

Chapter 1

The rationale for international marketing

Book Content

Learning Objectives

Learning objectives from the textbook per chapter

Discussion Questions

Sample answers to discussion questions from the textbook

International Marketing Edge (IMEdge)

Guide to using the IMEdge feature in class

Teaching Notes

Tutorials

Teaching ideas for tutorials and small groups

Lectures

Teaching ideas for lectures and similar learning spaces

Assignments

Ideas for individual or group assignments

Additional Questions

Further questions not in the textbook for assessment and quizzes

Videos

Videos for use in lectures or tutorials

This Instructor's Manual contains links to websites that are external to Pearson. Pearson takes reasonable care in linking to external websites but has no direct control over the content of the website, the changes that may occur to the content or the security arrangements applying to those websites.

Book Content

Learning objectives

After reading this chapter you should be able to:

- 1 explain the position and interests of individual countries such as Australia and New Zealand in international trade and how one country's situation can differ from that of other countries
- 2 recognise the diversity of stakeholders in the international marketing scene
- 3 assess the driving and restraining forces that underlie the international marketing imperative
- 4 recognise the various approaches being adopted and evaluate the various classification systems that apply in international marketing
- 5 identify underlying concepts of international marketing
- 6 explain the beneficial role of international marketing in firms' overall marketing activity
- 7 assess, from the firm's perspective, the application of the 'wheel of international marketing', and
- 8 recognise the importance of global trade and the role that marketing plays.

Discussion Questions

1 To what extent is a global approach to international marketing appropriate to firms in the Asia-Pacific?

Firms in the Asia-Pacific can be classified into two main types: first, indigenous small- and medium-sized exporters (SMEs), and second, local subsidiaries of transnational firms. A global approach is not appropriate for the first category and is only partially appropriate for the second category.

Firms that are better resourced in terms of time, money, people and capital may launch into a full-scale global approach to international marketing; however, the risks inherent in using these resources for a global approach are great. Students should be encouraged to provide examples of Australian and New Zealand companies to support their answers.

2 Do the driving forces always outweigh the restraining forces in ensuring the attractiveness of international marketing to firms in emerging economies?

The driving forces are market needs, technology, costs, governments and communication (including information technology). The restraining forces are differences between the national markets, government control over entry and access to markets, the actual or perceived risk on the part of the firm, and managerial myopia, often due to ethnocentric attitudes.

Firms in emerging economies, like firms elsewhere, endeavour to measure the strength and benefits of the driving forces and weigh these against the long-term impact of any restraining forces. It can often be challenging to collect the data needed to measure driving and restraining forces as these economies are often undergoing significant changes, some fast moving, others more evolutionary. Assuming that the long-term beneficial effects behind the driving forces outweigh the long-term impact of the restraining forces, firms will have a compelling reason to consider pursuing markets in emerging economies. However, this analysis is not necessarily a guarantee of attractiveness but simply a starting point from which to think about a possible involvement in emerging economies.

3 Why is it necessary to adopt a holistic approach to international marketing?

Many approaches to international marketing are based on the assumption that international marketing is restricted to outward-driven international activities. However, the reality is that both outward (e.g. exporting) and inward (e.g. importing) activities do not operate in isolation and are frequently linked. While a holistic approach does not necessarily guarantee success in overseas markets, a compelling reason why firms should adopt a holistic approach is because this approach considers inward-bound international activities, such as accessing raw material for overseas, as well as outward-bound activities, such as exporting.

For example, an Australian or New Zealand firm manufacturing furniture may purchase the wood from Indonesia, perhaps initially through an agent and later directly from the supplier; manufacture the furniture in Melbourne; and then export the finished product to Japan. This example embraces a holistic (inbound and outbound activities) approach to international marketing.

4 Discuss the theory of comparative advantage and its limitations as an explanation for international trade.

The theory of comparative advantage states that Nation A should concentrate its efforts on producing goods that it can make more cost-effectively than Nation B, and then sell these goods to Nation B in exchange for products that Nation B produces more cost-effectively than Nation A. Students should be encouraged to identify products where they believe Australia or New Zealand have a comparative advantage and countries which might be potential trade partners (e.g. dairy products and China) and vice versa.

