

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) _____ industries are safe from foreign competition. 1) _____
A) European Union
B) Major
C) NAFTA
D) Most
E) Few
- 2) As global trade is growing, global competition is _____. 2) _____
A) threatening
B) erratic
C) intensifying
D) declining
E) leveling off
- 3) Firms that play it safe and do not enter the global market are likely to lose their chances to enter other markets _____. 3) _____
A) but achieve more stability at home
B) but gain a competitive edge in their home markets
C) but successfully shield themselves from foreign competition
D) and risk losing their home markets
E) A and B
- 4) A _____ is one that, by operating in more than one country, contains marketing, production, research and development, and financial advantages that are not available to purely domestic competitors. 4) _____
A) whole-channel view
B) global industry
C) free trade zone
D) direct investment
E) global firm
- 5) All of the following are major decisions a company faces in international marketing EXCEPT _____. 5) _____
A) deciding how to set standardized prices
B) deciding which markets to enter
C) deciding how to enter the market
D) deciding on the global marketing program
E) looking at the global marketing environment
- 6) A(n) _____ is a tax levied by a foreign government against certain imported products. 6) _____
A) quota
B) exchange control
C) export
D) tariff
E) embargo

- 7) A(n) _____ is a limit on the amount of goods that an importing country will accept in certain product categories. 7) _____
 A) exchange control
 B) embargo
 C) benchmark
 D) quota
 E) tariff
- 8) A(n) _____ serves to limit the amount of foreign exchange and the exchange rate against other currencies. 8) _____
 A) trade system
 B) nontariff trade barrier
 C) quota
 D) exchange control
 E) tariff
- 9) Bias against bids made by American companies is an example of a(n) _____. 9) _____
 A) nontariff trade barrier
 B) quota
 C) tariff
 D) boycott
 E) exchange control
- 10) U.S. foreign policy makers have criticized China for protectionist regulations and other actions that restrict access to several Chinese markets, including banking services. This is an example of a(an) _____. 10) _____
 A) tariff
 B) nontariff trade barrier
 C) quota
 D) boycott
 E) exchange control
- 11) _____ is/are designed to help foster trade between nations. 11) _____
 A) Exchange controls
 B) The GATT
 C) Quotas
 D) Nontariff trade barriers
 E) Tariffs
- 12) The _____ is a 60-year-old treaty designed to promote world trade by reducing tariffs and other international trade barriers. 12) _____
 A) EU B) NAFTA C) CAN D) GATT E) WTO
- 13) Concluding in 1994, the Uruguay Round reduced trade barriers, set international standards for trade, and established the _____ to enforce GATT rules. 13) _____
 A) WTO B) EU C) CAFTA D) CAN E) NAFTA
- 14) Which of the following reduced the world's merchandise tariffs by 30 percent, toughened international protection of copyrights and trademarks, and has been extended to cover trade in agriculture and a wide range of services? 14) _____
 A) FTAA B) EU C) CAFTA D) GATT E) NAFTA

- 15) Economic communities are also known as _____. 15) _____
- A) management communities
 - B) global firms
 - C) production communities
 - D) free trade zones
 - E) open channels
- 16) _____ is a group of nations organized to work toward common goals in the regulation of international trade. 16) _____
- A) A multinational enterprise
 - B) A global firm
 - C) A standardized marketing mix
 - D) An economic community
 - E) A joint venture
- 17) Formed in 1957, the _____ set out to create a single European market by reducing barriers to the free flow of products, services, finances, and labor among member countries and developing policies on trade with nonmember nations. 17) _____
- A) European Union
 - B) NAFTA
 - C) CAFTA
 - D) European Organization
 - E) Uruguay Round
- 18) The European Union and NAFTA (North American Free Trade Agreement) are examples of _____. 18) _____
- A) barter organizations
 - B) open economic areas
 - C) non-barrier zones
 - D) economic communities
 - E) world trade organizations
- 19) Which of the following is true regarding economic communities? 19) _____
- A) NAFTA represents the world's single largest market.
 - B) Tariffs are typically lower or nonexistent between countries in the community.
 - C) CAFTA has been less successful than CAN.
 - D) Converting numerous currencies into the euro has been a failure.
 - E) Trade barriers have increased between the United States and Mexico since NAFTA was created.
- 20) There is concern that through the _____ lower barriers inside Europe will create only thicker outside walls. 20) _____
- A) General Agreement on Tariffs and Trade
 - B) Euro-Scandinavian Pact
 - C) Atlantic Free-Trade Area
 - D) Euro-American Union
 - E) European Union

