

Institute of Technology and Business

in České Budějovice

**Marketing in international
environment**

Study Support for the combined form of study

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1 Metodika práce se studijními oporami

Studijní opory pro kombinovanou formu studia jsou určeny pro studenty Vysoké školy technické a ekonomické v Českých Budějovicích ke studiu povinných, povinně volitelných a volitelných předmětů. Studijní opory jsou studijní pomůcka, která doplňuje výukové bloky jednotlivých předmětů, vyučovaných v programu Řízení lidských zdrojů v bakalářském studiu, především pak pro kombinovanou formu studia.

Kombinovaná výuka probíhá formou výukových bloků, kde jsou studenti v přímém kontaktu s vyučujícím. Přímá komunikace s vyučujícím je možná nejen v rámci blokové výuky, ale i v konzultačních hodinách a elektronicky.

Studijní opora doplňuje studentovi přímou výuku a odráží aktuální stav poznání daného předmětu.

Součástí studijní opory jsou také anotace předmětů, které zahrnují:

- základní informace o předmětu,
- název předmětu a jeho doporučenou dobu studia v semestru a ročníku,
- garanta předmětu a seznam vyučujících.
- způsob zakončení předmětu zkouška/zápočet,
- výukové metody a metody hodnocení,
- podmínky pro úspěšné absolvování předmětu včetně upřesnění způsobu hodnocení,
- podmínky pro úspěšné absolvování předmětu,
- cíl předmětu, vycházející z profilu absolventa,
- témata přednášek a seminářů,
- studijní zátěž studentů,
- povinnou a doporučenou literaturu, která je dostupná v knihovně VŠTE ,
- výstupy z učení, tedy teoretické znalosti, které by měl student získat studiem přednášek a praktické dovednosti, které by si měl osvojit v rámci jednotlivých seminářů.

Každá studijní opora je určena pro konkrétní předmět a jejich struktura se odvíjí od rozsahu předmětu, tedy počtu přednášek a seminářů na daný semestr. Přesný rozsah u jednotlivých

předmětů najdeme ve studijním plánu. Rozsah předmětu je ve studijní opoře koncipován nikoli po týdnech, ale po dvouhodinových blocích, tzn., pokud má předmět dotaci 26p/26s, studijní opora obsahuje 13 témat přednášek a 13 témat seminářů. V tabulce níže jsou uvedeny příklady možného rozsahu.

Tabulka 1: Rozsah a počet přednášek/seminářů

Název předmětu	Rozsah	Vysvětlení	Počet jednotlivých přednášek/seminářů v jednotlivé studijní opoře
Ekonometrie I.	26p + 26s	26 p = 26 přednášek po 45 minutách 26 s = 26 seminářů po 45 minutách	13 přednášek po 90 min (výpočet 26:2=13) 13 seminářů po 90 min (výpočet 26:2=13)
Řízení lidských zdrojů	52p + 26s	52 p = 52 přednášek po 45 minutách 26 s = 26 seminářů po 45 minutách	26 přednášek po 90 min (výpočet 52:2=26) 13 seminářů po 90 min (výpočet 26:2=13)

Příprava na přednášky je zaměřena na získání teoretických znalostí a je členěna na následující podkapitoly:

- **Klíčová slova,**
 - nejedná se o nejčastěji použitá slova, ale slova charakterizující probírané téma.
- **Cíle kapitoly,**
 - vztahují se ke studiu příslušné kapitoly a k tématu dané přednášky či semináře.
- **Výstupy z učení,**
 - jedná se o číslované výstupy z učení podle anotací, tedy jaké znalosti student získá studiem příslušné kapitoly.
- **Abstrakt (příprava na přednášky),**
 - je tematickým průřezem (výtahem) celé kapitoly.

- **Studijní literatura,**
 - je členěna na povinnou a doporučenou literaturu a je zde uveden rozsah stran, kterým by se měl student věnovat v rámci samostudia.
- **Kontrolní otázky,**
 - uvedeny otázky ověřující výstupy z učení, tedy získané znalosti a dovednosti.
- **Zajímavosti z dané problematiky,**
 - odkazují na zajímavé odborné články či webové stránky, které rozšiřují znalosti studentů nad rámec jejich základních znalostí.
- **Odkaz na seminář,**
 - odkazuje na téma semináře, které vychází ze získaných teoretických znalostí studenta.
- **Příklad dobré nebo špatné praxe,**
 - tato kapitola je uvedena pouze u předmětů, obsahujících pouze přednášky. Příklad simuluje a odráží postup řešení dané problematiky v podnikatelské praxi.

Příprava na semináře je zaměřena na osvojení si praktických dovedností a obsahuje:

- **Klíčová slova (stejně, jako v případě přednášek).**
- **Cíle kapitoly (stejně, jako v případě přednášek).**
- **Výstupy z učení,**
 - jedná se o číslované výstupy z učení podle anotací, tedy jaké dovednosti student získá studiem příslušné kapitoly.
- **Příklad, uvedení vzorového úkolu,**
 - vzor souvislého příkladu/úkolů s vypracovaným vzorovým řešením včetně komentářů. Příklad slouží k ověření praktických dovedností studenta.
- **Zadání samostatné práce**
 - další zadané příklady/úlohy/samostatné práce, kde cílem je prohloubit schopnost samostatné práce studenta a podpořit jeho tvůrčí a kreativní myšlení.
- **Studijní literatura (stejně, jako v případě přednášek)**

Výchozím předpokladem pro práci se studijními materiály je osvojení si obsahu výkladové části opor a schopnost aplikace teorie k řešení zadaných úkolů. Pro studenta je nezbytné seznámit se se základními pojmy a dále pracovat s povinnou a doporučenou literaturou.

2 Summary

Period	Year 3, 5th term
Course	Marketing in international environment
Language	English
Supervisor	Ing. Marie Slabá, Ph.D.
Supervisors department	Faculty of Corporate Strategy
Department	Department of Tourism and Marketing
Lecture tutor	---
Seminar tutor	Ing. Petra Maříšková, Ph.D., Ing. Roman Švec, Ph.D.
Assessment type	z.
Assessment note	attendance at exercises 70 % final test, handing in, presentation and defence of a group project before students according to a binding schedule, handing in and presentation of seminar papers
Extent and intensity	0/2
Credits	2
The goal of the course	The course focuses on international marketing with the aim to extend students' knowledge for the application of marketing to international markets.
Learning outcomes	After successful completion of the course a student: 25.1 understands the differences of marketing applied to the international market, 25.2 manages international marketing activities, 25.3 is able to identify and analyse suitable information sources for the international marketing issues, 25.4 adapts marketing mix for the international environment, 25.5 understands and identifies specific cultural influences that affect international marketing strategies, 25.6 is able to choose a suitable combination of marketing mix tools for a selected foreign market, 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets, 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies, 25.9 is able to design a marketing research for foreign markets, 25.10 chooses a suitable form of an entrance to a foreign market, 25.11 identifies different elements in consumer behaviour and customer preferences in various foreign markets,

	25.12 analyses cultural, economic, political and other differences of foreign markets in preparation of marketing strategies.
Syllabus of the course	<p><u>Seminars</u></p> <ol style="list-style-type: none"> 1. The conception of international marketing and theoretical approaches to the problems of internationalization. Introduction to international marketing, the choice of a suitable conception of international marketing in an entry to foreign markets. (25.1) 2. International marketing environment. Present trends and the situation in international trade. Analysis of the marketing environment and risks in selected international markets, COFACE ranking. (25.1, 25.5, 25.7, 25.12) 3. International marketing research and a design of questionnaires for foreign markets. (25.3, 25.9) 4. Marketing mix and product policy in international markets. Price policy in international markets. (25.4, 25.6) 5. A product in international markets, decisions on adaptation or standardization of selected products for various foreign markets. (25.4, 25.6) 6. Marketing communication in international markets and its legislation, selection of suitable tools of marketing communication mix and their adaptation to selected foreign markets, taking into consideration the applicable legislation of a selected country. (25.4, 25.6) 7. Distribution, selection of suitable distribution channels for a selected product and a foreign market and a decision on adaptation or standardization of the price for selected international markets. (25.4, 25.6) 8. The role of a brand in international markets. Brand protection in international markets, adaptation of a brand for a particular international market. (25.2) 9. Segmentation and customer behaviour in international markets. Preparation and consultation of team term projects. (25.1, 25.4, 25.7, 25.8, 25.11) 10. Intercultural communication. Preparation and consultation of team term projects. (25.1, 25.4, 25.5, 25.7, 25.8) 11. International business transactions, delivery and payment conditions. Preparation and consultation of team term projects. (25.1, 25.2, 25.4, 25.7, 25.8) 12. Forms of the entry to international markets. Preparation and consultation of team term projects. (25.1, 25.4, 25.7, 25.8, 25.10) 13. Risks in international marketing and trade. Preparation and consultation of team term projects. (25.1, 25.4, 25.7, 25.8)
Organizational forms of teaching	seminar
Complex teaching methods	frontal teaching group teaching – cooperation teaching supported by multimedia technologies

	critical thinking project teaching independent work – individual or individualized activity																																
Study load	<table border="1"> <thead> <tr> <th rowspan="2">Activity</th> <th colspan="2">Hours per term</th> </tr> <tr> <th>Daily form</th> <th>Combined form</th> </tr> </thead> <tbody> <tr> <td>Preparation for lectures</td> <td>0</td> <td>0</td> </tr> <tr> <td>Preparation for a seminar, exercise, tutorial</td> <td>13</td> <td>8</td> </tr> <tr> <td>Preparation of a seminar paper</td> <td>13</td> <td>13</td> </tr> <tr> <td>Attendance at lectures</td> <td>0</td> <td>0</td> </tr> <tr> <td>Attendance at a seminar, exercise, tutorial, industrial visit</td> <td>13</td> <td>8</td> </tr> <tr> <td>Presentation</td> <td>1</td> <td>1</td> </tr> <tr> <td>Preparation for the final test</td> <td>11</td> <td>21</td> </tr> <tr> <td>Attendance at the final test</td> <td>1</td> <td>1</td> </tr> <tr> <td>Total:</td> <td>52</td> <td>52</td> </tr> </tbody> </table>	Activity	Hours per term		Daily form	Combined form	Preparation for lectures	0	0	Preparation for a seminar, exercise, tutorial	13	8	Preparation of a seminar paper	13	13	Attendance at lectures	0	0	Attendance at a seminar, exercise, tutorial, industrial visit	13	8	Presentation	1	1	Preparation for the final test	11	21	Attendance at the final test	1	1	Total:	52	52
	Activity		Hours per term																														
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	Presentation	1	1																														
	Preparation for the final test	11	21																														
Attendance at the final test	1	1																															
Total:	52	52																															
Assessment Methods and Assessment Rate	final test 70 % continuous assessment: seminar paper 20 %, seminar paper presentation 10 %																																
Exam conditions	Course assessment consists of continuous assessment (30 – 0 points – seminar paper and its presentation) and a written test (70 – 0 points). The overall classification is a sum of the points for the continuous assessment and the written test. The overall classification of the course, i.e. the points for the written test (70 - 0) + the points for the continuous assessment (30 - 0 points): A 100 – 90, B 89.99 – 84, C 83.99 – 77, D 76.99 – 73, E 72.99 – 70, FX 69.99 – 30, F 29.99 - 0.																																
Teacher's information	The attendance in the lessons in all forms of study is dealt with by a special internal standard (Registration of VŠTE students attendance). 70 % attendance at seminars and exercises is compulsory for daily students.																																
Compulsory literature	MACHKOVÁ, H., 2015. <i>Mezinárodní marketing: strategické trendy a příklady z praxe</i> . 4. ed. Prague: Grada. ISBN 978-80-247-5366-9. MACHKOVÁ, H. et al., 2014. <i>Mezinárodní obchodní operace</i> . 6th, rev. ext. ed. Prague: Grada. ISBN 978-80-247-4874-0.																																
Recommended literature	---																																
Webpages	http://www.businessinfo.cz/ (up-to-date information from the																																

	international trade sphere, export etc.)
Publishing activities	<p><u>Course supervisor (Ing. Marie Slabá, Ph.D.)</u></p> <p>SLABÁ, M. 2017. Komparace postoje firem a jejich zákazníků k CSR aktivitám. <i>Mladá věda</i>. 5(1), 105-112. ISSN 1339-3189.</p> <p>SLABÁ, M. 2016. Perception of Chinese brands in the Czech Republic. In: <i>Innovative Economic Symposium 2016: Trade and economic relations between China and Central Europe</i>. China: North China University Of Technology, 21-29. ISBN 978-7-5103-1428-5.</p> <p>SLABÁ, M. and Q. HUDEČKOVÁ, 2015. Analysis of development of the most valuable brands in the world and the most valuable brands in China. <i>Littera Scripta</i>. 8(1), 49-59. ISSN 1805-9112.</p> <p>SLABÁ, M., R. ŠVEC, Q. HUDEČKOVÁ and L. KUČERA, 2015. <i>Postavení Číny v mezinárodním obchodě: vysokoškolská učebnice</i>. 2nd, ext. ed. České Budějovice: Vysoká škola technická a ekonomická v Českých Budějovicích. ISBN 978-80-7468-091-5.</p> <p>SLABÁ, M., 2015. Advertising in Chinese Markets. In: <i>Proceedings of the 26th International Business Information Management Association Conference - Innovation Management and Sustainable Economic Competitive Advantage: From Regional Development to Global Growth</i>. Spain: International Business Information Management Association (IBIMA), 941-951. ISBN 978-0-9860419-5-2.</p> <p><u>Seminar tutor (Ing. Petra Martíšková, Ph.D., née Solarová)</u></p> <p>SOLAROVÁ, P. and R. ŠVEC, 2016. Customer relationship management (CRM) in small brick-and-mortar retail shops: Back to the essence of CRM. In: <i>Innovation Management and Education Excellence Vision 2020: From Regional Development Sustainability to Global Economic Growth</i>. Norristown: International Business Information Management Association (IBIMA), 1279-1286. ISBN 978-0-9860419-6-9.</p> <p>SOLAROVÁ, P., 2016. Chinese e-shops from the Czech B2C customers' point of view. In: <i>Innovative Economic Symposium 2016: Trade and economic relations between China and Central Europe</i>. China: North China University Of Technology, 1-11. ISBN 978-7-5103-1428-5.</p> <p>SOLAROVÁ, P., 2015. Electronic records of sales in retail. In: <i>Innovative Economic Symposium 2015</i>. České Budějovice: Vysoká škola technická a ekonomická v Českých Budějovicích, 1-9. ISSN 2464-6369.</p> <p>MARTÍŠKOVÁ P., V. HUMLEROVÁ and M. SLABÁ, 2017. Nový způsob ochrany osobních údajů v podobě „GDPR“ očima veřejnosti. <i>Mladá věda</i>. 5(6), 1-11. ISSN 1339-3189.</p> <p>SLABÁ M. and P. MARTÍŠKOVÁ, 2017. Značky jako klíčová součást marketingové komunikace a jejich vývoj v kontextu mezinárodních</p>

