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# International Marketing

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Abstract:

This research examines global advertising strategies and tactics in a global media brand for a shared audience across seven countries including Brazil, China, France, India, South Korea, Thailand, and USA. A content analysis of advertisements in local editions of magazine compares the extent of standardization in execution elements (advertising copy, models) across product nationality (multinational, domestic) and category (beauty, other). Local editions deliver more multinational than domestic product ads across all countries, except India. Overall, multinational product ads tend to use standardized strategies and tactics more than domestic product ads, although this propensity varies across countries. Beauty products (cosmetics, fashion) are more likely to use standardized approaches than other products (e.g. cars, food, household goods). Research only examines some magazines for some of audiences. A global medium such as Cosmopolitan offers international advertisers an opportunity to reach a shared consumer segment of women with varying degrees of standardization, and that even in Asian countries, some standardization is possible. This is multi-country study to examine advertising executions for global advertising strategy within a transnational media brand. We find that contemporary advertisers are practicing some global advertising strategies, but to varying degrees.

**Historical Basis for Trade:**

Throughout history, countries have tended to trade with each other, but usually to a much lesser extent than they do today. There are several reasons: Difficulties in transportation and communication made it difficult to transport manufactured goods which would, in any event, arrive with long delays after manufacturing; Border disputes, a history of invasions, and other tensions between countries discouraged trade with historical or potential enemies; and paper money was less readily available, so it was more difficult to match products for barter between the same buyer and sellers. Nevertheless, countries did have to trade with each other to a more limited extent.

Certain natural resources (e.g., iron, gold) were not readily available in some countries. Some countries did not have the technology to produce certain goods (e.g., when steel was introduced, it could be made only in some countries). In some countries, there was a demand for certain specialized goods, but not enough of a market to justify local production within reasonable economies of scale.

Today, trade is necessitated by several factors: Technological advances are so fast that, at any point, a different country may have the latest and most effective technology in compelling areas (e.g., computers, medical). Certain product lines (e.g., automobiles) require tremendous economies of scale to be cost effective, so these costs must be spread over several different markets. With advances in transportation, it becomes essential to take advantage of relative strengths that different countries have (e.g., technological leadership, low labor costs). Absolute advantage is typically measured in terms of labor input and

refers to the number of units one worker can produce in one unit of time. For example, suppose a Japanese worker can only produce two shirts in one hour, while a Malaysian worker can produce five. Thus, the Japanese worker has absolute advantage in hiring a Malaysian. Supposing a Japanese worker can produce two cars a week, while the Malaysian worker can produce only one tenth of a car in that amount of time. It can be shown a good relative advantage; assuming, Japan and Malaysia are only two countries that establish intentional trade with each other. It would be an advantage of both countries to trade Japanese cars for Malaysian shirts. This is called relative advantage. In practice, it is often more useful to think of relative technological sophistication vs. lower labor costs. Although trade generally benefits a country as a whole, powerful interests within countries frequently put obstacles—i.e., seeking to inhibit free trade. There are several ways this can be done.

**The Global Marketplace**

Globalization of Markets and Competition: Trade is increasingly global in scope today several reasons exist for this. One significant reason is technological—because of improved transportation and communication opportunities today, trade is now more practical. Thus, consumers and businesses now have access to the very best products from many different countries. Increasingly rapid technology lifecycles also increases the competition among countries as to who can produce the newest in technology. In part to accommodate these realities, countries in the last several decades have taken increasing steps to promote

global trade through agreements such as General Treaty on Trade and Tariffs, and trade organizations such as the World Trade Organization (WTO), North American Free Trade Agreement (NAFTA), and the European Union (EU).

**Stages in the International Involvement of a Firm.**

We discussed several stages through which a firm may go as it becomes increasingly involved across borders. A purely domestic firm focuses only on its home market, has no current ambitions of expanding abroad, and does not perceive any significant competitive threat from abroad. Such a firm may eventually get some orders from abroad, which is seen either as an irritation (for small orders, there may be a great deal of effort and cost involved in obtaining relatively modest revenue) or as "icing on the cake." As the firm begins to export more, it enters the export stage, where little effort is made to market products abroad, although an increasing number of foreign orders are filled. In the international stage, as certain country markets begin to appear especially attractive with more foreign orders originating, the firm may go into countries on an ad hoc basis—that is, each country may be entered sequentially, but with relatively little learning and marketing efforts being shared across countries. In the global stage, the focus centers on the entire World market, with decisions made optimize the product's position across markets—the home country is no longer the center of the product. An example of a truly global company is Coca Cola.

Note that these stages represent points on a continuum from a purely domestic orientation to a truly global one; companies may fall in between these discrete stages, and different parts of the firm may have characteristics of various stages—for example, the pickup truck division of an auto-manufacturer may be largely domestically focused, while the passenger car division is globally focused. Although a global focus is generally appropriate for most large firms, note that it may not be ideal for all companies to pursue the global stage. For example, manufacturers of ice cubes may do well as domestic, or even locally centered, firms.

