

International Marketing

Notities lessen (incl video's)



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Lecture 15/02: Introduction, International Ethics and Social Responsibility

Presentation of the teacher (his family and environment).

Video

The boom is over for North Dakota oil town as prices continue to drop.

Ethics and Social Responsibility

Marketing: unethical?

Ethics: the name given to the attempt to think through the moral implications of human actions. Ethics are culturally determined.

Business ethics is the study of morality of business decisions and the determination of standards for those decisions.



1. Economic foundation

Milton Friedman won a Nobel prize for this idea: "There is one and only one one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."

When a firm makes a profit, who benefits? Many stakeholders: consumers, the firm, the government, the employees of the firm...

2. Legal foundation

Ethical and Legal Classifications-matrix

- Ethical but illegal
Hide Jews was ethical in WWII but illegal.
- Ethical and legal
Stopping at a traffic stop.
- Unethical and Illegal
Murder, comparative advertising (cultural): happens in America (ethical and legal), but not in Europe (unethical and illegal). Example: Coca Cola and Pepsi wars; Pepsi: 2 to 1 people prefer us → taste test - Coca Cola: 2 to 1 people prefer us → sales. Other example: Apple and Microsoft.
- Unethical but legal
Legalised prostitution (legal in Belgium), euthanasia → murder? (legal in Belgium) and weapons (legal in US)

3. Ethical foundation

Relative Ethical Standards; relative because:

- No absolute answers which hold regardless of circumstances
Exceptions on the rule: murder to defend yourself.
- The correctness of a particular action depends on the circumstances
Murder during home-invasion.
- Ethics are subjective and culturally determined.
- Rules derived from human experience.
No appeal can be made to extra-human experience, e.g., revelations from God.
 - a. **Teleology** (or, "The ends justify the means")
 - Egoism: defines right or acceptable actions as those that maximize a person's self-interest as defined by the individual (capitalism). Problem: puts the good of the individual ahead of the good of society (example: harm environment when making money).
 - Utilitarianism: the greatest good for the greatest number of people. Lottery for example. Problem: puts the good of society ahead of the good of the individual (example: gamblers with the lottery).
 - b. **Deontology** (or, "The means matter")
 - Rights, justice, fairness; above all, do no harm, basic human rights: consent, privacy, speech and due process.
 - Categorical Imperative
TV test: for example when asked "how do you come where you are at your business" if you can explain on television without lying (everyone is watching) than what you've done is probably ethical, if you don't want to explain the process, than what you did was probably unethical.
 - Golden rule: treat others as you would want to be treated. Problem: is the golden rule at odds with the marketing concept?

Marketing concept: Do unto others as they want done unto them. Don't do unto others what you don't want others to do unto you. Do unto others as they want unto themselves. Give them what they want. Yes, there is sort of a conflict between the golden rule and the marketing concept.

- Problem: can lead to inaction ("paralysis by analysis")

c. Intuitionism

- Your feelings—or intuition—tell you that you made an ethical decision. The most widely used ethical philosophy by default.
- Problems:
 - Whose intuition can we trust?
 - Well-meaning and sincere but perhaps misguided and thus sincerely wrong.

Problems with relative standards

- Majority rules, something is moral when more people say it's right.
- Trendy, faddish and unstable values
- The "Yeah, but..." School of Thought
- Not Really relativism
 - Always be tolerant, because it all depends on the context.
 - This a universal, absolute standard.

Absolute standards

- **Absolutism**: Timeless, rigid rules to be followed regardless of circumstances
 - Some behaviors are Just Plain Wrong
- Problems with Absolutism:
 - Where do absolute standards come from?
 - Tradition? Human context.
 - Moral revelation? God? Supernatural context. Problem: which God? = ± intuition

Example (standards)

Is it a sin? 10 commandments

- No: eating a hamburger, cutting a tree
- Yes: adultery, murder

Is it a sin? New Age Respect for Life

- No: adultery
- Yes: eating a hamburger, cutting a tree, murder

7 step approach to examining ethics

- What are the relevant facts?
- What are the ethical issues?
- Who are the primary stakeholders?
- What are the possible alternatives?
- What are the ethics of each alternative? Look to it from several perspectives.
- What are the practical constraints?
- What actions should be taken?