- 21) Which of the following economic communities is responsible for the adoption of the euro? 21) _____
A) European Union
B) WTO
C) NAFTA
D) Euro-American Union
E) CAFTA
- 22) In January 1994, _____ established a free trade zone between the United States, Canada, and Mexico. 22) _____
A) NAFTA B) CAFTA C) GATT D) WTO E) EU
- 23) Trusted Wholesalers is a company that purchases products from Mexico and sells them to companies based in the United States and Canada. Management at Trusted Wholesalers would most likely be interested in becoming experts in the agreements made by _____. 23) _____
A) FTAA B) CAFTA C) Mercosur D) EU E) NAFTA
- 24) In 2005, the _____ established a free trade zone between the United States and Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. 24) _____
A) NAFTA B) FTAA C) EU D) CAFTA E) CAN
- 25) What is the name of the single agreement that created a market of 443 million people and will eliminate all trade barriers and investment restrictions between the United States, Mexico, and Canada? 25) _____
A) NAFTA B) GATT C) CAN D) WTO E) EU
- 26) Given the apparent success of NAFTA, talks have been underway since 1994 to establish a free trade zone called _____. This zone would include 34 countries stretching from the Bering Strait to Cape Horn. 26) _____
A) AATF B) CAFTA C) CAN D) FTAA E) WTO
- 27) Mercosur and CAN have agreed to unite, creating _____, which will make up the largest trading block after NAFTA and the European Union. 27) _____
A) CAFTA B) Unasur C) MCAN D) FTAA E) GATT
- 28) Trusted Wholesalers is a company that currently purchases products produced in Mexico and sells them to companies based in the United States and Canada. Trusted Wholesalers is considering whether to also purchase products produced in Costa Rica and the Dominican Republic. To make their decision, members of management at Trusted Wholesalers will most likely closely evaluate the agreements made by _____. 28) _____
A) Mercosur B) CAFTA C) the EU D) NAFTA E) Unasur
- 29) All of the following are types of industrial structures EXCEPT _____ economies. 29) _____
A) industrializing
B) raw material exporting
C) subsistence
D) developing
E) industrial

- 30) Much of Chile's revenues come from its tin and copper exports. Chile has a _____ economy. 30) _____
A) raw material exporting
B) subsistence
C) industrializing
D) emerging
E) merchandise exporting
- 31) The two key economic factors reflecting a country's attractiveness as a market are its industrial structure and its _____. 31) _____
A) transportation systems
B) nontariff trade barriers
C) communication adaptation
D) income distribution
E) exchange controls
- 32) In a(n) _____ economy, the vast majority of people engage in simple agriculture and consume most of their output. 32) _____
A) industrializing
B) emerging
C) raw material
D) industrial
E) subsistence
- 33) Very few market opportunities are available in a(n) _____ economy. 33) _____
A) industrializing
B) raw material exporting
C) subsistence
D) emerging
E) industrial
- 34) A(n) _____ economy is poor in some ways but rich in one or more natural resources responsible for creating most of its exporting revenue. 34) _____
A) subsistence
B) raw-material exporting
C) agrarian
D) industrializing
E) industrial
- 35) _____ economies are major exporters of manufactured goods, services, and investment funds. They trade goods among themselves and export them to other types of economies for raw materials and semifinished goods. 35) _____
A) Material
B) Industrializing
C) Subsistence
D) Industrial
E) Developing

- 36) In a(n) _____ economy, manufacturing accounts for 10 to 20 percent of the country's economy. This type of economy typically has a new rich class and a small but growing middle class, both demanding new types of imported goods. 36) _____
- A) subsistence
 - B) industrial
 - C) agrarian
 - D) materials exporting
 - E) industrializing
- 37) Industrializing economies do NOT include _____. 37) _____
- A) Brazil
 - B) Sweden
 - C) India
 - D) Egypt
 - E) any of the above
- 38) All of the following are political-legal factors that should be considered when deciding whether to do business in a given country EXCEPT _____. 38) _____
- A) monetary regulations
 - B) if a state religion is enforced
 - C) political stability
 - D) attitudes toward international buying
 - E) government bureaucracy
- 39) Countries with _____ economies may consist mostly of households with very low family incomes. 39) _____
- A) industrial
 - B) industrializing
 - C) subsistence
 - D) technological
 - E) service
- 40) India needs more imports of raw materials such as textiles, steel, and heavy machinery, and fewer imports of finished textiles, paper products, and automobiles. India is most likely a(n) _____ economy. 40) _____
- A) subsistence
 - B) agrarian
 - C) industrializing
 - D) emerging
 - E) raw material exporting
- 41) In international trade, it is ideal if the buyer can pay in _____. 41) _____
- A) barter
 - B) countertrade
 - C) buyback
 - D) the seller's currency
 - E) counterpurchases

- 42) Sellers might accept a _____, one whose removal from the country is restricted by the buyer's government, if they can buy other goods in that country that they need themselves or can sell elsewhere for a needed currency. 42) _____
- A) buyback
 - B) blocked currency
 - C) tariff
 - D) counterpurchase
 - E) barter
- 43) All of the following are methods of countertrade EXCEPT _____. 43) _____
- A) bartering goods or services
 - B) paying in the seller's currency without further obligation
 - C) buyback
 - D) compensation
 - E) counterpurchasing
- 44) What type of countertrade occurs when a seller sells a plant, equipment, or technology to another country and agrees to take payment in the resulting products? 44) _____
- A) rebuy
 - B) buyback
 - C) counterpurchase
 - D) trade
 - E) barter
- 45) Japan's Fukusuke Corporation sold knitting machines and raw textile materials to Shanghai clothing manufacturer Chinatex in exchange for finished textiles produced on the machines. This is an example of which form of countertrade? 45) _____
- A) counterpurchase
 - B) compensation
 - C) blocked
 - D) rebuy
 - E) barter
- 46) Azerbaijan imported wheat from Romania in exchange for crude oil and Vietnam exchanged rice for Philippine fertilizer and coconuts. Both scenarios are examples of which form of countertrade? 46) _____
- A) compensation
 - B) blocked currency
 - C) barter
 - D) counterpurchase
 - E) buyback
- 47) Daimler Chrysler agreed to sell 30 trucks to Romania in exchange for 150 Romanian jeeps, which it then sold to Ecuador for bananas, which were in turn sold to a German supermarket chain for German currency. What is this an example of? 47) _____
- A) joint venturing
 - B) product transportation
 - C) adapted pay
 - D) global strategy
 - E) countertrading