**Some Forces in International Trade:**

The text contains a rather long-winded appendix discussing some relatively simple ideas. Comparative advantage, discussed in more detail in the economics notes, suggests trade between countries is beneficial because these countries differ in their relative economic strengths—some have more advanced technology and some have lower costs. International Product Life Cycle suggests that countries will differ in their timing of demand for various products. Products tend to be adopted more quickly in the United States and Japan, for example, so once the demand for a product (say, VCRs) is declined markets, an increasing market potential might exist in other countries (e.g., Europe and the rest of Asia). Internalization/transaction costs refers to the fact that developing certain very large scale projects, such as an automobile intended for the World market, may entail such large costs that these must be spread over several countries.

**Primary vs. Secondary Marketing Research**.

Market research exists in two genres: Primary research refers to research that a firm conducts for its own needs (e.g., focus groups, surveys, interviews, or observation). While secondary research involves finding information compiled by someone else. In general, secondary research is less expensive and is faster to conduct, but it may not answer the specific questions the firm seeks to have answered (e.g., how do consumers perceive our product?), and its reliability may be in question.

**Secondary sources**.

A number of secondary sources of country information are available. One of the most convenient sources is an almanac, containing a great deal of country information. Almanacs can typically be bought for $10.00 or less. The U.S. government also publishes a guide to each country, and the handbook International Business Information: How to Find It, How to Use It.

**Several Experts May Be Available**.

Anthropologists and economists in universities may have built up a great deal of knowledge and may be available for consulting. Consultants specializing in various regions or industries are typically considerably more expensive. One should be careful about relying on the opinions of expatriates (whose views may be biased or outdated) or one’s own experience (which may relate to only part of

a country or a certain sub segment) and may also suffer from the limitation of being a sample of size.

**Issues in Primary Research**.

Cultural factors often influence how people respond to research. While Americans are used to market research and tend to find this relatively un-threatening, consumers in other countries may fear that the data will be reported to the government, and may thus not give accurate responses. In some cultures, criticism or confrontation are considered rude, so consumers may not respond honestly when they dislike a product. Technology such as scanner data is not as widely available outside the United States. Local customs and geography may make it difficult to interview desired respondents; for example, in some countries, women may not be allowed to talk to strangers

**Obstacles to Diffusion**.

Obstacles to the diffusion of Internet trade come both from perennial sources and temporary roadblocks, which may be overcome as consumer attitudes change and technology is improved. Currently, Internet connections are slower than desired so that downloading pictures and other information may take longer than consumers are willing to wait. "Glitches" in online ordering systems may also frustrate consumers, who are unable to place their orders at a given time or have difficulty navigating through a malfunctioning site. The lack of non-English language sites in some areas may also be off-putting to consumers, and

registering domain names in some countries is difficult. Further, shipping small packages across countries may be inefficient due to high local postage rates and inefficiencies in customs processing. Most obstacles may be overcome within next few years.

Other obstacles may, however, have considerably greater staying power. First, there are legal problems, as several different countries may seek to impose jurisdiction on advertising and laws of product assortment and business practices. Further, maintenance of databases, which are essential to delivering on the promises of e-commerce, may conflict with the privacy rules of some countries—this is currently a hot issue of contention between the United States and the European Union. Finally, there are issues of taxation and collection. While the Clinton Administration has sought to get the WTO to go along with a three-year tax "moratorium" on Internet purchases much like the one observed in the U.S., strong opposition is expected. A great attraction of e-commerce in Europe is that people may order from other countries and thus evade local sales taxes, which can be prohibitive (e.g., 25% in Denmark and 16% in Germany). Some firms will ship to customers in neighboring countries without collecting sales taxes or duties, with the responsibility of paying falling on the consumer. Although consumers who order and do not arrange to pay for taxes get away with it, fines for those caught through random checks can be severe.

Some firms have chosen to maintain a global site, with reference only to local sales or support offices; others, in contrast, have unique sites for each country. In some cases, a global site wills hyperlink surfers to a country or region

relevant site. Note that some confusion exists since many sites outside the U.S. maintain the "com" designation rather than their countries' respective suffix (e.g., ". De" for Germany, ".se" for Sweden, and ".au" for Australia). Some firms have experienced problems getting their banks to accept credit card charges in more than one currency, and thus it may be difficult to indicate precise prices in more than one denomination (one site based in Britain offered its American customers to be as accurate as possible, based on current exchange rates, although the charge could be off "by a few pennies.")