The main limitations of the comparative advantage theory (see Figure 1.5 for an example) are that seasonal and cyclical factors are ignored and the theory assumes the products are undifferentiated.

5 Compare the product life cycle with the product trade cycle as explanations for involvement in international marketing.

It is useful to consider the product life cycle as a *micro* view of international marketing and the product trade cycle as the *macro* view. The product life cycle states that products move through four distinct stages: introduction, growth, maturity and decline. The product life cycle is a management tool that assists the international marketer in managing the product, its input resources and costs (e.g. raw materials), as well as the income it generates (including profit) in a given market through each stage.

The product trade cycle is a related concept that incorporates the product life cycle and suggests that the relationship between product and market moves through four stages. Each of these product trade cycle stages has product management implications that need to be understood if the product is to be properly managed. For example, in stage 1, a product is manufactured in Australia (home country) and exported to overseas markets such as China. In stage 2, production commences in China (overseas market). In stage 3, China then starts exporting to nearby markets such as Vietnam. In stage 4, production costs in Australia rise to the point where it becomes more cost-effective to produce in China, with China supplying the Australian firm.

Thus, underlying the product trade cycle model is the assumption that the product originates in an advanced country, then trickles down to developing countries and on to less-developed countries. See **Figure 1.7**.

Students should be encouraged to identify key challenges presented by each stage in both the product life cycle (e.g. high costs for initial promotion in introduction stage) and product trade cycle (e.g. controlling brand image when overseas production is exported to nearby markets).

6 In what ways do uncontrollable factors in the local environment affect the application of marketing mix variables overseas?

The wheel of international marketing can help explain (see **Figure 1.8**). In many ways, the uncontrollable variables in the Australian domestic market (the spokes) often mirror some of the uncontrollable variables found in international markets (the rim). Understanding the impact of the uncontrollable variables in a firm's domestic market is a useful *starting point* for conducting research into the likely impacts of the uncontrollable variables in overseas markets. From this understanding, a carefully planned marketing mix strategy can be prepared and implemented for each international market (the hub).

Another way to look at the impact of domestic uncontrollable variables and their impact on the application of the marketing mix overseas is to look at how these domestic uncontrollable factors may hinder or help international marketing. For example, if the Australian or New Zealand economy is headed for a recession with low growth rates and little consumer confidence, firms may look to international

markets to sustain their existence. Similarly, the Australian Government may place a ban on a certain locally made product being sold into international markets. Such bans may restrict the marketer of that product to domestic marketing activity only.

7 Comment on recent trends in Australia or New Zealand's trade performance and prepare a prognosis for the direction of international marketing in the second decade of the new millennium.

This question requires students to carefully analyse **Figures 1.9, 1.10, 1.11** and **1.12**. Students should be encouraged to analyse where Australia and New Zealand's external trade growth has occurred (i.e. in which region, with which nations) and to comment on any trends that may be occurring.

Similarly, students should think about nations where Australia or New Zealand may have a negative trade balance (i.e. where Australia or New Zealand imports more product from that nation than it exports to the nation) and suggest ways to improve its trade imbalance with those nations. Suggestions for improvement (i.e. the prognosis) should take the form of recommendations of products that Australia or New Zealand manufactures that may be suitable for those nations.

International Marketing Edge (IMEdge)

Concept

The IMEdge section draws on materials covered in each chapter to give students an opportunity to undertake a practical and hands-on exercise that covers a specific international marketing topic. Using information from the chapter and other extra sources, IMEdge tasks can be done either as group or individual activities.

What are the potential benefits of IMEdge?

Students

- It requires students to apply theory to a real-life scenario using information from the sources identified in the chapter.
- It consolidates students' understanding of key concepts covered beyond the basic theory.
- Unlike case studies, the task involves collecting current ongoing data and applying it to the concepts covered.

Instructors

- It is a very useful teaching aid since it asks students to complete a task that involves looking for current information and applying the principles covered.
- It encourages students to keep abreast of current international marketing activities.

