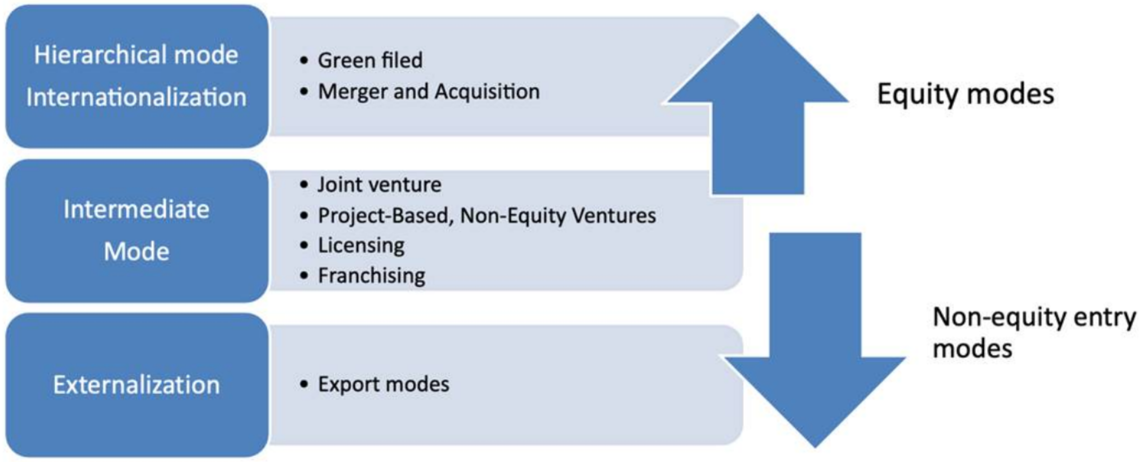
7-5 Describe the various positioning options available to global marketers.

- Attribute or Benefit
    - A frequently used positioning strategy exploits a particular product attribute, benefit, or feature. Economy, reliability, and durability are frequently used attribute/benefit positions.
- Quality and Price:
    - A positioning strategy based on quality and price can be thought of in terms of a continuum from high fashion/quality and high price to good value (rather than “low quality”) at a reason- able price.
- Use or User
    - Another positioning strategy represents how a product is used or associates the brand with a user or class of users.
- Competition
    - Implicit or explicit reference to competitors can provide the basis for an effective positioning strategy. For example, when Anita Roddick started The Body Shop International in the 1970s, she emphasized the difference between the principles pursued by “mainstream” health and beauty brands and those of her company.
- Global, Foreign, and Local Consumer Culture Positioning
    - it identifies a brand as a symbol of a particular global culture or segment. It has proved to be an effective strategy for communicating with global teens, cosmopolitan elites, globe-trotting laptop warriors who consider themselves members of a “transnational commerce culture,” and other groups.

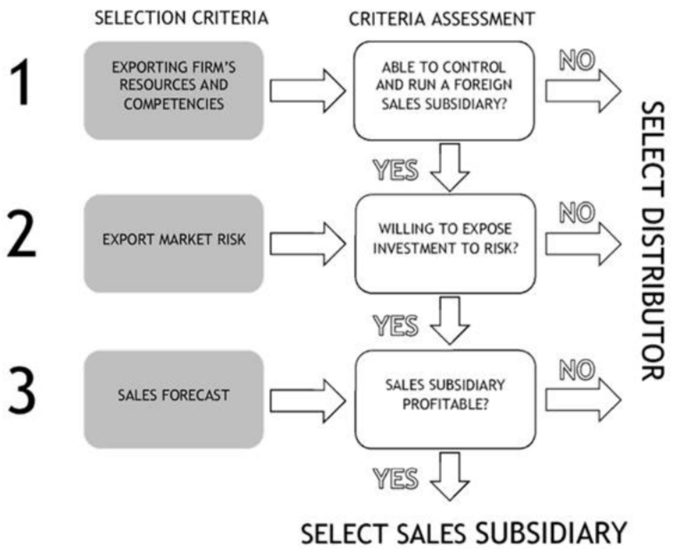
- is a strategy that can be used to target various segments associated with the emerging global consumer culture.

Chap 8 - Importing, exporting and sourcing

Market entry strategies



Firms with less experience, are new or if there is i high risk in the selected market (political instabilities) - firms usually choose not to apt for a equity entry mode



First-mover or follower strategy

	Pioneer Strategy	Follower Strategy
Supply side advantages	• Economies of scale • Learning curve effects • Market entry barriers (e.g., patents, trade marks) • Preferred access to distribution partners (e.g., shelf space, exclusive distribution contracts) • Preferred access to suppliers • Technological leadership	• Lower R&D spending • (In-)formal knowledge transfer from pioneer • Lower risk (with regard to technology) • Potential to avoid initial mistakes of the pioneer (e.g., teething problems, bugs)
Demand side advantages	• Positive image • Product positioning • No competition during the start phase (monopoly gains) • Perceived as standard / benchmark	• Free-riding on the category marketing of the pioneer • Lower risk (with regard to demand and preferences) • Variety seeking

8-1 Compare and contrast export selling and export marketing.

Export selling: First, export selling does not involve tailoring the product, the price, or the promotional material to suit the requirements of global markets. Also, the only marketing mix element that differs is the "place"—that is, the country where the product is sold. The export selling approach may work for some products or services; for unique products with little or no international competition, such an approach is feasible.
Export marketing: Targets the customer in the context of the total market environment. The export marketer does not simply take the domestic product "as is" and sell it to inter- national customers. Instead, to the export marketer, the product offered in the home market represents a starting point. This product is then modified as needed to meet the preferences of international target markets - For companies that mature in the global marketplace or as new competitors enter the picture, export marketing becomes necessary.

8-2 Identify the stages a company goes through, and the problems it is likely to encounter, as it gains experience as an exporter.

Exporting is essentially a developmental process that can be divided into the following distinct stages:

1. The firm is unwilling to export; it will not even fill an unsolicited export order. This may be due to perceived lack of time ("too busy to fill the order") or to apathy or ignorance.
2. The firm fills unsolicited export orders but does not pursue unsolicited orders. Such a firm is an export seller.
3. The firm explores the feasibility of exporting (this stage may bypass stage 2)

4. The firm exports to one or more markets on a trial basis.

5. The firm is an experienced exporter to one or more markets.

6. After this success, the firm pursues country- or region-focused marketing based on certain criteria (e.g., all countries where English is spoken or all countries where it is not necessary to transport by water).

7. The firm evaluates global market potential before screening for the "best" target markets to include in its marketing strategy and plan. All markets—domestic and international—are regarded as equally worthy of consideration.

TABLE 8-1 Potential Export Problems

Logistics	Servicing Exports
Arranging transportation	Providing parts availability
Transport rate determination	Providing repair service
Handling documentation	Providing technical advice
Obtaining financial information	Providing warehousing
Distribution coordination	Sales promotion
Packaging	Advertising
Obtaining insurance	Sales effort
Legal procedures	Marketing information
Government red tape	Foreign market intelligence
Product liability	Locating markets
Licensing	Trade restrictions
Customs/duty	Competition overseas
Contract	
Agent/distributor agreements	

8-3 Describe the various national policies that pertain to exports and imports.

Governments commonly use four activities to support and encourage firms that engage in exporting:

- Tax incentives
- Subsidies
- Export assistance
- Free trade zones

Governmental actions to discourage imports and block market access:

- Tariffs: Rules, rate schedules (duties), and regulations of individual countries.
    - Duties: taxes that punish individuals for making choices of which their governments disapproves.
- Nontariff barriers: is any measure other than a tariff that is a deterrent or obstacle to the sale of products in a foreign market.
    - Quotas
    - Discriminatory procurement policies

        - Government rules, laws, or administrative regulations requiring that goods or services be purchased from domestic com- panies.
    - Restrictive regulations
        - Anti dumping regulations
        - Health regulations
    - Arbitrary monetary policies

TABLE 8-3 Examples of Trade Barriers

Country/Region	Tariff Barriers	Nontariff Barriers
European Union	16.5% antidumping tariff on shoes from China, 10% on shoes from Vietnam	Quotas on Chinese textiles
China	Tariffs as high as 28% on foreign-made auto parts	Expensive, time-consuming procedures for obtaining pharmaceutical import licenses

8-4 Explain the structure of the Harmonized Tariff System.

Harmonized Tariff System (HTS): An agreement to simplify tariff procedures. went into effect in January 1989 and has since been adopted by the majority of trading nations. Importers and exporters have to determine the correct classification number for a given product or service that will cross borders. With the Harmonized Tariff Schedule B, the export classification number for any exported item is the same as the import classification number. Also, exporters must include the Harmonized Tariff Schedule B number on their export documents to facilitate customs clearance. Accuracy, especially in the eyes of customs officials, is essential.

TABLE 8-5 Chapter 89 of the Harmonized Tariff System

A	B	C	D	E	F	G
8903		Yachts and other vessels for pleasure or sports; rowboats and canoes				
8903.10.00		Inflatable		2.4%	Free (A, E, IL, J, MX) 0.4% (CA)	
		Valued over $500				
	15	With attached rigid hull	No			
	45	Other	No			
	60	Other	No			
8903.91.00		Other: Sailboats, with or without auxiliary motors		1.5%	Free (A, E, IL, J, MX) 0.3% (CA)	

A: Generalized System of Preferences
E: Caribbean Basin Initiative (CBI) Preference
IL: Israel Free Trade Agreement (FTA) Preference
J: Andean Agreement Preference
MX: North American Free Trade Agreement (NAFTA) Canada Preference
CA: NAFTA Mexico Preference

Single-column tariff: is the simplest type of tariff: a schedule of duties in which the rate applies to imports from all countries on the same basis.
Two-column tariff: includes “general” duties plus “special” duties indicating reduced rates determined by tariff negotiations with other countries

Ad valorem duty: is expressed as a percentage of the value of goods.
Variable import levies: to certain categories of imported agricultural products. If the prices of imported products would undercut the prices of domestic products, these levies raise the price of imported products to the domestic price level.
Temporary surcharges: have also been introduced from time to time by certain countries, such as the United Kingdom and the United States, to provide additional protection for local industries and, in particular, in response to balance of payments deficits.

8-5 Describe the various organizations that participate in the export process.

Anyone with responsibilities for exporting should be familiar with some of the entities that can assist with various export-related tasks. Some of these entities, including foreign purchasing agents, export brokers, and export merchants, have no assignment of responsibility from the client. Others, including export management companies, manufacturers' export representatives, export distributors, and freight forwarders, are formally assigned responsibilities by the exporter.

Foreign purchasing agents are variously referred to as the buyer for export, export commission house, or export confirming house. These agents operate on behalf of, and are compensated by, an overseas customer known as a principal.
They often represent governments, utilities, railroads, and other large users of materials.

The export broker receives a fee for bringing together the seller and the overseas buyer. Although this fee is usually paid by the seller, sometimes the buyer pays it. The broker takes no title to the goods and assumes no financial responsibility. A broker usually specializes in a specific commodity, such as grain or cotton, and is less frequently involved in the export of manufactured goods.

Export merchants are sometimes referred to as jobbers. These marketing intermediaries identify market opportunities in one country or region and make purchases in other countries to fill these needs. An export merchant typically buys unbranded products directly from the producer or manufacturer, then brands the goods and performs all other marketing activities for them, including distribution.

An export management company (EMC) is an independent marketing intermediary that acts as the export department for two or more manufacturers (principals) whose product lines do not compete with each other. This company may act as an independent distributor, purchasing and reselling goods at an established price or profit margin. Alternatively, it may act as a commissioned representative, taking no title and bearing no financial risks in the sale.

Manufacturer's export agent (MEA): much like an EMC, the MEA can act as an export distributor or as an export commission representative. However, the MEA does not perform the functions of an export department, and the scope of its market activities is usually limited to a few countries.

An export distributor does assume financial risk as part of the export process. Because this party usually represents several manufacturers, it is sometimes known as a combination export manager. The export distributor usually has the exclusive right to sell a manufacturer's products in all or some markets outside the country of origin.

The export commission representative assumes no financial risk. The manufacturer assigns some or all foreign markets to the commission representative. The manufacturer carries all accounts, although the representative often provides credit checks and arranges financing.

The cooperative exporter, sometimes called a mother hen, a piggyback exporter, or an export vendor, is an export organization of a manufacturing company retained by other independent manufacturers to sell their products in foreign markets.

Freight forwarders are licensed specialists in traffic operations, customs clearance, and shipping tariffs and schedules; simply put, they can be thought of as travel agents for freight.

8-6 Identify home-country export organization considerations.

Home-country issues involve deciding whether to assign export responsibility inside the company or to work with an external organization specializing in a product or geographic area.

1. The possible arrangements for handling exports include the following:
2. As a part-time activity performed by domestic employees.
3. Through an export partner affiliated with the domestic marketing structure that takes possession of the goods before they leave the country.
4. Through an export department that is independent of the domestic marketing structure.
5. Through an export department within an international division.
6. For multidivisional companies, each of the preceding options is available.

The advantage of an in-house organisation is obvious: It is a low-cost arrangement requiring no additional personnel.

8-7 Identify market-country export organization considerations

A company must make arrangements to distribute its products in the target market country. Every exporting organization faces one basic decision: To what extent do we rely on direct market representation as opposed to representation by independent intermediaries?

The two major advantages to direct representation in a market are control and communications. Also possibilities for feedback and information.

In smaller markets, it is usually not feasible to establish direct representation because the low sales volume does not justify the cost. Even in larger markets, a small manufacturer usually lacks adequate sales volume to justify the cost of direct representation.

8-8 Discuss the various payment methods that are typically used in trade financing.

1) **Cash with order (CWO) (Least transaction risk)**
   Exporter sends the importer a pro-forma invoice. Importer sends it's purchase order with prepayment (CWO) to the exporter.
2) **Open account (Greatest transaction risk)**
   Importer sends a purchase order to the exporter, which then produces, ships, and subsequently invoices the importer for the shipment. The importer then remits payment to the exporter via wire transfer
3) **Letter of credit (L/C) (Even less risk)**
   This is where the banking system helps manage the risk via a key document called the letter of credit (L/C) (also known as a documentary credit). An L/C substitutes a bank's creditworthiness for that of the importer.
4) **Documentary collection (High risk, but simpler and less complicated)**
   With a documentary collection, using either a sight draft or time draft, the exporter produces and ships the ordered product. The documentary package, including a draft, is sent to the exporter's correspondent bank (working on behalf of the exporter) in the buyer's country. The importer goes to the bank and makes payment per the terms specified in the draft.

8-9 Identify the factors that global marketers consider when making sourcing decisions.

TABLE 8-7 Top 30 Country Destinations for Outsourcing

Region	Countries
Americas	Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Peru
Asia-Pacific	Bangladesh, China, India, Indonesia, Malaysia, Philippines, Sri Lanka, Thailand, Vietnam
Europe, Middle East, and Africa	Bulgaria, Czech Republic, Egypt, Hungary, Mauritius, Morocco, Poland, Romania, Russia, Slovakia, South Africa, Turkey, Ukraine

Management Vision: some chief executives are determined to retain some or all manufacturing in their home country.

