International Marketing Strategy - Analysis Development and Implementation 9th edition Doole Solutions Manual

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Chapter 2

The World Trading Environment

Teaching Notes

In Chapter 2 the focus is on gaining an understanding of the international trading environment. The chapter first examines, at a macro level, the development of international trading structures and the changes in trading patterns, as well as reviewing the major international bodies formed to foster world trade. The evolution of trading regions is analyzed and the implications for international marketing companies assessed.

Learning Objectives

After reading this chapter the reader should be able to:

- Discuss the effects and implications of the risks and factors impacting on world trade
- Explain the key trends in the major regional trading blocs around the globe
- Understand the role of the major world institutions that foster the development of multilateral free trade across the world

Introduction

International marketing takes place within the framework of the world trading environment. Some understanding of the parameters of the world trading environment in which companies operate is needed in order to develop the skills necessary to formulate international marketing strategies. This chapter examines the development of world trade in recent years and the international trading environment in the context following the global financial crisis in 2008–09 and the COVID-19 pandemic in 2020-2021. The chapter also looks at how recent events provide opportunities and risks for marketingmanagers around the world. The chapter analyzes the growth and changing patterns of worldtrade and discusses the institutions that aim to influence world trade. The chapter also considers the changing regional trading blocs and the implications these have on trading structures around the globe.

The bullet points relating to the Illustrations, Management Challenges, Case Studies and Chapter Questions are not definitive answers but provide general guidance on the type of responses students may generate in classroom and online discussion.

Notes on Illustrations

2.1 McDonald's reducing environmental risk

Questions

1. McDonald's is helping to reduce greenhouse gas emissions. What other activities could it undertake to help reduce environmental risks?

2. Who benefits from these initiatives and how do they benefit? How will McDonald's achieve its target of reducing greenhouse gas emissions by 2030?

Answers

1. **From the Case Study McDonalds has set a target of 100 per cent customer packaging containers being sourced from businesses on its supply chain that provide packaging from sustainable certified sources or packaging that is reusable or made from recycled materials and LED lighting.**

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Other answers will be varied and depend on the student but may include installing wind turbines, solar panels, food waste management systems to reduce food waste, and ensuring food/drink, coffee bean waste, paper and cardboard waste is collected by waste disposal businesses which are environmentally friendly.

2. **Answers will vary but may include beneficiaries such as: the planet, the air, the human race, animals, fish, plants and so on.**
   How they would benefit will vary but may include: reduction in greenhouse gases will reduce the increase in global warming, etc.
   McDonalds will achieve its targets by setting Sustainable Development Goals (SDGs) and reviewing them each year. The SDGs in the Case Study are:
   - **Goal 7: Affordable and clean energy**
   - **Goal 13: Climate action**
   - **Goal 17: Partnership for good.**

   Other SDGs are shown in Chapter 1.

2.2 South Africa's manufacturing export for busy people

Question

1. South Africa has manufacturing know-how and creative skills such as crafts, fashion and textiles. What are the opportunities and challenges that face South Africa's strategic objective to boost manufacturing exports?

Answers

1. **Opportunities include the Department of Trade growing its manufacturing sector and growing the export trade.**
   Challenges include finding international markets for the crafts, fashion and textiles.

2.3 Regulations frustrate importers of alcohol

Questions

1. What difficulties are the new regulations causing importers of alcohol to India?
2. You have three shipments of wine each containing 100 cases of wine stacked in the warehouse at a port in India. The labelling is incorrect as there are no ingredients listed on the label. What will your next move be with these shipments of wine to ensure they 'get to market' as soon as possible?

Answers

1. **Difficulties associated with regulations governing drink labelling.**
2. **Be fully compliant with the labelling regulations.**

2.4 Skoda: from shameful to stardom

Question

1. Evaluate the reasons for Škoda's success and imminent problems.

Answers

1. **Success has been a consequence of internal excellence (manufacturing and human resources).**
   Problems are related to employee relations issues and outsourcing.