- It can complement other blended teaching and learning activities applied by instructors, such as discussion questions and research assignments.

Model Answer—IMEdge—Chapter 1

Students will be expected to use information from the three key sources mentioned and any other sources. DFAT and Austrade both provide annual trade performance reports.

Key Information Source

Department of Foreign Affairs and Trade <www.dfat.gov.au>

Students will find it useful to prepare a chart outlining key performance measures. This summary table can be used to identify key trends and as a basis for discussion. Below is an example using key data extracted from DFAT's 'Australia's Trade in Goods and Services' and 'Trade at a Glance' publications.

	2012	2013	2014
Two-way trade value	\$623.8 billion (up 1.5%)	\$647.4 billion (up 3.7%)	\$663.8 billion (up 2.4%)
Top 5 two-way trading partners	1. China (20.3%) 2. Japan (11.5%) 3. United States (9.1%) 4. Korea (5.2%) 5. Singapore (4.7%)	1. China (23.3%) 2. Japan (10.9%) 3. United States (8.4%) 4. Korea (5.0%) 5. Singapore (4.2%)	1. China (23.0%) 2. Japan (10.6%) 3. United States (9.1%) 4. Korea (5.2%) 5. Singapore (4.5%)
Top 5 exports	1. Iron ores & concentrates 2. Coal 3. Gold 4. Education-related travel services 5. Natural gas	1. Iron ores & concentrates 2. Coal 3. Education-related travel services 4. Natural gas 5. Gold	1. Iron ores & concentrates 2. Coal 3. Natural gas 4. Education-related travel services 5. Personal travel

			services
Top 5 export markets	1. China (26.3%) 2. Japan (16.6%) 3. Korea (7.2%) 4. United States (4.9%) 5. India (4.7%)	1. China (31.9%) 2. Japan (15.5%) 3. Korea (6.7%) 4. United States (4.9%) 5. India (3.6%)	1. China (30.0%) 2. Japan (15.4%) 3. Korea (6.7%) 4. United States (5.7%) 5. New Zealand/Singapore (3.7%)
Global export position (rank)	22	22	22
Top 5 import sources	1. China (14.6%) 2. United States (13.2%) 3. Japan (6.7%) 4. Singapore (6.0%) 5. Germany (4.0%)	1. China (15.0%) 2. United States (11.9%) 3. Japan (6.5%) 4. Singapore (5.4%) 5. Thailand (4.2%)	1. China (16.1%) 2. United States (12.4%) 3. Japan (5.9%) 4. Singapore (5.4%) 5. Germany (4.1%)
Top 5 imports	1. Personal travel services 2. Crude petroleum 3. Passenger motor vehicles 4. Refined petroleum 5. Freight transport services	1. Personal travel services 2. Crude petroleum 3. Passenger motor vehicles 4. Refined petroleum 5. Freight transport services	1. Personal travel services 2. Crude petroleum 3. Refined petroleum 4. Passenger motor vehicles 5. Telecom equipment & parts

SOURCE: <www.dfat.gov.au>.

Key trends students should identify:

- There is a heavy reliance on exports of resources and education.
- The majority of trade is with economies in APEC (70.2% in 2012, 71.2% in 2013, 72.7% in 2014).
- Australia's export competitive position (how the country compares to other countries in terms of export growth) has been steady during this period.
- Two-way trade continued to grow during this period, driven by demand for resources, especially in China.

Should Australian companies continue to focus on East Asia? Are there any other areas with growth potential on which Australian international marketers should focus?

While the majority of export growth (over 70%) continues to be in this region, there is need for diversification of markets beyond China. More effort could be made to increase business with other countries such as Singapore, which at one time was the fourth biggest two-way trading partner. Other growth markets include Indonesia and Bangladesh, where population growth has been stimulating economic growth. China and Japan remain key markets, while more effort should be made to have consistent, less fluctuating growth with India, given its booming economy and growing middle class, which can offer a wider market for manufactured products other than resources. The same approach could be applied to China as it also has a growing middle class.

What are the potential pitfalls of overdependence on exporting commodities such as coal and iron ore?

