

## **About This Chapter**

# **INTERNATIONAL MARKETING**

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### **What Makes This International Marketing Chapter Different?**

Market-Based Management is a performance-driven approach to marketing management. We continue this approach in this chapter as it allows students and managers to operationalize marketing concepts and strategies to assess their impact on customers, marketing performance and profitability. Several of the international marketing analytics presented in this chapter will be offered online as **Marketing Performance Tools** to enhance learning and application.

**Differentiating Features:** Unique features not found in other international marketing chapters or books.

- Insights into how global companies span the worldwide market
- Quantitative analysis with respect to international market metrics that correlate with the purchase of products such as cars, televisions, personal computers, the internet, and mobile phones.
- Strategies businesses pursue as they move from a domestic company to international company and eventually a global company.
- International market forces that impact international market attractiveness and a marketing analytic to assess international market attractiveness.
- Estimate international market demand, marketing potential and market development index for an international market.
- Discuss product adaption and customization strategies for well-know brands and companies.
- Demonstrate international cost-based pricing impact on consumer prices vs. international market-based pricing.
- Present the importance of international digital marketing communications and social media communications.
- Present a marketing analytic to assess the profit impact and risk of an international marketing strategy.

**Marketing Performance Tools:** There are six chapter marketing performance tools along with application questions. These tools can be accessed at [www.mbm-best.com](http://www.mbm-best.com).

**Instructor Support:** Please e-mail me ([roger@mbm-best.com](mailto:roger@mbm-best.com)) and I can provide chapter PowerPoint slides and answers to end of chapter questions. With your request please provide full name, title, university or company name, location (city, state, and country) and indicate if you have purchased a copy of Market-Based Management or have only downloaded this chapter.

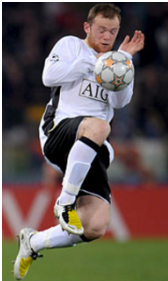
This chapter on **International Marketing** was developed to support students using Market-Based Management, 6th edition. It is available as a free PDF download.

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# International Marketing

*International marketing is an evolutionary process for companies with an appetite for growth and the stomach for risk.- Roger Best*



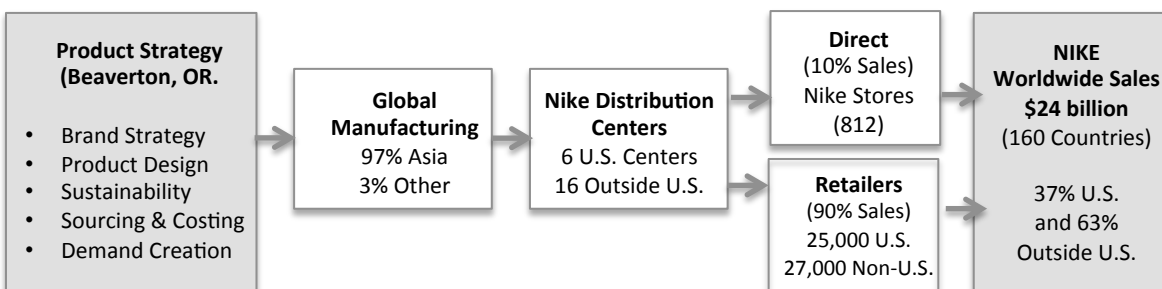
Nike sells 120 million pairs of athletic shoes worldwide each year, representing 31 percent of the worldwide market. Over 60 percent of these sales are in 160 international country markets outside the U.S. This is an amazing feat given the complexity of international markets with respect to differences in consumer needs, language, culture, economies, political environment, government regulations, logistics and retail market infrastructures.

Nike also designs, contract manufactures, distributes and sells sports apparel and equipment. In the soccer photo on the left, Nike makes the shoes, apparel (jersey, shorts & socks) and equipment (golf clubs, soccer balls).

The story is even more complex when one considers all Nike products are designed and managed in the U.S., but manufactured outside the U.S., as shown in Figure 1. While product and brand tend to get the credit for success, a big part of Nike's success is in management of the supply chain. This includes everything from sourcing materials utilized by outsourced manufacturers to the global distribution of products. Moving 120 million pairs of athletic shoes from Asian manufacturers to consumers in 160 different countries requires an incredible management of transportation, warehousing, currency, financing, and management of unique country requirements for market entry and sale of these products.

Nike relies predominately on retailers that operate approximately 25,000 locations in the U.S. and 27,000 locations outside the U.S. Retailers account for roughly 90 percent of Nike sales (1) as shown in Figure 1. The other 10 percent of sales are obtained through 384 Nike-owned stores in the U.S. and 442 outside the U.S. With 63 percent of its sales outside the U.S., Nike is truly a global company that has managed its brand with incredible success worldwide.

**FIGURE 1 NIKE WORLDWIDE MARKETING SYSTEM & REGIONAL PERFORMANCE**



Nike Performance (billions)	North America	Western Europe	Central & East Europe	Greater China	Japan	Emerging Markets
Footwear	\$5.88	\$2.53	\$0.67	\$1.52	\$0.44	\$2.39
Apparel	\$2.48	\$1.38	\$0.44	\$0.89	\$0.32	\$0.82
Equipment	\$0.47	\$0.24	\$0.09	\$0.13	\$0.07	\$0.21
<b>Total Sales</b>	<b>\$8.83</b>	<b>\$4.15</b>	<b>\$1.20</b>	<b>\$2.54</b>	<b>\$0.83</b>	<b>\$3.42</b>
Direct Sales	24.0%	14.2%	0.0%	0.0%	0.0%	5.0%
Indirect Sales	76.0%	85.8%	100.0%	100.0%	100.0%	100.0%
Operating Income	\$2.00	\$0.60	\$0.23	\$0.91	\$0.14	\$0.85
<b>Return on Sales</b>	<b>22.7%</b>	<b>14.5%</b>	<b>19.2%</b>	<b>35.8%</b>	<b>16.9%</b>	<b>24.9%</b>

Other Businesses	Other Sales
Converse	\$1.32
Nike Golf	\$0.73
Cole Haan	\$0.54
Umbro	\$0.25
Hurley	\$0.26
<b>Total Sales</b>	<b>\$3.10</b>
<b>Oper. Income</b>	<b>\$0.34</b>
<b>Return on Sales</b>	<b>11.0%</b>

As shown in Figure 1, return on sales (operating income as a percent of sales) varies by regional market, but in all cases are well above overall performance found in most companies, domestic or global. Overall, Nike represents a prolific marketer and global marketing system that maintains a thirst for innovation and success.

## INTERNATIONAL MARKETS AND GLOBALIZATION

Globalization has had a significant impact on international marketing. More and more markets have become open to international organizations as the cost and complexity of operating overseas has been reduced by globalization (2). Organizations are able to access lower cost resources and labor in developing countries. This allows companies to price their products lower and open up a broader market of people across various ranges of disposable income.

Continuously improving communications technologies have allowed complex international marketing campaigns to be coordinated from a domestic base. The Internet and mobile devices have also opened up international markets, which can increase a business's market potential. Additionally, globalization has changed the way people shop. Consumers are able to shop for goods, compare prices, and buy globally often without viewing the products first-hand.

Transportation and distribution systems are also more efficient, making it easier, faster, and cheaper for businesses to get their products to consumers. Electronic transfers and financing have made international transactions faster and more secure. Globalization will continue to bring buyers and sellers together into the future. Businesses that are able to operate in a globalized market have the best chance of succeeding with their international marketing strategies.

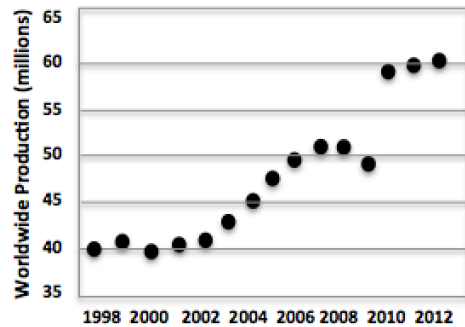
**Worldwide Competition:** One product-market in which global competition is easy to understand is the Automotive Industry. The increasing intensity of worldwide competition has challenged the traditional market leaders of domestic markets. Here are three factors a product-market manager might consider in the global car market:

- (1) *How many cars are on the road worldwide?*
- (2) *How many cars are produced everyday around the world?*
- (3) *How many cars are there in China per 1000 people vs. the U.S. and Europe?*

**Answers:** (1) It is estimated that there are over 1 billion passenger cars in the world today (3); Only 19 percent are located in the U.S. (2) A car is produced somewhere in the world every second, a total of 86,400 vehicles per day. (3) In China there are about 40 vehicles per 1,000 people, compared with approximately 700 vehicles per 1,000 people in the mature markets like the U.S., Canada, and Western Europe.

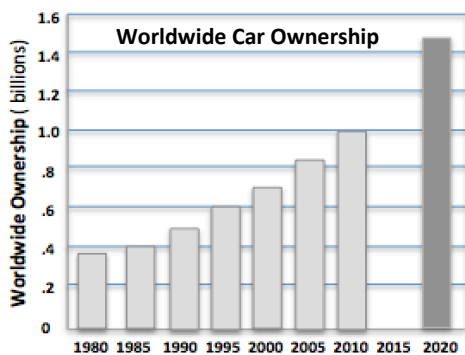
Approximately 60 million cars were manufactured worldwide in 2012, with car ownership close to 1 billion (4), as shown in Figure 2. Car ownership is projected to grow to over 1.4 billion by 2020. Most of this growth will be outside of mature markets. Note the various car manufacturers listed in Figure 2. How many are you familiar with? How many of these car makers will benefit from the projected growth in car ownership? Many of these companies around the globe may become competitors in the future as this industry grows. Because some of these future competitors will be domestic and others international we need to make the distinction between domestic marketing, international marketing, and global marketing.

**Domestic Marketing:** Domestic marketing is restricted to the geographical boundaries of a country. A company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without consideration of how the product or service could be used in other markets.

**FIGURE 2: WORLDWIDE CAR PRODUCTION AND OWNERSHIP CREATES GLOBAL COMPETITION**

Country	Millions	Percent
China	14.49	24.00%
Japan	7.16	11.90%
Germany	5.87	9.70%
South Korea	4.22	7.00%
India	3.04	5.00%
U.S.A.	2.97	4.90%
Brazil	2.53	4.20%
France	1.93	3.20%
Spain	1.82	3.00%
Russia	1.74	2.90%

Country	Millions	Percent
Mexico	1.66	2.80%
Iran	1.41	2.30%
U.K.	1.34	2.20%
Czech Rep.	1.19	2.00%
Canada	1.00	1.60%
Slovakia	0.64	1.10%
Turkey	0.64	1.10%
Argentina	0.58	1.00%
Indonesia	0.56	0.09%
Belgium	0.56	0.09%



**Worldwide Auto-Makers:** Anhui, Avtovaz, Beijing, BMW, Brilliance, Byd, Chana, Changhe, Chery, China National, Chrysler, Daewoo, Daihatsu, DaimlerChrysler, Dongfeng, Faw, Fiat, Ford, Fuji, Fujian, Gaz, Geely, General Motors, Great Wall, Guangzhou, Harbin, Hino, Honda, Hyundai, Ij-Avto, Isuzu, Kamaz, Kia, Mahindra & Mahindra, MAN, Mazda, Mitsubishi, Multicar, Nanjing, Navistar, Nissan, Nissan Diesel, Porsche, Proton, PSA, Renault, Saic, Scania, Suzuki, Tata, Toyota, Uaz, Vaz, Volkswagen, and Volvo.

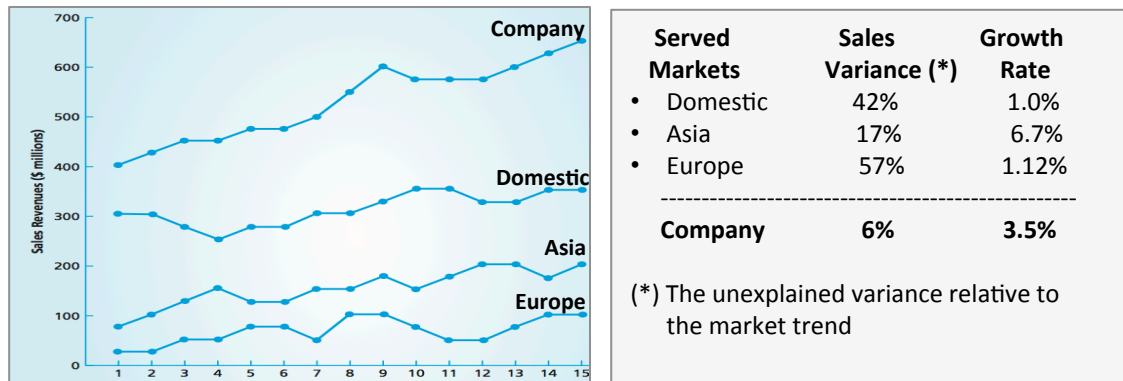
One of the most significant challenges that domestic marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of potential competitors who are market leaders on other continents. These marketers can be considered ethnocentric, as they are most concerned with how they are perceived in their home country.

**International Marketing:** International marketing is the export, franchising, licensing or full direct entry of a marketing organization into another country. This can be achieved by exporting a company's product into another country; entry through franchising or licensing in the target country; or direct investment in a foreign country. The development of the marketing mix for that country requires international marketing. This can be as straightforward as an extension of existing marketing strategies to a total customization of the marketing mix (product, price, place and promotion) for a specific country.

**Global Marketing:** Global marketing occurs when a company looks at the entire world as one market and markets to almost all countries worldwide. A global company needs to understand the requirements to service country-specific customers with global standard solutions and products. The key to success is a worldwide marketing system that retains a strong local country customer focus along with a global marketing strategy as summarized by the chairman and CEO of Groupe Danone below:

*“What unites us through our brands, markets, and businesses is the groups’ identity, which we refer to as **worldwide business with a local presence**. Everywhere we operate, our priority is to create or develop a strong brand that reflects the needs in that market as closely as possible (5).”*

This is no easy feat as the Groupe Danone markets a wide range of major brands in dairy products, bottled water, and infant and medical nutrition that are sold into 120 countries. Because every country is different, each has its own set of complexities. These include international logistics, communicating with consumers, selling products, laws and regulations for taking money out of a country.

**FIGURE 3: SMOOTHING COMPANY SALES PERFORMANCE AND ENHANCING SALES GROWTH**

**Why Businesses Enter International Markets:** There are a number of factors that increasingly drive international trade and marketing efforts. There is the potential to increase your customer base and market share; they are generally more familiar with the domestic business, closer and better known with respect to market demand, language, economies, laws, culture and market infrastructure. The next step is to enter other country markets within the region and eventually enter the most attractive region outside the domestic market. This eventually leads multinational companies to achieve a presence in all major regions of the world and for some expansion within these regions to achieve a very broad breadth of international marketing. As a company builds a greater breadth of international marketing, it is in the position to build a global brand and a global marketing company.

In addition, a widespread customer base provides a hedge against the risks associated with only selling into a single market. For example, if you only market to domestic consumers and there is an economic downturn, many of your consumers may not be able to afford your product. As shown in Figure 3, averaging the sales variance of the domestic and international markets reduces the company sales variance over time. This adds more stability to company performance and a more consistent flow of sales and earnings per share. In addition, as domestic markets mature, international markets can provide the added opportunity needed for a company to continue to grow. As shown in Figure 3, the domestic market is growing at 1 percent. But with the addition of two international regional markets the company is able to grow at 3.5 percent per year.

Not all businesses enter international markets as part of a strategic market plan. As shown below, many businesses are forced to consider international markets due to global competition (6). The U.S. automotive and consumer electronics industries were forced to enter international markets reactively due to the competitive challenge of foreign brands; overproduction and excess capacity; and saturating domestic markets. If they had not made this move, many of these companies may not have survived a world of global competition. Others like McDonald's, Yum Brands, Starbucks and Apple have pursued a "proactive" international market strategy. They saw an opportunity to leverage their competitive advantage; to grow sales and profits; to take advantage of lower cost production; and to enjoy tax benefits. To succeed in global markets, however, depends heavily on knowledge accumulation and deployment of an efficient and effective global marketing strategy (7).

#### Reactive Market Entry

- Competitive Pressure & Survival
- Overproduction & Excess Capacity
- Saturated Domestic Market

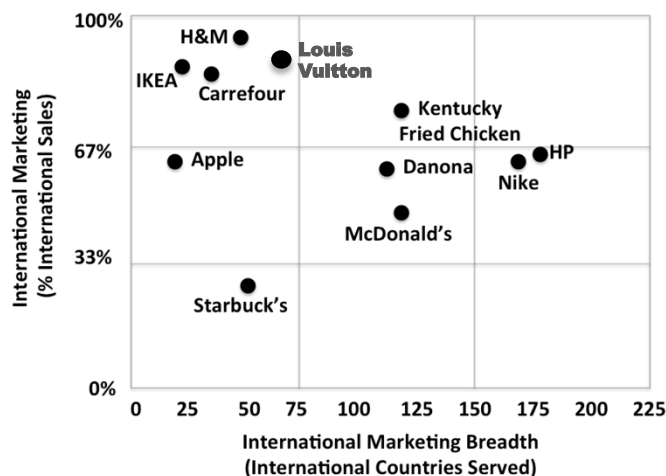
#### Proactive Market Entry

- Competitive Advantage
- Sales Profit Growth
- Low Cost Production & Tax Benefits

FIGURE 4: INTERNATIONAL SALES AND COUNTRY BREADTH

Company	Intl. Sales (*)	Countries
H&M	94%	43
Louis Vuitton	89%	66
IKEA	86%	25
Carrefour	85%	33
KFC	73%	120
Hewlett-Packard	65%	170
Nike	63%	162
Apple	63%	14
Groupe Danone	60%	120
McDonald's	44%	123
Starbucks	29%	51

(\*) Percent sales outside domestic market



**International Marketing Strategies:** Developing a globally recognizable brand provides a company with new opportunities to more easily enter new or emerging markets and build customer loyalty. Consumers are naturally drawn to and trust brands that they recognize and are more inclined to purchase from those brands.

A common first step in international marketing is to expand into an adjacent market as depicted below. For example, a U.S. company would expand into Canada or a German company would expand into Austria. Similarly, a Japanese company might expand into South Korea or China; a Brazilian company into Argentina; or Russia might enter a nearby country in Eastern Europe. The adjacent countries are generally more familiar to the domestic business, closer and better known with respect to market demand, language, economies, laws, culture and market infrastructure.

The next step is to enter other country markets within the region. For Europe, Asia and Latin America this includes a wide variety of countries. For North America there are only two choices for the domestic company. For growth companies this will eventually lead to market entry into much more attractive countries outside the region of the domestic market. For multinational businesses this leads to a presence in all major regions of the world and for some, expansion within these regions to achieve a very broad breadth of international marketing. As a company builds a greater breadth of international marketing it is in the position to build a global brand and a global marketing management system (5).



