

# Marketing Essentials



## Chapter 4

### global analysis

#### Section 4.1

#### International Trade

#### Section 4.2

#### The Global Marketplace



## Before You Read

**CONNECT** What international products do you consume?

## OBJECTIVES

- **Describe** the benefits of international trade.
- **Discuss** the balance of trade.
- **Compare and contrast** three types of trade barriers.
- **Discuss** three significant trade agreements and alliances.

## **THE MAIN IDEA**

Nations rely on each other to provide goods and services. This interdependence creates a global marketplace.

## VOCABULARY

- international trade
- imports
- exports
- balance of trade
- free trade
- tariff
- quota
- embargo
- protectionism
- World Trade Organization (WTO)
- North American Free Trade Agreement (NAFTA)
- European Union (EU)



# International Trade

## Graphic Organizer

### Key Concepts Related to International Trade

**Balance  
of Trade**

**Trade  
Barriers**

**Trade  
Agreements**

# International Trade

## Graphic Organizer

### Key Concepts Related to International Trade

#### Balance of Trade

Difference between imports/exports; Positive balance-exports more than imports; Negative balance-trade deficit; Trade deficit reduces revenue

#### Trade Barriers

Tariffs  
Quotas  
Embargoes

#### Trade Agreements

North American Free Trade Agreement,  
European Union, World Trade Organization,

## Nature of International Trade



### **international trade**

The exchange of goods and services between nations.



### **imports**

Goods and services purchased from other countries.



### **exports**

Goods and services sold to other countries.



## Nature of International Trade

**The principle of economic interdependence is fundamental to marketing in a global environment.**

## Nature of International Trade

### Absolute Advantage

When a country has economic resources that allow it to produce a product at a lower unit cost than any other country.

### Comparative Advantage

When a country has an absolute advantage in more than one product.

## Nature of International Trade

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Organizer

### The Benefits of International Trade

International Trade	
Benefits	Examples

## Nature of International Trade

### Graphic Organizer

#### The Benefits of International Trade

##### International Trade

Benefits	Examples
High-quality goods	Electronics, cars.
Lower prices	Clothing, textiles
Larger profits	McDonalds, KFC
Higher employment	China, India
Improved standard of living	China, India
More purchasing options	U.S. consumers

## Government Involvement in International Trade

### Balance of Trade

**Trade  
Surplus**

When a nation **exports more**  
than it imports.

**Trade  
Deficit**

When a nation **imports more**  
than it exports.