Case study: CornCo

4. Philanthropic foundation

Is corporate philanthropy ethical?

- What? Donating corporate resources to the community and helping to improve the quality of life.
- At least one ethicist, Geoffrey P. Lantos, claims that it is not ethical if: Corporate philanthropy does not bring an appropriate return on investment to shareholders, who are the primary stakeholders → Violates a firm's fiduciary responsibility to its shareholders.

Chapter 1: Introduction to global marketing

Learning Objectives

- Describe the development of global marketing.
- Explain the importance of global marketing and the need for a global mindset.

Avon Products Global Footprint (US company)

- Total revenue about \$10 billion.
- Over 100 countries
- Door-to-door selling of skin care, make-up, accessories, etc.
- 6 million independent sales representatives.

Avon's Home Market Challenges

- Sales dropping in home market of USA
 - Slower growth in USA (more women working, so harder to reach)
 - An electronic ordering glitch caused many sales reps to quit
- But Brazil is an example of a growth market abroad.

Avon Products in Brazil

- Product
 - 40% products adapted for local markets
- Pricing
 - Lay-a-way (reservation of item until all payments are paid) & barter (ruilhandel)
- Distribution
 - Door-to-door
- Promotion
 - Direct sales pitches, print material, etc.

Avon's Global Challenge

- In 2014 Avon paid \$135 million to settle bribery (omkoperij) charges under the US Foreign Corrupt Practices Act – in addition to over \$170 million spent on legal fees.
- Local Brazilian competitor, Natura, has been entering international markets – spurred (aansporen) on by global competitors such as Avon. Natura has moved first into other Latin American markets. They don't have the previous mentioned constraint.
How soon before Natura comes to the USA? To the EU?

Avon's Lessons

- Global marketers must:
 - Understand and adapt to market conditions. Even if you have a product that sells well in a large part of the world, a product should be adapted to local markets to increase sales.

- Understand and address a variety of environmental challenges-economic, political, and legal. For example; political issue: the US Foreign Corrupt Practices Act, social issue: the illiteracy in Brazil.
- Operate in an increasingly competitive marketplace (competitors like Natura).

The International Marketing Challenge

Standardization or adaptation?

- Less adaptation = less expensive.
- More standardization = more likely you are to reach your local market segments

Example: Godiva vs Neuhaus. Godiva → adaptation strategy; tastes otherwise in America. Neuhaus → standardization strategy; they don't adapt their products.

Factors Affecting Standardization

- Similar tastes in diverse countries → not with chocolate
- Strong country of origin image for a brand → Belgium is indeed strongly linked to chocolate.
- Scale economies in production, R&D, Marketing → R&D and marketing is less for standardized products.
- High cost of adaptation.
- Variations in consumer needs and conditions of use. Example: America uses a bicycle for recreation, in Europe they use it as transportation.
- Variations in consumer income and ability to buy.
- Strong cultural differences affecting production and use.
- Difference in technical standards.
- Difference in government regulations affecting the product. Example: in Europe parmesan cheese comes from the region Parmezan, whereas in the US it's a type of cheese.

Adapting to National Differences

- Brazil: more sales by producing smaller packages of a product
- China: more leg space behind in a car, a lot of Chinese people sit behind because they have a personal driver
- Finland: adding more vitamin D to products because of the smaller amount of sunlight there
- France: fruit must be specified with their chemical treatments, preservation methods and wax treatments
- India: larger school bags because there are no school lockers.
- Japan: Nestlé offers limited candy for each season of the year, they like products that are here today and gone tomorrow.

Importance of Global Marketing

Even high international trade statistics UNDERESTIMATE international marketing operations!