	<p>žebříčků. <i>Mladá věda</i>. 5(6), 113-121. ISSN 1339-3189.</p> <p><u>Seminar tutor (Ing. Roman Švec, Ph.D.)</u></p> <p>SLABÁ, M., R. ŠVEC, Q. HUDEČKOVÁ and L. KUČERA, 2015. <i>Postavení Číny v mezinárodním obchodě: vysokoškolská učebnice</i>. 2nd, ext. ed. České Budějovice: Vysoká škola technická a ekonomická v Českých Budějovicích. ISBN 978-80-7468-091-5.</p> <p>ŠVEC, R., 2016. Chinese tourists' perception of service quality in Český Krumlov (Czech Republic). In: <i>Innovative Economic Symposium 2016: Trade and economic relations between China and Central Europe</i>. China: North China University Of Technology, 40-50. ISBN 978-7-5103-1428-5.</p> <p>DOLEŽALOVÁ, H., K. PÍCHA, J. NAVRÁTIL, M. VESELÁ and R. ŠVEC, 2016. Perception of Quality in Decision Making regarding Purchase of Organic Food. <i>Calitatea</i>. 17(153), 86-91. ISSN 1582-2559.</p> <p>SOLAROVÁ, P. and R. ŠVEC, 2016. Customer relationship management (CRM) in small brick-and-mortar retail shops: Back to the essence of CRM. In: <i>Innovation Management and Education Excellence Vision 2020: From Regional Development Sustainability to Global Economic Growth</i>. Norristown: International Business Information Management Association (IBIMA), 1279-1286. ISBN 978-0-9860419-6-9.</p> <p>ŠVEC, R., NAVRÁTIL, J. and K. PÍCHA, 2014. The impact of the location on the price offered by accommodation establishments in Urban areas. <i>Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis</i>. 62(6), 1475-1485. ISSN 1211-8516.</p>
Topics of bachelor thesis	<p>Marketing mix adaptation for a selected foreign region</p> <p>Specifics of intercultural communication in a selected Asian market</p> <p>A draft of the marketing strategy for the entry to a selected foreign market</p>

3 Preparation for exercises

3.1 The conception of international marketing and theoretical approaches to the problems of internationalization. Introduction to international marketing, the choice of a suitable conception of international marketing in an entry to foreign markets

Key words

International marketing conception, sociocultural zones, intercultural marketing

The goals of the chapter

The goal of the chapter is to acquaint students with the term international marketing, to explain the basic conceptions of international marketing (export, global and intercultural marketing) and to clarify the main theoretical approaches to the problems of internationalization (EPRG model, OLI theory, Vernon's international product lifecycle theory), so that a student understands the differences in marketing applied to international markets.

The goal of this chapter is to clarify the reasons for the choice of a suitable international marketing conception on an example of intercultural marketing, to understand the differences in approaches to international markets and to acquaint students with the issue of sociocultural zones on the example of Europe.

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market

Abstract

Introduction to international marketing. The conception of international marketing and theoretical approaches to the problems of internationalization

The development of international business and marketing activities in international markets in recent decades has been stimulated by numerous factors, among others the problems

of globalization, liberalization, development of modern communication and logistic technologies or the free movement of capital. International business is crucial for the Czech Republic because of its character, particularly with regard to the lack of natural and capital resources, narrow specialization of Czech industry and small domestic market. Companies entering foreign markets can choose from three basic conceptions of international marketing – export, global or intercultural. The **export marketing**, conception which is used by companies at the beginning of their international business activities is considered the simplest one. This conception represents the endeavour to adapt business politics to the real conditions of selected geographically close markets where a company wants to enter (Machková 2015).

The steps of export marketing implementation

1	• selection of foreign markets and their research
2	• selection of a country or a geographic zone
3	• choice of the business method
4	• definition of marketing mix and business policy
5	• preparation of an offer

Source: Machková 2015

Intercultural marketing is the opposite to **global marketing** (considering all markets a single one) and points out the specifics and differences of individual markets. This conception is based on the assumption that consumer behaviour depends particularly on cultural and social factors, which differ significantly in individual markets and a company has to integrate them into its international strategies for individual markets or so called social-cultural zones (strata) and follow the motto “Think global, act local”. Numerous theories deal with the issue of internationalization, EPRG model, Vernon’s international product lifecycle theory, OLI theory or born global are probably the most important ones (Machková 2015). EPRG model by Howard Pelmutter defines companies according to the main management approaches applied to international markets, which are (Machková 2015): ethnocentric, polycentric, regiocentric and geocentric.

An example, introduction of a sample task

The variability of markets and business leads to the fact that companies can choose various conceptions of international marketing when they enter foreign markets. Companies that have no experience with trading in foreign markets or do not have sufficient resources for international business activity often use export marketing or so-called cascade approach to foreign markets, while large companies choose either global marketing or intercultural marketing. The choice of global marketing is based on the following conditions (Machková 2015):

- homogenization of the needs in international markets,
- homogenization of consumer behaviour in international markets,
- consumers prefer products of average quality,
- consumers prefer products with higher prices,
- products allow for the standardization of the international marketing,
- the product and the manufacturing allow for economy of scale.

Intercultural marketing on the other hand focuses on the differences of individual markets and adaptation of the basic marketing elements, particularly to the cultural and social differences of individual markets, namely in the following areas (Machková 2015):

- brand – choice of a brand for individual markets, acquisition of domestic brands,
- product – adaptation of the colour version, packaging, tastes etc.,
- price – price adaptation to customer's buying power,
- distribution – adaptation of distribution channels and opening hours,
- communication mix – utilization of celebrities of the country, sponsoring in the country etc.

Adaptation to each individual country or even a more narrowly defined segment would actually be very costly so the conception of cultural zones is more usual. This conception is based on the assumption that identification of geographic zones with similar socio-cultural but also economic characteristics is advantageous for international marketing strategies. The basic criteria for the division of countries are as follows:

- the buying power of customers, the value system, consumer behaviour and buying habits, price sensitivity of customers, language closeness of countries, economic development of the country etc.

The division of the European market can be an example of the application of the sociocultural zones. The following sociocultural zones are defined there:

- Anglo-Saxon countries, South Eastern Europe, Baltic countries, Scandinavian countries, East European Slavonic countries, Central Europe, The Mediterranean, Western Europe.

The conception of the European sociocultural zones is based on the assumption that Europe or European Union cannot be understood as a single market without differences, for which a uniform European marketing strategy is suitable. The individual countries on contrary differ in the dependence on consumer preferences, in the relation to the environment, or different preferences of colours. Numerous multinational companies choose one of the countries within a chosen sociocultural zone, from which they manage the marketing strategy for the whole zone. Within the zone they apply a uniform strategy, the same range of the brand, multilingual packaging etc.

Questions:

1. For what products the global marketing conception can be used in your opinion and why? Which of the conditions for global marketing (see above) does your chosen product meet and which does it not meet?
2. Place individual European countries into the above mentioned European sociocultural zones. Place 2-3 countries to each zone.
3. Choose 2 European sociocultural zones and one characteristics they differ in in your opinion.

Answers:

1. Products sold in industrial markets are typical products for the application of the global marketing conception – e.g. raw materials corn. In consumer market these are for examples non-alcoholic beverages. The example of basic raw materials meets all the above-mentioned conditions of global marketing.
2. Example 1: Scandinavian countries, vs. The Mediterranean. Scandinavian countries are characterized by their responsive approach to ecology and willingness to pay higher prices for environmentally friendly products, while the inhabitants from The Mediterranean do not prefer environmentally friendly products.
Example 2: different perception of colours in the Mediterranean vs. Western Europe. Perception of colours is for example important for automotive industry.

The inhabitants from The Mediterranean prefer bright colours while the Austrians, Germans or Swiss are more conservative and prefer dimmed colours.

3. European sociocultural zones:
 - a. South Eastern Europe – Croatia, Yugoslavia, Romania
 - b. Baltic countries – Estonia, Latvia, Lithuania
 - c. Scandinavian countries – Sweden, Norway, Denmark
 - d. East European Slavonic countries – Russia, Ukraine, Belarus
 - e. Central Europe – Czech Republic, Hungary, Poland
 - f. The Mediterranean – Portugal, Greece, Italy
 - g. Western Europe – Germany, Austria Switzerland.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 12-26)

Control questions

1. What factors have led to the development of international business and marketing in recent decades? Which ones do you consider important for Czech businesses?
2. Think about possible future ways of the development if international marketing.
3. What are the basic conceptions of international marketing?
4. Which international marketing conception do multinational companies with global products use?
5. Briefly characterize export marketing. What kind of company would you recommend it to?
6. Decide whether the following statement is true or false: The phases of maturity and bankruptcy are linked according to Vernon's international product lifecycle theory. true/false
7. Complete the sentence: Ownership, Location and form the basis of internationalization according to the OLI theory.
8. Name the types of companies according to the EPRG model.
9. Characterize polycentric companies.

10. What type of companies applies the global marketing conception according to the EPRG model?

Interesting points of the issue

<http://www.coca-colacompany.com/press-center/press-releases/coca-cola-announces-one-brand-global-marketing-approach>

3.2 International marketing environment. Present trends and the situation in international trade. Analysis of the marketing environment and risks in selected international markets, COFACE ranking

Key words

Political and legal environment, economic environment, social and cultural environment, technological environment, risks in international markets

The goals of the chapter

The goal of the chapter is to understand the differences in marketing in the application to international market, including the intercultural influences and the different elements of consumer behaviour with a focus on the present trends.

The goal is to become able to carry out a PEST analysis of any selected country and to evaluate it in terms of the risks.

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.5 understands and identifies specific cultural influences that affect international marketing strategies
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.12 analyses cultural, economic, political and other differences of foreign markets in preparation of marketing strategies

Abstract

International marketing environment. Present trends and the situation in international trade

Marketing environment consists of microenvironment and macroenvironment – it is the same in the international environment. The analysis of microenvironment is similar to the

analyses carried out in launching products to the domestic market, it has just small specifics that the particular sphere of business requires.

Significant stress is put on an analysis of the microenvironment in the international environment, where PEST analysis is standardly used. This analysis focuses on the political and legal environment, the economic environment, the socio-cultural environment and the technological environment (Machková 2015)

Political and legal environment significantly influences the basic decision whether to enter or not to enter to a particular foreign market, or what form to choose. Within the political and legal environment companies particularly examine the political system of the country, its memberships in integration groups, political relations to other countries, political stability, the relation to foreign companies, the rate of corruption, the position of interest groups (profession unions, consumer protection associations etc.), the strength of trade unions, legislation applicable to of the activities of foreign business entities, currency-law aspects of business activities of foreign entities, the possibility of repatriation of profits abroad etc. (Machková 2015).

Analysis of the economic environment requires examination how the government economic policy (particularly the policy in the field of foreign trade, exchange rates, relations to foreign investors) works. We must not forget macroeconomic indicators and their development. With regard to the government policy towards foreign investors, investment incentives can be offered for example in the form of deductions from the income tax of legal entities or in the form of subsidies (Machková 2015).

Socio-cultural environment contains numerous factors that have to be taken into account within the intended entry to a foreign market. Culture is usually a strong determinant within the whole environment and its influence should not be underestimated. Language is definitely the most remarkable element of a culture (Machková 2015).

With regard to the *technological environment*, we examine how technically developed a particular country is and how its science-technological potential can be utilized (Machková 2015).

The technological environment, in the sense of the explosive development of communication technologies and information systems particularly defines the trends and influences the present state in the international trade sphere.

An example, introduction of a sample task

Prepare a PEST analysis of a selected country – Russia on the basis of the knowledge from Chapter 2.2 and the specified pages from compulsory literature to this topic. Then evaluate the risks of this country.