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2.5 North Korea: open or closed?

Question

1. Considering Kim Jong-un's first step to peace in 2018, what internal and external factors may improve exports and what may reduce them?

Answers

1. **Internal factors helping to improve exports would include continued political moves to end isolation. Regressive internal political changes to international relations policy would reduce exports.**
   External factors helping to improve exports would be a willingness for more countries to do business with North Korea. A key external factor would be condemnation of the government of North Korea by countries that may have been willing to do business with North Korea and this would clearly reduce exports.

2.6 China and India: the technology challenge

Question

1. Compare and contrast the opportunities and challenges of competing in the market for a hi-tech product in India and China.

Answers

1. **Opportunities: more likely to develop the market in India due to a range of factors.**
   Challenges: China market dominated by Chinese manufacturers and India is a hub of technological innovation.

Notes on Management Challenges

2.1 Cybercrime affects businesses globally

Question

1. What should an online retailer do to ensure its own, its customers' and its suppliers' data are safe? And what marketing messages should be communicated to stakeholders that the online retailer is passionate about online security?

Answers

1. **Online retailers need to be aware that Cybercriminals are profiting from illegal activities and must ensure they always do business with a legal online (and offline) business.**
   Due to a number of high-profile data security breaches companies must ensure that they are fully compliant with regulations governing data security and they must constantly review and guard against their data systems being hacked.
   The data security messages should be communicated on the company website and fully compliant with data security regulations so that consumers and businesses know they take data security very seriously.

2.2 Do high debts mean high risk?

Questions

1. Compare and contrast the different types of debt that make up the total real economy debt change, 2007–14 by percentage.
2. Compare and contrast the real economy debt change of Singapore and Greece.

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3. Which country has a high debt but is of low risk?

Answers

1. **and 2. The key difference is the high Government debt in Greece and the low government debt in Singapore.**
3. **Singapore has a high debt but is low risk.**

2.3 Small businesses help Rwanda recover

Question

1. How is Christine's business helping Rwanda grow economically?

Answer

1. **Christine's business is developing markets both within Rwanda and an export market through tourists purchasing her products.**
   Christine employs local tailors which helps strengthen Rwanda's economy.

Case Study Notes and Answers to Questions

Case Study 1

Export tourism increases host country's GDP

Questions

1. What are the benefits of the tourism value chain?
2. For a developing country of your choice, what areas of the tourism value chain could you promote to the international tourist?
3. From your findings from question 2, what businesses would benefit and how?

Answers

1. **At each stage of the tourism value chain there are business opportunities.**
2. **The starting points are usually access to the country, then hospitality, culture and leisure.**
3. **Businesses that would benefit would include accommodation, transport and cultural tours.**

Case Study 2

The mobile/cell phone services market in Africa

Questions

1. Analyze and evaluate the economic and political influences that will impact on the growth of the mobile/ cell phone services market in Africa.
2. What do you see as the major risks to an international company wishing to compete in this industry sector in the African market?

Answers

1. **Economic influences include investment and per capita income in the population.**
   Political influences include the removal of regulations which constrain the expansion of networks.
2. **Major risk is the high costs of investment in the phone service infrastructure and the potential for conflict and economic crises.**

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Keywords

Ask the students to explain the keywords found at the end of this chapter.

Next Eleven (or N-11)	World Bank	Asian Free Trade Area (AFTA)
Trade deficit	International Development Association (IDA)	Global System of Trade Preferences among developing countries (GSTP)
International product life cycle	Balance of payments	Mercosur
Comparative advantage	Doha Round	Exchange Rate Mechanism
Tariff barriers	Trading blocs	Economic and Monetary Union
Non-tariff barriers	Single European Market	United States–Mexico–Canada Trade Area (USMCA)
Hard currency	Association of South East Asian Nations (ASEAN)	International Monetary Fund (IMF)

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