It has been suggested that Europe runs some five years behind the U.S. in electronic commerce, but some sources dispute this, suggesting that lack of success among American retailers may have other origins, such as inadequate adaptation (for example, some British users are put off by American English). There are, however, some factors, which cause most countries, run behind. Even in Europe, Internet access penetration rates are lower than they are in the U.S., and the slower speed associated with downloading Asian characters is discouraging. In some countries, credit card penetration is lower, and even in European countries with high penetration rates, consumers are reluctant to use them. Further, the fact that consumers in most countries have to pay a per minute phone charge discourages the essential casual and relaxed browsing common in the U.S. so long as unlimited cable or hardwired access is not offered.

**Tariff barriers**:

A duty, or tax or fee, is put on products imported. This is usually a percentage of the cost of the good. A country can export only a certain number of goods to the importing country. For example, Mexico can export only a certain quantity of tomatoes to the United States, and Asian countries can send only a certain quota of textiles. "Voluntary" export restraints: These are not official quotas, but involve agreements made by countries to limit the amount of goods they export to an importing country. Such restraints are typically motivated by the desire to avoid more stringent restrictions if the exporters do not agree to limit themselves. For example, Japanese car manufacturers have agreed to limit the number of automobiles they export to the United States.

Subsidies to domestic products: If the government supports domestic producers of a product, these may end up with a cost advantage relative to foreign producers who do not get this subsidy. U.S. honey manufacturers receive such subsidies. Non-tariff barriers, such as differential standards in testing foreign and domestic products for safety, disclosure of less information to foreign manufacturers needed to get products approved, slow processing of imports at ports of entry, or arbitrary laws which favor domestic manufacturers. Several justifications have been made for the practice of protectionism. Some appear to hold more merit than others:

**Protection of an "Infant" Industry:**

Costs are often higher, and quality lower, when an industry first gets started in a country, and it thus is very difficult for that country to compete. However, as the industry in the country matures, it may be better able to compute. Thus, for example, some countries have attempted to protect their domestic computer markets while they gained strength. The U.S. attempted to protect its market for small autos American manufacturers were caught unprepared for the switch in demand away from the larger cars caught U.S. automakers unprepared. This is generally an accepted reason in trade agreements, but duration of this protection must be limited (e.g., a maximum of five to ten years).

Resistance to unfair foreign competition: The U.S. sugar industry contends that most foreign manufacturers subsidize their sugar production, so the U.S. must follow to remain competitive. This argument will hold little merit with the dispute resolution mechanism available through the World Trade Organization.

**Preservation of a Vital Domestic Industry:**

The U.S. wants to be able to produce its own defense products, even if foreign imports would be cheaper, since the U.S. does not want to be dependent on foreign manufacturers with whose countries conflicts may arise. Similarly, Japan would prefer to be able to produce its own food supply despite its exorbitant costs. For an industry essential to national security, this may be a compelling argument, but it is often used for less compelling ones (e.g., manufactures of funeral caskets or honey).

A country may want to try to reverse a temporary decline in trade balances by limiting imports. In practice, this does not work since such moves are typically met by retaliation. Import restrictions can temporarily protect domestic jobs, and can in the long run protect specific jobs (e.g., those of auto makers, farmers, or steel workers). This is less of an accepted argument—these workers should instead by retrain to work in jobs where their country has a relative advantage.

Retaliation: The proper way to address trade disputes is now through the World Trade Organization. In the past, where enforcement was less available, this might have been a reasonable argument. Note while protectionism generally hurts a country overall, it may be beneficial to specific industries or other interest groups. Thus, while sugar price supports are bad for consumers in general, producers are an organized group that can exert a great deal of influence. In contrast, the individual consumer does not have much of an incentive to take action to save about $5.00 a year.

**To encourage Trade in General;**

To replace non-tariff barriers with tariff barriers—i.e., it is acceptable but not encouragable to impose some burden on foreign products, but this must be in the form of a readily identifiable duty rather than a more vague restriction, which is less transparent;

Countries should respond in kind when other countries reduce tariffs or barriers. Providing the most favorable trade terms offered to anyone to all members of the agreement. Note that the above represent general principles, which in practice

are implemented with numerous exceptions. For example, the Uruguay Roundtable Agreement, which set up the World Trade Organization, literally runs several thousand pages. The EU and NAFTA are accepted, but go against the provision of offering the best terms available to everyone.

The 1994 Uruguay Round Table Agreement resulted in the establishment of the World Trade Organization (WTO). The main thrust of this organization is to expand the scope of trade affected (e.g., services are now covered), the protection of intellectual property (e.g., patents, copyrights, and trademarks) and, most importantly, to provide binding decisions on disputes which member countries must meet.