Answer:

Example of PEST analysis applied to Russia

Factor	Details
P	<ul style="list-style-type: none"> - political stability => significantly instable political environment - political system => presidential federative republic, president V. V. Putin - membership in international organizations => UN? OBSE, European Council, G8 etc. - customs system => modification of customs code, growing control of import and documents - domestic market protection => import, special and seasonal tariffs, value added tax, consumption tax, import quotas and import licences are applied - poor law enforcement - extensive corruption - support for foreign business entities
E	<ul style="list-style-type: none"> - inflation (10.9 %) - grow of real incomes of inhabitants (8.5 %) - GDP growth (6.4 %) => growing trend thanks to the growing consumption of households and the government - unemployment (5.7 million people) - growth of the living standard => growth of real incomes, decrease of unemployment – i.e. the standard of living factors - direct foreign investments (USD 26.8 bn) - export and import (USD 245.3 and 125.1 bn)
S	<ul style="list-style-type: none"> - appreciation of traditional values and respect for traditions - consumer lifestyle - lifestyle change => obvious emphasis has already been put on healthy lifestyle for several years
T	<ul style="list-style-type: none"> - huge amount of technical innovations - production automation – still growing - emerging trend based on the orientation on lean production

	- Research and Development become the basic corporate strategy to maintain and obtain new markets
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Source: House preparation based on Voleníková (year not mentioned).

Country risk: “B”, which is a relative high risk (Source: Coface.com 2017).

Take the above example as illustrative – we should realize that the situation is changing with regard to the changeability of environment and the dynamism of the development in international markets.

Here are useful links and tips that might be adequately used in solving similarly assigned tasks.

Factors of the political and legal environment

- Specifics of individual countries, extensive information on individual countries: <http://tradenews.cz/archiv/> or also <http://ibiz247.com/>,
- Territorial and professional information on individual countries: <http://www.businessinfo.cz/cs/zahranicni-obchod-eu/teritorialni-a-oborove-informace.html>,
- Global Competitiveness Report: <http://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>.

Factors of the economic environment

- Territorial and professional information on individual countries: <http://www.businessinfo.cz/cs/zahranicni-obchod-eu/teritorialni-a-oborove-informace.html>,
- Global Competitiveness Report: <http://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>.

Factors of the social and cultural environment

- Cultural dimensions (Geert Hofstede): <http://www.hofstede-insights.com/product/compare-countries/> - comparison with another country is useful for the illustration of the differences (for example with the Czech Republic).

Factors of the technological environment

- Statistics dealing with the situation in R&D: <http://www.oecd.org/innovation/inno-researchanddevelopmentstatisticsrds.htm>,

- Statistics dealing with the global use of the Internet: <http://www.internetworldstats.com/stats.htm>.

Risk assessment

- COFACE: <http://www.coface.com/Economic-Studies-and-Country-Risks>.

Assignment of independent work (task)

Carry out a PEST analysis of another selected country – Kazakhstan in a similar way. Focus also on the risk assessment of the country.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 28-42)

Sources used for the purpose of the PEST analysis example and the risk assessment:

VOLENÍKOVÁ, G. *Analýza ruského trhu pro vstup nového výrobku společnosti Tento, a. s.* [online]. Year not mentioned. [quot. 2017-11-27]. Accessible from: http://webcache.googleusercontent.com/search?q=cache:OkOfg-oinIgJ:www.utb.cz/file/24655_1_1/+&cd=1&hl=cs&ct=clnk&gl=cz&client=firefox-b-ab.

Coface.com. *Russian Federation: Synthesis* [online]. 2017-06. [cit. 2017-11-28]. Accessible from: <http://www.coface.com/Economic-Studies-and-Country-Risks/Russian-Federation>.

Control questions

1. What does marketing environment consist of?
2. The importance of interest groups in a country belongs to:
 - a) sociocultural factors
 - b) political and legal factors
 - c) technological factors
3. Membership of a country in regional integration groups is a factor of the:
 - a) technological environment
 - b) social and cultural environment
 - c) political and legal environment

4. GDP growth rate of a country is a factor examined within:
 - a) economic environment
 - b) political and legal environment
 - c) technological environment
5. The value orientation of inhabitants of a selected country belongs to:
 - a) social and cultural environment
 - b) economic environment
 - c) value orientation is not dealt with in the international marketing environment
6. Give examples of the political and legal environment factors that should be considered when entering to foreign markets.
7. Give examples of the economic environment factors that should be considered when entering to foreign markets.
8. Give examples of the social and cultural environment factors that should be considered when entering to foreign markets.
9. Give examples of the technological environment factors that should be considered when entering to foreign markets.
10. Discuss what defines the trends and influences the situation in the international market.

Interesting points of the issue

Global Competitiveness Report, a detailed report providing information on 138 countries in the world, the report from 2016-2017 is available here: <http://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>.

3.3 International marketing research and a design of questionnaires for foreign markets

Key words

Desk research, field/primary research, continuous research, ad hoc research, quantitative and qualitative research, marketing research, questionnaire, types of questions

The goals of the chapter

The goal of this chapter is to achieve knowledge on the procedures used in international marketing research, especially to understand the differences between a desk research and a field/primary research, continuous and ad hoc research, quantitative and qualitative research and to understand these terms with regard to the specifics of the international environment.

Learning outcomes

- 25.3 is able to identify and analyse suitable information sources for the international marketing issues
- 25.9 is able to design a marketing research for foreign markets

Abstract

International marketing research

Marketing research is a tool for the ascertainment of useful data and information consequently used in company practice. International marketing research moreover accents the international environment, it is usually focused on the following fields: research of the international environment, research of competitors, the potential of the target markets and the efficiency of the marketing strategy. Services of international research agencies, which are able to carry out an assigned research in professional manners can be hired. Some of the biggest agencies are The Nielsen Company, Gfk Group, Ipsos SA and Kantar Group (Machková 2015).

An international marketing research usually consists of two subsequent phases: first a desk research is carried out and after that a field/primary research follows (Machková 2015).

Among field/primary researches we distinguish between continuous and ad hoc researches. A continuous research is carried out continuously, in this relation we can mention the so called syndicated research, outlet panels, consumer panels (household panels) and omnibus researches. Ad hoc researches are often used for the purpose of testing new products before their launching, testing of advertisements, examination of consumer attitudes and satisfaction. Ad hoc researches are very frequent in industrial marketing (Machková 2015). Quantitative and qualitative methods can be applied to a research. *Quantitative methods* are based on a sample of respondents from a selected target group, and the results can be generalized for the whole target group. A typical qualitative method is questioning (it may be personal, written, telephonic or via the Internet. Personal questioning is particularly suitable for more complicated situations where some questions need more detailed explanation. Telephonic questioning on the other hand does not provide for extra-long questions. Questioning via the Internet is very popular particularly in the research of international markets. Each method has its pros and cons. Qualitative research methods are typically represented by an in-depth interview or also by product testing in the form of an experiment (Machková 2015).

The following sources might be for example used as a starting point for an international marketing research: Vaše Evropa website (designed for businesses that focus their activities to the market of an EU member state) then Market Access Database portal (information related to European companies that intend to enter non-EU markets).

An example, introduction of a sample task

Domestic company Alfa, s.r.o. has decided to expand to Australian market. The company is involved in production and sale of wine and would like to know whether its products (or which of its products) will be accepted in Australian market, or what modifications the company should carry out to make its products attractive for Australian consumers. It has decided to prepare a questionnaire, which it wants to distribute among Australian consumers through its contacts. Propose questions that the questionnaire should contain (leave aside the necessity of the future translation into the English language).

Solution (in the form of proposals of questions that such a questionnaire should contain):

1. Are you an abstinent?

- yes ... *go to question No. 8*
- no

2. On what occasions do you most often drink wine? (*you can check more answers*)

- at celebrations
- at meeting with friends
- alone
- otherwise, specify: _____

3. How often do you drink wine? (*check one answer*)

- several times a week
- once a week
- once a fortnight
- once a month
- once a quarter
- once a half year
- once a year
- less than once a year

4. What kind of wine do you prefer? (*check one answer*)

- dry
- semi-dry
- semi-sweet
- sweet
- sparkling

5. Describe in your words the qualities of a wine that you like. (*do not present a brand*)

6. Where do you usually buy wine? (*check max two answers*)

- in retail outlets
- directly from producers

I do not buy wine, I get it as a present

7. What bottle size is most acceptable for you?

0.5 litre

0.75 litre

1 litre

more than 1 litre

8. Are you:

male

female

9. Your age: _____ (*fill in a number*)

Comments to the solution:

This is an adequate combination of closed, semi-closed and open questions. The first question is a so-called filtering question, which divides respondents according to the fact whether they drink wine (or alcoholic beverages in general) or not – if they do not drink alcohol, there is no reason to ask them questions about consumption of wine. The last two questions are identification questions, which serve for a more detailed analysis of the answers to the other questions. Some questions are accompanied by instructions if it is applicable (e.g. “you can check more answers” or “fill in a number”. Respondents are directed by these instructions to fill the questionnaire in adequately. The overall graphical form of a questionnaire should be considered as it influences the willingness of respondents to fill the questionnaire in, and its distribution (printed vs. electronic questionnaires).

We must also mention that a business entity should approach to primary data collection by means of a questionnaire after an analysis of relevant secondary data. Such secondary data might moreover be a useful input for designing the questions for the questionnaire.

Assignment of independent work (task)

Domestic company Beta, s. r. o. has decided to expand to Russian market. The company is involved in production and sale of pet food and accessories and would like to know whether its products (or which of its products) will be accepted in Russian market, or what

modifications the company should carry out to make its products attractive for Russian consumers. It has decided to prepare a questionnaire, which it wants to distribute among Russian consumers through its contacts. Propose questions that the questionnaire should contain (leave aside the necessity of the future translation into the Russian language)

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 44-56)

Control questions

1. Name four spheres on which international marketing research usually focuses.
2. Explain the importance of the research of competitors.
3. Name the biggest research agencies.
4. Distinguish the terms “desk research” and “field research”.
5. Explain the difference between “continuous research” and “ad hoc research”
6. Define the term “syndicated research”
7. Which of the following abbreviations refers to a method used in Internet questioning?
 - a) CAPI
 - b) CATI
 - c) CAWI
8. Explain the difference between “CATI” and “CAMI”.
9. Name the methods of qualitative research.
10. What concrete sources can be useful for entrepreneurs considering an entry to a foreign market?

Interesting points of the issue

Association of agencies for public opinion survey SIMAR (<http://simar.cz/>), particular the standards and the international code (viz <http://www.simar.cz/standardy/>).

3.4 Marketing mix and product policy in international markets. Price policy in international markets

Key words

Product, adaptation, standardization, 4P's, voluntary adaptation, compulsory adaptation

The goals of the chapter

The goal of this chapter is to teach students use adaptation and standardization in international markets and to distinguish between the aspects of voluntary and compulsory adaptation, so that they are able to adapt. marketing mix to a selected international market and to choose a suitable combination of marketing mix tools for a chosen international market.

The goal of the chapter is to acquaint students with the pricing methods in international markets so that a student is able to choose a suitable combination of price and other marketing mix tools for selected foreign markets and to adapt a price as an element of marketing mix to the international environment.

Learning outcomes

- 25.4 adapts marketing mix for the international environment
- 25.6 is able to choose a suitable combination of marketing mix tools for a selected foreign market

Abstract

Marketing mix and product policy in international markets

Companies apply the traditional approach to marketing mix in the 4 P's form to international marketing activities. If a company wants to enter an international market in must decide whether it will enter with the marketing mix in the unchanged form or if it will adapt it to international markets, and then it has to decide on the adaptation extent.

Absolute standardization, where a company enters to foreign markets with an unchanged product is impossible in most cases, so companies have to accede to a certain extent of adaptation. Adaptation can be voluntary or compulsory, particularly with regard to adaptation of a product to legislative or technical requirements (Machková 2015). Global

products supported by global brands do not have to be accepted with enthusiasm in all countries. Consumer behaviour and preferences actually differ significantly in different countries. The ability of global products to penetrate to individual markets particularly depends on the category of a given product. Global products are more successful on industrial markets where standardization is more usual.

Each product goes through four lifecycle phases, which also applies to international marketing. Traditionally a product goes through 4 phases, but in the international marketing sphere the development phase, which precedes the others, is often added. The lifecycle of a products therefore has the following phases in international markets (Machková 2015):

- Development phase – a product development phase that involves a loss,
- Introduction phase – an introduction to the market within international marketing is possible either globally or gradually, this phase is characterized by high costs of marketing communication and of the development of distribution channels in selected international markets.
- Growth phase – this is a phase when the international market accepts a foreign brand and a product, the foreign distributional channels are stabilizing and so is the pricing. International marketing communication focuses on influencing consumers in selected foreign markets. This phase is characterized by a growth of the sales and profits of the company.
- Maturity phase – in this phase the product should be well established in a foreign market.
- Decline phase – the sales volume decreases, prices are reduced and inventories are being sold out.

If a company operates on several international markets its products might be going through different lifecycle phases in different markets. Companies have to be able to respond to this fact adequately.

Price policy in international markets

Price is a part of marketing mix, which brings potential profits to a company. International pricing represents a much more complex process than pricing in national markets. International pricing is influenced by numerous internal and external factors, for example by the marketing strategy of a company, the business environment, the market character,

the costs of a company, trade-policy tools, competition, exchange rates, demand, behaviour of consumers and buying habits, the goals of price policy etc. (Machková 2015, Machková et al. 2014).

From the pricing policy point of view standardized prices, i.e. uniform prices may be used in international markets, which is only possible if a company uses a uniform global positioning in all markets. Companies also may decide for polycentric pricing where prices are adapted to the conditions of the individual foreign markets or for geocentric pricing, where prices are adapted to individual socio-cultural zones (Machková 2015).

