POLITEKNIK MALAYSIA
MERLIMAU

INTERNATIONAL MARKETING

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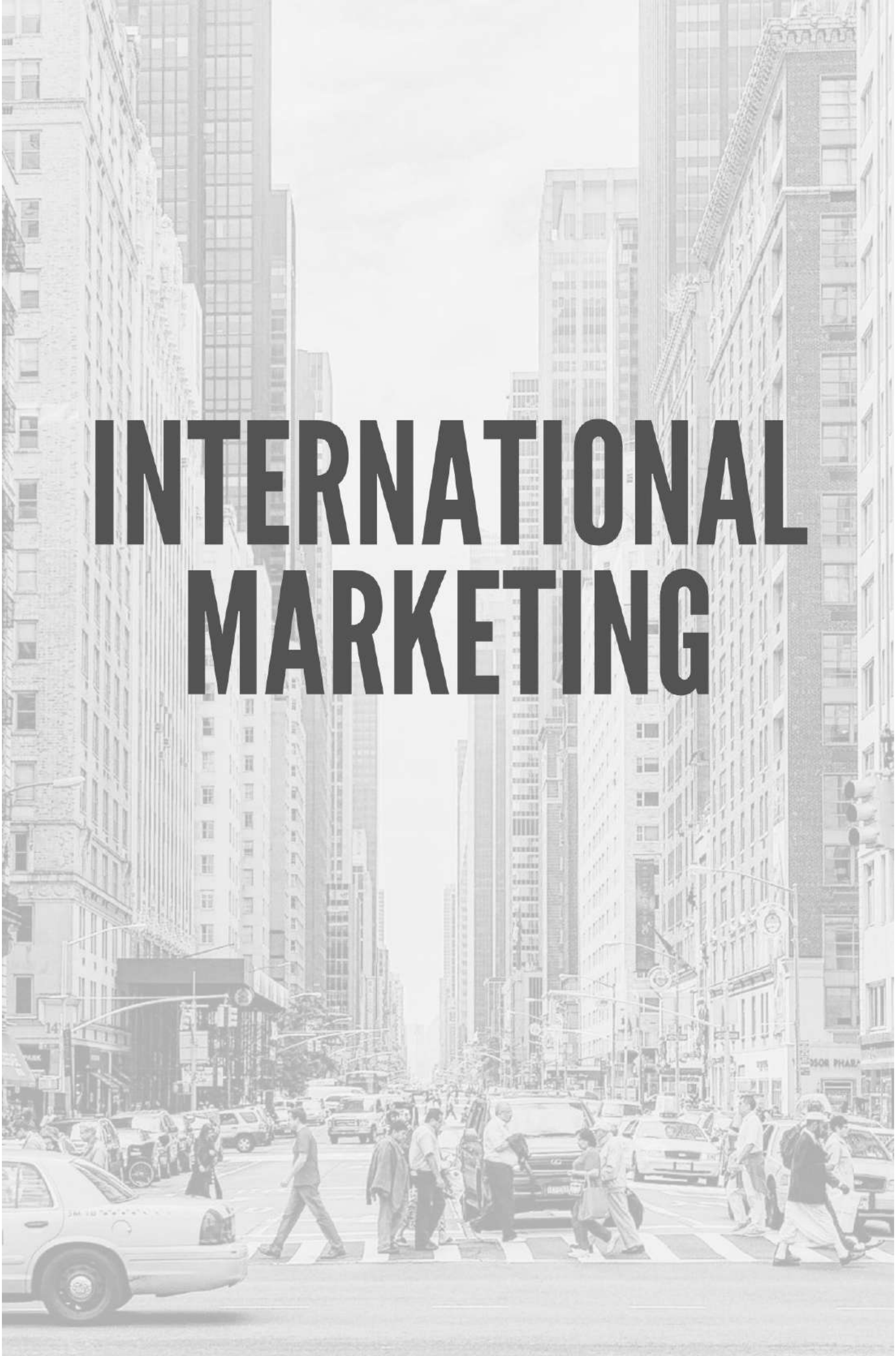
INTERNATIONAL MARKETING



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Published in 2022

Perpustakaan Negara Malaysia Cataloguing-in-Publication Data
Nazila Adip
INTERNATIONAL MARKETING / NAZILA BT. ADIP, HALIZAH BT. ALWI, NORWIDAYATI BT. AHMAD@NASIMAN.
Mode of access: Internet.
eISBN 978-967-2762-30-0
1. Export marketing.
2. International business enterprises.
3. Government publications--Malaysia.
4. Electronic books.
I. Halizah Alwi. II. Norwidayati Ahmad@Nasiman.
III. Title.
658.84

Published and printed by:
Politeknik Merlimau, Melaka
KB1031 Pej Pos Merlimau,
77300 Merlimau Melaka

Acknowledgements

At the very outset, we would like to thank God Almighty **Allah S.W.T** for enabling me to complete this e-book in a timely manner.

This e-book would have not seen the light of day without the support and inspiration of many individuals.

Our gratitude goes to our Head of Department; Pn Haniza binti Baharom for the invaluable advice and guidance. A special note of thanks also goes to our colleague for support and motivation. We are also truly indebted towards our family for their prayers, motivation and inspiration in completing this e-book.

We really hope that this e-book will be a good learning aid especially for students who are going to take international marketing course.

Lots of love

Nazila, Halizah, Norwidayati

PREFACE

International Marketing has been written by the authors as the foundation and guidance to fifth semester Diploma in Marketing students. International Marketing provides students with an initiation of marketing in the international environment. This e-book has been written to make the learning process engaging with compelling topics, texts and exercises.

This e-book has been written to guide students and as reference material and tool to lecturers and students for teaching and learning purposes. We tried our best to meet the needs of the students and lecturers by providing an e-book that clearly explains and providing examples in order to demonstrate international marketing. This e-book is written according to content of curriculum and syllabus of Polytechnic Malaysia.