- 48) _____ is the most common form of countertrade. 48) _____
- A) Counterpurchase
 - B) Barter
 - C) Buyback
 - D) Blocked currency
 - E) Compensation
- 49) The form of countertrade in which the seller receives full payment in cash but agrees to spend some of the money in the other country is known as _____. 49) _____
- A) counterpurchasing
 - B) bartering
 - C) blocked currency
 - D) compensation
 - E) buyback
- 50) When Boeing sells aircraft to India and agrees to buy Indian coffee, rice, and castor oil and to sell these products elsewhere, Boeing is engaging in _____. 50) _____
- A) buyback
 - B) joint venturing
 - C) counterpurchasing
 - D) barter
 - E) compensation
- 51) It is important to understand how business norms vary from country to country. For example, _____ like to sit or stand very close to each other when they talk business — in fact, almost nose-to-nose. 51) _____
- A) Japanese
 - B) Americans
 - C) South Americans
 - D) Europeans
 - E) Africans
- 52) Some social critics say that globalization really means _____ the world's cultures. 52) _____
- A) ignoring
 - B) modernizing
 - C) Americanizing
 - D) respecting
 - E) stabilizing
- 53) Which type of business is LEAST likely to find it necessary to enter international markets in order to survive? 53) _____
- A) automobile producers
 - B) clothing manufacturers
 - C) food distributors
 - D) small, local businesses
 - E) chain retailers

- 54) What is most likely to be a reason for a company to decide NOT to enter international markets? 54) _____
- A) Global competitors have offered similar products at lower prices.
 - B) Foreign markets present higher profit opportunities.
 - C) The company would have to redesign its products.
 - D) The company's home market is stagnant.
 - E) The company needs to counterattack international competitors in their home markets.
- 55) These reasons might draw a company into the international arena EXCEPT which one? 55) _____
- A) The company's customers may be expanding abroad.
 - B) Domestic markets might be stagnant or shrinking.
 - C) Managers are unsure of the effect of regulations and the political environments of other countries.
 - D) Global competitors might offer better products at lower prices domestically.
 - E) Foreign markets present higher profit opportunities.
- 56) Which is the LEAST critical decision a company should make before going abroad? 56) _____
- A) what volume of foreign sales it wants
 - B) how many countries it wants to market in
 - C) what its international marketing objectives and policies are
 - D) how many people it wants to employ
 - E) what types of countries it wants to market in
- 57) Demographic characteristics, geographic characteristics, economic factors, sociocultural factors, and political and legal factors all help a company _____. 57) _____
- A) determine a market's potential
 - B) evaluate its marketing objectives
 - C) evaluate its value delivery network
 - D) determine a country's degree of globalization
 - E) identify potential joint ventures
- 58) _____ is/are a sociocultural factor that a company should consider before deciding to enter an international market. 58) _____
- A) Political stability
 - B) Income distribution
 - C) Consumer lifestyles, beliefs, and values
 - D) Population density
 - E) Education
- 59) _____ is/are a political and legal factor that a company should consider before deciding to enter an international market. 59) _____
- A) Business norms and approaches
 - B) Population size and growth
 - C) Monetary and trade regulations
 - D) Industrial infrastructure
 - E) Transportation structure

- 60) _____ is/are an economic factor that a company should consider before deciding to enter and international market. 60) _____
- A) Political stability
 - B) Natural resources
 - C) Cultural and social norms
 - D) Population size and growth
 - E) Climate
- 61) All of the following are modes of entry that companies can use when they have decided to sell in a foreign country EXCEPT _____. 61) _____
- A) exporting
 - B) licensing
 - C) embargo
 - D) joint venturing
 - E) direct investment
- 62) Members of management at Growing Green, a company that markets organic and environmentally friendly gardening and landscaping supplies and equipment, are evaluating the benefits and disadvantages of indirect exporting, direct exporting, and licensing. In which stage of the international marketing process is Growing Green? 62) _____
- A) deciding whether to go global
 - B) deciding which markets to enter
 - C) deciding on the global marketing program
 - D) deciding how to enter the market
 - E) deciding on the global marketing organization
- 63) The simplest way to enter a foreign market is through _____. 63) _____
- A) contract manufacturing
 - B) joint venturing
 - C) direct investment
 - D) joint ownership
 - E) exporting
- 64) When entering a foreign market, companies typically start with _____, working through independent international marketing intermediaries. 64) _____
- A) embargo
 - B) product adaptation
 - C) indirect exporting
 - D) licensing
 - E) direct exporting
- 65) _____ involves less investment because the firm does not require an overseas marketing organization or network. It also involves less risk. 65) _____
- A) Direct exporting
 - B) Joint venturing
 - C) Licensing
 - D) Contract manufacturing
 - E) Indirect exporting