- The key potential pitfall is the exposure these products have to fluctuating international prices and international demand.
- These commodities are also affected by foreign exchange rates; for example, if the Australian dollar is high, these exports become more expensive and thereby less attractive to international buyers.
- The commodities are also susceptible to competition from cheaper alternative sources, especially emerging areas such as Africa.
- Overdependence on commodities results in an unsustainable two-tier economy in Australia, with particular sectors achieving high growth while others lag behind.

Teaching Notes

Tutorials

1 Have students bring in one article from an Australian or New Zealand newspaper (hard copy or online) and one article from an international newspaper or business publication (online) that illustrate any of the concepts or content discussed in Chapter 1. The purpose is to ensure that students make connections between the

content studied and the media content that surrounds them. Students should be asked to explain the concept/s and why they think the article/s selected are good illustrations of these concepts. Students who bring in the same articles should be encouraged to compare and share their rationales.

2 Have students bring in an example that they think best illustrates international marketing from an import perspective. Students might bring in a catalogue (e.g. IKEA) illustrating the range of products imported or a supermarket product that illustrates international distribution or promotion (perhaps multi-lingual packaging). The purpose is to sensitise students to the pervasive nature of international marketing, recognising that Australia and New Zealand are considered as attractive host markets to a large number of international marketers.

Lectures

1 John Zeglis, past President of AT&T in the United States, is reported to have said, 'You are only going to have two kinds of companies in the future—those that go global and those that go bankrupt'. When discussing why companies pursue international marketing efforts, students could be challenged to critically evaluate this statement. The text provides a good overview of the reasons why companies consider international marketing; however, students should also be encouraged to consider situations where 'going international' would not be appropriate. This can act as a springboard to discussing the resources required for international marketing (capital, human and productive) as well as the risks involved.

2 When discussing the trading environment, the impact of exchange rates on the import and export sectors could be introduced (e.g. supply and demand, profits). Students could be encouraged to consider who benefits and who suffers when the Australian or New Zealand dollar strengthens or weakens. Specific examples should be solicited and discussed (e.g. the strong Australian dollar and the impact on the price of flat screen televisions; a weak Australian dollar and the impact on inbound and outbound tourism).

Assignments

1 The internet presents opportunities to international marketers but also challenges. Discuss both opportunities and challenges. Illustrate using the example of an Australian or New Zealand niche company that produces customised photographic albums wanting to use the internet to access new markets in Asia while continuing with existing distribution networks in Europe.

This assignment requires students to expand on the opportunities discussed in the text and research the challenges presented by the internet (e.g. security, channel

conflict). Students should realise the internet allows customers for niche products to easily find suppliers anywhere in the world, reducing the need for intermediaries or an in-country presence. In this instance, the company has an established distribution network in Europe and may face channel conflict, as those customers would now be able to order directly from the company.

2 Analyse Australian or New Zealand import and export data from 1995, 2000, 2005 and 2010, looking for trends in goods involved and trading partners. Use your analysis to forecast imports and exports for 2016 and beyond (types of goods and trading partners).

This assignment requires students to identify and become comfortable with sources for import and export data (e.g. <www.abs.gov.au>). Students should be able to identify patterns and then use these patterns to make their own forecasts.

3 A small honey producer in Tasmania has heard that consumers in Europe are getting more interested in honey, especially its medicinal properties. The producer thinks they should consider exporting their products to Europe and have asked your advice. In crafting your recommendation, consider Figure 1.3 and 1.4 as well as driving and restraining forces.

This assignment is designed to get students thinking about why companies go international and both the benefits and risks involved. It requires students to critically evaluate whether the benefits outweigh the risks for this particular company. At the core of their critical evaluation should be the fact that this is a small producer that may not have the natural, production, financial or human resources required to consider expansion into Europe—a broad range of countries with different political/legal environments, economies, languages and cultures. Students will likely suggest that the company 'test the water' with potential exporters who have more expertise and country knowledge or narrow their focus on one or a small group of countries.

Additional Questions

1 Permlutter (1995) developed a typology whereby firms could be classified according to the orientation of their management. Describe each of the different management orientations and explain how these orientations relate to international marketing.