**Stages in International Trade Agreements:**

Trade between countries is generally started gradually—it takes a long time before barriers are eliminated entirely or even reduced dramatically. The stages on slide 11 are points on a continuum. Starting with heavy barriers to trade, countries may decide to move toward a "free trade area," where two countries agree on one or more trade liberalizations—e.g., two countries agree that bananas and steel can now be traded between the two countries with only a three percent duty (in contrast, say, to a fifteen percent duty that existed earlier). Watermelons and charcoal may then be added later, along with products that may follow over time. A customs union involves a more systematic trade agreement with reductions in duties and quotas covering a large spectrum of goods and services. For example, NAFTA systematically reduced tariffs and

improved access of Canada, the U.S., and Mexico, to each other's markets. Significant barriers still exist, however.

In a common market, goods can be moved freely from one member country to another. Although the EU has been calling itself a common market since the 1970s, it has not quite reached that reality yet. To understand what is going on here, we need to understand the distinction between duties (taxes imposed on goods which are imported, but not on goods produced in the home country) and excise taxes (such as the American sales tax, which are imposed on all goods, whether they are produced at home or abroad). Currently, individuals can bring almost anything they want in from other member countries, although businesses are somewhat less free. For example, one firm offered to deliver a pallet of two thousand five hundred beers from Germany, where "sin" taxes are lower, to Denmark. The authorities intervened and it was decided that the consumers would have to go and pick up the beers abroad themselves to benefit from the lower rates. One can now no longer take in duty free goods moving from one EU country to another, but one can buy whatever one wants in another EU country, paying a possibly lower sales tax there, and bring it back to one's home country. It used to be that many Danish consumers would take a ferry to Germany and buy a limited quantity of duty free alcohol and tobacco, which could be taken into Denmark with no additional duties or excise taxes. This is no longer possible, since both countries are part of the EU, but now it is possible to take the ferry and not even go aboard in Germany, buying all desired goods in German territorial waters at the lower German sales tax.

A monetary union involves countries abandoning their own currencies and monetary policies. The European Union will soon replace the currencies of some member countries with the Euro (not all countries are eligible to join, since some have too high a national debt or too large a government budget deficit, and others have chosen not to join at this time). A monetary union removes the ability of each country to control its own currency—it can no longer devalue its currency to improve export opportunities—but also introduces greater stability in exchange rates so that trade will not be interrupted by actual exchange rate fluctuations or avoided due to fears or exchange rate instability. Note that actually implementing a monetary union is difficult. The EU monetary union will be implemented over time—although contracts can now be specified in terms of Euros, actual currency will not be introduced until next year, and even when it is introduced, there will be a period of overlap where the Euro and the original currencies will coexist.

A political union involves countries actually merging, which laws of the union superseding national laws. At the present time, no such unions exist; although many trade related decisions in the EU are now handled through the European Parliament. (The states of the United States and various other countries such as Mexico, Brazil, and Germany are not genuinely sovereign.) The bottom line here is to recognize that trade liberalization is a gradual process and that not all countries will move all the way toward completely free trade.

**Economics Issues:**

"Open" vs. "closed" currencies. Not all currencies can be freely traded—some countries prohibit their currencies from leaving their borders, although this is mostly confined to developing countries that want to encourage tourists to spend their remaining currency rather than converting it back to their own currencies and spending it in their home countries. There are, however, some currencies for which international markets are not readily available, because the demand for those currencies is limited.

**Exchange rates come in two forms**:

"Floating"—here, currencies are set on the open market based on the supply of and demand for each currency. For example, all other things being equal, if the U.S. imports more from Japan than it exports there, there will be less demand for U.S. dollars (they are not desired for purchasing goods) and more demand for Japanese yen—thus, the price of the yen, in dollars, will increase, so you will get fewer yen for a dollar. "Fixed"—currencies may be "pegged" to another currency (e.g., the Argentinean currency is guaranteed in terms of a dollar value), to a composite of currencies (i.e., to avoid making the currency dependent entirely on the U.S. dollar, value might be 0.25 U.S. dollar+4 Mexican peso+50 Japanese yen+0.2 German mark+0.1 British pound), or to some other valuable such as gold. Note that it is very difficult to maintain these fixed exchange rates—governments must buy or sell currency on the open market when currencies go outside the accepted ranges. Fixed exchange rates,

although they produce stability and predictability, tend to get in the way of market forces—if a currency is kept artificially low, a country will tend to export too much and import too little.

