The Basics of International Marketing
and
The Marketing Mix

An Honors Thesis (HONRS 499)

by

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Abstract

Globalization is a necessity for any major corporation wishing to succeed in today's global business world. The world is quickly becoming a single market, and it is important to realize what makes a company successful in the fierce world of international business. The way in which a company decides to market itself in a foreign market can make or break the success of its presence there. The four parts of the marketing mix are product, price, promotion, and place. McDonalds has been used to illustrate ways those components can be manipulated and adapted for international success. A brief discussion is then given to the process of introducing crepes on the menu in France using the marketing mix.
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INTRODUCTION

Globalization is one of the stronger trends in business today. Doing business globally helps companies keep up with worldwide competition, extend product life, and sell in a much larger market. Before deciding to market in the international arena, however, a firm must research the risks associated with going international. If it is still a feasible option, the firm should familiarize itself with the culture of the host country and the ins and outs of doing business there. The pace of globalization is increasing rapidly; therefore it is important for firms in all industries to understand what policies and practices can be done domestically and internationally and which ones need to be adapted for international success.

Marketing is a key component in a successful international strategy. Traditionally marketing consists of developing a marketing mix, which involves strategies for pricing, promotion, place, and product. Adaptation of the marketing mix is a key factor to the success of international marketing. Strategies must be modified to fit the culture and business ways of the host country. Throughout this paper, McDonalds, an extremely successful multinational corporation, will be used as an example to illustrate what it takes to modify the four P’s for success.

Finally, a general plan for introducing crepes at McDonalds in France will be discussed. Product, promotion, price, and place will be examined in the context of French culture and food.

WHY GO INTERNATIONAL?

International Business Benefits and Risks
There are several risks and benefits to going international. From observing the thousands of successful companies that are multinationals, it can be inferred that the risks far outweigh the benefits in most cases. According to the Export Associates Program, the benefits of going international include broadening the market, extending the lives of the products, escaping domestic competition, keeping up with competitors that go international and establishing a progressive image (Vanderleest 2002).

When a company goes international, they are embarking into a completely new market. As long as the firm has done the market research and identified its target market, broadening the market can generate substantial new sales and increased profits. It is also possible to extend the life of the product. For example, many countries are not as technologically advanced as the United States, therefore, something that has lower demand in the U.S. because of newer technology may be considered breaking technology in another country. Escaping domestic competition and keeping up with competitors that are going international are two benefits that go hand in hand. If a majority of firms in an industry are participating in international business, firms that do not pursue foreign markets will not be as profitable and may not be able to sustain operations. The firm’s domestic competition will have more disposable cash from foreign operations, and as a result, will be able to strengthen their business position by funding other business operations, such as more research and development. Finally, in today’s global market it is important for companies to develop a progressive image. Consumers want to do business with companies that are continually moving forward and doing business internationally supports that image.
Additional obvious benefits to international marketing are increased sales, higher profits, reduction of reliance on domestic markets, and opportunities to do business with other larger, global companies. Increased sales come from the expansion of the market, thus exposing the product to a larger amount of potential buyers. From increased sales come higher profits, especially if the company’s fixed costs are already covered by the domestic operations (Global Reach 2003). When a firm pursues and is successful in international marketing, it can become less reliant on domestic markets. If the economy at home is not doing so well, the firm can penetrate the international markets for increased sales. Finally, by going international, a firm has access to other larger, global companies. This is a benefit because there is an increased chance that the company will have better negotiating power throughout the distribution channel. The more opportunities and companies that are accessible to a firm, the more bargaining power the firm will have (Global Reach 2003).

Along with the many benefits of doing business internationally come risks that must be taken into consideration. There are political risks, economic risks, legal risks, financial risks, and other risks depending on the industry and situation of the firms. Political risks include, but are not limited to, stability of the government, political parties, confiscation, expropriation, domestication, political sanctions, and terrorism (Cateora, Graham 2002). Some products are more vulnerable to these variables than others because they may require special government attention. There are several ways to forecast political risk and reduce political vulnerability. One of the most beneficial steps a firm can take is to build a database of past political events for use in predicting future
problems. To reduce political vulnerability a firm can practice good corporate citizenship by acting appropriately in the foreign environment.