Factor costs are land, labor, materials, and capital costs.

Customer Needs the need to keep customers satisfied can sometimes justify the higher cost of home-country support operations.

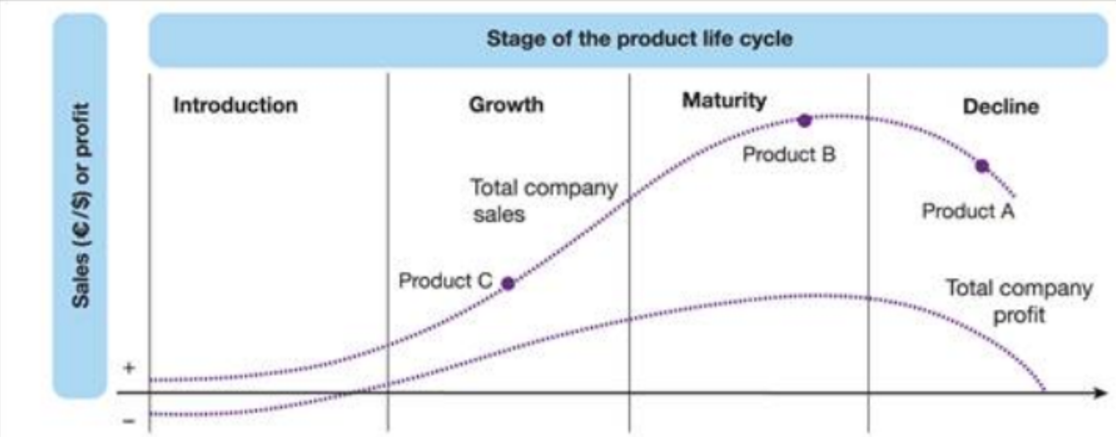
Logistics: the greater the distance between the product source and the target market, the greater the time delay for delivery and the higher the transportation cost.

Country infrastructure: it is important that a country's infrastructure be sufficiently developed to support manufacturing and distribution.

Political factors: political risk is a deterrent to investment in local sourcing. Conversely, the lower the level of political risk, the less likely it is that an investor will avoida country or market.

Foreign exchange rates: Exchange rates are so volatile today that many companies pursue global sourcing strategies as a way of limiting exchange-related risk. At any point in time, what has been an attractive location for production may become much less attractive due to exchange rate fluctuation.

Product life cycle and marketing mix



	Introduction	Growth	Maturity	Decline
Costs	Highest costs per customer	High costs per customer	Low costs per customer	Low costs per customer
Customers	Innovators	Adopters	Majority	Laggards
Competitors	None or few	Few	Maximum number of competitors	Declining number
Marketing objectives and strategy	High product awareness and trial – need to explain nature of innovation	Maximize market share – before too many competitors arrive	• Maximize profit while defending market share • Motivate customers to brand switching	• Reduce expenditure and milk the brand • Cost control is important
Product	Offer a basic product	Offer product extensions, services, warranty	• Product differentiation • Diversify brands and models	• Phase out weak items • Trying to create a 'recycle' by launching new features
Price (profit)	Premium price, but probably making a loss due to high marketing investments	Price to penetrate market – price may decline as competitors enter the market	Price to match or beat competitors – price under pressure from distributors	• Price competition and price cuts may lead to losses
Place	Build exclusive or selective distribution	Build selective distribution	Build more intensive distribution	Go selective; phase out unprofitable outlets
Promotion	• Build product awareness among early adopters and distributors • Use heavy sales promotion to entice trial	• Build awareness and interest in the mass market • Alternative if customers are loyal: reduce to exploit customers' high demand	• Stress brand differences and benefits • Increase to encourage brand switching	• Reduce to level needed to retain hard-core loyals • Alternative: Increase in order to create 'recycle'

Chap 10 - Brand and global decisions in global marketing

Global branding strategies

1. Create a compelling value proposition, beginning with the home-country market

2. Think about all elements of brand identity and select names, marks, and symbols that have the potential for globalization

3. Develop a company-wide communication system to share & leverage knowledge and information about marketing programs & customers in different markets

4. Develop a consistent planning process across markets & products. Make a process template available to managers in all markets

5. Assign specific responsibility for managing branding issues to ensure local brand managers accept global best practices.

6. Execute brand-building strategies that leverage global strengths & respond to relevant local differences.

10-1 Review the basic product concepts that underlie a successful global marketing product strategy.

The basic product concepts:

Product types

1) Consumer goods
2) Industrial goods

Consumer and industrial goods, in turn, can be further classified on the basis of criteria such as buyer orientation.

- **Buyer orientation** is a composite measure of the amount of effort a customer expends, the level of risk associated with a purchase, and buyer involvement in the purchase. The buyer orientation framework includes such categories as convenience, preference, shopping, and specialty goods. Electronics products are often high-involvement purchases, and many shoppers will compare several brands before making a decision.

Products can also be categorized in terms of their **life span** (durable, nondurable, and disposable).

Product warranties

A warranty can be an important element of a product's value proposition. An express warranty is a written guarantee that assures the buyer that he or she is getting what he or she has paid for or that provides recourse in case a product's performance falls short of expectations. In global marketing, warranties can be used as a competitive tool to position a company in a positive way.

Packaging

The term consumer packaged goods (CPG) applies to a wide variety of products whose packaging is designed to protect or contain the product during shipping, at retail locations, and at the point of use or consumption. "Eco-packaging" is a key issue today, and package designers must address environmental issues such as recycling, biodegradability, and sustainable forestry.

Today, many industry experts agree that packaging must engage the senses, make an emotional connection, and enhance a consumer's brand experience.

Labeling

- Attract attention
- To support a product's positioning
- Help persuade consumers to buy.
- Labels can also provide consumers with various types of information.

The content of product labels may also be dictated by country- or region-specific regulations. Regulations regarding mandatory label content vary in different parts of the world; for example, the European Union now requires mandatory labeling for some foods containing genetically modi- fied ingredients. Regulators in Australia, New Zealand, Japan, Russia, and several other countries have proposed similar legislation.

Aesthetics

Global marketers must understand the importance of visual aesthetics embodied in the **color or shape** of a product, label, or package. Likewise, aesthetic styles, such as the degree of complexity found on a label, are perceived differently in different parts of the world. For example, it has been said that German wines would be more appealing in export markets if the labels were simplified. In some cases, a standardized color can be used in all countries; examples include the distinctive yellow color on Caterpillar's earthmoving equipment and its licensed outdoor gear, the red Marlboro chevron, and John Deere's signature green. In other instances, color choices should be changed in response to local perceptions. For example, white is associated with death and bad luck in some Asian countries.

10-4 Outline the importance of “country of origin” as a brand element.

Country of origin-effect: attitudes toward particular countries often extend to products and brands known to originate in those countries. Perceptions and attitudes about a product’s origins can be either positive or negative. Fx German cars are good quality while Chinese cars are of bad quality.

In some product categories, foreign products have a substantial advantage over their domestic counterparts simply because of their “foreignness.” Global marketers, in turn, recognize that they can capitalize on that situation by charging premium prices.

10-5 List the five strategic alternatives that marketers can utilize during the global product planning process.

Intro

Extension strategy: Implemented when a company that has developed a successful local product or brand

- Offering a product virtually unchanged in markets outside the home country

Adaptation: involves changing elements of design, function, or packaging in response to needs or conditions in particular country markets.

- Such a product strategy can be used in conjunction with extension or adaptation communication strategies. For example, this type of strategic decision faces executives at a company like Starbucks, who build a brand and a product/service offering in the home-country market before expanding into global markets

Product invention: developing new products “from the ground up” with the world market in mind.

Note: Companies in the international, global, and transnational stages of development all employ extension strategies.

- In an international company, for example, the extension strategy reflects an ethnocentric orientation and the assumption that all markets are alike. A global company such as Gillette does not fall victim to such assumptions; the company’s geocentric orientation allows it to thoroughly understand its markets and consciously take advantage of similarities in world markets.
- Likewise, a multinational company utilizes the adaptation strategy because of its polycentric orientation and the assumption that all markets are different.
- By contrast, the geocentric orientation of managers and executives in a global company has sensitized them to actual, rather than assumed, differences between markets.

The strategies

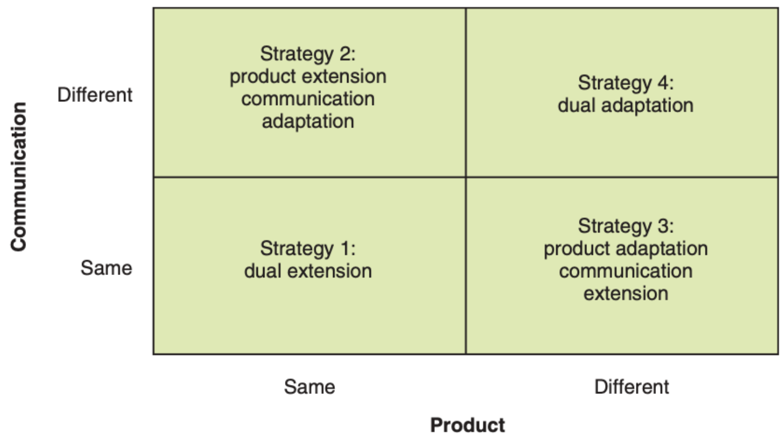


FIGURE 10-3 Global Product Planning: Strategic Alternatives

Strategy 1: Product-Communication Extension (Dual Extension) (standardization)
- <u>Selling the same product with essentially no adaptation</u>, using the same advertising and promotional appeals used domestically, in two or more country markets or segments.
- Mostly business to business products (since they are less rooted in culture)

Strategy 2: Product Extension–Communication Adaptation
- <u>Some modification of the marketing communication strategy.</u>
- Its a low cost implementation (product itself is unchanged)
- Biggest costs are:
    - researching the market and revising advertising, sales promotion efforts, point-of-sale material, and other communication elements as appropriate.
- product transformation: The same physical product ends up serving a different function or use than that for which it was originally designed or created. In some cases, a particular country or regional environment will allow local managers a greater degree of creativity and risk taking when approaching the communication task

Strategy 3: Product Adaptation–Communication Extension
- <u>Adapt the product to local use or preference conditions while extending, with minimal change, the basic home-market communications strategy or brand name.</u>
    - For many years, Ford sold the Escort, Focus, and other nameplates worldwide, though the vehicles themselves often varied from region to region. In 2010, Ford launched a new Focus model in the United States that has 80 percent shared content with the European Focus. The 20 percent adapted content reflects regulations such as bumper crash test standards.

Strategy 4: Product-Communication Adaptation (Dual Adaptation)
- Both the product and one or more promotional elements are adapted for a particular country or region.
    - Consider Unilever's use of dual adaptation strategies. Unilever's Italian country managers discovered that, although Italian women spend more than 20 hours each week cleaning, ironing, and doing other tasks, they are not interested in labor-saving conveniences. The final result—a really clean, shiny floor, for example—is more important than saving time. For the Italian market,

Unilever reformulated its Cif brand spray cleaner to do a better job on grease; several different varieties were also rolled out, as were bigger bottles. Television commercials portray Cif as strong rather than convenient.

Note: A company can simultaneously utilize these 4 different product-communication strategies in different parts of the world.

Strategy 5: Innovation

Sometimes these above mentioned strategies do not respond to markets where there is a need but not the purchasing power to buy either the existing product or an adapted product.

- When potential customers have limited purchasing power, a company may need to develop an entirely new product designed to address the market opportunity at a price point that is within the reach of the potential customer.
- The converse is also true: Companies in low-income countries that have achieved local success may have to go beyond mere adaptation by “raising the bar” and bringing product designs up to world-class standards if they are to succeed in high-income countries.

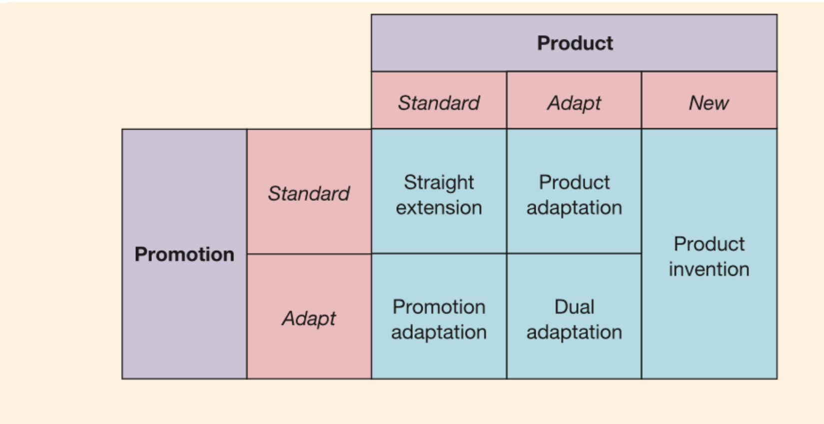


Figure 14.14 Product/communication mode

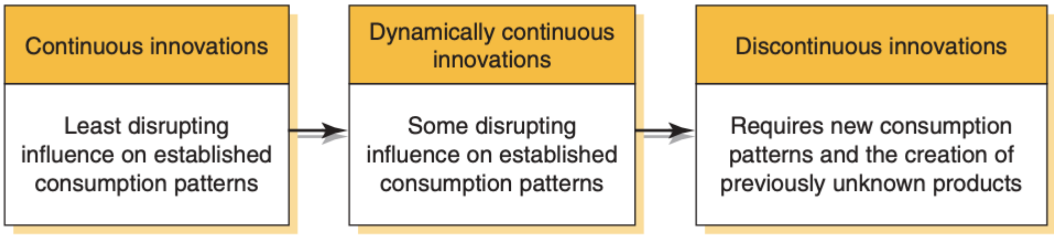
10-6 Explain the new-product continuum and compare and contrast the different types of innovation.

Identifying new product ideas

The starting point for an effective worldwide new-product program is an information system that seeks new-product ideas from all potentially useful sources and channels these ideas to relevant screening and decision centers within the organization.

1) **Discontinuous innovations:** products that are radically new, in the form of an innovation that requires a significant amount of learning on the part of users. When such products are successful, they create new markets and new consumption patterns, and have a disruptive impact on industry structures.
2) **Dynamically continuous innovations:** An intermediate category of newness is less disruptive and requires less learning on the part of consumers
3) **Continuous innovation:** Such products are typically “new and improved” versions of existing ones and require less R&D expenditure to develop than dynamically continuous innovations.

a) These often take the form of line extensions, such as new sizes, flavors, and low-fat versions.