- 66) Sellers may eventually move into _____, whereby they handle their own exports. The investment and risk are somewhat greater in this strategy. 66) _____
- A) direct exporting
 - B) licensing
 - C) product adaptation
 - D) indirect exporting
 - E) embargo
- 67) Think Ink is a growing company that sells a variety of inks for home and business printers. Management at Think Ink has decided to open a sales branch overseas to handle sales and distribution abroad. Think Ink is engaging in _____. 67) _____
- A) joint ownership
 - B) management contracting
 - C) indirect exporting
 - D) licensing
 - E) direct exporting
- 68) A company can conduct direct exporting in all of the following ways EXCEPT which one? 68) _____
- A) It can work with foreign-based agents who sell goods on its behalf.
 - B) It can set up a domestic export department.
 - C) It can work through independent international marketing intermediaries.
 - D) It can send home-based sales people abroad to find more business.
 - E) It can set up an overseas sales branch.
- 69) A _____ gives the seller more presence and program control in the foreign market and often serves as a display center and customer service center. 69) _____
- A) sales branch
 - B) straight product extension
 - C) market-centered company
 - D) market niche
 - E) foreign licensing agreement
- 70) All of the following are four types of joint ventures EXCEPT _____. 70) _____
- A) joint ownership
 - B) management contracting
 - C) direct investment
 - D) contract manufacturing
 - E) licensing
- 71) Through _____, an organization in the foreign market buys the right to use a company's manufacturing process, trademark, patent, trade secret, or other item of value. 71) _____
- A) contract manufacturing
 - B) indirect exporting
 - C) joint ownership
 - D) management contracting
 - E) licensing

- 72) Coca-Cola markets internationally by _____ bottlers around the world for a fee or royalty and then supplying them with the syrups needed to produce Coke products. 72) _____
- A) management contracting with
 - B) directly investing in
 - C) contract manufacturing with
 - D) licensing
 - E) creating joint ownerships with
- 73) Sears opened up department stores in Mexico and Spain, where it found qualified local manufacturers to produce many of the product it sells. This type of joint venture is known as _____. 73) _____
- A) indirect exporting
 - B) contract manufacturing
 - C) licensing
 - D) joint ownership
 - E) management contracting
- 74) Hilton helps others run their hotels by exporting know-how services rather than products. This type of joint venture is known as _____. 74) _____
- A) joint ownership
 - B) management contracting
 - C) licensing
 - D) direct investment
 - E) contract manufacturing
- 75) _____ ventures consist of one company joining forces with foreign investors to create a local business in which they share ownership and control. 75) _____
- A) Indirect exporting
 - B) Joint ownership
 - C) Contract manufacturing
 - D) Management contracting
 - E) Licensing
- 76) Hershey recently linked with Indian-based Godrej Beverages and Foods to make and distribute its chocolates in that country. When it comes to selling chocolate in India, Hershey will need all the help it can from its new local partner. This is an example of which joint venture? 76) _____
- A) joint ownership
 - B) licensing
 - C) management contracting
 - D) indirect exporting
 - E) contract manufacturing
- 77) _____ involves entering a foreign market by developing foreign-based assembly or manufacturing facilities. 77) _____
- A) Joint venturing
 - B) Contract manufacturing
 - C) Direct exporting
 - D) Direct investment
 - E) Exporting

- 78) Lower costs in the form of cheaper labor or raw materials, foreign government investment incentives, freight savings, and the opportunity to improve the company image are all factors that would likely lead a company to _____ in a foreign market. 78) _____
- A) begin licensing
 - B) make a direct investment
 - C) initiate joint ownerships
 - D) conduct management contracting
 - E) use direct exporting
- 79) _____ means selling largely the same products and using the same marketing approaches worldwide. 79) _____
- A) Multinational strategy
 - B) Global marketing mix
 - C) Export marketing
 - D) Standardized global marketing
 - E) Adapted global marketing
- 80) _____ means adjusting the marketing strategy and mix elements to each international target market. 80) _____
- A) Global marketing mix
 - B) Whole channel view
 - C) Standardized global marketing
 - D) Adapted global marketing
 - E) Communication adaptation
- 81) In India, where cows are considered sacred, McDonald's serves McChicken, Filet-O-fish, McVeggie, and Pizza McPuffs. This is an example of _____. 81) _____
- A) adapted global marketing
 - B) straight product extension
 - C) product invention
 - D) communication adaptation
 - E) standard global marketing
- 82) All of the following are strategies for adapting product and marketing communications to a global market EXCEPT _____. 82) _____
- A) external extension
 - B) product invention
 - C) product adaptation
 - D) communication adaptation
 - E) straight extension
- 83) "Take the product as is and find customers for it" is the slogan for _____. 83) _____
- A) adapted marketing
 - B) product adaptation
 - C) straight product extension
 - D) product invention
 - E) product strategy