- Locally manufactured and locally sold products produced by foreign investors are not included in world trade figures.
 - Sales of overseas subsidiaries for US companies are estimated to be 3 times the value of these companies' exports!
- Scope of Global Marketing (examples)
 - Boeing

- Ford Motor Company
- Wal-Mart
- Nestlé (Switzerland = home country)
- Tata Consultancy (India)
- Vienna Orchestra
- eBay

Why Firms Seek Global Markets

- React to inquiry from abroad. Requests of penetrating a new market.
- Seek more sales and profits
- Little or no growth at home
- Respond to a domestic competitive shock
- Follow major customers abroad
- Leverage economies of scale (when you get more efficient at producing, because you produce more and more) and scope (increasing and penetration of your product line)

Development of Global Marketing

- Domestic marketing
- Export marketing, outside domestic marketing, shipped (often neighbourly countries)
- International marketing
- Pan-regional marketing (target expansion to nations within a trade block, like the EU, localizing the marketing message within each country)

Global marketing

A global marketing strategy involves the creation of a single strategy for a product, service, or company for the entire global market.

- A basic strategy
- Flexibility to adapt to local market conditions where necessary

Marketing Approaches from Domestic to Global (summary)

- Single-Country (Domestic) Marketing: a lot of firms in the US
- Dual-Country (Export) Marketing: when the domestic market is saturated, export to neighbourly countries.
- Multicountry Marketing: individual strategy for each country
- Global Marketing: single strategy to many countries in the world

Some Questions International Marketers Ask

- How will my idea, good, or service fit into the international market?
- Should I obtain the products I sell domestically or from abroad?
- What marketing adjustments will be necessary?
- What threats from global competition should I expect?
- How can I work with these threats and turn them into opportunities?
- What are my strategic global alternatives?

A Need for Global Mindsets

- Knowledge of other countries, economies and cultures.

- Understanding of how the global economy works.
- Ability to recognize and use ideas from different markets. Example: big thick diapers in US asked a lot of place in the shelves of a stores, in Japan they didn't have this amount of place and so a thinner diaper was invented.
- Perception of how to integrate actions taken in one national market with actions in other markets.

Managerial Takeaways

- The global economy is more interconnected than ever before, and the need for marketers to address international opportunities in a proactive manner has never been greater.
- Understanding and adapting to cultural differences will continue to play a major role in successful marketing strategies across the globe, while the need to successfully coordinate strategies across countries will continue to increase.
- Balancing the need to adapt to national differences and the need to gain cost, quality and competitive advantages by coordinating across borders is the major task of global marketing.

Lecture 18/02: Cultural Foundations

Cultural Foundations

Self Reference Criterion

- An unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decisions. Example: going to a restaurant in the US vs France. In France it is open later and restaurant visit takes longer for French people.
- It is the "lens" through which you see the world.
- Examples
 - Elevators: bigger or smaller in other countries
 - Color of the sun drawn by a six-year old in US = yellow, in Japan = red (Japanese flag).
 - Western countries: drawing Valentine heart, non-Western countries: drawing the actual, biological heart.
- Culture shock arises when you are not familiar with the values, experiences, and knowledge that shape the foreign culture. Example: fries with mayonnaise in the US is initially shocking for Americans.

What is Culture?

- Culture is usually defined as the underlying value framework that guides an individual's behavior.
- A modern conception of culture focuses directly on behavior.
- 80-90% of communication is non-verbal (images of 'emotions' → bowing)
- Culture consists of:
 - Words
 - Material things
 - Behaviors
- Culture is a:
 - Learned behavior
 - Shared
 - Interrelated (to understand 'warm', we need to know what 'cold' is) and
 - Compelling
- Set of words, materials and behaviors that provide guidelines for action in society. It is the lens through which we view the world.
- In other cultures, you need a new set of lenses to make sense of that new world.

Sell Me a Pen

- As an American: immediately starts about the product qualifications.
- In the Middle East: first offering coffee, small talk

Fast vs. Slow Messages

- Fast messages are clear and unambiguous. Example: Monopoly – Go to jail.
- Slow messages are open to interpretation. Many cultures around the world send slower messages than they are used to in the US. Germany sends fast messages. Belgium mixes fast and slow messages.

