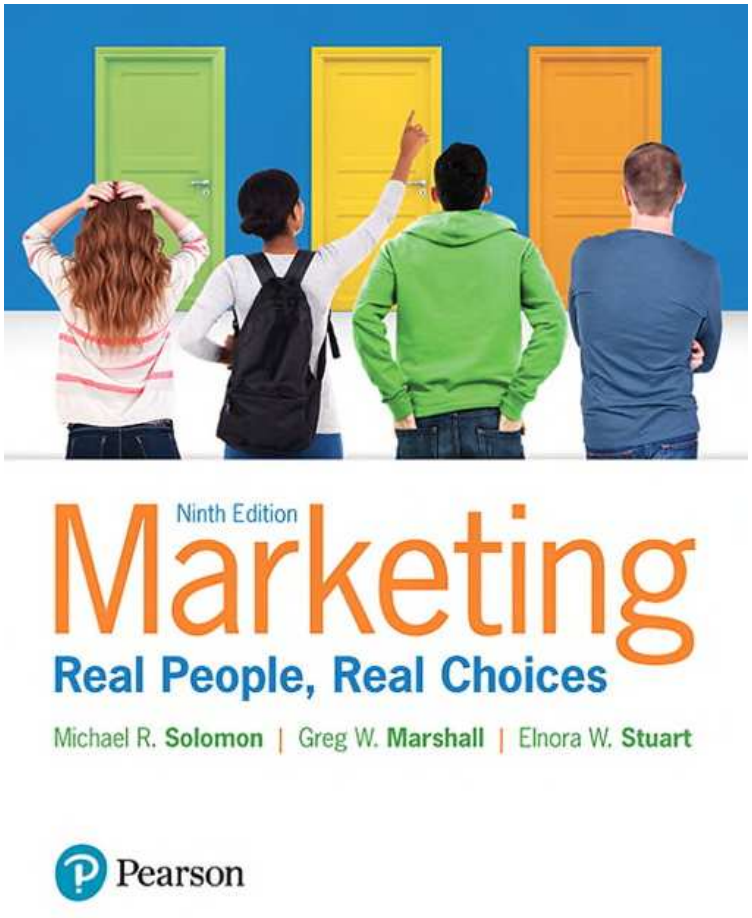
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Marketing: Real People, Real Choices

Ninth Edition



Chapter 2
Global, Ethical and Sustainable Marketing

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Learning Objectives (1 of 2)

2.1 Understand the big picture of international marketing and the decision firms must make when they consider globalization.

2.2 Explain how both international organizations, such as the World Trade Organization, economic communities, and individual country regulations facilitate and limit a firm's opportunities for globalization.

2.3 Understand how factors in a firm's external business environment influence marketing strategies and outcomes in both domestic and global markets.

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Learning Objectives (2 of 2)

2.4 Explain some of the strategies and tactics that a firm can use to enter global markets.

2.5 Understand the importance of ethical marketing practices.

2.6 Explain the role of sustainability in marketing planning.

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Real People, Real Choices: Decision Time at Johnson & Johnson (1 of 2)

- **Which option should be pursued?**
  - *Option 1:* A successful tactic from the early roll-out of Earthwards®.
  - *Option 2:* Develop a customer intranet site, including an online scorecard to take Earthwards® submissions from an Excel spreadsheet to an online database accessible by all employees.
  - *Option 3:* Develop a high-touch strategy of identifying 20 to 30 influential leaders within Johnson & Johnson.

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Marketing on the Global Stage

- Arguments for a single marketplace
  - Greenhouse effect
  - Global warming
  - Arab Spring

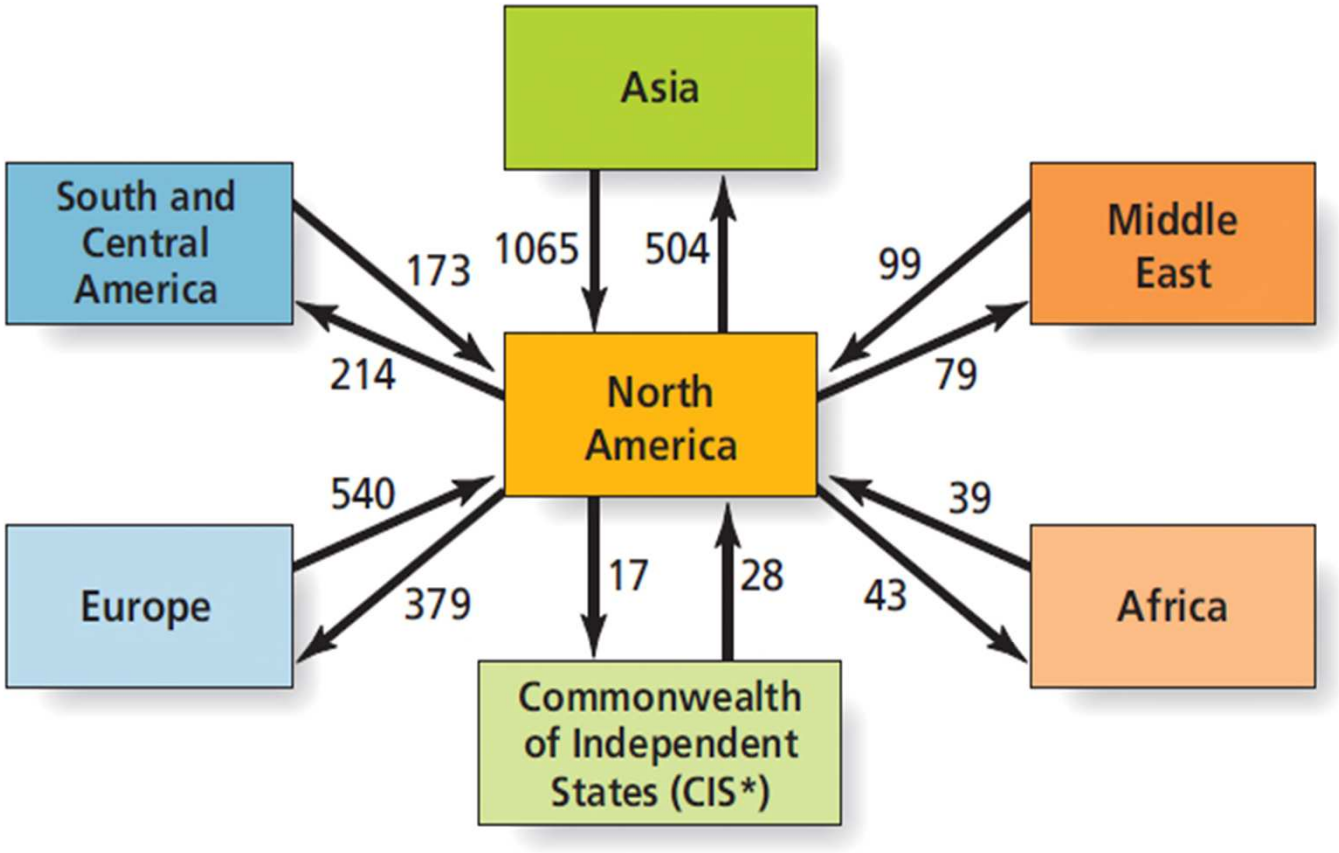
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World Trade

- **World trade** refers to the flow of goods and services among different countries.
  - Not all countries participate equally
  - Requires flexibility in order to serve needs of remote markets
  - Countertrade

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Figure 2.1 North American Merchandise Trade Flows



* Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, and Ukraine

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Figure 2.2 Steps in the Decision Process to Enter Global Markets



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Should We Go Global

Consider:

- Domestic and global market conditions and opportunities
- Your competitive advantage

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Consider Your Competitive Advantage

- Home-court advantage
- Will what made the company successful domestically translate into a new foreign market?

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Understanding the Big Picture of International Marketing

- In summary:
  - Marketing decision-making is increasingly influenced by global considerations.
  - Understanding factors involved with the flow of global trade informs the decision process.

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Initiatives in International Cooperation and Regulation (1 of 2)

- Initiatives in international regulation and cooperation help trade.
  - General Agreement on Tariffs and Trade (GATT)
  - World Trade Organization (WTO)
  - World Bank
  - International Monetary Fund (IMF)
- Protectionism restricts trade
  - Quotas, Embargoes, Tariffs
- Economic communities help to promote trade
  - NAFTA, EU

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Table 2.1 Major Economic Communities Around the World

Community	Member Countries
Andean Community (/www.comunidadandina.org/)	Bolivia, Colombia, Ecuador, Peru
Association of Southeast Asian Nations (ASEAN) (/www.aseansec.org/)	Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
Central American Common Market (CACM)	Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
Common Market for Eastern and Southern Africa (COMESA) (/www.comesa.int/)	Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
European Union (EU) (/www.europa.eu.int/)	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden (The United Kingdom was a member until it withdrew from the EU in 2016.)
MERCOSUR (/www.mercosur.org/)	Brazil, Paraguay, Uruguay, Argentina
NAFTA North American Free Trade Agreement (NAFTA) (www.nafta-sec-alena.org)	Canada, Mexico, United States
SAPTA South Asian Preferential Trade Arrangement (SAPTA) (/www.saarc-sec.org/)	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