Trade balances and exchange rates: When exchange rates are allowed to fluctuate, the currency of a country that tends to run a trade deficit will tend to decline over time, since there will be less demand for that currency. This reduced exchange rate will then tend to make exports more attractive in other countries, and imports less attractive at home. Measuring country wealth. There are two ways to measure the wealth of a country. The nominal per capita gross domestic product (GDP) refers to the value of goods and services produced per person in a country if this value in local currency were to be exchanged into dollars. Suppose, for example, that the per capita GDP of Japan is 3,500,000 yen and the dollar exchanges for 100 yen, so that the per capita GDP is (3,500,000/100)=$35,000. However, that $35,000 will not buy as much in Japan—food and housing are much more expensive there. Therefore, we introduce the idea of purchase parity adjusted per capita GDP, which reflects what this money can buy in the country. This is typically based on the relative costs of a weighted "basket" of goods in a country (e.g., 35% of the cost of housing, 40% the cost of food, 10% the cost of clothing, and 15% cost of other items). If it turns out that this measure of cost of living is 30% higher in Japan, the purchase parity adjusted GPD in Japan would then be ($35,000/(130%) = $26,923.

In general, the nominal per capita GPD is more useful for determining local consumers' ability to buy imported goods, the cost of which are determined in large measure by the costs in the home market, while the purchase parity adjusted measure is more useful when products are produced, at local costs, in the country of purchase. For example, the ability of Argentineans to purchase micro computer chips, which are produced mostly in the U.S. and Japan, is better predicted by nominal income, while the ability to purchase toothpaste made by a U.S. firm in a factory in Argentina is better predicted by purchase parity adjusted income.

It should be noted that, in some countries, income is quite unevenly distributed so that these average measures may not be very meaningful. In Brazil, for example, there is a very large underclass making significantly less than the national average, and thus, the national figure is not a good indicator of the purchase power of the mass market. Similarly, great regional differences exist within some countries—income is much higher in northern Germany than it is in the former East Germany, and income in southern Italy is much lower than in northern Italy.

**Economic trends.**

Certain countries have high levels of inflation; this figure, for example, has run at several hundred percent at various times in Brazil. In that case, then, it becomes important to adjust figures for inflation. Suppose that, as an illustration that the Brazilian economy grew from 1997 to 1998 from 200 trillion cruzeiros to 410

trillion while there was an inflation of 100%. The economy, then, did not really double. Therefore, the "real" growth, adjusted for inflation, is (410-200)/(100%+100%)-1 = (210/200)-1=5%. We should understand the principle of real inflation adjusted vs. nominal growth. Please note that even in countries that have inflation rates as moderate as 1-5%, adjustment for inflation is still essential. When one looks at an entire country, note that overall GDP may increase as population increases while its per capita GDP increases less or even decreases. Suppose, for example, that the GDP of India from 1997 to 1998 increases from $1 trillion to $1.02 trillion and that there is no inflation but the population increases by 3%. The population adjusted economic growth would be ((1.02-1.00)/1.03)-100%=98.5%-100%=-1.5%. Some countries run trade deficits over long periods of time, and when this happens, their currency is expected to weaken over time. In principle, this weakening ought to increase exports and decrease exports, but since countries may be able to borrow from foreign lenders, this may not always happen in practice. The U.S., for example, has been able to finance deficit spending by foreign borrowing. While the U.S. dollar declined sharply against the yen in the 1980s and early 1990s, it has remained much more stable in recent years at 100-130 yen per dollar.

**Dealing with culture.**

What is culture? In delineation, culture is the aggregate of thought; tenet; symbol and value. Culture is a problematic issue for many marketers since it is inherently imprecise and often difficult to understand. One may violate the cultural norms of

another country without being informed of this, and people from different cultures may feel uncomfortable in each other's presence without knowing exactly why (for example, two speakers may unconsciously continue to attempt to adjust to reach an incompatible preferred interpersonal distance).

When observing a culture, one must be careful not to over-generalize about traits that one sees. Research in social psychology has suggested a strong tendency for people to perceive an "outgroup" as more homogenous than an "ingroup," even when they knew what members had been assigned to each group purely by chance. When there is often a "grain of truth" to some of the perceived differences, the temptation to over-generalize is often strong. Note that there are often significant individual differences within cultures.

Definition. The text defines culture as "A learned, shared, compelling, interrelated set of orientations for members of society." While memorizing definitions is not essential, note the following parts of the definition

Learned. Culture is not genetically based—if that were the case cultures across the World would have been much more similar to each other. We learn what is considered appropriate in our culture through trial and error. If a child engages in competitive behavior, this might be rewarded in the United States with the expression of parental approval, while in Japan it might result in subtle shows of disapproval, such as lack of attention.

Shared. All or most of the people within the culture shares the beliefs, interpretations, and behaviors, so that it becomes a truly society-wide phenomenon.

Compelling: Culture must have implications (such as social disapproval if contradicted) in order to be considered important.

Interrelated. Although there may be conflicts between elements of culture (e.g., respect for seniority may come into conflict with a growing value of achievement in Singapore), for the most part, elements of culture constitute a coherent and relatively consistent whole. For example, the tendency for Japanese business people to bow when meeting each other and the tendency of lower level Japanese employees to show great deference to their superiors are both manifestations of a strong emphasis on respect.