International price strategies also differ during the lifecycle of a product, where companies may choose either the strategies of high prices or the strategies of low prices in the individual stages according to their goals. Companies can apply two basic strategies in the introduction phase. The first one is the strategy of price utilization, which is used for products that do not have to face competition, but the market shows interest in the products. The other strategy is the strategy of price penetration, which is based on intentionally low prices with the aim to achieve the highest market segment. In the growth phase price usually does not change, reductions occur in the maturity and declination phases (Machková 2015). We can also see dumping and transfer prices in international markets. Dumping prices represent artificially low prices of international commodities. They are most often used in launches to new markets with high potential. Numerous economics fight against dumping and companies risk antidumping proceedings. Transfer prices are internal prices used for the transfer of finance between daughter and mother companies (Machková 2015).

Cost oriented pricing methods are considered the simplest ones. A company can choose between pricing according to the target rentability or pricing by a surcharge. Methods focused on demand are considered the most advantageous. It is then possible to set prices as a value added for a customer or as the value perceived by a customer. Some companies base their prices on the prices of competitors where they can monitor the prices of competitors or set prices on the base of quotations (Machková 2015).

An example, introduction of a sample task

If a company decides to enter to international markets, it has to decide to what extent it will apply standardization and to what extent it will adapt its marketing mix to the needs of

individual markets. The extent of adaptation that a company applies in entering to international markets is influenced by numerous factors (Machková 2015):

- the cost of adaptation, basic characteristics of the product, legislation in the target market, cultural and social differences, consumer behaviour, preferences and buying habits, company resources and size, characteristics of the selected market – buying power, size etc.

Standardization, i.e. a completely standardized marketing mix – i.e. standardized product, price, ways of distribution and marketing communication is more used in industrial markets, and we consequently talk about global standardized product. It is necessary for an absolute standardization to standardize standards. Artworks are also generally considered standardized products. Global products or global brands however do not always represent standardized products. Adaptation is more usual in international markets. Adaptation may have various forms. In certain instances, we speak about **compulsory adaptation**, when it is impossible to enter a selected market without adaptation. Compulsory adaptation usually has the form of adaptation to technical requirements, standards and directives (Machková 2015).

Particularly in consumer markets, where products for individuals and households are offered, it is necessary for a company to adapt its marketing mix to the cultural and social differences and preferences and buying habits of customers. This way of adaptation, which companies carry out upon their own decision is called **voluntary adaptation**. Voluntary adaptation involves adaptation of the product itself, e.g. of the taste, composition, colour version according to the preferences, or religious requirements of a specific country, price, accompanying services according to the buying power of the inhabitants etc.

Adaptation is also applied in the instance when there is a strong competitor in international markets and the company does not have a dominant position, customer requirements are heterogeneous, if a company is operating in an environment with unstable exchange rates. Adaptation is also used in the case of different buying preferences or if the growth potential of a segment is high. On the other hand, if a company has limited resources, it prefers standardization, like in the case when mass production leads to cost reduction and the legislation in the countries is similar.

Questions:

1. Give an example of spheres or types of products where standardization can be used.
2. For what products would you use voluntary adaptation and why, for what products compulsory adaptation is necessary?

3. For the following situations decide where you would rather use standardization of marketing mix and where you would use adaptation:
- dominant market position,
 - strong competition in the market,
 - homogeneous customer demands,
 - different buying power of customers,
 - high inflation environment,
 - instability of exchange rates,
 - low growth potential of segments,
 - an industrial product,
 - limited financial resources,
 - differences in consumer behaviour,
 - uniform regulations, standards, legislation.

Answers:

1. Industries processing raw materials, e.g. steel industry are examples of spheres where standardization is usual. Hardened steel is an example of a product, the processing technology, the way of marketing promotion and the product itself are the same in all markets.
2. Voluntary adaptation is for example chosen for food and similar products where taste preferences differ significantly and the religion of various countries is also taken into account. For example, beef cannot be eaten in India as a cow is considered a sacred animal. Compulsory adaptations are for example used for electric appliances with regard to different electric sockets in various countries.
3. Standardization:
 - dominant market position,
 - homogeneous customer demands,
 - low growth potential of segments ,
 - an industrial product ,
 - limited financial resources ,
 - uniform regulations, standards, legislation .

Adaptation:

- strong competition in the market,
- different buying power of customers ,

- high inflation environment ,
- instability of exchange rates ,
- differences in consumer behaviour .

Assignment of independent work (task)

According to the above explanation decide on adaptation or standardization of marketing mix for the product that you chose for the preparation of your term project. Substantiate your decision. If you decide for a combination of standardization and adaptation, explain, which marketing mix tools you are going to standardize and why, and which marketing mix tools you are going to adapt and why. In the instance of adaptation, are you going to use voluntary or compulsory adaptation or their combination? Substantiate your decision again.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 124-126, pp. 138)

Control questions

1. Name the basic 4 P's of marketing mix used in international markets.
2. What factors influence the extent of adaptation in international markets?
3. What does product standardization for international marketing means?
4. For which products would you rather use standardization? Products offered in industrial markets or products offered in final consumer markets?
5. What types of adaptation do you know?
6. For what products would you use standardization and why?
7. Discuss the possibilities of voluntary adaptation.
8. What examples of compulsory adaptation do you know?
9. Name the lifecycle phases of a product in international markets.
10. Characterize the specifics of the growth phase of a product lifecycle in international markets.

3.5 A product in international markets, decisions on adaptation or standardization of selected products for various foreign markets

Key words

Product, adaptation, standardization, product dimension

The goals of the chapter

The goal of this chapter is to explain adaptation and standardization of a product in international marketing at the level of individual product dimensions, so that a student is able to choose a suitable combination of marketing mix tools and to adapt a product as a key element of marketing mix to a selected foreign market.

Learning outcomes

- 25.4 adapts marketing mix for the international environment
- 25.6 is able to choose a suitable combination of marketing mix tools for a selected foreign market

An example, introduction of a sample task

If a company wants to succeed in a foreign market, it has to approach to marketing adaptation of a product to certain extent in most instances. We can specify three basic dimensions for each product, at the level of which a product can be adapted. These dimensions are (Machková 2015):

- basic characteristics – they represent all the useful properties, i.e. chemical composition, taste, durability, parameters, physical properties of a product,
- services – these are services related to a product – like for example guarantee and after guarantee service, consulting services, delivery and payment conditions, transport, financing, insurance etc.
- symbolic values – these are linked to the country of origin, image of the company and brand, style and trendiness.

As we have already mentioned, various forms of adaptation are possible at the levels of the individual dimensions. So-called compulsory adaptation is particularly applied at the level of the **basic characteristics**. At the level of the basic characteristics a product has to comply with all standards and regulations applicable in the country where a company wants to export its product. Adaptation within the basic characteristics has nevertheless to be applied also with regard to other aspects than standards and regulations. There are specifics of somatotypes (taller people in Scandinavian countries on one hand and shorter people in Japan on the other), consumer preferences and habits in the field of taste, appearance, adaptation to the imperial system (e.g. in Great Britain) etc. (Machková 2015). The level of **services** is particularly adapted with regard to the buying power in a particular country. In countries with lower buying power only basic services are often offered in the price of a product, emphasis is put on the financing possibilities either by leasing, mortgage or consumer loans. Customers do not require services like assembly or delivery. On the other hand, complex services are required in countries with higher buying power as an inseparable part of a product, including assembly and delivery or an extended guarantee (Machková 2015).

Symbolic values representing the third dimension of a product, are mainly influenced by culturally conditioned perceptions among customers. Symbolic values are often linked to the company or product brand itself or to the country of origin. Automotive industry brands BMW or Mercedes are for example symbols of German reliability and quality. French brands like for example Chanel or Louis Vuitton are linked to luxury. Korean brand Samsung for example represents technological advancement. Volvo is another brand that represents reliability and quality (Machková 2015).

Competition fight in international markets in developed countries does not focus on the basic characteristics of a product as products not meeting the basic characteristics could not be offered in these markets, but symbolic values and advanced extra services play the key role there.

From the point of view of the basic characteristics the packaging has to be adapted most frequently, as it not only fulfils the basic protective function but also a very important communication and information function. Packaging has to be adapted not only to the consumers' perception and their buying habits, adapted in colours to meet local traditions and culture, but they also have to comply with local legislation. Laws focus on the minimum information obligation of packaging, its health harmlessness and/or warning against harmful products. Some countries also require environmentally friendly packaging,

packaging enabling recycling etc. While beer is commonly sold in bottles in Europe, cans are preferred in the USA. Packaging material has to be adapted to the buying power of inhabitants, cheaper packaging materials are often used in countries with lower buying power so that the final retail price is not increased.

Questions:

1. Give an example of a harmful product where compulsory warning is required. Is this warning obligatory in all EU markets? Which directive orders it?
2. Does McDonald's, as a global company, sell standardized or adapted products in international markets? Substantiate your answer. If it sells both standardized and adapted products, find their examples.

Answers:

1. Tobacco products are examples of harmful products. Their sale is regulated by Directive 2014/40/EU of the European Parliament and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC. Warning is obligatory in all EU member countries.
2. Global corporation McDonald's uses a combination of standardized and adapted products in its marketing mix. Absolute standardization is impossible in catering industry, which is why McDonald's tries to adapt its products as much as possible to local legislation, cultural habits, religion or taste preferences. French fries and Big Mac are examples of global products offered in unchanged form. Examples of adapted products are McSpaghetti (Philippines), vegetarian menu (India), etc.

Assignment of independent work (task)

On the basis of the above example decide on adaptation or standardization of the product you chose for the preparation of your term project at the individual product dimensions (i.e. at the levels of the basic characteristics, services and symbolic values).

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 120-133)

3.6 Marketing communication in international markets and its legislation, selection of suitable tools of marketing communication mix and their adaptation to selected foreign markets, taking into consideration the applicable legislation of a selected country

Key words

Marketing communication, communication mix, media, regulation

The goals of the chapter

The goal of this chapter is to acquaint students with the basic goals of international communication campaigns, the main types of international communication strategies and the differences in the perception of individual media in international markets, so that a student is able to adapt a communication mix as one of the marketing mix tools in the international environment to a selected international market.

Learning outcomes

- 25.4 adapts marketing mix for the international environment
- 25.6 is able to choose a suitable combination of marketing mix tools for a selected foreign market

Abstract

Marketing communication in international markets

Marketing communication represents the most visible marketing mix tool, which is probably also most influenced by the social and cultural impacts and by the consumer behaviour of customers in international markets. The goal of international marketing communication may be to inform a consumer, to stimulate demand, to increase the sales, to influence loyalty, perception of a brand, differentiation of a product or a brand etc. (Machková 2015).

Personal as well as impersonal communication and all the traditional communication mix tools are used in international marketing communication with regard to the specifics of the

selected country. In its decisions on the communication strategy in the international environment a company can choose (Machková 2015)

- global communication strategy
- intercultural communication strategy
- domestic communication strategy.

Global communication strategy is usually used by big multinational corporations operating globally in all markets, which transfer their successful domestic communication campaign to other markets in cooperation with global advertising agencies. Affiliate companies then usually follow the recommendations and use the appropriate media with regard to the specifics of the particular market and the final customer. **Intercultural communication strategy** is a strategy, where the centre defines a uniform communication style, motif and basic conception. Services of global advertising agencies, which take care about the uniform positioning of a brand are used to ensure a uniform communication. Several versions of communication strategies that reflect the specifics of particular socio-cultural zones where the company operates, are however also prepared. Daughter companies are then responsible for the selection of suitable communications for the market they control and adapt the individual below-the-line tools – i.e. direct marketing, POP, POS materials etc. to that market. **Domestic communication strategy** is the opposite pole to global communication strategy. This type of strategy is completely based on local specifics defined by daughter companies and is particularly used by companies with a decentralized management system (Machková 2015).

A company entering international markets also has to adhere to the legislation applicable to advertising and market communication in general. Restrictions of advertising of cigarettes and tobacco products, alcoholic beverages and pharmaceutical products are most usual not only in Europe (Machková 2015).

An example, introduction of a sample task

Among all the marketing mix elements communication mix is the most visible part and is also most influenced by sociocultural environment of each country. A chosen marketing strategy will not only differ according to cultural and social characteristics, but also on the basis of the level of economic advancement of a country, which is reflected in the used and

available media, the presence of advertising agencies and the level of advertising costs in a particular market (Machková 2015).

In the preparation of a communication campaign personal as well as non-personal communication can be used, push and pull strategies, with regard to the type of the product offered, and all the communication mix tools, which are advertising, sales support, personal sale and public relations. All the communication mix aspects, free strategy as well as the individual communication mix tools and the media used have to be adapted to the conditions of the market where the company intends to operate.

Specific application of individual media in different markets have to be taken into account in an international campaign. There are several aspects that have to be taken into account when **television advertising** is used. Price is the first aspect. Television commercials are generally expensive, but if a programme is suitably chosen with regard to the target group, the cost of addressing one particular consumer might be very low. Not only suitable timing, but also relatively often repeated communication is necessary for achievement of effectiveness. Another aspect, which is specific for television advertising in individual markets is the average duration of watching, which differs significantly in different countries. It is between 150-250 minutes per day in developed countries. The highest duration of watching is in the USA, but also in the UK and Japan, North European countries on the other hand show the lowest average duration of watching TV. Television advertising also has to take into account the applicable regulations as television belongs to the most monitored media (Machková 2015). **Radio advertising** is much more favourable in terms of costs compared to television, however the radio is considered a background medium to which insufficient attention is paid and the impact on the target audience is therefore not much effective. The investments in advertising are gradually transferred to the Internet, which leads to a drop in the investments in other media. This drop is mostly reflected in press advertising. The effectiveness of **press advertising** differs significantly in different markets. Its impact is negligible in the USA, its effect is significant in Western Europe, particularly in Sweden, Germany and in the Netherlands, where it is perceived as an important and credible source of information. Billboards, which are so often subject to legislation changes, are controversial media, a part of outdoor advertising (Machková 2015).