### **balance of trade**

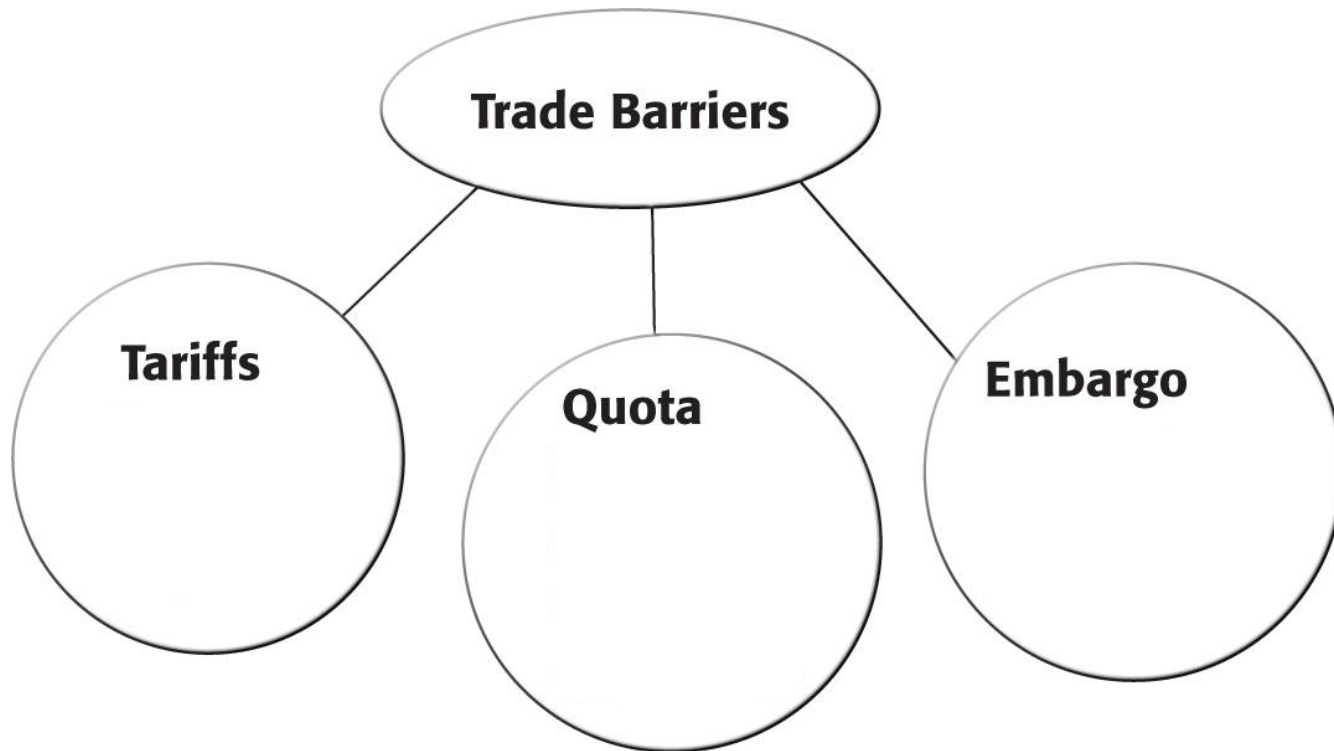
The difference in value between  
exports and imports of a nation.



## Government Involvement in International Trade

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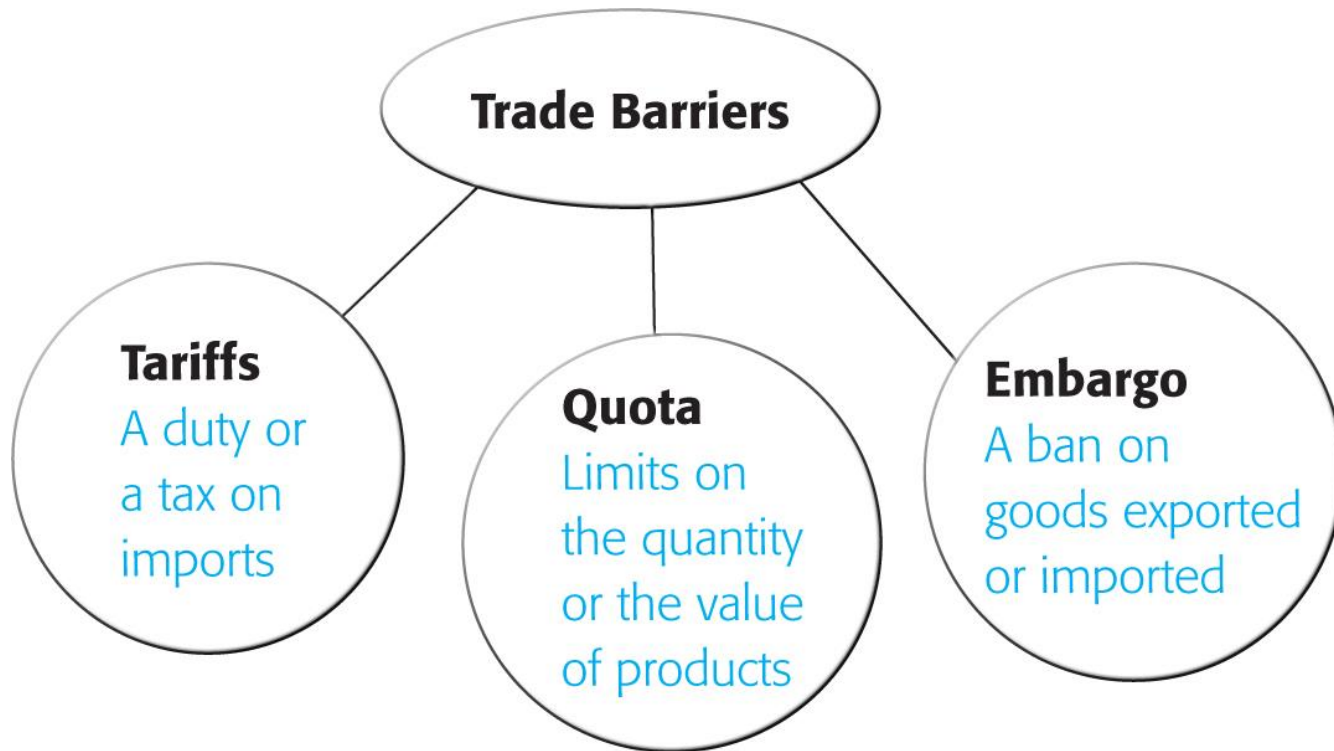
Defining Trade Barrier Terms