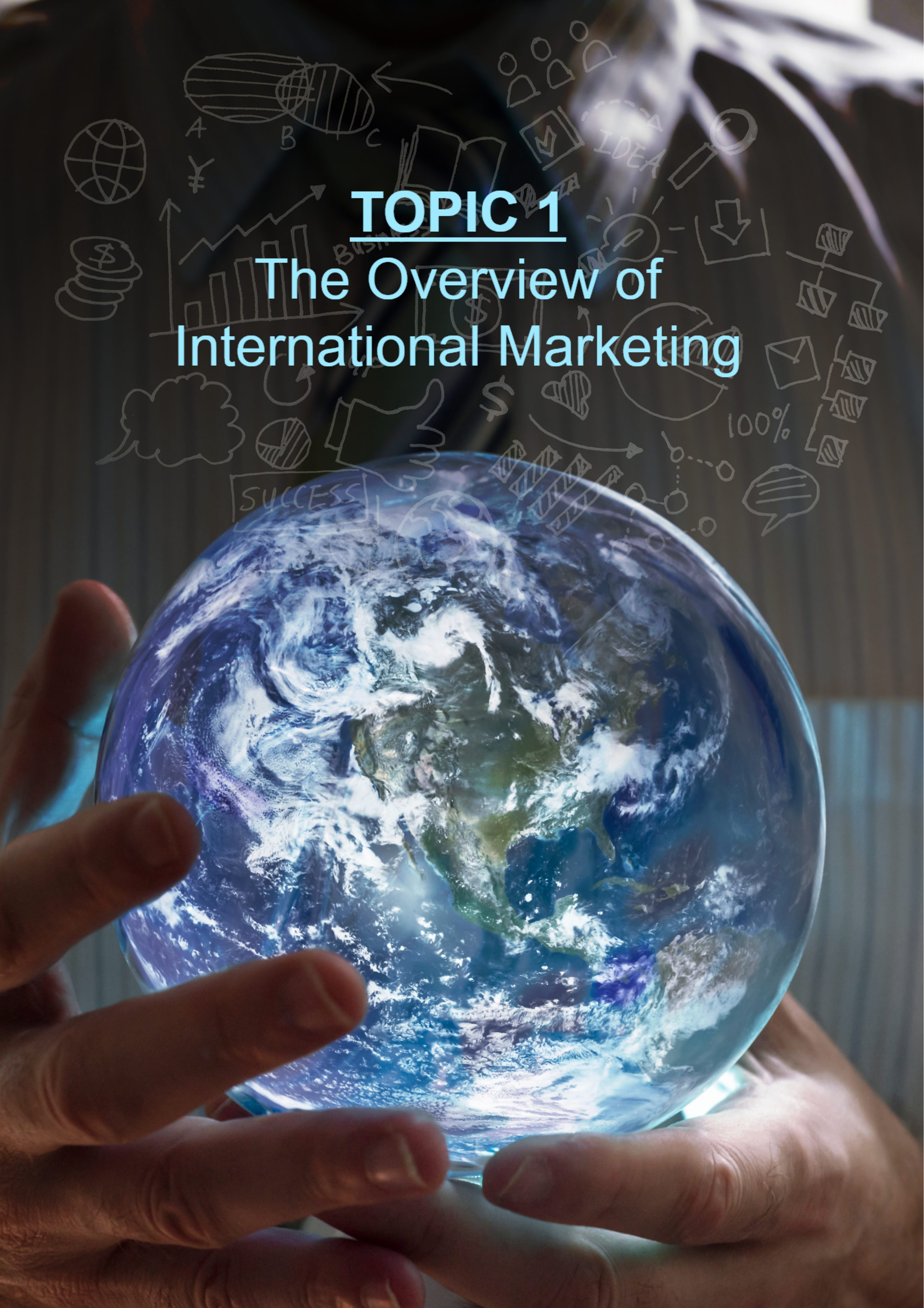
International Marketing have covered topics from Overview of International Marketing, International Pricing and Logistics Management and International Cultures and Buyer Behaviour. The topics covers in this e-book encompasses the importance of international marketing, the development of international marketing concept, international marketing issues, terms of pricing and payment in international marketing and components of cultures.

With this e-book, we hope that student can use e-book as a supportive material as our aim when written this e-book. We hope this can help to build students' skills and knowledge in international marketing.

TABLE OF CONTENT

TOPIC 1

The Overview of International Marketing



TOPIC 1:

THE OVERVIEW OF INTERNATIONAL MARKETING

1.1 INFORMATION ON INTERNATIONAL MARKETING

1.1.1 The definition

International marketing is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. (Cateora & Graham, 2019).

Source of image: https://www.mpo.com/blog/what-we-can-learn-from-the-global-supply-chain-strategy-of-unilever

Figure 1.1: Unilever worldwide distribution

1.1.2 The importance of international marketing

i. Important to expand target market

If a marketing firm focuses solely on the domestic market, its target market will be narrow. When a company thinks globally, it searches for ways to expand its market share and customer base outside of its own country.

ii. Important to boost brand recognition

International marketing can help build a company's recognition. The international brand is always believed to be superior to the domestic brand. Consumers tend to buy items that are widely available. As a result, international marketing is vital for boosting brand recognition.

iii. Important to connect business with the world

Expanding into an international market allows the company to connect with new clients and business partners. For example, Apple is a company that designs iPhones in California, outsources manufacturing jobs to Mongolia, China, Korea, and Taiwan, and sells them all over the world. Apple has grown its company globally rather than limiting to a single country. The possibilities for international networking are endless. The more "locations" a company has, the more connections it can make with the rest of the world.

iv. Important to open doors for future opportunities

International marketing can also lead to new business opportunities in the future. International marketing helps a company connect with new vendors, a wider workforce, and new technology and business practices, in addition to increasing market share and client base. For example, American companies investing in Japan have discovered that programs like Six Sigma and Theory Z can assist them shape their business plans.

v. Severe competition in home country

The countries that were oriented towards market economies since 1960's have experienced severe competition from other business firm in the home country. The weak companies which could not meet the domestic countries started entering the markets of developing countries.

1.2 THE DEVELOPMENT OF INTERNATIONAL MARKETING CONCEPT

1.2.1 The Development of International Marketing Concept

i. Ethnocentric

Companies that adopt or work in this manner believe that their native country is superior in nature, and while looking for chances in international markets, they prefer to look for commonalities. These businesses make few changes to their products to suit the tastes and needs of the new market they are targeting, and they perform little research and analysis of international markets.

In comparison to overseas subsidiaries or offices located in international marketplaces, the main office is given more weight. Domestic companies are those who neglect the lucrative potential available outside of their home country.

Since these companies are ethnocentric, they work on the premise that products that are very successful in their native country may be sold in international markets without any adaptation because they are superior in nature. There is no difference between the native market and the foreign market in terms of product specs, price, advertising, and other factors.

The subsidiary enterprises in overseas markets must conform to and follow the same norms and policies as the headquarters. In comparison to personnel working in subsidiaries, senior management in the home country has a general perception that they are more competent of driving international procedures and operations.

The benefit of this ethnocentric approach and thinking is that it saves the organization money on employing qualified people in foreign markets by relocating employees from their native country. Furthermore, with the synergy of core capabilities, this strategy aids in an affiliated and centralised company culture. One of the primary drawbacks of this approach is that it exposes the company's cultural ignorance.

ii. Polycentric

Companies that take a polycentric strategy perceive each country as distinct and exclusive, and believe that enterprises in worldwide markets are best operated locally. The headquarters has limited control over the operation of its subsidiary, and there is only a little attempt of an effort to integrate ideas and practices from other markets.

This method lays a solid foundation for each subsidiary to establish its own distinctive marketing and commercial strategies for success, while also emphasising the importance of the country's native market. This strategy is best suited for countries with certain financial, political, and cultural constraints.

This technique is less expensive than the ethnocentric one since skilled workers do not need to be sent to other nations to maintain the factor of centralisation. However, one consequence of this method is that it might limit the career mobility of both local and international employees, as well as lower the likelihood of synergy within the company as a whole.