Marketing communication and/or advertising is subject to various forms of regulation or self-regulation on a worldwide basis. Harmonization of the legislation applicable to advertising regulation is in progress in the EU. Directive 2005/29/EC executed full

harmonization of all business practices including advertising. Full harmonization concerns final consumers, for non-consumers harmonization has been executed at the TV and radio advertising level by Directive 2010/13/EU. The sphere of comparative and misleading advertising is regulated by Directive 2006/114/EC. Products with the highest regulations are particularly tobacco and alcohol, then human medical preparations, initial and continuing infant food, veterinary medicines, firearms and ammunition, funeral services or food where notification of health and nutrition information is required.

Questions:

1. What services are subject to regulation in the European Union?
2. Choose from the following list of products those that are subject to regulation in the European Union: tobacco – electric appliances – alcohol – kitchen tools – clothing – baby food – firearms – footwear – ammunition.

Answers:

1. Funeral services
2. The following products are subject to regulation: tobacco, alcohol, baby food, firearms, ammunition.

If a company decides to use services of a marketing agency it should pay sufficient attention to a so-called brief (assignment for an advertising agency). A well-prepared brief should include (Machková 2015):

- A. Marketing information on the market: 1. an analysis of the target market, 2. definition of the customer needs, their expectations, perception, 3. the basic marketing goals and the advertising goals derived from them, 4. detailed description of the target segments, 5. the required communication, 6. arguments supporting the offer, 7. previous marketing communication activities, 8. results of previous marketing communication activities, 9. description of the main competitors.
- B. Information on the brand: 1. characteristic of the brand, 2. image of the brand, 3. advantages offered to a consumer.
- C. Supporting information: 1. time schedule, 2. the budget, 3. pre-tests.

Assignment of independent work (task)

Upon the explanations in this chapter choose suitable communication mix tools and suitable media for marketing communication of the product you chose for the preparation

of your term project. Is the product subject to regulation of advertising in the market you chose? Prepare a brief for your product according to the above described brief structure.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 165-185)

Additional sources

Selected EU directives; Directive 2005/29/ES; Directive 2010/13/EU; Directive 2006/114/ES.

Control questions

1. Name the basic components of communication mix.
2. Name several goals of international marketing communication.
3. What forms of communication strategy are used in the practice?
4. When would you use intercultural communication strategies?
5. Characterize domestic communication strategy.
6. When is global communication strategy used?
7. Characterize radio as a medium of communication mix.
8. In which countries is newspaper advertising considered effective?
9. Name the country where the impact of press advertising is minimum?
10. For what target market would you use television advertising?

3.7 Distribution, selection of suitable distribution channels for a selected product and a foreign market and a decision on adaptation or standardization of the price for selected international markets

Key words

International distribution policy, development trends in distribution in international markets, information technologies in distribution in international markets, delivery conditions, INCOTERMS, price adaptation, price standardization

The goals of the chapter

The goal of the chapter is to achieve the ability to understand delivery parities/conditions, which are an inseparable part of all thoughts about distribution and also the ability to differentiate between situations that require price adaptation, or, on the other hand, price standardization.

Learning outcomes

- 25.4 adapts marketing mix for the international environment
- 25.6 is able to choose a suitable combination of marketing mix tools for a selected foreign market

Abstract

Distribution in international markets

Distribution in international markets means the application of the **international distribution policy** in other words. The purpose of international distribution policy is to bring supply and demand together and to ensure that a product from a domestic manufacturer finds a customer in a foreign market. Building distribution paths in international environment is difficult, long and last but not least expensive (Machková 2015).

International distribution policy has an influence on other marketing mix tools (product, price, marketing communication). For example, in the field of product policy it helps us

determine what characteristics and properties a product must have, which also involves the issue of the brand (brand policy). With regard to the price policy we should realize that distribution is a cost item, which must naturally be reflected in the price, i.e. in the instance of international distribution the costs related to the distribution form a substantial part of the price. Marketing communication is also influenced by the distribution policy, for example by the fact that certain communication strategies are advantageously used right in the cooperation with the distribution links (Machková 2015).

International distribution certainly does not stand aside the world developments – on contrary, changes in progress exist, so certain development trends can be predicted in this sphere, namely internationalization, concentration, diversification and market dominance. Endeavours to establish an advantageous form of cooperation between business entities is also apparent and we should also mention the use of modern information and communication technologies (Machková 2015).

Internationalization is not just a domain of large retail chains with fast-turnover goods but also of specialized chains (e.g. fashion clothes: Zara, Massimo Dutti etc.). *Concentration* is chosen particularly with the aim to achieve savings from the scale and this process might be applied to the organizational level, space level and operation level. *Diversification* is usually based on the use of different sale formats (relation to multichannel retailing). *Market dominance* is based on the efforts to achieve a large segment in a selected market. *Cooperation* between retail and supplier companies is also a common practice – modern technologies are used, particularly ECR and EDI systems to make a cooperation successful (Machková 2015).

Within communication technologies EAN bar codes and QR codes, scanners, radiofrequency identification RFID, GPS navigation etc. are used. Electronic purchasing via the Internet has also its place and its importance is gradually growing (Machková 2015).

We can conclude that the choice of a particular international distribution policy is influenced by the following factors: buying and consumption behaviour in the target markets, the character of a product, the chosen distribution strategy, competition, the economic possibilities of a business entity and the structure of the sphere of business. Knowledge of the legislation applicable to the target market is very important (Machková 2015).

An example, introduction of a sample task

The choice of suitable delivery conditions, co called INCOTERMS is an inseparable part of distribution. Delivery conditions (parities) are included in a purchasing contract in international trade and they define the obligations of contracting parties.

Your task is to find the latest version of these conditions.

Answer:

The latest version at the time of preparation of this Support is INCOTERMS 2010, accessible for example on the International Chamber of Commerce website: <http://iccwbo.org/resources-for-business/incoterms-rules/incoterms-rules-2010/> year not mentioned or on the BusinessInfo.cz portal (2013).

INCOTERMS 2010 contain eleven rules included in two big groups according to the transport method as follows: rules for any mode or modes of transport – there are 7 rules and for sea and inland waterway transport – there are 4 rules.

Rules for any mode or modes of transport are as follows: EXW = EX Works (state the place of delivery), FCA = Free Carrier (state the place of delivery), CPT = Carriage Paid To (state the place of destination), CIP = Carriage And Insurance Paid To (state the place of destination), DAT = Delivered At Terminal (state the port terminal or the place of destination), DAP = Delivered At Place (state the place of destination), DDP = Delivered Duty Paid (state the place of destination).

Rules for sea and inland waterway transport are as follows : FAS = Free Alongside Ship (state the port of loading), FOB = Free On Board (state the port of loading), CFR = Cost and Freight (state the port of destination), CIF = Cost, Insurance and Freight (state the port of destination).

It is necessary to say that a new version does not automatically **cancel** the previous version of the rules.

Assignment of independent work (task)

Lot of factors influence the decision whether to apply price standardization or price adaptation. Decide, which of the following list of factors contribute to price standardization and which to price adaptation (differentiation) (The task was prepared according to Machková 2017).

List of factors:

- development of information technologies, easy accessibility of information,
- reduction of the costs of international logistics,
- differences in consumer behaviour,
- tendency to homogenization of needs,
- differences in the buying power of consumers,
- trade-political tools,
- introduction of Euro in most European Union countries,
- growing competition in world markets, endeavours for differentiation from competitors,
- instability of exchange rates,
- liberalization of the world trade, removal of trade-political barriers,
- shopping centres, electronic markets and other forms of centralizes purchases,
- different inflation rates in foreign markets,
- different foreign-trade costs.

Answer:

The following factors contribute to price standardization: development of information technologies, easy accessibility of information, reduction of the costs of international logistics, tendency to homogenization of needs, introduction of Euro in most European Union countries, liberalization of the world trade, removal of trade-political barriers, shopping centres, electronic markets and other forms of centralizes purchases.

The following factors contribute to price adaptation (differentiation: differences in consumer behaviour, differences in the buying power of consumers, trade-political tools, growing competition in world markets, endeavours for differentiation from competitors, instability of exchange rates, different inflation rates in foreign markets, different foreign-trade costs.

Literature

Compulsory literature

MACHKOVÁ, H. et al., 2014. *Mezinárodní obchodní operace*. 6th, rev. ext. ed. Prague: Grada. ISBN 978-80-247-4874-0. (pp. 61-69, pp. 134-143)

Resources used for the purpose of the tasks and their solution:

International Chamber of Commerce. *Incoterms® rules 2010* [online]. Year not mentioned. [quot. 2017-12-13]. Accessible at: <http://iccwbo.org/resources-for-business/incoterms-rules/incoterms-rules-2010/>.

BusinessInfo.cz. *INCOTERMS rules 2010* [online]. 2013-01-08. [cit. 2017-12-13]. Accessible at: <http://www.businessinfo.cz/cs/clanky/prezentace-incoterms-2010-27735.html#!&chapter=1>.

Control questions

1. Explain how international distribution policy influences other marketing mix tools.
2. Describe the situation in the world market (in terms of supply and demand).
3. Name the basic trends in international distribution.
4. Describe what internationalization means.
5. Explain the difference between concentration and market dominance.
6. What do you imagine under the term “multichannel trading”?
7. What is so-called trade marketing based on?
8. What does ECR serve for?
9. Name the IT tools used in distribution.
10. What concrete factors influence the choice of international distribution policy?

Interesting points of the issue

Unconventional way of the sale of dairy products: so called “shokti ladies” in developing countries – for example Danone (<http://www.danone.com/en/for-all/sustainability/better-lives/social-inclusiveness/>).

3.8 The role of a brand in international markets. Brand protection in international markets, adaptation of a brand for a particular international market

Key words

Brand, corporate brands, global brands, domestic brands, trademark, Industrial Property Office

The goals of the chapter

The goal of this chapter is to acquaint students with brand protection in international markets and its adaptation, so that a student is able to manage international marketing activities adequately.

Learning outcomes

- 25.2 manages international marketing activities

Abstract

The role of a brand in international markets

Brand management in international markets is an important precondition of the success of companies in foreign markets. The following trends play the key roles in the international brand management at present (Machková 2015): corporate brands, global brands, private brands, brand unification and co-branding.

Global brands are tools of global marketing strategies we spoke about in the previous chapter. A global brand is a brand that is presented in an unchanged form in all (global) international markets. Numerous ratings exist that rate the most valuable global brands – for example – Interbrand, or BRANDz by Kantar Millward Brown and WPP, etc.

Corporate brands are a type of brands that we can see for example in banking or automotive industry. This type of brand is perceived by a consumer as a brand reducing possible risks linked to the purchase of products, for which a final consumer is willing to pay a higher price. **International brand unification** can be met in various spheres, where global multinational companies try to adapt to a target market through acquisitions of or mergers with domestic brands.

Most companies have more brands in their portfolios, which they have to sort in international markets. The international brand management process consists of the following steps (Machková 2015):

- establishing the brand conception, which contains the selection of the brand and the international protection of the brand,
- decision on the brand holder (manufacturer or service provider, distributor, co-branding, licence),
- management of the international portfolio of brands, where different types of brands can be selected:
 - umbrella brands, manufacturer brands, affiliate brands etc.

In the establishing of the brand conception the whole concept of the brand in international markets has to be solved, including its colours, a logo and symbols etc. Graphical form of a brand is the key element of the brand policy as well as the protection of the brand in international markets with regard to the applicable legislation in the particular area of intellectual or industrial property. International companies usually have more brands in its portfolio, which they combine in different markets. Companies may decide to create a new brand or to adopt a traditional domestic brand. The strategy of adoption of domestic brands was used by numerous western companies in their entries to the post-communist countries. Such brands are also used, if they have a dominant position in the domestic market (Machková 2015).

An example, introduction of a sample task

A brand does not only serve for identification of a product or a company and their differentiation among other products, but it is also an important intangible asset of each company. It is therefore necessary to protect a brand in international activities against a possible abuse or forgery at the domestic market as well as international markets levels. The first step on the way to international protection is the arrangements for the protection of the brand in the country of origin. After that the arrangements for the protection in the countries, where the company wants to enter with its products, follow.

In the Czech market a brand can be protected on the basis of parameters defined by Act No. 441/2003 Col. on trademarks with the Industrial Property Office through a National Application, which has to contain the name (trade name) and the registered address of the

company or the name and surname of the applicant, a picture or the text of the brand applied for and the list of products (or services) that will be identified by the brand, including their classes.

A brand that a company applies for registration with the Industrial Property Office has to meet the so-called registration eligibility, which includes two aspects, distinctiveness and graphical representation. Distinctiveness means that the chosen brand distinguishes products of different entities and graphical representation represents the visual appearance of the brand, which can be formed by words, numbers, a picture, a drawing, letters, colour, packaging or their combination (Machková 2015).

The Industrial Property Office decides whether a brand can be registered unless no relative or absolute obstacles in registration eligibility exist. Relative obstacles are those linked to rights of third persons. The Industrial Property Office therefore does not register brands that are identical or have key elements identical with trademarks already registered or applied for similar products (or services) and might be confused. An identical trademark can be registered no earlier than two years after the expiry of the original trademark. Absolute obstacles to registration are for example descriptive or undistinguished marks, particularly marks that are used in trade practices, in common language, in good faith, marks that contradict good morals or the public order. Contact, light, taste or smell marks for example represent absolute obstacles. Sound trademarks can only be registered in the USA in the international trademark protection sphere. From the point of view of absolute obstacles, designations of purpose, type, quantity, quality, geographic data, appellations of origin of goods are excluded from registration. Coats of arms, state emblems, flags, names of states or international organizations cannot be registered in international registration either. Another absolute obstacle is, if a brand is found deceptive. Paris convention considers a brand deceptive if it can mislead the public with regard to a quality of goods, the way of manufacturing, the origin of goods etc. (Machková 2015).