- 84) Kellogg cereals, Gillette razors, and Black & Decker tools are all sold successfully in a similar form around the world. This is an example of which product strategy? 84) _____
- A) communication adaptation
 - B) product invention
 - C) product adaptation
 - D) straight product extension
 - E) dual adaptation
- 85) To make Oreo cookies sell well in China, Kraft completely reinvented the popular all-American classic to a long, thin, four-layered, chocolate-covered wafer. This is an example of _____. 85) _____
- A) product invention
 - B) communication adaptation
 - C) dual adaptation
 - D) product adaptation
 - E) straight product extension
- 86) Nokia created dustproof keypads, crucial in dry, hot countries with many unpaved roads, such as India. This is an example of _____. 86) _____
- A) product invention
 - B) communication adaptation
 - C) standard global marketing
 - D) product adaptation
 - E) straight product extension
- 87) Sony found that Japanese commuters had difficulty using standard laptops on crowded rush-hour trains since standing commuters have no laps. So it created the U as a "standing computer." The U includes a touch screen and small keyboard that can be used while standing or on the move. This is an example of _____. 87) _____
- A) product adaptation
 - B) communication adaptation
 - C) product invention
 - D) dual adaptation
 - E) straight product extension
- 88) Changing promotions for each local market is known as _____. 88) _____
- A) a straight extension
 - B) communication adaptation
 - C) standardized global marketing
 - D) advertising depth
 - E) product adaptation
- 89) To maximize the toothpaste market in China, Crest needs to convince more of the Chinese population to brush their teeth. Which of the following would Crest be most likely to use to accomplish this? 89) _____
- A) product invention
 - B) standardized global marketing
 - C) straight product extension
 - D) communication adaptation
 - E) product adaptation

- 90) The global name for Microsoft's recent operating system, Vista, turned out to be a disparaging term for a frumpy old woman in Latvia. Microsoft needed to adjust the name. This is an example of _____. 90) _____
- A) straight product extension
 - B) communication adaptation
 - C) product adaptation
 - D) communication extension
 - E) standardized global marketing
- 91) Kellogg ads in the United States promote the taste and nutrition of Kellogg's cereals versus competitors' brands. In France, where consumers drink little milk and eat little for breakfast, Kellogg's ads must convince consumers that cereals are a tasty and healthful breakfast. Kellogg is following what type of marketing strategy? 91) _____
- A) straight communication extension
 - B) straight product extension
 - C) communication adaptation
 - D) product adaptation
 - E) product invention
- 92) Regardless of how companies go about pricing their products, their foreign prices will probably be _____ their domestic prices. 92) _____
- A) lower than
 - B) higher than
 - C) the same as
 - D) competitive with
 - E) not comparable with
- 93) A Gucci handbag may sell for \$60 in Italy and \$240 in the United States. It must add the cost of transportation, tariffs, importer margin, wholesaler margin, and retailer margin to its factory price. Gucci faces a _____ problem. 93) _____
- A) price escalation
 - B) product adaptation
 - C) licensing
 - D) dumping
 - E) tariff
- 94) _____ occurs when a company in a foreign market either charges less than its costs or less than it charges in its home market. 94) _____
- A) Licensing
 - B) Countertrade
 - C) Dumping
 - D) Straight product extension
 - E) Price escalation
- 95) The two major links between the seller and the final buyer of channels between nations and channels within nations make up a _____. 95) _____
- A) direct-distribution channel
 - B) whole-channel view
 - C) large-scale channel
 - D) global value delivery
 - E) transportation network

- 96) The first link between the seller and the final buyer, _____, moves company products from points of production to the borders of countries within which they are sold. 96) _____
- A) large-scale channels
 - B) whole-channel views
 - C) global value deliveries
 - D) channels within nations
 - E) channels between nations
- 97) A firm normally gets into international marketing by simply shipping out its goods. If its international sales expand, the company organizes a(n) _____. 97) _____
- A) indirect exporting venture
 - B) export department
 - C) joint ownership
 - D) international division
 - E) standardized global marketing strategy
- 98) World product groups, geographical organizations, and international subsidiaries are all options for organizing a(n) _____. 98) _____
- A) indirect exporting venture
 - B) joint ownership
 - C) standardized global marketing strategy
 - D) export department
 - E) international division
- 99) In a(n) _____, executives are trained in worldwide operations, not just domestic or international. 99) _____
- A) direct exporting company
 - B) international division
 - C) joint venture
 - D) global organization
 - E) international subsidiary
- 100) At Comfort Homes, a manufacturer of furniture and home accessories, the global operating units report directly to the chief executive instead of a head of an international division. The company recruits management from many countries and buys components and supplies where they cost the least. Comfort Homes is most accurately classified as a(n) _____. 100) _____
- A) geographical organization
 - B) international subsidiary
 - C) world product group
 - D) global organization
 - E) direct exporter

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 101) A global firm gains marketing, production, and financial advantages that are not available to purely domestic competitors. 101) _____
- 102) Nontariff trade barriers include restrictive product standards that work against American product features. 102) _____
- 103) GATT is a treaty designed to promote world trade by increasing tariffs and other international trade barriers. 103) _____