1.3 INTERNATIONAL MARKETING ISSUES

1.3.1 The International Marketing Issues

i. Money- laundering

Money laundering is a method of evading prosecution, conviction, and confiscation of illegal funds by hiding and disguising the true origin and ownership of the profits of criminal activity. In simple terms, money laundering is the process of converting filthy money into clean money. Drug trafficking, human trafficking, criminal offences, gambling, smuggling, and other forms of dirty money fall into this category. Bribes, fraud, tax evasion, and kidnapping are all examples of dirty money.

Money laundering is divided into three stages. The first stage is placement, followed by layering, and finally integration.

a. Placement stage is where the cash obtained from criminal acts is changed into monetary instruments such as money orders, traveller's checks, or is put into the accounts of financial institutions and banks. This is the point at which money enters the legal financial system for the first time

b. Layering is where the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin.

c. Finally, the integration stage is where the money is reintroduced into the economy and used to purchase legitimate assets or to fund further illegal actions that fall under the category of legitimate business. Eventually, this is done to demonstrate that the only source of these assets is legal.

To recap the money laundering process, the first stage involves depositing funds into numerous bank accounts or financial institutions, after which the funds are stacked through wire transfers, bank deposits, offshore bank accounts, and even on a trading basis. The money is then put into the integration stage, where it is used to buy luxury items, as well as financial, commercial, and industrial investments. Money laundering has become a concern as a result of the deregulation of international capital flows and the facilitation of money transfers.

ii. Diversities

Diversity marketing is a marketing approach that targets and incorporates a wide range of consumers, including those divided by race or ethnicity, ability, gender, religious beliefs, age, and other factors.

Customers from other cultures have distinct expectations, values, and ways to interact. Each nation has its own customs and culture. A foreign corporation must also respect those cultures in order to succeed. Holidays, food, festivals, social norms, and even more are all part of culture. McDonald's, for example, does not offer meat or pig in India due to religious prohibitions. Furthermore, the fast-food business offers more vegetarian alternatives in India than anywhere else in the world.

When you run an international company with operations in several countries, you may encounter personnel from various backgrounds. Due to the disparities in language, culture, and time zones, managing those employees is a difficulty. However, by engaging with worldwide teams on a regular basis, this barrier can be overcome. It will aid in the gradual melting of differences.

Diversity marketing is recognising that marketing and advertising must provide alternative methods of communication to these various populations. With this knowledge, diversity marketers hope to create a mix of different communication channels to reach consumers from each of the market's distinct groups.

iii. Currencies

The value of one country's currency in respect to another is known as the exchange rate. The exchange rate between the countries involved is not steady and is constantly changing. When making any financial decision, you must consider currency rates because they might affect the final payout and thus the firm revenues along with the currency rate, the rate of inflation must also be considered. The rate of inflation varies by country and has an impact on product pricing.

iv. Marketing

Each country has its own culture and civilization. They present particular challenges for multinational marketers. In terms of demands, interests, habits, languages, expectations, buying capacity, buying and consuming patterns, and so on, global clients demonstrate significant cultural and socioeconomic diversity. Understanding and incorporating the social and personal traits of customers of various ethnicities is a genuine task. It is more difficult to comprehend the behaviour of clients from other countries as compared to domestic markets.

Similarly, designing and modifying marketing mix for international markets over time appears to be more complex than for domestic markets. More data and effort are required for market segmentation, product creation, pricing, and distribution.

Product promotion in overseas markets is a difficult task. It is not an easy game to play in international markets when it comes to message planning and implementation in appropriate media.

International business players face significant challenges due to linguistic and religious differences. China has the highest percentage of native speakers (20%), followed by English (6%), and Hindi (4%). Despite this, English is widely accepted as a worldwide business language.

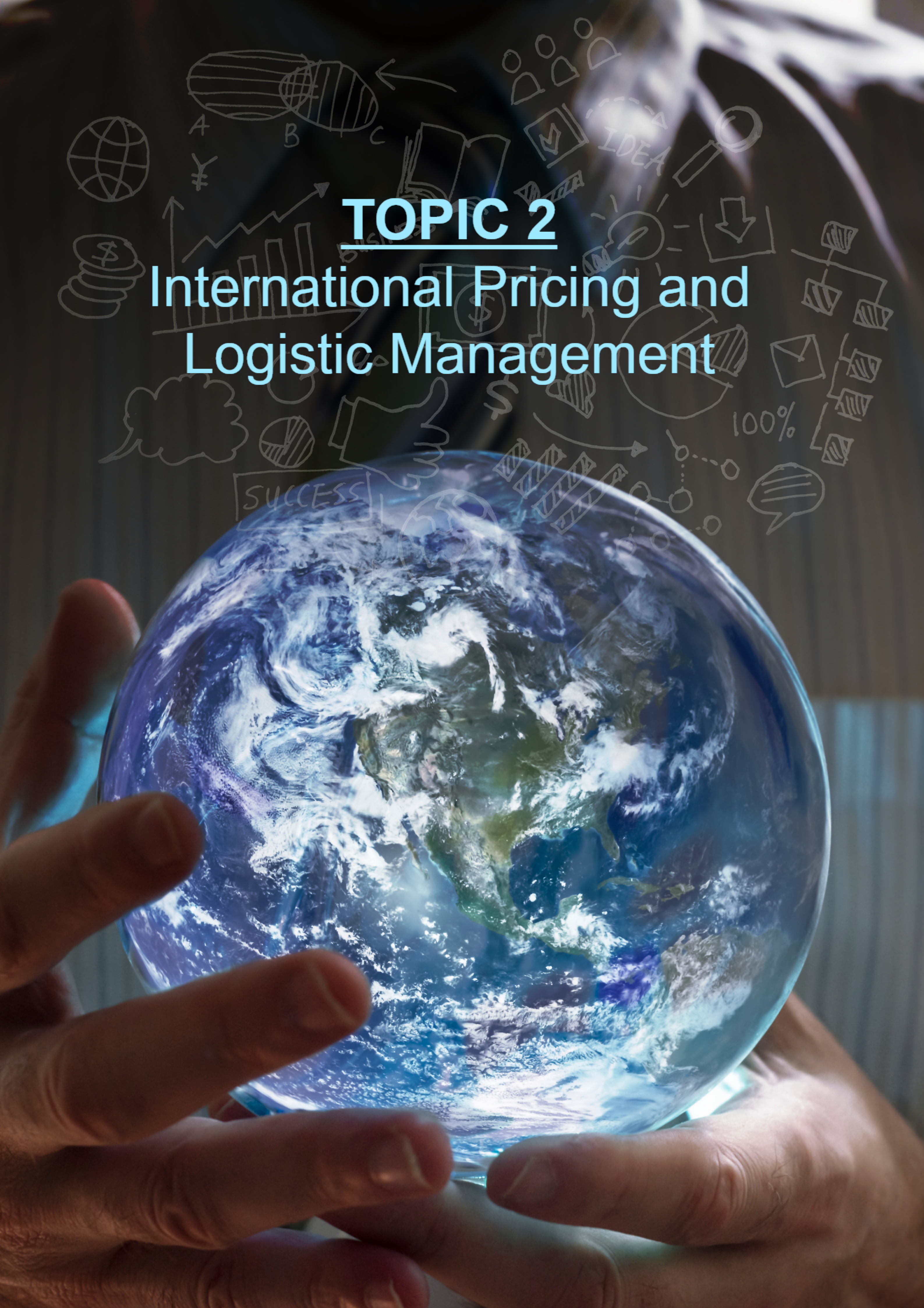
English-speaking countries can contribute the most to global trade (40 percent). Religious differences appear to be tough to deal with since they influence people's needs and desires. Christianity currently has the highest population (1.7 billion), followed by Islam (1.0 billion), Hinduism (750 million), and Buddhism (500 million).