Protection valid in the whole territory of the European Union can also be arranged for. It is a so-called Community trademark, which is newly regulated by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 23 March 2016 substituting Council Regulation (EC) No 207/2009 on the Community trade mark. The new regulation brought a terminology modification, the term Union trade mark was substituted by the term European Union trade mark. An application is filed to the European Union Intellectual Property Office (former Office for Harmonization in the Internal Market (OHIM)) in

Alicante. This system works independently on the national trademark systems of the individual member countries.

All trademarks that are registered in the Intellectual Property Office register in the Czech Republic can also be registered as international trademarks in registers of other states. Registration is carried out on the basis of the Madrid Agreement Concerning the International Registration of Marks and also on the basis of the Madrid Agreement Protocol. A registration is then carried out in the register of international trademarks, which is conducted by the International Office of the World Intellectual Property Organization (WIPO).

In deciding on the use of a brand in international markets a company can either use its existing brand or adapt its brand with regard to the local habits or create a new brand. A brand can have pictorial, typographic or combined form Creation of a new brand should respect the following rules (Kotler and Keller 2013, Graphic Design Union):

- memorability, transferability, adaptability, meaningfulness, timelessness, legibility, cultural adaptability, distinguishability, etc.

Assignment of independent work (task)

Design a suitable brand for your product that you chose for the preparation of your term project, which will respect the specifics of the market you have chosen for the entry and will comply with the rules for trademark design and meet the eligibility for registration with the Intellectual Property Office. Download the national application from the Intellectual Property Office website (<http://www.upv.cz/cs/prumyslova-prava/ochrannoznamky.html>) and fill it in so that it contains all the requirements for filing. On the base of the market you have chosen think about further necessary registrations – e.g. the Community trade mark, or registration of an international trade mark in further markets on the base of the Madrid Agreement Concerning the International Registration of Marks and on the base of other regulations.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 102-117)

Resources used for the purpose of the preparation of a trademark design and the possibilities of its protection in domestic as well as international markets

<https://www.upv.cz/cs.html> – information on trademarks, national application, international trademark protection

<http://unie-grafickeho-designu.cz/vlastnosti-dobreho-loga-obsahly-clanek/#.WjFMiFXiaM8>

KOTLER, P. and K. L. KELLER, 2013. *Marketing management*. 14. ed. Prague: Grada. ISBN 978-80-247-4150-5. (pp. 288-289)

Control questions

1. Name the trends in the international brand policy.
2. In what spheres are corporate brands most often used?
3. Characterize global brands.
4. Name examples of global brands from the practice.
5. What does the term private labels mean?
6. What examples of private labels do you know in the Czech market?
7. Give an example of a rating dealing with assessment of global brands.
8. Name the steps of the international brand management.
9. Who can be a brand holder?
10. Can a retail chain be a brand holder?

3.9 Segmentation and customer behaviour in international markets. Preparation and consultation of team term projects

Key words

Segmentation, target segment, segmentation criteria

The goals of the chapter

This chapter concentrates on preparation and consultation of team term projects with specific focus (with the emphasis on selected points from the below assigned term project structure).

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.4 adapts marketing mix for the international environment
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies
- 25.11 identifies different elements in consumer behaviour and customer preferences in various foreign markets

Abstract

Segmentation and customer behaviour in international markets

The starting point for segmentation is the fact that market consists of mutually different customers and that it is usually impossible for a business entity to address successfully all customers. The segmentation process in international markets consists of three subsequent stages: first suitable criteria for segmentation have to be chosen, after that a target market is chosen (it is targeting) and then an adequate segmentation strategy is chosen (Machková 2015).

With regard to **segmentation of the consumer product market** criteria may be divided into two big groups according to Machková (2015), namely criteria related to the

characteristics of the market (these are demographic, geographic, socioeconomic and psychographic criteria) and criteria related to the behaviour of consumers (behavioural criteria).

Geographic criteria are obviously widely used in international marketing, where international markets are classified for example according to countries, climate, cultural similarity of geographic zones etc. Within *demographic criteria* markets are classified for example according to gender, age categories, religion etc.; the ethnic criterion (related to the so-called ethnic marketing) is still more and more used in the international marketing environment. *Socioeconomic* criteria typically serve for capturing the purchasing power and also the structure of expenditures. *Psychographic criteria* play a very important role in the modern approach to international marketing as these criteria focus on the attitudes of foreign customers, they examine their lifestyle and their system of values. And finally, *behavioural criteria* try to explain the behaviour of customers in terms of their expectations and preferences. In this relation customers are for example divided according to the buying and consumption opportunities, according to advantages (benefits), which are expected from a certain product etc. (Machková 2015).

Numerous criteria are used in **segmentation of the consumer product market**, for example classification according to the company size, according to the legal form, according to the operation characteristics (this might be the financial situation or the level of technology that a business entity uses etc.). From the point of view of international marketing segmentation according to the global buying strategy is used, behavioural criteria (e.g. loyalty to existing suppliers) are also taken into account (Machková 2015).

After completion of segmentation the target segment (segments) that the business entity wants to serve is chosen. Positioning is the last step in the international environment it means the necessity to design such a brand conception that takes the chosen position in the minds of customers and is distinguishable from those of competitors (Machková 2015).

An example, introduction of a sample task

Starting from this exercise students prepare and consult their team term projects according to the assignment.

Sample assignment:

The term project will be prepared in a team of 3-4 students and handed in in electronic form (the project and presentation) to the Mailroom in the VŠTE Information Centre. Only one student hands the project in on behalf of a team.

The complete project has to comply with the Methodology of writing papers in VŠTE with the exception of the literature search which does not have to be included in the project. Be particularly careful about citing sources.

Structure of the project:

- Introduction of the chosen business entity and its existing product portfolio
- PEST (PESTEL) analysis for the entry of a selected product to a country of your choice (which must be outside the EU), assessment of the risks of the chosen country
- Etiquette in the chosen country (focus on the habits in business negotiations)
- Selection of suitable segmentation criteria, i.e. for what customers the offer (product) is intended
- A decision on adaptation or standardization of the product (with substantiation)
- Brand, its design and possible modification for the selected market, a trademark for the market
- Selection of the optimal INCOTERMS rule and suitable payment conditions
- The form of the entry of the business entity to the market of the chosen country, including the analysis of the customs situation for the entry with a particular product to the market of the country, selection of distribution channels and a suitable distribution link
- Setting the product price for the selected market – with regard to the internal and external factors
- Marketing communication mix, the legislation applicable to marketing communication in the selected country, creative design of a leaflet, banner or another means of marketing communication (in the English or another suitable language)

The minimum length of the project is 10 pages (without introduction, table of contents and literature or other resources). If you have any queries or doubts contact your seminar teacher.

Within Exercise 9 students have the task to familiarize themselves with the project assignment and start working on the following three points of the assigned structure:

- Introduction of the chosen business entity and its existing product portfolio
- PEST (PESTEL) analysis for the entry of a selected product to a country of your choice (which must be outside the EU), assessment of the risks of the chosen country
- Selection of suitable segmentation criteria, i.e. for what customers the offer (product) is intended

Carrying out PEST analysis of a chosen country and an assessment of the risks of this country is a skill that was trained in Chapter 3.2, so this is just an application to the chosen country choice.

Solution:

The final form of the solution depends on the fact what business entity and which country students choose. The project will have a form of a relatively extensive document – students will proceed according to the assigned structure and will gradually apply what they have learnt in lectures and exercises. An example solution now follows, which shows how to cope with the issue of segmentation (Foret et al. 2004, pp. 87).

A company called Gardenline is offering “top garden and terrace furniture”, It emphasises the quality of the materials they use and very good design with an emphasis on the individuality of each piece, for reasonable prices (i.e. prices adequate to the above mentioned characteristics). It focuses on a level-headed customer that likes to be considered someone who “has class” has sense of aesthetic and has a liking for quality and is willing to pay an adequate price for it.

This description indicates that B2C customers with a higher level of income (so that they could afford quality) form the target segment of the company – this is therefore a socioeconomic criterion. It is also obvious that those who have a garden and/or a terrace are the customers of the company, otherwise its products would not be attractive for them. Last but not least, the above mentioned top furniture will be a symbol of certain lifestyle, which belongs to psychographic criteria.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 86-100)

A source used for the purpose of an example how to select segmentation criteria in the practice:

FORET, M. et al., 2004. *Marketing: Distanční studijní opora*. Brno: Masaryk University, Faculty of Economics and Administration. ISBN 80-210-3500-5. (pp. 87)

Control questions

1. Explain what segmentation of international markets means.
2. Name the two stages that logically follow after segmentation.
3. Give examples of segmentation criteria in the consumer goods market.
4. Give examples of segmentation criteria in the industrial goods market.
5. Which group of segmentation criteria does ethnical criterion, which is significant in the international environment, belongs to?
 - a) it is a geographic criterion
 - b) it is a demographic criterion
 - c) it is a psychographic criterion
6. Decide whether the following statement is true or false: “*Geographic, demographic and socioeconomic criteria are fully sufficient for specification of target customer groups in international marketing.*”
7. According to what does the VALS methodology (as a lifestyle methodology) explain consumer behaviour?
8. What does AIO methodology focus on?
9. Explain what the term “targeting” means.
10. Explain what the term “positioning” means.

Interesting points of the issue

VALS-2 segmentation characteristics (in English):

<http://www.d.umn.edu/~rvaidyan/mktg4731/vals2tbl.htm>

3.10 Intercultural communication. Preparation and consultation of team term projects

Key words

Intercultural communication, culture, ethics, business negotiation, sociocultural differences

The goals of the chapter

The goal of the chapter is to acquaint students with the specifics of intercultural communication so that they understand the differences in communication in different markets and are able to identify specific intercultural influences that affect international marketing strategies and marketing communication in international markets.

This chapter focuses on preparation and consultation of team term projects with specific focus on etiquette and the business negotiation habits in the selected market. The goal for the students is to be able to understand the differences of marketing in the application on international markets on the basis of the examples presented in this chapter, to be able to identify and to understand particularly cultural differences in the preparation of marketing strategies and business negotiations with foreign partners.

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.4 adapts marketing mix for the international environment
- 25.5 understands and identifies specific cultural influences that affect international marketing strategies
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies

Abstract

Intercultural communication

Culture and social influences belong to the most important elements that have to be respected in the entry to international markets. They are key aspects that might decide on a

success or a failure of marketing strategy that a company decides to apply in international markets.

The term culture is a basic term that has to be defined within intercultural communication (sometimes also referred to as cross-culture communication). Numerous definitions of culture exist. The term culture is derived from the Latin word *cultura* and represents a certain level of the development of a society, creativity and ability of people, which is reflected in the way of organization of life and activities of the society and also in the creation of material and cultural environment. Culture can also be defined as “the identity of people, which creates the paradigm of relations and behaviour in a society” (Machková 2015, pp. 30). Culture, as a specific aspect of international communication, is distinguished by numerous factors, like language, non-verbal communication, eating habits, clothing, symbols, rites, and is characterized by the following main traits (Machková 2015).

- it is passed from one generation to another, an individual learns it during his/her life, individual cultures are different, they are differentiated, culture is shared and adaptable.

A culture that is linked to a particular society also influences its tendency to collectivism or individualism, to the values the society recognizes, the hierarchy of needs, social conventions, consumer habits and the overall behaviour of consumers as well as the openness of the society. From the point of view of openness, we distinguish between closed cultures (like for example African or Arabian countries) and open cultures, where the USA or Australia are the most typical examples (Machková 2015).

Taking into account the specifics of individual cultures that are reflected in the general tendencies in the behaviour of the members of such cultures, is the basic element of intercultural communication within the marketing communication strategy.

Numerous authors deal with these dimensions at the theoretical level. For example, Hofstede or Trompenaars deal with the measurement of cultural dimensions. Trompenaars carried out measurement on the basis of answers from 500 managers from various countries and defines the following basic dimensions: neutralism vs. emotionalism, universalism vs. particularism, individualism vs. collectivism, diffuse vs. specific, achievement vs. supervision. Hofstede distinguishes the following: individualism rate, perception of time, femininity vs. masculinity, relation to uncertainty, relation to authorities (Machková 2015).

An example, introduction of a sample task

In this exercise students continue in the preparation and consultation of team term projects according to the assignment.

International marketing has to respect the cultural and social differences and also the etiquette in business negotiations in different markets. The following examples summarize selected differences in some markets.

USA

The Americans are characterized by straightforwardness, assertiveness and detailed preparation for business negotiations. The Americans are not fond of useless formalities, they do not use formal addressing, they do not use degrees or positions in addressing. The Americans are factual, brief, particular and open in a discussion and take women as equal partners. Women do not expect gallantry from men, they want to express their independence and self-sufficiency this way. We should not forget that the Americans expect eye contact and if you do not maintain it you will seem insincere, with ulterior motives. Social events, where the participation of business partners is expected, form a usual part of business negotiations in the USA.

Great Britain

Like the Americans, the British are usually very well prepared for business discussions, they act directly, briefly and do not use formal addressing, degrees or positions either. The British are characterized not only by their preciseness in preparation for meetings but also by punctuality, adherence to traditions and stress on correct behaviour, but also by wearing perfect clothes in business negotiations. Women and men are equal partners, all agreements even those not in written are considered binding.

