

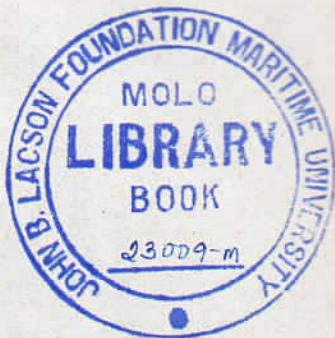
# INTERNATIONAL MARKETING

SECOND EDITION



Luz Suplico Jeong, PhD  
Leonardo Garcia, Jr., DBA, CPM, AMEd

658.8  
J54



# INTERNATIONAL MARKETING

SECOND EDITION

# Contents

Dedication . . . . .	v
Preface . . . . .	ix
<b>Chapter 1: Understanding International Marketing</b>	<b>1</b>
A. International Marketing Defined . . . . .	2
B. Theories and Concepts in International Trade . . . . .	23
C. Easing World Trade Restrictions . . . . .	42
D. Entry Modes in International Marketing . . . . .	53
E. International Trade Terms . . . . .	62
<b>Chapter 2: Export Marketing</b>	<b>81</b>
A. Rationale for Export: The Philippine Experience . . . . .	82
B. Getting Started in Export . . . . .	96
C. The Export Merchandiser . . . . .	102
D. The Market Research . . . . .	107
E. Developing Products for the Foreign Market . . . . .	122
F. Export Packing, Marking, and Labeling . . . . .	132
G. Export Distribution Channels . . . . .	141
H. Export Pricing and Costing . . . . .	152
I. Export Promotions . . . . .	165
J. Export Negotiations . . . . .	178
<b>Chapter 3: The Philippine Export Environment</b>	<b>191</b>
A. Getting Paid in the Export Business . . . . .	192
B. Government Support for Export . . . . .	202
<b>Chapter 4: The ASEAN and the Philippines</b>	<b>219</b>
A. The ASEAN, ASEAN Integration, and Philippine Trade . . . . .	220
<b>Appendix</b> . . . . .	<b>239</b>
<b>Index</b> . . . . .	<b>245</b>
<b>The Authors</b>	



# Index

## A

- Absolute advantage, 24-25
- ACU
  - See Asian currency unit
- Advertising in Asia, tips in, 117-118
- AEC
  - See ASEAN Economic Community
- AEI
  - See ASEAN Economic Integration
- AFTA
  - See ASEAN Free Trade Area
- Air transport, 147-148
  - advantages of using, 148
  - freight rates, 148
- ASEAN
  - See Association of Southeast Asian Nations
- ASEAN Economic Community (AEC), 221
- ASEAN Economic Integration (AEI), 77, 220-227
  - aims, 221-222
  - and the Philippines, 224-227
  - potential implications, 222-224
- ASEAN Free Trade Area (AFTA), 222
  - primary goals of, 222
- ASEAN Plus Three, 221
- Asian culture, 226
- Asian currency unit (ACU), 221
- Asian financial crisis, 85
- Association of Southeast Asian Nations (ASEAN), 2-3, 6, 88, 216, 220-227

## B

- Balance of payments (BOP), 28
- Bangko Sentral ng Pilipinas (BSP), 7, 111
- BDTP
  - See Bureau of Domestic Trade Promotion
- Bench (Suyen Corporation), 211-213
- BOP
  - See Balance of payments

## BSP

See Bangko Sentral ng Pilipinas

Bureau of Domestic Trade Promotion (BDTP), 203-204

- Business plan, preparation of, 83-84
  - administrative management, 84
  - financial management, 83
  - marketing management, 83-84
  - production management, 83