Discussion Questions

1. State **THREE (3)** importance of international marketing.
2. When a company involved in international business, it has to face challenges that can affect their profits, productivity, or the acceptance of the company's products in overseas market. Examine the following issues on how it relates to the above statement.
    a) Currencies
    b) Diversities
3. Differentiate ethnocentric and polycentric.

TOPIC 2

International Pricing and Logistic Management



TOPIC 2:

INTERNATIONAL PRICING AND LOGISTIC MANAGEMENT

2.1 THE TERM OF PRICING IN INTERNATIONAL MARKETING

2.1.1 The Different Term of Pricing

Trade terms are another name for sales terms. International marketing recognised International Commercial Trade (Incoterms®) to clarify the tasks, expenses, and risks for buyers and sellers in international transactions to ensure the smooth export transaction and avoid potentially costly mistakes.

Incoterms, is a list of 11 internationally recognised standards that outline the responsibility of buyers and sellers, is a frequently used set of terms of sale. Incoterms establishes who is responsible for paying for and handling the cargo, as well as for insurance, documentation, customs clearance, and other logistical tasks. The International Chamber of Commerce publishes the Incoterms (ICC).

International terms of sale specify how the buyer and seller share risks and obligations, as well as the expenses of certain international commercial transactions. It is critical to make pricing meaningful when quoting them. Cost and Freight (C & F), Cost, Insurance, and Freight (CIF), Free on Board (FOB), Free Alongside (FAS), and EX are the most commonly used international trade terms of sale.

The following are the international trade terms of sale:

a. Cost, Insurance and Freight (CIF)

The seller is responsible for all three aspects of the transaction: cost, insurance, and freight. When buying something from another country, the seller is responsible for exporting the cargo and shipping it till it reaches the target port, as well as insuring the item throughout the journey.

b. Cost and Freight (C & F)

The cost and freight (C & F) of merchandise moved by sea or inland waterways is an expense. If C & F is used in a transaction, the seller is responsible for arranging and paying for goods transportation to a specified port. The seller is also in charge of delivering the items, obtaining export clearance, and transferring those onto the transport ship. The risk of loss or damage passes to the buyer once the shipment is put onto the vessel. This means that the seller is not accountable for cargo insurance while it is being transported.

c. Free Along Side (FAS)

The risk passes to the buyer when the seller delivers items that have been cleared for export alongside the vessel at a designated port. The buyer is responsible for loading the goods as well as all subsequent charges.

d. Free on Board (FOB)

When the seller delivers items that have been cleared for export alongside the vessel at a designated port, risk is transferred to the buyer. The buyer is responsible for loading the goods as well as any subsequent fees.

e. EX

The seller is only responsible for making the items available, properly packaged, at the stated location, which is normally the vendor's factory or depot. The buyer is responsible for putting the items into a vehicle; all export procedures; onward transportation; and all expenditures incurred after the products have been collected.

Incoterms® 2020 Rules Responsibility Quick Reference Guide

IncoDocs

	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Freight Collect Terms				Freight Prepaid Terms						
Groups	Any Mode or Modes of Transport		Sea and Inland Waterway Transport				Any Mode or Modes of Transport				
Incoterm®	Ex Works (Place)	Free Carrier (Place)	Free Alongside Ship (Port)	Free On Board (Port)	Cost and Freight (Port)	Cost Insurance & Freight (Port)	Carriage Paid To (Place)	Carriage & Insurance Paid to (Place)	Delivered at Place (Place)	Delivered at Place Unloaded (Place)	Delivered Duty Paid (Place)
Transfer of Risk	At Buyer's Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place	At Named Place Unloaded	At Named Place
Obligations & Charges:											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port/Place	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Customs Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Carriage Charges	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	*Seller	Negotiable	**Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer
Import Duty, Taxes & Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller

IncoDocs Create your Sales & Shipping Documents at www.incodocs.com

*CIF requires at least an insurance with the minimum cover of the Institute Cargo Clause (C) (Number of listed risks, subject to itemized exclusions)
**CIP now requires at least an insurance with the minimum cover of the Institute Cargo Clause (A) (All risk, subject to itemized exclusions)

This is general information for guidance purposes only. IncoSolutions Pty Ltd is not responsible for these contents nor do the contents listed above contain all details. For a full and complete description, refer to the full version of Incoterms 2020 by the International Chamber of Commerce at the ICC website.

Source of image: https://incodocs.com/blog/incoterms-2020-explained-the-complete-guide/

Figure 2.1: Incoterms Rules and Responsibility

2.2 THE TERM OF PAYMENT IN INTERNATIONAL MARKET

2.1.2 The Terms of Payment in International Market

One of the most important and difficult issues confronting multinational corporations is global pricing. The sole marketing mix component that generates revenue is price. All of the other elements come at a price. As a result, a company's worldwide pricing policy can make or break its efforts to expand internationally.

The same pricing issues that businesses confront in domestic marketing (e.g., skimming vs. penetration pricing) are applicable to global marketing as well. However, because of the nature of the worldwide marketplace, global pricing becomes even more problematic (e.g., inflation currency movements, cross-border variations in willingness to pay, and competition).

In the international market, there are numerous payment terms that can be used:

i. Cash in Advance

It entails the buyer paying the seller in cash before the cargo is received, and frequently before the shipment is even prepared. Cash in advance is commonly used when;

a. exporter is wary in credit transaction

b. funds returned from abroad could be delayed for an inordinate amount of time.

c. when an exporter refuses to sell on credit terms for whatever reason.

d. when there are restrictions on how much money you can exchange.

ii. Bills of exchange

A bill of exchange is a financial instrument used specifically in international trade to bind one party to pay a certain sum of money to the document's bearer or another designated person. The bill of exchange is paid on demand or after a set period of time.

How bills of exchange work?

a. When a business transaction involves credit purchasing, bills of exchange are commonly employed. In this instance, the creditor (seller) will issue a bill of exchange to the debtor (buyer) or a financial company acting as an intermediary based on the amount owing for the merchandise.
b. It is worth noting that a bill of exchange can only be valid if the debtor (or drawee) accepts it first. The buyer or drawee is obligated to pay the creditor after the bill of exchange is accepted.