- 104) The EU acts as an umbrella organization that oversees GATT and mediates global disputes. 104) _____
- 105) Free trade zones are also known as economic communities. 105) _____
- 106) The European Union represents one of the world's single largest markets. 106) _____
- 107) CAFTA will eliminate all trade barriers and investment restrictions among the United States, Canada, and Mexico. 107) _____
- 108) Unasur, a coming together of mercosur and CAN, will be modeled after NAFTA. 108) _____
- 109) Barter is often used in subsistence economies. 109) _____
- 110) Barter is a form of countertrade. 110) _____
- 111) The exchange of U.S. wheat for Russian vodka would be an example of barter. 111) _____
- 112) Coca-Cola, McDonald's, Nike, and KFC have been singled out by antiglobalization protestors all over the world. 112) _____
- 113) The simplest way to enter a foreign market is through exporting. 113) _____
- 114) Joint venturing is when two or more U.S. companies jointly invest in distributing products to a foreign country. 114) _____
- 115) When Sears used qualified, local manufacturers to produce many of the products it sells in its department stores in Mexico, it was using contract manufacturing. 115) _____
- 116) The biggest involvement in a foreign market comes through direct investment – the development of foreign-based assembly or manufacturing facilities. 116) _____
- 117) Kellogg cereals are sold successfully in essentially the same form around the globe. This is an example of straight product extension. 117) _____
- 118) Coca-Cola is less sweet or less carbonated in certain countries. This is known as standardized global marketing. 118) _____
- 119) Finnish cell phone maker Nokia customized its cell phones for the Asian market by raising the ring volume so phones could be heard on crowded streets. This is an example of product invention. 119) _____
- 120) As an example of straight product extension, Coca Cola calls its American low-calorie beverage Diet Coke by the name of Light in many foreign markets. 120) _____
- 121) The whole-channel view recognizes that to compete internationally a company must effectively design and manage a standardized global marketing plan. 121) _____
- 122) To overcome price escalation, when selling to less-affluent consumers in developing countries, companies make simpler or smaller versions of their products that can be sold at lower prices. 122) _____

- 123) The Internet is making global price difference more obvious, forcing companies toward more standardized international pricing. 123) _____
- 124) If a firm moves into joint ventures and direct investments, it will eventually need to create international divisions or subsidiaries. 124) _____
- 125) International divisions can be organized as geographical organizations, world product groups, or national groups. 125) _____

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 126) Companies that go global confront several major risks. Describe three of these risks. 126) _____
- 127) Compare and contrast a *tariff* and a *quota*. 127) _____
- 128) Briefly explain why economic communities are formed. 128) _____
- 129) Briefly explain why the European Union could be considered a threat to U.S. marketers that want to do business in Europe. 129) _____
- 130) Explain why some critics worry that American multinationals are causing countries around the globe to lose their individual identities, giving two examples of the "Americanizing" of the world's cultures. 130) _____
- 131) Many studies reveal that instead of "Americanizing" the world's cultures, the cultural exchange between America and other countries goes two ways. Give two examples of how America has been influenced culturally by foreign products or services. 131) _____
- 132) Name two of the five indicators of market potential and provide two examples of each. 132) _____
- 133) How is joint venturing more risky and complex than merely exporting? 133) _____
- 134) What are two possible risks involved with licensing? 134) _____
- 135) What are two possible reasons that management contracting is prevalent in the hotel industry? 135) _____
- 136) What types of products would be successful with standardized global marketing? 136) _____
- 137) Explain why a global company would need to make adjustments to a highly standardized promotion campaign for different markets. 137) _____
- 138) Why is a company unlikely to set a uniform price all around the world? 138) _____
- 139) How has the Internet affected how companies set prices on global products? 139) _____
- 140) Identify the three major ways a company can manage its international marketing. 140) _____

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 141) Describe the purpose, roles, and achievements of GATT and the World Trade Organization.
- 142) Describe the political-legal factors that a company should consider before deciding to do business in a foreign country.
- 143) Discuss the three forms of countertrade and provide an example of each.
- 144) Why is it important for companies to understand cultural differences and nuances before entering a foreign country's market? Give two examples of cultural differences that would be important for a company to know.
- 145) Describe the factors that might draw a company into the international arena.
- 146) Discuss the international marketing objectives and policies a company should try to define before going abroad.
- 147) Discuss direct and indirect exporting. What are two advantages of exporting?
- 148) Compare and contrast the advantages and disadvantages of standardized global marketing and adapted global marketing.
- 149) Identify and describe the three product strategies a company entering a foreign market can use.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 150) What might drive a company to create international divisions or subsidiaries? Discuss the three ways these divisions can be organized. 150) _____

Answer Key

Testname: UNTITLED12

- 1) E
- 2) C
- 3) D
- 4) E
- 5) A
- 6) D
- 7) D
- 8) D
- 9) A
- 10) B
- 11) B
- 12) D
- 13) A
- 14) D
- 15) D
- 16) D
- 17) A
- 18) D
- 19) B
- 20) E
- 21) A
- 22) A
- 23) E
- 24) D
- 25) A
- 26) D
- 27) B
- 28) B
- 29) D
- 30) A
- 31) D
- 32) E
- 33) C
- 34) B
- 35) D
- 36) E
- 37) B
- 38) B
- 39) C
- 40) C
- 41) D
- 42) B
- 43) B
- 44) B
- 45) B
- 46) C
- 47) E
- 48) A
- 49) A
- 50) C

Answer Key

Testname: UNTITLED12

- 51) C
- 52) C
- 53) D
- 54) C
- 55) C
- 56) D
- 57) A
- 58) C
- 59) C
- 60) B
- 61) C
- 62) D
- 63) E
- 64) C
- 65) E
- 66) A
- 67) E
- 68) C
- 69) A
- 70) C
- 71) E
- 72) D
- 73) B
- 74) B
- 75) B
- 76) A
- 77) D
- 78) B
- 79) D
- 80) D
- 81) A
- 82) A
- 83) C
- 84) D
- 85) D
- 86) D
- 87) C
- 88) B
- 89) D
- 90) B
- 91) C
- 92) B
- 93) A
- 94) C
- 95) B
- 96) E
- 97) B
- 98) E
- 99) D
- 100) D