## C

- Cartels, 85
- Center for International Trade Expositions and Missions (CITEM), 204-205
  - core functions, 205
- Center for Promotion of Imports (CPI), 14
- CITEM
  - See Center for International Trade Expositions and Missions
- CITES
  - See Convention on International Trade in Endangered Species of Wild Flora and Fauna
- Cobonpue, Kenneth, 72-75
- Coco Technologies Corporation, 214-216
- Common distribution functions, 144
- Comparative advantage, 25-26
- Containerization, 146-147
  - full container load, 147
  - less container load, 147
- Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), 31
- Cost, 24-28, 156-158
  - defined, 156
  - elements of, 156-157
  - fixed, 158
  - semi-variable, 158
  - variable, 158
- Cost and Freight Port of Destination, 64, 66
- Cost, Insurance, and Freight Port of Destination, 64, 67

## INDEX

### CPI

See Center for Promotion of Imports

### CRM

See Customer relationship management

Culture, 4-6, 78, 108-109, 185, 239-243

features of, 239-240

layers of, 240

Currencies, convertible with the BSP, 7

Customer relationship management (CRM), 225, 236

Customs and administrative entry procedures, 34

anti-dumping practices, 34

documentation requirements, 34

fees, 34

tariff classification, 34

valuation system, 34

## D

### DCP

See Design Center of the Philippines

Decision-making, 155, 185

Department of Trade and Industry (DTI), 13, 82, 84, 86, 128, 202-207

functional groups, 203-204

organizational structure, 204

Design Center of the Philippines (DCP), 205

mandate, 205

Distribution, 4, 113, 115-116, 141-143, 154

channels, 141-142, 154

commercial, 142

defined, 141

direct exporter sales, 142

indirect export sales through intermediaries, 142-143

physical, 142

Domestic marketing, 4-6, 204

Drafts, two kinds of, 196

sight draft, 195

time or date draft, 195-196

### DTI

See Department of Trade and Industry

Dumping, kinds of, 31

persistent, 31

predatory, 31

## E

### EC

See European Community

### ECU

See European currency unit

### EDC

See Export Development Council

### EMB

See Export Marketing Bureau

Engagement marketing, 225

English proficiency, 226-227

Enterprising or joint ventures, 226

Euro, 46, 221

European Community (EC), 46

European currency unit (ECU), 46, 221

### EVAT

See Expanded value-added tax

Exchange rate, 32-33, 46-47, 154

Expanded value-added tax (EVAT), 48

Export Bank, 85

Export business, getting paid in, 192-197

Export business, modes of venturing into, 96-99

buying agent, 98

exporter-trader, 97

producer-exporter, 96-97

selling agent, 98

subcontractor, 97

Export costing, 156-158

Export Development Act of 1994, 85

Export Development Council (EDC), 85

Export distribution channels, 141-148

Export labeling, 136

informational, 136

persuasive, 136

rules in, 136

Export market research, decision to conduct an, 83

Export marketing, 81-190

Export Marketing Bureau (EMB), 204

Export marking, 133-135

international marking systems for pallets and packages, 134

parts of, 133-134

Export merchandiser, 102-104

duties of, 103-104

roles of, 102

Export negotiations, 178-182



- Export packing, 132–133
    - considerations in, 132
    - types of, 133
  - Export price structure, 159–161
  - Export pricing, 152–156
  - Export promotions, 165–174
  - Export requirements, 112–114
    - consumer pack, 114
    - packing for shipment, 113–114
    - product, 112–113
  - Export shipping mark, 133
  - Export, getting started in, 96–99
  - Export, importance in the Philippine setting, 84–86
  - Export, need to, 82
  - Export, rationale for, 82–90
  - Exporting, 57
    - advantages of, 57
    - constraints of, 57
    - modes of entry, 57
  - Ex-works Factory, 63–65
- F**
- Filipino exports, profile of, 89–90
  - Foreign direct investments, 53
  - Foreign market, developing products for, 122–128
  - Foreign Trade Corps (FTC), 206
  - Four other Ps of marketing, 235–236
    - people, 235–236
    - physical evidence, 235–236
    - process, 235–236
    - productivity, 235–236
  - Four Ps of marketing, 5, 15, 235
    - place, 5
    - price, 5
    - product, 5
    - promotion, 5
  - Franchising, 53–55
    - advantages of, 54
    - defined, 53
    - disadvantages of, 54
  - Free on Board Port of Shipment, 64–66
  - FTC
    - See Foreign Trade Corps