Though there are various parties involved in a bill of exchange, the following are the most typical and important ones:

a. **Drawer**: The party who issues a bill requesting payment of a certain amount of money. This party is the instrument's drawer, and the drawee is obligated to pay the payee.
b. **Drawee**: A person or company who receives a bill of exchange instructing him to pay a certain amount of money.
c. **Payee**: The party who gets a payment from the drawee in accordance with the terms of the bill of exchange.

Other names for a bill of exchange are:

a. Bank drafts - a type of bill of exchange issued by a bank.
b. Trade draft - a type of bill of exchange issued by an individual.

Bills of exchange can have one of three time periods:

a. **Sight draft** – payment is required before the goods are delivered.

b. **Arrival draft** – Payment is due when the products arrive.

c. **Time/ Date draft** – Payment was made on the exact day specified, and the transportation of items was unaffected.

Bill of exchange features

During a business transaction where the buyer purchases goods on credit, the seller typically prepares the bill and sends it to the buyer of goods (or a drawee bank) for acceptance. Typical bill details include:

a. Buyer and seller's names and addresses

b. The billing totals

c. Date of bill maturity

d. Both parties' signatures and stamps (seller and buyer)

iii. Open Account

In international trade, an open account transaction is a sale in which the goods are shipped and delivered before payment is due, which is typically in 30, 60, or 90 days. Obviously, this option benefits the importer in terms of cash flow and cost, but it is a risky option for the exporter.

Due to intense competition in export markets, importers frequently press exporters for open account terms, as seller-to-buyer credit is more common abroad. As a result, exporters who are hesitant to extend credit risk losing a sale to their competitors.

In an open account transaction, the goods are shipped directly to the importer, who has agreed to pay the exporter's invoice on a specific date. The exporter must be certain that the importer will accept the shipment and pay on time, and that the importing country is both commercially and politically secure. Open account terms can help you win customers in competitive markets, and they can be combined with one or more of the appropriate trade finance techniques to reduce the risk of non-payment.

An open account is commonly accepted when:

a. Dealing with a good credit standing.

b. Purchasing unique merchandise / goods

c. Shipping is risky

d. Exchange restrictions are difficult

e. Political upheaval necessitates extra prudence

f. Sellers face a significant risk.

iv. Consignment

Consignment is when goods are given to a buyer to sell, but the seller keeps ownership of the goods until they are sold. When the commodities are sold to the end user, the buyer pays the vendor. Goods will not be paid for until they are sold.

2.3 THE LOGISTICS MANAGEMENT

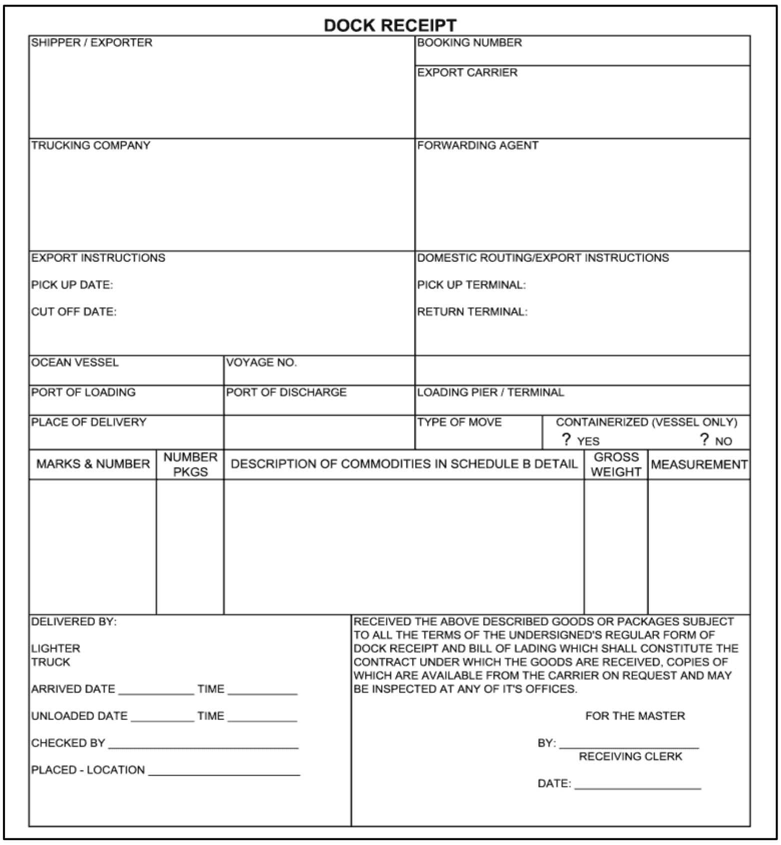
2.3.1 Export Document

Each export shipment generally requires numerous documents to comply with government regulations governing exporting and international commercial payment requirements. The following are the most frequently required export documents.

i. Transportation Documents

a. Dock Receipt

A dock receipt is a receipt provided by a warehouse supervisor or port official attesting that goods have been received by the shipping business. The dock receipt transfers responsibility for the cargo's safekeeping from the shipper to the carrier and acts as the basis for preparing the bill of lading.



DOCK RECEIPT

SHIPPER / EXPORTER

BOOKING NUMBER

EXPORT CARRIER

TRUCKING COMPANY

FORWARDING AGENT

EXPORT INSTRUCTIONS

PICK UP DATE:

CUT OFF DATE:

DOMESTIC ROUTING/EXPORT INSTRUCTIONS

PICK UP TERMINAL:

RETURN TERMINAL:

OCEAN VESSEL | VOYAGE NO.

PORT OF LOADING | PORT OF DISCHARGE | LOADING PIER / TERMINAL

PLACE OF DELIVERY | TYPE OF MOVE | CONTAINERIZED (VESSEL ONLY) ? YES ? NO

MARKS & NUMBER	NUMBER PKGS	DESCRIPTION OF COMMODITIES IN SCHEDULE B DETAIL	GROSS WEIGHT	MEASUREMENT

DELIVERED BY:

LIGHTER

TRUCK

ARRIVED DATE ________ TIME ________

UNLOADED DATE ________ TIME ________

CHECKED BY ____________________

PLACED - LOCATION ____________________

RECEIVED THE ABOVE DESCRIBED GOODS OR PACKAGES SUBJECT TO ALL THE TERMS OF THE UNDERSIGNED'S REGULAR FORM OF DOCK RECEIPT AND BILL OF LADING WHICH SHALL CONSTITUTE THE CONTRACT UNDER WHICH THE GOODS ARE RECEIVED, COPIES OF WHICH ARE AVAILABLE FROM THE CARRIER ON REQUEST AND MAY BE INSPECTED AT ANY OF IT'S OFFICES.

