



# MILLIONS

## MANAGEMENT SOLUTIONS

Marketing Management

SUMMARY

Chapter 3

Thrive in the Marketing Environment

## Chapter 3 - Thrive in The Marketing Environment

### Take a Bow : Marketing on The Global Stage

- **World Trade** - The Flow of goods and services among different countries - the value of all exports and imports of the world's nations
- **Countertrade** - A type of trade in which goods are paid for with other items instead of with cash
- **Steps Entering Global Market :**
  - **Step 1 : Go or No Go** - Is it our best interest to focus on home market or elsewhere?
  - **Step 2.** Which Global Markets are most attractive and offer greatest opportunity?
  - **Step 3.** What Market entry strategy and what level of commitment is best?
  - **Step 4.** How do we develop marketing mix strategies in foreign market, Standardize or Localized for each country?



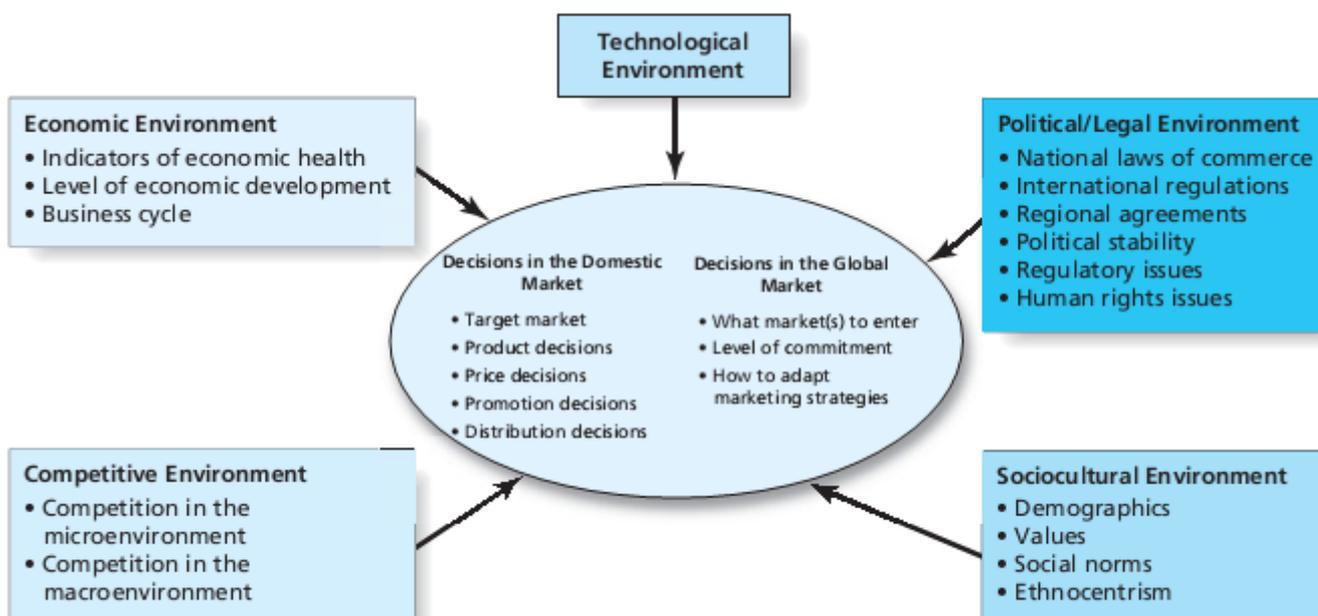
- **Must consider market conditions and competitive advantage** - Many times a firm decides to go global because domestic demand is declining while demand in foreign market grows

### Understand International, Regional, and Country Regulations

- Initiatives in international regulation and cooperation help trade : **GATT** (For the purpose of reducing import tax levels and trade restrictions) & **WTO** (To supervise and liberalize international trade)

- **Protectionism restricts trade** from Government to restrict foreign competition to give domestic companies an advantage
  - **Import Quotas** - Limitations set on the amount of product allowed to enter or leave a country
  - **Embargoes** - Trade prohibition with a country
  - **Tariffs** - Taxes on imported goods
- **Economic Communities** are composed of groups of countries that band together to promote trade among themselves while facilitating trade with countries outside the country.

## Analyze the Marketing Environment



- **Economic Environment**
  - Marketers need to understand state of the economy from two different perspectives
    - Overall Economic health and level of development of a country
    - Current stage of its business cycle
  - **Key Economic Indicators** to measure Economic Health:
    - **GDP** - Total Dollar value of goods/services a country produces within its border in a year

- **GNP** - Value of all goods and services a produced by a country's citizens or organizations
- **Economic Infrastructure** - Quality of country's distribution, financial and communication systems.
- **Levels of Economic Development** - based on **Standard of Living** (Indicator of the average quality and quantity of goods and services a country consumes)
  - **Least Developed Countries** - Economic base is often agricultural. Standard of Living is low and opportunities is low.
  - **Developing Countries** - Economy shifts emphasis from agriculture to industry.
  - **Developed Countries** - Offer wide range of opportunities for international marketers.
- **The Business Cycle** describes overall pattern of changes or fluctuation of an economy.
  - **prosperity** (high levels of demand, employment, and income)
  - **recession** (falling demand, employment, and income)
  - **recovery** (gradual improvement in production, lowering unemployment, and increasing income)
  - A severe recession is a **depression**, a period during which prices fall but there is little demand because few people have money to spend and many are out of work
  - **Inflation** occurs when prices and the cost of living rise while money loses its purchasing power because the cost of goods escalates.
- **Competitive Environment**
  - **Competitive Intelligence** - Gathering and analyzing publicly available information about rivals to develop superior marketing strategies
  - **Competition in Microenvironment**
    - **Consumer's Discretionary Income** - Choices of spending Money left over after people have paid for necessities
    - **Product Competition** - Alternate products that satisfy the same consumer's needs/wants
    - **Brand Competition** - Most direct form of competition occurs among brands offering similar goods/services