The International New-Product Department

With the enormous number of possible new products, most companies establish screening grids to enable them to focus on the most appropriate ideas for investigation. The following questions are relevant to this task:

1) How big is the market for this product at various prices?
2) What are our competitors' likely moves in response to our activity with this product?
3) Can we market the product through our existing structure? If not, which changes will be required, and what costs will be incurred to make the changes?
4) Given estimates of potential demand for this product at the specified prices and estimated levels of competition, can we source the product at a cost that will yield an adequate profit?
5) Does this product fit our strategic development plan? (a) Is the product consistent with our overall goals and objectives? (b) Is the product consistent with our available resources? (c) Is the product consistent with our management structure? (d) Does the product have adequate global potential?

Testing products

The major lesson of new-product introduction outside the home market has been that whenever a product interacts with human, mechanical, or chemical elements, there is the potential for a sur- prising and unexpected incompatibility. Because almost every product matches this description, it is important to test a product under actual market conditions before proceeding with full-scale introduction. A test does not necessarily require a full-scale test-marketing effort, but may simply involve observing the actual use of the product in the target market.

Chap 11 - Pricing decisions

11-1 Review the basic pricing concepts that underlie a successful global marketing pricing strategy.

1) A firm's pricing system and policies must be consistent with other uniquely global opportunities and constraints. Many companies that are active in the 19 nations of the euro zone have adjusted to the new cross-border transparency of prices. Similarly, the Internet has made price information for many products available around the globe. Companies must carefully consider how customers in one country or region will react if they discover they are paying significantly higher prices for the same product than customers in other parts of the world.
2) Another important internal organizational consideration also exists besides cost. Within the typical corporation, there are many interest groups and, frequently, conflicting price objectives. Divisional vice presidents, regional executives, and country managers are all concerned about prof- itability at their respective organizational levels. Similarly, the director of global marketing seeks competitive prices in world markets. The controller and the financial vice president are concerned about profits. The manufacturing vice president seeks long production runs for maximum manufac- turing efficiency. The tax manager is concerned about compliance with government transfer pricing legislation. Finally, company counsel is concerned about the antitrust implications of global pricing practices. Ultimately, the prices for a company's products generally reflect the goals set by members of the sales staff, product managers, corporate division chiefs, and/or the company's chief executive.

11-2 Identify the different pricing strategies and objectives that influence decisions about pricing products in global markets.

The pricing strategy for a particular product may vary from country to country; a product may be positioned as a low-priced, mass-market product in some countries and as a premium-priced, niche product in others. Pricing objectives may also vary depending on a product's life-cycle stage and the country-specific competitive situation. In making global pricing decisions, it is also necessary to factor in external considerations such as the added cost associated with shipping goods over long distances across national boundaries. Moreover, the issue of global pricing can be fully integrated in the product design process, an approach widely used by Japanese companies.

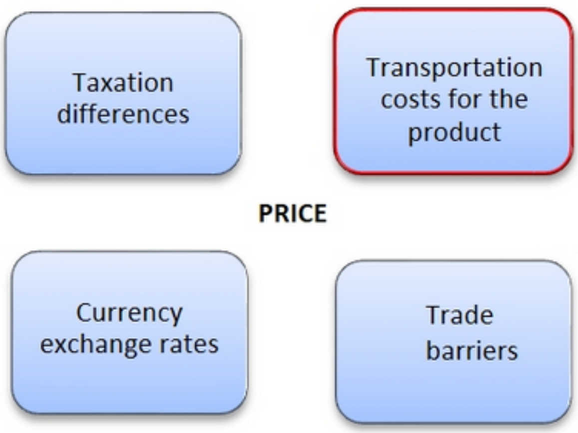
- **Market Skimming and Financial Objectives**

- Price can be used as a strategic variable to achieve specific financial goals, including return on investment, profit, and rapid recovery of product development costs
- The market skimming pricing strategy is often part of a deliberate attempt to reach a market segment that is willing to pay a premium price for a particular brand or for a specialized or unique product
- Companies that seek competitive advantage by pursuing differentiation strategies or positioning their products in the premium segment frequently use market skimming.
- The skimming pricing strategy is also appropriate in the introductory phase of the product life cycle, when both production capacity and competition are limited

- **Penetration Pricing and Nonfinancial Objectives**
  - Some companies are pursuing nonfinancial objectives with their pricing strategy.
  - Setting price levels that are low enough to quickly build market share.
  - A first-time exporter is unlikely to use penetration pricing, for a simple reason: Penetration pricing often means that the product may be sold at a loss for a certain length of time.
- **Companion Products: Captive ("Razors and Blades") Pricing**
  - is a tactic sellers use to group and sell products or services across sub-categories. For example, Xbox games and PS4 games that are low priced makes consumers choose that game, but to play it you need a Xbox or a PS4.
- **Target costing**
  - Target costing ensures that development teams will bring profitable products to market not only with the right level of quality and functionality but also with appropriate prices for the target customer segments. It is a discipline that harmonizes the labor of disparate participants in the development effort, from designers and manufacturing engineers to market researchers and suppliers. . . . In effect, the company reasons backward from customers' needs and willingness to pay instead of following the flawed but common practice of cost-plus pricing
  - The target costing approach can be used with inexpensive consumer nondurables
  - The target costing process can also go hand-in-hand with sourcing decisions.
  - The target costing process begins with market mapping and product definition and positioning
    1) Determine the segment(s) to be targeted, as well as the prices that customers in the segment will be willing to pay.
    2) Compute overall target costs with the aim of ensuring the company's future profitability.
    3) Allocate target costs to the product's various functions. Calculate the gap between the target cost and the estimated actual production cost. Think of debits and credits in accounting: Because the target cost is fixed, additional funds allocated to one subassembly team for improving a particular function must come from another subassembly team's funds.

4) Obey the cardinal rule: If the design team can't meet the targets, the product should not be launched

- **Calculating Prices: Cost-Plus Pricing and Export Price Escalation**
  - Export price escalation is the increase in the final selling price of goods traded across borders that reflects these factors.
  - Companies frequently use a method known as cost-plus or cost-based pricing when selling goods outside their home-country markets.
  - Cost-based pricing is based on an analysis of inter- nal (e.g., materials, labor, testing) and external costs. As a starting point, firms that comply with Western cost-accounting principles typically use the full absorption cost method; this defines the per-unit product cost as the sum of all past or current direct and indirect manufacturing and overhead costs. Beyond this per-unit cost, when goods cross national borders, additional costs and expenses such as transportation, duties, and insurance are incurred. If the manufacturer is responsible for those costs, they, too, must be included



11-3 Summarize the various Incoterms that affect the final price of a product.

Every commercial transaction is based on a contract of sale, and the trade terms in that contract specify the exact point at which the ownership of merchandise is transferred from the seller to the buyer and which party in the transaction pays which costs.

Incoterms:

Buyer

Risk and transport expenses

Incoterm	Description	Transfer of risk from company to consumer	Transfer of cost from company to customer
EXW	Ex works	Factory	Factory
FCA	Free carrier	Place of delivery	Place of delivery
FOB	Free on board	Ship's rails	Ship's rails
CFR	Cost and freight	Ship's rails	Port of destination
CIF	Cost, insurance, freight	Ship's rails	Port of destination

Seller

1) Ex-works (EXW)
    a) refers to a transaction in which the buyer takes delivery at the premises of the seller; the buyer bears all risks and expenses from that point on. In principle, ex-works affords the buyer maximum control over the cost of transporting the goods.
2) Free carrier (FCA)
    a) Under FCA, transfer from seller to buyer occurs when the goods are delivered to a specified carrier at a specified destination. Two additional F-terms apply to sea and inland waterway transportation only
3) Cost, insurance, freight (CIF)
    a) The risk of loss or damage to goods is trans- ferred to the buyer once the goods have passed the ship's rail.
    b) With CIF, the seller has to pay the expense of transportation for the goods up to the port of destination, including the expense of insurance
4) CFR (cost and freight
    a) The seller is not responsible for risk or loss at any point outside the factory.

11-4 List some of the environmental influences that impact prices.

1) **Currency fluctuations**
    - In global marketing, fluctuating exchange rates complicate the task of setting prices.
    - A weakening of the home-country currency swings exchange rates in a favorable direction: A producer in a weak-currency country can choose to cut export prices to increase market share, or maintain its prices and reap healthier profit margins. Overseas sales can result in windfall revenues when translated into the home-country currency.
    - It is a different situation when a company's home currency strengthens; this is an unfavorable turn of events for the typical exporter because overseas revenues are reduced when translated into the home-country currency.

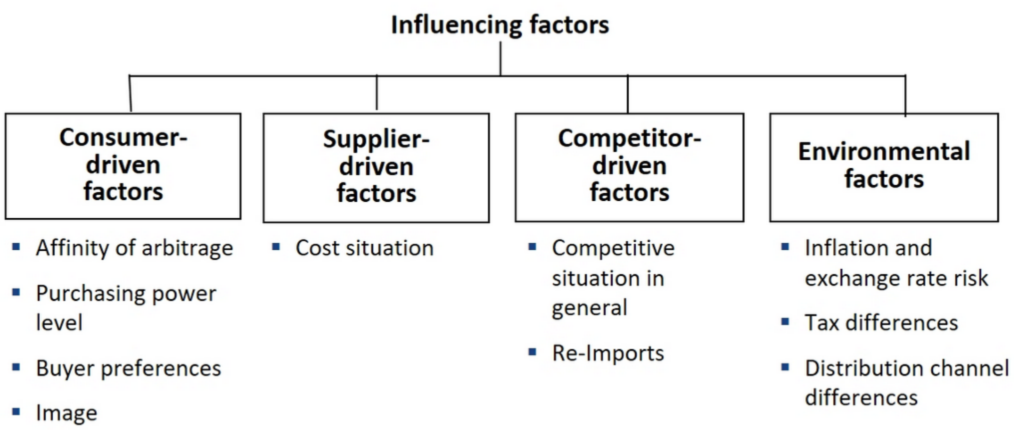
When the domestic currency is weak	When the domestic currency is strong
Stress price benefits	Engage in non-price competition by improving quality, delivery and after-sales service
Expand product line and add more costly features	Improve productivity and engage in vigorous cost reduction
Shift sourcing/manufacturing to domestic market	Shift sourcing and manufacturing overseas
Exploit export opportunities in all markets	Give priority to export to countries with relatively strong currencies
Buy needed services (advertising, insurance, transportation, etc.) in the domestic market	Buy needed services abroad and pay for them in local currencies
Bill foreign customers in their own currency	Bill foreign customers in the domestic currency

- Companies using the rigid cost-plus pricing method may be forced to change to a more flexible approach
- The use of the flexible cost-plus method to reduce prices in response to unfavorable currency swings is an example of a market holding strategy and is adopted by companies that do not want to lose market share. If, by contrast, large price increases are deemed unavoidable, managers may find that their products can no longer compete.

2) **Inflationary environment**
    - An increase in the money supply can cause inflation; in turn, inflation is often reflected in the prices of imported goods in a country whose currency has weakened.
    - Spiraling commodities and raw materials costs may also put upward pressure on prices for a variety of goods.
    - An essential requirement for pricing in an inflationary environment is the maintenance of operating profit margins. Inflation may require price adjustments for a simple reason: Rising costs must be covered by higher selling prices. Regardless of cost-accounting practices, if a company maintains its margins, it has effectively protected itself from the effects of inflation.
    - Sometimes inflationary forces arise out of changes in the political environment.
        - Fx taxes and tariffs on imports
3) **Government controls, subsidies and regulations**
    - Governmental policies and regulations that affect pricing decisions include
        - Dumping legislation
        - Resale price maintenance legislation
        - Price ceilings
        - General reviews of price levels.
        - Subsidies
        - Deregulations
4) **Competitive behavior**

- Pricing decisions are bounded not only by cost and the nature of demand, but also by competitive action. If competitors do not adjust their prices in response to rising costs, management—even if acutely aware of the effect of rising costs on operating margins—will be severely constrained in its ability to adjust prices accordingly. Conversely, if competitors are manufacturing or sourcing in a lower-cost country, it may be necessary to cut prices to stay competitive.

5) **Using sourcing as a strategic pricing tool**
    - Marketers of domestically manufactured finished products may be forced to switch to offshore sourcing of certain components to keep costs and prices competitive.
    - Another option is a thorough audit of the distribution structure in the target markets. A rationalization of the distribution structure can substantially reduce the total markups required to achieve distribution in international markets.
        - Rationalization may include selecting new inter- mediaries, assigning new responsibilities to old intermediaries, or establishing direct marketing operations.



11-5 Apply the ethnocentric/polycentric/geocentric framework to decisions regarding price.

Price is a strategic variable

Extension or Ethnocentric Pricing

- Calls for the per-unit price of an item to be the same no matter where in the world the buyer is located. In such instances, the importer must absorb freight and import duties.
- Does not require information on competitive or market conditions for implementation.
- Its main disadvantage is that the ethnocentric approach does not respond to the competitive and market conditions of each national market and, therefore, does not maximize the company's profits in each national market or globally.

Adaptation or Polycentric Pricing

- Permits subsidiary or affiliate managers or independent distributors to establish whatever price they believe is most appropriate in their market environment.
  - These depend, in part, on local factors such as competition, wages, taxes, and advertising rates.
- HQ does not set prices.
- Companies utilizing independent distributors were the most likely to utilize polycentric pricing.
- Such an approach is sensitive to local market conditions, but valuable knowledge and experience within the corporate system concerning effective pricing strategies are not brought to bear on each local pricing decision. Because the distributors or local managers are free to set prices as they see fit, they may ignore the opportunity to draw upon company experience.
- Disadvantage: when disparities in prices between different country markets exceed the transportation and duty costs separating the markets, enterprising individuals can purchase goods in the lower-price country market and then transport them for sale in markets where higher prices prevail.

Geocentric Pricing

- A company using geocentric pricing neither fixes a single price worldwide, nor allows subsidiaries or local distributors to make independent pricing decisions.
- Geocentric pricing is based on the realization that unique local market factors should be recognized when arriving at pricing decisions. These factors include local costs, income levels, competition, and the local marketing strategy. Price must also be integrated with other elements of the marketing program. The geocentric approach recognizes that price coordination from headquarters is necessary in dealing with international accounts and product arbitrage.

