



### Objectives

- The changing face of Business
- The scope of the International Marketing task
- Self – reference criterion (SRC)
- The increasing importance of global awareness
- The effect of protectionism
- The Keiretsu system

### How to measure organization's success?

- Profit
  - Can be played around
  - Past performance not future potential
- Growth
  - Market led
  - Organizations becoming too optimistic about it
- Shareholder value
  - Cash orientation
  - Service orientation than Mfg orientation

### How to measure organization's success?

- Customer satisfaction?
- Employee satisfaction?
- Societal satisfaction?

Financially led objectives VS. Market led objectives



### Evolving new dominant logic

**Pre-1900**

Goods-Centered Model of Exchange (Concepts: tangible, static, discrete transactions, and operand resources)

Classical and Neoclassical Economics (1800-1930)

Formative Marketing Thought (Descriptive: 1900-1950)

- Commodities
- Marketing institutions
- Marketing functions

Marketing Management School of Thought (1950-2000)

- Customer orientation and marketing concept
- Value determined in marketplace
- Manage marketing functions to achieve optimal output
- Marketing science emerges and emphasizes use of optimization techniques

Thought leaders in marketing continually move away from tangible output with embedded value in which the focus was on activities directed at discrete or static transactions. In turn, they move toward dynamic exchange relationships that involve performing processes and exchanging skills and/or services in which value is cocreated with the consumer. The world-view changes from a focus on resources on which an operation or act is performed (operand resources) to resources that produce effects (operant resources).

**Twenty-first Century**

Service-Centered Model of Exchange (Concepts: intangibles, competences, dynamics, exchange processes and relationships, and operant resources)

Marketing as a Social and Economic Process (Emerging Paradigm: 1980-2000 and forward)

- Market orientation processes
- Services marketing processes
- Relationship marketing processes
- Quality management processes
- Value and supply management processes
- Resource management and competitive processes
- Network management processes

Stephen, V. & R. Lusch (2004), Evolving to a New Dominant Logic for Marketing, Journal of Marketing, Vol. 68, No.1, pp. 1-17.

### Trends in Global Business

- Internationalization of U.S. Markets
- Internationalization of U.S. Business
- Growth of Regional Trade Areas
  - EU, NAFTA, AFTA, APEC
- Move toward free market system by countries in
  - Latin America, Asia, Eastern Europe
- Large Emerging Markets such as
  - Argentina, Brazil, China, South Korea, Poland, India
- Evolving global middle income households
- GATT and World Trade Organization
- The TRIAD
- Birth of the Euro
- The Internet and Global Communications

### U.S. Multinational in Europe - 1960's

**“Fifteen years from now the world's third greatest industrial power, just after the United States and Russia, may not be Europe, but American industry in Europe.”**

*J.S. Servan Schreiber:  
Le Defi American, 1967*

### What Happened?

### The Nationality of the World's 100 Largest Industrial Corporations (by country of origin)

	1963	1979	1984	1990	1993	1996	2000	2003
US	67	47	47	33	32	24	36	42
Germany	13	13	8	12	14	13	12	11
Britain	7	7	5	6	4	2	5	3
France	4	11	5	10	6	13	11	7
Japan	3	7	12	18	23	29	22	20
Italy	2	3	3	4	4	4	3	3
Netherlands-United Kingdom	2	2	2	2	2	2	—	2
Netherlands	1	3	1	1	1	2	5	4
Switzerland	1	1	2	3	3	5	3	4
Argentina	—	—	1	—	—	—	—	—
Belgium	—	1	1	—	—	—	1	—
Brazil	—	1	—	1	1	—	—	—
Canada	—	2	3	—	—	—	—	—
India	—	—	1	—	—	—	—	—
Kuwait	—	—	1	—	—	—	—	—
Mexico	—	1	1	1	1	1	—	—
Venezuela	—	1	1	1	1	1	—	—
South Korea	—	—	4	2	4	4	—	—
Sweden	—	—	1	2	1	—	—	—
South Africa	—	—	1	—	—	—	—	—
Spain	—	—	—	2	2	—	—	1
Turkey	—	—	—	—	1	—	—	—
China	—	—	—	—	—	—	2	3

SOURCES: Adapted from "The World's 500 Largest Industrial Corporations," Fortune 2003 data www.fortune.com

The 1975 Fortune 500 lists huge, respected corporations such as Esmark, Gulf & Western, Polaroid, and Singer that have essentially vanished. They didn't vanish overnight and they didn't vanish voluntarily. Even some survivors from 1975 are studies in falling short rather than flying high. Sears, Roebuck was founded in 1893 and moved into the Sears Tower in 1973, when Wal-Mart was a corporate toddler. Today, Wal-Mart is five times the size of Sears, and Sears has left the building.