Cultural lessons. We considered several cultural lessons in class; the important thing here is the big picture. For example, within the Muslim tradition, the dog is considered a "dirty" animal, so portraying it as "man’s best friend" in an advertisement is counter-productive. Packaging, seen as a reflection of the quality of the "real" product, is considerably more important in Asia than in the U.S., where there is a tendency to focus on the contents, which "really count." Many cultures observe significantly greater levels of formality than that typical in the U.S., and Japanese negotiator tends to observe long silent pauses as a speaker’s point is considered.

Elements of culture. The text considers several elements of culture, such as the material culture, education, and religion. Another way to look at cultural contents involves the areas of:

Beliefs. While Americans may attribute success to hard work or skill, it may be attributed to luck or connections in other cultures.

Attitudes. Beliefs, feelings, and behavioral intentions may differ. While the American may appreciate getting a bargain in a sale, this may conjure up images of not being able to afford the full price in other cultures.

Goals. While "progress" (having new and improved products, for example) is considered a good thing in the U.S., many Japanese parents are concerned that the "wa-pro" leaves their children unable to write the traditional Japanese pictographs.

Values. In the U.S., individual uniqueness is generally considered a good thing while in some cultures fitting in with the group is a higher priority. Thus, for example, an American may enjoy wearing relatively innovative clothing, which may be frowned upon in a more collectivistic society.

Cultural characteristics as a continuum. There is a tendency to stereotype cultures as being one way or another (e.g., individualistic rather than collectivistic). Note, however, countries fall on a continuum of cultural traits. Hofstede's research demonstrates a wide range between the most individualistic and collectivistic countries, for example—some fall in the middle.

Hofstede's Dimensions. Gert Hofstede, a Dutch researcher, was able to interview a large number of IBM executives in various countries, and found that cultural differences tended to center around four key dimensions:

Individualism vs. collectivism: To what extent do people believe in individual responsibility and reward rather than having these measures aimed at the larger group? Contrary to the stereotype, Japan actually ranks in the middle of this

dimension, while Indonesia and West Africa rank toward the collectivistic side. The U.S., Britain, and the Netherlands rate toward individualism.

Power distance: To what extent is there a strong separation of individuals based on rank? Power distance tends to be particularly high in Arab countries and some Latin American ones, while it is more modest in Northern Europe and the U.S.

**Masculinity vs. femininity involves**

Masculinity vs. femininity involves a somewhat more nebulous concept. "Masculine" values involve competition and "conquering" nature by means such as large construction projects, while "feminine" values involve harmony and environmental protection. Japan is one of the more masculine countries, while the Netherlands rank relatively low. The U.S. is close to the middle, slightly toward the masculine side.

Uncertainty avoidance involves the extent to which a "structured" situation with clear rules is preferred to a more ambiguous one; in general, countries with lower uncertainty avoidance tend to be more tolerant of risk. Japan ranks very high. Few countries are very low in any absolute sense, but relatively speaking, Britain and Hong Kong are lower, and the U.S. is in the lower range of the distribution.

Although Hofstede’s original work did not address this, a fifth dimension of long term vs. short term orientation has been proposed. In the U.S., managers like to see quick results, while Japanese managers are known for take a long term view, often accepting long periods before profitability is obtained.

**High vs. Low Context Cultures**:

In some cultures, "what you see is what you get"—the speaker is expected to make his or her points clear and limit ambiguity. This is the case in the U.S.—if you have something on your mind, you are expected to say it directly, subject to some reasonable standards of diplomacy. In Japan, in contrast, facial expressions and what is not said may be an important clue to understanding a speaker's meaning. Thus, it may be very difficult for Japanese speakers to understand another's written communication. The nature of languages may exacerbate this phenomenon—while the German language is very precise, Chinese lacks many grammatical features, and the meaning of words may be somewhat less precise. English is ranked somewhere in the middle of this continuum.

**Political and Legal Influences**

The political relations between a firm's country of headquarters (or other significant operations) and another one may, through no fault of the firm's become a major issue. For example, oil companies which invested in Iraq or Libya became victims of these countries' misconduct that led to bans on trade. Similarly, American firms may be disliked in parts of Latin America or Iran where the U.S. either had a colonial history or supported unpopular leaders such as the former shah.

Certain issues in the political environment are particularly significant. Some countries, such as Russia, have relatively unstable governments, whose policies

may change dramatically if new leaders come to power by democratic or other means. Some countries have little tradition of democracy, and thus it may be difficult to implement. For example, even though Russia is supposed to become a democratic country, the history of dictatorships by the communists and the czars has left country of corruption and strong influence of criminal elements.