Economic risks include, but are not limited to, exchange controls, local-content laws, import restrictions, tax controls, price controls, and labor problems (Cateora, Graham 2002). Some of the most common indicators of economic risks are the inflation rate and the level of business and government debt in a country (Hill 2000). To protect itself from any economic disasters, a firm should collect and analyze data on past inflation rate patterns as well as interest rate trends. A firm should also be aware of a country's debt.

Legal risks can include protection of intellectual property rights, marketing laws, and antitrust (Cateora, Graham 2002). Protection of intellectual property is becoming increasingly difficult due to the Internet. The piracy industry is so sophisticated that it is often difficult to tell the counterfeit from the original (Cateora, Graham 2002). When doing business internationally, it is important to research the host country's procedure for registering intellectual property, such as trademarks, processes, and copyrights. It is also important to research the marketing laws of any country a firm wishes to enter. All countries have laws regulating marketing, promotion, product development, labeling, pricing, and channels of distribution (Cateora, Graham 2002). Sometimes the laws will be very general and unenforced and in other countries they are detailed and strongly enforced.

The biggest financial risk is foreign exchange risk. Foreign exchange risk happens in three forms: transaction exposure, economic exposure, or translation exposure (Madura 2000). All three forms stem from fluctuating exchange rates.
Financial objectives international firms want to achieve are minimizing cash balances, reducing transaction costs, and reducing taxes or any other sort of payment and fees (Hill 2000).

**Domestic Policies Applicable to International Marketing**

After a company has weighed the benefits and risks and decides to market internationally, it should become familiar with domestic policies that are applicable to international marketing. There is no reason to make an already complicated procedure more complicated. If procedures can be done the same internationally as domestically, it will save the company a lot of time and headaches. Also, if the policies are not followed, serious monetary penalties can be administered.

There are several U.S. laws that are applicable to business in a foreign country. Those policies are the Foreign Corrupt Practices Act, National Security Laws, antitrust laws, and anti-boycott laws (Cateora, Graham 2002). It is important for firms who are conducting international business to be familiar with all of these policies. If overlooked, serious consequences can result, from monetary penalties to the firm being rejected in that country. The Foreign Corrupt Practices Act makes it illegal to pay bribes to foreign officials or political parties. This is tricky because, though illegal in the United States, it is common in many foreign countries. It often becomes a question of ethics for those involved in international business. Because marketing is such a visible part of international business, representatives of the home country must be very careful in making all transactions.

National security laws have to do with making sales that will threaten the security of the United States. These laws apply to U.S. firms, their subsidiaries, and foreign firms
that are licensing the technology of a U.S. firm (Cateora, Graham 2002). Basically, any sort of U.S. based transaction falls under the national security laws. Because marketers are responsible for sales, they are most likely to be punished for any violations of the national security laws. Fines are usually very serious.

Antitrust laws and anti-boycott laws also apply in international marketing. Marketers cannot develop any marketing strategies that will inhibit competition. The anti-boycott law prohibits U.S. firms to participate in any unauthorized boycotts. In other words, a company’s reason for not marketing in a specific region or country cannot be because of a boycott established by a third party.

All of these different laws, rules, and regulations can make for a very complicated situation if a firm does not research the region that it wishes to enter. On the other hand, when a firm does its homework, participating in international business can be a very rewarding and profitable experience. The international marketer has another big job, and that is becoming familiar with the culture of the region and determining the differences in business practices.

THE BASICS OF INTERNATIONAL MARKETING

Philip R. Cateora and John L. Graham, authors of International Marketing, define international marketing as “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.” On the surface, the only difference between domestic and international marketing is that for the latter, it takes place in more than one country. Behind the scenes, however, lies a myriad of questions about what specifically needs to be done differently in those other countries to make the business a success.
The four P's of the marketing mix include promotion, price, product, and place, or distribution. They will need some additional attention when dealing with international marketing. Two of the main considerations to keep in mind when developing the marketing mix are the customers and the competition. In the end, success depends on meeting the customers' needs and doing it better than the competition.