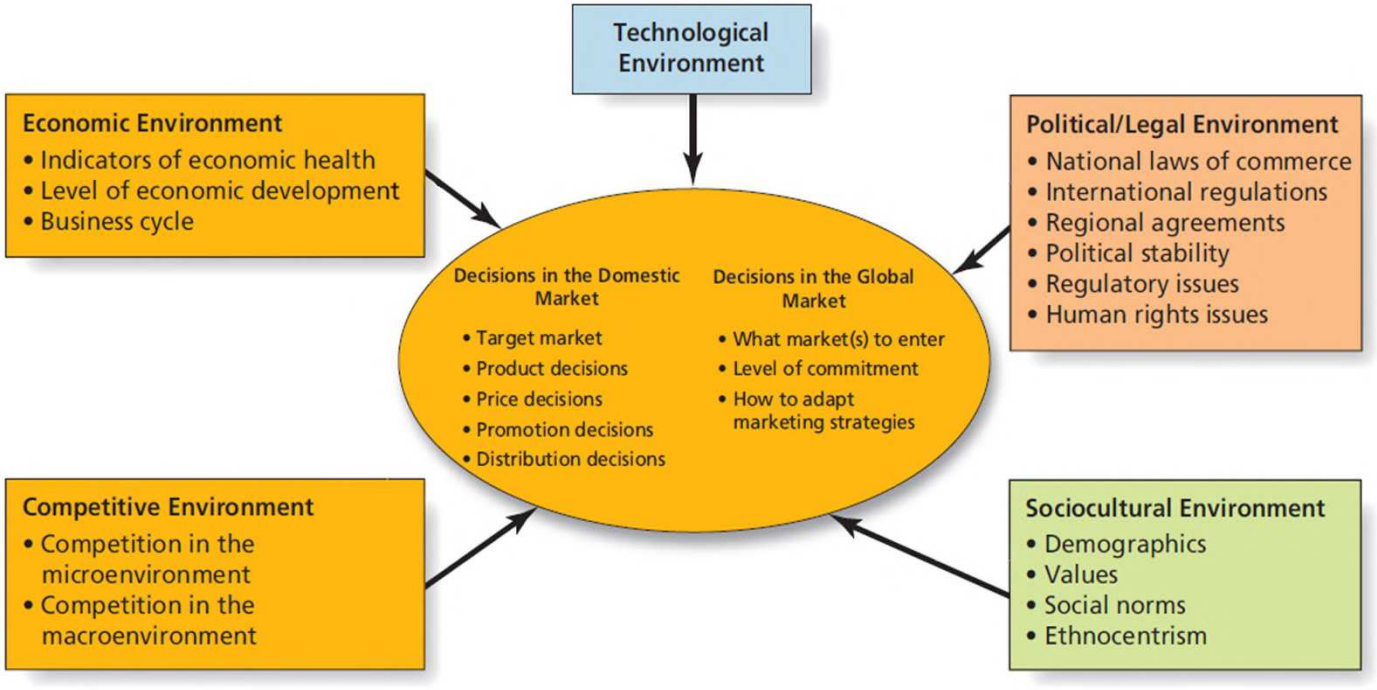
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Analyzing the Marketing Environment

- Understanding external environment is essential no matter what!
- When entering foreign markets, knowledge of local conditions is critical.
  - Helps you to figure out where to go and what strategies are likely to be most effective

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Figure 2.3 Elements of the Marketing Environment



Source: "World Trade Report," World Trade Organization, www.wto.org/english/res_e/publications_e/wtr15_e.htm

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The Economic Environment

- Marketers need to understand the state of the economy from different perspectives
  - Overall economic health (e.g., GDP, Forex Rate)
  - Current stage of the business cycle

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The Economic Environment: Overall Economic Health

- Indicators of economic health
  - Gross Domestic Product (GDP)
  - Foreign Exchange Rates (Forex)
  - Economic Infrastructure

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The Economic Environment: Levels of Development

- Least Developed Country (LDC)
  - Economic base is often agricultural
- Developing countries
  - Economy shifts emphasis from agriculture to industry
- Developed countries
  - Offer wide range of opportunities for international marketers

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Bottom of Pyramid Markets

- **Bottom of the Pyramid** (BOP) markets present big opportunities and challenges.
  - 4 billion+ consumers, living on less than $2 daily
  - $5 billion+ in collective spending power

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The Economic Environment: Business Cycles

- The **business cycle** describes the overall pattern of changes or fluctuations in an economy.
  - Prosperity
  - Recession
  - Recovery
  - Depression
- Inflation

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The Competitive Microenvironment

- Competition in the microenvironment involves consumer decision making at three levels.
  - Competition for discretionary income
  - Product competition
  - Brand competition

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The Competitive Macroenvironment

- Marketers also need to understand the big picture—the overall structure of their industry.
  - Monopoly
  - Oligopoly
  - Monopolistic competition
  - Perfect competition

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Technological Environment

- Technology:
  - Provides firms with important competitive advantages
  - Profoundly affects marketing activities
  - Can transform industries
- Patent:
  - Legal document giving inventors exclusive rights to produce/sell a particular invention in that country

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Political and Legal Environment

- Refers to local, state, national, and global laws and regulations that affect business
- U.S. business laws generally have two purposes
  - Fair competition
  - Consumer protection from unfair practices

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Table 2.3 Significant American Legislation Relevant to Marketers (1 of 2)

Law	Purpose
Sherman Antitrust Act (1890)	Developed to eliminate monopolies and to guarantee free competition. Prohibits exclusive territories (if they restrict competition), price fixing, and predatory pricing.
Food and Drug Act (1906)	Prohibits harmful practices in the production of food and drugs.
Federal Trade Commission Act (FTC) (1914)	Created the Federal Trade Commission to monitor unfair practices.
Robinson-Patman Act (1936)	Prohibits price discrimination (offering different prices to competing wholesalers or retailers) unless cost justified.
Wheeler-Lea Amendment to the FTC Act (1938)	Revised the FTC Act. Makes deceptive and misleading advertising illegal.
Lanham Trademark Act (1946)	Protects and regulates brand names and trademarks.
Child Protection and Toy Safety Act (1969)	Sets standards for child-resistant packaging.

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Table 2.3 Significant American Legislation Relevant to Marketers (2 of 2)

Law	Purpose
Consumer Credit Protection Act (1968)	Protects consumers by requiring full disclosure of credit and loan terms and rates.
National Do Not Call Registry (2003)	Established by the Federal Trade Commission to allow consumers to limit number of telemarketing calls they receive.
Credit Card Accountability, Responsibility, and Disclosure Act of 2009	Bans unfair rate increases, prevents unfair fee traps, requires disclosures be in plain language, and protects students and young people.
The Affordable Care Act of 2013	Mandates health care coverage for Americans who do not receive benefits through an employer. Revises insurance regulations by eliminating denial of coverage for preexisting conditions, ending lifetime limits on coverage, and so on.21
Data Broker and Accountability Act of 2014 (DATA Act)	Gives consumers access to files of personal information a data broker compiles, the ability to correct inaccuracies, and the chance to opt out of the sale of that data to other companies.
USA Freedom Act of 2015	A result of Edward Snowden's revelations about the National Security Agency's (NSA) practices regarding collecting and monitoring of phone conversations. Requires that phone metadata be stored by phone companies, not the U.S. government.

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Table 2.4 U.S. Regulatory Agencies and Responsibilities

Regulatory Agency	Responsibilities
Consumer Product Safety Commission (CPSC)	Protects the public from potentially hazardous products. through regulation and testing programs, the CPSC helps firms make sure their products won't harm customers.
Environmental Protection Agency (EPA)	Develops and enforces regulations aimed at protecting the environment. Such regulations have a major impact on the materials and processes that manufacturers use in their products and thus on the ability of companies to develop products.
Federal Communications Commission (FCC)	Regulates telephone, radio, TV and more recently the use of the Internet. FCC regulations directly affect the marketing activities of companies in the communications industries, and have indirect effects on all firms that use these media.
Federal Trade Commission (FTC)	Enforces laws, primarily through fines, against deceptive advertising and product labelling regulations.
Food and Drug Administration (FDA)	Enforces laws and regulations on foods, drugs, cosmetics, and veterinary products. FDA approval is required before marketers can introduce many products to the market.
Interstate Commerce Commission (ICC)	Regulates interstate bus, truck, rail, and water operations and therefore affects the ability of a firm to efficiently move products to its customers.

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Political and Regulatory Constraints on Trade

- Political actions of a government may constrain business
  - Economic Sanctions
  - Nationalization
  - Expropriation

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Regulatory Constraints on Trade

- Regulatory constraints on trade often restrict the marketing of goods.
  - Local content rules
- Human rights issues may limit foreign countries' business opportunities.
  - U.S. Generalized System of Preferences (GSP)

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Sociocultural Environment

- Refers to characteristics of a society, its people, and its cultural values and beliefs
  - Demographics
  - Cultural Values
  - Social norms
  - Language
  - Consumer Ethnocentrism



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How Global Should a "Global" Marketing Strategy Be?

- Hong Kong Disneyland
  - Bigger is better
  - Cinderella who?

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Table 2.5 Market-Entry Strategies (1 of 2)

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 buying a local company

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Table 2.5 Market-Entry Strategies (2 of 2)

Strategy	Exporting Strategy	Contractual Agreements		Strategic Alliances	Direct Investment
Advantages	Low investment, so presents the 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

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Exporting

- Should the company sell products on its own or rely on local business partners?
- **Export merchants** are intermediaries a firm uses to represent it in other countries.
  - Understand local market, know prospective buyers, and may be better able to negotiate terms



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Contractual Agreements

- In a **licensing agreement**, one firm (the licensor) gives another (the licensee) the right to produce and market its product in a specific country.
- **Franchising** is a form of licensing in which the franchisee obtains the right to adopt an entire way of doing business.
  - McDonalds in India

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Strategic Alliances

- **Strategic alliances** allow companies to pool resources for common goals.
  - Joint ventures often allow easier access to new markets.

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Direct Investment

- **Direct investment** is when a firm expands internationally through ownership.
- Often when it buys a business in the host country outright

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Standardization vs. Localization

1. To what extent will company need to adapt marketing communications to local market?
2. Will the same product appeal to people there?
3. Will it have to be priced differently?
4. How will the company get the product into people's hands?

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Tweaking the Global Marketing Mix: Product Strategies

- Product decisions
  - Straight extension
  - Product adaptation
  - Product invention
  - Backward invention



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Tweaking the Global Marketing Mix: Price, Promotion, Place Strategies

- Promotion decisions
- Price decisions
  - Free trade zones
  - Gray markets
  - Dumping
- Place/Distribution decisions

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Ethics is Job One in Marketing Planning

- Marketing action cannot establish long-term relationships if it is shown to be unethical.
  - Consequences of low ethical standards can be damaging to firms and managers.
  - Stockholders may lose investment.
  - Jobs may be lost.
  - Confidence in the economy suffers.