High vs. Low Context

- The amount of information that is “enough”.
- How much information do you need to function?
 - A lot? Very little?
- What kind of information?
 - Verbal? Non-verbal?
- What is the role of “silent language”? = non-verbal communication
 - High or low?
- High Context
 - The meaning of individual behavior and speech changes depending on the situation or context.
 - Nonverbal messages are full of important and intended meanings.
 - When words are spoken, “reading between the lines” is important.
 - “Silent language”
 - High context cultures can be found in most of the European countries, some of Latin American countries, and in Japan and many of the newly industrializing Asian countries.
- Low Context Cultures
 - Intentions are expressed verbally
 - A person’s meaning should be explicit
 - Propositions have to be justified and opinions defended openly.
- Low context cultures can be found in culturally diverse countries: the US, parts of China, Russia, Australia, New Zealand, Germany and Scandinavia.

Space

- Personal space: in general most people can’t get in your personal space. When American people come to Belgium, Belgians are getting more closer to Americans than they are actually comfortable with.
- Waiting in line: bigger spaces between people in a line in the US.
- Car bubble (contact parking): in Paris no space between cars.
- Sound bubble: very loud in US. No concept of how loud they are.
- Executive Office: CEO has biggest office space

Time

- Monochronic: this means doing one thing at a time. It means compartmentalizing time, breaking time down into discreet units.
- Polychronic: Doing many things at once. No schedules. People are more important than projects. Polychronic time is for interactions.

Monochronic people

- Do one thing at a time
- Concentrate on the job: the task is more important than the person.
- Take time commitments (deadlines, schedules) seriously
- Are low-context and need information.
- Are committed to the job
- Are inflexible

- Emphasize promptness
- Are accustomed to short-term relationships.

Polychronic people

- Do many things at once
- Are highly distractible and subject to interruptions
- Consider time commitments an objective to be achieved, if possible
- Are high-context, and already have information
- Are committed to people and human relationships.
- Change plans often and easily and are very flexible
- Base promptness on the relationship
- Have strong tendency to build lifetime relationships (relationships are more intimate and deeper).

Face

- Maintaining dignity in a social situation; keeping calm, smoothing out the wrinkles, people should not know what you feel just by looking at you.
- Many cultures are much more sensitive to face issues than Americans are.

Culture shock: Americans and Emirati

- Emiratis:
 - Send slower messages
 - Are higher context
 - Have gender differentiated space bubbles
 - Are more polychronic
 - Are more sensitive to face
- Than Americans: are more punctual

Emirati Culture

- Cultural traditions are rooted in Islam
- Similar to the wider Arab world
- Strong tribal identity
- The family is the strongest, most cohesive social unit
- An essentially conservative social structure
- Main cultural challenge: Adapting Emirati culture to a quickly modernizing society.
- Analysis of Emirati culture in light of:
 - Hofstede's cultural dimensions
 - Trompenaar's cultural dilemma's

Hofstede's Cultural Dimensions

- Individualism versus Collectivism
 - Collectivist: Identity is rooted in the social system (Japan)
 - Individualist: Identity is rooted in individual achievement (US)
- Best guess: are the Emirati more collectivist or individualist?
 - Bedouin heritage
 - Group cohesion was the key to survival

- Absolute conformity to values of the tribe was demanded
- Collectivist
- High versus Low Power Distance
 - High: a strong separation of individuals based on rank
 - Low: weak separation of individuals based on rank
- Best guess: are the Emirati a high or a low power distance culture? Why?
 - Emiratis on top
 - Other GCC Arabs
 - Educated/skilled Westerners
 - Laborers at the bottom
- Masculine versus feminine
 - Masculine: the culture is dominated by assertive male values (Great-Brittain)
 - Feminine: the culture is dominated by nurturing female values (Scandinavia)
- Best guess: are the Emirati more masculine or more feminine? Why?
 - Bedouin heritage
 - Men protected against warring tribes
 - Preserved tribal honor
 - The more men, the better