In Figure 4, the top two international marketers in terms of international sales outside their home country of Sweden are H&M (a clothing retailer) and IKEA (a discount furniture store). Each faced limited domestic and regional growth. Over time, each expanded to other major regions and then began to build out their international marketing by adding countries within each region. Carrefour (a French discount store) and Kentucky Fried Chicken (a fast food retailer) serve larger domestic markets but needed to expand internationally to attain growth. Nike, HP, Groupe Danone and McDonald's are truly global companies that serve over 100 countries. Apple is also a global brand with a global marketing system that

**FIGURE 5: INTERNATIONAL MARKETING: COUNTRIES SERVED & RETAIL LOCATIONS****IKEA (25 Countries)**

Countries	Locations	Percent
Germany	46	13.6%
USA	38	11.2%
France	29	8.6%
Italy	20	5.9%
United Kingdom	18	5.3%
Sweden	17	5.0%
Spain	15	4.4%
Russia	14	4.1%
Netherlands	12	3.6%
China	11	3.3%
Other	118	34.9%
<b>Total</b>	<b>338</b>	<b>100.0%</b>

**Carrefour (33 countries)**

Countries	Locations	Percent
France	221	15.2%
China	220	15.2%
Spain	172	11.8%
Brazil	150	10.3%
Poland	84	5.8%
Turkey	73	5.0%
Indonesia	70	4.8%
Taiwan	70	4.8%
Italy	45	3.1%
Belgium	45	3.1%
Other	302	20.8%
<b>Total</b>	<b>1452</b>	<b>100.0%</b>

**Wal-Mart (15 countries)**

Countries	Wal-Mart	Percent
USA	4237	42.8%
Mexico	2088	21.1%
Central America	662	6.7%
United Kingdom	541	5.5%
Brazil	512	5.2%
China	370	3.7%
Japan	419	4.2%
Africa	347	3.5%
Canada	333	3.4%
Chile	316	3.2%
Other	63	0.6%
<b>Total</b>	<b>9888</b>	<b>100.0%</b>

**Costco (7 countries)**

Countries	Costco	Percent
USA	450	71.3%
Canada	85	13.5%
Mexico	33	5.2%
United Kingdom	25	4.0%
Japan	17	2.7%
South Korea	9	1.4%
Taiwan	9	1.4%
Australia	3	0.5%
		0.0%
		0.0%
		0.0%
<b>Total</b>	<b>631</b>	<b>100.0%</b>

**McDonald's (123 countries)**

Countries	Locations	Percent
USA	18590	56.3%
Japan	3598	10.9%
China	1500	4.5%
Brazil	1414	4.3%
Germany	1361	4.1%
United Kingdom	1250	3.8%
France	1200	3.6%
Australia	780	2.4%
Mexico	500	1.5%
Italy	450	1.4%
Other	2357	7.1%
<b>Total</b>	<b>33,000</b>	<b>100.0%</b>

**Kentucky Fried Chicken (120)**

Countries	Locations	Percent
USA	4780	26.6%
China	4200	23.3%
Japan	1200	6.7%
United Kingdom	800	4.4%
Canada	700	3.9%
South Africa	660	3.7%
Australia	600	3.3%
Malaysia	500	2.8%
Indonesia	420	2.3%
Thailand	400	2.2%
Other	3740	20.8%
<b>Total</b>	<b>18,000</b>	<b>100.0%</b>

**Starbucks (over 50 countries)**

Countries	Starbucks	Percent
USA	13729	65.7%
Canada	1324	6.3%
Japan	29	0.1%
China	20	0.1%
United Kingdom	18	0.1%
South Korea	17	0.1%
Mexico	15	0.1%
Taiwan	14	0.1%
Philippines	12	0.1%
Turkey	11	0.1%
Other	5702	27.3%
<b>Total</b>	<b>20891</b>	<b>100.0%</b>

**Apple (40 Countries)**

Countries	Locations	Percent
USA	253	61.4%
United Kingdom	37	9.0%
Canada	28	6.8%
Australia	20	4.9%
France	16	3.9%
Italy	13	3.2%
Germany	11	2.7%
Spain	10	2.4%
China	8	1.9%
Japan	7	1.7%
Other	9	2.2%
<b>Total</b>	<b>412</b>	<b>100.0%</b>

serves all the major regions, but in fewer countries. Starbucks is now in all major regions of the international market and has begun to build out country expansion within regions as they build their global brand and breadth of international reach.

Once into three or more major regions, a business has the opportunity to build a global brand and global marketing system much like Nike, HP, Apple and many others. Figure 5 provides a little more detail on some of these companies. In each case the data shows the number of retail outlets and the percentage by country. For McDonald's 33,000 locations in 123 worldwide is a massive achievement but 56.3 percent of their locations are in the U.S. While the U.S. market is large and McDonald's domestic market, this suggests there is plenty of room for additional growth in international markets. By contrast, Kentucky Fried Chicken has 18,000 locations in 120 countries worldwide with 26.6 percent in their locations in their domestic market (U.S.). KFC has a very strong presence in China (4200 locations) and Japan (1200 locations). Overall, KFC has almost 40 percent of their locations in the Asia-Pacific market.

Starbucks is moving internationally but has over 70 percent of their locations in their domestic market (U.S.) and an adjacent market (Canada). All other country locations are much smaller in number, which implies there is plenty of room for growth within these regions and countries. Likewise, Costco has almost 90 percent of their locations within region (U.S., Canada and Mexico). They are relatively new to international marketing and this is the safer strategy to pursue early in rolling out an international marketing plan. Carrefour, on the other hand, has 1,452 worldwide locations but only 15.2 percent in their domestic market (France) and roughly 33 percent within their region (France, Spain, Italy and Belgium). The majority of the locations (67 percent) are out of region with over 20 percent in Asia. Wal-Mart has moved into international markets with acquisitions and at this time retains the brand names of 55 different retailers across their 4,250 non-U.S. locations. When using an acquisition model companies often move slowly to company brand only after fully adjusting to a new international market.



**FIGURE 6: WORLDWIDE POPULATION & POPULATION GROWTH**

Region (millions)	2013 Population	% of World	2050 Pop. (proj.)	% of World	% Change
Asia	4,298,723,288	60.00%	5,164,061,493	54.10%	20%
Africa	1,110,635,062	15.50%	2,393,174,892	25.10%	115%
Europe	742,452,170	10.40%	709,067,211	7.40%	-4%
Latin America	616,644,503	8.60%	781,566,037	8.20%	27%
Northern America	355,360,791	5.00%	446,200,868	4.70%	26%
Oceania	38,303,620	0.50%	56,874,390	0.60%	48%
<b>WORLD</b>	<b>7,162,119,434</b>	<b>100.00%</b>	<b>9,550,944,891</b>	<b>100%</b>	<b>33%</b>

**Video:** *World Population:* [www.youtube.com/watch?v=pceykEHhkXA](http://www.youtube.com/watch?v=pceykEHhkXA)

## INTERNATIONAL MARKET DEMAND & MARKET POTENTIAL

In the past, international marketers have pursued developed regions of the world like North America, Europe, Australia and selected Asian markets. While demand in these markets remains strong, growth has slowed significantly. International marketers are now turning to emerging markets with the highest growth potential, such as Africa, Latin America, Asia and Eastern Europe. More specifically, international marketers are focusing their efforts on gaining entry into Brazil, Russia, India, China, and South Africa—often referred to as the BRICS countries.

Our first step in selecting an international market for market entry is the size of the the market opportunity, current and future market demand. While there are many factors driving market demand population and economic metrics are the dominant forces that shape the market demand for an international market.

**POPULATION METRICS:** Population, poverty, education, age distribution, household income, and private consumption are all important country demographics that shape country market demand for goods and services. Obviously, population and population growth are key factors. The more people the higher the market potential.

**Population and Population Growth:** The world population is approaching 7.1 billion with 60.7 percent in Asia (8) as shown in Figure 6. This is four fold more for any other region. This makes Asia a critical market for the 21st century. Together Asia (60.7%) and Africa (14.6%) represent 75 percent of the world population. Europe and North America represent less than 20 percent of the world population. As the world population continues to grow, North America and Europe are projected to become an even smaller percentage of the total population. This is important information for international marketers in planning for developing future international marketing plans.

**Population & Poverty:** While population statistics are a good indicator of potential demand, one also has to consider the distribution of wealth and the ability to buy. Roughly 22.5 percent of the world population lives below the poverty level, which is set at an income of \$1.25 per day per person. Billions more are living slightly above the \$1.25 poverty threshold, but are really not part of the global market for international goods and services based on their daily living income shown below (9).

- 22.5 percent of World Population lives on less than \$1.25 a day
- 50.0 percent of World Population lives on less than \$2.50 a day
- 80.0 percent of World Population lives on less than \$10 a day

Poverty greatly reduces the worldwide market potential for all goods and services as only 20 percent, or 1.4 billion people, live on over \$10 per day. At \$10 per day, or \$3650 per year per person, a household of four would live on roughly \$15,000 per year. This level of income puts many goods and services out of their reach but as we will demonstrate are still part of the worldwide market for products like televisions, mobile phones, and the Internet.

FIGURE 7: TOP 30 CITIES BASED ON POPULATION

City, Country (millions)	Pop.	City, Country (millions)	Pop.	City, Country (millions)	Pop.
1. Tokyo, Japan	37.1	11. Cairo, Egypt	17.8	21. Istanbul, Turkey	13.6
2. Jakarta, Indonesia	26.1	12. Beijing, China	17.3	22. Rio de Janeiro, Brazil	12.0
3. Seoul, South Korea	22.5	13. Osaka, Japan	17.0	23. Shenzhen, China	11.9
4. Delhi, India	22.2	14. Bombay, India	16.9	24. Lagos, Nigeria	11.6
5. Shanghai, China	20.9	15. Guangzhou, China	16.8	25. Paris, France	10.8
6. Manila, Philippines	20.8	16. Moscow, Russia	15.5	26. Nagoya, Japan	10
7. Karachi, Pakistan	20.7	17. Los Angeles, USA	14.9	27. Lima, Peru	9.1
8. New York, USA	20.5	18. Calcutta, India	14.4	28. Chicago, USA	9.1
9. Sao Paulo, Brazil	20.2	19. Dhaka, Bangladesh	14	29. Kinshasa, Congo (DRC)	9.0
10. Mexico City, Mexico	19.4	20. Buenos Aires, Argentina	13.6	30. Tianjin, China	8.9
<b>Total</b>	<b>230</b>		<b>158.2</b>		<b>106.0</b>

[http://www.worldatlas.com/citypops.htm#\\_Ug0bdZVt3zl](http://www.worldatlas.com/citypops.htm#_Ug0bdZVt3zl)

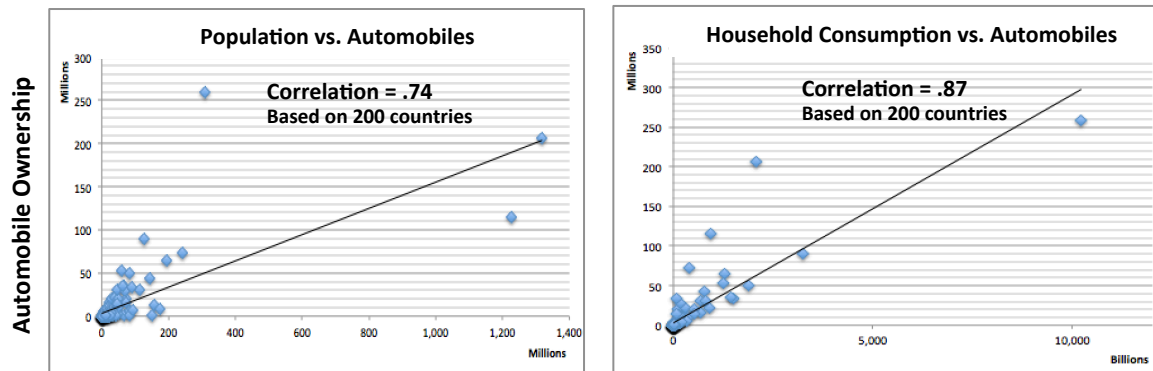
**City Population:** In most instances entry into an international market is done at the city level, not at the country level. For example, if a business was going to enter Brazil it likely would focus on Sao Paulo (20.2 million) and Rio (12 million); in Japan, it would likely focus on Tokyo (37.1 million), Osaka (17 million) and Nagoya (10 million); and in China, it would likely focus on Shanghai (22.5 million), Beijing (20.7 million), Guangzhou (16.8 million), Shenzhen (11.9 million) and Tianjin (8.9 million). The top 30 countries in the world shown in Figure 7 represent almost 500 million people and the top 100 countries represents roughly 879 million people (10). These cities are more likely to have the needed transportation, media and retail structure to support an international marketing strategy. These large urban markets are also more likely to include a higher percentage of target customers based on need and ability to buy.

**Household Consumption:** While population is important, actual spending and consumption reflects the way that people actually spend their income. Because spending is an important factor when considering a new product or service, we use household consumption as a metric for predicting market demand. Private consumption is defined as the value of the consumption goods and services acquired and consumed by households (11). Expenditures for the purchase of homes and durables are included in private consumption. As shown in Figure 8, Asia, Europe and North America each represent about 28 percent in worldwide private consumption and together represent over 80 percent of the worldwide private consumption. This is an important difference. But, what makes private consumption a good predictor of market demand?

As shown in Figure 9, population is a better predictor of ownership of mobile phones, televisions and Internet subscribers while private consumption is more highly correlated with automobile and PC users. This suggests that less expensive mainstream media products are more likely to follow population while more expensive products and services are more closely tied to private consumption. While these are high correlations, there could be other demographic variables that would be better predictors for other goods

FIGURE 8: DEMOGRAPHIC AND ECONOMIC INTERNATIONAL MARKET METRICS

Region	Regional		Household		Gross Domestic		Consumer	
	Population	Percent	Consumption	Percent	Product	Percent	Expenditures	Percent
Africa	1,111	15.5%	\$1,127	2.8%	\$1,905	2.7%	\$1,370	2.6%
Asia	4,299	60.0%	\$11,442	28.1%	\$23,068	32.9%	\$17,500	33.2%
Europe	742	10.4%	\$11,967	29.3%	\$20,984	29.9%	\$15,708	29.8%
Latin America	617	8.6%	\$3,562	8.7%	\$5,792	8.3%	\$4,217	8.0%
North America	355	5.0%	\$11,728	28.8%	\$16,737	23.8%	\$12,703	24.1%
Oceania	38	0.5%	\$949	2.3%	\$1,716	2.4%	\$1,265	2.4%
<b>World</b>	<b>7,162</b>	<b>100.0%</b>	<b>\$40,775</b>	<b>100.0%</b>	<b>\$70,202</b>	<b>100.0%</b>	<b>\$52,710</b>	<b>100.0%</b>
Scale	(Millions)		(Billions)		(Billions)		(Billions)	

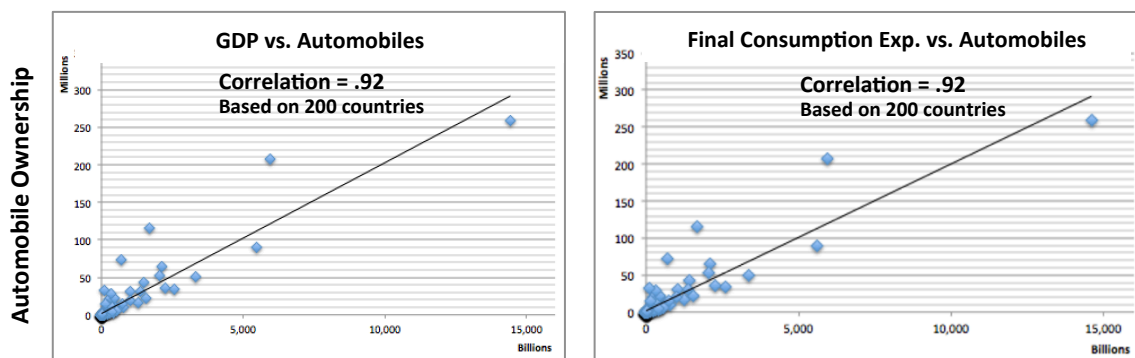
**FIGURE 9: POPULATION METRICS AND AUTOMOBILE OWNERSHIP (2010)**

Populaiton Metrics	Automobiles	Mobile Phones	Televisions	Internet	PCs
World Population	0.74	0.98	0.83	0.85	0.44
Household Consumption	0.87	0.44	0.66	0.63	0.98

and services such as travel, books, and medical services; and non-consumer goods such as energy equipment, industrial and agricultural machinery and financial services.

**ECONOMIC METRICS:** The state of an economy and economic prosperity are important considerations in selecting an international market. Economies that are in trouble are most likely going to be trouble for a business. We are going to look at two economic metrics used to assess the economies of an international market.

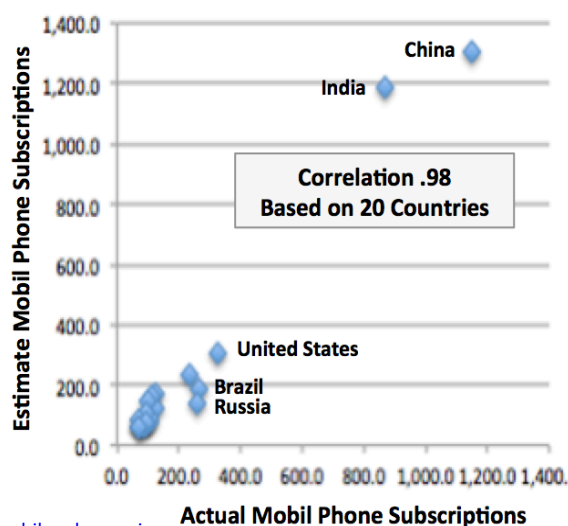
**Gross Domestic Product:** GDP is an overall measure of the performance of an economy. It is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory (12). GDP is commonly used as an indicator of the economic health of a country, as well as a gauge of a country's standard of living. As shown in Figure 10, GDP has good correlation with the automobile purchases across 200 countries. While the correlations are good for each of the products and services shown in Figure 10, GDP produces a higher correlation than population metrics in more expensive goods such as automobiles and personal computers. Gross National Income produces approximately the same correlations as gross domestic product.

**FIGURE 10: ECONOMIC METRICS AND AUTOMOBILE OWNERSHIP (2010)**

Economic Metrics	Automobiles	Mobile Phones	Televisions	Internet	PCs
Gross Doemstic Product	0.93	0.56	0.80	0.76	0.97
Consumer Expenditures	0.87	0.44	0.68	0.63	0.98

**FIGURE 11: ESTIMATING INTERNATIONAL MARKET MOBILE PHONE DEMAND**

Rank	Country (millions)	Population	% Pop.	Mobile Phones	Estimate
1	China	1,349.6	19.2%	1,150.0	1,308.8
2	India	1,220.8	17.4%	867.8	1,183.9
3	United States	310.9	4.4%	327.6	301.5
4	Brazil	192.4	2.7%	265.7	186.6
5	Russia	142.9	2.0%	256.1	138.6
6	Indonesia	237.6	3.4%	236.8	230.4
7	Pakistan	178.9	2.6%	125.0	173.4
8	Japan	127.6	1.8%	121.2	123.8
9	Germany	81.9	1.2%	107.0	79.4
10	Philippines	94.0	1.3%	107.0	91.2
11	Nigeria	165.2	2.4%	114.0	160.2
12	Bangladesh	148.1	2.1%	98.5	143.6
13	Iran	74.0	1.1%	96.2	71.7
14	Mexico	112.3	1.6%	92.9	108.9
15	Italy	60.1	0.9%	88.6	58.3
16	United Kingdom	61.6	0.9%	75.8	59.7
17	Vietnam	90.5	1.3%	72.3	87.8
18	France	63.6	0.9%	72.2	61.7
19	Egypt	82.1	1.2%	92.6	79.6
20	Thailand	65.0	0.9%	69.0	63.0



[http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_number\\_of\\_mobile\\_phones\\_in\\_use](http://en.wikipedia.org/wiki/List_of_countries_by_number_of_mobile_phones_in_use)

**Final Consumption Expenditures:** A second economic metric we found to have a good correlation with market demand by country is final consumption expenditure (13). Final consumption expenditures encompasses all domestic costs (by residents and non-residents) for individual needs. As shown in Figure 10, there is a strong correlation between a country's final consumption expenditures and automobile ownership. And like GDP, the correlation between final consumption expenditures and market demand is stronger with more expensive durables like automobiles and personal computers than the lower cost products and services shown.