Traditional approaches for price determination

Cost based

Prices are determined only by **costs**

- Cost plus pricing
- Maximizing margins
- Pricing with scarce resources

Minimum price level

- Short-term: Variable costs
- Long-term: Full costs

Consumer based

Prices are based on consumers' **willingness to pay**

- Willingness to pay varies between cultures
- Different cultures
  - Benefit from products differently
  - Perceive prices differently

Competition based

Prices are based on **price related behavior of competition**

- Most frequent prototype is **price leader**
  - Price leader influences price setting and price policy on a market
  - Competitors follow price leader with their price policy
- Reasons for price leadership: low prices, market power, chronological proceeding

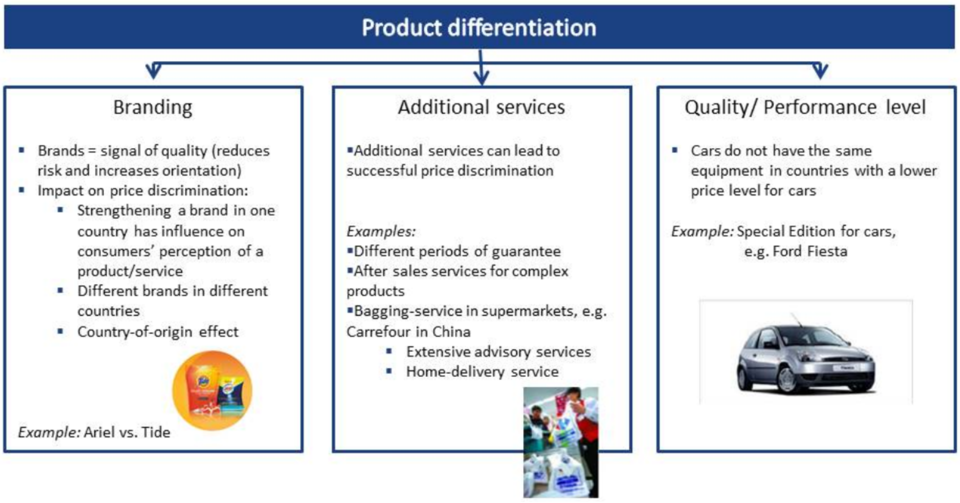
11-6 Explain some of the tactics global companies can use to combat the problem of gray market goods.

Gray market goods are trademarked products that are exported from one country to another and sold by unauthorized persons or organizations (example on page 377).

Companies should develop proactive strategic responses to gray markets. One such strategy would be improved market segmentation and product differentiation to make gray market products less attractive; another would be to aggressively identify and terminate distributors that are involved in selling to gray marketers.

Four strategies against grey markets

1. Legal measures
2. Aggressive reactions when a grey market exists
   - Repurchase grey products
   - International standard prices
   - Limitations of offered products
3. Utilization of the grey market
   - Using grey markets as price discrimination instrument
   - Acquisition of grey retailer
4. Proactive defense
   - Country-specific product discrimination
   - Retailer relationship management
   - **Price corridor management**



11-7 Assess the impact of dumping on prices in global markets.

- Dumping is when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.
- Because dumping typically involves substantial export volumes of a product, it often endangers the financial viability of the product's manufacturer or producer in the importing nation
- The biggest advantage of dumping is the ability to flood a market with product prices that are often considered unfair.

11-8 Compare and contrast the different types of price fixing.

Price fixing: two or more companies secretly agree to set similar prices for their products

1) Horizontal price fixing
    a) competitors within an industry that make and market the same product conspire to keep prices high
2) Vertical price fixing
    a) When a manufacturer conspires with wholesalers or retailers (i.e., channel members at different "levels" from the manufacturer) to ensure certain retail prices are maintained.

11-9 Explain The Concept Of Transfer pricing.

Transfer pricing refers to the pricing of goods, services, and intangible property bought and sold by operating units or divisions of the same company. In other words, transfer pricing concerns intracorporate exchanges, which are transactions between buyers and sellers that have the same corporate parent.

A **market-based transfer price** is derived from the price required to be competitive in the global marketplace. In other words, it represents an approximation of an arm's- length transaction. **Cost-based transfer pricing** uses an internal cost as the starting point in determining price. This kind of transfer pricing can take the same forms as the cost-based pricing methods discussed earlier in the chapter. The way costs are defined may have an impact on tariffs and duties of sales to affiliates and subsidiaries. A third alternative is to allow the organization's affiliates to determine **negotiated transfer prices** among themselves. This method may be employed when market conditions are subject to frequent changes.

11-10 Define countertrade and explain the various forms it can take.

In a **countertrade transaction**, a sale results in product flowing in one direction to a buyer; a separate stream of products and services, often flowing in the opposite direction, is also created. Countertrade generally involves a seller from the West and a buyer in a developing country

- Barter
- Counterpurchase
- Offset
- Compensation trading
- Switch trading

Chapter 12 - Global Marketing Channels and Physical Distribution

12-1 Identify and compare the basic structure options for consumer channels and industrial channels.

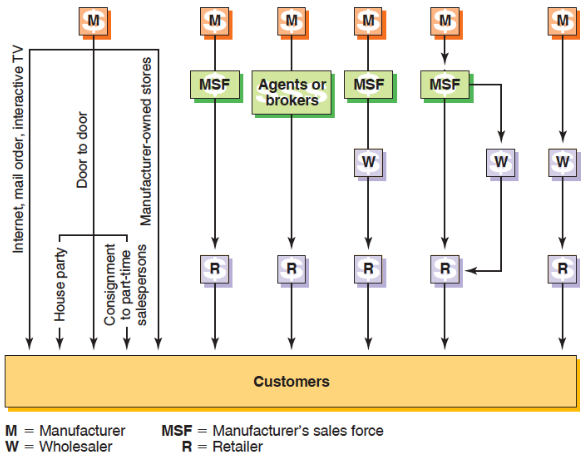
Distribution channels:
- **Direct:** Own stores
- **Indirect:** Franchise

Marketing channels exist to create utility for customers. The major categories of channel utility are:

Place utility (the availability of a product or service in a location that is convenient to a potential customer)
Time utility (the availability of a product or service when desired by a customer)
Form utility (the availability of the product processed, prepared, in proper condition, and/or ready to use)
Information utility (the availability of answers to questions and general communication about useful product features and benefits).

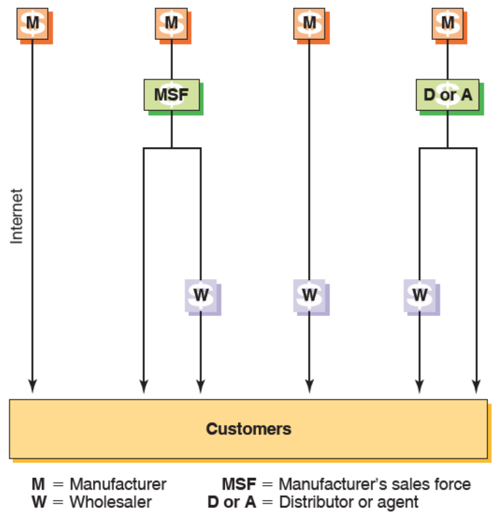
In business-to-consumer marketing (B2C marketing), consumer channels are designed to put products in the hands of people for their own use.
Business-to-business marketing (B2B marketing) involves industrial channels that deliver products to manufacturers or other organizations that then use them as inputs in the production process or in day-to-day operations.

Consumer Products and Services:
Six channel structure alternatives for consumer products:



The characteristics of both buyers and products have an important influence on channel design.

Industrial Products:
Four channel alternatives for an industrial or business products company:



Product and customer characteristics have an impact on channel structure. Three basic elements are involved: the manufacturer's sales force, distributors or agents, and wholesalers. A manufacturer can reach customers with its own sales force, a sales force that calls on wholesalers who sell to customers, or a combination of these two arrangements. A manufacturer can also sell directly to wholesalers without using a sales force, and wholesalers, in turn, can supply customers.

12-2 List the guidelines companies should follow when establishing channels and working with intermediaries in global markets.

Direct involvement: the company establishes its own sales force or operates its own retail stores.
Indirect involvement: the company utilizes independent agents, distributors, and retailers.

Channel decisions are important because of the number and nature of relationships that must be managed. Channel decisions typically involve long-term legal commitments and obligations to various intermediaries. Such commitments are often extremely expensive to terminate or change, so it is imperative for companies to document the nature of the relationship with the foreign partner.

David Arnold offers seven specific guidelines:

1. **Select distributors. Don't let them select you.** A company may link up with a distributor by default after being approached by representatives at a trade fair. In fact, such eager candidates may already be serving a company's competitors. Their objective may be to maintain control over the product category in a given market. A proactive market entrant can identify potential distributors by requesting a list from the U.S. Department of Commerce or its equivalent in other countries. The local

chamber of commerce or trade association in a country can provide similar information.

2. **Look for distributors capable of developing markets, rather than those with a few good customer contacts.** A distributor with good contacts may appear to be the "obvious" choice in terms of generating quick sales and revenues. However, a better choice is often a partner that is willing to both make the investment necessary to achieve success and draw upon the marketing experience of the global company. Such a partner may, in fact, have no prior experience with a particular product category. In this case, the distributor may devote more effort and assign the new partner a higher priority simply because taking on the product line does not represent the status quo.
3. **Treat local distributors as long-term partners, not as temporary market-entry vehicles.** A contractual agreement that provides strong financial incentives for customer acquisition, new-product sales, or other forms of business development is a signal to the distributor that the market entrant is taking a long-term perspective. Such development can take place with the input of managers from the global company.
4. **Support market entry by committing money, managers, and proven marketing ideas.** In addition to providing sales personnel and technical support, management should consider demonstrating its commitment early on by investing in a minority equity stake in an independent distributor. Of course, the risks associated with such investment should be no greater than the risks associated with independent distribution systems in the manufacturer's home country. The earlier such a commitment is made, the better the relationship that is likely to develop.
5. **From the start, maintain control over the marketing strategy.** To exploit the full potential of global marketing channels, the manufacturer should provide solid leadership for marketing in terms of which products the distributor sells and how those products are positioned. Again, it is necessary to have employees on site or to have country or regional managers monitor the distributor's performance. As one manager told the author of the study, "We used to give far too much autonomy to distributors, thinking that they knew their markets. But our value proposition is a tough one to execute, and time and again we saw distributors cut prices to compensate for failing to target the right customers or to sufficiently train salespeople." This is not to say that the intermediary should not be allowed to adapt the distribution strategy to suit local conditions. Rather, the point is that the manufacturer should take the lead.
6. **Make sure distributors provide the company with detailed market and financial performance data.** Distributor organizations are often a company's best source—and sometimes the only source—of market information. The contract between a manufacturer and a distributor should include specific language to the effect that local market information and financial data will be transferred back to the manufacturer. One sign that a successful manufacturer– distributor relationship can be established is the latter's willingness to provide such information.
7. **Build links among national distributors at the earliest opportunity.** A manufacturer should attempt to establish links between its networks of national distributors. This can be accomplished by setting up a regional corporate office or by establishing a distributor council. At any point in time, a company may have some excellent agents and distributors, others that are satisfactory, and a third group that is

unsatisfactory. By creating opportunities for distributors to communicate, ideas for new product designs based on individual market results can be leveraged and overall distributor performance can be improved.

Cherry picking: the practice of accepting orders only from manufacturers with established demand for certain products and brands.

		Channel width		
		Intensive Distribution ⟷	Selective Distribution ⟷	Exclusive Distribution
Factor	Product type	Convenience products		Specialty products
	Product life cycle stage	Mature products		New products
	Product price	Low-price products		High-price products
	Brand loyalty	Brand-preferred products		Brand-insisted products
	Purchase frequency	Frequently purchased products		Infrequently purchased
	Product uniqueness	Common products		products
	Selling requirement	Self-service products		Distinctive products
	Technical complexity	Non-technical products		Personal-selling products
	Service requirements	Limited-service products		Technical products
				Extensive-service products

Source: Hollensen (2017), Global Marketing, p. 555

12-3 Describe the different categories of retail operations that are found in various parts of the world.

Global retailing is any retailing activity that crosses national boundaries.

TABLE 12-1 Top Five Global Retailers, 2017

Rank	Company	Country	Formats	Sales ($ millions)
1	Walmart Stores	United States	Discount store, wholesale club	$485,873
2	Carrefour	France	Hypermarket	82,996*
3	Tesco PLC	United Kingdom	Supermarket/hypermarket	69,501
4	Metro AG	Germany	Diversified	43,828
5	Aldi	Germany	Discount store	NA

* 2016 data.
Source: Company reports.

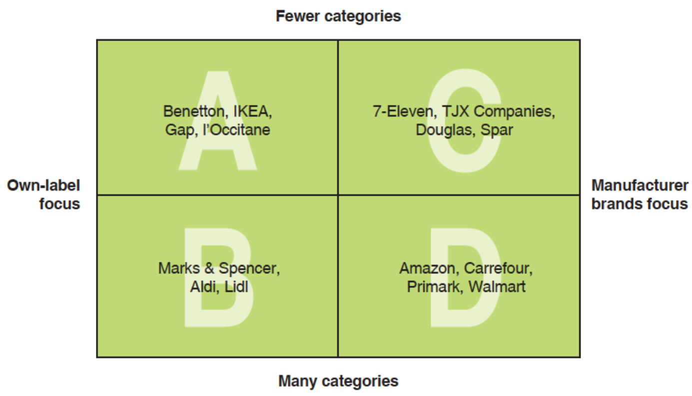
Types of Retail Operations:

Department stores literally have several departments under one roof, each representing a distinct merchandise line and staffed with a limited number of salespeople. Departments in a typical store might include men's, women's, children's, beauty aids, housewares, and toys.
Specialty retailers offer less variety than department stores; that is, they are more narrowly focused and offer a relatively narrow merchandise mix aimed at a particular target market. Specialty stores do offer a great deal of merchandise depth (e.g., many styles, colors, and sizes), high levels of service from knowledgeable staff, and a value proposition that is both clear and appealing to consumers. *Gap, Disney Store, Victoria's Secret.*
Supermarkets are departmentalized, single-story retail establishments that offer a variety of food (e.g., produce, baked goods, meats) and nonfood (e.g., paper products, health and beauty aids) items, mostly on a self-service basis. On average, supermarkets occupy between 50,000 square feet and 60,000 square feet of floor space.
Convenience stores offer some of the same products as supermarkets, but the merchandise mix is limited to high-turnover convenience and impulse products. Prices for some products may be 15 to 20 percent higher than supermarket prices.
Discount retailers can be divided into several categories. The most general characteristic that they have in common is their emphasis on low prices.

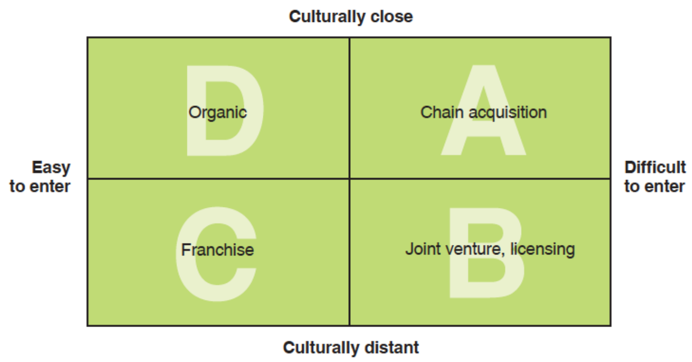
- Full-line discounters typically offer a wide range of merchandise, including nonfood items and nonperishable food, in a limited-service format.
- Dollar stores sell a select assortment of products at one or more low prices.