Product deals with the positioning of the product. In other words, what makes the product unique compared to the competition. When introducing a product internationally, it is important to consider competitive products that may exist in the foreign country, but not in the U.S. McDonalds is a prime example of a very successful international operation. This is due, in large part, to the fact that they are very careful when developing the marketing mix for an international location. There are over 30,000 McDonalds restaurants in 118 countries (McDonalds 2003). The Golden Arches is the second most recognized symbol in the world (Featherstone 1998).

**Product**

In the beginning, McDonalds product strategy was standardization (Vignali 2003). They wanted to make all the products taste the same regardless of location. They soon discovered, though, that adapting slightly to the environment would be much more successful (Vignali 2003). For example, in several restaurants in Israel, Big Macs are served without cheese. This way the meat and dairy do not mix, satisfying the requirements of a kosher meal (Vignali 2003). This illustrates the need to make sure that the customers' needs are kept in mind to develop a successful strategy. People have different tastes all over the world and to be successful in the restaurant industry, product strategies must cater to the cultures and tastes of the world. It would be impossible to be
as successful as McDonalds with an internationally standardized product. Another product strategy McDonalds uses is to constantly expand the menu (Biz/ed 2003). New products may be introduced on a short-term promotional basis or on a permanent basis. In either case, the product needs to adhere to the cultural norms. By adapting products to the needs of the customer and introducing new products on a regular basis, McDonalds products have been a huge success.

**Price**

Price deals with coming up with the best pricing strategy for the product. Some important factors to consider are how much customers are willing to pay and whether or not they have the income to pay for the product (NYC 2003). In international marketing, a huge difference in determining pricing is related to foreign currency exchange, inflation, and foreign tariffs. A company wants to be sure to price the product at a level competitive with native products, but also at a price where they are able to make a profit after paying any duties or other international fees that may apply. McDonalds goal is to balance quality with value by staying in touch with the prices of competitors (Biz/ed 2003).

As with most organizations, the overall objective is to increase market share. Since there is not a worldwide standard of living, McDonalds must price its product in line with competitors in each country (Vignali 2003). A standardized price would make McDonalds unaffordable to many poorer countries, and this defeats the initial objective. This is related to adaptation in being a key success factor. By adapting price relative to competitors all over the world, McDonalds has been able to price its products for success.
**Promotion**

The third P, promotion, is meant to stimulate consumer purchases through various means of advertising and public relations. An effective promotion strategy is imperative to generating a profitable amount of sales. A company wishing to do international advertising must first research laws and regulations for advertising. The company should make sure that the message translates correctly and that nothing about the advertising will be misunderstood or offensive. In an international sense, it is also important to identify which media will generate the best results. For example, in China commercials only air between programs, unlike the United States where commercials are shown throughout the programs (Vignali 2003). Most Chinese people, as a result, ignore the commercials, making them a very ineffective way to promote. Public relations involves creating relationships with the press and other media to help companies communicate messages to their consumers and the general public (Cateora, Graham 2002). Overall, McDonald’s promotion strategy is to “brand globally, act locally” (Vignali 2003). It is impossible to appeal to all countries at the same time so McDonalds must figure out what works in each country and promote in that way.

**Place**

Place addresses the distribution of the product and the location of the business. If entering a market for the first time, a firm must be very selective when choosing a distributor and location. Some important criteria to consider when selecting a distributor are their experience, knowledge of the market, sales records, a marketing plan, ability to cover the territory, and translations, among many other things (Vanderleest 2002). A distributor can drastically affect the success of a product in a foreign market; therefore
careful consideration should be given to this decision (NYC 2003). For example, McDonalds will depend on a distributor to get the food from warehouses to the restaurant as ordered. Because of the large amount of business McDonalds does, the restaurant must have a dependable distributor who will not only deliver the right food, but the right amount and at the right time. If too much food is delivered there will not be enough space to store it and if not enough is delivered, the restaurant may run out of an item. McDonalds continues to add large numbers of restaurants all over the country as a competitive advantage (Vignali 2003). Even when times are bad in the industry, McDonalds will continue opening restaurants. The reason for this is that someone wanting to open a restaurant is more likely to make it a McDonalds than an independent restaurant (Vignali 2003).