**INTERNATIONAL MARKET DEMAND & MARKET POTENTIAL:** Population and economic metrics are important in understanding differences between regions of the world and country differences within regions. For international marketers, utilizing these international market metrics helps us understand regional and country market demand. This is an essential first step in assessing international market opportunities.

**International Market Demand:** To estimate the market demand for a product, we multiply that country's portion of the world population by the worldwide sales of the product for the most recent year as shown below.

$$\text{International Market Demand (2012)} = \% \text{ Worldwide Population} \times \text{Worldwide Product Sales}$$

To illustrate how this marketing analytic works, consider the market demand for mobile phones in China. China represents 19.2% of the worldwide population. There were approximately 6,800 million mobile phone subscribers worldwide in 2012 (14).

#### China:

$$\begin{aligned} \text{Mobile Phone Usage (2012)} &= (1,359 \text{ million} / 7,107 \text{ million} \times 100\%) \times 6,800 \text{ million} \\ &= 19.2\% \times 6,800 \text{ million} \\ &= \mathbf{1,305 \text{ million (estimate)}} \text{ vs. } 1,150 \text{ million (actual)} \end{aligned}$$

Using the method above we would estimate mobile phone subscriptions in China to be roughly 1,305 million. In 2012 the actual number of mobile subscribers in China was 1,150 million. As shown in Figure 11, there is a strong correlation between estimated and actual market demand using this international marketing analytic for the top 10 mobile phone subscriptions by country.

**FIGURE 12: ESTIMATING INTERNATIONAL MARKET DEMAND (Marketing Performance Tool IM.1)**

Product/Service	Personal Computers			
Worldwide Demand/Usage	976,300,000			
Actual Country Demand/Usage	31,700,000			
Country/City	Brazil			
Market Demand		% Household		% Consumer
Estimating International	% Poulation	Consumption	% GDP	Expenditures
International Market Metric	2.91%	3.81%	3.56%	3.71%
Estimate of Market Demand	28,410,330	37,197,030	34,756,280	36,220,730
Actual Demand	31,700,000	31,700,000	31,700,000	31,700,000
Estimate - Actual	-3,289,670	5,497,030	3,056,280	4,520,730
Percent Error (Error/Actual)	-10.4%	17.3%	9.6%	14.3%

Because Gross Domestic Product has a higher correlation with more expensive durables, illustrated below is an estimate of personal computer sales in 2012 for Brazil. Using this marketing analytic, the estimated level of PC usage in Brazil is 34.75 million as shown in Figure 12. The actual number of users is 31.7 million, about 9 percent below the estimate shown below.

### Brazil:

$$\begin{aligned}
 \text{PC Usage in Brazil (2012)} &= \% \text{ World GDP} \times \text{Worldwide PC Users} \\
 &= 3.55\% \times 976,294,229 \text{ (actual)} \\
 &= \mathbf{34.75 \text{ million (estimated vs. 31.7 million (actual))}}
 \end{aligned}$$

**International Market Potential:** Current market demand is just one aspect of assessing international market opportunities. While current demand is important, future demand potential is even more important. To gain insight into future market demand, we need a marketing analytic to estimate international market potential.

### **Market Potential China: Athletic Footwear (units)**

$$\begin{aligned}
 &= (\text{Maximum Consumers}) \times (\% \text{ That Could Buy if Price Affordable}) \times (\text{Purchase Rate}) \\
 &= (\text{Population}) \times (\% \text{ That Could Buy at } \$50) \times (\text{Purchase New Pair Every Other Year}) \\
 &= (1,350 \text{ million people}) \times (60\% \text{ Could buy at a price of } \$50) \times (50\% \text{ per year}) \\
 &= 1,350 \text{ million} \times 60\% \times 50\% \\
 &= \mathbf{405 \text{ million pairs of athletic shoes per year.}}
 \end{aligned}$$

In this example the buying unit is an individual and the maximum number of consumers is equal to the population of 1.35 billion for China. When one factors in poverty, age and affordable price to attract non-consumers to the market potential is reduced to 60 percent of the total population. In this example we used a price of \$50 per pair 60 percent of the market would become potential consumers. This is a manager estimate based on some understanding of this country market. The purchase rate is assumed to be one pair of athletic footwear every two years. Using these assumptions the market potential is estimated to be 405 million pairs of athletic shoes. We also estimated that this market would evolve to this potential by 2030. In dollars this estimated to be a \$20.25 billion market by 2030.

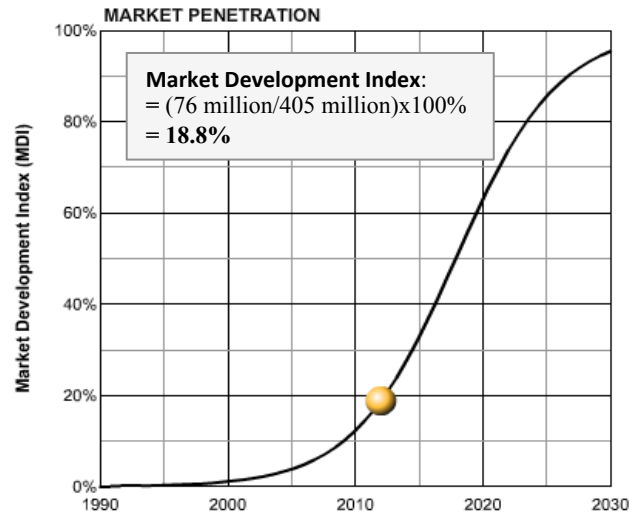
### **Market Potential China: Athletic Footwear (dollars)**

$$\begin{aligned}
 &= 405 \text{ million} \times \$50 \\
 &= \mathbf{\$20.25 \text{ billion}}
 \end{aligned}$$

**International Market Development Index:** By dividing the current market demand by the market potential we can create a Market Development Index. This is the percent of the market potential that is currently developed. In this example only 18.8 percent of the China market potential for this product category has been development, as illustrated in Figure 13.

**FIGURE 13: ESTIMATING INTERNATIONAL MOBILE PHONE DEMAND (Marketing Performance Tool IM.2)**

Product	Athletic Footwear
Geographic Scope ( Region, Country, City)	China
Scale (millions)	millions
Consumption Unit	Individuals
Maximum Number Buying Units	1350
Buying Ceiling (% of maximum buying units)	60%
Purchase Rate per Year	50%
Purchase Quantity per Purchase	1.0
<b>Market Potential (units)</b>	<b>405.0</b>
Affordable Price (Price achieve buying ceiling)	\$50
<b>Market Potential (\$)</b>	<b>\$20,250</b>
Current Demand (units)	76.0
Year Market Emerged in this market	1990
Year to Market Maturity	2030
<b>Market Development Index</b>	<b>18.8%</b>



This analysis provides three important international market insights: (1) how large the market is today (76 million), (2) what it could grow to (405 million by 2030, and (3) what percent of the market potential has been developed (18.8%). Any estimate is based on assumptions and estimates. One can vary these assumptions and estimates to see the degree they impact the estimated market potential, year to maturity and market development index. Summarized below are market factors that slow the development of markets to their full potential for international markets. Each of these are likely to come into play based on the degree to which the market is fully industrialized.

- **Price/Cost:** The product not affordable to most at current prices
- **Need:** Consumers do not feel a strong need for this product
- **Knowledge:** Potential consumers do not fully understand/comprehend product benefits
- **Benefits:** The product in its current form lacks desired consumer benefits
- **How to Use:** Consumers lack the skills to use this product
- **Ability to Use:** Lack the infrastructure (electricity, internet access, cell access, etc.) to use the product
- **Availability:** The product is not sold at points of purchase in this international market
- **Support:** The product is not supported with needed sales and consumer services.

### **BARRIERS TO INTERNATIONAL MARKET SUCCESS**

If your company's marketing efforts are constrained by keeping domestic and international marketing messages the same, the challenge of branding, pricing in international currency, foreign distribution channels and promotional advertising may not translate well.

**Language:** Does your brand name and advertising translate into meanings that could be embarrassing?

**Non-Verbal Language:** Are any cultural norms violated with respect to numbers, color, and symbols?

**Religion & Values:** Does your brand or advertising offend religious beliefs and/or cultural values?






**Political Stability:** The degree that a country is socially and economically stable.

**Laws & Regulations:** The degree that foreign business regulated and allowed to operate in a country.

**Market Infrastructure:** The degree roads, utilities, transportation, banking, media and retail are in place.

**Language:** The first step in entering an international market should be a thorough review of how your business's brand name and advertising translates in the language of this country. Translations can often lead to unintended meanings as illustrated below (15).

**FIGURE 14: NON-VERBAL CULTURAL MEANING OF COLOR AND NUMBERS**

Color	Country: Meaning	Country: Meaning	Number	Lucky	Unlucky
	<b>China:</b> Good Luck	<b>Europe:</b> Danger	4	Ireland	China, Japan, Korea
	<b>Middle East:</b> Luck	<b>Indonesian:</b> Forbidden Color	7	Western Cultures	China
	<b>Brazil:</b> Mourning	<b>Asia:</b> Symbol of Expense	8	China and Japan	
	<b>China:</b> Trust/High Quality	<b>Western:</b> Evil/Sexy	13		Western Cutlures
	<b>Japan:</b> Mourning	<b>Western:</b> Cleaniness/Purity	15	Spanish Languages	

- Colgate once marketed Cue toothpaste in France not knowing Cue was a well-known pornographic magazine.
- Clairol's Mist Stick translated in Germany to "manure," since "mist" in German means "manure."
- Italy's Traficant mineral water in Spanish translated to "trafficker", since "Traficant" means "trafficker."
- In China, Kentucky Fried Chicken's slogan "*Finger Lickin' Good*" translated to "*Eat Your Fingers Off*"
- Schweppes Tonic Water translated to *Schweppes Toilet Water* in Italian.

**Non-verbal Language:** Not all language is verbal. Every country has a non-verbal language with respect to the meaning of color, numbers, symbols and gestures. These are equally important as understanding language translations that may diminish the brand reputation and marketing effort.

Colors play an important role in every culture (16), as shown in Figure 14. In western cultures green is considered a more positive color. American retailers have leveraged the environmental movement to sell eco-friendly goods, often using green-themed packaging or ad campaigns to indicate a product's compliance with "green" standards. This is not true in China and France, where studies have indicated that green is not a good choice for packaging. Blue is often considered to be the "safest" global color, as it can represent anything from immortality and freedom to cleanliness.

Numbers also have different meanings across different cultures (17). Many hotels in the U.S. or UK do not have a room 13 or a 13th floor. Similarly, Nippon Airways in Japan does not have the seat numbers 4 or 9. If there are numbers with negative connotations abroad, presenting, packaging, or pricing products with those numbers should be avoided.

Hand gestures are another way of communicating, but the meaning of a hand gesture can have different meanings in different cultures (18). For example, former President George H. W. Bush used a peace sign in waving to a crowd in a visit to Australia. Instead of his palm facing outwards, it faced inwards. The meaning of this hand gesture in Australia was similar to the meaning of the middle finger in Western culture. The O.K. gesture generally means that everything is good, well, or O.K. However, in Latin America and France it is considered as an insulting sign as it is thought to mean 'your anus.' In Australia, it means zero and in Turkey, giving someone the O.K. sign implies that they are homosexual.

**Religion & Values:** Many religions of the world have important teachings around food, alcohol, and nudity. Religious holidays and seasons are equally important and need to be considered when planning marketing promotions. Many cultural values are derived from country religions and unique cultural behaviors. For example the religious beliefs below play a large role in shaping country behaviors and attitudes with respect to food and beverages.

<b>Buddhism:</b>	Refrain from meat, vegetarian diet is desirable, moderation in all foods
<b>Eastern Orthodox:</b>	Restrictions on meat and fish, fasting on religious holy day
<b>Hinduism:</b>	Beef is prohibited, all other meat and fish restricted or avoided, alcohol avoided
<b>Islam:</b>	Pork and certain birds prohibited, alcohol prohibited, coffee, teas, stimulants avoided
<b>Judaism:</b>	Pork and shellfish prohibited, meat and dairy at same meal prohibited



FIGURE 15: STARBUCKS LOGO ADAPTATION BASED ON RELIGIOUS AND CULTURAL VALUES



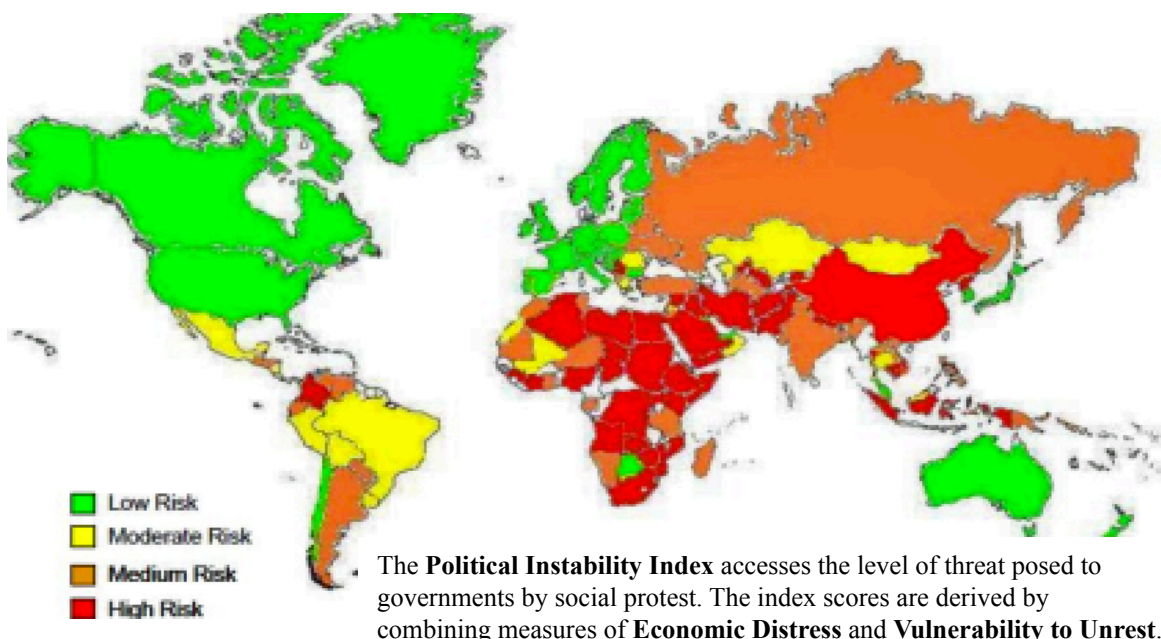
<b>Mormonism:</b>	Alcohol and beverages containing caffeine prohibited
<b>Protestantism:</b>	Few restrictions of food or fasting observations, moderation in eating and drinking
<b>Rastafarianism:</b>	Meat & fish restricted, vegetarian diets only, alcohol, coffee, soft drinks prohibited
<b>Roman Catholicism:</b>	Meat restricted on certain days, fasting practiced
<b>Seventh-day Adventist:</b>	Pork prohibited and meat and fish avoided, alcohol, coffee, and tea prohibited

Attitudes towards materialism, sexuality, competition, family and work vary by country and culture. For example, Starbucks modified its corporate logo as shown in Figure 15 because they felt the siren was morally inappropriate in Saudi Arabia. The following quote more fully exemplifies Starbucks respect for country culture and traditions:

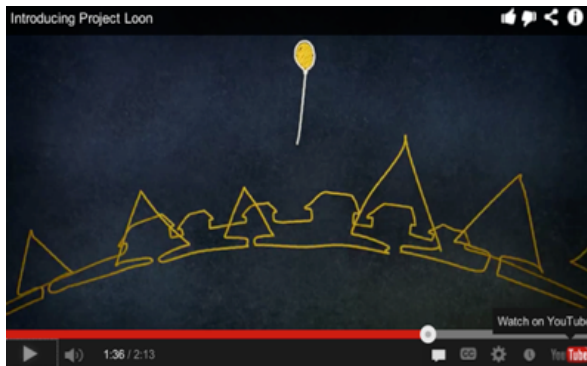
*“We remain highly respectful of the culture and traditions of the countries in which we do business. We recognize that our success is not an entitlement, and we must continue to earn the trust and respect of customers every day.”* - Howard Schultz, Chairman, Starbucks

**Political Instability:** A key factor in selecting an international market is the political stability of the country market. The Middle East is clearly a place with high political turmoil and often hostile attitudes toward many foreign countries and companies. “Political Instability” can be measured using a measure of Underlying Vulnerability to Unrest on a scale of a zero (none) to 100 (extreme) as shown in Figure 16.

FIGURE 16: POLITICAL INSTABILITY INDEX





**FIGURE 17: CHANGING THE INTERNET INFRASTRUCTURE WITH BALLOONS**

Marketing channels to worldwide markets are often limited by a country or region's infrastructure, roads, water, electricity, transportation, and retailing.

The Internet changes much of this as consumers can view products, consumer ratings, and buy products online. The Internet and social media have created an international marketing paradigm shift that is changing the landscape of international marketing.

**View Video:** [Introducing Project Loon](#)

This assesses the degree of political and social unrest and how it could potentially impact the stability of the political party in office. Economic Distress is measured the same way and assesses the stress under which the economy is operating.

In Figure 16, Low Risk scores include countries like Australia, Western Europe, Chile, Canada and the U.S. Moderate Risk countries include Mexico, Brazil, Peru and certain countries in Eastern Europe while Medium risk countries include Russia, Asian countries, Argentina and others. High Risk political instability are found primarily in Africa, the Middle East, lower Asian countries and others due to social and political unrest and economic distress. The higher the political risk associated with a country the higher the risk something will happen to disrupt foreign business operations in that country.

**Laws and Government Regulation:** Every country is going to have different laws and government regulations with respect to foreign businesses operating within their borders. Listed below are examples of laws and regulations that a business could potentially encounter as they enter into international markets.

<b>Import Duties:</b>	Fees and duties paid to do business in a country.
<b>Customs:</b>	Problems with a foreign customs office's documentation and requirements.
<b>Trade Barriers:</b>	Restrictions on the amount a foreign business can sell in a country.
<b>Advertising:</b>	Restrictions on what can be portrayed or claimed in advertising.
<b>Taxation:</b>	Various value-added taxes, sales taxes, employee taxes, and tax rates.
<b>Intellectual Property:</b>	Illegal infringement of patents, trademarks, or copyrights.
<b>Money Transfer:</b>	Restrictions on the transfer of money in and out of a country.
<b>Foreign Investment:</b>	Restrictions or regulations on foreign investments.

**Market Infrastructure:** The level of infrastructure development in an emerging market is another good indicator of market potential. When engaging in international operations, you will need to rely heavily on services provided in the local market. You are likely to rely heavily on transportation systems, communication systems and energy infrastructure to sell and distribute your products and services. It will be easier and more cost effective to work in countries that already have fully-developed and reliable infrastructures that include mobile devices and internet access. Underdeveloped market infrastructures only have basic utilities and services—that are often unreliable—which limits the ability to operate businesses profitably.