## Government Involvement in International Trade

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### Defining Trade Barrier Terms



## Government Involvement in International Trade

The opposite of free trade is protectionism.



### free trade

Commercial exchange between nations that is conducted on free market principles, without regulations.



### protectionism

A government's establishment of economic policies that systematically restrict imports in order to protect domestic industries.

## Government Involvement in International Trade

**Subsidies accomplish the same goal as protectionism.**

**Countries may retaliate for protectionist actions.**

## Government Involvement in International Trade

### Trade Agreements and Alliances

World Trade Organization (WTO)

North American Free Trade Agreement (NAFTA)

European Union (EU)



#### **World Trade Organization (WTO)**

A global coalition of nations that makes the rules governing international trade.



#### **North American Free Trade Agreement (NAFTA)**

An international trade agreement among the United States, Canada, and Mexico.



#### **European Union (EU)**

Europe's trading bloc.



## Government Involvement in International Trade

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### Pros and Cons of EU Membership

#### European Union Membership

Pros	Cons

## Government Involvement in International Trade

### Graphic Organizer

#### Pros and Cons of EU Membership

##### European Union Membership

Pros	Cons
<ul style="list-style-type: none"><li>• Gives smaller countries more clout with larger countries</li><li>• Makes trade easier with a common currency</li><li>• Helps with economic and political stability</li></ul>	<ul style="list-style-type: none"><li>• Relinquishes some powers of the individual countries to the EU</li><li>• Makes decisions for member countries</li><li>• Makes decisions that are not always in the best interest of all of the member countries.</li></ul>

# International Trade



## After You Read

### Section 4.1

#### 1. **Explain** how countries benefit from international trade.

Increased foreign investment in a country often improves the standard of living for the country's people. Individuals have more options to choose from when making purchasing decisions. Economic alliances among nations often solidify political alliances that foster peace.

**After You Read****Section 4.1**

## 2. **Distinguish** between tariffs, quotas, and embargoes.

- A tariff is a tax on imports.
- A quota limits either the quantity or the monetary value of a product that may be imported.
- An embargo is a total ban on specific goods coming into and leaving a country (typically imposed for health or political reasons).



## After You Read

## Section 4.1

3. **Describe** the common goal or purpose of WTO, NAFTA, and the EU trade agreements.

The common goal or purpose of WTO, NAFTA, and the EU trade agreements is to reduce trade restrictions and increase free trade among nations.



# The Global Marketplace



## Before You Read

**PRIOR KNOWLEDGE** How does a PEST analysis help a company assess its place in the market?

## OBJECTIVES

- **List** forms of international trade.
- **Identify** political, economic, socio-economic, and technological factors that affect international business.
- **Understand** global marketing strategies.