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Importance of Ethical Marketing Practices

- **Business ethics** are basic values that guide a firm's behavior.
  - What constitutes ethical behavior is often different for different people.
  - Ethical philosophies guide how people make such decisions.
- A **code of ethics** is a written standard to which everyone in the organization must subscribe.

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Table 2.6 Some Common Ethical Philosophies

Ethical Philosophy	Description of the Ethical Decision	Questions for Decision Making
Utilitarian approach	The decision that provides the most good or the least harm (i.e., the best balance of good and harm).	Which option will produce the most good and do the least harm?
Rights approach	The decision that does the best job of protecting the moral rights of all affected. These include the following: • The rights to decide what kind of life to lead • The right to be told the truth • The right not to be injured • The right to privacy	Which option best respects the rights of all who have a stake?
Fairness or justice approach	The decision that treat all human beings equally—or, if unequally, then fairly based on some standard that is defensible.	Which option treats people equally?
Common good approach	The decision that contributes to the good of all in the community.	Which option best serves the community as a whole, not just some members?
Virtue approach	The decision is in agreement with certain ideal virtues. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues.	Which option leads me to act as the sort of person I want to be?

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Table 2.7 AMA Code of Ethics

Ethical Norms

- Do no harm
- Foster trust in the marketing system
- Embrace ethical values

Ethical Values

- Honesty
- Responsibility
- Fairness
- Respect
- Transparency
- Citizenship

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Is Marketing Unethical?

- Marketing serves the rich and exploits the poor.
- Products are not safe
- Poor quality products
- Planned obsolescence
- Easy consumer credit makes people buy things they don’t need or can’t afford.

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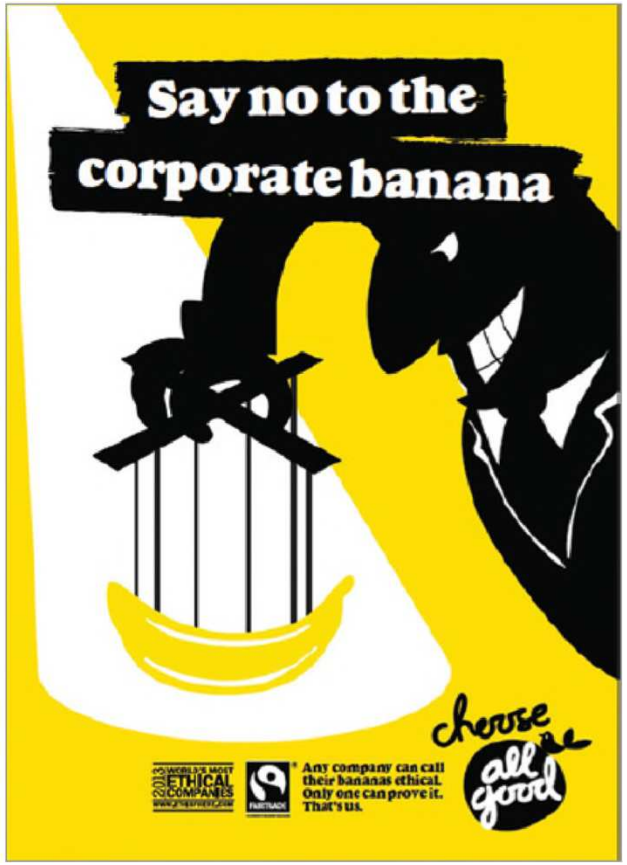
When is a Bribe Not a Bribe? Ethical Issues for Global Business (1 of 2)

- Vast differences in what people around the world consider ethical business behavior
  - In many LDCs and developing countries, payment in exchange for “favors” is a way of life.
  - U.S. federal law bans payment to influence decisions by foreign officials to award business contracts.
- **Bribery** occurs when someone voluntarily offers payment to get an illegal advantage.
- **Extortion** occurs when someone in authority extracts payment under duress.

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Sustainability: Marketers Do Well by Doing Good

- Many believe sustainability is no longer an option.
  - Firms must focus on the triple bottom line.
  - Sustainability is often sensible business.



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Ethical/Sustainable Decisions in the Real World:

- Smombie – smartphone zombie
- Injuries and deaths are increasing because people walk and text.

Should phone companies voluntarily protect phone users from getting hurt while using apps?

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Developing a Sustainable Marketing Mix

- Target marketing strategies
  - Green customers
- Product strategies
  - Fair trade suppliers
- Price strategies
- Place/Distribution strategies
  - Locavorism
- Promotion strategies

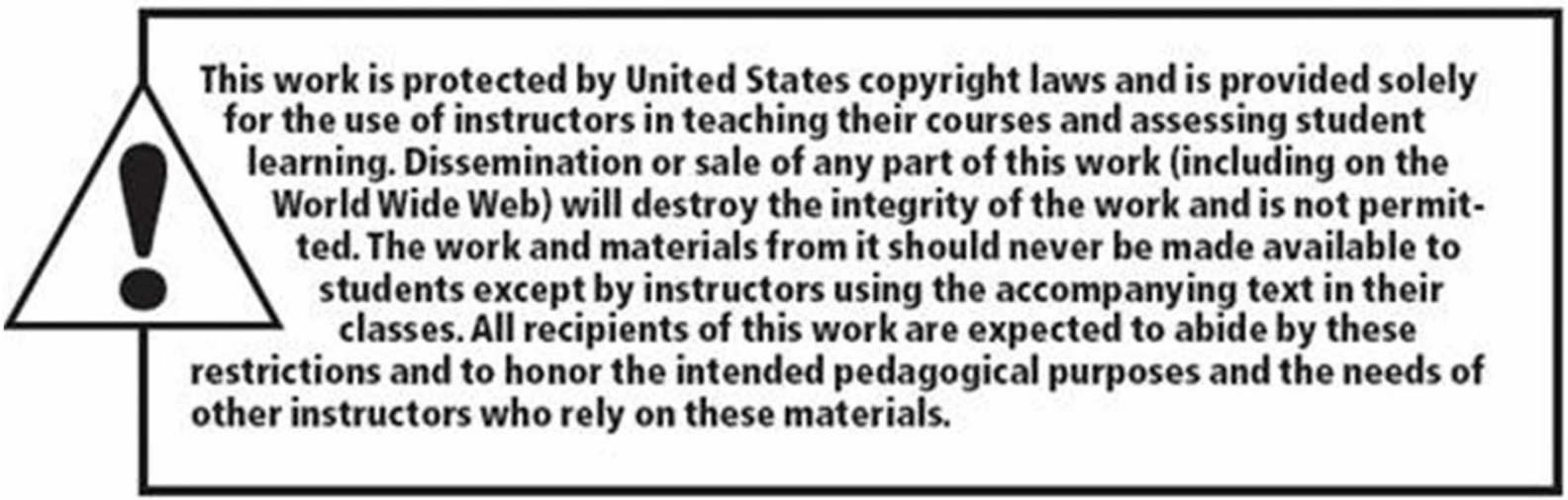
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Sustainable Customer Behavior

- A sustainability approach doesn't end with an improvement in the manufacturing process.
- Marketers need to motivate customers.
- Consumers can be a part of sustainable marketing practices.

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Chapter 2

Global, Ethical, and Sustainable Marketing

I. CHAPTER OVERVIEW

In this chapter, students are introduced to global marketing and explore ways in which economic, political, legal, and cultural issues influence global as well as domestic marketing strategies and outcomes. These issues also affect whether or not businesses choose to enter a global market. Students also learn that if a business does enter a global market, the level of commitment is directly related to the level of control. The chapter discusses how marketers make product, price, place, and promotion decisions in foreign markets. Ethical business practices are important for the firm to do its best for stakeholders and to avoid the consequences of low ethical standards. Many firms practice sustainability when they develop target marketing, product, price, place/distribution, and promotion strategies designed to protect the environment.

II. CHAPTER OBJECTIVES

- Understand the big picture of international marketing and the decisions firms must make when they consider globalization.
- Explain how international organizations such as the World Trade Organization (WTO), economic communities and individual country regulations facilitate and limit a firm's opportunities for globalization.
- Understand how factors in a firm's external business environment influence marketing strategies and outcomes in both domestic and global markets.
- Explain some of the strategies and tactics that a firm can use to enter global markets.
- Understand the importance of ethical marketing practices.
- Explain the role of sustainability in marketing planning.

III. CHAPTER OUTLINE

► **MARKETING MOMENT INTRODUCTION** Ask the class for new product suggestions and conduct a simple vote (raise of hands) to choose one of the product suggestions for an in-depth discussion of global challenges for marketing that product across cultures and borders.		
p. 31	**REAL PEOPLE, REAL CHOICES—HERE'S MY PROBLEM AT JOHNSON & JOHNSON** When Johnson & Johnson launched the Earthwards® process in 2009, Keith and his team used it to encourage J&J's products teams to make significant improvements to 60 products. Today, Johnson & Johnson has integrated and expanded the original process across the company. It uses the Earthwards® approach to	

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	drive continuous innovation. As he considered the best strategy to promote Earthwards®, Keith knew that one of his biggest challenges was to convince J&J's 127,000 employees around the globe to buy into the idea. He needed a way to drive awareness and interest in the Earthwards® approach to sustainable product development across Johnson & Johnson. Generating awareness, understanding and adoption of the process was a key performance metric against which his team would be measured. Keith had only limited resources to accomplish this objective. He considered his options: 1. Host regional green marketing conferences to showcase key tools and resources available to key stakeholders. 2. Develop a customer intranet site, including an online scorecard to take Earthwards® submissions from an Excel spreadsheet to an online database accessible by all employees. 3. Develop a high-touch strategy of identifying leaders within Johnson & Johnson for meetings and training sessions. The vignette ends by asking the student which option he/she would choose. Keith chose option #2.	
Website: www.earthwards.jnj.com		
p. 32	**1. TAKE A BOW: MARKETING ON THE GLOBAL STAGE** Firms doing business in this global economy face uncertainty in the future of the global marketplace. Consumers and world leaders have argued that the development of free trade and a single global marketplace will benefit us all because it allows people who live in developing countries to enjoy the same economic benefits as citizens of more developed countries. There are other reasons for a single marketplace. One important reason comes from fears of the **Greenhouse Effect,** the turning of our atmosphere into a greenhouse due to carbon dioxide, The result, many believe, is **global warming**, a warming of the earth which will have disastrous effects on the planet. There is another single marketplace issue. The **Arab Spring**, a series of anti-government protests and uprisings in Arab countries aided by social media, gave hope that dictatorships in the Middle East would become democracies. Instead, new violent radical groups such as ISIS took over.	