Hard discounters These discounters offer a limited assortment of goods—typically 1,000 to 3,000 different items—at rock-bottom prices. *Aldi and Lidl.*
Hypermarkets are a hybrid retailing format combining the discounter, supermarket, and warehouse club approaches under a single roof. Size-wise, hypermarkets are huge, ranging from 200,000 to 300,000 square feet.
Supercenters offer a wide range of aggressively priced grocery items plus general merchandise in a space that occupies about half the size of a hypermarket.
Superstores: the name refers to the fact that such stores specialize in selling vast assortments of specific product categories—home improvement supplies or furniture, for example—in high volumes at low prices. (also known as category killers and big-box retail) is the label many in the retailing industry use when talking about stores such as Home Depot and IKEA
Shopping malls consist of a grouping of stores in one place. Developers assemble an assortment of retailers that will create an appealing leisure destination; typically one or more large department stores serve as anchors
Outlet stores are a variation on the traditional shopping mall: retail operations that allow companies with well-known consumer brands to dispose of excess inventory, out-of-date merchandise, or factory seconds.

Global Retailing Categories:

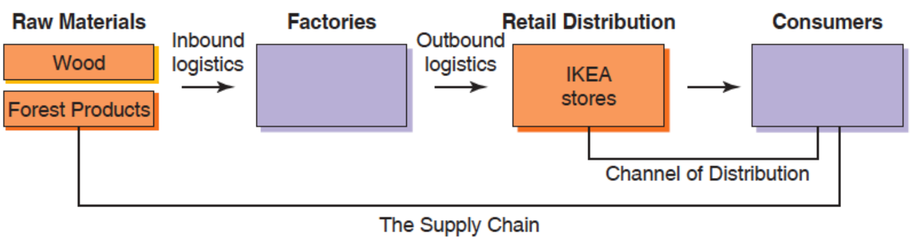


Global Retailing Market Entry Strategy Framework



12-4 Compare and contrast the six major international transportation modes and explain how they vary in terms of reliability, accessibility, and other performance metrics.

Supply Chain, Value Chain and Logistics



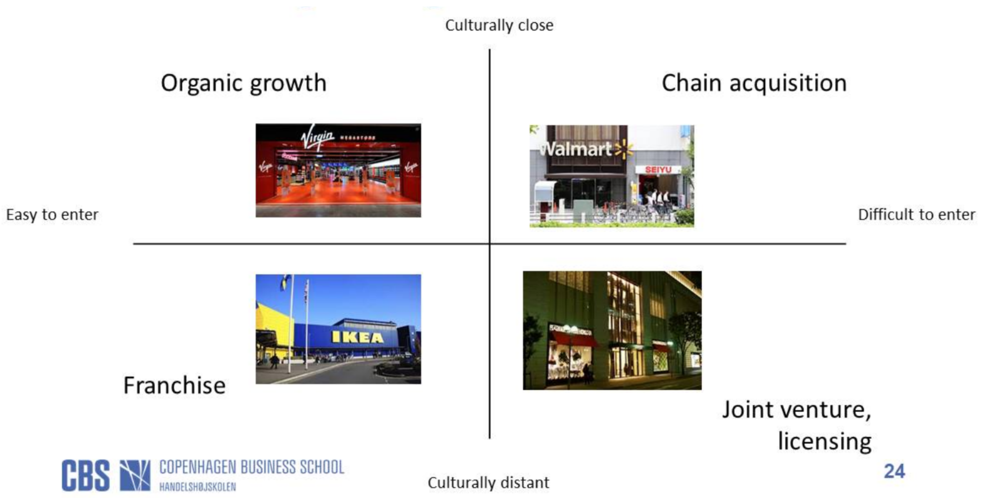
Physical distribution and logistics are the means by which products are made available to customers when and where they want them. The most important distribution activities are order processing, warehousing, inventory management, and transportation

The Six Major International Transportation Modes

TABLE 12-4 Comparison of Major International Transportation Modes

Mode	Reliability	Cost	Speed	Accessibility	Capability	Ease of Tracing
Rail	Average	Average	Average	High	High	Low
Water	Low	Low	Slow	Low	High	Low
Truck	High	Varies	Fast	High	High	High
Air	High	High	Fast	Low	Moderate	High
Pipeline	High	Low	Slow	Low	Low	Moderate
Internet	High	Low	Moderate to fast	Moderate; increasing	Low	High

Global retailing strategies:



Chapter 13 - Global Marketing Communications Decisions I (Advertising and Public Relations)

13-1 Define global advertising and identify the top-ranked companies in terms of worldwide ad spending.

Global advertising may be defined as messages whose art, copy, headlines, photographs, taglines, and other elements have been developed expressly for their worldwide suitability.

TABLE 13-1 **Top 25 Global Marketers by Worldwide Total Ad Spending and Measured Media Spending in Selected Regions, 2016 ($ millions)**

Company/Headquarters	Worldwide†	United States*	Asia and Pacific*	Europe*	Latin America*
1. Procter & Gamble (U.S.)	$10,45	$2,489	$2,36	$3,56	$413
2. Samsung Electronics (South Korea)	9,901	774	444	755	63
3. Nestlé (Switzerland)	9,228	722	577	1,380	134
4. Unilever (U.K., Netherlands)	8,559	866	2,386	1,758	560
5. L'Oréal (France)	8,302	1,288	540	2,029	143
6. Volkswagen (Germany)	6,735	652	189	2,453	99
7. Comcast Corp. (U.S.)	6,114	1,726	24	213	4
8. Anheuser-Busch InBev (Belgium)	5,933	718	61	140	202
9. General Motors Corp. (U.S.)	5,300	1,807	65	190	164
10. Daimler (Germany)	5,090	391	30	656	0
11. Amazon.com (U.S.)	5,000	921	142	607	0
12. LVMH (France)	4,696	392	96	563	0
13. Ford Motor Co. (U.S.)	4,300	1,250	132	909	**72**
14. Toyota Motor Corp. (Japan)	4,151	1,194	1,370	709	117
15. Coca-Cola Co. (U.S.)	4,004	551	1,424	1,024	240
16. Fiat Chrysler (U.K.)	3,938	1,087	25	1,035	124
17. Alphabet (Google) (U.S.)	3,868	406	234	128	0
18. Priceline (U.S.)	3,775	415	14	2.3	0
19. AT&T (U.S.)	3,768	1,592	0	0	48
20. American Express (U.S.)	3,650	469	28	58	0
21. Mars Inc. (U.S.)	3,500	710	568	725	4.5
22. McDonald's (U.S.)	3,400	774	378	780	94
23. Sony Corp. (Japan)	3,365	518	1,100	395	13
24. Bayer (Germany)	3,288	675	35	421	66
25. Pfizer (U.S.)	3,200	1,750	297	304	63

The question of when to use each approach depends on the product involved and a company's objectives in a particular market. The following generalizations can serve as guidelines:

- Standardized print campaigns can be used for industrial products or for high-tech consumer products. Examples: Apple's iPhone and iPad.
- Standardized print campaigns with a strong visual appeal often travel well. Example: Johnny Walker Scotch ("Keep Walking"). Similarly, no text appears in the assembly instructions for IKEA furniture. Picture-based instructions can be used throughout the world without translation.
- TV commercials that use voice-overs instead of actors or celebrity endorsers speaking dialogue can use standardized visuals with translated copy for the voice-over. Examples: Gillette ("The best a man can get"); GE ("Imagination at work"); UPS ("We ♥ Logistics").

13-2 Explain the structure of the advertising industry, and describe the difference between agency holding companies and individual agency brands.

While the number of agencies, which offered different services, increased as a result of the post-80s "unbundling", ownership of these same agencies was dramatically concentrated. Huge consolidation within the industry led to a massive number of mergers and acquisitions as well as the creation – at the higher end of the market – of a small group of major international holding companies—each of these companies which control many separate agencies.

There are still independent owner-operated agencies in existence; however, in ever fewer numbers than ever before, and most are small in comparison with the group-owned brand

The key to understanding word organization; most of the firms are umbrella corporations or holding companies that include one or more “core” advertising agencies, as well as units specializing in direct marketing, marketing services, public relations, or research.

13-3 Identify key ad agency personnel and describe their respective roles in creating global advertising.

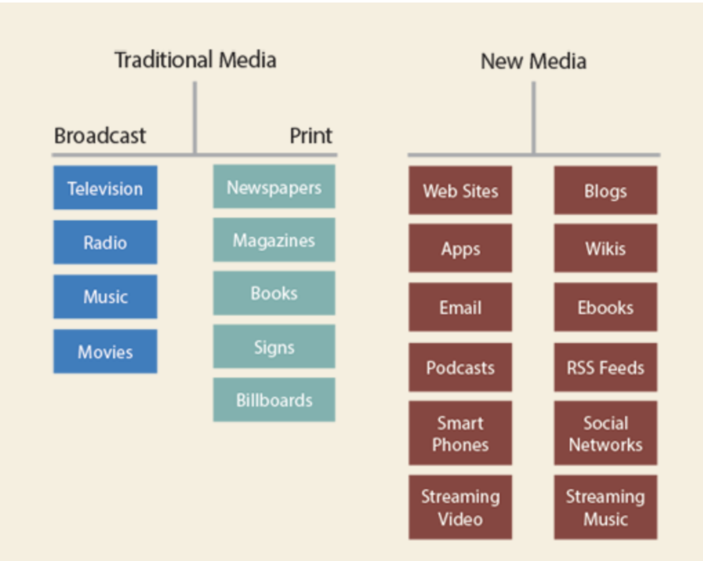
1. **Art Direction and Art Directors**
    a. The visual presentation of an advertisement—the “body language”—is a matter of art direction. The individual with general responsibility for the overall look of an ad is the art director. This person typically has a staff who choose graphics, images, type styles, and other visual elements that appear in an ad. Some forms of visual presentation are universally understood; others speak to specific demographics. In either case, the way information is presented shapes the way that it is perceived.
2. **Copy and Copywriters**
    a. Copywriters are language specialists who develop the headlines, subheads, and body copy used in print advertising and the scripts containing the words that are delivered by spokespeople, actors, or hired voice talents in broadcast ads.
    b. As a general rule, copy should be relatively short and should avoid slang and idioms. Languages vary in terms of the number of words required to convey a given message—thus the increased use of pictures and illustrations.
3. **Additional Cultural Considerations**
    a. Knowledge of cultural diversity, especially the symbolism associated with cultural traits, is essen- tial for creating advertising. Local country managers can share important information, such as when to use caution in advertising creativity. Use of colors and man–woman relationships can often be stumbling blocks.
    b. For example, in Japan intimate scenes between men and women are in bad taste; they are outlawed in Saudi Arabia.

13-4 Explain how media availability varies around the world.

A crucial issue to be considered while navigating international markets is which medium or media to use while communicating with the target audience. These media decisions have to be taken depending not just on the nature of the product/service being offered, but also the media availability that differs from country to country.

Media channels can be broadly classified into three buckets:

1. **Print media:** local daily and weekly newspapers, magazines, business publications with regional, national or international readers.
2. **Electronic Media:** Radio, broadcast television, cable television and the internet (new media).
3. **Other:** Direct mailers, outdoors advertising, transport advertising or any other innovative form.



Examples under each media channel

As mentioned above these mediums are available differently in different countries. Adding to this, media consumption patterns also vary from country to country. For example, television is the number one medium in both the United States and Japan. By contrast, newspapers are the leading medium in Germany with television ranking only second.

13-5 Compare and contrast publicity and public relations and identify global companies that have recently been impacted by negative publicity.

Public relations (PR) is a “strategic communication process that builds mutually beneficial relationships between organizations and their publics.”38 Public relations personnel are responsible for fostering goodwill, understanding, and acceptance among a company’s various constituents and stakeholders. Along with advertising, PR is one of four variables in the promotion mix. One of the tasks of the PR practitioner is to generate favorable publicity

Publicity is communication about a company or product for which the company does not pay. (In the PR world, publicity is sometimes referred to as earned media, and advertising and promotions are known as unearned media.)

Chapter 14 - Global Marketing Communications Decisions II (Sales Promotion, Personal Selling, and Special Forms of Marketing Communication)

14-1 Define sales promotion and identify the most important promotion tactics and tools used by global marketers.

Sales promotion refers to any paid consumer or trade communication program of limited duration that adds tangible value to a product or brand.

- In a *price promotion*, tangible value may take the form of a price reduction, coupon, or mail-in refund.
- *Nonprice* promotions may take the form of free samples, premiums, "buy one, get one free" offers, sweepstakes, and contests.

Consumer sales promotions may be designed to make consumers aware of a new product, to stimulate nonusers to sample an existing product, or to increase overall consumer demand.
Trade sales promotions are designed to increase product availability within distribution channels. At many companies, expenditures for sales promotion activities have surpassed expenditures for media advertising.

Sales promotion is just one of several marketing communication tools available to enterprises. In turn, sales promotion plans and programs should be integrated and coordinated with those for advertising, public relations (PR), and personal selling.
Often requires consumers to give personal information, which companies can add to their databases.

1. Cost. As sales promotions command ever-larger budget allocations, managers at headquarters naturally take a greater interest.
2. Complexity. The formulation, implementation, and follow-up of a promotion program may require skills that local managers lack.
3. Global branding. The increasing importance of global brands justifies headquarters' involvement to maintain consistency from country to country and to ensure that successful local promotion programs are leveraged in other markets.
4. Transnational trade. As mergers and acquisitions lead to increased concentration in the retail industry and as the industry globalizes, retailers will seek coordinated promotional programs from their suppliers.

A number of factors must be taken into account when determining the extent to which the promotion must be localized:

- In countries with low levels of economic development, low incomes limit the range of promotional tools available. In such countries, free samples and demonstrations are more likely to be used than coupons or on-pack premiums.
- Market maturity can be different from country to country. Consumer sampling and coupons are appropriate in growing markets, but mature markets might require trade allowances or loyalty programs.
- Local perceptions of a particular promotional tool or program can vary. Japanese consumers, for example, are reluctant to use coupons at the checkout counter. A particular premium can be a waste of money.
- Local regulations in certain countries may rule out the use of a particular promotion such as in-pack coupons or price-off coupons by mail.
- Trade structure in the retailing industry can affect the use of sales promotions. As noted in Chapter 12, in the United States and parts of Europe, the retail industry is highly concentrated (i.e., dominated by a few key players such as Walmart). This situation requires significant promotional activity at both the trade and the consumer levels. By contrast, in countries where retailing is more fragmented—Japan is a case in point—there is less pressure to engage in promotional activities.