## **THE MAIN IDEA**

Besides language barriers, there are many other factors that must be considered for doing international business.

## VOCABULARY

- licensing
- contract manufacturing
- joint venture
- foreign direct investment (FDI)
- multinationals
- mini-nationals
- globalization
- adaptation
- customization

# The Global Marketplace

## Graphic Organizer

### Factors That Affect International Business

**International  
Business**

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**Global Environ-  
mental Scan**

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**Market  
Strategies**

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# The Global Marketplace

## Graphic Organizer

### Factors That Affect International Business

#### International Business

Importing, Exporting,  
Licensing;  
Contract Manufacturing,  
Joint Ventures;  
Foreign Direct  
Investment;  
Multinationals, Mini-  
Nationals

#### Global Environmental Scan

Political Factors,  
Economic  
Factors, Socio-  
Cultural Factors,  
Technological  
Factors

#### Market Strategies

Globalization,  
Adaptation,  
Customization

## Doing Business Internationally

### Getting Involved with Global Business

Importing

Exporting

Licensing



### licensing

Letting another company, or licensee, use a trademark, patent, special formula, company name, or some other intellectual property for a fee or royalty.

## Doing Business Internationally

### Getting Involved with Global Business

Importing

Exporting

Licensing

Contract  
Manufacturing



### **contract manufacturing**

Hiring a foreign manufacturer to make your products according to your specifications.

## Doing Business Internationally

### Getting Involved with Global Business

Importing

Joint Venture

Exporting

Licensing

Contract  
Manufacturing



#### joint venture

A business enterprise that a domestic company and a foreign company undertake together.

## Doing Business Internationally

### Getting Involved with Global Business

Importing

Joint Venture

Exporting

Foreign Direct  
Investment (FDI)



**foreign direct investment (FDI)**

The establishment of a business in a foreign country.

Licensing

Contract  
Manufacturing



## Doing Business Internationally

### Getting Involved with Global Business

Importing

Joint Venture

Exporting

Foreign Direct Investment (FDI)

Licensing

Multinationals

Contract  
Manufacturing



### **multinational**

A large corporation that has operations in several countries.

## Doing Business Internationally

### Getting Involved with Global Business

Importing

Joint Venture

Exporting

Foreign Direct Investment (FDI)

Licensing

Multinationals

Contract  
Manufacturing

Mini-Nationals



### **mini-national**

A midsize or smaller company that has operations in foreign countries.

## Doing Business Internationally

### Graphic Organizer

What Happens When Knockoffs Are Sold?