**Laws across borders**.

When laws of two countries differ, it may be possible in a contract to specify in advance which laws will apply, although this agreement may not be consistently enforceable. Alternatively, treaties may settle jurisdiction, and some governments, such as that of the U.S., often apply their laws to actions, such as anti-competitive behavior, perpetrated outside their borders (extra-territorial application). By the doctrine known as compulsion, a firm that violates U.S. law abroad may be able to claim as a defense that it was forced to do so by the local government; such violations must, however, be compelled—that they are merely legal or accepted in the host country is not sufficient.

**The reality of legal systems**.

Some legal systems, such as that of the U.S., are relatively "transparent"—that is, the law tends to be what its plain meaning would suggest. In some countries, however, there are laws on the books, which are not enforced (e.g., although Japan has antitrust laws similar to those of the U.S., collusion is openly tolerated). Further, the amount of discretion left to government officials tends to

vary. In Japan, through the doctrine of administrative guidance, great latitude is left to government officials, who effectively make up the laws.

One serious problem in some countries is a limited access to the legal systems as a means to redress grievances against other parties. While the U.S. may rely excessively on lawsuits, the inability to effectively hold contractual partners to their agreement tends to inhibit business deals. In many jurisdictions, pre-trial discovery is limited; making it difficult to make a case against a firm whose internal documents would reveal guilt. This is one reason why personal relationships in some cultures are considered more significant than in the U.S.—since enforcing contracts may be difficult, you must be sure in advance that you can trust the other party.

**Legal systems of the World.**

There are four main approaches to law across the World, with some differences within each: Common law, the system in effect in the U.S., is based on a legal tradition of precedent. Each case that raises new issues is considered on its own merits, and then becomes a precedent for future decisions on that same issue. Although the legislature can override judicial decisions by changing the law or passing specific standards through legislation, reasonable court decisions tend to stand by default.

Code law, which is common in Europe, gives considerably shorter leeway to judges, who are charged with "matching" specific laws to situations—they cannot come up with innovative solutions when new issues such as patentability

of biotechnology come up. There are also certain differences in standards. For example, in the U.S. a supplier whose factory is hit with a strike is expected to deliver on provisions of a contract, while in code law this responsibility may be nullified by such an "act of God."

Islamic law is based on the teachings of the Koran, which puts forward mandates such as a prohibition of usury, or excessive interest rates. This has led some Islamic countries to ban interest entirely; in others, it may be tolerated within reason. Islamic law is ultimately based on the need to please God, so "getting around" the law is generally not acceptable. Attorneys may be consulted about what might please God rather than what is an explicit requirements of the government.

Socialist law is based on the premise that "the government is always right" and typically has not developed a sophisticated framework of contracts (you do what the governments tells you to do) or intellectual property protection (royalties are unwarranted since the government ultimately owns everything). Former communist countries such as those of Eastern Europe and Russia are trying to advance their legal systems to accommodate issues in a free market.

**U.S. laws of particular interest to firms doing business abroad.**

Anti-trust. U.S. antitrust laws are generally enforced in U.S. courts even if the alleged transgression occurred outside U.S. jurisdiction. For example, if two Japanese firms collude to limit the World supply of VCRs, they may be sued by

the U.S. government (or injured third parties) in U.S. courts, and may have their U.S. assets seized.

The Foreign Corrupt Influences Act came about as Congress was upset with U.S. firms' bribery of foreign officials. Although most if not all countries ban the payment of bribes, such laws are widely flaunted in many countries, and it is often useful to pay a bribe to get foreign government officials to act favorably. Firms engaging in this behavior, even if it takes place entirely outside the U.S., can be prosecuted in U.S. courts, and many executives have served long prison sentences for giving in to temptation. In contrast, in the past some European firms could actually deduct the cost of foreign bribes from their taxes! There are some gray areas here—it may be legal to pay certain "tips" –known as "facilitating payments"—to low level government workers in some countries who rely on such payments as part of their salary so long as these payments are intended only to speed up actions that would be taken anyway. For example, it may be acceptable to give a reasonable (not large) facilitating payment to get customs workers to process a shipment faster, but it would not be legal to pay these individuals to change the classification of a product into one that carries a lower tariff.

Anti-boycott laws. Many Arab countries maintain a boycott of Israel, and foreigners that want to do business with them may be asked to join in this boycott by stopping any deals they do with Israel and certifying that they do not trade with that country. It is illegal for U.S. firms to make this certification even if they have not dropped any actual deals with Israel to get a deal with boycotters.

Trading With the Enemy. It is illegal for U.S. firms to trade with certain countries that are viewed to be hostile to the U.S.—e.g., Libya and Iraq.

**Segmentation, Targeting, and Positioning**

Segmentation is the cornerstone of marketing—almost all marketing efforts in some way relate to decisions on who to serve or how to implement positioning through the different parts of the marketing mix. For example, one's distribution strategy should consider where one's target market is most likely to buy the product, and a promotional strategy should consider the target's media habits and which kinds of messages will be most persuasive. Although it is often tempting, when observing large markets, to try to be "all things to all people," this is a dangerous strategy because the firm may lose its distinctive appeal to its chosen segments.