FOR THE MASTER

BY: ____________________

RECEIVING CLERK

DATE: ____________________

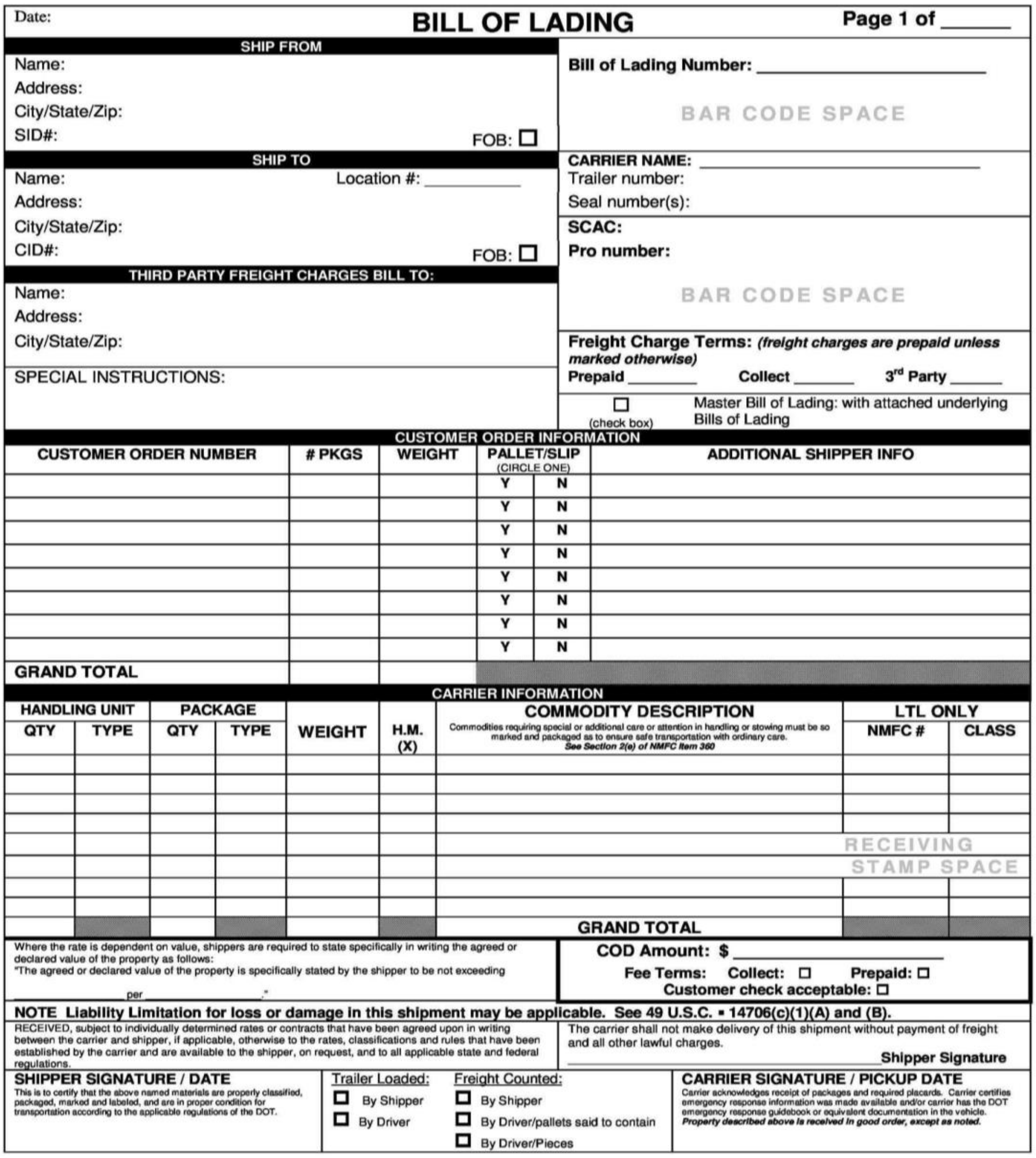
Sources: https://www.uslegalforms.com/form-library/38182-dock-receipt-form

Figure 2.2: Dock Receipt

b. Bill of Lading

The bill of lading performs the following functions:

- as a contract for shipping between the carrier and the shipper.
- as a receipt from the carrier for shipment.
- as proof of ownership or title to the goods.



Date:

BILL OF LADING

Page 1 of ______

SHIP FROM

Name:
Address:
City/State/Zip:
SID#: FOB: ☐

Bill of Lading Number: ____________________

BAR CODE SPACE

SHIP TO

Name: Location #: __________
Address:
City/State/Zip:
CID#: FOB: ☐

CARRIER NAME: ____________________
Trailer number:
Seal number(s):

SCAC:
Pro number:

BAR CODE SPACE

THIRD PARTY FREIGHT CHARGES BILL TO:

Name:
Address:
City/State/Zip:

Freight Charge Terms: ***(freight charges are prepaid unless marked otherwise)***
Prepaid ______ **Collect** ______ **3rd Party** ______

☐ (check box) Master Bill of Lading: with attached underlying Bills of Lading

SPECIAL INSTRUCTIONS:

CUSTOMER ORDER INFORMATION

CUSTOMER ORDER NUMBER	# PKGS	WEIGHT	PALLET/SLIP (CIRCLE ONE)		ADDITIONAL SHIPPER INFO
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
			Y	N	
GRAND TOTAL					

CARRIER INFORMATION

HANDLING UNIT		PACKAGE		WEIGHT	H.M. (X)	COMMODITY DESCRIPTION Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. *See Section 2(e) of NMFC Item 360*	LTL ONLY	
QTY	TYPE	QTY	TYPE				NMFC #	CLASS
						RECEIVING STAMP SPACE		
						GRAND TOTAL		

Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows:
"The agreed or declared value of the property is specifically stated by the shipper to be not exceeding __________ per __________."

COD Amount: $ __________
Fee Terms: Collect: ☐ **Prepaid:** ☐
Customer check acceptable: ☐

NOTE Liability Limitation for loss or damage in this shipment may be applicable. See 49 U.S.C. ▪ 14706(c)(1)(A) and (B).

RECEIVED, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.

The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges.

__________ **Shipper Signature**

SHIPPER SIGNATURE / DATE
This is to certify that the above named materials are properly classified, packaged, marked and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.