According to Google, in "more than half" of the countries in the southern hemisphere and for two out of three people on earth, internet access is far too expensive. In some countries only one out of a 1000

FIGURE 18: INTERNATIONAL MARKET ATTRACTIVENESS INDEX

INTERNATIONAL MARKET ATTRACTIVENESS INDEX		
COMPANY	Yum Brands	
PRODUCT:	Taco Bell	
COUNTRY/REGION:	Russia	
Market Attractiveness Factors	Importance	Rating (*)
<b>Market Factors</b>	<b>40%</b>	
Level of need, want or desire for your product at your price	0.20	40
Size of market opportunity that could buy your product	0.30	50
Market potential: non-buyers that could buy your product	0.15	80
Degree to which your product is affordable in this market	0.20	80
Degree your product offers performance not available in this market	0.15	80
	<b>1.00</b>	<b>63</b>
<b>Country Factors</b>	<b>60%</b>	
Degree to which foreign businesses can operate in this market	0.25	40
Political stability and attitudes toward your country of origin	0.25	60
Language and religious barriers that make success difficult	0.15	50
Cultural differences in values, attitudes, customs that cause failure	0.15	50
Degree to which a market infrastructure is in place	0.20	60
	<b>1.00</b>	<b>52.0</b>
<b>Market Attractiveness Score</b>		<b>56</b>

(\*) Rating can range from zero (disasterous) to 100 (excellent) where 50 is a neutral rating (not good or bad)

people can access the internet. In others it is one out of 10,000 people or there is no internet access at all. This is a market infrastructure issue that Google is addressing with an airborne wireless network they are deploying using 12-meter-tall, super-pressurized air balloons powered by the sun. The balloons drift along relatively slow air currents in the stratosphere and run off batteries at night, as shown in Figure 17 and the referenced video. Google has tested 30 balloons over New Zealand equipped to deliver 3G-like wireless speeds to ground antennas that in turn transmit the signal to wireless devices. The goal is to eventually keep a large fleet of balloons in the skies and change worldwide access with a new, but old infrastructure using balloons (20) According the Kerry Rice at Needham & Company, *"If you have the infrastructure in place, there are a lot of things you can do."*

**International Market Attractiveness Index:** Because there are a variety of considerations to take into account in making an international market entry decision, it is useful to create an overall international market attractiveness score. As shown in Figure 18, we started by creating two major categories. The first category is built around market opportunity considerations. The second category addresses the political, economic, and cultural environment. Each has ten sub-factors that are rated on a scale from zero (disastrous) to 100 (excellent). While a business may want to modify what is presented in Figure 18, the benefit is still an overall score and score for each core factor. If a business is looking at several international markets with resources limited to one new market per year, they could create the Market Attractiveness Portfolio below to prioritize the international markets under consideration.

In the example above, the overall market attractiveness for Taco Bell in Russia is 55, slightly above average of 50. The market factors had a score of 63 while the country factors was 50. The ultimate decision to enter Russia depends on the market and profit potential as well as other opportunities for

**FIGURE 19: APPLE IPAD CHINA MARKETING MIX**

international market investment. A Market Attractiveness Index could potentially be created for the top 5 international markets a company is considering to help prioritize them with respect to level of market attractiveness. In addition, this international marketing analytic highlights potential trouble spots (individual scores less than 50).

### INTERNATIONAL MARKETING MIX

The marketing mix (the 4 P's of marketing: product, price, placement, and promotion) is affected as a company transitions from a domestic to an international and finally to a global company. A global company like Coca Cola can create a single product but make adjustments to the formula (Coca Cola uses two basic formulas—one with sugar, one with corn syrup), product packaging (size, shape, or form) and country language in advertising that are country specific but retain consistent global positioning strategy.

Every country is unique in terms of culture, language, consumer demographics, needs and capability to buy. Each country market requires a separate analysis and the following considerations are a good place to start:

- What customer need does your product satisfy that competing products cannot address?
- What product performance and features are most important to consumers in this market?
- To what degree does the marketing mix need to be adapted to succeed in this market?

**Product Adaptation & Positioning:** Most products need some minimal level of adaption based on language, size, packaging, and/or infrastructure. As shown in Figure 19, the marketing mix for the iPad in China is not much different than the strategy used in U.S. market. Note that the hardware form factor and distribution are also similar. However, prices are adjusted based on currency exchange rates; software is customized for language and culture; and promotion is customized, as summarized in the positioning and marketing mix strategy below.

**Positioning:** The iPad in China has the same product benefits and user experience presented worldwide.

**Product:** The same hardware is used, with the exception of minor differences in cellular radios and power supplies. The Chinese version is, however, tailored for language and cultural differences.

**Price:** The prices of iPads in China are approximately 18% higher than in the U.S., although this is less than the price of iPads on the gray market, where they are as much as \$1,000.

**Promotion:** Ads are tailored to the Chinese target audience, language, and cultural norms.

**Place:** Apple store environments are similar, but managed and operated by Chinese employees.

**FIGURE 20: BRAND AND PRODUCT ADAPTION TO INTERNATIONAL MARKET PREFERENCES**

COUNTRY	BRAND	CUSTOM FLAVORS (in addition to classic)
Australia	SMITH'S	Vegemite (modeled after popular Australian bread spread)
Brazil	ELMA'S	Queij Coalho (traditional Brazilian cheese)
China	LAY'S	Numb & Spicy Hot Pot
India	LAY'S	Magic Masala (combination of Indian spicy, sour & hot tastes)
Mexico	SABRITAS	Abobadas
Russia	LAY'S	Red Caviar, Crab Flavored, Pickled Cucumber, Salted Cucumber
South Africa	LAY'S	Spring Onion & Cheese
Spain	LAY'S	Gambas Al Ajillo (pawns, garlic & chili flavor), Aresnans (olive flavor)
Thailand	LAU	Nori Seaweed, Hot & Spicy Crab, Hot & Chili Squid, Lobster Hot Plate
United Kingdom	WALKER'S	Worcester, Pickled Onion
United States	LAY'S	BBQ, Sour Cream & Onion, Salt & Vinegar and Cheddar & Sour Cream

This global strategy allows Apple to build a consistent worldwide product and image. Additionally, its cost of global marketing is lower than a marketing mix strategy that requires major modification. As shown below, 7-Eleven stores employ a similar strategy, simply adjusting the products carried based on country-specific food and beverage preferences. Coca Cola adapts its products in taste and packaging and McDonald's makes adjustments to their menus to serve local market needs. Banner Sun Potato Chips creates completely different brands and flavors for specific international market needs. Similarly, Pizza Hut employs a completely different positioning strategy in many of the international markets it serves.

Little or No Modification	Louis Vuitton	Apple iPad	Coca Cola	McDonald's	Banner Sun Potato Chips	Pizza Hut	Extensive Modification
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**Product Customization & Positioning:** Banner Sun Potato Chips' expansion into international markets has driven the success of PepsiCo's potato chip portfolio, with about 60 percent of "Banner Sun" sales coming from outside North America. The top 10 markets are: the United States, United Kingdom, Russia, Canada, Spain, Australia, China, Mexico, Netherlands and India. Global success of the "Banner Sun" potato chip brands have been driven by product customization around taste, brand name and packaging (as shown in Figure 20) and the following international marketing practices (22):

- **Custom Taste Products:** Tailor products to the taste preferences of country consumers, as shown in Figure 20.
- **Innovative Marketing:** The "*Do Us A Flavor*" campaign (in 30 countries) co-created products with country consumers using traditional and social media where consumers shared their ideas for new potato chip flavors.
- **Local Agriculture:** Banner Sun sources more than four million tons of potatoes a year for its products. The company works with local farmers to ensure consistent supply and quality.
- **Marketing System:** The parent company (Pepsi Cola) has a powerful go-to-market system operating that serves approximately 10 million outlets every week.

**FIGURE 21: PIZZA HUT MARKETING MIX IN CHINA**

[Video: Latest and Greatest Menu From Pizza Hut China - Amazing Selection](#)

Pizza Hut has a completely customized product line and product positioning in China, as presented below. Most Chinese consumers consider pizza to be upscale dining option (23). Pizza Hut was the first restaurant chain to introduce pizza and Western-style casual dining to China in 1990. Today, Pizza Hut is the number one casual dining brand in China with more than 700 restaurants in over 120 cities. Pizza Hut Casual Dining has an extensive menu offering a broad variety of pizzas, entrees, pasta, rice dishes, appetizers, beverages and desserts as shown in Figure 21.

Urban patrons are willing to pay U.S.-range prices for pizza if it is served in a well appointed, full-service setting. That is just what Pizza Hut has delivered in China – outlets designed and priced as mid-scale venues suitable for family gatherings and dates. Pizza Hut also offers pizzas with toppings such as corn, crab, shrimp and Chinese pickles—as well as a wide range of pizza alternatives—enhancing its appeal to a wider audience.

- **Positioning Strategy:** An upscale restaurant appropriate for many occasions, from family gatherings to dates.
- **Product:** Pizzas with toppings such as corn, crab, shrimp and Chinese pickles—as well as a wide range of pizza alternatives—enhancing its appeal to a wider audience. They also offer three-course gourmet meals at a premium price point. You can find a variety seafood (including: oysters, snails, and shrimp), salads, soups, steaks, pizza (of course), and desserts on the menu.
- **Price:** Urban consumers are willing to pay U.S.-range prices for pizza if it is served in a well appointed, full-service setting.
- **Promotion:** Upscale casual family dining experience and a place where couples meet for a date.
- **Place:** There are 700 Pizza Hut locations—many open 24 hours—with home delivery by bicycle.

**FIGURE 22: WORLDWIDE IPAD PRICES**

Country	Price	Country	Price	Country	Price	Country	Price	Country	Price
Malaysia	\$392	Indonesia	\$436	Philippines	\$462	Ireland	\$505	Denmark	\$511
Hong Kong	\$398	Vietnam	\$437	New Zealand	\$475	Portugal	\$505	France	\$518
USA	\$399	Japan	\$438	China	\$480	Finland	\$505	Poland	\$518
Canada	\$399	Thailand	\$441	Luxembourg	\$480	Spain	\$505	Norway	\$520
Taiwan	\$432	Australia	\$447	Czech Republic	\$501	Italy	\$505	UK	\$522
Singapore	\$433	Switzerland	\$452	Belgium	\$505	Netherlands	\$505	Hungary	\$533
UAE	\$438	South Korea	\$459	Germany	\$505	Austria	\$505	Brazil	\$634

**Note:** Based 2012 Apple online prices including sales and value-added for all countries but U.S. and Canada. U.S. sales taxes vary from zero just over 9 percent and up to 15 percent on some Canadian provinces (21).

### INTERNATIONAL PRICING STRATEGIES

Pricing will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of raw materials, cost of delivery (transportation, tariffs, etc.), and much more. Additionally, the product's position relative to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice; the economical, low-cost choice; or something mid-range helps determine the price point. Shown below is a list of pricing issues that have to be addressed in developing a country pricing strategy that satisfies customer needs, the competitive landscape and government regulations.

- At what price is your product affordable and will sell in this international market?
- Is this price an attractive value given the product-performance of competing products?
- Is the market demand in this international market elastic or inelastic?

There are many factors that come into play in the price of a product in a given country. In Figure 22, we can see the price of an Apple iPad 2 (16 GB Wi-Fi) across 35 countries. U.S. and Canada prices are presented without sales tax, while others include sales tax and value-added tax when applicable. As a result, the iPad 2 is more expensive in Europe and is very expensive in Brazil. In this example, the prices were based on a direct sales via an online purchase. Products that are produced in one country and exported to another may incur additional export and import duties, transportation expenses, in addition to the cost of wholesalers and retailers.

**INTERNATIONAL COST-BASED PRICING:** In most instances businesses use cost-based pricing to achieve desired margins for their products. Using cost-based pricing, each channel participant marks up their cost to a price that provides a desired profit margin (24). Case I in Figure 23 illustrates the cost-based pricing of a running shoe that is sold in a domestic market. Here the manufacturer sells to wholesalers at \$30, who markup the price 25 percent and sell the shoes to retailers for \$37.50. Retailers markup the price an additional 67 percent and sell the shoes to consumers for \$62.63.

Case II illustrates how cost-based pricing escalates the consumer price in a foreign market due to added channels costs and import tariffs. Typically, importers and exporters take a 10-15 percent markup over the cost. In Case II, shipping includes transportation expenses of 20 percent, import tariffs of 20 percent and importer costs of 15 percent. Now the price to wholesalers is \$51.75. The same wholesale and retail markups are applied to arrive at a consumer price of \$108.03, 50 percent higher than the domestic price.

In Case III, the foreign market has the same transportation expenses and import tariff, but requires an importer at an additional cost of 15 percent after all expenses including the import tariff. This pushes the wholesale price up to \$64.69 and retail price to consumers to \$108.03, 72.5 percent higher than the domestic price. Finally, in Case IV, a value-added tax of 15 percent was added to the Case III cost-based



**FIGURE 23: COST-BASED INTERNATIONAL PRICING**

Cost-Based Pricing Running Shoe	Metric	Case I	Case II	Case III	Case IV
		Domestic Market	Import Tariff Added	Import Tariff & Importer Added	Import Tariff Importer & VAT
Manufacturer Cost		\$15.00	\$15.00	\$15.00	\$15.00
Manufacturers' Margin	50%	\$15.00	\$15.00	\$15.00	\$15.00
<b>Manufacturer's Price</b>		<b>\$30.00</b>	<b>\$30.00</b>	<b>\$30.00</b>	<b>\$30.00</b>
Insurance & Shipping (% CIF)	25.0%		\$7.50	\$7.50	\$7.50
<b>Landed Cost (CIF Value)</b>			<b>\$37.50</b>	<b>\$37.50</b>	<b>\$37.50</b>
Tariff (% on CIF Value)	20.0%		\$7.50	\$7.50	\$7.50
<b>Importers Cost (CIF)</b>				<b>\$45.00</b>	<b>\$45.00</b>
Importers Margin (% markup on cost)	15.0%			\$6.75	\$6.75
Value Added Tax (% on cost plus margin)	15.0%				\$7.76
<b>Importer Price (Wholesaler's Cost)</b>		<b>\$30.00</b>	<b>\$45.00</b>	<b>\$51.75</b>	<b>\$59.51</b>
Wholesaler Margin (25 markup on cost)	25.0%	\$7.50	\$11.25	\$12.94	\$14.88
Value Added Tax on Wholesaler Margin (%)	15.0%				\$2.23
<b>Retailers Cost</b>		<b>\$37.50</b>	<b>\$56.25</b>	<b>\$64.69</b>	<b>\$76.62</b>
Retailer Margin (% markup on cost)	67.0%	\$25.13	\$37.69	\$43.34	\$51.34
Value Added Tax on Retailer Margin (%)	15.0%				\$7.70
<b>Consumer Price</b>		<b>\$62.63</b>	<b>\$93.94</b>	<b>\$108.03</b>	<b>\$135.66</b>
<b>Percent Over Domestic Price</b>		<b>0.0%</b>	<b>50.0%</b>	<b>72.5%</b>	<b>116.6%</b>

pricing approach. A value-added tax is paid based on wholesale and retail prices. The net result is a consumer price of \$135.66, a full 116.6 percent higher than the domestic price.

While the imported product may have some value-added features desired by foreign consumers, the higher price is simply going to prevent some potential consumers from buying. This is particularly true in Case IV, where the consumer price is more than double the domestic country price. But is cost-based pricing for Case IV the best approach to international pricing?

**INTERNATIONAL MARKET-BASED PRICING:** Market-based pricing starts with knowing the consumer and how much they are willing to pay for this pair of running shoes. Consumers in a foreign market may be willing to pay more for the company's running shoes because of their performance, quality, style (fashion), and brand reputation. But in all cases the price that a consumer would pay for the company's product has nothing to do with their cost, desired margins or the margins, fees and taxes applied.

Figure 24 shows how market-based pricing could be applied to Case IV. Market-Based Pricing starts with a simply question: "***What is the most would you pay for this company's running shoes?***" In this example, a sample of 100 potential buyers (only 20% of the market demand) was asked this question. Ten potential buyers would pay as much as \$140 and 7 more would buy at \$130. As shown in the graph above, seventy-five consumers would buy at a price point of \$70 or higher. The remaining 25 would not buy this product at a price of \$70 or higher.

For each price level shown, the market-based pricing starts with that consumer price and works backward up the channel deducting margins, fees, taxes and expenses required by the channel at that consumer price. At a consumer price of \$135 we would get the same manufacturer price and margin shown in Figure 24. However, at this price level we would not sell many running shoes in the Case IV market. At a consumer price of \$110 we achieve the best combination of price, margin, and volume to produce the highest gross profit. At this consumer price the manufacturer price is derived to be \$24.33, yielding a margin of 38.3 percent. While this margin is lower than the desired 50 percent margin, this market-based price yields the highest level of profits. What is more important? Sales, market share, percent margin or profitability? We cannot change the channel costs associated with Case IV, but we can change the consumer price to yield a higher level of profits.

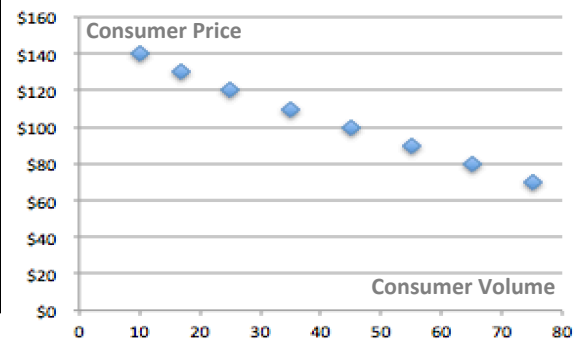
**FIGURE 24: MARKET-BASED INTERNATIONAL PRICING**

Market-Based Pricing Running Shoe	Metric	Case IV (a)
Manufacturer Cost		\$15.00
Manufacturer Margin	38.3%	\$9.33
<b>Manufacturer Price</b>		<b>\$24.33</b>
Insurance & Shipping: 25% (CIF)	25.0%	\$2.50
<b>Landed Cost (CIF Value)</b>		<b>\$30.41</b>
Tariff (20% on CIF Value)	20.0%	\$6.08
<b>Importers Cost (CIF)</b>		<b>36.49</b>
Importers Margin (15% on cost)	15.0%	\$5.47
Value Added Tax (15% on cost plus margin)	15.0%	\$6.29
<b>Importer Price (Wholesaler Cost)</b>		<b>48.26</b>
Wholesaler Margin (25% on cost)	25.0%	\$16.08
Value Added Tax On Wholesalers Margin (15%)	15.0%	\$2.41
<b>Retailers Cost</b>		<b>62.13</b>
Retailer Margin (67% on cost)	67.0%	\$31.06
Value Added Tax on Retailer Margin (15%)	15.0%	\$4.66
<b>Consumer Price</b>		<b>\$110.00</b>

(a) Importer, Import Tariff &amp; Value-Added Tax

Consumer Price	Consumer Volume (1)	Company Price	Company Sales	Company Margin	Gross Profit
\$140	10	\$30.96	\$310	51.6%	\$160
\$130	17	\$28.75	\$489	47.8%	\$234
\$120	25	\$26.54	\$664	43.5%	\$289
<b>\$110</b>	<b>35</b>	<b>\$24.33</b>	<b>\$852</b>	<b>38.3%</b>	<b>\$327</b>
\$100	45	\$22.11	\$995	32.2%	\$320
\$90	55	\$19.90	\$1,095	24.6%	\$270
\$80	65	\$17.68	\$1,149	15.2%	\$174
\$70	75	\$15.48	\$1,161	3.1%	\$36

(1) Price at which 100 potential consumers would buy this running shoe  
25% of potential consumers would not buy at a price of \$70 or higher



**Transfer Pricing:** Pricing products for sale in foreign markets takes on another twist when a manufacturer has operations in the foreign market. For example, a piece of construction equipment made in one country but sold in another could be priced differently to take advantage of different tax structures to achieve a higher after-tax profit.