One of the underlying causes for growth in international markets is the change in management orientation. There are four orientations in the typology: ethnocentric, polycentric, regiocentric and geocentric.

- An *ethnocentric* orientation is underpinned by the belief that the home country is superior and that the approach used in the home country should be applied to every other country.
- A *polycentric* orientation is the opposite of ethnocentrism and reflects the approach that each country is different and that no country is necessarily inferior to another.
- A *regiocentric* orientation views the region as the market and integrated strategies are developed for the region that take into account both the similarities and differences between the home market and the region.
- A *geocentric* orientation involves a world marketing strategy based on recognition that countries have both similarities and differences.

2 Using the rationales mentioned in the book, discuss why a firm may decide to enter into international marketing.

Reasons for undertaking international marketing can be proactive or reactive and can come from either internal drivers or external opportunities.

Proactive—internal:

- management desire
- unique features of the offering
- utilise excess capacity
- small size of domestic market
- stagnant or declining domestic market

Reactive—internal:

- diversifying risk
- reduce the disadvantage of seasonality

Proactive—external:

- opportunities in foreign markets
- other source of stimulus

Reactive—external:

- unsolicited order

As a general rule, organisations need to be proactive in their approach to international marketing. While opportunities may incidentally come their way, the vast majority of successful international marketers don't wait for opportunities but, rather, go out and find them.

3 Explain the concept of comparative advantage and outline the pros and cons of the model.

The theory of comparative advantage argues that a country can gain from international trade if it has an advantage in the production of a specific good even if, overall, it is less effective in the production of most goods. The notion is that the

country should focus on what it is good at to improve the wealth of the country, and import those goods and services that it is not so good at.

The advantage of adopting approaches which focus on comparative advantage is that, overall, the quality of products should continue to rise as those who are best at producing them focus on their strengths and sell to those countries at a relative disadvantage. The theory does have limitations, however, and does not take into account issues such as seasonality of produce, and also political dimensions to international trade that may limit the ability of specific economies to focus on a few key industries at the expense of less efficient but embedded existing industries.

4 Explain the wheel of international marketing and the challenge for international marketers in dealing with the 'uncontrollables'.

The wheel of international marketing is a useful illustration of the factors to be considered by international marketers. At its core are the marketing mix variables that are totally within the control of the company, whether the company focuses only on the domestic markets, only the international market or a combination of both. Domestic marketers face a range of 'uncontrollables' over which they have no individual control; for example, the domestic economic climate and the domestic competitive landscape. International marketers face additional 'uncontrollables' including social/cultural forces, infrastructure and technology differences and economic forces. In essence, international marketers face the domestic environment in their home market and the domestic environment in each country in which they operate—as well as overarching aspects of the foreign environment such as international obligations and global financial markets.

Videos

The following short videos are suggested for use in lectures or tutorials to illustrate key points discussed in the text or provide additional topics to stimulate discussion.

Corporate social responsibility: Marketing tool or reality?

Length: 3.47 minutes

<https://www.youtube.com/watch?v=U6C6vIscs08>

In this video, Professor Olivier Delbard discusses corporate social responsibility. Students should be encouraged to consider whether corporate social responsibility extends (or should extend) beyond the domestic market (and why) and, if so, how international companies might develop corporate social responsibility initiatives for diverse markets.

IBM Study: Corporate Social Responsibility

Length: 6.58 minutes

<https://www.youtube.com/watch?v=PdkYieDuVvY>

In this study, IBM collected responses from top executives of 250 companies worldwide to see how they view corporate social responsibility. Many companies viewed CSR as a way to generate revenues, gain competitive advantage or access new business opportunities, not just regulatory compliance. As this research was conducted in 2008, students should be encouraged to consider whether either business or consumer attitudes towards CSR have changed and, if so, how.

Pitfalls of International Marketing Campaigns

Length: 5.25 minutes

<https://www.youtube.com/watch?v=aP5jed6gQi0>

In this video, Professor Chris Halliburton discusses the reasons for going international; some of the risks involved in international marketing, including examples of mistakes made by large, well-known companies; and the standardisation or adaptation of marketing campaigns. Students should be encouraged to consider situations where 'going international' might not be in the best interests of the company.