Trailer Loaded:
☐ By Shipper
☐ By Driver

Freight Counted:
☐ By Shipper
☐ By Driver/pallets said to contain
☐ By Driver/Pieces

CARRIER SIGNATURE / PICKUP DATE
Carrier acknowledges receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. ***Property described above is received in good order, except as noted.***

Sources: https://www.investopedia.com/terms/b/billoflading.asp

Figure 2.3: Bill of Lading

iii. Insurance Certificate

There are three types of Insurance Certificate for international trade

a. Export Credit Insurance

Provides protection against the possibility of nonpayment by a foreign buyer. Typically, the insurance covers business risks such as bankruptcy, insolvency, and default. Typically, political risks such as war, terrorism, rioting, revolution, currency inconvertibility, and changes in import and export rules are also covered. Thus, sellers are protected from both within and outside the control of the buyer.

b. Marine Insurance

Marine insurance protects against the loss or damage of ships, cargo, terminals, and any transport or cargo used to transfer, acquire, or hold property between points of origin and destination.

c. Political Risk Insurance

Political risk insurance protects businesses from the risk of losing money as a result of political events. It protects against the possibility that the government will take action that results in a significant financial loss for the insured. Political risk insurance can cover a wide range of scenarios, including government seizure of property, political violence, inability to convert local currency, and so on.

iii. Legal document

a. Commercial Invoice

A commercial invoice is a document that is used in international business transactions. It is used as a customs declaration by a person or company exporting a product across international borders. The document must include a few specified pieces of information, such as the parties participating in the shipping transaction, the items being carried, the place of manufacture, and the

Harmonized System codes for those goods, even though there is no standard format. A signature and a statement guaranteeing the invoice's accuracy are required on a commercial invoice.

iv. Government document

a. Export Declaration

An export declaration is a document that an exporter submits at the port of export. It contains details on the products being sent, such as kind, quantity, and value. Customs uses this information to control exports as well as compile statistical data on a country's foreign trade. Aside from that, an export declaration also functions as a document for export control. An export license and/or a certificate of origin may also be required in some situations.

b. Certificate of Origin

A Certificate of Origin (CO) is a crucial international business document that validates that the items in a certain export shipment were entirely acquired, produced, manufactured, or processed in that country. They declare the product's 'nationality' and also function as an exporter declaration to meet customs or trade requirements.

c. Consular Invoice

An invoice for a shipment of goods that has been certified by the consul of the nation to which the items are being delivered. Customs officials in the country use the invoice to check the value, quantity, and nature of the product imported in order to calculate the import charge. Furthermore, the export price may be compared to the current market price in the exporter's country to guarantee that no dumping occurs.

v. Banking document

a. Letter of Credit

A letter of credit is a written promise by a buyer's or importer's bank (known as the issuing bank) to pay a seller's or exporter's bank (called the accepting bank, negotiating bank, or paying bank). A letter of credit guarantees payment of a set amount in a specified currency if the seller complies with specific terms and provides the required documentation within a specified deadline. The buyer (named the applicant or account party) either pays the stipulated sum (plus service charges) up front to the issuing bank or negotiates credit in favour of the seller or exporter (called the beneficiary). The buyer's credit risk is transferred to the bank issuing the letter of credit. When using a letter of credit, the seller can usually draw a draft against the bank that issued the credit and get payment by producing correct shipping documentation.

Discussion Questions

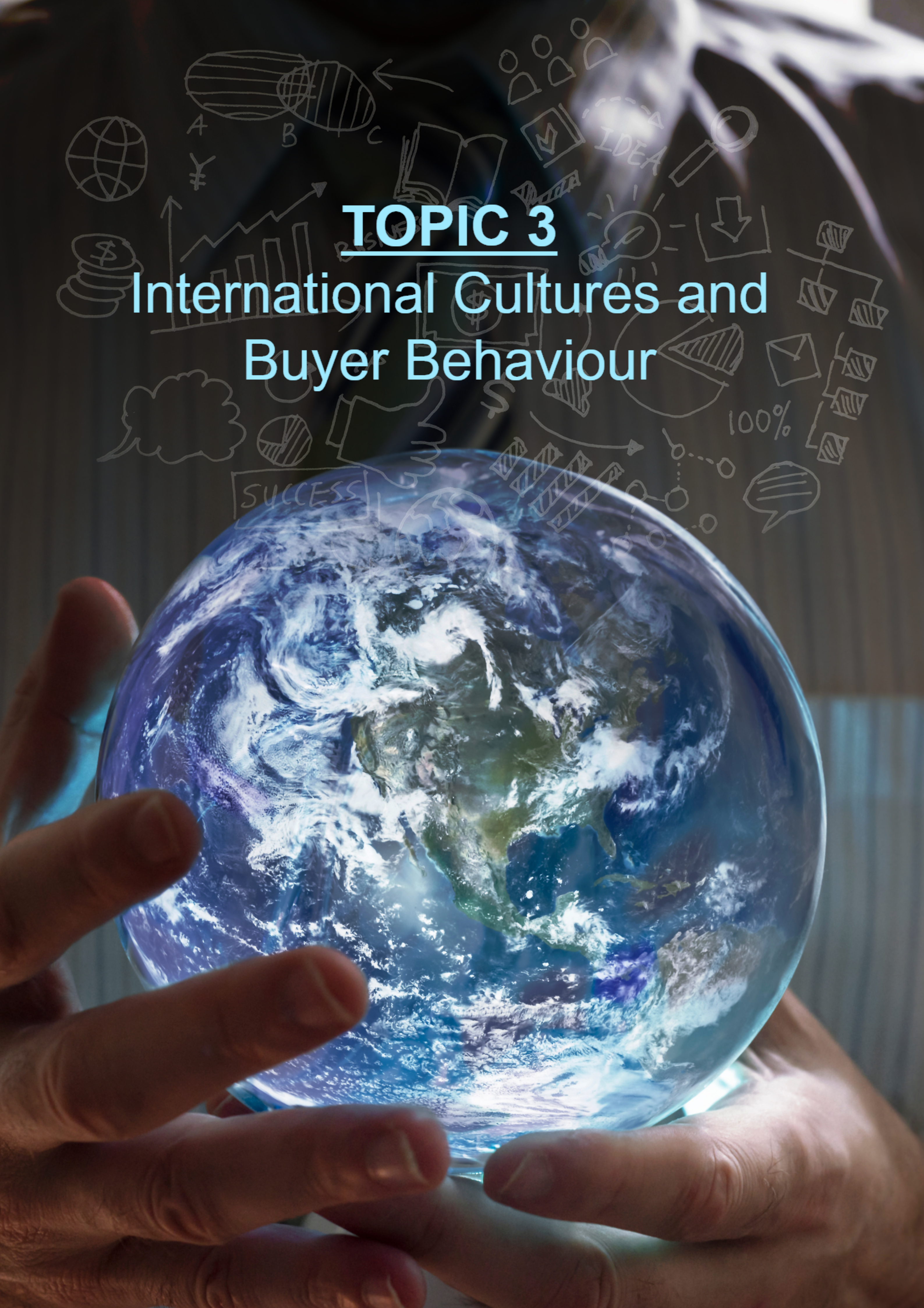
1. Incoterms, a widely-used terms of sale, are a set of 11 internationally recognised rules which define the responsibilities of sellers and buyers. Discuss the international terms of sale below:
   a. Ex works
   b. CIF
   c. FAS
   d. FOB
   e. C&F

2. Briefly discuss any **THREE (3)** international documents.

3. In order to succeed in global marketplace and win sales against competitors, exporters must offer their customers attractive sales terms supported by appropriate payment methods. Explain **THREE (3)** payment methods that international marketer can use in global market.

