



Section 4.7

Activity 4.7.1

1. A 'franchise' business format is the granting of a licence by one person (the franchisor) to another (the franchisee), which entitles the franchisee to own and operate their own business under the brand, systems and proven business model of the franchisor.
2. One benefit to a business of franchising as a method of entering an international market might be the local knowledge of the franchisee.
3. Other methods a business could use to enter an international market might be:
 - Direct exporting
 - Joint ventures
 - Licensing.
4. The opportunities to Yogen Früz, Dunkin' Donuts and Cartridge World of entering international markets might be:
 - New customers, higher sales and higher profits
 - Spreading risk across different markets
 - Economies of scale
 - Low-cost resources
 - Learning innovative ideas
 - Enhancing brand image

The threats might be:

- Cultural and language differences
- Logistical/transport costs
- Lack of knowledge of overseas markets
- Diseconomies of scale
- Trade barriers and government regulations
- New competition.

Activity 4.7.2

1. A 'global brand' is an internationally recognised identifying symbol, name, image or trademark.
2. The strengths of Zumo's strategy as a method of marketing its products in different countries might be:
 - Energy drinks are the growing health market



- Wide distribution through supermarkets
- Health specific distribution through sports clubs
- Broad based media advertising
- Sport specific endorsements

Its weaknesses might be:

- High price above competition
- Spanish rather than global identity.

Activity 4.7.3

1. Two reasons why the attitude of Chinese consumers to running is different to Western consumers:
 - Not considered a sport in the same way as football or basketball
 - Polluted cities in China.
2. It might be important for Nike to understand cultural differences between consumers when it markets its products internationally because:
 - Promotion needs to reflect international values and ideologies
 - Product needs to reflect local tastes and lifestyles
 - Price needs to reflect international values and attitudes
 - Place needs to reflect customs
 - People have different customs
 - Physical evidence reflects local tastes
 - Process is affected by attitudes and rituals.

Exam practice question

1. 'Global localisation' is adapting the marketing mix, including differentiated products, to meet national and regional tastes and cultures.
2. Reasons why McDonald's might have decided to enter international markets include:
 - To increase sales and profits
 - To spread risk across different markets
 - Economies of scale.
3. McDonald's might take cultural and religious factors into account when marketing internationally so that the food it serves meets the cultural and religious needs of local consumers. Failing to do this means the products may not sell, and/or the company might face legal action.



4. The advantages of McDonald's changing to a global localisation strategy from a pan-global approach might be:

- To meet the taste and preferences of local consumers, more effectively increasing sales and profits
- To gain positive publicity
- Less likely to upset local interest groups
- Less likely to break government regulations.

The disadvantages of this approach might be:

- Loss of original identity and appeal to consumers
- Loss of economies of scale
- Difficult to compete with local products.

Key concept question

The importance of culture in international marketing might be:

- Product is affected by local tastes and preferences
- Price is affected by the value local consumers put on different goods
- Promotion needs to meet with culturally accepted norms
- Place is influenced by where culturally local consumers buy their goods.

The importance of ethics in international marketing might be:

- Selling goods that could be harmful to local consumers, like cigarettes
- Charging prices that might force local firms out of the market
- Using advertising that offends religious customs
- Locating production that adversely affect local residents.