- **Competition in Macro environment**
  - **Monopoly** - One Seller controls a market
  - **Oligopoly** - There are a relatively small number of sellers, each holding substantial market share, in a market with many buyers.
  - **Monopolistic Competition** - Many sellers who compete for buyers in a market however each firm offers slightly different products.
  - **Perfect Competition** - Many small sellers offer same good or service
- **Technological Environment**
  - Provides firms with important competitive advantages, Profoundly affects marketing activities, and can transform industries.
  - **Patent** - Legal document giving inventors exclusive rights to produce/sell a particular invention in that country
- **Political and Legal Environment** - Local, state, national, and global laws and regulations affect businesses
  - **Political constraints on trade :**
    - **Economic Sanctions** - Prohibit trade with another country and cut off access to markets
    - **Nationalization** - when domestic government takes over the businesses and facilities of a foreign entity doing business within its border and reimburse the foreign company
    - **Expropriation** - Domestic Government seizes a foreign company's assets without any reimbursement.
- **Sociocultural Environment** - refers to the characteristics of the society, the people who live in that society, and the culture that reflects the values and beliefs of the society.
  - **Demographics** - Examining statistics that measure observable aspects of the population, including its size, age, gender, ethnicity, income, education, occupation and family structure
  - **Cultural Values** - Deeply held beliefs about right and wrong ways to live.
  - **Social Norms** - Specific rules dictating what is right or wrong, acceptable or unacceptable.
  - **Language**
  - **Ethnocentrism** - Tendency to prefer products or people of one's own culture.

## Is the World Flat or Not? How Global should a global Marketing Strategy Be?

- **Exporting** - If a firm chooses to export, it must decide whether it will attempt to sell its products on its own or rely on intermediaries to represent it in the target country.
- **Contractual Agreement**
  - **License Agreement** - The Licensor gives another firm (Licensee) the right to produce and market its product in a specific country or region in return for royalties on goods sold.
  - **Franchising** - Form of licensing that gives the franchisee the right to adopt an entire way of doing business in the host country.
- **Strategic Alliance - Joint Venture;** Two or more firms create a new entity to allow the partners to pool their resources for common goals
- **Direct Investment** - Deeper level of Commitment occurs when a firm expands internationally through ownership

Table 3.6 | Market Entry Strategies

Strategy	Exporting Strategy	Contractual Agreements		Strategic Alliances	Direct Investment
Level of Risk	Low	Medium		Medium	High
Level of Control	Low	Medium		Medium	High
Options	Sell on its own Rely on export merchants	Licensing License a local firm to produce the product	Franchising A local firm adopts your entire business model	Joint venture where firm and local partner pool their resources	Complete ownership often through buying a local company
Advantages	Low investment so lowest risk of financial loss Can control quality of product Avoid difficulties of producing some products in other countries	Avoid barriers to entry Limit financial investment and thus risk	Local franchisee avoids barriers to entry Limit financial investment and risk	Easy access to new markets Preferential treatment by governments and other entities	Maximum freedom and control Avoid import restrictions
Disadvantages	May limit growth opportunities Perceived as a "foreign" product	Lose control over how product is produced and marketed, which could tarnish company and brand image Potential unauthorized use of formulas, designs or other intellectual property	Franchisee may not use the same quality ingredients or procedures, thus damaging brand image	High level of financial risk	Highest level of commitment and financial risk Potential for nationalization or expropriation if government is unstable

- **Product-Level Decisions** - How to market their product in each country
  - **Standardization** - Same strategy used in the home market is applied in the same way abroad/

- **Localization** - Tailor products and promotional messages to local environments.
- **Modify the Marketing Mix**
  - **Product Decisions**
    - A Firm has three choices when it decides on a product strategy
      - Sell the Same product in the new market
      - Modify it for that market
      - Develop a brand new product to sell there
    - **A straight extension Strategy** - Used when a firm offers the same product in both domestic and foreign markets
    - **A Product Adaptation Strategy** - Occurs when a firm offers a similar but modified product in foreign markets
    - **Product Inventions** - Requires a firm to develop a new product for foreign markets
    - **Backward Invention** - A firm develops a less advanced product to serve the needs of people living in countries without electricity or develop infrastructure
  - **Promotion Decisions** - Decide whether it's necessary to modify how they speak to consumers in a foreign market.
  - **Price Decisions** - Products are often more expensive to produce for foreign markets.
    - **Free Trade Zones** - Designated areas where foreign companies can warehouse goods without paying taxes or customs duties until they move the goods into market place
    - **Gray Market Goods** - Items manufactured outside a country and then imported without the consent of the trademark holder.
    - **Dumping** - Company prices its products lower than it offers at home.
  - **Distribution Decisions** - Getting the product to remote locations is often difficult.