**G**

- Global economic recession, 85
- Goods, shipping, 145
- Government participation in trade, 35
  - countervailing duties, 35
  - domestic assistance programs, 35
  - export subsidies, 35
  - procurement policies, 35
- Government support for export, 202–208
- Green innovation, 188–189
- Greenpeace, 31

**H**

- Haul time, estimated, 8
- Hecksher, Eli, 27
- Hecksher-Ohlin trade theory of factor proportions, 27

**I**

- ICC
  - See International Chamber of Commerce
- IFEX
  - See International Food Exhibition
- IMF
  - See International Monetary Fund
- Import-substitution scheme, 84–85
- Incoterms
  - See International Commercial Terms
- Incoterms reference chart, 68
- Industrialization drive, 84
- Industry Promotion Group (IPG), 203–207
  - seven entities, 203–207
- International Chamber of Commerce (ICC), 62–63
- International Commercial Terms (Incoterms), 62–68
  - Carriage and Insurance Paid to, 63
  - Carriage Paid To, 63
  - Cost and Freight, 64
  - Cost, Insurance, and Freight, 64
  - Delivered at Place, 63

- Delivered Duty Paid, 64
  - Delivery at Terminal, 63
  - Ex-works Factory, 63
  - Free Alongside Ship, 64
  - Free Carrier, 63
  - Free on Board vessel, 64
  - International Food Exhibition (IFEX), 204
  - International marketing activities, 6
  - International marketing variables, 15
  - International marketing vs. domestic marketing, 5-9
    - communication, 8
    - consumer, 6-7
    - currency, 7
    - language, 8
    - payment terms, 8
    - physical distribution, 8
    - product and packaging, 7
    - purchasing power, 7
  - International marketing, benefits of, 11
  - International marketing, defined, 2-5
  - International marketing, entry modes in, 53-57
    - exporting, 57
    - franchising, 53-55
    - licensing, 55
    - management contracts, 56
    - manufacturing, 55-56
  - International marketing, factors influencing, 15-16
    - controllable, 15
    - uncontrollable, 15
  - International marketing, phases of, 9-10
    - global marketing, 10
    - infrequent foreign marketing, 10
    - international marketing, 10
    - no direct marketing, 10
    - regular foreign marketing, 10
  - International marketing symbols, 135
  - International Monetary Fund (IMF), 47-48
    - lending, 48
    - surveillance, 47-48
    - technical assistance, 48
  - International subcontracting, 56
  - International Trade Terms, 62-68
  - International trade, classical theories of, 23-28
    - Heckscher-Ohlin trade theory of factor proportions, 27
    - Leontief validation of the Heckscher-Ohlin theory, 27-28
    - Neo-classical trade theory, 26-27
    - Ricardo's theory of comparative advantage, 25-26
    - Smith's theory of absolute advantage, 24-25
  - Investment opportunities, 226
  - Involvement of companies in a market, 9
    - domestic exporter, 9
    - exporter, 9
    - global exporter, 9
    - international exporter, 9
    - international to global exporter, 9
    - regional exporter, 9
  - IPG
    - See Industry Promotion Group
- J**
- Japanese External Trade Office (JETRO), 14
  - Japanese standards, 29
  - JETRO
    - See Japanese External Trade Office
  - Jollibee, 2-4, 7, 222
- L**
- Language, 8, 134, 136, 240
  - Leadership styles, sharing of, 226
  - Leontief paradox, 28
  - Leontief validation of the Heckscher-Ohlin theory, 27-28
  - Leontief, Wassily, 27
  - Letter of credit, types of, 193-195
    - at sight, 195
    - confirmed, 194
    - irrevocable, 194
    - negotiable, 194
    - restricted, 194
    - revocable, 194
    - straight, 194
    - unconfirmed, 194
    - unrestricted, 194
    - usage, 195