**Additional Considerations**

According to an article titled, "McDonalds: thinking global, acting local", McDonalds considers three additional P’s in their marketing mix: people, process, and physical (Vignali 2003). McDonalds employees over a million people (McDonalds 2003). They rely on the human resource staff to deal with the labor laws and regulations of each host country. It is also important to note that the firm has a strong commitment to staffing locally and promoting from within (Vignali 2003). Process deals with the procedure for preparing the food. It is identical in all of the McDonalds restaurants (Vignali 2003). There is strict quality control and very high standards. For example, one out of every two fries must measure 75mm (Vignali 2003). McDonalds also has very high expectations for its suppliers. Physical is the last “P” that McDonalds incorporates into its strategy. This deals with the message that McDonalds brings in every franchise
throughout the world (Vignali 2003). Though it may be broadcast in a different medium, depending on the country, the message is the same. For example, if McDonalds wants to have a personal approach, it will do so worldwide, not just in certain countries. This helps add to their image as a global brand (Vignali 2003). This is the physical image that McDonalds customers will develop about the restaurant.

As stated earlier, adapting the marketing mix for international marketing is a necessity for success. “The sheer number of thriving restaurants across the globe demonstrates the success of McDonald’s marketing mix” (Vignali 2003).

Consideration of rules and regulations have briefly been discussed in regarding advertising, however, there are many other areas of rules and regulations when it comes to international marketing. The main areas where specific regulations will apply are advertising, government rules, intellectual property, and legal protection. Not only is it important to be familiar with the rules and regulations, but awareness of the cultural and business differences is also imperative.

CULTURAL AND BUSINESS DIFFERENCES

When doing business in a foreign land, it is essential to be familiar with the culture, business customs, and etiquette. In international marketing, it is very easy to make advertising and promotion blunders due to lack of familiarity with the culture. Elements as simple as color or simple phrases can be misconstrued, especially if dealing with a foreign language. For example, when the Nova was introduced in Mexico it did not go over because in Spanish “nova” translates to “no go.” Obviously, a car does not want to have the name “no go.” The important components will vary from country to
country, but there are some basics about each culture a businessperson should be aware of when conducting international marketing.

According to *International Management*, culture is defined as "everything that people have, think, and do as members of their society" (Holt, Wigginton 2002). First, it is important to realize that all cultures are different and it is appropriate to show respect to the foreign culture. A person wishing to conduct business must accept the differences. Because everyone is born into a culture and learns to function within that society, it is sometimes difficult to accept the differences of another's culture and lifestyle. Values, beliefs, and attitudes are the basics in any culture (Holt, Wigginton 2002). Values constitute how things should be, beliefs assert what is right or wrong, good or bad, and attitudes are ideas about appropriate behavior (Holt, Wigginton 2002). In international marketing, one has to make sure they are not going to offend any part of the culture through advertising, product packaging, or with any other part of the marketing mix. For example, in some countries, certain colors stand for death or misfortune, therefore a company would not want to introduce a new product packaged in an offensive color. Other characteristics that can help describe a foreign society are material culture, social institutions, aesthetics, language, and religion (Holt, Wigginton 2002).