South America, Italy France, Spain

South America, Italy France and Spain have a similar approach to business negotiations. Unlike the British or the Americans, they do not like being brief, direct, they are rather fond of protracted, lengthy discussions, partners from these countries definitely cannot be called punctual. Except from France you rarely meet a woman at a business meeting. All these countries prefer using less formal opportunities for negotiations, like dinners, lunches etc. We should be prepared that these nations are much more temperament, personal

contact is more usual, they debate lively, use expressive mime and gestures and an argument sometimes occurs.

East Asia

A completely opposite approach than in the case of the southern nations is typical for Eastern Asian countries, whether it is Japan, Korea, China, India or Thailand. These countries are on contrary fond of formalities, business negotiations are therefore much more formal here. Asians have a very wide personal zone and a body contact is unacceptable in most cases here. Sometimes even a handshake is improper. Men prevail in business talks. Eye contact is moreover not usual in Asian countries. On the other hand, we must get prepared for numerous specifics, like for example handing over business cards, which are handed over with both hands and the counterpart is expected to read it carefully. A similar situation is with gifts, which are given at each business negotiation. Tea is very often served at business meetings and it is drunk sufficiently seriously and ceremoniously.

The Arabs

Business negotiations with the Arabs and in Islamic countries in general are very specific. The Arabs for example much more use non-verbal communication and require direct look into the eyes. The Arabs, unlike us do not respect a personal zone (but only among people of the same sex) and punctuality cannot be expected from them. They are on the other hand known for their hospitality. In Islamic countries we also must get used to bargaining, and if a party does not accept bargaining, the other party might be offended. Wearing green colour at business meetings is not recommended as green is the colour of Islam. Clothing has to be adapted in these countries, for both formal and informal events and it is necessary to remember that a man should have shoulders and knees covered in most Islamic states.

Assignment of independent work (task)

On the basis of the above example prepare the basic differences of the market where you intend to entry within your term project and work out the basic rules that have to be adhered to in business negotiations.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 31-35)

A source used for the purpose of examples of business habits in selected countries

ŠPAČEK, L., 2017. *Etiketa – Moderní etiketa pro každého*. Prague: Mladá Fronta. ISBN 978-80-204-4577-3.

Control questions

1. What influences do you consider crucial for intercultural communication?
2. What is another term for intercultural communication?
3. What is the difference between a closed culture and an open culture?
4. Give an example of an open culture.
5. Which of the following countries is a country with closed culture?
 - a. Australia
 - b. Arabian countries
 - c. USA
6. How would you define culture?
7. What are the basic characteristic traits of a culture?
8. What do cultural dimensions represent?
9. What cultural dimension influence intercultural communication?
10. Name at least one author that deals with cultural dimensions.

Interesting points of the issue

<http://www.businessinfo.cz/cs/clanky/etiketa-obchodniho-jednani-v-maroku-8.html>

<http://dumfinanci.cz/clanky/91-obchodni-jednani-i-americky-styl/>

3.11 International business transactions, delivery and payment conditions. Preparation and consultation of team term projects

Key words

International business cooperation, purchasing contract, contract, essential and other elements of a purchasing contract, delivery and payment conditions, delivery parity, INCOTERMS, documentary letter of credit, documentary collection

The goals of the chapter

The goal of this chapter is to achieve knowledge on international business transactions with an emphasis on a purchasing contract and its elements, which is necessary for successful management of international marketing activities.

This chapter focuses on the preparation and consultation of team term projects with a specific focus (with emphasis on selected points from the assigned term project structure).

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.2 manages international marketing activities
- 25.4 adapts marketing mix for the international environment
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies

Abstract

International trade is carried out through numerous individual business operations. These operations may have their specifics – e.g. in the way of establishing a business relation between a purchaser and a seller and also in the agreed conditions of a particular business transaction (Machková 2015).

The course of a particular business operation is influenced by numerous factors: the nature of the goods being traded, the conditions of a particular market, selection of a business

partner (related to the choice of a distribution channel) etc. Not only material goods but also various services, provision of rights or a performance of a work can be the subjects of a business transaction. A transaction with material goods naturally involves further necessary operations, e.g. insurance, transport, financial operations, storage, control etc. (Machková 2015).

A purchasing contract is the contractual relation most frequently entered into with foreign business partners. It is entered into between a seller and a purchaser and it defines the rights and obligations of both the involved parties, so it is necessary to pay the appropriate attention to it. We should also mention that the content of a contract is affected by the regulations of the involved countries. A purchasing contract is also referred to as contract in business terminology. (Machková et al. 2014).

The acceptance of the UN Convention on Contracts for the International Sale of Goods was a significant support for international economic cooperation; it is a so-called Vienna Convention (Machková et al. 2014).

A purchasing contract is entered into upon agreement between contracting parties, while a specific type is entering into a contract by means of a *concludent* (agreement) act – this occurs in the instance when goods are supplied immediately after the acceptance of an order. However, contracts entered into by a *concludent* act are relatively rare. General business terms and conditions should form a part of a purchasing contract (Machková et al. 2014).

The essential elements of a purchasing contract are: determination of the seller and the purchaser (i.e. the contracting parties), determination of the contract subject (the goods being sold/bought), determination of the purchasing price (or the method how the price will be determined). Other elements are usually among others: the delivery term, the delivery conditions (parity), the payment conditions, the transportation method etc (Machková et al. 2014).

Adequate attention should be paid to the payment conditions, which determine how, when and where (i.e. the bank) the purchasing price should be settled. A payment can be made in advance, on delivery or after delivery of the goods. In terms of the payment form we distinguish payment in cash and by bank transfer (remittance). A documentary letter of credit or a documentary collection is often used in international trade (Machková et al. 2014).

An example, introduction of a sample task

In this exercise students continue in the preparation and consultation of team term projects according to the assignment.

The task is to choose an appropriate INCOTERMS rule for the purpose of the prepared project.

Solution:

The final form of the solution depends on the fact what business entity and which country students choose. An illustrative solution now follows. It shows how to cope with the choice of the appropriate INCOTERMS rule.

- the seller is willing to pay all the costs related to the delivery of the goods to the purchaser and also takes into account the risks that might occur, but in no instance, he wants to arrange for possible licences or undergo customs formalities ==> suitable rule: DAP
- the purchaser is ready to collect the goods from the seller at his own expense and transport them at his own expense and to arrange for possible customs formalities ==> suitable rule: EXW
- the purchaser is willing to bear the transport risks, he however requires the seller to arrange for the transport to a place agreed on (including the costs related to the transport; the goods are valuable, of small size, so air transport is suitable for them ==> optimum rule: CPT or CIP.

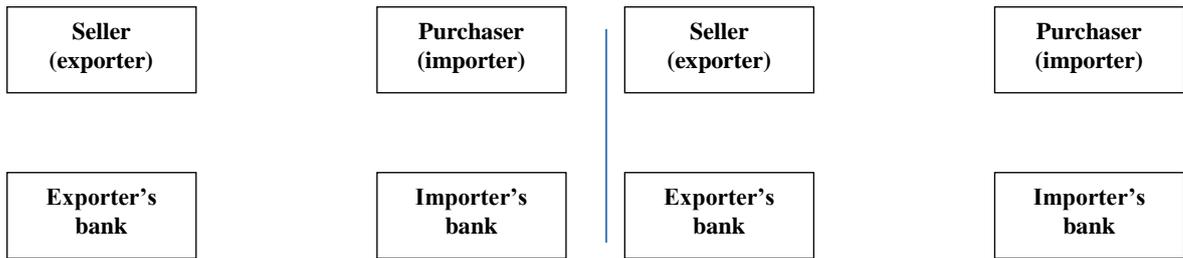
A helpful aid for the solution: Valachovičová (2011), particularly figures No. 2 and No. 3, which represent useful guides for the choice of the optimum rule – seller's view is taken into account, but buyer's view as well.

Assignment of independent work (task)

Documentary letter of credit and documentary collection are the main types of payment conditions. Basic schemes of both the methods are below with verbal descriptions of the procedures. Your task is to draw arrows according to the verbal description of the procedures. After that discuss the advantages and disadvantages of the two methods.

Documentary letter of credit

Documentary collection

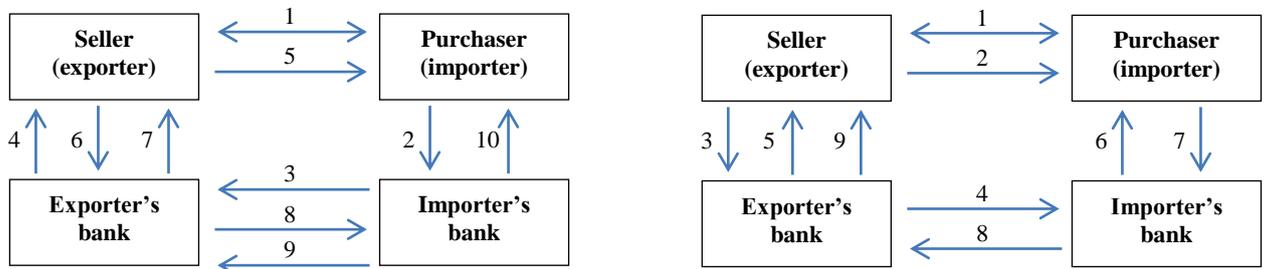


DOCUMENTARY LETTER OF CREDIT	DOCUMENTARY COLLECTION
<ol style="list-style-type: none"> 1. The seller and the purchaser have entered into a purchasing contract. 2. The purchaser asks his bank to issue a letter of credit (L/C) for the benefit of the seller. 3. Purchaser's bank (i.e. the issuing bank) consults the L/C confirmation with another bank (usually in seller's country). 4. The confirming bank informs the seller of the issue of an L/C. 5. The seller receives the L/C and after confirmation of the delivery and payment condition he gives an order for dispatching the goods to the purchaser. 6. The seller sends the required document to the bank where the L/C is available. 7. The bank checks the documents with the conditions of the L/C and if everything is OK it makes the payment, i.e. the appropriate amount is credited to the seller's account. 8. The confirming bank sends the documents to the issuing bank. 9. The issuing bank checks the documents and meets the requirements contained in the L/C. 10. The issuing bank issues a confirmation of payment the purchaser with. 	<ol style="list-style-type: none"> 1. The seller and the purchaser have entered into a purchasing contract . 2. The seller sends the goods to the purchaser. 3. The seller files documents to the bank and applies for a collection. 4. Seller's bank sends the documents and an order for collection to the purchaser's bank. 5. Seller's bank informs the seller that it has placed the order for collection. 6. Purchaser's bank notifies the purchaser on the conditions of the collection and gives him the document against payment. 7. The purchaser pays the required amount to his bank. 8. Purchaser's bank remits the payment to seller's bank. 9. Seller's bank gives the amount paid by the purchaser to the seller (after deduction of bank's charges).

Solution:

Documentary letter of credit

Documentary collection



Literature

Compulsory literature

MACHKOVÁ, H. et al., 2014. *Mezinárodní obchodní operace*. 6th, rev. ext. ed. Prague: Grada. ISBN 978-80-247-4874-0. (pp. 33-49, pp. 71-100)

A source used for the purpose of the example how to select the optimum INCOTERMS rule:

VALACHOVIČOVÁ, V., 2011. *Kontraktačná fáza obchodu s hmotným tovarom s dôrazom na dodacie podmienky podľa novej verzie – INCOTERMS® 2010* [online]. 2011. [cit. 2017-12-14]. Accessible at: http://www.cutn.sk/Library/proceedings/mch_2011/editovane_prispevky/Valachovi%C4%8Dov%C3%A11-148-162.pdf.

Control questions

1. By means of what is international trade carried out?
2. What can influence the course of a particular business transaction?
3. Decide whether the following statement is true or false: “*A purchasing contract is one of the most frequently used contractual agreements in international business operations*”.
4. What is the so-called Vienna Convention?
5. What term is used for a purchasing contract in business terminology?
6. Explain what it means if a purchasing contract is entered into by *concludent act*.
7. Name the essential elements of a purchasing contract.
8. What do payment condition in a purchasing contract determine?
9. What are the basic possibilities of the settlement of a purchasing price?
10. What kinds of payments do we distinguish from the point of view of the form?

Interesting points of the issue

United Nations Convention on Contracts for the International Sale of Goods (<http://www.uncitral.org/pdf/english/texts/sales/cisg/V1056997-CISG-e-book.pdf>)

3.12 Forms of the entry to international markets. Preparation and consultation of team term projects

Key words

Import and export operations, forms of the entry not demanding for capital investments, licences, franchising, capital investments, Budějovický Budvar, export, piggyback

The goals of the chapter

The goal of this chapter is to acquaint students with individual forms of the entry to international markets, their advantages and disadvantages so that a student is able to choose the most suitable form of the entry to a foreign market for a particular company and its product portfolio.

This chapter focuses on the preparation and consultation of team term projects with a specific focus on a suitable form of the entry to international markets.