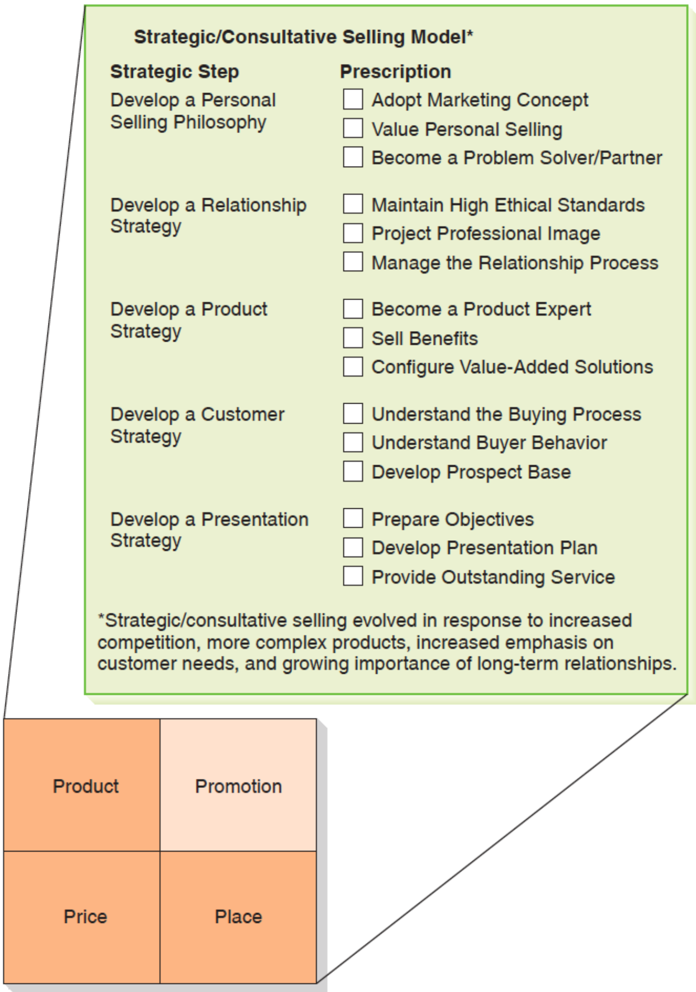
14-2 List the steps in the strategic/consultative personal selling model.

Personal selling is person-to-person communication between a company representative and a prospective buyer. The seller's communication effort is focused on informing and persuading the prospect, with the short-term goal of making a sale and the longer-term goal of building a relationship with that buyer.

Many of the environmental issues and challenges identified in earlier chapters often surface as a company completes the initial stages of implementing a personal selling strategy. These include the following factors:

- Political risks
- Regulatory hurdles
- Currency fluctuations
- Market unknowns

The Strategic/Consultative Selling Model



The Six-Step Presentation Plan

The Six-Step Presentation Plan

Step One: Approach	☐ Review Strategic/Consultative Selling Model ☐ Initiate customer contact
Step Two: Need Discovery	☐ Ask strategic questions ☐ Determine customer needs ☐ Select product Solution
Step Three: Presentation	☐ Select presentation strategy ☐ Create presentation plan ☐ Initiate presentation
Step Four: Negotiation	☐ Anticipate buyer concerns ☐ Plan negotiating methods ☐ Initiate win-win negotiations
Step Five: Close	☐ Plan appropriate closing methods ☐ Recognize closing clues ☐ Initiate closing methods
Step Six: Servicing the Sale	☐ Follow through ☐ Follow-up calls ☐ Expansion selling

Service, retail, wholesale, and manufacturer selling

14-3 Explain the contingency factors that must be considered when making decisions about sales force nationality.

The staffing decision is contingent on several factors, including:

- Management's orientation
- The technological sophistication of the product
- The stage of economic development exhibited by the target country

A company with an ethnocentric orientation is likely to prefer expatriates as its sales representatives and to adopt a standardized approach without regard to technology or the level of economic development in the target country. Polycentric companies selling in developed countries should opt for expatriates to sell technologically sophisticated products; a host-country sales force can be used when technological sophistication is lower.

Other international personal selling approaches that fall somewhere between sales agents and full-time employee teams include the following:

- Exclusive license arrangements in which a firm pays commissions to an in-country company's sales force to conduct personal selling on its behalf. For example, when Canada's regulatory agency prevented U.S. telephone companies from entering the market on their own, AT&T, MCI, Sprint, and other firms crafted a series of exclusive license arrangements with Canadian telephone companies.
- Contract manufacturing or production with a degree of personal selling made available through warehouses or showrooms that are open to potential customers. Sears has employed this technique in various overseas markets, with the emphasis

placed on manufacturing and production but with the understanding that opportunities for some sales results do exist.
- Management-only agreements through which a corporation manages a foreign sales force in a mode that is similar to franchising. Hilton Hotels has these types of agreements all over the world—not only for its hotel operations, but also for its personal selling efforts aimed at securing conventions, business meetings, and other large-group events.
- Joint ventures with an in-country (or regional) partner. Because many countries place restrictions on foreign ownership within their borders, partnerships can serve as the best way for a company to obtain both a personal sales capability and an existing base of customers.

14-4 Explain direct marketing's advantages and identify the most common types of direct marketing channels.

The Direct Marketing Association defines **direct marketing** as any communication with a consumer or business recipient that is designed to generate a response in the form of an order, a request for further information, or a visit to a store or other place of business. Companies use direct mail, telemarketing, television, print, and other media to generate responses and build databases filled with purchase histories and other information about customers.
By contrast, **mass-marketing communications** are typically aimed at broad segments of consumers with certain demographic, psychographic, or behavioral characteristics in common.

Peppers and Rogers describe the four steps in one-to-one marketing as follows:
1. Identify customers and accumulate detailed information about them.
2. Differentiate customers and rank them in terms of their value to the company.
3. Interact with customers and develop more cost-efficient and effective forms of interaction.
4. Customize the product or service offered to the customer (e.g., by personalizing direct-mail offers).

Comparison of Direct Marketing and Mass Marketing

TABLE 14-2 Comparison of Direct Marketing and Mass Marketing

Direct Marketing	Mass Marketing
The marketer adds value (creates place utility) by arranging for delivery of the product to the customer's door.	The product benefits do not typically include delivery to the customer's door.
The marketer controls the product all the way through to delivery.	The marketer typically loses control as the product is turned over to distribution channel intermediaries.
Direct-response advertising is used to generate an immediate inquiry or order.	Advertising is used for its cumulative effect over time to build image, awareness, loyalty, and benefit recall. Purchase action is deferred.
Repetition is used within the ad/offer.	Repetition is used over a period of time.
The customer perceives higher risk because the product is bought unseen. Recourse may be viewed as distant or inconvenient.	The customer perceives less risk due to direct contact with the product. Recourse is viewed as less distant.

14-5 Describe how global marketers integrate support media, sponsorships, and product placement into the overall promotion mix.

- Traditional **support media** include transit and billboard advertising; as a category, these media are known as out-of-home (OOH) advertising.
- **Sponsorship** is an increasingly popular form of marketing communications whereby a company pays a fee to have its name associated with a particular event, team or athletic association, or sports facility.
- Companies can achieve a unique kind of exposure by using **product placement**, in which they arrange for their products and brand names to appear in popular television programs, movies, and other types of performances.

Chapter 15 - Global Marketing and the Digital Revolution

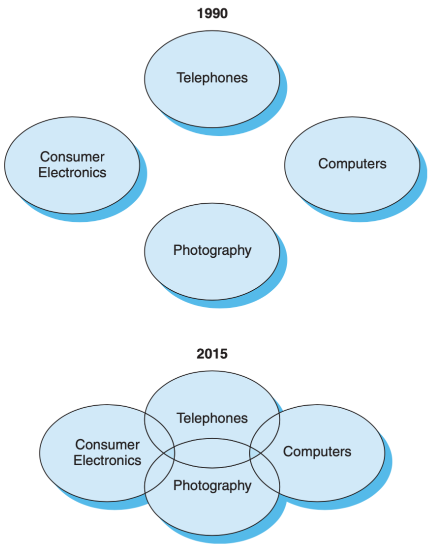
15-1 List the major innovations and trends that contributed to the digital revolution.

The origins of the digital revolution can be traced back to the mid-twentieth century. Over a five-year period between 1937 and 1942, John Vincent Atanasoff and Clifford Berry developed the world's first electromechanical digital computer at Iowa State University.

The rise of the Internet and the World Wide Web marks the next phase of the digital revolution. The Internet's origins can be traced back to an initiative by the Defense Advanced Research Projects Agency (DARPA), which created a computer network that could maintain lines of communication in the event of a war.

15-2 Define "convergence" and give an example.

Convergence is a term that refers to the coming together of previously separate industries and product categories fx. mobile phones.



15-3 Define value network and explain the differences between sustaining technologies and disruptive technologies.

In every industry, companies are embedded in a **value network.** Each value network has a cost structure associated with it that dictates the margins needed to achieve profitability. The boundaries of the network are defined, in part, by the unique rank ordering of the importance of various product performance attributes. Parallel value networks, each built around a different definition of what makes a product valuable, may exist within the same broadly defined industry. Each network has its own "metrics of value."

Sustaining technologies, which comprise incremental or radical innovations that improve product performance. According to Christensen, most new technologies developed by established companies are sustaining in nature; indeed, the vast majority of innovations are of this type.

In contrast, new entrants to an industry lead in developing **disruptive technologies** that redefine performance. The benefits associated with disruptive technologies go beyond enhanc- ing product performance—these technologies enable something to be done that was previously deemed impossible. Disruptive technologies typically enable new markets to emerge.

15-4 Identify current trends in global e-commerce and explain how global companies are expanding their presence on the Web.

- Between 2003 and 2014, the number of Internet users in China increased from 68 million to 640 million. More than 600 million Chinese people shop online, making China the world's largest e-commerce market. Local companies such as Alibaba and JD.Com dominate the market.
- According to Forrester Research, online retail in Western Europe will grow at a compound annual rate of 11.3 percent between 2017 and 2022. Eighty-five percent of surveyed European mobile phone owners access the Internet at least weekly on a mobile phone

15-5 Explain the key issues facing a global company when designing and implementing a Web site.

Whether Web development is handled in-house or by an outside agency, several issues must be addressed when setting up for global e-commerce—for example, choosing domain names, arranging payment, localizing sites, addressing privacy issues, and setting up a distribution system.

A critical first step is registering a country-specific domain name. For example, Amazon.com has a family of different domain names, one for each country in which it operates

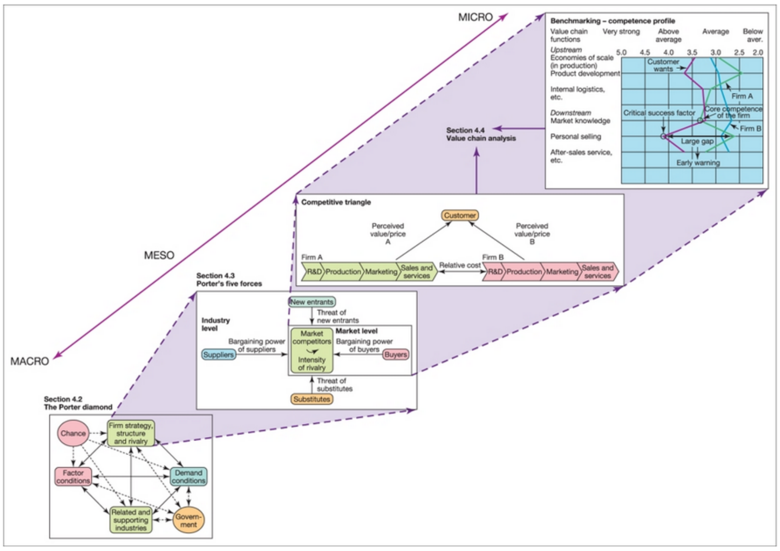
15-6 Identify the most important new products and services that have been introduced in the past decade.

- A **broadband** communication system is one that has sufficient capacity to carry multiple voice, data, or video channels simultaneously.
- In the preceding section, cloud computing was referenced as one driver of higher broadband speeds.
- **Smartphones** have much greater functionality than feature phones, incorporating many of the capabilities of computers.

- **Mobile advertising and mobile commerce** (m-commerce) are terms that describe the use of cell phones as channels for delivering advertising messages and conducting product and service transactions.
- **Autonomous Mobility**
- Mobile gaming is gaining in popularity; revenues from this industry were expected to exceed $100 billion in 2017, up from $3.77 billion in 2010.
- The term **e-sports** has been coined to describe video game competitions in which professional gamers and teams compete for cash prizes that can reach $10 million.
- **Mobile payments**—that is, payments made via smartphones—received a major boost when Apple launched Apple Pay in conjunction with the iPhone 6 in 2014.
- **Streaming Video**
- Internet telephone service is the “next big thing.” **Voice over Internet Protocol** (VoIP) technology allows the human voice to be digitized and broken into data packets that can be transmitted over the Internet and then converted back into normal speech.
- **Digital Books and Electronic Reading Devices**
- **Wearables**

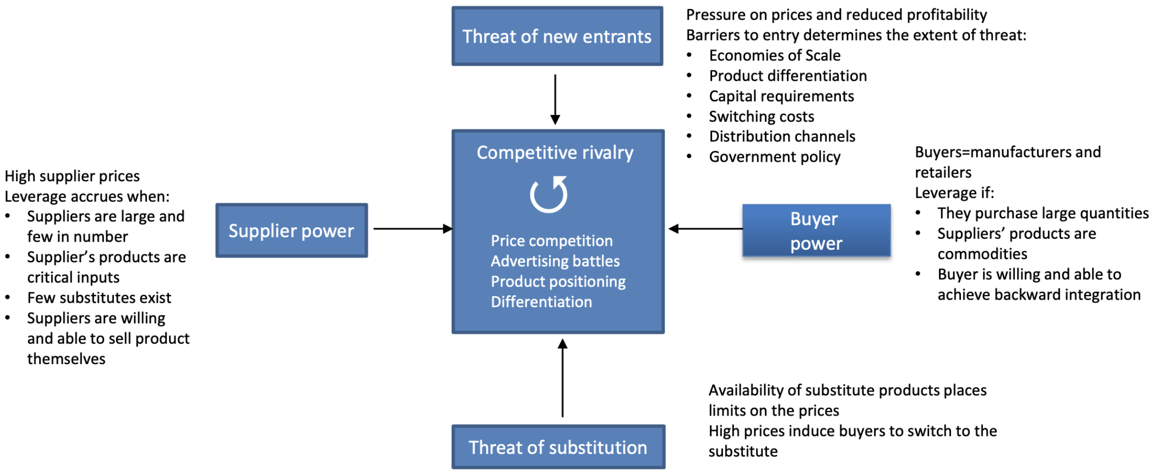
Chap 16 - Strategic Elements of Competitive Advantage

The levels of analyzing a firm's competitiveness



16-1 Identify the forces that shape competition in an industry, and illustrate each force with a specific company or industry example.

Michael E. Porters 5 forces model - Mille



16-2 Define competitive advantage and identify the key conceptual frameworks that guide decision makers in the strategic planning process. - Micha

Competitive advantage exists when there is a match between a firm's distinctive competencies and the factors critical for success within its industry.

Competitive advantage can be achieved in two ways.