Mark Chussil

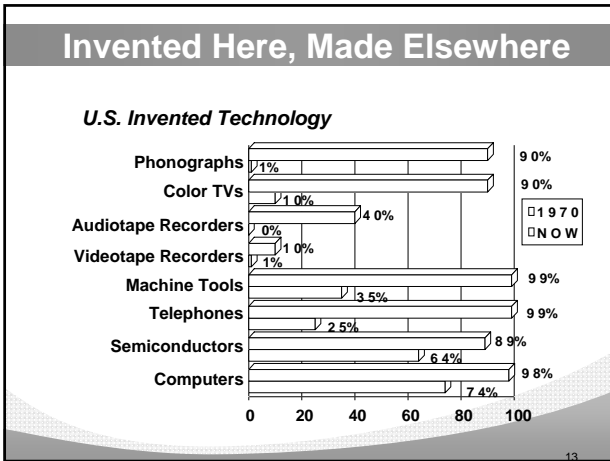
Chussil, M. (2005). With all this intelligence, why don't we have better strategies? Journal of Business Strategy, VOL. 26 NO-1, pp. 26-33.

### Fortune top 100

<ul style="list-style-type: none"> <li>▪ 2005</li> <li>1. Wal-Mart - United States (retail)</li> <li>2. BP - United Kingdom (oil)</li> <li>3. ExxonMobil - United States (oil)</li> <li>4. Royal Dutch Shell - Netherlands/United Kingdom (oil)</li> <li>5. General Motors - United States (automobiles)</li> <li>6. DaimlerChrysler - Germany (automobiles)</li> <li>7. Toyota Motor Corporation - Japan (automobiles)</li> <li>8. Ford Motor Company - United States (automobiles)</li> <li>9. General Electric - United States (conglomerate)</li> <li>10. Total - France (oil)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 1995</li> <li>1. Mitsubishi (NA)</li> <li>2. Mitsui (NA)</li> <li>3. Itochu (NA)</li> <li>4. Sumitomo (NA)</li> <li>5. General Motors (5)</li> <li>6. Marubeni (NA)</li> <li>7. Ford motors (8)</li> <li>8. Exxon (3)</li> <li>9. Nissho Iwai (NA)</li> <li>10. Royal Dutch Shell (4)</li> </ul>
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FORTUNE GLOBAL 500 - Fortune, 8/7/95, Vol. 132, Issue 3  
http://money.cnn.com/magazines/fortune/global500/index.html

- ### The 3 events that changed the IM scenario
- Rapid growth of regional free trade areas
  - The trend towards acceptance of free market system
  - As a result of these two, the evolution of large emerging markets



### The Companies we know

U.S. Company	Foreign Owner
North West Airlines (Travel)	Netherlands
J. Walter Thompson (Advertising)	Britain
Giant Food Stores (Supermarkets)	Netherlands
Pillsbury, Hueblein (Food, Drink)	Britain
CBS Records (Music & Entn.)	Japan
Chesebrough-Pond's (Vaseline)	Netherlands
Zenith (Television)	Korea

### Some Big U.S. Players in Global Game

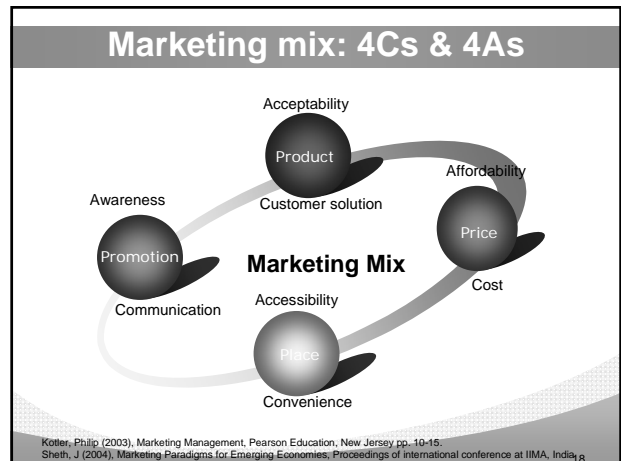
Company	Foreign Revenues (\$ Mil)	Foreign Revenues (Percent of Total)	Foreign Profits (Percent of Total)	Foreign Assets (Percent of Total)
ExxonMobil	115,464	71.8	62.7	63.9
IBM	50,377	57.5	49.6	43.7
Ford Motor	50,138	30.8	N/A	44.2
General Motors	46,485	26.3	55.3	38.0
Wal-Mart Stores	40,794	16.7	14.7	32.4
General Electric	35,350	31.7	22.8	47.4
Texaco	32,700	77.1	54.1	45.2
Citigroup	28,749	35.1	N/A	41.0
Hewlett-Packard	23,398	55.2	58.0	51.5
Compaq Computer	21,174	55.0	101.4	28.2

- ### Reasons for Going International
- Saturated home market
  - Competition
  - Excess Capacity
  - Advantage in product, skill or technology
  - Product life cycle differences
  - Geographic diversification
  - Organizational reasons
  - Financial reasons

### Definition of Marketing

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

- Philip Kotler



### International Marketing Defined

IM is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers or users in **more than one nation** for a profit.