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p. 33	**1.1 World Trade** **World trade** refers to the flow of goods and services among different countries—the total value of all the exports and imports of the world's nations. Today, we see increasing growth in world trade with world exports of merchandise increasing from $12 trillion in 2009 to nearly $19 trillion in 2014. In some countries, because sufficient cash or credit is simply not available, trading firms work out elaborate deals in which they trade (or *barter*) their products with each other or even supply goods in return for tax breaks from the local government. This **countertrade** accounts for as much as 25 percent of world trade.	Figure 2.1 Snapshot: North American Merchandise Trade Flows
p. 34	**1.2 Should We Go Global?** When firms consider going global, they must think about this in four steps: • Step 1. "Go" or "no go"—is it in our best interest to focus exclusively on our home market or should we cast our net elsewhere as well? • Step 2. If the decision is "go," which global markets are most attractive? Which country or countries offer the greatest opportunity for us? • Step 3. What market-entry strategy, or rather, what level of commitment is best? • Step 4. How do we develop marketing mix strategies in the foreign markets? Should we standardize what we do in other countries, or develop a unique localized marketing strategy for each country? **1.2.1 The Globalization Decision** p. 34 **1.2.2 Look at Domestic and Global Market Conditions and Opportunities** Many times, a firm decides to go global because domestic demand is declining while demand in foreign markets grows. p. 34 **1.3 Consider Your Competitive Advantage** Firms hope to create competitive advantage over rivals. When firms compete in a global marketplace, this challenge is even greater because there are more players involved, and typically, some of these local firms have a "home-court advantage." If it wants to go global, a firm needs to examine the competitive advantage that makes it successful in its home country. Will this competitive advantage also extend to other countries?	Figure 2.2 Process: Steps in the Decision Process for Entering Global Markets
p. 35	**2. UNDERSTAND INTERNATIONAL, REGIONAL, AND COUNTRY GLOBAL TRADE CONTROLS**	

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	Often governments erect roadblocks (or at least those pesky speed bumps) designed to favor local businesses over outsiders that hinder a company's efforts to expand into foreign markets.	
p. 35	**2.1 Initiatives in International Cooperation and Regulation** The World Trade Organization (WTO) replaced the General Agreement on Tariffs and Trade (GATT) and helped reduce the problems that protectionism creates. The World Trade Organization has made giant strides in creating a single open world market. The objective of the WTO is to "to ensure that trade flows as smoothly, predictably and freely as possible."	
p. 35	Two additional organizations have a strong influence on the advancement of global trade: the **World Bank** and the **International Monetary Fund (IMF)**.	
p. 36	The primary purpose of the IMF, also founded in 1944, is to ensure the stability of the international monetary exchange by controlling fluctuations in **foreign exchange rates,** the price of one currency in terms of another currency. Stabilizing exchange rates prevents problems with the **balance of payments,** a statement of how much trade a country has going out compared to how much it has coming in.	
p. 36	**2.2 Protected Trade: Quotas, Embargoes, and Tariffs** In some cases, a government adopts a policy of **protectionism** in which it enforces rules on foreign firms designed to give home companies an advantage. Many governments set **import quotas** on foreign goods to reduce competition for their domestic industries. Quotas can make goods more expensive to a country's citizens because the absence of cheaper foreign goods reduces pressure on domestic firms to lower their prices. An **embargo** is an extreme quota that prohibits commerce and trade with a specified country altogether. Governments also use **tariffs**, or taxes on imported goods, to give domestic competitors an advantage in the marketplace by making foreign competitors' goods more expensive than their own products.	
Discussion question: Ask students to discuss products they know that are associated with import quotas, an embargo, and tariffs. How do they feel about these protected trade roadblocks in the context of the products they mentioned?		
p. 36	**2.3 Economic Communities**	

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	Groups of countries may also band together to promote trade among them and make it easier for member nations to compete elsewhere. These **economic communities** coordinate trade policies and ease restrictions on the flow of products and capital across their borders. Economic communities are important to marketers because they set policies in areas such as product content, package labeling, and advertising regulations.	Table 2.1 Some Major Economic Communities around the World
Website: www.wto.org Discussion question: Ask students what they think about the various economic communities. How would/will they affect their lives as consumers?		
p. 37	**3. ANALYZE THE EXTERNAL MARKETING ENVIRONMENT** Whether or not you have decided to venture into a foreign market, it is essential to understand your external environment. For firms that choose to limit themselves to their domestic market, having a sharp picture of the marketing environment allows them to make good decisions about marketing strategies. If you've decided to go global, understanding local conditions in potential new country or regional markets helps you to figure out just where to go.	Figure 2. 3 Snapshot: Elements of the External Environment
Troubleshooting Tip: Just as in the last chapter, it is important to emphasize that the marketing environmental factors listed in this section of the chapter represent nicely the "OT" of the SWOT analysis—additionally, it is important for students to recognize that these "OT" factors are not directly controllable by the company.		
p. 37 p. 38	**3.1 The Economic Environment** Understanding the economy of a country in which a firm does business is vital to the success of marketing plans. Countries with the highest incomes have experienced lower growth rates (2.4 percent in 2016) compared to much higher growth rates in lower income countries (5.3 percent) and 5.9 percent in countries with the lowest level of development, the **least developed countries (LDCs)**. **3.1.1 Indicators of Economic Health** The most commonly used measure of economic health of a country is the **gross domestic product (GDP)**: the total dollar value of goods and services a country produces within its borders in a year. A similar but less frequently used measure of economic health is the **gross national product (GNP)**, which measures the value of all goods and services a country's individuals or organizations produce, whether located within the country's borders or not. In addition to total GDP, marketers may also	Table 2.2 Selected Comparisons of Economic and Demographic Characteristics

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	compare countries based on *per capita GDP*: the total GDP divided by the number of people in a country. GDP and exchange rates alone do not provide the information marketers need to decide if a country's economic environment makes for an attractive market. They must consider **economic infrastructure,** the quality of distribution, financial, and communications systems.	
p. 40	**3.1.2 Level of Economic Development** Level of economic development takes into consideration the broader economic picture of a country. A country's **standard of living** is an indicator of the average quality and quantity of goods and services a country consumes. Economists describe the following three basic levels of development: • A country at the lowest stage of economic development is an LDC. In most cases, its economic base is agricultural. In least developed countries, the standard of living is low, as are literacy levels. **Bottom of the pyramid (BOP)** is the name for four billion consumers who live on less than $2 a day. • When an economy shifts its emphasis from agriculture to industry, standards of living, education, and the use of technology improve. These countries are **developing countries**. In such locales, there may be a viable middle class, often largely composed of entrepreneurs working hard to run successful small businesses. Because over eight out of 10 consumers now live in developing countries, the number of potential customers and the presence of a skilled labor force attract many firms to these areas. The largest of the developing countries, Brazil, Russia, India and China, are referred to as the **BRIC countries** or simply as the BRICs. These four countries are the fastest growing of the developing countries and they represent over 42 percent of the world's population. A **developed country** boasts sophisticated marketing systems, strong private enterprise, and bountiful market potential for many goods and services. Such countries are economically advanced, and they offer a wide range of opportunities for international marketers. The United States, the United Kingdom, Australia, Canada, France, Italy, Germany, and Japan are the most	Sachet packaging

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	economically developed countries in the world. In 1975, they established the **Group of Seven (G7)** to serve as an informal forum for these nations (Russia's membership was revoked because of its involvement in the Crimean crisis).	
p. 41	**3.1.3 The Business Cycle** The **business cycle** is the overall pattern of changes or fluctuations of an economy. All economies go through cycles of *prosperity* (high levels of demand, employment and income), *recession* (falling demand, employment and income), and *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.	
p. 41	**3.2 The Competitive Environment** Firms must keep abreast of what the competition is doing so they can develop new product features, new pricing schedules, or new advertising to maintain or gain market share. An increasing number of firms around the globe engage in **competitive intelligence (CI)** activities, the process of gathering and analyzing publicly available information about rivals. The firm uses this information to develop superior marketing strategies.	
► Marketing Moment In-Class Activity Have students identify information about companies that is publicly available. How can you get the information? What type of information is available? What does this information tell you about the company in terms of target market, marketing strategy, pricing strategy, etc.		
p. 42	**3.2.1. Competition in the Microenvironment** Competition in the *microenvironment* means the product alternatives from which members of a target market may choose. We think of these choices at three different levels. At a broad level, marketers compete for consumers' **discretionary income**: the amount of money people have left after paying for necessities such as housing, utilities, food, and clothing. A second type of choice is **product competition**, in which competitors offering different products attempt to satisfy the same consumers' needs and wants. The third type of choice is **brand competition**, in which competitors offering similar goods or services vie for consumer dollars.	
p. 42	**3.2.2. Competition in the Macroenvironment** When we talk about examining competition in the	