The construction equipment made in the domestic company costs \$6000. If the company marked the equipment up to \$9000 and sold it to their foreign operation at this price, they would have a \$3000 profit. The product is then sold by the foreign operations for \$10,000 with \$1000 in sales and administration expense. The corporate tax rate in the domestic country is 35 percent, while the tax rate is 15 percent in the foreign country. Under this pricing model (transfer price at sales price) the company would pay \$1050 in domestic taxes and the foreign operation would pay no taxes as shown in the left table in Figure 25. The net result is an after-tax company profit of \$1950.

Alternatively, if the domestic company transfers the equipment at cost (\$6000) to the foreign operation, there would be no domestic tax paid as shown in the right table in Figure 25. The foreign operation would

**FIGURE 25: TRANSFER PRICING****Transfer Price at Sales Price**

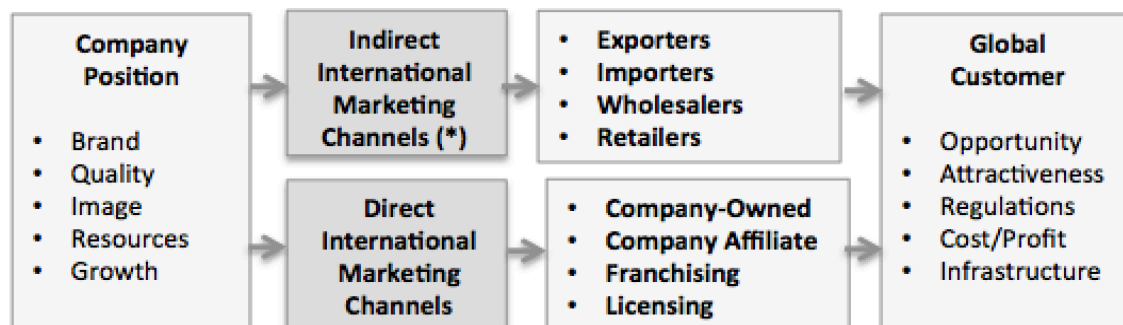
Domestic Company	Dollars	Foreign Operations	Dollars
Sale Price	\$9,000	Sale Price	\$10,000
Cost to Manufacture	(\$6,000)	Cost of Goods	(\$9,000)
		Sales Expenses	(\$1,000)
<b>Net Profit</b>	<b>\$3,000</b>	<b>Net Profit</b>	<b>\$0</b>
Tax Rate	35%	Tax Rate	20%
Tax Paid	\$1,050	Tax Paid	\$0
<b>Net Profit after Tax</b>	<b>\$1,950</b>	<b>Net Profit after Tax</b>	<b>\$0</b>

**Transfer Price at Cost**

Domestic Company	Dollars	Foreign Operations	Dollars
Sale Price	\$6,000	Sale Price	\$10,000
Cost to Manufacture	(\$6,000)	Cost of Goods	(\$6,000)
		Sales Expenses	(\$1,000)
<b>Net Profit</b>	<b>\$0</b>	<b>Net Profit</b>	<b>\$3,000</b>
Tax Rate	35%	Tax Rate	20%
Tax Paid	\$0	Tax Paid	\$600
<b>Net Profit after Tax</b>	<b>\$0</b>	<b>Net Profit after Tax</b>	<b>\$2,400</b>



FIGURE 26: INTERNATIONAL MARKETING CHANNELS



(\*) Indirect international marketing channels rely on terms of sale to designate responsibilities for transportation, insurance, loading and unloading product shipments. These are presented in Appendix B.

pay \$6000 for the equipment, add \$1000 in expenses and have a taxable profit of \$3000. At their tax rate of 20 percent the corporate profit after is \$2400, 52.6 percent higher. Because of different country tax rates on company profits, companies use transfer pricing to improve profits and shareholder value.

### INTERNATIONAL CHANNEL STRATEGIES

Product distribution methods are also a country-by-country decision influenced by how the competition is offering their product to the target market. Place decisions must also consider the product's position in the marketplace. For example, a high-end product would not sell well through a "dollar store" in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique. The following questions need to be addressed to get started in selecting the right international channel strategy:

- What channels of distribution are available in this international market?
- Which channels are best in reaching target customers in this market?
- What are the channel requirements for transportation, channel markups, tariffs, etc.?

A company wanting to market internationally has two choices in selling their products or services in foreign market. As shown in figure 26, they can either use an indirect or direct marketing strategy. In Figure 23 we examined the three indirect international marketing channels. Each used wholesalers and retailers but were differed with respect to importers, import tariffs, and value-added taxes. The net result was a range of costs that impact consumer prices in an international market. Let's first examine indirect marketing channels.

**INDIRECT INTERNATIONAL MARKETING CHANNELS:** Many products such as athletic shoes, golf clubs, consumer electronics, wine and household products are made in different parts of the world for different reasons. Russian vodka, French wine, and Italian shoes are made in countries known for these products—while consumer electronics, athletic shoes and golf clubs are made in countries with low labor and material costs. In either case, products created in international markets need to be exported, transported, distributed and sold in the various international markets served.

- **Export/Import Agents:** Export and import agents assist companies in transporting and sometimes selling products in a foreign country. In Figure 1, it was noted that Nike does not use export or import agents as it handles this aspect of distribution internally. A less experienced, less resourced company may use an exporter to assist them with export requirements, transportation, and insurance to a foreign destination. An import agent may be necessary when a company is less familiar with import paper and customs regulations. Without an import agent a company's products could get stuck in customs. Export/import agents charge a 10 to 15 percent commission on the price of the product. If a manufacturer charges \$20 per unit for its product, the export/import agent would mark it up to \$22 to \$23 per unit.

FIGURE 27: YUM BRANDS CHANNEL STRATEGY

Domestic/International	Company	Franchised	Licensed	Affiliates	Total
<b>United States</b>					
KFC	237	4319	62	0	4618
Pizza Hut	452	5757	1547	0	7756
Taco Bell	1044	4218	433	0	5695
<b>Total US</b>	<b>1733</b>	<b>14294</b>	<b>2042</b>	<b>0</b>	<b>18069</b>
<b>International</b>					
KFC	4422	8460	38	660	13580
Pizza Hut	1205	5343	53	0	6601
Taco Bell	3	247	35	0	285
Other	215	264	0	0	479
<b>Total International</b>	<b>5845</b>	<b>14314</b>	<b>126</b>	<b>660</b>	<b>20945</b>
<b>Company Total</b>	<b>7578</b>	<b>28,608</b>	<b>2,168</b>	<b>660</b>	<b>39014</b>
<b>Percent Total</b>	<b>19.4%</b>	<b>73.3%</b>	<b>5.6%</b>	<b>1.7%</b>	<b>100.0%</b>

Prices also vary based on the international terms of sale. These terms and definitions are presented in Appendix C.

- **International Wholesaler:** Once a product lands in a foreign market it needs to be moved, stored, and sorted into order quantities desired by buyers. Depending on product requirements, shipping, and inventory requirements, wholesalers' can markup the price by 15 to 33 percent.
- **International Retailers:** Every country will have a slightly different retail market. In Japan there are many middlemen and retailers that are protected from large retailers that could force them out of the market with lower prices. In other markets, hyper-retailers like Carrefour, Wal-Mart, and Costco are important points of retail sale to reach the consumer market. Again, depending on the type of product, inventory requirements and turnover, retailers will markup their cost by 33 to 100 percent. Typically, more fashion-oriented products are marked up 100 percent, while more price-competitive products like consumer electronics may be marked up 33 percent. While there are many combinations of international channel partners, Figure 23 illustrates how the consumer price of a product escalates as more channel partners are added to the indirect international marketing channel.

**DIRECT INTERNATIONAL MARKETING CHANNELS:** Because of the high cost of international marketing channels, many multi-national companies pursue a direct marketing strategy by setting up operations in the countries they serve. For example, there is no reason for Coca-Cola to manufacture, package, and ship their products around the world. It is much more cost-effective to establish company-owned or affiliate partners to produce Coca-Cola products in local markets. There are four basic options for direct international marketing. As shown in Figure 27, Yum Brands uses all four options in their global marketing of Kentucky Fried Chicken, Pizza Hut and Taco Bell. Each direct international marketing channel option is discussed below.

- **Company-owned:** As shown in Figure 27, roughly 19 percent of Yum's 39,014 worldwide locations are company-owned. 76 percent of the company-owned locations are international and 60 percent of all company-owned locations are in China. A company-owned location requires more investment but provides more control over operations. For Pizza Hut, the complete marketing mix is different in China and this allows Yum Brands to better control the desired customer experience as presented in Figure 21.
- **International franchising:** This is a strategic way to reduce dependence on domestic demand—it has driven roughly 400 U.S. companies to build franchises in international markets. These are just a few examples. *7-Eleven* has more than 50,000 international locations; *McDonalds* has over 30,000 locations;

**FIGURE 28: 7-ELEVEN'S 42,799 LICENSED LOCATIONS BY COUNTRY**

Country	Locations	Country	Locations	Country	Locations	Country	Locations
Australia	598	Hong Kong	955	Mexico	1,552	South Korea	7,064
Canada	484	Indonesia	128	Norway	158	Sweden	189
China	970	Japan	15,504	Philippines	893	Taiwan	4,867
Denmark	195	Malaysia	1,472	Singapore	560	Thailand	7,210

and *Curves*, a fitness for women exercise studio, has more than 2,000 international locations. For Yum Brands, 73.3 percent of its 39,014 locations around the world are franchised businesses and just over 5 percent of these are international franchises, as shown in Figure 27. The franchise is an alternative to building store locations to sell products and services that reduces the risk of the major investment and liability involved in a company-owned location. The franchisor's success depends on the success of the franchisee as the franchisee pays an lump sum franchise fee to initiate the franchise agreement and then average fee of 6.7 percent of gross sales along with an additional average marketing fee of 2 percent of sales.

- **International Licensing:** Licensing offers another way to penetrate a foreign market. Licensing is a contractual arrangement whereby the firm—the licensor—offers proprietary assets to a foreign company, the licensee, in exchange for royalty fees. These fees vary but are considerably less than Franchise fees. Let's say you are unable to export to an overseas market due to complex rules and regulations or because the cost is too high. A company can grant a license to a foreign company to manufacture and sell a product in return for a royalty payment. This can also include the licensing of trade names.

For example, a U.S. specialty steel company makes propriety wear parts for construction and mining equipment. Because the parts are very heavy, transporting them internationally is too expensive. Licensing their propriety technology and name to specialty steel producers in other countries allows them to serve foreign markets and earn profit based on the royalties they receive. 7-Eleven's parent company, Seven-Eleven Japan, has over 50,000 locations worldwide with 42,799 international licensees in the 16 countries (26) as shown in Figure 28. The other locations are company-owned, franchised or company affiliates. There is no doubt that international licensing is a major part of 7-Eleven's global marketing strategy.

- **Company Affiliates:** This is an intercompany relationship in which companies share resources, skills, technology and ownership. Company affiliates are often created with subsidiary companies and joint ventures as described below:
  - **Subsidiary:** This is a company that is completely or partly owned by another company with the subsidiary having more than half of its stock owned by another company. Subsidiaries are common in multinational companies such as IBM, Xerox, Time-Warner, Citigroup, Berkshire Hathaway and many others. Subsidiaries are treated as investments in terms of their performance, as sales and profits are not reported as part of the company's performance.
  - **Joint Ventures:** offer another option for a company affiliation. These are strategic alliances that provide companies the opportunity to obtain new capacity or expertise, in order to enter into a related business or new geographic markets. SNECMA (a French company) and **General Electric** (a U.S. company) created a international joint venture in 1974—CFM International—beginning a long-term relationship to build and test jet engines. This JV provides technology, shared expenses, and better market access for the sale of jet engines to U.S. and European jet makers.

**COUNTERTRADE:** Countertrade—also called bilateral trade—occurs when countries lack sufficient hard currency or when other types of market trade are not possible. **Countertrade** means exchanging goods or services which are paid for—in whole or part—with other goods or services, rather than with money of

equal value. A monetary valuation can, however, be used in countertrade for accounting purposes. More than 80 countries regularly use or require countertrade exchanges. It is estimated that as much as 25 percent of the world trade occurs with countertrade. The major forms of countertrade are described below:

- **Barter:** The direct exchange of goods between two parties without the use of money. The exports are paid for with goods or services supplied from the importing market. Bartered goods can range from hams to iron pellets, mineral water, vodka, furniture or olive-oil.
- **Switch Trading:** A company sells to another its obligation to make a purchase in a given country.
- **Counter Purchase:** The sale of goods and services where the company promises to make a future purchase of a specific product from the same company in that country.
- **Buyback:** occurs when a firm builds a plant in a country or supplies technology, equipment, training, or other services to the country and agrees to take a certain percentage of the plant's output as partial payment for the contract.
- **Offset:** An agreement that a company will offset a hard currency purchase of an unspecified product from that nation in the future. An agreement by one nation to buy a product from another, subject to the purchase of some or all of the components and raw materials from the buyer of the finished product, or the assembly of such product in the buyer nation.
- **Compensation Trade:** This is a form of barter in which one of the exchanges is partly in goods and partly in hard currency.

**Currency Exchange Risk:** There is a payment risk when receiving payments for goods from one country to another when the currency exchange rate fluctuates between countries. For example, if a country operating under the Euro buys \$1 million of goods in U.S. dollars when the Euro is valued at \$1.25 per Euro. However, 90 when payment is made 90 days later, the exchange rate has dropped to \$1.23 U.S.D per Euro. Now the company owes \$1,016,260, or \$16,260 more because of the devaluation of the Euro relative to the U.S. dollar. Of course, this could go the other way just as easily. To protect against currency exchange risk, companies will often pay a third party to guarantee a payment. Because payment periods can often extend way beyond 90 days, this is an important aspect of a payment strategy.

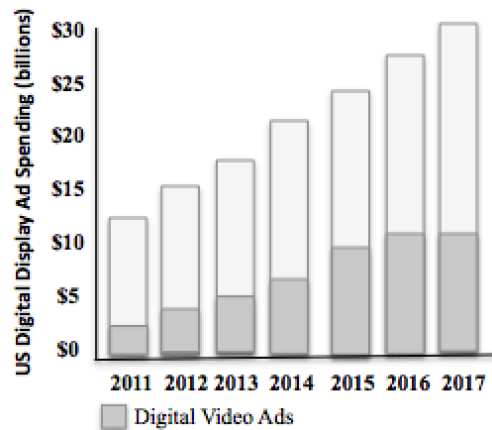
## INTERNATIONAL MARKETING COMMUNICATIONS

Global marketing communications strive to reduce costs, minimize redundancies, maximize implementation, and to speak with one voice. If the goal of a global company is to be able to communicate the same message worldwide, then that message can be delivered in a meaningful and cost-effective way. To accomplish this goal, either for a specific international market or globally across international markets, the questions below need to be addressed:

- What are the target customers' communications needs in this international market?
- How should the business's marketing messages be adapted for this international market?
- What media will work best in communicating to target customers in this international market?

As a global firm it is often impossible to communicate a standardized advertising message in different countries. Because of differences in language, cultural, and legal environments, each country requires a careful review of the company's marketing communications. For example, it is illegal to use any comparative advertising in Germany. Additionally, advertising on television is strictly controlled in many countries. In Kuwait, the government controlled TV network allows only 32 minutes of advertising per day and only in the evenings.

**Traditional Marketing Communications:** The traditional means of marketing communications differs by international market but generally includes print (magazine, newspaper), electronic (TV and radio), outdoor (billboards and event signage), and direct marketing. These traditional methods are static, one-way communications that are expensive, have declining reach, and are expensive to track. They will remain an important part of any company's country marketing communications, but the growing importance of digital marketing communications and social media has altered the traditional marketing mix.

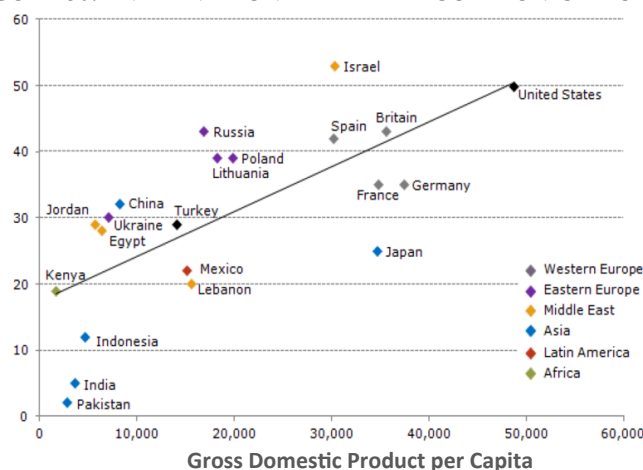
**FIGURE 29: INTERACTIVE DIGITAL VIDEO ADVERTISING**

- U.S. Digital Advertising is projected to grow from \$12 billion (2011) to \$30 billion (2017)
- Interactive Digital Video Ads accounted for 5.5 percent in 2011, 11 percent in 2012 and are projected to double again by 2014.
- Interactive Digital Video Ads will increasingly add to the consumer engagement in marketing communications.

**Digital Marketing Communications:** Digital marketing communications can reach consumers 24 hours a day. Digital marketing communications are dynamic, interactive communications that are less expensive, have increasing reach, and are relatively easy to track in terms of performance. U.S. digital advertising is projected to grow to \$30 billion per year by 2017, as shown in Figure 29 (27). Digital ad videos constituted roughly 20 percent of this total in 2011 and is projected to be 30 percent of the total of U.S. digital ad spending by 2017. Digital advertising also offers a variety viewer metrics that make real-time ad performance tracking easier and less expensive. Beyond free analytics tools, there are a variety of low-cost services that can provide much more in terms of viewer metrics and conversion to viewer actions and buying (28).

**Interactive Marketing Communications:** Digital marketing communications are customer-centric marketing communications designed to encourage deep customer engagement. Interactive video advertising emerged in 2011 and was estimated to be 11 percent of all U.S. digital advertising in 2012. For years, the term “interactive” has also been a synonym for online or digital. But these ads were mostly static display. Interactive video advertising is designed to create a two-way communication between advertisers and audiences.