Answer Key

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- 101) TRUE
- 102) TRUE
- 103) FALSE
- 104) FALSE
- 105) TRUE
- 106) TRUE
- 107) FALSE
- 108) FALSE
- 109) TRUE
- 110) TRUE
- 111) TRUE
- 112) TRUE
- 113) TRUE
- 114) FALSE
- 115) TRUE
- 116) TRUE
- 117) TRUE
- 118) FALSE
- 119) FALSE
- 120) FALSE
- 121) FALSE
- 122) TRUE
- 123) TRUE
- 124) TRUE
- 125) FALSE
- 126) Companies that go global may face unstable governments and currencies abroad, as well as restrictive government policies and regulations designed to protect domestic companies or to protect the culture. High trade barriers are another issue. Also, some companies have to deal with corruption abroad, as some officials award business contracts to the highest briber.
- 127) A tariff is a tax levied by a foreign government against certain imported products. A quota is a set of limits on the amount of goods the importing country will accept in certain product categories. Both tariffs and quotas can be used to protect domestic firms from foreign competition.
- 128) These are groups of nations organized to work toward common goals in the regulation of international trade; economic communities benefit member nations by reducing barriers to the free flow of products, services, finances, and labor across borders.
- 129) As a result of increased unification, European companies will grow bigger and more competitive. A concern is that lower barriers within Europe will lead to higher barriers between Europe and non-EU countries. Some observers envision a "Fortress Europe" that heaps favors on firms from European Union countries but hinders outsiders.
- 130) Some critics are concerned because people in diverse countries and cultures throughout the world now regularly use American products and services that have changed their daily habits. For example, most people in China did not drink coffee until Starbucks entered the market, and teens in India watch MTV and ask their parents for clothing and other symbols of American culture.
- 131) Examples will vary but could include the following: "American Idol" comes from British TV; the popularity of soccer has international roots; and the Power Rangers, Tamagotchi and Pokemon, Sega and Nintendo come from abroad.
- 132) The five indicators of market potential include demographic characteristics, geographic characteristics, economic factors, sociocultural factors, and political and legal factors. Students' examples will vary according to Table 16.1.
- 133) With a joint venture, a company joins forces with another foreign company to produce or market products or services. With a joint venture, the company is not merely producing domestically and then shipping abroad, the company is working hand-in-hand with a foreign company toward a common purpose.

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- 134) The firm has less control over the licensee than it would over its own production facilities. Furthermore, if the licensee is very successful, the firm has given up these profits, and if and when the contract ends, it may find it has created a competitor.
- 135) A hotel, such as Hilton, that has an international reputation and is highly regarded would bring brand value, as well as experience to a foreign firm. For the company supplying the contracting, the investment is minimized because the foreign company supplies the capital.
- 136) Products that require no change to the product itself or to the product's promotion would follow a standardized marketing mix.
- 137) Some language and cultural differences make adjustments necessary, as a slogan might not translate well or a certain image or color may hold a vastly different meaning in a different culture.
- 138) A uniform price would be too low in rich countries and too high in poor ones; the price would not reflect the costs of transportation, tariffs, wholesale margins, and retailer margins that will differ from country to country.
- 139) With the aid of the Internet, customers can see how much products sell for in different countries or even order a product directly from the location offering the lowest price; this is forcing companies toward more standardized international pricing.
- 140) The company must develop an effective organization for international marketing. Most firms start with an export department and graduate to an international division. A few become global organizations, with worldwide marketing planned and managed by the top officers of the company. Global organizations view the entire world as a single, borderless market.
- 141) The General Agreement on Tariffs and Trade (GATT) is a 60-year-old treaty designed to promote world trade by reducing tariffs and other international trade barriers. Member nations, currently numbering 150, have met repeatedly to reassess trade barriers and set new rules for international trade. The most recently completed GATT negotiations promote long-term global trade growth, reducing the world's remaining merchandise tariffs, extending it to cover trade in agriculture and a wide range of services, and toughening international protection of copyrights, patents, trademarks, and other intellectual property. The most recent round of negotiations resulted in the creation of the World Trade Organization (WTO) to enforce GATT rules. In general, the WTO acts as an umbrella organization, overseeing GATT, mediating global disputes, and imposing trade sanctions.
- 142) A company should consider the country's attitudes toward international buying, as well as its bureaucracy, political stability, and monetary regulations. Some countries are receptive to foreign firms, offering incentives and favorable operating conditions, while others set restrictions and limitations designed to discourage foreign business. One that is politically unstable, with frequent and sometimes violent changes in leadership, offers a less certain environment for business and financial matters. A country may also have monetary regulations, such as a blocked currency whose export is restricted, that a company should evaluate.
- 143) Most international trade involves cash transactions. Yet many nations have too little hard currency to pay for their purchases from other countries. They may want to pay with other items instead of cash, which has led to a growing practice called **countertrade**. Countertrade takes several forms: *Barter* involves the direct exchange of goods or services, as when Azerbaijan imported wheat from Romania in exchange for crude oil and Vietnam exchanged rice for Philippine fertilizer and coconuts. Another form is *compensation* (or *buyback*), whereby the seller sells a plant, equipment, or technology to another country and agrees to take payment in the resulting products. Thus, Japan's Fukusuke Corporation sold knitting machines and raw textile materials to Shanghai clothing manufacturer Chinatex in exchange for finished textiles produced on the machines. The most common form of countertrade is *counterpurchase*, in which the seller receives full payment in cash but agrees to spend some of the money in the other country. For example, Boeing sells aircraft to India and agrees to buy Indian coffee, rice, castor oil, and other goods and sell them elsewhere.