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.4 adapts marketing mix for the international environment
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies
- 25.10 chooses a suitable form of an entrance to a foreign market

Abstract

Forms of the entry to international markets

If a company decides to enter a foreign market, it can choose from three basic groups of forms of the entry to foreign markets, namely: import and export operations, forms of the entry not demanding for capital investments or capital investments (Machková et al. 2014, Machková 2015). The decision on the form of the entry is influenced by numerous factors (Machková et al. 2014) like for example: the economic and legislative environment, the trade and political conditions, the political environment and its stability, the product itself

and its characteristics. Import and export operations are traditionally considered the simplest form of entering to international markets, as they require lower investment in comparison to the other forms, however, not zero investments. To succeed in a foreign market a company has to invest its resources to international marketing and to the adaptation of its marketing mix (Machková et al. 2014). The basic forms of import and export operations are: export alliances, commissioner relations, business agency, piggyback, mediation relations, direct export, contract of exclusive sales (Machková 2015). If a company does not intend to invest directly in international markets but wants to strengthen its presence in selected markets, to which import and export operations do not sufficiently contribute, they choose forms of the entry to international markets not demanding for capital investments. Companies use these forms to save costs and to eliminate the risks related to direct capital investments, particularly in regions with unstable political, economic and business environment (Machková 2015). The most often used methods are (Machková et al. 2014):

- franchising, licence (licence trades), management contracts, production cooperation, inward and outward processing.

Franchising is a typical example of a form of the entry to international markets not demanding for capital investments. It is applied to various areas. Most frequent are retail franchises providing services in fast food, car hiring, hotels etc. McDonald's, Ramada Inn and many more companies for example built their existence on the basis of franchising.

Capital investments of companies in international markets are the highest level of internationalization. They represent direct investments with the highest capital demand (Machková et al. 2014). Typical capital investments of companies to international markets are (Machková 2015):

greenfield (investments on a green field), acquisitions, mergers, joint ventures, strategic alliances.

An example, introduction of a sample task

In this exercise students continue in the preparation and consultation of team term projects according to the assignment.

A company that intends to enter foreign markets can choose from three basic forms of the entry to foreign markets, which were described in Chapter 2.12 Forms of the entry to international markets (Machková et al. 2014, Machková 2015). We are going to illustrate a

combination of different forms of the entry to international markets on the example of national company Budweiser Budvar.

BUDĚJOVICKÝ BUDVAR, n. p.

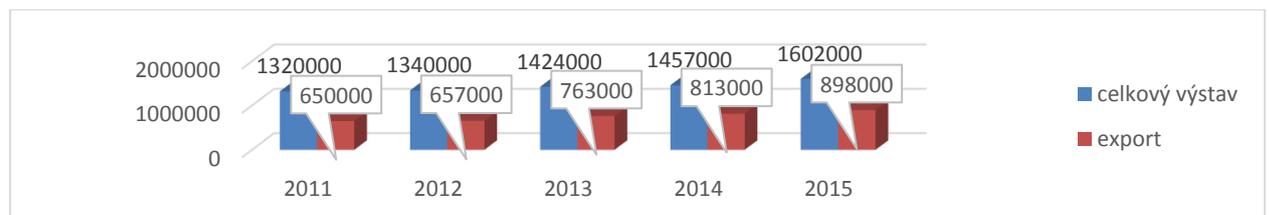
About the company, a window to the past

Budějovický Budvar is considered one of the most successful Czech food industry company, which operates not only in the Czech market, but is also one of the most important exporters. The company was founded in 1895 (as Czech Joint Stock Brewery) to continue in the more than seven hundred old tradition of beer brewing in Czechia and in České Budějovice, where the so-called brewing right was granted in the 13th century. From the very beginning the company started to focus on export and in the late 19th century it exported its beer not only to the neighbouring countries, for example to Vienna, but also to Venice, Trieste, Alexandria or even to Japanese Kobe. At the beginning of the 20th century the company extended its export markets outside Europe, namely to the USA or to Africa. New trademark Budvar was registered for a new type of lager in 1930.

Present situation

Budějovický Budvar is a successful exporter to the whole world nowadays and more than a half of its production is for export (see the graph below).

Figure 1: Beer production in hectolitres



Source: Budějovický Budvar (2017)

Budějovický Budvar has seven distribution centres in the Czech Republic: in České Budějovice, Plzeň, Ostrava, Pardubice, Praha, Brno and Teplice. The company exports its products to more than 60 countries in the whole world. The most important export markets are: Germany, Great Britain, Austria, Russia and Slovakia. The company also operates in Italy, Switzerland and France, and after 62 years it returned to American market, where it does not use the mark Budvar but Czechvar because of international brand protection. Budvar has gradually expanded to Asian and South American markets.

Presence in foreign markets

Budějovický Budvar uses various forms of import to foreign markets, namely the capital investment and export operations. Budějovický Budvar has 3 daughter companies in Europe: Budweiser Budvar SK, s.r.o. in Senec, Slovakia, Budweiser Budvar Importgesellschaft mbH in Erfurt, Germany and Budweiser Budvar UK Ltd. in the UK. The first 100% daughter company was established in Germany in 2004, the latest in Slovakia in 2012. The Slovak market was originally served traditionally by direct export in combination with intermediary services from a Czech centre in České Budějovice, but gradually, with regard to the important position of the Slovak market the company decided to open a daughter company there too. For the Austrian market Budějovický Budvar uses exclusive distribution, i.e. one of the forms of import and export operations, where Kolarik & Leeb is the exclusive distributor.

Piggyback is another import and export method that Budějovický Budvar uses extensively in the field of distribution. Budějovický Budvar has a piggyback relation with Carlsberg's daughter House of Beer, which carries out distribution of dark and hell lager for Budějovický Budvar not only in the Danish market, but also in further North European countries like Sweden or Finland and also in former Yugoslavia countries Bosnia and Herzegovina, Serbia and Croatia. Budějovický Budvar on the other hand provides its distribution channels in the Czech Republic to Carlsberg, where it has been the exclusive importer of hell premium lager of this brand since 2007 and since 2012 also of Somersby premium brand cider.

In the American market, where it has managed to penetrate again after 62 years, Budějovický Budvar originally cooperated with Anheuser-Bush, a competing brewery, but it led to numerous disputes over the brand. Upon the contract with Anheuser-Bush Budějovický Budvar had access to the distribution paths, trade and marketing know-how and experience of Anheuser-Busch, but this cooperation was terminated for non-fulfilment of set goals and now Budějovický Budvar cooperates with United States Beverage.

Questions for thought and discussion:

1. Which markets are most important for Budějovický Budvar?
2. Try to find information on the export volume of Budějovický Budvar to the main markets and on the total export volume in 2015.
3. What forms of capital investments does Budějovický Budvar use? In which markets does it apply these forms? Why do you think that it uses just capital investments in these markets?

4. Does Budějovický Budvar also use import and export operations? If it does, what particular types and in what markets?

Solution:

1. The most important markets are Germany, UK, Austria, Russia and Slovakia.
2. The complete export volume of Budějovický Budvar for 2015 was 898000 hl.
3. Of capital investments Budějovický Budvar uses daughter companies, they are in Slovakia, Germany and in the UK.
4. Of import and export the company uses piggyback and exclusive representation.

Assignment of independent work (task)

Choose the most advantageous form of the entry to the selected foreign market for the product you chose for the preparation of your term project.

Literature

Compulsory literature

MACHKOVÁ, H., 2015. *Mezinárodní marketing: strategické trendy a příklady z praxe*. 4th ed. Prague: Grada. ISBN 978-80-247-5366-9. (pp. 68-85)

MACHKOVÁ, H. et al., 2014. *Mezinárodní obchodní operace*. 6th, rev. ext. ed. Prague: Grada. ISBN 978-80-247-4874-0. (pp. 13-32)

A source used for the purpose of case study: Budějovický Budvar official website (<http://www.budejovickybudvar.cz/o-spolecnosti/budejovicky-budvar.html>).

Control questions

1. What factors influence the decision of a company on the choice of the suitable form of an entry to foreign markets?
2. Name import and export operations.
3. What are the most usual forms of the entry to international markets not demanding for capital investments?
4. What examples of franchising do you know from the practice?
5. Which forms of entry does licence belong to?
6. Name the capital forms of the entry to international markets.

7. Which form of the entry to international markets does piggyback belong to?
8. Find the best known Czech strategic alliances.
9. Think about the advantages and disadvantages that a merger can bring to a company.
10. Name real companies that use licensing in their business activities.

Interesting points of the issue

http://www.ip.philips.com/licensing/lp_programs.html

<https://www.czechtrade.cz/media/czechtrade-media/monitoring/5-kroku-pro-uspesny-vstup-na-zahranicni-trh>

3.13 Risks in international marketing and trade. Preparation and consultation of team term projects

Key words

Market risks, commercial risks, transport risks, territorial risks, currency risks, liability risks, risks, insurance of risks, insurance conditions and policies, EGAP

The goals of the chapter

The goal of the chapter is to understand the differences of marketing in the application to the international market, namely to achieve knowledge on possible risks in international marketing and trade.

This chapter focuses on the preparation and consultation of team term projects with a specific focus (with emphasis on selected points from the assigned term project structure).

Learning outcomes

- 25.1 understands the differences of marketing applied to the international market
- 25.4 adapts marketing mix for the international environment
- 25.7 understands different elements of consumer behaviour and customer preferences in different foreign markets
- 25.8 identifies cultural, economic, political and other differences of foreign markets in preparation of marketing strategies

Abstract

Risks in international marketing and trade

A risk means that the achieved result will differ from the expected and it does not necessarily be in the negative sense. A risk that might only affect the result negatively is referred to as pure risk. Risk cannot be actually eliminated from a business activity, it may only be reduced, transferred to other entities or divided between certain entities (Machková et al. 2014).

The following main types of risk are known in international trade: market risks, commercial risks, transport risks, territorial risks, currency risks and liability risks (Machková et al. 2014).

The possibility that the expected result is not achieved as a consequence of the market conditions represents *market risk*. The market situation itself might in fact be caused by for example a change of the supply-demand relation, seasonal fluctuation, change of the competitive situation in a particular market etc (Machková et al. 2014).

A risk resulting from a non-fulfilment of an obligation (e.g. failure to adhere to a contract, to take over goods, to pay) is referred to as *commercial risk*. This risk does not only concern relations between business partners in the sense exporter-importer, but also relations with forwarders, insurers, shippers etc. The impact of such a risk strongly depends on the choice of business partners (Machková et al. 2014).

Another group of risks, *transport risks*, relate business operations with material products. Goods may logically be damaged or lost during transport. Delivery clauses (INCOTERMS) are used to define responsibilities for such risks during transport. (Machková et al. 2014).

Uncertainty about development in certain countries belong to *territorial risks*. This group of risks usually includes risks with a negative effect like natural disasters, consequences of administration measures, boycott of goods etc. These are politic risks, risks related to economic instability of certain countries/regions (Machková et al. 2014).

Currency risks result from the changeability of the development of exchange rates, which is linked to the development of interest rates and to the inflation development. The rate of the impact of exchange rate development is evaluated – the term “foreign exchange exposition” is used in this context (Machková et al. 2014).

The last type of main risk is the *risk of liability for a product*, which is related to the requirement for consumer protection. A manufacturer is responsible for damages on health and property that were caused by a defect of a product (Machková et al. 2014).

An example, introduction of a sample task

In this exercise students continue in the preparation and consultation of team term projects. according to the assignment. They are going to focus on the sphere of risks in international trade, to which the following Assignment is linked.

Assignment of independent work (task)

The following list contains various risks that might occur in international trade. Divide the risks listed below into the following groups: market risks, commercial risks, transport risks, territorial risks, currency risks or liability risks (Prepared according to Machková et al. 2014).

- natural disasters,
- change of the overall conjunctural situation in a particular country,
- loss of goods during transport,
- unwillingness to pay,
- withdrawal from a purchasing contract by a business partner,
- damage caused on health or property as a consequence of defects in a product,
- newly introduced administrative measures,
- damage on goods during transport,
- non-acceptance of goods by a customer with no reason,
- changes in the position of key suppliers or customers,
- change of the supply – demand relation for a particular product,
- changeability of exchange rate development,
- seasonal fluctuation.

After that focus on the sphere of insurance against risks – there are numerous terms in insurance policies that have to be interpreted correctly. Find, what the terms “absolute and relative exclusion”, “beneficiary”, “fixed sum and loss insurance”, “fractional insurance” mean.

Visit the website of Export and Guarantee Insurance Company and find how it can help small and medium-sized companies.

Solution:

Market risk: change of the overall conjunctural situation in a particular country, change of the supply and demand relation for a particular product, seasonal fluctuation, changes in the position of key suppliers or customers; commercial risk: unwillingness to pay, non-acceptance of goods by a customer with no reason, withdrawal from a purchasing contract by a business partner; transport risk: loss of goods during transport, damage on goods during transport; territorial risk: natural disasters , newly introduced administrative measures ; currency risk: changeability of exchange rate development ; liability risk: damage caused on health or property as a consequence of defects in a product .

The meaning of the terms from insurance conditions, see Machková et al. (2014, pp. 197-210).

Export and Guarantee Insurance Company : <http://www.egap.cz/> => tab “EGAP pro MSP”
... You should not miss MSP Export Brochure (<http://www.egap.cz/dokumenty/brozura-k-exportu-msp.pdf>)

Literature

Compulsory literature

MACHKOVÁ, H. et al., 2014. *Mezinárodní obchodní operace*. 6th, rev. ext. ed. Prague: Grada. ISBN 978-80-247-4874-0. (pp. 197-210)

Control questions

1. Define the term risk.
2. What are so-called pure risks?
3. Explain what a market risk is.
4. Explain what a commercial risk is.
5. Explain what a transport risk is.
6. Explain what a territorial risk is.
7. Explain what a liability risk is.
8. Explain what a currency risk is.
9. Explain what the so called foreign exchange exposition is.
10. Decide whether the following statement is true or false: “*Commercial risks only concern relations between business partners in the sense exporter-importer.*”
Substantiate your standpoint.

Interesting points of the issue

Global Risks Report, published annually by the World Economic Forum – WEF:
<https://www.weforum.org/reports/the-global-risks-report-2018/>