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	macroenvironment, we mean that marketers need to understand the big picture—the overall structure of their industry. Four structures describe differing amounts of competition. • A **monopoly** exists when one seller controls a market. • In an **oligopoly**, there are a relatively small number of sellers, each holding substantial market share, in a market with many buyers. • In a state of **monopolistic competition**, many sellers compete for buyers in a market. • Finally, **perfect competition** exists when there are many small sellers, each offering the same good or service.	
Website: Asia Insight: www.asiainsight.com		
p. 43	**3.3 The Technological Environment** Changes in technology profoundly affect marketing activities. Amazon had been working on **drones,** unmanned aircraft controlled by a GPS, to deliver packages. A **patent** is a legal document that grants inventors exclusive rights to produce and sell a particular invention in that country. Marketers monitor government patent applications to discover innovative products they can purchase from the inventor.	
Website: H&M virtual fashion: www.hm.com		
p. 43 p. 43 p. 45	**3.4 The Political and Legal Environment** The political and legal environment refers to the local, state, national, and global laws and regulations that affect businesses. **3.4.1 American Laws** Laws in the United States governing business have two purposes. Some such as the Sherman Antitrust Act and the Wheeler–Lea Act make sure that businesses compete fairly with each other. Others, such as the Food and Drug Act and the Consumer Products Safety Commission Act, make sure that businesses do not take advantage of consumers. **3.4.2 Political Constraints on Trade** Global firms know that the political actions a government takes can drastically affect their business operations. Short of war, a country may impose *economic sanctions* that prohibit trade with another country (as the United States has done with several countries, including Cuba and North Korea), so access to some markets may be cut off. **Nationalization** occurs when the domestic government reimburses a foreign company (often not for the full value) for its assets after taking it over. **Expropriation** occurs when a domestic government seizes a	Table 2.3 Significant American Legislation Relevant to Marketers Table 2.4 U.S. Regulatory Agencies and Responsibilities

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	foreign company's assets (and that firm is just out of luck). Now that the United States has normalized relations with Cuba, it remains to be seen if these firms seek reimbursement for their lost property.	
p. 45	**3.4.3 Regulatory Constraints on Trade** Governments and economic communities regulate what products are allowed in the country, what products should be made of, and what claims marketers can make about them. **Local content rules** are a form of protectionism stipulating that a certain proportion of a product must consist of components supplied by industries in the host country or economic community.	
p. 45	**3.4.4 Human Rights Issues** Some governments and companies are vigilant about denying business opportunities to countries that mistreat their citizens. They are concerned about conducting trade with local firms that exploit their workers or that keep costs down by employing children or prisoners for slave wages.	
p. 45	**3.4.5 The U.S. Generalized System of Preferences** The **U.S. Generalized System of Preferences (GSP)** is a program established by Congress to promote economic growth in the developing world. GSP regulations allow developing countries to export goods duty-free to the United States.	
Websites: Environmental Protection Agency (EPA): www.epa.gov Federal Communications Commission: www.fcc.gov Federal Trade Commission (FTC): www.ftc.gov Food and Drug Administration (FDA): www.fda.gov Discussion question: What human rights issues are particularly of concern among your students? Why?		
p. 46	**3.5 The Sociocultural Environment** Another element of a firm's external environment is the sociocultural environment. This term 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. Whether at home or in global markets, marketers need to understand and adapt to the customs, characteristics, and practices of its citizens.	
p. 46	**3.5.1 Demographics** **Demographics** are statistics that measure observable aspects of a population, such as size, age, gender, ethnic group, income, education, occupation, and family structure.	
p. 46	**3.5.2 Values**	

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	Every society has a set of **cultural values**, or deeply held beliefs about right and wrong ways to live, that it imparts to its members. For example, for most Americans, *punctuality* is a core value; indeed, business leaders often proclaim that "time is money." For countries in Latin America and other parts of the world, this is not at all true. In **collectivist cultures**, such as those found in Venezuela, Pakistan, Taiwan, Thailand, Turkey, Greece, and Portugal, people tend to subordinate their personal goals to those of a stable community. In contrast, consumers in **individualist cultures**, such as the United States, Australia, Great Britain, Canada, and the Netherlands, tend to attach more importance to personal goals, and people are more likely to change memberships when the demands of the group become too costly.	
p. 47	**3.5.3 Social Norms** **Social norms** are specific rules dictating what is right or wrong, acceptable or unacceptable.	
p. 48	**3.5.4 Language** Language barriers can affect product labeling and usage instructions, advertising, and personal selling.	
p. 48	**3.5.5 Consumer Ethnocentrism** **Ethnocentrism** refers to the belief that one's own norms and the products made in your country are superior. **Consumer ethnocentrism** refers to consumers' beliefs about products produced in their country versus those from another.	
► Marketing Moment In-Class Activity Have students identify countries and products or stereotypes they associate with those countries. For example, chocolate may be associated with Switzerland while wine may be associated with France. What products do students associate with Brazil? Nothing? What does that mean if you are the minister of trade for Brazil? What other countries did students associate with 'wine'? What does that say about the global wine industry?		
p. 48	**4. HOW "GLOBAL" SHOULD A GLOBAL MARKETING STRATEGY BE?** Going global is not a simple task. If a firm decides to expand beyond its home country, it must make important decisions about how to structure its business and whether to adapt its product marketing strategy to accommodate local needs.	
p. 49	**4.1 Company-Level Decisions: The Market Entry Strategy** Just like a romantic relationship, a firm deciding to go global must determine the level of commitment it is willing to make to	Table 2. 5 Market-Entry Strategies

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	operate in another country. At one extreme, the firm simply exports its products; while at the other extreme it directly invests in another country by buying a foreign subsidiary or opening its own stores. The decision about the extent of commitment entails a trade-off between *control* and *risk*. Direct involvement gives the firm more control over what happens in the country, but risk also increases if the operation is not successful.	
p. 49	**4.1.1 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. These specialists, or **export merchants**, understand the local market and can find buyers and negotiate terms. An exporting strategy allows a firm to sell its products in global markets and cushions it against downturns in its domestic market.	
p. 49	**4.1.2 Contractual Agreements** The next level of commitment a firm can make to a foreign market is a contractual agreement with a company in that country to conduct some or all of its business there. In a **licensing agreement**, a firm (the *licensor*) gives another firm (the *licensee*) the right to produce and market its product in a specific country or region in return for royalties on goods sold. **Franchising** is a form of licensing that gives the franchisee the right to adopt an entire way of doing business in the host country.	
p. 50	**4.1.3 Strategic Alliances** Firms seeking an even deeper commitment to a foreign market develop a **strategic alliance** with one or more domestic firms in the target country. These relationships often take the form of a **joint venture**: Two or more firms create a new entity to allow the partners to pool their resources for common goals. Strategic alliances also allow companies easy access to new markets, especially because these partnerships often bring with them preferential treatment in the partner's home country.	
p. 50	**4.1.4 Direct Investment** An even deeper level of commitment occurs when a firm expands internationally through ownership, usually by buying a business in the host country outright. Instead of starting from scratch in its quest to become multinational, buying part or all of a domestic firm allows a foreign firm to take advantage of a domestic company's political savvy and market position in the host country.	
p. 50	**4.2 Marketing Mix Strategies** In addition to "big picture" decisions about how a company will operate in other countries, managers must decide how to market	

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	the product in each country. They may need to modify the famous four P's—product, price, promotion, and place—to suit local conditions.	
p. 50	**4.2.1 Standardization versus Localization** Advocates of standardization argue that the world has become so small that basic needs and wants are the same everywhere. In contrast, those in favor of localization feel that the world is not *that* small; you need to tailor products and promotional messages to local environments. These marketers feel that each culture is unique, with a distinctive set of behavioral and personality characteristics.	
Troubleshooting tip: The decision to employ a standardization vs. localization strategy is a very complex one for a firm, so plan to have an in-depth discussion of the pros and cons related to each type of strategy.		
p. 51	**4.2.2 To P or Not to P: Tweak the Marketing Mix**	
p. 51	**4.2.3 Product Decisions** A firm seeking to sell a product in a foreign market has three choices: sell the same product in the new market, modify it for that market, or develop a brand-new product to sell there. • A **straight extension strategy** retains the same product for domestic and foreign markets. • A **product adaptation strategy** recognizes that in many cases people in different cultures do have strong and different product preferences. • A **product invention strategy** means a company develops a new product as it expands to foreign markets. In some cases, a product invention strategy takes the form of **backward invention**. A firm may find that it needs to offer a less complex product than it sells elsewhere.	
p. 52	**4.2.4 Promotion Decisions** Marketers must also decide whether it is necessary to modify their product promotions for a foreign market. Some firms endorse the idea that the same message will appeal to everyone around the world, while others feel the need to customize it.	
p. 52	**4.2.5 Price Decisions** Costs stemming from transportation, tariffs, differences in currency exchange rates, and even bribes paid to local officials often make a product more expensive for a company to manufacture for foreign markets than in its home country. To ease the financial burden of tariffs on companies that import goods, some countries have established **free trade zones**. These are designated areas where foreign companies can warehouse	

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	goods without paying taxes or customs duties until they move the goods into the marketplace. One danger of pricing too high is that competitors will find ways to offer their product at a lower price, even if they do this illegally. **Gray market goods** are items that are imported without the consent of the trademark holder. Another unethical and often illegal practice is **dumping**, in which a company prices its products lower than they are offered at home—often removing excess supply from home markets and keeping prices up there.	
p. 53	**4.2.6 Place/Distribution Decisions** Getting your product to consumers in a remote location can be quite a challenge. It is essential for a firm to establish a reliable distribution system if it is going to succeed in a foreign market.	
p. 53	**5. ETHICS IS JOB ONE IN MARKETING PLANNING** It's hard to overemphasize the importance of ethical marketing decisions. Businesses touch many stakeholders, and they need to do what's best for all of them where possible. When major companies defraud the public, everyone suffers.	
p. 53	**5.1 Ethical Philosophies** What constitutes ethical behavior is often different for different people. We can point to various ethical philosophies and see how each guides people to make their decisions. • *Utilitarian approach*: The decision that provides the most good or the least harm • *Rights approach*: The decision that does the best job of protecting the moral rights of all affected • *Fairness or justice approach*: The decision that treat all human beings equally • *Common good approach*: The decision that contributes to the good of all in the community • *Virtue approach*: The decision is in agreement with certain ideal virtues	Table 2.6 Some Common Ethical Philosophies
p.54	**Ethical relativism** suggests that what is ethical in one culture is not necessarily the same as in another culture.	
	5.2 Codes of Business Ethics **Business ethics** are basic values that guide a firm's behavior. A **code of ethics** refers to written standards of behavior to which everyone in the organization must subscribe.	Table 2.7 Highlights of the American Marketing Association Statement of Ethics
p. 55	**5.3 Is Marketing Unethical?** There are examples of questionable or unethical marketing. Criticisms of marketing:	