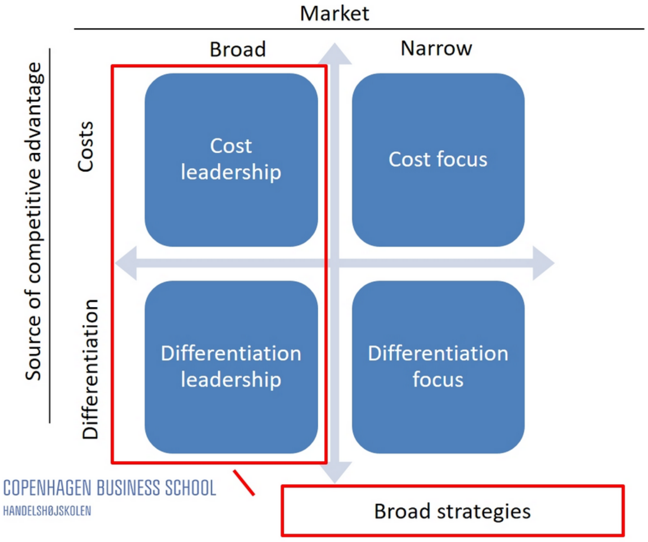
- First, a firm can pursue a low-cost strategy that enables it to offer products at lower prices compared to competitors' products.
- Second, competitive advantage may be gained by differentiating products so that customers perceive them as having unique benefits, and perhaps as warranting a premium price.

In sum, creating more value than the competition does achieves competitive advantage, and customer perception defines value.

Models to gain competitive advantage:

1. <u>**Generic strategies:**</u>

Porters generic strategy of competitive advantage



Cost leadership: competitive advantage based on a firm's position as the industry's low-cost producer, in broadly defined markets or across a wide mix of products.

- efficient facilities
- large market share
- only sustainable if barriers exist that prevent competitors from achieving the same low costs.

Differentiation leadership: When a firm's product has an actual or perceived uniqueness in a broad market, it is said to have achieved competitive advantage by differentiation.

- unique products often command premium prices.

Differentiation focus: The focus is again on differentiation the product from the product of competitors and thereby creating a higher perceived value for the consumer. In this strategy it is a more narrow focus, meaning that the firms have a better understanding of consumer needs and wants in a narrowly targeted segment.

- a firm's differentiation focus advantage is sustainable only if competitors cannot define the segment even more narrowly.

Cost focus: offering low prices to a narrow target market

- sustainable if competitors define their target markets more broadly.
- e.g. IKEA

2. Strategic intent

An alternative framework for understanding competitive advantage focuses on competitiveness as a function of the pace at which a company implants new advantages deep within its organization → has a long run perspective.

- competitive innovation

16-3 Explain how a nation can achieve competitive advantage, and list the forces that may be present in a national “diamond.” - Mille

16-4 Define hypercompetitive industry and list the key arenas in which dynamic strategic interactions take place - Oliver

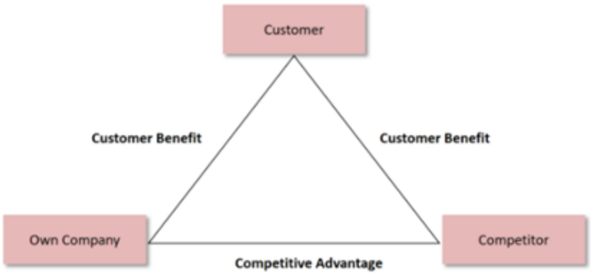
Evaluating Your Competitors: The Benchmarking Approach

Examples of value chain functions (mainly downstream functions)	Customer Importance to customer (key success factors)					Own firm (Firm A) How do customers rate performance of our firm?					Key competitor (Firm B) How do customers rate performance of key competitor?				
	High importance				*Low importance*	*Good*				*Bad*	*Good*				*Bad*
	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1
Uses new technology															
High technical quality and competence															
Uses proven technology															
Easy to buy from															
Understands what customers want															
Low price															
Delivery on schedule															
Accessible for enquiries															
Takes full responsibility															
Flexible and quick															
Known contact person															
Provides customer training															
Takes account of future requirements															
Courteous and helpful															
Specified invoices															
Gives guarantees															
ISO 9000 certified															
Right first time															
Can give references															
Environment conscious															

Hoxer’s slide notes

The strategic triangle (The 3 Cs

The competitive advantage is based on a company being able to provide buyers a lower cost than competitors.

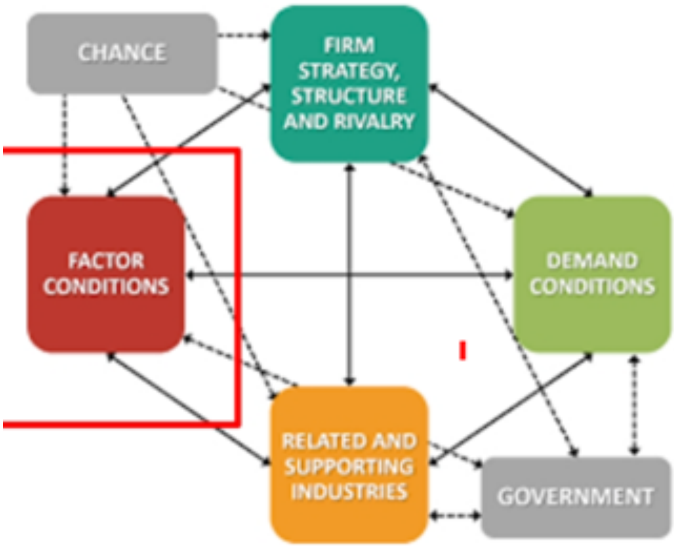


- Customer focused strategy
    - Segment market-based om customers
- Company focused strategy
    - Identify key areas and find ways to improve them
    - Focus on value chain functions
- Competitor focused strategy
    - Identify areas of possible differentiation

The best strategy will tie all three areas together as they are interrelated.
A competitive advantage must be: relevant for customers, perceptible, and sustainable.

Porters Diamond

Porter´s diamond: What factors makes a company have a competitive edge on the market



Factor conditions

- Human resources
    - Workers available, skills, wage levels, and work ethic
- Physical resources
    - The availability, quantity, and cost of land, water, minerals
- Knowledge resources
    - Scientific, technical, and market-related knowledge
- Capital resources
    - The availability, amount, cost, and types of capital available

- Infrastructure resources
    - This includes a nation's banking, healthcare, transportation, communication systems

Demand conditions

- Composition of home demand
    - Determines ow firms perceive, interpret, and respond to buyer needs
- Size and pattern of growth of home demand
    - Large home market offer opportunities to achieve comfortable market
- Rapid home market growth
    - Another incentive to invest in and adopt new technologies faster and build large, efficient facilities
- Products being pushed or pulled
    - Do a nation's people and businesses go abroad and then demand the nation's product and services in those second countries?

Related and supporting industries

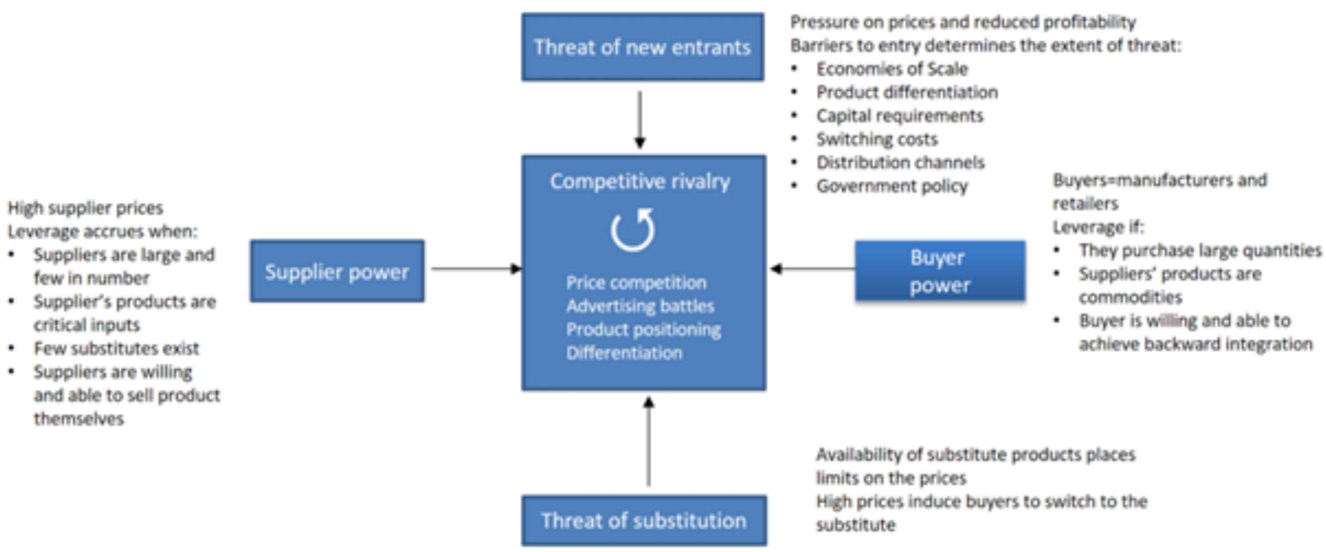
The advantage that a nation gains by being home to internationally competitive industries in fields that are related to, or in direct support of, other industries.

Contact and coordination with suppliers that optimize the value chain.

Firm's strategy, chance & government

- Domestic rivalry
    - Low domestic rivalry can eventually cause domestic firms to become noncompetitive in the world markets
    - Difference in management styles, organizational skills, and strategic perspectives create advantages/disadvantages.
- Chance
    - Chance events are occurrences that are beyond the control of firms, industries & usually government (war, recession, price fluctuations of major inputs like oil)
- Government
    - Government is also an influence on determinants by virtue of its roles as a consumer, policy maker, and commerce regulator

Porter's 5 forces model of competition



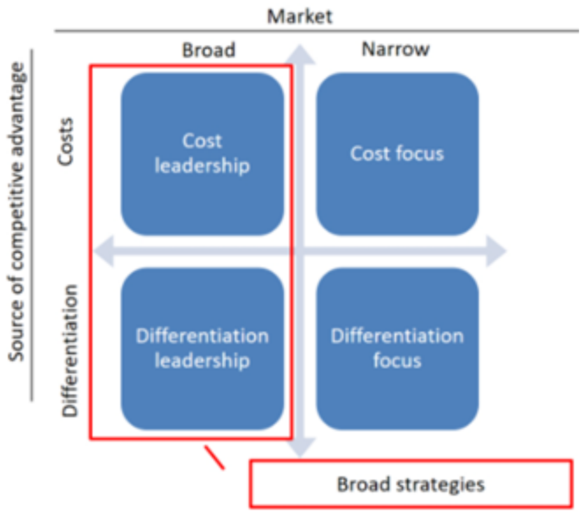
Porter's generic strategies for competitive advantage

Broad strategies

- Cost leadership
    - Based on a firm's position as the industry's low-cost producer
    - Must construct the most efficient facilities
    - Must obtain the largest market share so that its per unit cost is the lowest in the industry
    - Only works if barriers exist that prevent competitors form achieving the same low costs
- Differentiations
    - Product that has an actual perceived uniqueness in a broad market has a differentiation advantage
    - Extremely effective for defending market position
    - Extremely effective for obtaining above-average financial returns; unique products command a premium price

Narrow strategies

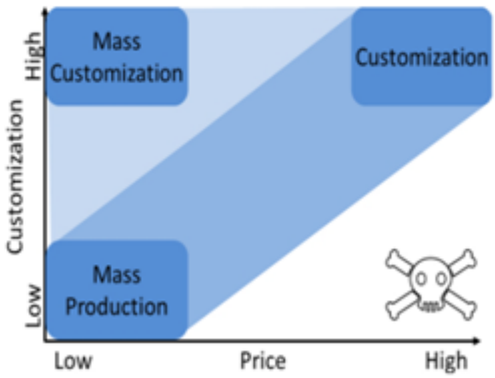
- Cost focus
    - Firm' lower cost position enables it to offer a narrow target market and ower prices than the competition
    - Sustainability is the central issue for this strategy:
        - Works if competitors define their target market more broadly
        - Works if competitors cannot define the segment even more narrowly
- Focused differentiation strategy
    - The product not only has actual uniqueness but also has a very narrow target market
    - Results from a better understanding of customer's wants and desires



Hybrid strategy: Outpacing

Company starts with one specific strategy and then changes is over its lifetime. It is a smooth transitioning from one strategy to the other.

Micro marketing: mass customization



- Customer integration in the sense of co-design
- Goods and services are offered in a variety of combinations
- Modular systems lead to individual products
- Customer-specific problem solution
- Cost advantages of process-oriented mass production

Competitive advantage through strategic intent

- Building portfolios
- Each for opportunities
- Change rules of industry
- Collaboration

Basically, you enter a market with the intent of finding bold solutions to specific areas of focus. It is the art of containing competitive risk within manageable proportions.

The benchmarking approach (evaluating you competitors)

1. Identify competitors
2. Assess competitive performance
3. Perform strategic analysis
4. Identify key success factors
5. Benchmark competitors
6. Profile competitors' objectives and strategies

Bass diffusion model

A way to predict market estimates

Innovators

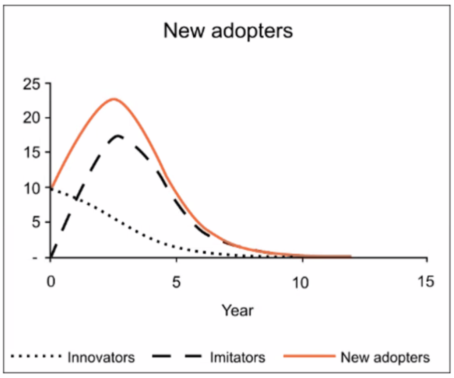
- ➢ Some individuals decide independently of other members of a social system to adopt an innovation first.

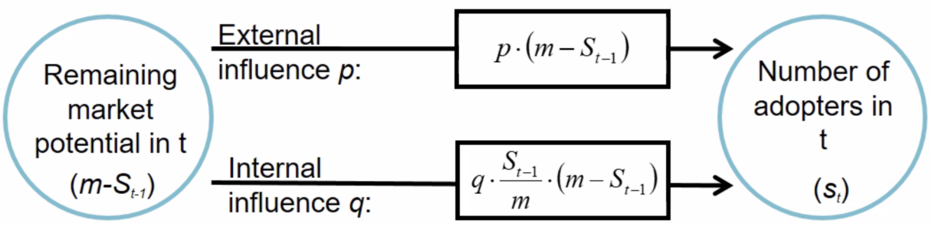
→ Influenced mainly by mass media.

Imitators

- ➢ In addition to innovators, there are individuals who adopt an innovation over time due to social pressure. This pressure increases with the number of adopters.

→ Influence mainly through interaction with others (e.g. word of mouth).





Chapter 17 - Leadership, Organization, and Corporate Social Responsibility

17-1 Identify the names and nationalities of the chief executives at five global companies discussed in the text.

