

Chapter Twelve – What is the international market and why is it important?

As a consumer you regularly buy products manufactured in other countries. The U.S. usually has a negative balance of trade, meaning that as a country we import more products than we export (for example, see the following website and review our annual trade deficits for the last ten years):

(http://www.kiplingerforecasts.com/kbftables/usecon/trade/trade_balance_annual.html).

What is the impact of this trade deficit? Experts disagree as to whether this deficit creates real problems for the U.S. economy or not. Critics argue that buying so many imported goods hurts the market for U.S. jobs, while others believe that this open competition forces U.S. businesses to learn how to compete effectively in global markets. A full discussion of this issue is beyond the material in this course. However, you should have a clear understanding and appreciation for the arguments expressed surrounding this issue. If you do your own search on the keywords “U.S. balance of trade” and “trade deficits” you will find many different viewpoints on this topic.

Our point is that, as a consumer you buy products manufactured in other countries almost daily. You are, no doubt, familiar with the fact that Nestles is a foreign company and that they recently merged with a U.S. company, Purina. (see http://www.nestle.com/all_about/index.html for an article outlining the merger) and that many products you buy are manufactured in China (see <http://www.census.gov/foreign-trade/balance/c5700.html> for recent government data on the U.S. trade balance with China).

However, you may not be familiar with Fiskars, based in Finland (<http://www.fiskars.com/>) or that your Doc Marten’s were probably under a brand name owned by a company based in U.K. (<http://www.drmartens.com/flash/>).

International marketing is the rule today, rather than the exception. Since NAFTA (North American Free Trade Agreement) was instituted, the U.S., Mexico, and Canada are moving towards an open market without trade barriers (search with keyword “NAFTA” to find further information), and the European Union (<http://userpage.chemie.fu-berlin.de/adressen/eu.html>) has tried to reach this goal for several years.

Thus any student of marketing should have some understanding of global trade agreements, particularly, NAFTA, the European Union, and the General Agreement on Taxes and Tariffs, also known as “GATT” (<http://gatt.org/>). As global competition for the production and marketing of goods and services intensifies, these trade agreements will become more controversial.

Choosing a strategy for international marketing

If an organization determines that it has the interest and capability to market its products internationally, the organization must then choose among several options. Traditionally, the following four options have been identified:

1. Export/import marketing intermediary – hiring an agent to represent your organization
2. Trading company – enrolling for the services of a specialized company that will represent your organization in international markets
3. Joint venture – partnering with a foreign company that has its 'home' office in the country of interest
4. Wholly owned subsidiary – going to the expense and risk of opening your own offices in the foreign country of interest

However, today with the worldwide web's communication capabilities, many of these categories have become obsolete because different kinds of organizations are filling the vacuum that previously existed in knowledge and information about foreign markets. The internet has changed the landscape of world trade, particularly where small businesses are concerned.

Export/import Marketing intermediary

The export/import marketing intermediary is usually an independent business that has a special knowledge of the export and import business. Such organizations often have knowledge relevant to doing business in a certain part of the world. For example, see (<http://www.ita.doc.gov/>) for free information on international trade.

Trading Companies

Check out the internet site <http://www.alibaba.com/> to find more information on trading companies and how they do business.

Joint Venture

Because of the historical abuses of imperialism (or situations wherein industrialized countries exploited smaller, less developed countries), many countries require that a foreign organization have at least fifty-percent of its ownership held by citizens of its own country. For an example of how one multinational company manages its international marketing efforts see the website of Xerox Corporation at <http://biz.yahoo.com/p/x/xrx.html>. You will note the Xerox, like many large organizations uses several different approaches to market its products in different regions of the world. Also, check out the Coca-Cola website to see how that company manages its international activities (<http://www.cocacola.com/>).

Explore different the websites of different companies to observe how those companies are managing their efforts at international marketing. For example, review (<http://www.jpoststore.com/product417.html>, note that “Jarden” means Jordan as in the Jordan River in the middle east*), <http://www.spa-saariselka.com/EngIndex.html>, and <http://www.arabia.com/> remember to click on ‘English’ on these websites.

How would you approach marketing to these different areas of the world? The first step in any kind of marketing endeavor is to understand what satisfies the customer, and the first step in understanding is listening, an attribute that we in the U.S. do not often exhibit. In some cultures in the world, there is nothing wrong or uncomfortable with silence. However, being silent is not an attribute of most subcultures in the U.S. thus business people from the U.S. often talk rather than listen to people from other countries. This seems simple, but as an exercise, try to be in a group of people and not say a word for at least thirty seconds. Sound easy? Try it.

Understanding other cultures requires an effort at empathy. That is, one must try to understand what it is like to ‘stand in another’s shoes.’ While this is intellectually easy to understand, it is challenging to actually do. For example, how does an Amazonian Indian see his or her world?

Chapter Twelve Exercises

1. Examine the Nokia website (<http://www.nokia.com/main.html>) and make observations on differences you find in this site and the Motorola website (<http://www.motorola.com/home/>). Do you believe the differences you identified are due to the different countries within which the two organizations function? Explain thoroughly.
2. Compare the websites of Oras, Oy (<http://www.oras.com/>) and Moen (<http://www.moen.com>). Can you identify country-oriented differences in these two companies? If so, list and discuss each difference you find.
3. Discuss the following statement: "As the worldwide web develops, it will minimize differences in the way different countries do business and will homogenize the environment of business."
4. Review the word "international marketing" on the internet and summarize your findings in a one-page report.
5. Based on the opening vignette that discussed the Nestle Company's recent acquisition of Purina Feeds, make three predictions on other natural consolidations between other U.S. firms and foreign firms that you believe may take place in the future.
6. Examine the website for Daimler/Chrysler Corporation (<http://www.daimlerchrysler.com/>). Find an article on the internet that discusses whether this merger will be successful, including your own thoughts on the merger in a one-page essay. What challenges, if any, do you believe exist for this merger based on cultural differences?
7. Find an interesting website of a foreign company that you believe does a good job of describing the company's products and makes them of interest to a reader from the U.S.
8. Write a one-page essay on an article you find discussing the disagreement between Ford Motor Company and Firestone Tires.
9. Agree or disagree with the following statement and give reasoning for your position: "the problems between Firestone Corporation (<http://www.firestone.com/>) and Ford Motor Company (<http://www.ford.com/servlet/ecmcs/ford/index.jsp>) were primarily because the companies are owned and operated by people in different countries with different cultures."
10. Describe the meaning of the term "balance of payments" and explain why it is important for a student of marketing to understand this concept.
11. Check the website below and describe how this website is related to marketing. That is, who is the customer and who is the marketer and what is being marketed?
<http://www.thehungersite.com/>