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p. 56	• *Marketing serves the rich and exploits the poor* • *Products are not safe* • *Poor-quality products* • *Planned obsolescence* • *Marketing creates interest in products that pollute the environment* • *Easy consumer credit makes people buy things they don't need and can't afford* **5.4 When Is a Bribe Not a Bribe? Ethical Issues for Global Business** Understanding the environment where you do business means staying on top of the ethical values and norms of the business culture in the marketplace. **Bribery** occurs when someone voluntarily offers payment to get an illegal advantage. **Extortion** occurs when someone in authority extracts payment under duress.	
p. 57	**6. SUSTAINABILITY: MARKETERS DO WELL BY DOING GOOD** Firms today have a *triple-bottom-line orientation*. They don't just look at their financial successes but also focus on how they contribute to their communities (their social bottom line) and create sustainable business practices (the environmental bottom line).	
p. 57	**6.1 Sustainability Is a Sensible Business Decision** Sustainability adds to the need of the firm to sustain itself and the long-term future of society. Sustainable companies that satisfy the long-term needs of customers will survive. Find out what other students taking this course *would do* and *why* www.mymktlab.com Are you more likely to shop at a store that offers recycling?	Exhibit: A campaign for fair trade bananas from New Zealand.
p. 57	**6.2 Developing a Sustainable Marketing Mix** How some companies already implement sustainable marketing practices: • *Target marketing strategies*: They target **green customers** who are likely to buy eco-friendly products. • *Product strategies*: Some firms choose **fair trade** suppliers who pay a fair price to producers in developing countries. • *Price strategies*: Sustainable marketing practices aim to	Ripped from the Headlines: Ethical/ Sustainable Decisions in the Real World

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	establish prices for green products that equal the prices of other products. • *Place/distribution strategies*: **Locavorism** means that shoppers buy products from farms within 50 to 100 miles of their homes. • *Promotion strategies*: Some firms "reuse" old commercials and tell customers that this is their way of practicing sustainability. **6.3 Sustainable Customer Behavior** Marketers need to understand what will motivate customers to seek out, pay for, and use sustainable options.	Exhibit: American consumers' values are changing as many more of us are prioritizing "natural" food products that don't contain extra additives.
p. 59	**►METRICS MOMENT** **Sustainability metrics** are tools that measure the benefits an organization achieves through the implementation of sustainability. Unfortunately, unlike many widely used financial metrics, today there is no standardized method of measuring the other two elements of the triple bottom line. Hence, it is extremely hard to compare one company working toward sustainability with another. The social capital metrics are possibly the hardest set of metrics to develop—there are simply too many variables to measure societal progress, and, as a result, it is extremely difficult to develop standardized metrics.	
p. 59	**Apply the Metrics** • Today most large firms have a section on their website that points to their sustainability initiative. Select any large company that manufactures products. Review their website and find their section on sustainability. • What are several of the key specific activities the firm points to as evidence that they are engaged in sustainability-related activities? • What specific evidence do they report that quantify their level of success in sustainability?	

IV. END-OF-CHAPTER ANSWER GUIDE

CHAPTER QUESTIONS AND ACTIVITIES

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▶ QUESTIONS: TEST YOUR KNOWLEDGE

2-1 Describe the market conditions that influence a firm's decision to enter foreign markets.

Marketers must consider domestic demand, the market potential abroad, and a firm's ability to have a competitive advantage in foreign markets. The decision may be based on conditions where domestic demand is declining while demand in foreign markets is growing.

2-2 Explain what world trade means. What is the role of the WTO and economic communities in encouraging free trade? What is the role of the World Bank and the International Monetary Fund in global trade? What is protectionism? Explain import quotas, embargoes, and tariffs.

World trade refers to the flow of goods and services among different countries—may take place through cash, credit payments, or countertrade. The World trade organization seeks to create a single open world market where trade flows "smoothly, predictably and freely as possible." Two additional organizations influence the advancement of global trade: the World Bank and the International Monetary Fund (IMF). The IMF stabilizes exchange rates to try to prevent problems with the balance of payments.

Some governments adopt policies of protectionism with rules designed to give home companies an advantage. Such policies may include trade quotas, embargoes, or tariffs that increase the costs of foreign goods. Many countries have banded together to form economic communities to promote free trade.

2-3 Explain how GDP, the categories of economic development, and the business cycle influence marketers' decisions in entering global markets. What are the BRICS countries? What is the Group of Seven (G7)?

The most commonly used measure of economic health of a country is the gross domestic product (GDP), the total dollar value of goods and services a country produces within its borders in a year. A similar but less frequently used measure of economic health is the gross national product (GNP), which measures the value of all goods and services a country's individuals or organizations produce, whether located within the country's borders or not.

When marketers scout the world for opportunities, it helps if they consider a country's level of economic development to understand the needs of people who live there and the infrastructure conditions with which they must contend. Economists look past simple facts such as growth in GDP to decide this; they also look at what steps are being taken to reduce poverty, inequality, and unemployment.

The largest of the developing countries, Brazil, Russia, India and China, are referred to as the BRIC countries or simply as the BRICS. These four countries are the fastest growing of the developing countries and they represent over 42 percent of the world's population. The *Group of 7 (G7)* is an informal forum of the seven most economically developed countries that meets annually to discuss major economic and political issues facing the international community. Formerly the G8, Russia was excluded from the group as a result of its invasion of Crimea in 2014.

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2-4 Explain the types of competition marketers face: discretionary income competition, product competition, and brand competition.

Discretionary income competition is the amount of money people have left after paying for necessities such as housing, utilities, food, and clothing. Few consumers are wealthy enough to buy anything and everything.

Product competition in when competitors offer different products to satisfy the same consumer needs and wants.

When competitors offer similar goods or services and vie for consumer dollars, this termed brand competition.

2-5 What are a monopoly, an oligopoly, monopolistic competition, and pure competition?

A monopoly is a market situation in which one firm, the only supplier of a particular product, is able to control the price, quality and supply of the product.

An oligopoly is a market structure in which there are a relatively small number of sellers, each holding a substantial share of the market compete in a market with many buyers.

Monopolistic competition is a market in which many firms offer slightly different products, each with unique consumer benefits.

Pure competition is the market structure in which many small sellers, all of whom offer similar products, are unable to have an impact on the quality, price or supply of a product.

2-6 What aspects of the political and legal environment influence a firm's decision to enter a foreign market? Why are human rights issues important to firms in their decisions to enter global markets?

When entering a foreign market, a firm must carefully weigh political and legal risks. They must consider regulatory issues, and human rights issues. Human rights issues are important because businesses, in general, do not want to exploit workers or employ children or prisoners for slave wages.

2-7 What do marketers mean when they refer to technological and sociocultural environments? Why do they need to understand these environments in a global marketplace?

The technological environment provides firms with competitive advantages. The technological environment profoundly affects marketing activities. Toll-free telephone numbers, easy computer access to customer databases, and, of course, the Internet have made it possible for people to buy virtually anything they want (and even some things they don't want) without ever leaving their homes. Successful marketers continuously scan the external business environment in search of ideas and trends to spark their own research efforts. These need to be understood in a global marketplace to allow the actions taken by the firm to be

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most appropriate and effective in meeting customer needs and desires.

The 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. It includes the demographics, values, social, and language of the society. Whether at home or in global markets, marketers need to understand and adapt to the customs, characteristics, and practices of its citizens.

2-8 What is ethnocentricism?

Ethnocentricism relates to the tendency to prefer products or the people of one's own culture to those from other countries. For firms that seek to enter a foreign market, this willingness to try products made elsewhere comes slowly.

2-9 Describe the four globalization strategies representing levels of involvement for a firm: exporting, contractual agreements, strategic alliances, and direct investment.

A firm deciding to go global must determine the level of commitment it is willing to make to operate in another country. This commitment can range from a casual involvement to a full-scale "marriage." The decision about the extent of commitment entails a trade-off between control and risk. Direct involvement gives the firm more control over what happens in the country, but risk also increases if the operation is not successful.

Exporting involves the least risk. 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. An exporting strategy allows a firm to sell its products in global markets and cushions the firm against downturns in its domestic market. Because the exported products are made at home, the firm is able to maintain control over design and production decisions.

The next level of commitment a firm can make to a foreign market is a contractual agreement with a company in that country to conduct some or all of its business there. Two of the most common forms of contractual agreement are licensing and franchising.

Firms seeking an even deeper commitment to a foreign market develop a strategic alliance with one or more domestic firms in the target country. These relationships often take the form of a joint venture: a new entity owned by two or more firms is created to allow the partners to pool their resources for common goals. Strategic alliances also allow companies easy access to new markets.

A deeper level of commitment occurs when a firm expands internationally by buying a business outright in the host country. Direct investment allows a foreign firm to take advantage of a domestic company's political savvy and market position in the host country.

2-10 What are the arguments for standardization of marketing strategies in the global marketplace? What are the arguments for localization? What are some ways a firm can standardize or localize its marketing mix?

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Advocates of standardization argue that the world has become so small, with tastes so homogenized, that basic needs and wants are the same everywhere. Those in favor of localization feel that the world is not that small and product and promotional messages should be tailored to local environments. These marketers feel that each culture is unique and that each country has a national character; distinctive sets of behavioral and personality characteristics.

When a firm offers the same products in all its markets, it is following a standardization strategy. If a firm tailors its products or promotions to the specific tastes of a region, it is localizing its marketing mix.