When involved in international marketing some of these are more important than others, such as material culture, social institutions, and language. Material culture is important in marketing because it determines the standard of living. A firm would not want to market a technologically advanced product in a culture that does not have the capability to use the product. Social institutions also have an impact on marketing. Because there are always institutions that affect the risk of investment in a foreign
country, it is important to be aware of those risk factors. Social institutions can also
determine business practices in certain countries (Holt, Wigginton 2002). For example,
in Japan, it is not customary for women to work outside the home. Therefore, a firm
sending a salesperson to Japan would probably be more successful if a male were sent.
Language is also an important component for the marketer because of packaging
requirements. Some countries require the label to have the native language on it, or
sometimes more than one language. In some cultures, a verbal promise is as binding as a
signed contract. Also, though a country may have several different common languages,
business may be conducted in only one main language (Holt, Wigginton 2002). It is also
important to understand the differences between written and oral language for contract
and negotiation reasons. Culture is an extremely broad topic due to the variance between
countries. It is however, one of the most important considerations when devising
marketing plans, because marketing itself encompasses so many different elements.
Culture defines the lifestyle and values of a region and because often times consumer
behavior is related to culture, it cannot be overlooked.

Business etiquette is another category of behavior that should be researched
before trying to conduct business in a foreign country. International business etiquette is
an important consideration when abroad because of the differences in values and social
norms. There is an acronym, FIRST-GET-GOOD, which is used to address the most
important areas of foreign etiquette. FIRST-GET-GOOD is a tool for learning the
important components of etiquette in a foreign culture (Etiquette International 2003). It
is described in more detail in Table 1.
Table 1

<table>
<thead>
<tr>
<th>Definition</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>F Forming Relationships</td>
<td>Form the appropriate kind of relationship for doing business</td>
</tr>
<tr>
<td>I Information and Communication</td>
<td>Be familiar with business jargon and communication methods</td>
</tr>
<tr>
<td>R Rank and Status</td>
<td>Be aware of appearance and learn proper greetings and introductions</td>
</tr>
<tr>
<td>S Space</td>
<td>Be familiar with appropriate levels of physical contact and physical space</td>
</tr>
<tr>
<td>T Time</td>
<td>Flexibility is the key when it comes to time. It helps to know what is considered punctual in that particular culture as well.</td>
</tr>
<tr>
<td>G Gift giving</td>
<td>If a gift is appropriate, know the appropriate amount to spend, what to buy, and how to present the gift</td>
</tr>
<tr>
<td>E Entertaining</td>
<td>Know whose responsibility it is to entertain and what is expected</td>
</tr>
<tr>
<td>T Taboos and Sensitivities</td>
<td>Learn them before hand because they are different everywhere</td>
</tr>
<tr>
<td>G The New Golden Rule</td>
<td>“Do unto others as they would have you do unto them”</td>
</tr>
<tr>
<td>O &amp; O Offense Given &amp; Offense Taken</td>
<td>Do not offend and do not be easily offended</td>
</tr>
<tr>
<td>D Difference</td>
<td>Appreciate the differences of others</td>
</tr>
</tbody>
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A businessperson cannot be successful by acting the same in all parts of the world. The principles discussed in the FIRST-GET-GOOD acronym may seem simple, however, if they are not properly researched, improper behavior may result, which could be the sole loss of a business deal.

Now that the basics of international marketing have been discussed and McDonalds has been used as an example of a successful marketing mix strategy, a general plan for introducing crepes on the menu at McDonalds in France will be developed. A brief overview of French culture will be discussed to provide background and information on how to develop the most successful marketing mix.
OVERVIEW OF FRENCH CULTURE

French culture is very structured in some respects and loose in others. For example, the French like formality in everyday living and conversation, however, sex and nudity is much more liberal in France. As far as standard of living, France's level of consumption and standard of living is very similar to that in the U.S. (France.com 2003). As in most countries, urban and rural lives are substantially different from one another. Urban life is similar to that of most other large cities in other countries. Rural life, however, is unique to the French culture and varies tremendously from region to region (France.com 2003).

Food anywhere in France is a serious subject. The French are famous for their love of food and eating is an art. The French view their cuisine as superior in the world and the subject is not taken lightly. Simply eating with someone is an event and is treated as such (Corporate Relocations 1998). Where in the U.S. breakfast is thought to be the most important meal of the day, in France, lunch is considered to be the most important meal of the day (Corporate Relocations 1998). Due to this, lunch is often a large meal and consists of appetizers, main course, cheeses, fruit, and coffee (Corporate Relocations 1998). Lunch breaks are reasonably long by U.S. standards, usually lasting one to two hours. It is important to note, however, that they are becoming shorter in big cities where people go to fast food establishments for lunch (Corporate Relocations 1998).