- Licensing, 55
  - advantages of, 55
  - drawbacks of, 55
- Lim, Samie, 54
- Loadability, formula to compute for, 147

## M

- Manila FAME, 204, 232
- Manufacturing, 55-56
  - advantages of, 56
  - assembly plant, 55
  - contract manufacturing, 55-56
  - disadvantages of, 56
  - joint venture, 56
  - wholly-owned plant, 56
- Market research, 107-118
  - elements of, 109-112
  - importance of, 107-108
- Market research, elements of, 109-112
  - competition, 111
  - country's trade restrictions, 109-110
  - market access, 110-111
  - market size, patterns, and growth, 111
  - price structure, 111-112
- Masculine societies, 186
- Masculinity value dimension, 185-186
- Mass media, 225
- McDonald's, 3-4, 6-7, 54, 241
- Monopolies, 85

## N

- Nature's Legacy Eximport, Inc., 188-189
- Negotiation, 178-182
  - definition of, 178-179
  - process, 180-181
  - strategies and techniques, 181-182
  - types of, 179-180
  - vs. selling, 179
- Negotiation process, 180-181
  - closing the sale, 181
  - discussion stage, 180
  - follow-up, 181
  - planning stage, 180

- Negotiation strategies and techniques, 181-182
  - good guy-bad guy, 181
  - ribbling, 181
  - silence, 181
  - time usage and constraints, 182
  - trial balloons, 181
- Negotiation styles, 184-186
- Negotiation, types of, 179-180
  - documentary or written, 180
  - face-to-face, 180
  - one-on-one, 179
  - team, 179-180
- Neo-classical trade theory, 26-27
- Non-tariff barriers, 2, 28, 32-35, 222
  - boycotts, 33-34
  - customs and administrative entry procedures, 34
  - embargoes, 33
  - government participation in trade, 35
  - monetary barriers, 32-33
  - quotas, 32
  - standards, 35

## NORIMPOD

See Norwegian Import Promotion Office

Norwegian Import Promotion Office (NORIMPOD), 14

## O

- Ocean freight rates, 146
  - components of, 146
- Ocean transport, organization of, 145
  - charter ships, 145
  - conference line vessels, 145
  - non-conference vessels, 145
  - tramp ships, 145
- Ohlin, Bertil, 27

## P

- Payment, modes of, 192-197
  - cash in advance, 192-193
  - consignment sales, 192, 196
  - documentary drafts for collection, 192, 195-196