2-11 Describe the utilitarianism, rights, fairness or justice, common good, and virtue approaches to ethical decision making. What is ethical relativism?

- *Utilitarian approach*: The decision that provides the most good or the least harm
- *Rights approach*: The decision that does the best job of protecting the moral rights of all affected
- *Fairness or justice approach*: The decision that treat all human beings equally
- *Common good approach*: The decision that contributes to the good of all in the community
- *Virtue approach*: The decision is in agreement with certain ideal virtues

Ethical relativism suggests that what is ethical in one culture is not necessarily the same as in another culture.

2-12 Why is it increasingly important that firms engage in sustainability? What are some ways strategies for the Four Ps can include sustainability?

With growing world populations and increasing demand for products, sustainable business practices are necessary for life in the future. Many firms practice sustainability when then develop target marketing, product, price, place/distribution, and promotion strategies designed to protect the environment and the future of our communities.

Companies implement sustainable marketing practices in the following ways:

- *Target marketing strategies*: They target **green customers** who are likely to buy eco-friendly products.
- *Product strategies*: Some firms choose **fair trade** suppliers who pay a fair price to producers in developing countries
- *Price strategies*: Sustainable marketing practices aim to establish prices for green products that equal the prices of other products.
- *Place/distribution strategies*: **Locavorism** means that shoppers buy products from farms within 50 to 100 miles of their homes.
- *Promotion strategies*: Some firms "reuse" old commercials and tell customers that this is their way of practicing sustainability.

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Sustainability metrics are tools that measure the benefits an organization achieves through the implementation of sustainability.

▶ACTIVITIES: APPLY WHAT YOU'VE LEARNED

2-13 ***In Class, 10–25 Minutes for Teams*** Using the data in Table 2.2, select two countries that are substantively dissimilar. Then select one of the products below. Use the data for the two countries to develop arguments why each of the two countries would and would not be a good opportunity for expansion of the market for your product.

1. New and more environmentally friendly method for heating and cooling houses.
2. A small automobile that runs on electricity.
3. Barbie and Ken dolls and accessories
4. A low-priced, easy to use, sewing machine that does not require electricity.

2-14 ***Creative Homework/Short Project*** With several members of your class, assume you are in the marketing department for a low-end retail store chain; you might think of a chain similar to Dollar General. Your firm has decided to begin an expansion into the global market. Currently you are considering building stores in France, Ecuador, Brazil and Australia. Gather information about these countries using the CIA Factbook available online and other sources. Using the data you have about each country, develop ideas on the pros and cons of entering each country. Which country do you feel is best? Present your findings to your class.

2-15 ***For Further Research (Individual)*** Consider the six different ethical philosophies in the chapter. Apply these six philosophies to one of the following ethical dilemmas. What would be the most ethical decision for each? Explain why you think so. Which would you be most likely to follow?
Decisions:

1. You see a fellow student cheating. Should you ignore what you saw, report it, or do something else?
2. You are the president of a school club, which gives you access to the club's money You need to buy a new tire for your car but you won't have enough money for a week. You are considering borrowing the money from the club and paying it back in a week.
3. You have been assigned to a class project team. In a different class, you have been on a team with one of the members of your current team, and you know he or she refuses to do any work but expects others the team to help him or her out. What are your options, and what should you do?

2-16 ***In Class, 10–25 Minutes for Teams*** Assume you are the director of marketing for a U.S. firm that produces one of the products listed below. Your firm is considering going after the Indian market and is faced with the decision of the best entry strategy. Should your firm simply export their products, or would a strategic alliance, licensing, a joint venture, or direct investment be a better choice? Develop your ideas for a best entry strategy. Be

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specific in your recommendations for a strategy, how to implement the strategy, and your reasons for your recommendations.
Products:
1. Tablets (similar to the iPad) targeting the consumer market
2. Expansion of your discount retail store chain
3. Short-term (from an hour up) auto rentals

Teams can present their findings and recommendations to the class.

2-17 ***Creative Homework/Short Project*** Consumer ethnocentrism is the tendency for individuals to prefer products from one's own culture. Sometimes people think products made at home are better than imported goods. Develop a small study to find out what students at your university think about products made at home and abroad. Develop a survey that asks other students to evaluate 10 or more products (not brands) that are imported versus made at home. You might wish to ask if they feel the domestic or imported products are superior in quality and which they would purchase. Prepare a report on your study for your class.

Within one class period, you could divide the class up into two groups: the survey creators and the respondents. While the survey creators are creating their survey, the respondents can discuss what key factors they think will influence their responses on the survey.

2-18 ***In Class, 10–25 Minutes for Teams*** Some people argue that our environment is not in jeopardy and that sustainability efforts will only make products more expensive. Plan a debate in your class with two teams, one arguing for sustainability efforts and one against.

Students can have a lively debate arguing for and against sustainability efforts.

2-19 ***For Further Research (Individual)*** You are planning a trip to another country for your summer vacation. You are considering traveling to Greece, to Peru, to England, and to Egypt. Determine the current forex rate for all four countries as well as the average forex over the past five years for each. Based solely on the information you collect about forex rates, explain where you would go and why.

Go to the library or the Internet to find out as much as you can about the forex rate for the United Kingdom Greece, Peru, and Egypt. Prepare a report that explains which supplier you would choose based on the information you collect about the forex rate.

2-20 ***For Further Research (Groups)*** You are part of an up-and-coming coffeehouse chain in the United States, and you know that you need to participate in competitive intelligence activities to learn more about your competitors. Using the Internet, collect at least five distinct pieces of information about either Starbucks or Dunkin' Donuts that will enable you to improve your marketing strategy.

Entering global markets involves a complex decision process. Marketers must fully understand market conditions and environmental factors in order to determine the best strategy for entering the market and to create a successful marketing mix. The

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environments important to consider include environments of technology, economic environment, competitive, sociocultural, and political/legal. These collectively are needed for the decision process. The library information gathering and the different environment will be expanded with the search the students conduct.

▶APPLY MARKETING METRICS

Many Western firms see their futures in the growing populations of developing countries, where eight out of ten consumers now live. Consumers from countries such as Brazil, India, China and Russia offer new opportunities for firms because growing numbers of them are accumulating small but significant amounts of disposable income. Firms like worldwide cosmetics giant Beirsdorf, producer of Nivea products, are adapting their products and their marketing activities to meet the needs of these populations. Often this means selling miniature or even single use packages of shampoo, dishwashing detergent or fabric softener for only a few cents. The huge Swiss company Nestlé sells shrimp-flavored instant soup cubes for two cents each in Ghana while the financial company Allianz, in a joint program with CARE, sells micro-insurance for five cents a month to the very poor in India. However, how do these firms measure their success in these new markets? Firms normally use such marketing metrics as customer awareness or satisfaction, increases in market share or profits, or return on marketing investment (ROMI). These metrics may not be right for the new markets in the developing world where many millions of people buy streamlined versions of a firm's products at a fraction of their usual price. What do you think? Develop a list of possible metrics that firms might use to measure their success in these new developing markets.

Large companies obviously take a huge risk with the adoption of such practices in developing countries with the hope of a huge return on their marketing investment. Such risk-return strategies may have to be developed within the perspective of a longer time period to see ROMI grow, so building brand strength and equity in a such a developing market may be more valued by a firm than immediate increases in market share or profits.

2-21 Do you think about the approach described above is effective for entering BRICS markets to appeal to consumers with small but growing disposable income?

MyMarketingLab for answers to Assisted Graded Questions.

2-22 How would the success of this approach be better measured—that is, what metrics would be more useful than the typical metrics used in developed countries? Be creative and develop a list of several possible metrics that firms might use to measure their success in these new developing markets. *Hint:* Keep closely in mind what firms hope to accomplish by increasing their presence and sales in those markets.

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▶CHOICES: WHAT DO YOU THINK?

2-23 ***Critical Thinking and Ethics*** Assume you are the CMO for a firm that is a major producer of chocolate candy and baking chocolate. The bulk of your chocolate products are sold in the United States and Europe. For many years, your firm has purchased cocoa beans (from which chocolate is made) from Country A. Country A produces 30 percent of the world's chocolate but recent reports of child labor have concerned many country leaders and consumers. On some farms, children are made to work as much as 100 hours a week and are physically abused. Furthermore, some receive no education whatsoever. You are considering whether or not your company should change suppliers and buy cocoa from Country B. Country B is the leader in ethically produced cocoa. Cocoa is produced in an environmentally sustainable manner and the country is the world leader of "fair-trade certified" cocoa production. Unfortunately, the price of cocoa from Country B is nearly twice that of Country A. this means you would have to significantly increase the price of your products which you expect to negatively affect the firm's sales. This, in turn would likely lead to closing some company facilities and laying off workers. On the other hand, consumers in your markets are increasingly concerned about human rights abuses and seek to buy fair trade products. Develop your thoughts on the following:

a. The positive and negative outcomes (in addition to those already discussed) of continuing to purchase cocoa from Country A.
b. The positive and negative outcomes (other than those already discussed) of changing suppliers and purchasing cocoa from Country B (in addition to those already discussed).
c. Which country would you choose using the Utilitarian approach to decision making? Why?
d. Which country would you choose using the rights approach to decision making? Why?
e. Which country would you personally choose? Why?

MyMarketingLab for answers to Assisted Graded Questions.

2-24 ***Critical Thinking*** What role has technology played in the globalization of businesses? Has technology leveled the economic playing field, or has it merely in- creased the distance between the "haves" and the "have-nots"? Give at least one example of each and explain your position.

Students can discuss these questions in small groups and present their ideas to the class.

2-25 ***Critical Thinking*** LDCs are not required by the WTO to meet the same environment standards as developed countries. Do you think LDCs should be excluded from WTO standards for pollution and other environmental protection issues? Why or why not?

In small groups, students can discuss this issue.