The Global Marketing Drivers

Length: 6.52 minutes

<https://www.youtube.com/watch?v=gWZWIgnL6z4>

In this video, Professor Chris Halliburton discusses the two key drivers of international marketing—consumers and companies. This slightly longer video uses some of the main examples used in the *Pitfalls of International Marketing* video but provides more detail as to standardisation/adaptation of the marketing mix. It exposes students to the challenges involved in developing marketing campaigns for multiple countries.

CASE STUDY 1

A GOLDEN OPPORTUNITY: EXPORTING EASY FLAME BARBEQUES TO ARGENTINA?

Al Marshall

Latin America is a continent comprising a series of markets that many Australian exporters do not usually consider. East Asia, North America and Europe have far more prominence in exporters' minds. Even the Middle East has more prominence among Australian exporters. This is despite regular airline and shipping links, and the presence of Latin America communities in Australia from countries as diverse as Chile, Peru, Columbia and Argentina.

Mariano Ferreyra, an Argentinean Australian who has been resident in Australia for a number of years, found this somewhat surprising. He has noted some of the similarities in lifestyle between Australians and his fellow Argentineans, and having travelled to Brazil he could see similarities there as well. He of course noted many of the differences as well between the predominant Anglo-Saxon culture in Australia and the Latin American cultures.

Since arriving in Australia Mariano has seen many products not available at home in Argentina, or which, if they are available, generally incorporate a lower level of technology. He has also noticed products available in Argentina that do not appear to be available in Australia. The two economies are at different stages of economic development.

However, he is wondering if there may be opportunities to export Australian products to Argentina or to import Argentinean products to Australia. His postgraduate degree undertaken since arriving five years ago included a unit in International Marketing in which he acquired some formal skills in market opportunity identification and in understanding the international marketing environment. At present two-way trade between Argentina and Australia is relatively limited.

Living in Australia it seems easier for Mariano to identify products here that might be suitable for exporting to Argentina as a lot of work would be required acquiring the identified products and organising their shipment. Accordingly he has decided to focus on exporting products to Argentina. He envisaged his family back in Cordoba (Argentina's second largest city) being involved with receipt of the products in Argentina and their distribution in the marketplace.

This decision to focus on Argentina as a market was not without its concerns. In recent years the Argentinean economy has been in crisis. Economic growth rates have been extremely low, unemployment rates have been high, many middle-class and wealthy people have lost their savings in a banking collapse and there have been many street protests (among other events). Mariano has been more than aware of these events since his own family in Cordoba has been directly affected by them. Argentina can be categorised as a challenging market.

At the same time Argentina has many natural resources, a substantial population, skilled human resources, a well-developed infrastructure, considerable manufacturing capacity, membership of a regional free-trade association and a large middle class. In addition, in the last year the economy has turned around, economic growth has returned and exports are booming. The large middle class has regained confidence in the economy and their own economic prospects. In terms of stage of market development Argentina can be characterised as an upper middle income country, while many other Latin American countries are lower middle income countries.

Argentina is, however, a less developed country than Australia, which has many consumer products at the maturity stage in the product life cycle. In Argentina these products may not exist or may be at the introductory or the growth

stage. In terms of product development Australia is an advanced country while Argentina is a developing country. Mariano is also aware that Australia is increasingly becoming an exporter of manufactured products (along with services), and that internationalisation is an important driver of economic growth.

Mariano had also been reflecting on his own ability to become a potential exporter in his newly adopted country. Aside from undertaking the unit in International Marketing as part of his degree he has no practical experience in international marketing (or particular types of international marketing, like exporting). Neither does he have any contacts with Australian exporting consultancies, exporting companies or Argentinean importing companies. He is, however, a native Spanish speaker and has a strong understanding of Argentinean culture and some understanding of business practices there, based on his work experience in Cordoba prior to immigrating to Australia. Additionally his family in Cordoba has owned a series of businesses, and his brother has a postgraduate degree in business from a leading Argentinean university in Buenos Aires.