- letter of credit, 192-195
- open account, 192, 196
- risks involved in, 197
- PDDCP
  - See Product Development and Design Center of the Philippines
- Philippine economy, resurgence of, 85
- Philippine furniture export industry, 234
- Philippine International Trading Corporation (PITC), 206
  - mandate, 206
  - services, 206
- Philippine peso, 48
- Philippine Shippers Bureau (SHIPPERCON), 207-208
  - mandate, 207
  - tasks, 207-208
- Philippine Trade Performance, 85-88
- Philippine Trade Training Center (PTTC), 207
- Philippine trade, direction of, 88
- Pinoy na Pinoy Bagoong, 228-231
- PITC
  - See Philippine International Trading Corporation
- PLDT telecommunications company, 222
- Power crisis, 85
- Power distance, 185
- Presidential Decree 252, 206
- Price, 152-156
  - basic concepts associated with, 153
  - defined, 152-153
  - factors that affect, 153-154
- Price, factors that affect, 153-154
  - channel of distribution, 154
  - company objectives, 154
  - competition, 154
  - cost, 153
  - demand, 154
  - other factors, 154
  - steps in setting, 156
- Pricing policies, 155
  - cost-oriented, 155
  - market-oriented, 155
- Pricing procedures, 155-156
- Pricing strategies, 158
  - break-even point pricing, 158
  - cost-plus pricing, 158
- Priority sectors, 86-87
- Product, 122-125
  - and company image, 123-124
  - brand name, 123
  - design and features, 123
  - life cycle, 124-125
  - packaging, 123
  - quality level, 12
- Product cost, elements of, 156-157
  - direct labor, 157
  - direct material, 156-157
  - production overhead, 157
- Product Development and Design Center of the Philippines (PDDCP), 128
  - services, 128
- Product development in the Philippines, 128
- Product development, need for, 126-127
  - as a business too, 127
  - as a group effort, 127
- Product line alternatives, 125-126
  - communication adaptation, 126
  - dual adaptation, 126
  - product adaptation, 126
  - product invention, 126
  - straight extension, 126
- Products, levels, 122-123
  - actual, 122-123
  - augmented, 122-123
  - core, 122
- Promotional materials, 167-170
  - aim of, 168
  - examples of, 168
  - preparation of, 168-169
  - types of, 169-170
- Promotional materials, types of, 169-170
  - brochures, 169
  - mailshots/leaflets, 169
- Promotional methods, 165-167
  - advertising, 165-166
  - direct mail, 167
  - media, 167
  - personal visits, 167
  - public relations, 166
  - sales promotion, 166
  - trade missions/shows, 167
- Protectionism, 28-29

Protectionist measures, 30

PTTC

See Philippine Trade Training  
Center

Punctuality, 242

## R

Razon-Beltran Furniture House, 232-236

Reasons for venturing into  
international marketing, 12-14

external, 13-14

internal, 12-13

Ricardo, David, 25-26

Ricardo's theory of comparative  
advantage, 25-26

## S

Sales patter, 242

Self-reference criterion (SRC), 5

defined, 5

Shared marketing values (SMV), 225

SHIPPERCON

See Philippine Shippers Bureau

Smith, Adam, 24-25

Smith's theory of absolute advantage,  
24-25

SMV

See Shared marketing values

Socialist and Other Centrally Planned  
Economic Countries (SOCPEC), 206

SOCPEC

See Socialist and Other Centrally  
Planned Economic Countries

SRC

See Self-reference criterion

Standard marketing practices, 114-118

advertising and sales promotions,  
116-118

pricing strategy factors, 116

sales and distribution channels,  
115-116

services expected by buyers, 116

transport, 114

Strong industries in the Philippines, 225

food industry, 225

hospitality industry, 225

massage therapy industry, 225

tourism industry, 225

Sustainable product development  
program, 127

Swedish Import Promotion Office, 14

SWOT analysis, 82

## T

Tariffs, 2-3, 28, 31, 44, 84, 110

The Nielsen Company, 222

Trade barriers, 30-35

Trade barriers, arguments f  
or imposing, 30-31

conservation of natural  
resources, 31

dumping, 31

industrialization, 30

infant industry, 30

national defense, 31

retaliation, 31

Trade barriers, types of, 32-35

non-tariff barriers, 32-35

tariff barriers, 32

Trade channels, 143

Trade fair, 171-174

advantages of, 171-172

kinds of, 171

tips in effective participation,  
173-174

Trade fair, kinds of, 171

general or horizontal, 171

specialized or vertical, 171

Trade, 2, 23, 25-30, 43, 62, 86-88

Philippine performance, 86-88

Trading blocs, formation of, 44-46

common market, 45

customs union, 44-45

free trade area, 44

full economic union, 46

## U

Uncertainty avoidance, 184-185

Uniqlo, 76-78

Universal Robina Corporation (URC),  
226

URC

See Universal Robina Corporation

**V**

Value for money, 225

**W**

World recession, 85

World Trade Organization (WTO), 42-44

    aims, 42-43

    basic function, 43

    history, 42

    most-favored-nation status, 43

World trade restrictions, 42-48

World Wildlife Fund, 31