2-26 ***Critical Thinking*** Some countries have been critical of the export of American culture via movies, television, music and many American consumer goods by U.S. businesses. What

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about American culture might be objectionable? Can you think of some products that U.S. marketers export that can be objectionable to some foreign markets? What is the solution to the problem?

You might begin this conversation by talking about individualist cultures versus collectivist cultures. These deeply held beliefs form the basis of practices that may be considered objectionable.

The students may have specific examples of objectionable culture being exported from the United States. To help the discussion, you might emphasize the increasing obesity of our population, seen as gluttony by many nations. This trend may be emphasized by the food we export. Cars made in the United States may seem too large and lack the pollution controls of those manufactured and sold in other countries. American media portrays Americans as amoral and without religious beliefs. TV and movies show American cities filled with violent crime. The list is endless and students should be able to brainstorm quite a number.

2-27 ***Critical Thinking*** Some of the U.S. population supports free trade, whereas others are unhappy, even angry, that the government has reduced regulations on imports of such products as textiles and furniture, causing factories to shut down and employees to lose their jobs. They feel that the U.S. government should legislate greater regulation of imported goods to give American companies an advantage or at least to lessen the advantage that companies in other countries receive from their government. What do you think? How do you justify your answer?

The students will respond differently depending on their personal views on the World Trade Organization. Removing barriers to trade will allow the natural laws of supply and demand to regulate pricing and the success of business and will in the long term benefit consumers worldwide. On the other hand, developing countries need to protect their domestic industries in order to grow their economies. Developed countries may feel they need to protect their domestic labor force against imported products made in countries where wages are very low. Not all countries participate equally in the trade flows among nations and removing barriers may just increase the disparity.

2-28 ***Critical Thinking*** In 1999, several single European nations banded together to form the European Union and converted their individual monetary systems over to the euro. Do you believe there will ever be other economic communities that would follow this path? Explain your reasoning and, if necessary, provide some possible examples. What about the possibility of a single world currency? Could this happen? Why or why not?

The Internet would be a great source to start this discussion. In particular, students should research this topic in credible sources of information, such as the *Wall Street Journal*, the *New York Times*, and *Business Weekly*.

2-29 ***Ethics*** Ethical relativism suggests that what is ethical in one culture may not be considered ethical in another. What should the attitude of businesses be when differences occur? Should

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businesses follow the ethical values and practices of their own country or of the host country? What should governments do about this if anything? What is the role of the WTO?

This question is thought provoking and could be a role-play. Students could argue that in some countries, bribes are simply part of the way business is carried out. If American companies do not take part in this practice, they will not be competitive. Business deals will go to other countries willing to adopt the following attitude: "When in Rome, do as the Romans do." Other students could argue that ethical values transcend business deals and that American companies should remain true to their values. They should refer to the FCPA, which prohibits American companies from giving bribes.

2-30 ***Ethics*** Review the *AMA Code of Ethical Norms and Values for Marketers*, provided in the chapter. Which of the areas represented within the document do you anticipate are the most challenging for marketers to consistently follow? What makes these issues particularly troublesome? Do you think marketing in general does a good job adhering to the *AMA Code*? Provide specific evidence from your knowledge and experience to support your position.

The students might have differing views on the topic of advertising. This is a good time to discuss ethics. Ethics are the rules of conduct that people use to judge whether a behavior is right or wrong. Some students may present arguments on the dangers of advertising for potentially dangerous products like alcoholic beverages while others may cite the Consumer Bill of Rights and consumers "right to choose." You might discuss that ethical marketing behavior means making products safe, pricing products fairly, promoting products honestly, focusing on product quality, and making the product available to consumers ethically. Students might address the issue of marketing to children. How do students feel about marketing sugar-laden products which cause tooth decay to children?

▶MINIPROJECT: LEARN BY DOING

The purpose of this miniproject is to gain experience in understanding what it takes to move a product that is successful in its home market into a global market in which it will continue to be successful. Assume that you are the director of marketing for a firm that produces its own high-end brands of makeup, skin care, and hair care products for both men and women. The products have been endorsed by a number of male and female musicians who are highly popular with young people. The products are sold only in the company's own retail outlets.

2-31 Describe your local competitive advantage and why you believe this competitive advantage will serve you globally.

This is a good opportunity to review the concepts of core competency and competitive advantage.

2-32 Determine which global market(s) is most attractive for your service. Will you target a single country or an economic community? Describe your reasoning.

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This is a chance for students to consider the pros and cons of marketing products in developed or developing countries. They can discuss the pros and cons standardization and localization of their service.

2-33 Decide which market-entry strategy you will pursue. Again, explain your reasoning.

This question offers students the chance to review entry strategies and select one.

2-34 Describe your marketing mix strategy:
- How might you need to adapt your product?
- What other product decisions do you need to make?
- How will you promote your products?
- How will you price your products?
- What place/distribution decisions must you consider?

Prepare a short presentation to share with your class.

This is a good project to tie in many of the concepts presented in Chapters 1–2. Students will have the opportunity to learn more about a country, think about values, cultures, and ethics and apply marketing strategies in the form of the marketing mix to what they have learned.

V. MARKETING IN ACTION CASE: REAL CHOICES AT FORD

Summary of Case
Ford Motor Company is investing $1.6 billion to construct a plant in Mexico. This will create 2,800 jobs in the country. U.S. automotive labor costs average $30 per hour whereas Mexico's labor costs average $5 per hour. Ford can lower costs, become more competitive, and increase profit margins. The investment in Mexico has critics. The issue of jobs leaving the country is a part of political debate in Washington, D.C. The announcement of Ford's plans was made during the recent presidential campaign. One candidate called for increased tariffs and penalties for U.S. firms, like Ford, that choose to relocate manufacturing to foreign markets. Increasing its presence in Mexico is not Ford's only initiative Ford. The company has expanded to Spain, Germany, China, the Middle East, and Africa. While Ford's improves its financial outlook, how will it deal with the negative attention generated by moving jobs outside the United States? Is it possible for the company to increase its profitability and reduce its dependence on foreign production? In the current political climate should the company rethink its plans?

Suggestions for Presentation
This case could be assigned for various online or in-class discussion activities.

Online Assignment Suggestions
Go to Ford's website and search around its various links for material regarding the controversy. What news articles do they mention?

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In-Class Assignment Suggestions
In groups or as individuals, discuss the various consumer and world reactions to this situation.

Divide the class into groups of three to five students and have each group conduct a strengths, weaknesses, opportunities and threats (SWOT) analysis to determine how Ford should proceed with t marketing strategies.

You Make the Call

2-35. **What is the decision facing Ford?**

Students should restate the questions posed at the end of the case description (or create new ones on their own):

- How will it deal with the negative attention generated by moving jobs outside the United States?
- Is it possible for Ford to increase its profitability and reduce its dependence on foreign production?
- In the current political climate should the company rethink its plans?

2-36**. What factors are important in understanding this decision situation?**

The important factors in this decision situation stem directly from the global marketing environment:

- The economic environments of Ford's various marketplaces as well as of the countries that Ford can potentially produce their products
- The competitive environment—e.g., where are Ford's competitors manufacturing their products?
- The technological environment—e.g., can Ford create/use better technology to aid the production of their cars (e.g., increased use of robots) so that moving production abroad could be avoided in the future?
- The political and legal environment—e.g., how has the political landscape changed for Ford in the wake of its investing in plants in Mexico? Presidential candidates have promised to keep jobs at home and penalize companies that take production out of the United States.
- The sociocultural environment—has there been any shift in Ford's target customers since moving production to Mexico in terms of demographics, values, norms & customs, etc.? If not, should Ford shift its target marketing strategy?

2-37**. What are the alternatives?**

As students discuss the various global environmental factors mentioned above, several alternatives will come into focus—students should be encouraged to come up with their own alternatives as the discussion develops.

2-38. **What decision(s) do you recommend?**

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This is a very complex and difficult decision facing Ford, so students will undoubtedly argue passionately and persuasively for many various recommendations. However, they should be strongly encouraged to discuss the potential negative and positive outcomes of each of the alternatives.

2-39. **What are some ways to implement your recommendation?**

Students may make a variety of suggestions for implementation depending on their recommendations. These may include specific changes in marketing strategy, including promotional activities, pricing, product variations, and many others.

▶MY MARKETINGLAB

Go to **mymktlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:

2-40 ***Creative Homework/Short Project.*** As a marketing manager, you must consider whether to delay the production and introduction of a new automobile because of a small problem with the door locks—they could become nonfunctional when temperatures drop very low. Using (1) the utilitarian approach, (2) the rights approach, and (3) the common good approach, what would the different decisions be?

2-41 ***Ethics.*** Some companies have been criticized for moving their manufacturing to other countries where laws protecting the environment are more lenient and goods can be produced more cheaply because the firms do not have to invest in ways to protect the environment. What do you think of this practice? What can governments and/or consumers do to prevent such actions?

WEB RESOURCES

Pearson Education, Inc.: www.mymktlab.com

Starbucks Coffee Company: www.starbucks.com

Walmart: www.walmart.com

World Trade Organization (WTO): www.wto.org

Table 2.1 in chapter lists websites for various economic communities

Tourism Authority of Thailand (a developing country): http://www.tatnews.org

Japanese National Tourism Organization (a developed country): https://www.jnto.go.jp

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Asia Insight (independent full-service market research firm providing customized research across 14 Asian countries daily, as well as numerous global studies across continents): www.asiainsight.com

Consumer Product Safety Commission (CPSC): www.cpsc.gov

Environmental Protection Agency (EPA): www.epa.gov

Federal Communications Commission: www.fcc.gov

Federal Trade Commission (FTC): www.ftc.gov

Ford Motor Co.: www.ford.com

Foreign Corrupt Practices Act (FCPA): www.usdoj.gov/usao/eousa/foia_reading_room/usam/title9/47mcrm.htm

Food and Drug Administration (FDA): www.fda.gov

Hong Kong Disneyland: www.hongkongdisneyland.com

Cosmopolitan magazine: www.cosmopolitan.com

The American Marketing Association's Statement of Ethics: www.marketingpower.com

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