With the advent of social media, increasing adoption of smartphones, and a developing multiscreen culture, we can expect digital marketing communications and interactive video ads to grow in usage. As shown in Figure 30, the percentage of the world utilizing social media is high and continues to grow (29). A

**FIGURE 30: INTERNATIONAL MARKET COMMUNICATIONS AND SOCIAL NETWORKING**

**FIGURE 31: INTERNATIONAL MARKET: PROFIT POTENTIAL AND RISK**

Year (millions)	1	2	3	4	5
Market Demand	76.0	80.9	86.2	91.8	97.8
Market Growth Rate	6.50%				
Market Share Objective	0.5%	1.0%	1.5%	2.0%	2.5%
Volume Sold	0.38	0.81	1.29	1.84	2.44
Average Consumer Price	\$80	\$80	\$80	\$80	\$80
Channel Expenses (% Price)	65.0%	65.0%	65.0%	65.0%	65.0%
Company Net Price	\$28	\$28	\$28	\$28	\$28
Sales	\$10.6	\$22.7	\$36.2	\$51.4	\$68.4
Cost per Unit	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Percent Gross Margin	43%	43%	43%	43%	43%
Gross Profit	\$4.6	\$9.7	\$15.5	\$22.0	\$29.3
Marketing & Sales Expenses (\$)	\$12.0	\$10.0	\$10.0	\$10.0	\$10.0
Marketing & Sales Expenses (% sales)	113%	44%	28%	19%	15%
<b>Net Marketing Contribution</b>	<b>(\$7.4)</b>	<b>(\$0.3)</b>	<b>\$5.5</b>	<b>\$12.0</b>	<b>\$19.3</b>
General Administration (5% sales)	\$0.5	\$1.1	\$1.8	\$2.6	\$3.4
<b>Operating Income</b>	<b>(\$8.0)</b>	<b>(\$1.4)</b>	<b>\$3.7</b>	<b>\$9.5</b>	<b>\$15.9</b>
Discount Rate	30%				
Present Value Factor	0.769	0.592	0.455	0.350	0.269
<b>Present Value</b>	<b>(\$6.13)</b>	<b>(\$0.84)</b>	<b>\$1.69</b>	<b>\$3.31</b>	<b>\$4.28</b>
<b>Profitability &amp; Risk Metrics</b>					
<b>Net Present Value</b>	<b>\$2.31</b>				
<b>Internal Rate of Return</b>	<b>43%</b>				
<b>Return on Sales</b>	<b>-75%</b>	<b>-6%</b>	<b>10%</b>	<b>18%</b>	<b>23%</b>
<b>Breakeven Market Share</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>1.1%</b>
<b>Marketing ROI</b>	<b>-62%</b>	<b>-3%</b>	<b>55%</b>	<b>120%</b>	<b>193%</b>

company's messages are now shared along with good and bad consumer experiences. This creates a global network of consumer communications that can accelerate or destroy a company's product-market campaign.

### THE PROFIT IMPACT OF AN INTERNATIONAL MARKETING STRATEGY

While the potential for sales growth is significant, so are the risks of losing money with entry into an international market. We have outlined many of the risks associated with international market failures. The costs and risk of failure are high, thus a careful analysis of risk and profit potential are an important and essential step in evaluating a international market opportunity.

To assess profit potential and risk we have elected to use the net present value of a five year flow on operating income. This has two important advantages. One, it allows us to look at sales and profits over a period of time. This is important when entering an international market, since it takes time to achieve a target level of foreign market penetration. Two, it allows us to select a discount rate for the operating income produced over time based on the risk associated with a particular foreign market. The higher the risk associated with a foreign market the higher the discount rate. To illustrate this marketing analytic we have created the example shown in Figure 31.

- **Market Demand & Market Growth:** In Figure 31 the market demand in year 1 is 76 million units. The market growth rate is estimated to be 6.5 percent over the next five years. This creates an estimated market demand of 97.8 million units in five years.

- **Product-Price Strategy & Share Objective:** Based on a target market for this product and its performance, perceived quality, brand image and price, the company estimates that it can attract 2.5 percent of the market in 5 years with an average consumer price of \$80. After deducting channel expenses of 67 percent, the company's net price is \$28. At this price the company would generate \$68.4 million in sales in 5 years.
- **Place-Promotion Strategies and Net Marketing Contribution:** At a price of \$28 and unit cost of \$16, the gross margin is 43 percent. This would produce a gross profit of \$29.3 million in 5 years. The marketing and sales expenses in year 1 are \$12 million and are then decreased to \$10 million per year through year 5 with a goal of 15 percent of sales by year 5. This results in a negative net marketing contribution (gross profit – marketing and sales expenses) in year 1, but grows to a net marketing contribution of \$19.3 million in year 5.
- **Profitability & Return Metrics:** Operating income is determined by the net marketing contribution minus the general administrative expenses. The general administrative expenses are estimated to be 5 percent of sales. The net result is an operating income of -\$8 million in year 1 and \$15.9 million in year 5. This is an estimated return on sales of 23 percent in year 5. The net present value of this 5 year income flow is based on a discount rate of 30 percent. The higher the risk the higher the discount rate. Because international marketing strategies are inherently very risky, a discount rate of 25 to 40 percent is recommended. In this example we used 30 percent. This produced a net present value of \$2.31 million as shown in Figure 31. The internal rate of return (NPV at \$0) is 43%.
- **Risk Metrics:** While these are good profitability metrics, breakeven market share is another important risk metric. Breakeven market share is the share need to achieve zero operating income. As shown in Figure 31, the breakeven market share 1.4 percent in year 1 and at a 1.1 percent share for each year over the five year period shown. In year 5 the target share is 1.4 percent over the breakeven market share. Another marketing performance metric is Marketing ROI (net marketing contribution divided by marketing & sales expenses). As shown the Marketing ROI starts out negative in year 1 and grows to 193% by year 5. If the company average Marketing ROI was 150%, then we could infer that this foreign market opportunity is more efficient in producing marketing profits than the average markets served by the company.

## INTERNATIONAL MARKETING AND SOCIAL RESPONSIBILITY

Business firms produce goods and services by utilizing scarce resources to satisfy customer needs. In their activities, companies should be innovative, cost effective, productive and effective (30). If they become successful, in the long run they should contribute positively to the societies' welfare objectives. It requires that companies should be sensitive for the expectations of customers with respect to the social issues and to the environment. For organizations to have social responsibility means an organization should concern for the people and environment in which it transacts business. To be competitive in the long run, companies should adopt strategic plans to optimize the objectives of all partners as stakeholders, management, workers, customers, society and all the humanity.

Both theory and recent research suggest that a corporation's socially responsible behavior can positively affect consumers' attitudes toward the corporation (31). Today, international companies donate millions of dollars to various nonprofit organizations through various initiatives including philanthropy, cause-related marketing, employee voluntarism, and other innovative and creative marketing programs. For example, Avon, a cosmetics company, has raised more than \$200 million for breast cancer education and early detection services through the Breast Cancer Awareness Crusade.

## □ SUMMARY

International marketing is an evolutionary process that moves a company from a domestic market focus to an international market focus. The move to engage in international marketing is motivated by the desire for growth, as well as a means to build a stronger level of competitiveness to compete in both domestic and international markets. This process tends to start regionally before expanding to a global marketing strategy.

The market demand and market potential of an international market are important considerations that drive the opportunity for growth. Clearly population and economic prosperity play a major role in shaping the market demand for an international market. In this chapter we have shown that country population as percent of the world population and percent of household expenditures are good predictors of market demand for products such as cars, televisions, mobile phones, internet and personal computers. Economic metrics such as percent of world gross domestic product and percent of world final consumption expenditures are also good predictors of international market demand. Economic metrics appear to be better predictors of market demand for more expensive products like cars and personal computers.

To estimate market demand we demonstrated how to use one of the four percent metrics presented and the worldwide market demand for a product. For mobile phones we used the percent population metric to estimate the market demand for 20 countries. As shown in Figure 11, this produced a .98 correlation between estimated and actual market demand for these 20 countries. To estimate a country's market potential is a bit more difficult and requires several assumptions and estimates. This international marketing analytic is presented in Figure 13 and demonstrated for athletic footwear in China. The Market Development Index for China (current market demand/market potential x 100%), based on an estimate market potential, was 18.8 percent. While there are potentially errors in our estimate of market potential, this level of market penetration suggests the opportunity for future growth is very good.

While the market demand and potential of an international market can be attractive, many companies fail to succeed in selected international markets because they did not take the time to learn the language, culture, and laws that regulate these markets. Language translation errors should not occur but are a potential source of failure for companies that don't take the time to thoroughly research language translations of brand names, slogans, and advertising content. Non-verbal language barriers are more subtle as they include the meaning of colors, numbers, symbols, and gestures that vary from country to country. Religion and values also vary by country. Any violation of religious teachings and fundamental cultural values are going to result in an international market failure. Political instability is also an important consideration. International markets with high levels of vulnerability, unrest, and economic distress are either to be avoided or carefully managed if selected for market entry. An Index of Political Instability is presented in Figure 16, including the number of countries in four categories of political instability. Finally, availability of market infrastructure such as water, electricity, and transportation need to be considered in selecting an international market. A International Market Attractiveness Index was presented in Figure 18. The factors and weighting can be changed as desired, but the usefulness of the index is the ability to benchmark several international markets using the same criteria.

Selecting an international market requires considerable work, but is an important first step in developing and implementing an international marketing mix strategy. Because each country is different, each requires careful consideration with respect to product, price, place and promotion. For products such as the iPad, only minor adaptations are needed. For others, such as Pizza Hut in China, the product is completely customized to consumers' tastes and food preferences. Most companies use cost-based international pricing which relies on desired margins, channel markups, fees and taxes. Cost-based pricing can result in a foreign consumer price that is more than 50 percent higher than the domestic price. Market-based international pricing requires customer input on price sensitivity. With this intelligence, companies can determine the combination of price and volume that works with required channel markups, fees and taxes to produce the highest level of profits. Another pricing issue of importance is transfer pricing. After-tax profits can be maximized by taking advantage of lower country tax rates using transfer pricing.



There are many factors to consider when making distribution decisions within international markets. Indirect international channels can involve many combinations of exporters, importers, wholesalers and retailers. Indirect channels are the only option for some products. For others, direct international channels such as company-owned operations, franchising, licensing and company affiliates such as subsidiaries or joint ventures are better options. Many companies, such as 7-Eleven and Yum Brands use a variety of direct channels. Another unique challenge of international channels can be getting the money you earned out of that market. When hard currencies and balance of trade become important, a company may have to resort to one of several countertrade strategies. An additional factor to consider is the exposure to currency exchange risk. This occurs when the currency of one country changes between the time a product is purchased and paid for. To avoid this risk, companies often pay a third party to guarantee a certain paid price despite currency fluctuations.

Of course, marketing communications in international markets present many unique challenges. Traditional marketing communications are static, non-interactive communications that are expensive and difficult to track with respect to performance. By contrast, digital marketing communications are dynamic, interactive, less expensive, and easier to track. This combined with the growing use of social media creates a new era for international marketing communications around the world with opportunities for consumers to engage in conversations and enhance customer engagement.

Finally, companies that are successful internationally have a social responsibility to contribute positively to the societies' welfare objectives. It requires that companies should be sensitive to the expectations of customers with respect to the social issues and to the environment. For organizations to have social responsibility means an organization should have concern for the people and environment in which it transacts business. Research has shown that a corporation's socially responsible behavior can positively affect consumers' attitudes toward the corporation.

#### ❏ MARKET-BASED STRATEGIC THINKING

1. What will worldwide car producers have to do to hold market share as the worldwide market for car ownership grows from 1.2 billion in 2012 to over 1.4 billion by 2020?
2. Why would a domestic company first enter an adjacent international market as their first step in international marketing?
3. Why would a company's variation in sales decrease as it adds international markets to its global portfolio of countries served?
4. Of the five products referred to in Figures 9 and 10, which are most likely to grow in worldwide market demand as the population increases from 7.2 billion in 2012 to 9.6 billion 2050?
5. How do you believe the world poverty rate will change as the world population grows from 7.2 billion in 2012 to 9.6 billion in 2050?
6. How would you estimate the market demand for media tablets in Spain in a year where the worldwide sales were 150 million units?
7. How would you estimate the market potential for media tablets in Spain? Which assumption or estimate is the most vulnerable to error?
8. How would you research language and non-verbal language for Brazil before entering that market with an energy drink?
9. Why is the market infrastructure of a country a potential barrier to success? What would be the impact on worldwide education and business if Google was successful with their balloon strategy?
10. Why does Yum Brands customize their Pizza Hut marketing mix strategy for China (see Figure 21)?
11. How can international cost-based pricing impact consumer prices when using an indirect international marketing channel and a company's decision to enter a specific foreign market?
15. How would you explain to a company CFO why a market-based pricing strategy with a lower price and low percent margin would produce a higher profit in a specific international market?

16. Why would a company employ transfer pricing to operations in Ireland where there is special rate of 10% for companies involved in manufacturing?
17. Why are service businesses more likely to use franchising and licensing in serving international markets?
18. Why would a country like Greece require countertrade?
19. How could Starbucks use digital marketing communications and social media in Japan?
20. Why is the Net Present Value presented in Figure 31 a preferred approach to estimating profits and assessing risk over other methods of assessing profit potential and risk?

## ❑ MARKETING PERFORMANCE TOOLS AND APPLICATION EXERCISES

The six interactive marketing performance tools and application exercises presented below will add to your understanding of the ways in which customer performance affects profitability. To access them, go to [www.rogerjbest.com](http://www.rogerjbest.com)

### **International Marketing Tool 1: Estimating Market Demand** (Figure 12)

- A. How would the estimated market usage change when worldwide PC usage reaches 1 billion users?
- B. B. Estimate PC usage for France using the four % Metrics for France in Chapter Appendix A.

### **International Marketing Tool 2: Estimating Market Potential** (Figure 13)

- A. How would market potential (units & dollars) and Market Development Index change if the Buying Ceiling was 40%?
- B. B. How would market potential (units & dollars) and Market Development Index change if the number if Maximum Buying Units were 1 billion (1000 in table)?

### **International Marketing Tool 3: International Market Attractiveness Index** (Figure 18)

- A. How would the Market Attractiveness Index change if the Political Stability rating dropped from 60 to 30? B. What would be the Market Attractiveness Index for Greece (using the same criteria and importance weights)?

### **International Marketing Tool 4: International Cost-Based Pricing** (Figure 23)

- A. How would the consumer price change the company used an export agent at 15% instead of company managed transportation at 25?
- B. How would consumer prices in the international market change if the company decided to take 40% margin on international sales instead of 50%? Why might this be a better strategy despite a lower percent profit margin?

### **International Marketing Tool 5: International Market-Based Pricing** (Figure 24)

- A. Using this marketing analytic how would the profit margin change if the import tariff dropped from 15% to 10%
- B. What would be the market-based price be different for International Market A and B given the differences in how a sample of 100 potential buyers responded to the same product at different prices?

**International Market A**

Price	\$140	\$130	\$120	\$110	\$90	\$80	\$70
Volume	10	17	25	35	45	65	75

**International Market B**

Price	\$140	\$130	\$120	\$110	\$90	\$80	\$70
Volume	10	17	25	35	45	65	75

### **International Marketing Tool 6: Profit Impact & Risk** (Figure 31)

- A. What this international market still be attractive from a profit and risk point of view if market growth dropped to 4.5% per year?
- B. How would the net present value change and risk be assessed if the company CFO required a 35 percent discount rate?

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**APPENDIX A: COUNTRY METRICS FOR ESTIMATING COUNTRY MARKET DEMAND**