In terms of the "big picture," members of a segment should generally be as similar as possible to each other on a relevant dimension (e.g., preference for quality vs. low price) and as different as possible from members of other segments. That is, members should respond in similar ways to various treatments (such as discounts or high service) so that common campaigns can be aimed at segment members, but in order to justify a different treatment of other segments, their members should have their own unique response behavior

**Approaches to global segmentation.**

There are two main approaches to global segmentation. At the macro level, countries are seen as segments, given that country aggregate characteristics

and statistics tend to differ significantly. For example, there will only be a large market for expensive pharmaceuticals in countries with certain income levels, and entry opportunities into infant clothing will be significantly greater in countries with large and growing birthrates (in countries with smaller birthrates or stable to declining birthrates, entrenched competitors will fight hard to keep the market share).

There are, however, significant differences within countries. For example, although it was thought that the Italian market would demand "no frills" inexpensive washing machines while German consumers would insist on high quality, very reliable ones, it was found that more units of the inexpensive kind were sold in Germany than in Italy—although many German consumers fit the predicted profile, there were large segment differences within that country. At the micro level, where one looks at segments within countries. Two approaches exist, and their use often parallels the firm's stage of international involvement. Intramarket segmentation involves segmenting each country's markets from scratch—i.e., an American firm going into the Brazilian market would do research to segment Brazilian consumers without incorporating knowledge of U.S. buyers. In contrast, intermarket segmentation involves the detection of segments that exist across borders. Note that not all segments that exist in one country will exist in another and that the sizes of the segments may differ significantly. For example, there is a huge small car segment in Europe, while it is considerably smaller in the U.S.

**Intermarket segmentation entails several benefits.**

The fact that products and promotional campaigns may be used across markets introduces economies of scale, and learning that has been acquired in one market may be used in another—e.g., a firm that has been serving a segment of premium quality cellular phone buyers in one country can put its experience to use in another country that features that same segment. (Even though segments may be similar across the cultures, it should be noted that it is still necessary to learn about the local market. For example, although a segment common across two countries may seek the same benefits, the cultures of each country may cause people to respond differently to the "hard sell" advertising that has been successful in one).

The international product life cycle suggests that product adoption and spread in some markets may lag significantly behind those of others. Often, then, a segment that has existed for some time in an "early adopter" country such as the U.S. or Japan will emerge after several years (or even decades) in a "late adopter" country such as Britain or most developing countries.

Positioning across markets. Firms often have to make a tradeoff between adapting their products to the unique demands of a country market or gaining benefits of standardization such as cost savings and the maintenance of a consistent global brand image. There are no easy answers here. On the one hand, McDonald's has spent a great deal of resources to promote its global image; on the other hand, significant accommodations are made to local tastes and preferences—for example, while serving alcohol in U.S. restaurants would

go against the family image of the restaurant carefully nurtured over several decades, McDonald's has accommodated this demand of European patrons.

## Conclusion

Some countries did not have the technology to produce certain goods (e.g., when steel was introduced, it could be made only in some countries). It would be an advantage of both countries to trade Japanese cars for Malaysian shirts. Although trade generally benefits a country as a whole, powerful interests within countries frequently put obstacles—i.e., seeking to inhibit free trade. In part to accommodate these realities, countries in the last several decades have taken increasing steps to promote global trade through agreements such as General Treaty on Trade and Tariffs, and trade organizations such as the World Trade Organization (WTO), North American Free Trade Agreement (NAFTA), and the European Union (EU). International Product Life Cycle suggests that countries will differ in their timing of demand for various products. A number of secondary sources of country information are available. There are, however, some factors, which cause most countries, run behind. In some countries, credit card penetration is lower, and even in European countries with high penetration rates; consumers are reluctant to use them. A country can export only a certain number of goods to the importing country. Countries should respond in kind when other countries reduce tariffs or barriers.

Starting with heavy barriers to trade, countries may decide to move toward a "free trade area," where two countries agree on one or more trade liberalizations—e.g., two countries agree that bananas and steel can now be traded between the two countries with only a three percent duty (in contrast, say,

to a fifteen percent duty that existed earlier). A monetary union involves countries abandoning their own currencies and monetary policies. A political union involves countries actually merging, which laws of the union superseding national laws. Some countries run trade deficits over long periods of time, and when this happens, their currency is expected to weaken over time. Note, however, countries fall on a continuum of cultural traits. Japan is one of the more masculine countries, while the Netherlands rank relatively low. At the macro level, countries are seen as segments, given that country aggregate characteristics and statistics tend to differ significantly. There are, however, significant differences within countries. At the micro level, where one looks at segments within countries.

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