Traditional Value of Emirati Men

- Bedouin Man
 - Protection (more men = more family and tribal protection)
 - Celebrate the birth of boys (but not of girls)
 - Not a warrior culture
 - Death weakens the group
 - Raiding livestock, but:
 - Only from stronger groups
 - Raiding weaker groups was shameful
 - Must defend what is his (land, flock, women, possessions)
- Loyalty:
 - Family first
 - Most loyal to closest kin (brother before cousin)
 - Tribe second
 - Confederation third
- An admired, honorable man:
 - Arab, can trace his lineage to the prophet Mohamed
 - Was brave, sired many sons
 - Was wealthy (livestock)
 - Protected tribal, female honor
 - Worked without undue labor
 - Quick to exact revenge when his honor was slighted
 - Defended the group
 - His women were honorable
 - His daughters were sought after in marriage
- Still the ideal aspired to today

Traditional Value of Emirati Women

- Bedouin Women
 - The ability to produce sons and daughters (but sons in particular)
 - Children born by the mother belong to the father
 - In-group marriage desirable (marry the son of her father's brother)
 - "Flowers of the desert"
 - Placed on pedestals and revered as precious jewels
 - Must maintain honor and reputation
- Honor and reputation
 - The woman always belongs to her father's family
 - Her last name doesn't change when she marries
 - Greatest dishonor comes from female sexual misconduct
 - Dishonors father, brothers, who must punish her
 - "Honor killings"
 - Her husband must kill her lover
 - Reputation must be protected

News article of 2015: a father rather lets his daughter die in the sea, than that she's touched by a rescuer (he tackled the man).

Modern Emirati Men and Women

- Men
 - Father is the head of the family
 - Status increases with age
 - White collar job
 - Take religion seriously
 - Wealthy
 - Accept evolving role of women in society: are much more free here than in Saudi-Arabia
 - Some men still view women as:
 - Domestic manager
 - Responsible for the bearing and raising of children
 - Providing sexual pleasure for men
 - Most men think women may:
 - Be educated
 - Allowed to work
 - Trusted with decisions
- Women
 - Close to 100% literacy rate
 - 20% in 1980
 - Many now marrying outside of the group (from another country)
 - Their children are now considered Emirati
 - May get divorced
 - Many are highly educated
 - Many women work
 - Public services
 - Private sector, especially IT
 - May acquire wealth
 - May leave home without a male chaperone

- Society still concerned with the protection of a woman's virtue
- Their excellent example reassures society

Compare: Saudi-Arabian women: can't drive, have very few freedoms.

Hofstede's Cultural Dimensions

- Uncertainty Avoidance
 - High: clear rules how to behave in society
 - Low: ambiguous rules
- Best guess: are the Emirati high or low on uncertainty avoidance?
 - High: very clear rules for acting in society
 - Group norms are respected (collectivist)
 - Islam dictates much of what happens

Brief Introduction to Islam

- Islam guides every aspect of the Emiratis' lives
- Five pillars of Islam
 - Profession of faith
 - There is no God but Allah and Mohammad is his prophet (Shahada)
 - Prayer (salat)
 - Dawn (salat al fajr)
 - Mid-day (salat al bohor)
 - Late afternoon (salat al 'asar)
 - Sunset (salat al-maghrib)
 - Nightfall (salat al leela)
 - Fasting (sawm)
 - Ramadan
 - Abstain from food, water, seks from sunrise to sunset one moth/year
 - Alms-giving (zakat)
 - Pilgrimage to Mecca (hajj)
- Mostly men go to the mosque
 - Located within a five minute walk of every man in the UAE
 - Most go once a day
 - Most important day is Friday
 - Not all believe women should attend the mosque
- Expressing interest in Islam is appreciated
 - They know about Christianity
 - Christians typically don't know much about Islam
 - Conversion to Islam is encouraged
 - Conversion from Islam is prohibited

Trompenaar's Cultural Dilemmas

- Attitudes towards time
 - Polychronic vs. Monochronic time
 - Past (the goal of life today is to emulate the great and glorious activities that have all happened in the past), present (the past is kind of far off and the future is unclear so you live for today), or future (you put off current carriage today and sacrifice things today in the hopes of achieving a better tomorrow; education) for orientation.