Worldwide Metrics Country	Population	% Pop. World	Gross Domestic Product (\$)	% GDP World	Household Consumption (\$)	% House Cons.World	Final Consumption Expenditures	% Consumer Exp. World
Afghanistan	32,358,260	0.4798%	18,949,490,604	0.0272%	18,504,375,139	0.0458%	20,561,727,174	0.0390%
Albania	3,215,988	0.0477%	13,000,017,874	0.0187%	10,507,327,963	0.0260%	11,789,334,880	0.0224%
Algeria	35,980,193	0.5335%	198,734,645,388	0.2856%	70,542,330,360	0.1746%	103,439,351,982	0.1963%
Angola	19,618,432	0.2909%	104,331,681,610	0.1499%	37,032,203,675	0.0916%	62,161,934,876	0.1179%
Anguilla	15,645	0.0002%	287,989,500	0.0004%	227,775,433	0.0006%	278,605,063	0.0005%
Antigua and Barbuda	89,612	0.0013%	1,118,317,379	0.0016%	701,960,090	0.0017%	895,748,979	0.0017%
Argentina	40,764,561	0.6045%	448,165,348,300	0.6440%	252,807,077,350	0.6256%	320,678,487,686	0.6084%
Armenia	3,100,236	0.0460%	10,138,077,996	0.0146%	8,408,999,676	0.0208%	9,794,892,501	0.0186%
Aruba	108,141	0.0016%	2,676,806,208	0.0038%	1,576,151,294	0.0039%	2,283,373,341	0.0043%
Australia	22,605,732	0.3352%	1,515,467,526,495	2.1777%	822,068,335,105	2.0343%	1,089,718,514,709	2.0675%
Austria	8,413,429	0.1248%	418,030,500,912	0.6007%	227,448,424,376	0.5628%	306,129,865,453	0.5808%
Azerbaijan	9,306,023	0.1380%	63,403,650,746	0.0911%	24,800,098,211	0.0614%	30,848,701,893	0.0585%
Bahamas	347,176	0.0051%	7,787,513,813	0.0112%	5,503,364,024	0.0136%	6,669,994,083	0.0127%
Bahrain	1,323,535	0.0196%	25,825,265,957	0.0371%	9,588,140,043	0.0237%	12,867,999,681	0.0244%
Bangladesh	150,493,658	2.2316%	106,199,529,617	0.1526%	79,579,932,679	0.1969%	85,393,756,642	0.1620%
Barbados	273,925	0.0041%	4,312,800,000	0.0062%	3,203,950,000	0.0079%	4,032,700,000	0.0077%
Belarus	9,559,441	0.1418%	55,136,134,187	0.0792%	28,473,964,312	0.0705%	36,773,938,247	0.0698%
Belgium	10,754,056	0.1595%	514,122,053,248	0.7388%	270,646,247,488	0.6697%	395,889,372,561	0.7511%
Belize	317,928	0.0047%	1,474,000,000	0.0021%	905,653,254	0.0022%	1,155,941,855	0.0022%
Benin	9,099,922	0.1349%	7,294,900,246	0.0105%	5,519,417,568	0.0137%	6,403,469,942	0.0121%
Bermuda	65,077	0.0010%	5,972,748,987	0.0086%	4,429,338,653	0.0110%	5,617,909,506	0.0107%
Bhutan	738,267	0.0109%	1,724,522,426	0.0025%	743,245,964	0.0018%	1,099,866,184	0.0021%
Bolivia	10,088,108	0.1496%	23,948,670,609	0.0344%	14,595,807,232	0.0361%	17,897,236,528	0.0340%
Bosnia & Herzegovina	3,752,228	0.0556%	18,037,164,544	0.0259%	16,508,426,747	0.0409%	20,839,527,128	0.0395%
Botswana	2,030,738	0.0301%	17,327,641,644	0.0249%	7,954,288,405	0.0197%	11,462,693,290	0.0217%
Brazil	196,655,014	2.9161%	2,476,651,196,353	3.5589%	1,494,169,375,165	3.6974%	2,006,264,214,107	3.8065%
British Virgin Islands	23,478	0.0003%	916,000,000	0.0013%	321,000,000	0.0008%	399,000,000	0.0008%
Brunei Darussalam	405,938	0.0060%	16,359,636,692	0.0235%	3,250,622,209	0.0080%	6,086,271,370	0.0115%
Bulgaria	7,446,135	0.1104%	53,514,098,652	0.0769%	32,485,376,152	0.0804%	40,806,304,488	0.0774%
Burkina Faso	16,967,845	0.2516%	10,094,522,219	0.0145%	7,012,664,585	0.0174%	8,828,669,133	0.0168%
Burundi	8,575,172	0.1272%	2,339,813,413	0.0034%	1,973,164,651	0.0049%	2,788,823,607	0.0053%
Cambodia	14,305,183	0.2121%	12,829,541,141	0.0184%	10,630,521,219	0.0263%	11,402,784,952	0.0216%
Cameroon	20,030,362	0.2970%	26,410,480,367	0.0380%	19,293,058,669	0.0477%	22,473,045,217	0.0426%
Canada	34,349,561	0.5093%	1,736,868,814,787	2.4958%	993,020,234,808	2.4573%	1,364,488,247,894	2.5888%
Cape Verde	500,585	0.0074%	1,888,577,113	0.0027%	1,432,892,687	0.0035%	1,740,091,092	0.0033%
Cayman Islands	56,729	0.0008%	3,268,144,115	0.0047%	2,070,923,430	0.0051%	2,549,076,099	0.0048%
Central African Rep.	4,486,837	0.0665%	2,195,612,922	0.0032%	1,978,410,396	0.0049%	2,115,436,048	0.0040%
Chad	11,525,496	0.1709%	10,450,288,473	0.0150%	2,869,041,255	0.0071%	4,970,684,508	0.0094%
Chile	17,269,525	0.2561%	248,592,053,928	0.3572%	149,627,388,330	0.3703%	179,010,907,987	0.3396%
China	1,324,353,324	19.6381%	7,203,783,709,119	10.3516%	2,524,607,607,196	6.2473%	3,469,336,786,631	6.5823%
China: Hong Kong	7,122,187	0.1056%	243,301,772,867	0.3496%	158,511,433,710	0.3922%	178,729,573,484	0.3391%
China: Macao SAR	555,731	0.0082%	36,428,464,195	0.0523%	7,540,462,985	0.0187%	10,225,851,069	0.0194%
Colombia	46,927,125	0.6959%	333,184,810,858	0.4788%	205,539,682,482	0.5086%	258,870,073,159	0.4911%
Comoros	753,943	0.0112%	610,112,677	0.0009%	640,081,251	0.0016%	724,902,378	0.0014%
Congo	4,139,748	0.0614%	13,240,051,262	0.0190%	3,288,627,638	0.0081%	4,411,733,929	0.0084%
Cook Islands	20,414	0.0003%	275,140,681	0.0004%	129,437,831	0.0003%	218,332,186	0.0004%
Costa Rica	4,726,575	0.0701%	41,006,959,585	0.0589%	26,737,975,753	0.0662%	34,141,980,180	0.0648%
Côte d'Ivoire	20,152,894	0.2988%	24,101,518,058	0.0346%	15,127,141,630	0.0374%	18,169,607,453	0.0345%
Croatia	4,395,560	0.0652%	62,493,258,681	0.0898%	36,963,220,432	0.0915%	49,387,574,656	0.0937%
Cuba	11,253,665	0.1669%	68,714,904,330	0.0987%	33,778,203,566	0.0836%	59,798,547,313	0.1135%
Cyprus	818,834	0.0121%	24,993,589,620	0.0359%	16,624,637,048	0.0411%	21,636,041,333	0.0410%
Czech Republic	10,534,293	0.1562%	217,076,632,556	0.3119%	110,205,480,549	0.2727%	155,014,122,844	0.2941%
Dem. Rep. of Korea	24,466,431	0.3628%	12,384,542,599	0.0178%	10,364,596,673	0.0256%	13,037,495,971	0.0247%
Denmark	5,572,594	0.0826%	332,019,044,297	0.4771%	161,183,505,297	0.3989%	256,076,264,211	0.4858%
Djibouti	905,564	0.0134%	1,283,461,155	0.0018%	1,075,389,473	0.0027%	1,342,271,180	0.0025%
Dominica	67,675	0.0010%	495,500,000	0.0007%	392,060,749	0.0010%	477,824,510	0.0009%
Dominican Republic	10,056,181	0.1491%	55,433,308,587	0.0797%	48,000,894,028	0.1188%	52,080,599,515	0.0988%
Ecuador	14,666,055	0.2175%	66,381,346,154	0.0954%	42,023,279,961	0.1040%	49,738,380,903	0.0944%
Egypt	82,536,770	1.2239%	231,221,953,608	0.3323%	174,604,768,729	0.4321%	200,730,590,867	0.3808%
El Salvador	6,227,491	0.0923%	23,054,093,899	0.0331%	21,660,175,015	0.0536%	24,210,075,015	0.0459%
Equatorial Guinea	720,213	0.0107%	16,139,044,124	0.0232%	1,217,809,646	0.0030%	1,911,691,241	0.0036%
Eritrea	5,415,280	0.0803%	2,608,734,757	0.0037%	2,027,246,899	0.0050%	2,576,888,266	0.0049%
Estonia	1,340,537	0.0199%	22,174,521,924	0.0319%	11,330,727,181	0.0280%	15,659,114,615	0.0297%
Ethiopia	84,734,262	1.2565%	30,247,359,642	0.0435%	25,135,555,863	0.0622%	27,575,846,995	0.0523%
Fiji	868,406	0.0129%	3,812,749,216	0.0055%	3,063,003,685	0.0076%	3,535,717,476	0.0067%
Finland	5,384,770	0.0798%	263,246,843,684	0.3783%	146,203,144,375	0.3618%	210,120,103,025	0.3987%
France	65,089,013	0.9652%	2,775,517,548,503	3.9883%	1,600,399,293,984	3.9603%	2,280,655,672,936	4.3271%

## APPENDIX A: CONTINUED

Worldwide Metrics Country	Population	% Pop. World	Gross Domestic Product (\$)	% GDP World	Household Consumption (\$)	% House Cons. World	Final Consumption Expenditures	% Consumer Exp. World
French Polynesia	273,777	0.0041%	7,197,573,918	0.0103%	6,791,620,293	0.0168%	7,329,659,173	0.0139%
Gabon	1,534,262	0.0228%	24,145,681,640	0.0347%	5,298,363,037	0.0131%	10,659,629,199	0.0202%
Gambia	1,776,103	0.0263%	1,224,594,202	0.0018%	1,013,474,161	0.0025%	1,113,156,129	0.0021%
Georgia	4,329,026	0.0642%	14,366,566,609	0.0206%	10,653,488,633	0.0264%	13,280,561,705	0.0252%
Germany	82,162,512	1.2183%	3,604,060,701,569	5.1789%	2,068,046,340,853	5.1175%	2,762,793,473,779	5.2418%
Ghana	24,965,816	0.3702%	39,199,656,051	0.0563%	30,530,755,771	0.0756%	34,267,292,840	0.0650%
Greece	11,390,031	0.1689%	299,001,339,298	0.4297%	225,646,625,520	0.5584%	277,825,079,029	0.5271%
Greenland	57,296	0.0008%	2,439,363,946	0.0035%	1,214,338,317	0.0030%	2,537,911,699	0.0048%
Grenada	104,890	0.0016%	825,244,444	0.0012%	728,681,481	0.0018%	862,129,630	0.0016%
Guatemala	14,757,316	0.2188%	46,898,250,597	0.0674%	40,625,626,840	0.1005%	45,542,369,699	0.0864%
Guinea	10,221,808	0.1516%	5,558,329,699	0.0080%	2,864,721,957	0.0071%	3,727,716,964	0.0071%
Guinea-Bissau	1,547,061	0.0229%	913,701,469	0.0013%	779,720,576	0.0019%	865,723,320	0.0016%
Guyana	756,040	0.0112%	2,576,600,847	0.0037%	2,405,308,592	0.0060%	2,815,749,921	0.0053%
Haiti	10,123,787	0.1501%	6,731,496,604	0.0097%	8,290,496,273	0.0205%	8,878,133,804	0.0168%
Honduras	7,754,687	0.1150%	17,446,701,573	0.0251%	13,547,800,789	0.0335%	16,431,273,224	0.0312%
Hungary	9,966,116	0.1478%	138,713,881,475	0.1993%	73,512,949,193	0.1819%	102,347,243,292	0.1942%
Iceland	324,366	0.0048%	14,025,683,618	0.0202%	7,284,221,242	0.0180%	10,830,716,596	0.0205%
India	#####	18.4094%	1,897,607,706,643	2.7268%	1,063,161,835,939	2.6309%	1,285,113,229,005	2.4382%
Indonesia	242,325,638	3.5933%	846,833,892,365	1.2169%	462,163,170,996	1.1437%	538,264,473,861	1.0212%
Iran	74,798,599	1.1091%	521,834,867,467	0.7499%	219,473,507,271	0.5431%	280,739,655,209	0.5326%
Iraq	32,664,942	0.4844%	122,749,877,245	0.1764%	64,236,821,988	0.1590%	89,105,031,666	0.1691%
Ireland	4,525,802	0.0671%	221,021,531,715	0.3176%	102,788,573,002	0.2544%	143,405,500,248	0.2721%
Israel	7,562,194	0.1121%	242,919,952,191	0.3491%	141,510,257,642	0.3502%	199,558,187,782	0.3786%
Italy	60,788,694	0.9014%	2,195,937,483,596	3.1555%	1,346,988,466,831	3.3332%	1,796,553,543,860	3.4086%
Jamaica	2,751,273	0.0408%	14,745,950,889	0.0212%	12,337,092,688	0.0305%	14,637,833,628	0.0278%
Japan	126,497,241	1.8758%	5,870,357,031,062	8.4355%	3,540,647,213,227	8.7616%	4,752,120,249,132	9.0161%
Jordan	6,330,169	0.0939%	28,840,140,845	0.0414%	23,846,617,379	0.0590%	29,546,771,346	0.0561%
Kazakhstan	16,206,750	0.2403%	186,427,049,817	0.2679%	80,462,010,287	0.1991%	100,527,134,275	0.1907%
Kenya	41,609,728	0.6170%	34,058,731,737	0.0489%	26,462,205,106	0.0655%	32,526,122,935	0.0617%
Kiribati	101,093	0.0015%	182,311,984	0.0003%	178,270,786	0.0004%	246,837,518	0.0005%
Kosovo	2,494,330	0.0370%	6,531,181,790	0.0094%	6,082,001,882	0.0151%	7,202,620,616	0.0137%
Kuwait	2,818,042	0.0418%	160,915,536,833	0.2312%	36,689,030,826	0.0908%	61,037,989,814	0.1158%
Kyrgyzstan	5,392,580	0.0800%	5,918,610,958	0.0085%	4,975,758,301	0.0123%	6,068,485,585	0.0115%
Lao People's Dem. Rep.	6,288,037	0.0932%	8,196,447,338	0.0118%	5,180,487,884	0.0128%	6,120,134,138	0.0116%
Latvia	2,243,142	0.0333%	28,480,318,548	0.0409%	17,627,845,980	0.0436%	22,208,776,352	0.0421%
Lebanon	4,259,405	0.0632%	39,038,630,437	0.0561%	34,334,355,588	0.0850%	39,272,787,698	0.0745%
Lesotho	2,193,843	0.0325%	2,443,419,320	0.0035%	2,348,809,478	0.0058%	3,123,666,782	0.0059%
Liberia	4,128,572	0.0612%	1,147,320,000	0.0016%	1,291,616,361	0.0032%	1,438,964,462	0.0027%
Libya	6,422,772	0.0952%	31,373,410,137	0.0451%	10,728,683,916	0.0265%	24,063,321,836	0.0457%
Liechtenstein	36,304	0.0005%	6,185,216,943	0.0089%	3,548,001,085	0.0088%	4,235,644,004	0.0080%
Lithuania	3,307,481	0.0490%	42,872,089,396	0.0616%	27,165,248,478	0.0672%	35,288,427,310	0.0670%
Luxembourg	515,941	0.0077%	59,527,889,433	0.0855%	19,843,185,865	0.0491%	29,663,924,595	0.0563%
Madagascar	21,315,135	0.3161%	9,843,885,540	0.0141%	8,807,469,109	0.0218%	9,815,462,384	0.0186%
Malawi	15,380,888	0.2281%	5,965,587,218	0.0086%	4,908,176,599	0.0121%	5,546,448,051	0.0105%
Malaysia	28,859,154	0.4279%	287,934,357,244	0.4138%	136,755,747,808	0.3384%	174,255,710,915	0.3306%
Maldives	320,081	0.0047%	2,050,142,636	0.0029%	525,720,397	0.0013%	1,340,435,877	0.0025%
Mali	15,839,538	0.2349%	10,622,591,558	0.0153%	6,564,292,089	0.0162%	8,385,039,489	0.0159%
Malta	417,855	0.0062%	8,887,463,578	0.0128%	5,456,557,077	0.0135%	7,335,774,603	0.0139%
Marshall Islands	54,816	0.0008%	189,014,334	0.0003%	172,215,149	0.0004%	274,503,388	0.0005%
Mauritania	3,541,540	0.0525%	4,442,567,881	0.0064%	3,070,258,662	0.0076%	3,742,863,439	0.0071%
Mauritius	1,306,593	0.0194%	11,313,438,503	0.0163%	8,381,781,477	0.0207%	9,915,644,666	0.0188%
Mexico	114,793,341	1.7022%	1,155,205,542,961	1.6600%	750,985,875,852	1.8584%	882,804,688,519	1.6749%
Micronesia	111,542	0.0017%	318,451,504	0.0005%	235,892,663	0.0006%	399,750,989	0.0008%
Monaco	35,427	0.0005%	5,917,059,772	0.0085%	3,411,853,147	0.0084%	4,862,075,523	0.0092%
Mongolia	2,800,114	0.0415%	8,567,097,249	0.0123%	4,414,432,844	0.0109%	5,548,464,266	0.0105%
Montenegro	632,261	0.0094%	4,549,907,690	0.0065%	3,853,757,714	0.0095%	4,785,039,838	0.0091%
Montserrat	5,990	0.0001%	62,270,370	0.0001%	44,988,889	0.0001%	72,703,704	0.0001%
Morocco	32,272,974	0.4786%	100,256,898,968	0.1441%	59,517,293,329	0.1473%	77,148,979,513	0.1464%
Mozambique	23,929,708	0.3548%	12,823,331,283	0.0184%	11,012,123,170	0.0273%	12,774,755,796	0.0242%
Namibia	2,324,004	0.0345%	12,641,063,139	0.0182%	6,821,917,126	0.0169%	10,468,844,940	0.0199%
Nepal	30,485,798	0.4521%	18,500,890,576	0.0266%	15,127,828,168	0.0374%	16,906,598,355	0.0321%
Netherlands	16,664,746	0.2471%	836,822,970,264	1.2025%	376,880,544,960	0.9326%	610,641,262,153	1.1586%
New Caledonia	254,816	0.0038%	9,858,866,406	0.0142%	6,108,728,478	0.0151%	8,574,877,996	0.0163%
New Zealand	4,414,509	0.0655%	162,782,566,327	0.2339%	97,557,520,035	0.2414%	130,380,573,973	0.2474%
Nicaragua	5,869,859	0.0870%	7,297,478,121	0.0105%	6,054,340,045	0.0150%	7,353,327,722	0.0140%
Niger	16,068,994	0.2383%	6,380,814,197	0.0092%	4,668,188,569	0.0116%	5,733,571,281	0.0109%
Nigeria	162,470,737	2.4092%	245,228,850,689	0.3524%	148,292,264,890	0.3670%	178,842,932,949	0.3393%
Norway	4,924,848	0.0730%	485,416,201,441	0.6975%	201,373,660,353	0.4983%	305,896,359,427	0.5804%
Oman	2,846,145	0.0422%	72,679,733,280	0.1044%	23,761,769,360	0.0588%	35,489,986,694	0.0673%
Pakistan	176,745,364	2.6209%	208,860,302,918	0.3001%	175,586,092,575	0.4345%	192,150,050,368	0.3646%