TOPIC 3

International Cultures and Buyer Behaviour



TOPIC 3:

INTERNATIONAL CULTURES AND BUYER BEHAVIOUR

3.1 INTERNATIONAL CULTURE AND BUYER BEHAVIOUR

3.1.1 International Culture and Buyer Behaviour

Culture centres around the notion that culture is the sum of the values, rituals, symbols, beliefs, and thought processes that are learned and shared by a group of people, then transmitted from generation to generation.

The best international marketers will be able to recognise not only the cultural differences that affect their company, but also the origins of these differences, such as variances in values inside their culture.

Cultural diversity must be recognised not simply as a fact of life but as a positive benefit; that is, differences may actually suggest better solutions to challenges shared across borders. Cultural competence must be recognised as a key marketing skill.

Marketers and managers must grasp the culture of the location where products and services are to be sold because culture is not static and evolves over time owing to technological advances. Major companies have adopted themselves to the international culture and are accepted globally. For example, Coca Cola had to withdraw its 2 liters bottle from Spain, as it did not fit into the refrigerator.

Source of image: https://www.freepik.com

Figure 3.1: Set of people in traditional Asian clothing

Characteristics of culture are:

i. Culture is learned
ii. Culture is socially shared
iii. Culture is similar yet different
iv. Culture is persistent and gratifying
v. Culture forms a boundary for individual to think and act

3.1.2 The Importance of Initiating the International Culture

i. **Adapting global business/marketing to the local market.**

a. One of the most critical considerations when entering a new market is to keep the people you serve at the forefront of your mind.

b. While various brands and products are universally prevalent, certain changes must still be made for variables such as product offerings, marketing strategy, and brand messaging to reflect the local culture and value system.

c. An adaptation strategy could include anything from changing a brand's tagline to creating a new menu of goods that are more appropriate for the local palate.

ii. **Local business and managerial practices**

a. The influence of local culture is extensive. It impacts everything from how employees are managed to the pace at which business is conducted, how negotiations are handled, and how risk management is enforced.

b. Thus, an in-depth understanding of local business practices is crucial for international marketing success.

c. Regrettably, many organizations enter new markets without first learning about their host country's business customs, and they quickly find themselves fighting to win over new stakeholders and personnel.

iii. **Diversity management**

a. Diversity in the workplace is a strong tool for increasing innovation and inclusiveness. A varied staff also develops an environment that encourages new ideas and problem-solving approaches.

b. Diverse teams are made up of individuals with various backgrounds, values, opinions, and business customs. Unless these factors are thoughtfully managed, the likelihood of interpersonal conflicts between team members can arise.

c. Adversely affecting trust, communication, and productivity. Companies that fail to effectively manage and resolve these conflicts will be unable to capitalise on the benefits of a diverse workforce.

iv. Adapting human resource procedures to local market needs

a. Globalization is essential to business expansion and for companies that enter foreign markets and hire local employees, their human resource policies and practices must be adapted so that they are beneficial to their foreign employees and subsidiaries.

b. Cultural values within a society affect how individuals feel about their jobs and often define their workplace expectations.

c. In order to successfully attract, retain, support, and interact with foreign personnel, human resource teams must be aware of these cultural variances. Especially those with a staff spread over multiple regions with diverse cultural backgrounds.

v. Identifying subcultural differences

a. Within a single region, subcultural differences such as socioeconomic position, language, belief systems, and social institutions can vary substantially. People's perceptions, consumption patterns, and the values they place on various product qualities are all influenced by these factors.

b. Companies should take the time to educate themselves thoroughly on the various attributes that form the cultural make-up on within a national context as cultural barriers can and do exist on an intra-national level. Companies that are unable identify the diversity that exists within their host country run the risk of alienating potential customers.

3.2 THE COMPONENTS OF CULTURE

3.2.1 The Components of Culture

i. Language

Messages are conveyed by the words used, by the way the words are spoken (for example, tone of voice), and by nonverbal means such as gestures, body language and eye contact.

The successful international marketer must achieve expert communication, which requires a thorough understanding of the language as well as the ability to speak it. Advertising copywriters should be concerned less with obvious differences between languages and more with the idiomatic and symbolic meanings expressed.

ii. Religion

Religion defines the ideals for life, which in turn are reflected in the values and attitudes of societies and individuals.

Religion is another aspect of culture that multinationals handle with caution. Various religions have an impact on a country's consumer behaviour and purchasing trends.

Managers value religion because it influences people's lifestyles, buying motives, beliefs, values, and attitudes. It has an impact on work, society norms, and business in general.

For instances, In Islamic societies, companies can broaden the appeal of their brands and grow their business by engaging with Muslim consumers. While the halal concept is well established in the food and beverage sector, it is also gaining popularity in cosmetics and personal care categories.

iii. Values and Attitudes

Values are shared beliefs or group norms that have been internalised by individuals. Attitudes are evaluations of alternatives based on these values.

Value systems shape people's conventions and standards in all societies.
People's views regarding objects and behavioural rules are influenced by these norms. An attitude is a continuous tendency to feel and act toward an object in a certain way. There are differences in values and attitudes between and within countries. In that respect, international markets must alter their marketing strategies or brand statements.

iv. Education

One of the most important vehicles for transmitting culture from one generation to the next is education. The level and quality of education are two aspects of education that is important to international marketers. The educational level differs greatly between countries. Education is required in most developed countries until late adolescence.

The illiteracy rate of a country is a powerful indicator of its educational level. Marketers must be cautious when it comes to product labelling, print marketing, and survey research in nations with low literacy levels.

v. **Aesthetics**

Aesthetics refers to the ideas and perceptions that a culture upholds in terms of beauty and good taste. For many products or services, satisfying consumers' aesthetic or sensory needs (visual, taste, smell, and sound) can often be at least as important as meeting more basic needs.

Aesthetic preferences differ dramatically between cultures, however most differences are regional rather than national. As a result, global corporations must frequently alter product design or appearance to accommodate cross-cultural differences in aesthetic perceptions and preferences.

Discussion Questions

1. Describe culture and discuss the significance of cultural elements below for international marketing. Use relevant examples to support your answer:
   a) Education
   b) Language
   c) Religion
   d) Aesthetics
2. Cultural differences can influence business deals in significant and unexpected ways. Discuss **TWO (2)** constraints that a marketer has to consider when marketing to an Islamic country.
3. Discuss **THREE (3)** importance of initiating the international culture.

ANSWER KEY

Topic 1

1. Page 2 – 3
2. a) Page 7

   b) Page 6 – 7
3. Page 3 – 5

Topic 2

1. Page 11
2. Page 17 – 21
3. Page 13 – 16

Topic 3

1. Page 26 – 28
2. Elaborate on halal and *riba'* issues
3. Page 24 - 25

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e ISBN 978-967-2762-30-0
9 789672 762300
International Marketing