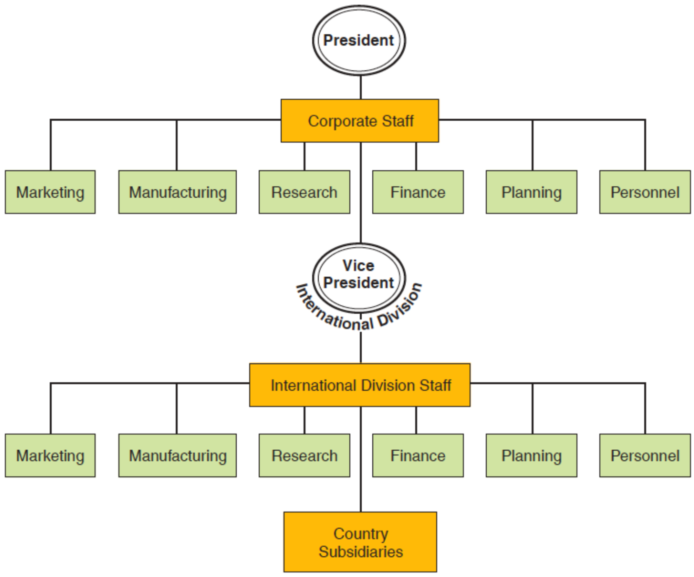
Irrelevant. But whatever.

TABLE 17-1 Who's in Charge? Executives of 2017

Company (Headquarters Country)	Executive/Nationality	Position
3M (United States)	Inge G. Thulin (Sweden)	CEO
ABB (Switzerland)	Ulrich Spiesshofer (Germany)	CEO
Adidas (Germany)	Kasper Rorsted (Denmark)	CEO
Chrysler (United States)	Sergio Marchionne (Italy)	CEO
Coca-Cola (United States)	James Quincey (United Kingdom–England)	CEO
Microsoft (United States)	Satya Nadella (India)	CEO
Monsanto (United States)	Hugh Grant (United Kingdom–Scotland)	Chairman, CEO, and president
Nissan Motor (Japan)	Carlos Ghosn (Brazil)	Chairman, president, and CEO
PepsiCo (United States)	Indra K. Nooyi (India)	CEO
Reckitt Benckiser (United Kingdom)	Rakesh Kapoor (India)	CEO
Tapestry (United States)	Victor Luis (Portugal)	CEO
Wolters Kluwer NV (Netherlands)	Nancy McKinstry (United States)	Chairman and CEO

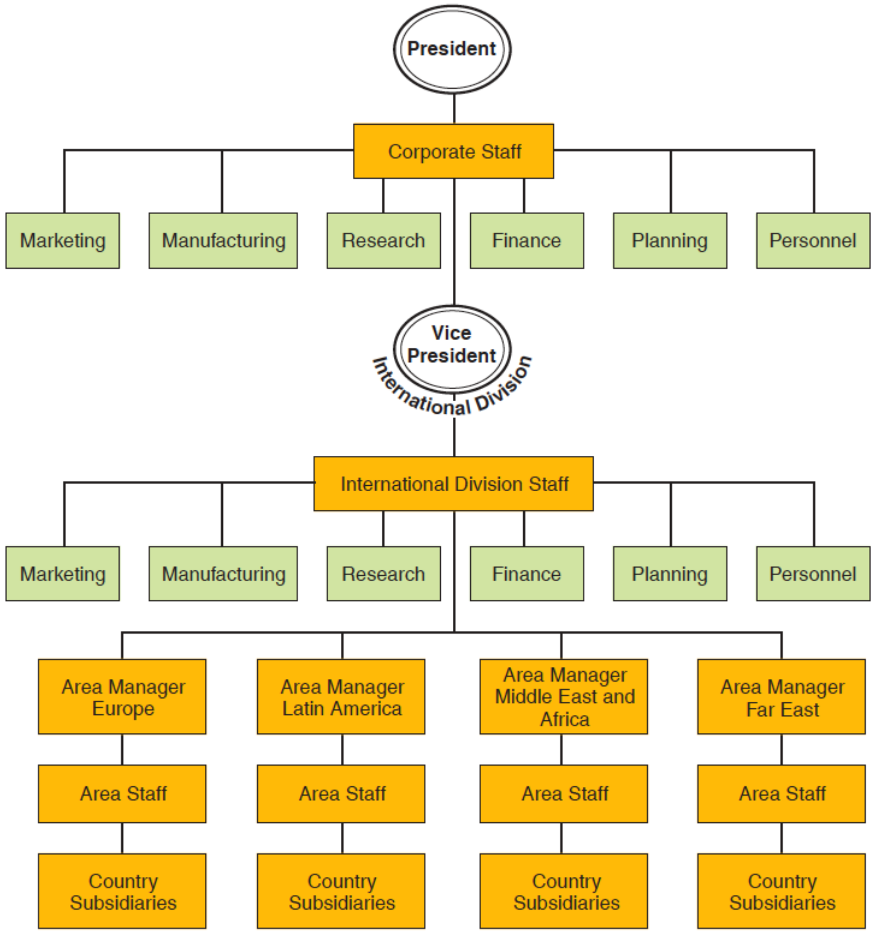
17-2 Describe the different organizational structures that companies can adopt as they grow and expand globally.

Functional Corporate Structure, Domestic Corporate Staff Orientation, and International Division



As a company's international business grows, the complexity of coordinating and directing this activity extends beyond the scope of a single person. Pressure is created to assemble a staff that will have responsibility for coordination and direction of the growing international activities of the organization. Eventually, this process leads to the creation of the international division, as illustrated in Figure 17-1. Best Buy, Hershey, Levi Strauss, Under Armour, Walmart, and Walt Disney are some examples of companies whose structures include international divisions.

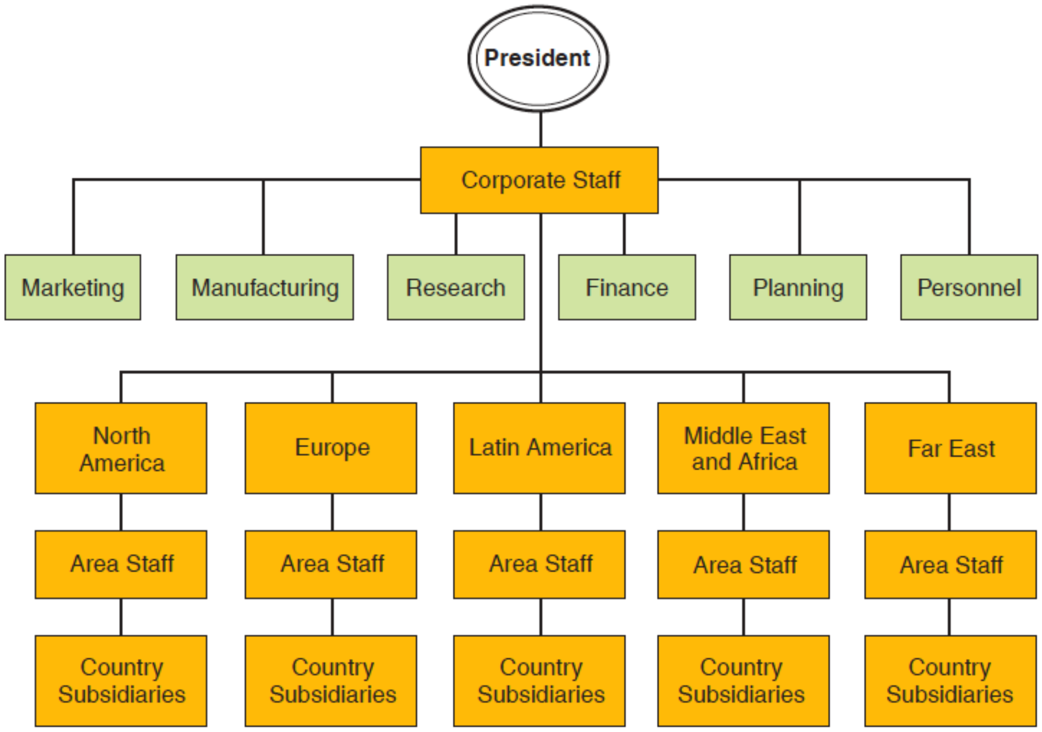
Functional Corporate Structure, Domestic Corporate Staff Orientation, International Division, and Area Divisions



When business is conducted in a single region that is characterized by similarities in economic, social, geographic, and political conditions, there is both justification and need for a management center. Thus, another stage of organizational evolution is the emergence of an area or regional headquarters as a management layer between the country organization and the international division headquarters.

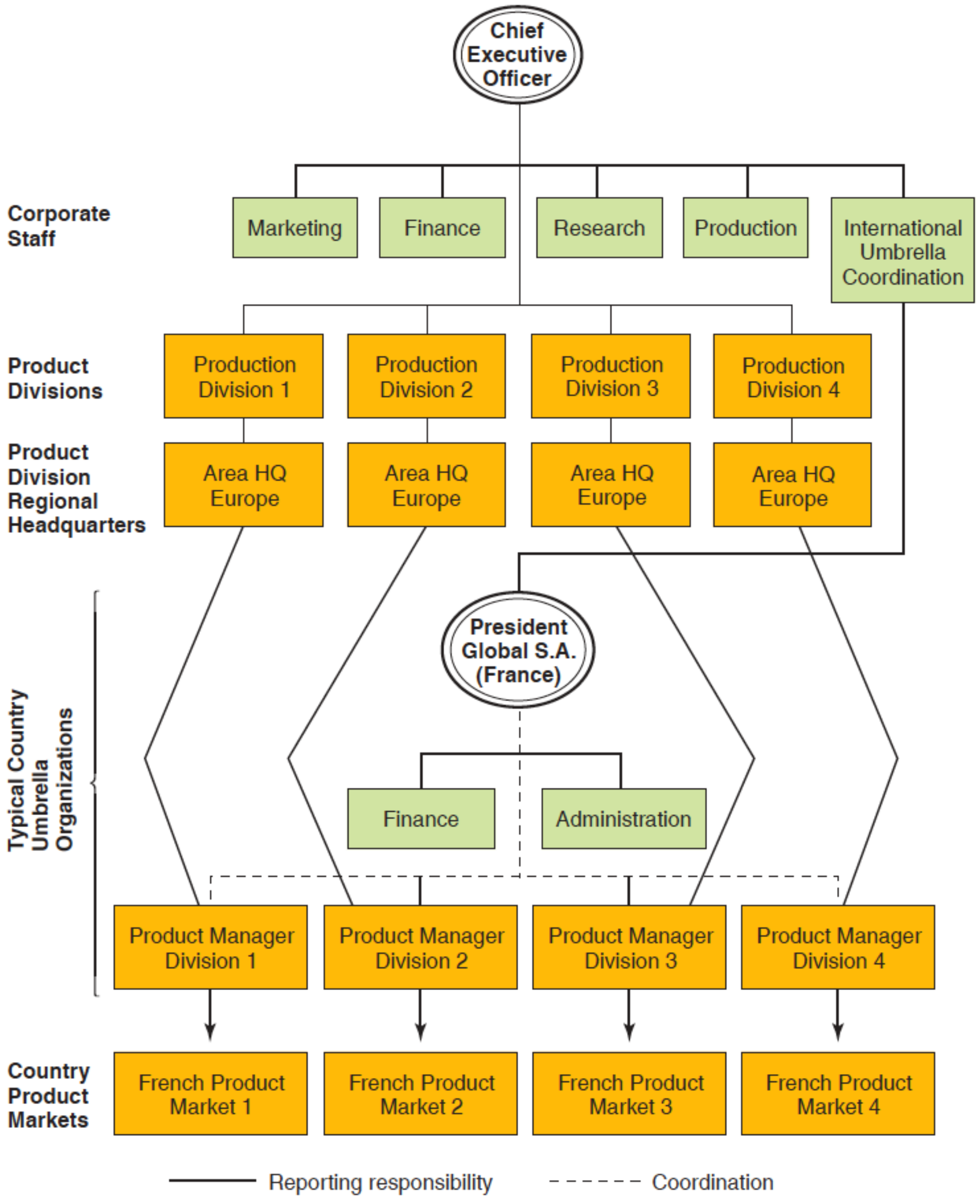
Regional management can offer a company several advantages. First, many regional managers agree that an on-the-scene regional management unit makes sense where there is a real need for coordinated, pan-regional decision making. Coordinated regional planning and control are becoming necessary as the national subsidiary continues to lose its relevance as an independent operating unit. Regional management can probably achieve the best balance of geographic, product, and functional considerations required to implement corporate objectives effectively. By shifting operations and decision making to the region, the company is better able to maintain an insider advantage.

Geographic Corporate Structure, World Corporate Staff Orientation, and Area Divisions Worldwide



As a company becomes more global, management frequently faces the dilemma of whether to organize by geography or by product lines. The geographically organized structure involves the assignment of operational responsibility for geographic areas of the world to line managers. The corporate headquarters retains responsibility for worldwide planning and control, and each area of the world—including the "home" or base market—is organizationally equal.

The Matrix Structure



In the fully developed large-scale global company, product or business, function, area, and customer know-how are simultaneously focused on the organization's worldwide marketing objectives. This type of total competence underlies the matrix organization. Management's task in the matrix organization is to achieve an organizational balance that brings together different perspectives and skills to accomplish the organization's objectives.

17-3 Discuss the attributes of lean production, and identify some of the companies that have been pioneers in this organizational form.

The advantage of the mass producers lasted until the Japanese auto companies further revised the value chain and created **lean production**, thereby gaining for themselves the kinds of dramatic competitive advantages that mass producers had previously gained over craft producers.

Most notably Ford Motor Company.

The differences between lean producers and U.S. mass producers in the way they deal with their respective dealers, distributors, and customers are as dramatic as the differences in the way they deal with their suppliers. U.S. mass producers follow the basic industry model and maintain an "arm's-length" relationship with dealers that is often characterized by a lack of cooperation and even open hostility. There is often no sharing of information because there is no incentive to do so. In many cases, the manufacturer tries to force on the dealer models that the dealer knows will not sell. The dealer, in turn, often tries to pressure the customer into buying a model he or she does not want.

17-4 List some of the lessons regarding corporate social responsibility that global marketers can take away from Starbucks' experience with Global Exchange.

A stakeholder is any group or individual that is affected by, or takes an interest in, the policies and practices adopted by an organization.

- Top management, employees, customers, persons or institutions that own the company's stock, and suppliers constitute a company's primary stakeholders.
- Secondary stakeholders include the media, the general business community, local community groups, and nongovernmental organizations (NGOs).

Corporate social responsibility (CSR), which can be defined as a company's obligation to pursue goals and policies that are in society's best interests. A key issue for a company contemplating its CSR is whose interests come first.
Consumers throughout the world expect that the brands and products they buy and use will be marketed by companies that conduct business in an ethical, socially responsible way. Socially conscious companies should include human rights, labor, and environmental issues in their agendas. These values may be spelled out in a code of ethics. Ideological, societal, and organizational perspectives can all be brought to bear on CSR.