## APPENDIX A: CONTINUED

Worldwide Metrics Country	Population	% Pop. World	Gross Domestic Product (\$)	% GDP World	Household Consumption (\$)	% House Cons.World	Final Consumption Expenditures	% Consumer Exp. World
Palau	20,609	0.0003%	228,682,114	0.0003%	111,716,330	0.0003%	190,879,497	0.0004%
Panama	3,571,185	0.0530%	30,676,800,000	0.0441%	17,006,621,442	0.0421%	21,894,203,680	0.0415%
Papua New Guinea	7,013,829	0.1040%	12,586,172,355	0.0181%	10,760,567,734	0.0266%	12,904,786,321	0.0245%
Paraguay	6,568,290	0.0974%	22,890,144,068	0.0329%	17,155,096,158	0.0425%	19,916,751,609	0.0378%
Peru	29,399,817	0.4360%	180,463,672,343	0.2593%	107,532,043,136	0.2661%	124,191,205,839	0.2356%
Philippines	94,852,030	1.4065%	224,753,600,326	0.3230%	164,906,234,694	0.4081%	186,058,539,380	0.3530%
Poland	38,298,949	0.5679%	514,115,173,727	0.7388%	314,841,351,958	0.7791%	407,575,782,009	0.7733%
Portugal	10,689,663	0.1585%	237,586,365,210	0.3414%	157,519,806,009	0.3898%	205,161,357,006	0.3892%
Puerto Rico	3,745,526	0.0555%	101,495,811,266	0.1458%	59,784,051,604	0.1479%	71,095,669,759	0.1349%
Qatar	1,870,041	0.0277%	173,319,576,085	0.2491%	30,457,765,955	0.0754%	47,322,243,728	0.0898%
Republic of Korea	48,391,343	0.7176%	1,116,247,397,319	1.6040%	590,871,111,712	1.4622%	762,744,208,798	1.4471%
Romania	21,436,495	0.3179%	189,775,739,203	0.2727%	117,566,102,566	0.2909%	144,871,709,223	0.2749%
Russian Federation	142,835,555	2.1180%	1,857,769,887,841	2.6696%	935,028,001,473	2.3138%	1,267,935,402,934	2.4056%
Rwanda	10,942,950	0.1623%	6,377,182,412	0.0092%	5,264,003,440	0.0130%	6,230,486,211	0.0118%
Saint Kitts and Nevis	53,051	0.0008%	712,166,667	0.0010%	519,094,249	0.0013%	598,075,507	0.0011%
Saint Lucia	176,044	0.0026%	1,254,074,326	0.0018%	874,194,294	0.0022%	1,080,509,024	0.0021%
Samoa	183,874	0.0027%	667,340,323	0.0010%	621,470,851	0.0015%	754,617,879	0.0014%
San Marino	31,735	0.0005%	2,046,276,847	0.0029%	647,743,753	0.0016%	950,714,844	0.0018%
Saudi Arabia	28,082,541	0.4164%	597,086,041,747	0.8580%	175,368,800,000	0.4340%	293,088,533,333	0.5561%
Senegal	12,767,556	0.1893%	14,447,949,252	0.0208%	11,400,348,472	0.0282%	13,754,950,366	0.0261%
Serbia	7,359,639	0.1091%	41,056,530,847	0.0590%	31,983,277,353	0.0791%	40,003,986,810	0.0759%
Seychelles	86,879	0.0013%	1,014,281,372	0.0015%	559,677,077	0.0014%	858,338,024	0.0016%
Sierra Leone	5,997,486	0.0889%	2,897,333,311	0.0042%	2,516,297,562	0.0062%	2,812,707,674	0.0053%
Singapore	5,187,933	0.0769%	259,849,801,850	0.3734%	102,311,122,937	0.2532%	129,135,967,642	0.2450%
Slovakia	5,471,502	0.0811%	96,000,124,630	0.1379%	55,236,641,146	0.1367%	72,652,393,567	0.1378%
Slovenia	2,035,012	0.0302%	50,283,639,160	0.0723%	29,079,095,336	0.0720%	39,551,250,731	0.0750%
Solomon Islands	552,267	0.0082%	838,147,109	0.0012%	467,457,916	0.0012%	723,445,621	0.0014%
Somalia	9,556,873	0.1417%	1,067,297,190	0.0015%	775,077,056	0.0019%	868,145,186	0.0016%
South Africa	50,459,978	0.7482%	408,236,752,338	0.5866%	239,257,042,613	0.5921%	326,908,112,501	0.6202%
Spain	46,454,895	0.6889%	1,478,205,649,663	2.1241%	861,899,592,572	2.1328%	1,171,511,566,464	2.2227%
Sri Lanka	21,045,394	0.3121%	59,174,699,954	0.0850%	41,318,540,333	0.1022%	50,070,859,609	0.0950%
Sudan	35,390,661	0.5248%	56,015,102,544	0.0805%	44,217,294,451	0.1094%	46,913,361,439	0.0890%
Suriname	529,419	0.0079%	4,610,421,583	0.0066%	1,626,229,446	0.0040%	2,201,038,273	0.0042%
Swaziland	1,203,330	0.0178%	4,090,174,799	0.0059%	3,424,322,317	0.0085%	4,032,026,026	0.0076%
Sweden	9,440,747	0.1400%	539,387,175,877	0.7751%	257,629,758,381	0.6375%	400,238,955,311	0.7594%
Switzerland	7,701,690	0.1142%	660,761,575,357	0.9495%	379,030,001,310	0.9379%	452,490,321,691	0.8585%
Syrian Arab Republic	20,766,037	0.3079%	64,272,534,393	0.0924%	38,397,011,777	0.0950%	47,650,006,981	0.0904%
Tajikistan	6,976,958	0.1035%	6,522,781,105	0.0094%	5,986,061,237	0.0148%	6,843,399,299	0.0130%
Thailand	69,518,555	1.0308%	369,708,600,622	0.5313%	195,373,754,453	0.4835%	253,601,311,067	0.4812%
Timor-Leste	1,153,834	0.0171%	5,571,588,249	0.0080%	827,922,811	0.0020%	2,081,575,892	0.0039%
Togo	6,154,813	0.0913%	3,694,641,465	0.0053%	3,133,062,524	0.0078%	3,569,999,139	0.0068%
Tonga	104,509	0.0015%	453,094,457	0.0007%	411,665,402	0.0010%	489,337,377	0.0009%
Trinidad and Tobago	1,346,350	0.0200%	21,907,201,876	0.0315%	10,140,420,438	0.0251%	13,184,156,739	0.0250%
Tunisia	10,594,057	0.1571%	46,332,231,004	0.0666%	30,216,422,445	0.0748%	38,577,080,920	0.0732%
Turkey	73,639,596	1.0920%	774,983,417,981	1.1136%	551,437,357,698	1.3646%	659,303,064,256	1.2509%
Turkmenistan	5,105,301	0.0757%	25,742,477,125	0.0370%	11,231,739,917	0.0278%	13,719,426,246	0.0260%
Uganda	34,509,205	0.5117%	19,270,755,002	0.0277%	16,046,757,690	0.0397%	17,823,521,301	0.0338%
Ukraine	45,190,180	0.6701%	165,245,009,991	0.2375%	108,753,833,277	0.2691%	138,712,555,284	0.2632%
United Arab Emirates	7,890,924	0.1170%	338,689,933,800	0.4867%	174,523,562,119	0.4319%	200,025,808,545	0.3795%
United Kingdom	62,417,431	0.9256%	2,429,184,109,066	3.4907%	1,560,948,978,517	3.8627%	2,104,094,019,809	3.9921%
United States	313,085,380	4.6426%	14,991,300,000,000	21.5420%	10,729,000,000,000	26.5497%	13,323,400,000,000	25.2783%
Uruguay	3,380,008	0.0501%	46,709,809,920	0.0671%	31,702,930,269	0.0785%	37,754,278,478	0.0716%
Uzbekistan	27,760,267	0.4116%	45,558,478,177	0.0655%	23,594,165,536	0.0584%	31,780,644,681	0.0603%
Vanuatu	245,619	0.0036%	778,070,756	0.0011%	483,636,911	0.0012%	604,741,911	0.0011%
Venezuela	29,436,891	0.4365%	315,893,024,037	0.4539%	173,321,946,238	0.4289%	209,157,369,035	0.3968%
Viet Nam	88,791,996	1.3166%	123,600,141,396	0.1776%	79,481,368,617	0.1967%	87,493,314,155	0.1660%
Yemen	24,799,880	0.3677%	31,492,469,943	0.0453%	24,503,821,676	0.0606%	28,880,374,766	0.0548%
Zambia	13,474,959	0.1998%	19,218,743,879	0.0276%	8,729,141,444	0.0216%	12,680,802,060	0.0241%
Zimbabwe	12,754,378	0.1891%	8865427917	0.0127%	8694159708	0.0215%	11584086713	0.0220%
<b>World</b>	<b>6,743,811,825</b>	<b>100%</b>	<b>69,590,951,370,175</b>	<b>100%</b>	<b>40,410,951,119,423</b>	<b>100%</b>	<b>52,706,930,002,672</b>	<b>100%</b>

## APPENDIX B: COUNTRY U.S.GE FOR FIVE PRODUCTS/SERVICES

Country	Automobiles 2010	Mobile Phones 2011	Internet Users 2012	Televisions	PC USERS
Afghanistan	731428	17,558,000	1,659,269	100000	116490
Albania	419893	3,100,000	1,641,241	700000	148257
Algeria		35,616,000	5,690,291	3,100,000	
Angola	212467	9,491,000	3,058,195	196000	127520
Anguilla		26,000	9,133		
Antigua and Barbuda		176,000	74,586	31000	
Argentina	14163125	55,000,000	23,543,412	7,950,000	3685116
Armenia	300091	3,211,000	1,163,269	825000	300413
Aruba		131,800	79,650	20000	
Australia	16061098	24,490,000	18,129,727	10,150,000	13635778
Austria	6091881	13,023,000	6,657,992	4,250,000	5105269
Azerbaijan	982553	10,120,000	5,145,531	170000	749135
Bahamas	131365	298,800		67000	42668
Bahrain	462015	1,694,000	1,098,546	275000	987092
Bangladesh	1624862	84,369,000	10,148,280	770000	3386107
Barbados	133835	347,900	210,994	76000	43253
Belarus	3829244	10,695,000	4,523,412	2520000	77431
Belgium	7050618	12,541,000	8,559,449	4,720,000	4057505
Belize		222,000	81,930	41000	
Benin	25613	7,765,000	364,534	66000	64609
Bermuda		88,200	63,070	66000	
Bhutan	57618	484,200	182,338	11000	18531
Bolivia	910333	8,355,000	3,517,991	900000	242115
Bosnia and Herzegovina	815232	3,171,000	2,535,356		240143
Botswana	394548	2,900,000	241,272	31000	126921
Brazil	64817976	244,358,000	99,357,737	36,500,000	31700788
British Virgin Islands		46,800		4000	
Brunei Darussalam	349279	443,200	246,388	201900	36210
Bulgaria	3284837	10,475,000	3,881,287	3,310,000	816096
Burkina Faso	884750	7,682,000	643,504	131340	106897
Burundi	30045	1,915,000	128,799	25000	72889
Cambodia	1652534	13,757,000	738,641	94000	51499
Cameroon	443018	10,486,000	1,147,199	450000	224340
Canada	21387132	27,387,000	29,760,764	21,500,009	32405376
Cape Verde	64282	396,400	181,905	15000	70232
Cayman Islands		95,100	38,961	7000	
Central African Republic	4781	1,824,000	151,716	18000	13012
Chad	243644	3,666,000	230,489	10000	18441
Chile	3375523	22,400,000	10,482,463	3,150,000	2436730
China, People's Republic of	207061280	986,253,000	568,192,066	400,000,000	74825963
China: Hong Kong SAR		15,293,000	5,207,762	1840000	
China: Macao SAR			371,512	49000	
Colombia	7229373	46,200,000	22,160,055	4,590,000	5279302
Comoros	29970	216,400	44,055		6785
Congo	25202	15,645,000	266,635	33000	
Cook Islands	9439	7,800		4000	
Costa Rica	923591	4,358,000	2,202,308	525000	1091839
Côte d'Ivoire	474873	17,344,000		1090000	
Croatia	1969587	5,115,000	2,822,427	1220000	792080
Cuba	607675	1,315,000	2,839,881	2640000	632456
Cyprus	774492	1,090,000	694,223		313941
Czech Republic	7262647	13,000,000	7,632,975	3,405,830	2881129
Dem. People's Rep. of Korea		1,000,000		1200000	14080431
Denmark	3108962	7,159,000	5,155,411	3,121,000	3061026
Djibouti		193,000	64,021	28000	
Dominica	23566	111,000	40,349	6000	12310
Dominican Republic	2734740	8,770,000	4,539,869	770000	214197
Ecuador	1039364	15,333,000	5,348,765	2500000	1899254
Egypt	5853728	83,425,000	36,881,374	7,700,000	3235441
El Salvador	715345	8,316,000	1,553,115	600000	359949
Equatorial Guinea	8503	426,000	95,649	4000	10659
Eritrea		241,900	48,692		
Estonia	664644	1,863,000	1,007,020	605000	341971
Ethiopia	377943	14,127,000	1,352,259	682000	576193
Fiji	77625	727,000	300,326	88110	52452
Finland	5331582	8,940,000	4,789,266	3,2000,00	2694539
France	34276000	59,840,000	54,473,474	34,800,000	42438036

## APPENDIX B: CONTINUED

Country	Automobiles 2010	Mobile Phones 2011	Internet Users 2012	Televisions	PC USERS
French Polynesia		222,800	145,153	40000	
Gabon	195000	1,800,000	138,584	63000	51705
Gambia	17416	1,400,000	229,122	5000	62696
Georgia	736470	4,430,000	2,079,917	2570000	1176196
Germany	50184000	108,700,000	68,296,919	51,400,000	53857527
Ghana	1122700	21,166,000	4,217,454	1900000	267134
Greece	7910565	12,128,000	6,029,983	2540000	1067246
Greenland		58,700	37,442	30000	
Grenada		121,900	45,883	33000	
Guatemala	2118516	20,716,000	2,255,845	1323000	304001
Guinea	33943	4,500,000	162,202	85000	50087
Guinea-Bissau	54153	869,100	47,132		3094
Guyana	12363	528,800	254,534	46000	28730
Haiti		4,200,000	1,065,470	38000	
Honduras	983800	8,062,000	1,503,350	570000	193092
Hungary	3608834	11,690,000	7,170,086	4,420,000	2548336
Iceland	296479	344,100	300,656	98000	170844
India	114952000	893,862,000	151,598,994	116,438,938	40845085
Indonesia	72692952	249,800,000	38,191,873	13,750,000	4919210
Iran (Islamic Republic of)	20657628	56,043,000	20,504,000	4,610,000	7921172
Iraq	3391057	27,000,000	2,210,175	1750000	248254
Ireland	2416387	4,906,000	3,730,402	1820000	2634469
Israel	2458716	9,200,000	5,568,961	1690000	1831563
Italy	52586500	96,005,000	35,531,527	30,300,000	22285135
Jamaica	502265	2,975,000	1,343,472	460000	185711
Japan	89871088	132,760,000	100,684,474	86,500,000	51509677
Jordan	1075453	7,483,000	2,668,644	500000	473497
Kazakhstan	3249966	25,240,000	9,341,977	3,880,000	
Kenya	1389864	28,080,000	13,805,311	730000	570053
Kiribati	1618	13,800	10,962		1122
Kosovo		562,000			
Kuwait	1570000	4,935,000	2,095,304	875000	666749
Kyrgyzstan	430314	6,277,000	1,194,084	210000	104616
Lao People's Dem. Rep.	1008788	5,481,000	707,871	52000	106897
Latvia	806462	2,309,000	1,621,769	1220000	733283
Lebanon	1525738	3,350,000	2,535,918	1180000	433607
Lesotho		1,232,000	88,602		
Liberia	1030951	2,030,000	147,510	70000	
Libya		10,000,000	1,115,025	730000	
Liechtenstein		37,000	32,824	12000	
Lithuania	1910373	5,004,000	2,397,517	1700000	800080
Luxembourg	444353	765,000	468,348	285000	347125
Madagascar	166112	8,665,000	452,185	325000	123628
Malawi	173800	3,952,000	710,150		27686
Malaysia	20188564	36,661,000	19,200,408	10,800,000	6680894
Maldives	50052	530,400	153,560	10000	64784
Mali	211906	10,822,000	336,059	45000	128300
Malta	425517	521,700	286,885	280000	95689
Marshall Islands	1892	3,800	6,848		5016
Mauritania	388305	3,315,000	180,358	98000	160786
Mauritius	384115	1,294,000	543,550	258000	229438
Mexico	30904660	94,565,000	44,173,551	25,600,000	16518762
Micronesia	8337	27,500	27,659	2800	6113
Monaco		31,800	26,544	25000	
Mongolia	365959	2,942,000	521,520	168800	689108
Montenegro	187913	1,170,000	373,655		
Montserrat		4,200	1,583	3000	
Morocco	2791004	36,554,000	17,770,081	3100000	1839560
Mozambique	380343	7,855,000	1,140,311	67600	325444
Namibia	229806	2,240,000	280,288	60000	556367
Nepal	1178911	13,355,000	3,332,602	130000	146332
Netherlands	9340006	19,835,000	15,559,488	8,100,000	15189916
New Caledonia		227,300	150,896	52000	
New Zealand	3227000	4,820,000	3,873,982	1926000	2320707
Nicaragua	445974	4,822,000	773,240	320000	236555
Niger	155115	4,743,000	230,084	125000	12855
Nigeria	12545177	95,167,000	55,930,391	6,900,000	1381001
Norway	3134652	5,700,000	4,471,907	2030000	3097237
Oman	804233	5,278,000	1,854,090	1600000	480429
Pakistan	7853022	111,000,000	18,960,037	3,100,000	830703



## APPENDIX B: CONTINUED

Country	Automobiles 2010	Mobile Phones 2011	Internet Users 2012	Televisions	PC USERS
Palau	5774	15,400		11000	
Panama	612000	6,735,000	1,586,537	510000	101779
Papua New Guinea		2,400,000	145,256	59841	
Paraguay	919247	6,529,000	1,771,188	990000	511670
Peru	3155614	32,461,000	11,287,915	3060000	2957622
Philippines	6634855	94,190,000	37,602,976	3,700,000	6857802
Poland	22024696	50,160,000	24,969,935	13,050,000	6484012
Portugal	8730885	12,335,000	6,900,134	3,310,000	1950863
Puerto Rico		3,108,000	1,897,555	1021000	
Qatar	754439	2,302,000	1,719,437	230000	293409
Republic of Korea	19710776	52,507,000	41,091,681	15,900,000	27849218
Romania	5027936	23,400,000	10,924,252	5,250,000	4122238
Russian Federation	43325312	236,700,000	75,926,004	60,500,000	19039979
Rwanda	93532	4,446,000	937,964		32829
Saint Kitts and Nevis	22209	84,600	40,251	10000	12419
Saint Lucia	56601	216,500	78,864	32000	28185
Samoa	14965	167,400	25,111	8634	
San Marino	56190	35,500	16,354	9000	25394
Saudi Arabia	6599216	53,700,000	14,328,632	5,100,000	19598805
Senegal	326352	9,353,000	2,490,631	361000	283440
Serbia	2419569	10,182,000	3,500,047	2750000	1902467
Seychelles	15316	126,600	42,380	11000	18392
Sierra Leone	45006	2,137,000	71,318	53000	
Singapore	945829	7,794,000	3,971,318	1330000	3855153
Slovakia	2339358	5,983,000	4,386,470	2620000	3177848
Slovenia	1374900	2,168,000	1,397,632	710000	865084
Solomon Islands	16798	274,900	40,905	3000	25625
Somalia		655,000	138,849	135000	
South Africa	9587781	64,000,000	20,012,275	6,000,000	4268914
Spain	31086036	52,598,000	33,870,948	16,200,000	18261419
Sri Lanka	3954311	18,319,000	3,927,948	1530000	784993.1962
Sudan		25,056,000	7,183,409	2380000	
Suriname	190746	947,000	194,269	63000	21176.76
Swaziland	153013	766,500	288,225	23000	44402.877
Sweden	5231589	11,194,000	8,557,561	4,600,000	8,317,298
Switzerland	5524496	10,122,000	6,752,540	3,310,000	7,412,106
Syrian Arab Republic	2070357	13,117,000	5,474,994	1050000	1860636.915
Tajikistan	357869	6,324,000	1,127,193	820000	90002.7582
Thailand	28484828	77,605,000	17,779,139	15,190,000	4,643,839
Timor-Leste	9660	614,200			
Togo	49378	3,105,000	278,442	73000	190183.7217
Tonga	5806	55,000	37,003	2000	6155.5801
Trinidad and Tobago	321191	1,825,000	729,897	425000	177852.835
Tunisia	1489075	12,388,000	4,447,885	920000	1023385.906
Turkey	15095603	65,322,000	35,990,932	20,900,000	4,492,015
Turkmenistan		3,511,000	363,735	820000	
Uganda	635656	16,697,000	4,941,704	500000	583205.5645
Ukraine	14427680	55,576,000	15,115,820	18,050,000	2,047,115
United Arab Emirates	2260000	11,727,000	4,517,169	310000	2610317.659
United Kingdom	35170628	81,612,000	54,861,245	30,500,000	50,052,538
United States	258957504	290,300,000	254,295,536	219,000,000	252,378,125
Uruguay	1287012	4,757,000	1,827,781	782000	460019.0888
Uzbekistan		25,442,000	10,369,924	6,400,000	
Vanuatu	5153	137,000	27,147	2300	3414.1041
Venezuela	4051705	28,782,000	12,353,883	4,100,000	2,740,575
Viet Nam	33166412	127,318,000	36,140,967	3,570,000	8,568,428
Yemen	969725	11,668,000	4,321,814	470000	686956.676
Zambia	337513	8,165,000	1,860,966	277000	150919.5408
Zimbabwe	862756	9,200,000	2,156,791	370000	971883.6036
<b>Worldwide Total</b>	<b>1,549,275,696</b>	<b>5,876,925,000</b>	<b>2,453,446,736</b>	<b>1,448,364,102</b>	<b>976,294,229</b>

**APPENDIX C: INTERNATIONAL INVOICE TERMS OF SALE**

- **EXW (ex works):** The exporter company to deliver the goods to the buyer to the specified place on the specified date or within a fixed period. All other charges are borne by the buyer.
- **FCA (free carrier)** This designates the seller's responsibility for handling over the goods to a carrier at a shipping point.
- **FAS (free alongside ship):** The exporter quotes a price for the goods that includes the charge for delivery of the goods alongside a vessel at the port. The buyer is accountable for other costs.
- **Free on Board (FOB) –** The cost absorbed by the exporter at the point of international exchange of ownership. This could be ex works, point of export exchange or point of import exchange.
- **CIF (cost, insurance, freight):** The overseas port where the seller quotes a price for the goods all transportation, and miscellaneous charges to the point of debarkation from the vessel.
- **Cost and Freight (CFR):** The exporter quotes a price for the goods, including the cost of transportation to a named overseas port of disembarkation.
- **Delivery Duty Paid (DDP):** The exporter delivers the goods with import duties paid including inland transportation from the docks to the importer's premises.