## Doing Business Internationally

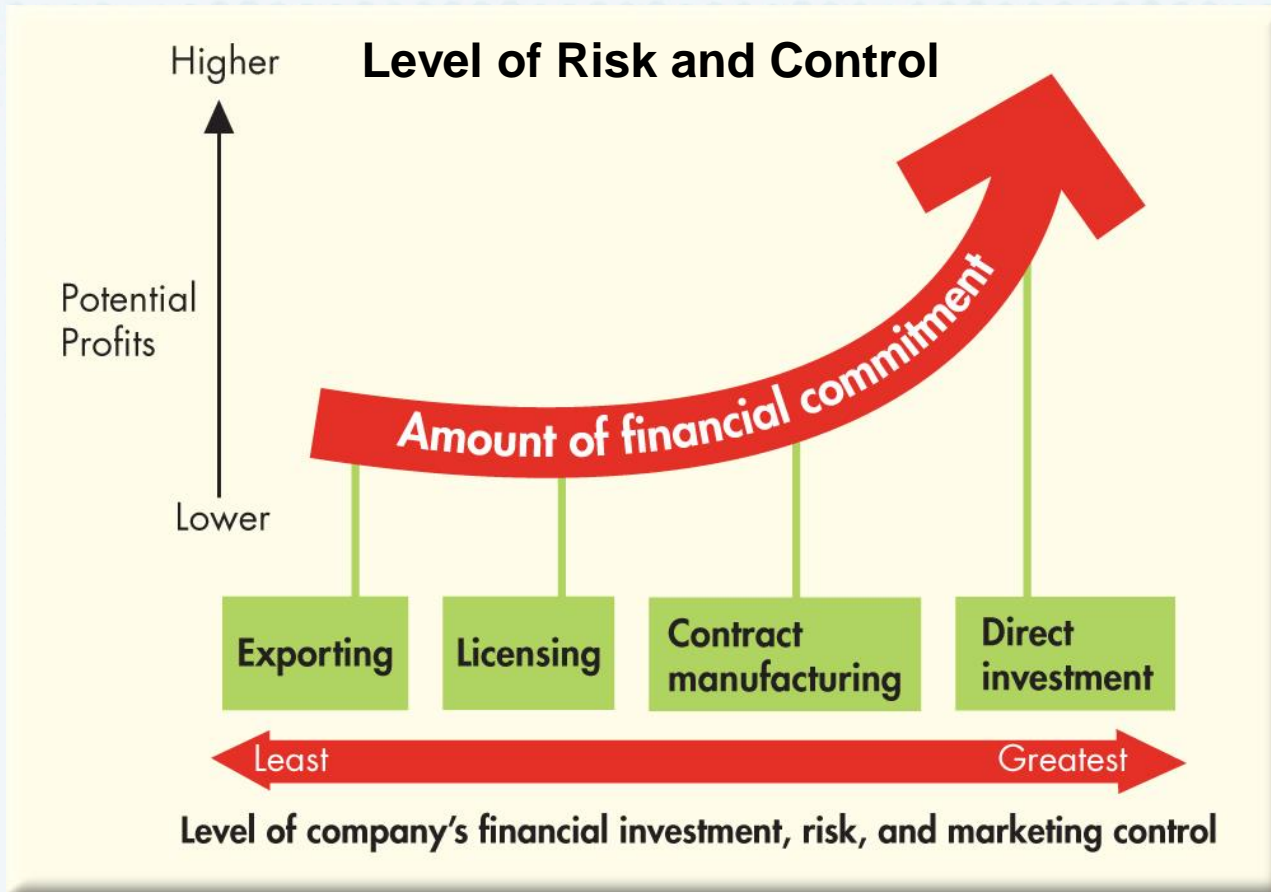
### Graphic Organizer

What Happens When Knockoffs Are Sold?



# The Global Marketplace

## Doing Business Internationally





# The Global Marketplace

## Global Environmental Scan

**Political  
Factors**

**Government  
Stability**

**Trade Regulations  
and Laws**

**Economic  
Factors**

**Socio-Cultural  
Factors**

**Technological  
Factors**

# The Global Marketplace

## Global Environmental Scan

### Political Factors

Government Stability

Trade Regulations and Laws

### Economic Factors

Infrastructure

Labor Force

Employee Benefits

Taxes

Standard of Living

Foreign Exchange Rate

Economic Indicators

### Socio-Cultural Factors

### Technological Factors

# The Global Marketplace

## Global Environmental Scan

### Political Factors

Government Stability

Trade Regulations and Laws

### Economic Factors

Infrastructure

Labor Force

Employee Benefits

Taxes

Standard of Living

Foreign Exchange Rate

Economic Indicators

### Socio-Cultural Factors

Language

Symbols

Holidays

Religious Observances

Social Etiquette

Business Etiquette

### Technological Factors

# The Global Marketplace

## Global Environmental Scan

### Political Factors

Government Stability

Trade Regulations and Laws

### Economic Factors

Infrastructure

Labor Force

Employee Benefits

Taxes

Standard of Living

Foreign Exchange Rate

Economic Indicators

### Socio-Cultural Factors

Language

Symbols

Holidays

Religious Observances

Social Etiquette

Business Etiquette

### Technological Factors

Measurement Systems

Computers

Faxes

Voicemail

Wireless Phones

Internet

## Global Environmental Scan



### **globalization**

Selling the same product and using the same promotion methods in all countries.