- Best guess: what is the Emirati attitude toward time? Are they past, present or future-oriented?
 - Polychronic
- “In the desert, there is no sense of urgency or haste and no sense of the future. The attitude is that tomorrow will come, yesterday was, so why be concerned with any time other than now?”
- But: “The Emiratis are working hard to adapt their culture to the quickly modernizing society. They have travelled centuries in the last five to six decades.”
- Present-oriented with an eye to the future
- Neutral vs emotional communication
 - Are you emotional or unemotional when communicating?
- Best guess: are the Emirati more neutral or emotional when communicating?
 - Joy and laughter, yes
 - But shameful to show tears, sadness and anger
 - Face
- The Emirati are “experts at putting on a ‘poker face,’ giving a blank stare as they weigh and balance their thoughts before speaking.”
- “Suppressing physical or facial expression in the face of physical or emotional pain was a sign of self-control and courage and was also highly valued.”
- “A student came to me after having missed a week of classes and said, ‘Miss, I am sorry for missing class, but my mother died last week.’ I was quite moved and told her I was sorry for her loss. She matter-of-factly thanked me without the least outward sign of sorrow and took her seat.”
- Achievement vs ascription
 - What is more important, what you do or who you are (who you are: example of Kim Kardashian and Paris Hilton)
- Best guess: do the Emirati have more of an achievement or an ascription orientation?
 - Definitely, ascription
 - Arabic speaking
 - Unearned wealth is a sign of being blessed by Allah
- Universalism vs Particularism
 - Do you do the “right” thing or adapt your actions to the situation?
 - Is your loyalty to the external law or the internal family? Example: close relative tells you about a murder they committed, they ask you to help them. Are you helping them or turning them in?
- Best guess: are the Emirati universal or particular?
 - Particular
 - Loyalty to family first, tribe second, confederation third
- Internal vs Outer Direction (how people relate to their environment)
 - Can you control nature or the environment, or does nature and the environment control you?
- Best guess: are the Emirati internally directed or outer directed?
 - Outer
 - Inshallah: God willing, what happens in life is directed by God
 - Do all the jogging and eat all of the bran muffins in the world, you will still die.

- Israel: internal directed (it's greening up in Israel: they believe they can control the environment), Egypt: outer directed (if God wanted Egypt to be green, it would be green)
- “The Emiratis do not believe they are in control of nature or the things that affect them or their future. Problems or lack of advancement at work are due to bad luck rather than anything the Emirati might or might not have done. This is not to say the Emirati do not work for what they want; they do. However, if they do not achieve their goals, they do not blame themselves. Rather, they attribute their failure to God’s will, and trust that God wished them to have or do something else.”

Culture and Marketing: Lessons Learned

- Culture is a fundamental dimension of any society and affects market demands as well as customer and managerial behavior
- Culture affects strategy implementation and execution, “how” things are done, more than strategy formulation.
- Our own culture has given us useful behavioral skills. In new cultural contexts, these skills may be useless or even counterproductive
- In negotiations, attempting to adapt completely to a new culture may be counterproductive since it is unexpected and might erode trust.

Chapter 4: Political and Regulatory Climate

Learning objectives

- List and explain the political motivations behind government actions that promote or restrict international marketing.
- Identify pressure groups that affect international marketing.
- Discuss specific government actions salient to international marketing, such as boycotts and takeovers.
- List and compare the four basic legal traditions that marketers encounter worldwide.
- Cite examples illustrating how national laws can vary and change.
- Differentiate between the steps involved in managing political risk and those involved in planning for regulatory change.
- Understand the implication of terrorism to global marketing.

Chapter Overview

- Host country political climate
- Host government actions
- Home country political forces
- Legal environments
- National regulatory environments
- Regulatory change
- Managing political risk
- Global marketing and terrorism

Host Country Defined

- A home country is the country where a business is headquartered and usually where it originated. The domestic market is often times referred to as the home country market.
- A host country is any country that contains an operational unit (marketing, sales, manufacturing, R&D) of an international company. You can have a company that is headquartered in the home country but has R&D in two or three different host countries around the world and then they engage in marketing, sales or manufacturing in other countries as well.

Host Country Political Motivations

- Self-preservation
- Security
- Prosperity
- Prestige
- Ideology
- Cultural identity