On the weekends, meals are family time and people stay at the table for two to three hours socializing for lunch and then have late dinners. As a result, people rarely go out for meals on the weekends. While food is a safe topic for conversation in France, it is
important not to criticize or make ethnocentric comments about it (Corporate Relocations 1998).

Now with this information as background on French culture and food customs, a general plan for introducing crepes on the menu at McDonalds in France will be outlined. The strategies for product, price, promotion, and place will be discussed based on the McDonalds current strategies and the French lifestyle.

INTRODUCING CREPES AT MCDONALDS IN FRANCE

Crepes have been around in France since 1897, when they were invented by Monsieur Joseph for the actors of the Comedie Francaise play (PJ's 2003). A crepe is a flat, thin pancake of cooked dough or batter. It is usually used as a wrapper for other food, which can be a fruit dessert, chocolate, or a main course filling such as ham, fish, spinach, or chicken. The crepe has become popular worldwide, but it originated in France and continues to be a popular item both on menus and in home cooked meals.

Introducing the crepe in France follows McDonald's product strategy of adapting products to the culture. First, McDonalds would have to perfect a recipe and perform market research to determine whether the French market was going to like the crepe recipe that would be used. Also, it would have to be determined what kinds of crepes are more likely to be successful. McDonalds would have to decide whether to do an entrée type crepe or simply dessert crepes. This product fits in well with French cuisine not only because of its French heritage but also because the French have so many components to their meals and crepes could serve as more than one course. Also, because people in France are starting to patronize fast food establishments more often, by
offering crepes as a menu option, the French people can still feel like they are not sacrificing their French cuisine for something fast.

The pricing strategy would be to competitively price the crepe. McDonalds should start with promotional pricing to make people aware that they are serving crepes. They could use price as a tool to introduce the product. Because McDonalds uses competitors as a basis for pricing, they should look for comparable restaurants with crepes on the menu for pricing comparisons and guidelines. This would help lead to the ultimate goal of increasing market share.

A successful promotion strategy would focus on the reasons why it’s a great thing for the French McDonalds customer to now be able to order crepes at McDonalds. Because food is such an important part of French culture, the promotion should emphasize that crepes are versatile and can be eaten for any meal. As with any product, the features and benefits should be made aware to the consumer. Also, McDonalds should use its national media connections for public relations and promotion. For example, if McDonalds is the sponsor of a national event, they could offer crepes at the event or coupons for crepes at the participant’s next visit to McDonalds. Promotions such as these help raise the general public’s awareness of the new product. Finally, “brand globally, act locally” is a key factor in McDonalds promotion strategies.

Therefore, because the French are very regional, the promotion strategies could cater to each McDonalds specific location.

The place strategy does not need to be fully developed in this case because new stores are not being opened. McDonalds could introduce crepes on the menu only in certain regions as a test market function. It may be decided that it is only profitable to
serve crepes in certain markets by doing sales comparisons. Because McDonalds has such an aggressive place distribution, they would probably introduce the crepes at all locations, and then phase them out where it was not a profitable addition.

CONCLUSION

Global business is sweeping the business world at an incredible rate. For multinational corporations, such as McDonalds, to stay competitive, increased resource allocations to global business and international marketing are a must. All managers must pay attention to the global environment in order to develop a successful international marketing strategy. There are risks and obstacles associated with international business, but the success of many multinationals illustrates that the benefits outweigh the risk. A global awareness and sensitivity to the differences of other cultures are the best solutions to many of the obstacles. It is important to study the culture and businesses practices of any new market a firm wishes to enter, in order to successfully meet the customers' needs. Adaptation is a key component when developing the marketing mix for a foreign market, and this makes international marketing a continuous challenge for multinationals. Each market has its own culture and values that need to be respected when conducting business. As long as the firm has an appreciation for the differences of the world and seizes the opportunities that this global world has to offer, success is a guarantee.
REFERENCES