Answer Key

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- 144) Before planning a marketing program in a new country, a seller should understand the ways that consumers in that country think about and use the product. To succeed abroad, a company must adapt to local cultural values and traditions rather than trying to force their own. Students' examples will vary, but could include the following: French men use twice as many grooming aids as women, many Chinese eat on the way to work, and religious imagery (such as Hindu gods) used in a promotion could easily be considered offensive.
- 145) Any of several factors might draw a company into the international arena. Global competitors might attack the company's home market by offering better products or lower prices, which the company might want to counterattack in their home markets to tie up their resources. The company's customers might be expanding abroad and require international servicing, or the home market might be stagnant or shrinking, and foreign markets may present additional sales and profit opportunities. For example, to offset declines in the U.S. soda market, Coca-Cola and Pepsi are rapidly expanding their presence in emerging markets such as Russia and China. And whereas Whirlpool's North American sales slipped by 1 percent last year, its European sales jumped 12 percent.
- 146) Before going abroad, the company should try to define its international *marketing objectives and policies*. It should decide what *volume* of foreign sales it wants. Most companies start small when they go abroad. Some plan to stay small, seeing international sales as a small part of their business. Other companies have bigger plans, seeing international business as equal to or even more important than their domestic business.

The company also needs to choose in *how many* countries it wants to market. Companies must be careful not to spread themselves too thin or to expand beyond their capabilities by operating in too many countries too soon. Next, the company needs to decide on the *types* of countries to enter. A country's attractiveness depends on the product, geographical factors, income and population, political climate, and other factors. The seller may prefer certain country groups or parts of the world. In recent years, many major new markets have emerged, offering both substantial opportunities and daunting challenges.

- 147) Companies typically start with *indirect exporting*, working through independent international marketing intermediaries. Indirect exporting involves less investment because the firm does not require an overseas marketing organization or network. It also involves less risk. International marketing intermediaries bring know-how and services to the relationship, so the seller normally makes fewer mistakes.

Sellers may eventually move into *direct exporting*, whereby they handle their own exports. The investment and risk are somewhat greater in this strategy, but so is the potential return. A company can conduct direct exporting in several ways. It could set up a domestic export department that carries out export activities, or it could set up an overseas sales branch that handles sales, distribution, and perhaps promotion. One advantage of exporting is that the company produces all of its goods in its home country, so it does not need to invest in manufacturing facilities abroad. Also, exporting involves the least change in the company's product lines, organization, investments, and mission. With exporting, a company can make a minimal commitment to a foreign market and take minimal risks.

- 148) Companies that use standardized global marketing use largely the same marketing strategy approaches and marketing mix worldwide. On the other hand, with adapted global marketing, the producer adjusts the marketing strategy and mix elements to each target market, bearing more costs but hoping for a larger market share and return.

Some global marketers believe that technology is making the world a smaller place and that consumer needs around the world are becoming more similar. This paves the way for "global brands" and standardized global marketing. Global branding and standardization, in turn, result in greater brand power and reduced costs from economies of scale.

However, the marketing concept holds that marketing programs will be more effective if tailored to the unique needs of each targeted customer group. Despite global convergence, consumers in different countries still have widely varied cultural backgrounds and still differ significantly in their needs and wants, spending power, product preferences, and shopping patterns. Standardized global marketing does not take these differences into account, and may therefore be less effective, albeit less expensive.

Answer Key

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- 149) A company can choose straight product extension, product adaptation, or product invention. Straight product extension means marketing a product in a foreign market without any change. This involves no additional product development costs, manufacturing changes, or new promotion. But it can be costly in the long run if products fail to satisfy foreign consumers. Product adaptation involves changing the product to meet local conditions or wants. Product invention consists of creating something new for a specific country market. This strategy can take two forms. It might mean maintaining or reintroducing earlier product forms that happen to be well adapted to the needs of a given country, or a company might create a new product to meet a need in a given country.
- 150) Many companies get involved in several international markets and ventures, such as exporting to one country, licensing to another, having a joint ownership venture in a third, and owning a subsidiary in a fourth. With increased international activity, the company will need to move from simply having an export department to having more specialized international divisions or subsidiaries.

International divisions are organized in a variety of ways. An international division's corporate staff consists of marketing, manufacturing, research, finance, planning, and personnel specialists. It plans for and provides services to various operating units, which can be organized in one of three ways. They can be *geographical organizations*, with country managers who are responsible for salespeople, sales branches, distributors, and licensees in their respective countries; or the operating units can be *world product groups*, each responsible for worldwide sales of different product groups; or operating units can be *international subsidiaries*, each responsible for its own sales and profits.