### **adaptation**

A company's use of an existing product or promotion from which changes are made to better suit the characteristics of a country or region.



### **customization**

Creating specifically designed products or promotions for certain countries or regions.

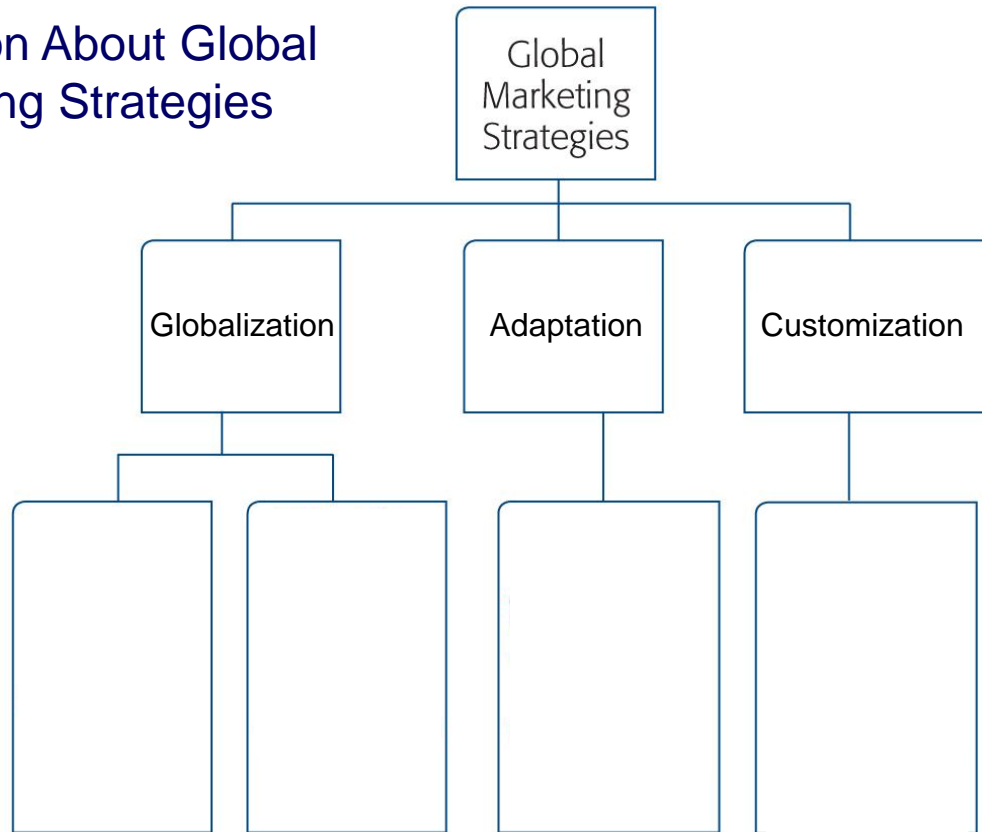


# The Global Marketplace

## Global Environmental Scan

Graphic  
Organizer

Information About Global  
Marketing Strategies

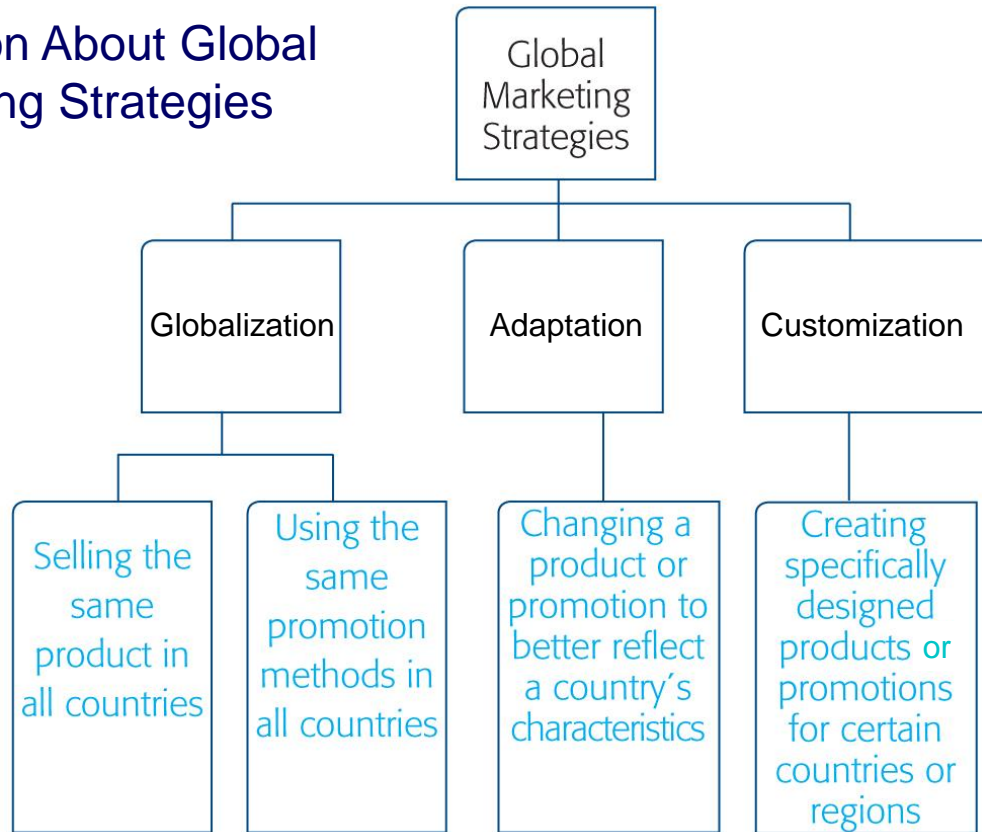


# The Global Marketplace

## Global Environmental Scan

### Graphic Organizer

#### Information About Global Marketing Strategies



# The Global Marketplace



## After You Read

## Section 4.2

1. **Describe** an example of a political factor that could discourage a business from engaging in international trade with a given country.

Some plausible answers are: Political ideology (i.e., Communist Cuba), government stability, (overthrow of a government), trade regulations (quotas or high tariffs), and any other laws that affect a company's operations, such as taxes, restrictions on advertising or poor legal recourse in cases of piracy.

# The Global Marketplace



## After You Read

## Section 4.2

2. **Identify** the socio-cultural factors that make doing business abroad difficult.

Socio-cultural factors that make doing business abroad difficult include differences in language and symbols, holidays and religious observances, social and business etiquette. Accept all reasonable examples. One example is McDonald's® in India does not sell beef burgers; instead they sell mutton burgers. Translating advertising messages into a foreign language could be problematic, “Nova” in Spanish means “no go” which is not what you want to say about an automobile.

# The Global Marketplace



## After You Read

## Section 4.2

3. **Name** and give an example of three different global marketing strategies.

Globalization, adaptation (product and promotion), and customization are three different types of global marketing strategies. Accept all reasonable examples. An example of globalization is Coca Cola® brand Coke, which uses the same advertising message around the world. An example of product adaptation is Unilever's® Sunsilk hair products, which are formulated to match consumers' needs (prevalent hair types) in different countries. An example of promotion adaptation is McDonald's advertising in Sweden only to adults because advertising to children is prohibited. Customization is creating a product solely for one country or region, such as Yuan Ye, ready-to-drink tea for the Chinese market.



# Marketing Essentials



End of  
**Chapter 4**  
**global analysis**

**Section 4.1**  
**International Trade**

**Section 4.2**  
**The Global Marketplace**