The multinational process of planning & executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual & organizational objectives.

Is that the only difference between domestic and International marketing?

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### Self Reference Criterion (SRC)

Unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decision

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### Suggested framework for avoiding SRC influences

**Step I :** Define the business problem or goal in home-country cultural traits, habits or norms

**Step II :** Define the business problem or goal in foreign country cultural traits, habits or norms. Make no value judgments

**Step III :** Isolate the SRC influence in the problem & examine it carefully to see how it complicates the problem

**Step IV :** Redefine the problem without the SRC influence and solve for the optimum business goal situation

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### Being Globally Aware

To be Globally Aware is to be:

- Objective
- Tolerant of Cultural Differences

Knowledgeable of:

- Cultures
- History
- World Market Potentials
- Global Economic, Social and Political Trends

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### Stages of IM Involvement

- No Direct Foreign Marketing
- Infrequent Foreign Marketing
- Regular Foreign Marketing
- International Marketing
- Global Marketing

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### International Marketing Concepts

Concept	EPRG Schema
Domestic Market Extension	→ (Ethnocentric)
Multi-Domestic Market	→ (Polycentric)
Global Marketing	→ (Regio/Geocentric)

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### New & Future (Possible) Multinational Market Groups

- European Union
- European Economic Area (EC and EFTA)
- North American Free Trade Area
- Asean Free Trade Area (AFTA)
- Commonwealth of Independent States (CIS)
- Central European Free Trade Area (CEFTA)

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### Possible Regional Trade Groups

- Western Hemisphere Free Trade Areas (WHFTA)  
Canada to Argentina
- Asia-Pacific Economic Cooperation (APEC)
- Pacific Rim Countries including U.S.
- U.S./ Canada/Mexico/Japan
- South American Free Trade Area (SAFTA)
- Chinese Economic Area (CEA)
- Hong Kong, Taiwan, Coastal Provinces of So. China
- U.S./European Union
- Many possibilities of Republics of Russia, Baltic States

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### Ties that Bind: Japanese Keiretsu and Toyota

Toyota has a typical keiretsu family with financial ties to its most important suppliers. Some of those companies, with the percentage of each that Toyota owns:

Lighting	Koito Mfg.	19.0 %
Rubber	Toyoda Gosel	41.4
Disc Brakes	Akebona	13.9
Transmissions, clutches, brakes	Aisin Seiki	22.0
Clocks	Jeco	34.0
Electronics	Nippondenso	23.6
Seat belts, switches	Tokai Rika	28.2
Steel	Aichi Steel Works	21.0
Upholstery material	Kyowa Leather	33.5
Door sashes, molding	Shiroki	13.2
Painting	Trinity	30.2
Mufflers	Futaba Industrial	13.2

SOURCE: Adapted from "Japan: All in the Family," *Newsweek*, June 10, 1991, p. 38.

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### Ford's Keiretsu

VEHICLE ASSEMBLY			
Company	Country		Percent Equity
Mazda	Japan		25%
Kia Motors	Korea		10%
Aston Martin Lagonda	Britain		75%
Autolatina	Brazil-Argentina		49%
Iveco Ford Truck	Britain		48%

PARTS			
PRODUCTION			
Company	Country	Component	Percent Equity
Cummins	U.S.	Engines	10%
Excel Industries	U.S.	Windows	40
Decoma International	Canada	Body Parts, Wheels	49

SOURCE: Adapted from "Learning from Japan," *Business Week*, January 27, 1992, p. 55.

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### Ford's Keiretsu

#### Financial Services

Through seven wholly owned units, Ford extends consumer and commercial credit. It issues car loans, mortgages, and credit cards, does industrial leases and finances dealer purchases of cars.

#### Marketing

Owns 49 percent of Hertz.  
Hertz and other car rentals are among Ford's largest customers.

#### Research and Development

Ford belongs to eight consortiums that do research into environmental issues, better engineering techniques, materials, electric car batteries, and the Chrysler and General Motors "precompetitive research" on batteries and materials.

SOURCE: Adapted from "Learning from Japan," *Business Week*, January 27, 1992, p. 55.

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