Mariano has identified a brand of Australian gas-powered barbeques that consumers in Argentina might find appealing. The publicly listed company which manufactures these markets them on Australia's eastern seaboard through a chain of stores specialising only in barbeques in New South Wales, Victoria and Queensland. The company has no international marketing experience, nor do its corporate plans (outlined in its publicly available annual report) indicate any desire to become an international marketer.

The company offers three gas models under the Easy Flame brand name—a compact model with a limited range of features, a medium-sized model with a greater range of features and a deluxe model with a full range of features. The compact model retails for \$399, the medium-sized model for \$550 and the deluxe model for \$899. The cost of manufacturing each of the three models is less than 50% of this, and the retailer markup is around 30%.

Mariano has selected barbeques as a product because the barbeque (*asaedo*) is a central feature of Argentinean cooking, with meat (*carne*) having a central role in Argentinean food. The climate in most parts of the country is generally warm like Australia, and Argentineans enjoy an outdoor lifestyle. Furthermore Mariano cannot recall seeing portable gas barbeques in retail stores in Argentina.

Possibly reflecting Argentina's developing country status compared to Australia's advanced country status, people typically build their own barbeques with bricks and mortar. They then either have to make or purchase a grill on which to cook the food. Portable gas barbeques with built-in features might have great appeal. Mariano feels that the compact model might be suitable for middle-class people living in apartments with small terraces or balconies in big cities like Buenos Aires, Cordoba and Rosario. While the medium-sized model might appeal to middle-class people living in suburban houses and the deluxe model to those with more disposable income who do a lot of home entertaining.

With this in mind he is considering approaching the manufacturers of Easy Flame with a proposition. This would involve purchasing the barbeques in bulk at a below wholesale price. Mariano would take legal title to them, and for each sale made in the Argentinean market the manufacturers would receive an additional payment. He has prepared a business plan on this basis, though the plan does not involve sales forecasts since he feels that it is too difficult to estimate likely sales in the first few months. The market has instead to be tested.

He envisages the first shipment being enough to fill a single shipping container which he would organise to be delivered to the manufacturers' factory. He would undertake all the necessary paperwork and arrange the shipment to Argentina. On arrival in Argentina the container would then be transported by road or rail to his family in Cordoba who would store the barbeques in a secure warehouse. Mariano envisages his brother with the business degree then

approaching local retailers to convince them to stock the products. He envisages department stores, kitchen stores or camping stores as being possible retail outlets.

Mariano has several concerns, however. These include whether an opportunity does in fact exist to export the Easy Flame barbeques to Argentina, whether he has the ability to undertake the export process successfully and whether there is sufficient demand to make the venture economically feasible. He is also aware that there is considerable manufacturing capacity in Argentina, and that gas barbeques like the Easy Flame brand could be copied by local manufacturers. He wondered if Australia enjoyed comparative advantages in the production of products like portable barbeques.

He considers the task of understanding all the uncontrollable factors in Australia and Argentina quite intimidating in addition to the marketing mix decisions (involving product, price, promotion and distribution) that would need to be taken in order to design and implement a successful exporting marketing strategy.

Questions

- 1 Many export activities begin in this way; however, there are a number of issues Mariano has overlooked. Name five of these.
- 2 Mariano has chosen indirect export as his initial mode of entry—discuss the advantages of this compared to other possible entry modes Mariano might have chosen.
- 3 How might Austrade be able to help Mariano with his proposed international marketing venture? Identify the types of services that Austrade offers.
- 4 In what ways will Mariano's background and skill set assist him in undertaking this venture? What skills might he lack? Is his general approach one that you would personally recommend?
- 5 In what ways would exporting the barbeques to Argentina differ from distributing the products to other parts of Australia where they are currently not available (such as Western Australia)? Are there advantages to internationalisation?
- 6 What uncontrollable factors in Argentina could impact on Mariano's chances of success in his proposed international marketing venture? In particular review the role of economic and financial conditions.
- 7 Assuming the Easy Flame manufacturers are interested in selling the products what are some of the important decisions Mariano needs to make in formulating an export marketing strategy?