GLOSSARY

Chapter 1

international marketing: the performances of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit.

uncontrollable elements: elements such as competition, legal restraints, government controls, weather, and fickle consumers that affect the profitable outcome of good, sound marketing plans.

controllable elements: elements of marketing decisions such as product, price, promotion, distribution, and research.

domestic environment uncontrollables: home-country elements that can have a direct effect on the success of a foreign venture such as political and legal forces, economic climate, and competition.

foreign environment uncontrollables: sources of uncertainty created by domestic and foreign environments.

self-reference criterion (SRC): unconscious reference to one's own cultural values, experiences, and knowledge as a basis for decisions.

global awareness: frame of reference that goes beyond a region or even a country and encompasses the world.

global marketing: level where companies treat the world, including their home market, as one market.

global marketing concept: views an entire set of country markets as a unit and develops a marketing plan that strives for standardization wherever it is cost and culturally effective.

global orientation: operating as if all the country markets in a company's scope of operations were approachable as a single global market.

Chapter 2

free trade: conditions of market participation that assure equal access to markets, non-discrimination in procurement, respect for property rights, transparency in legal systems, and elimination of trade barriers so that economic efficiency is maximized.

fair trade: trade practices that enhance the ability of local citizens in developing nations to earn a wage suitable for a healthy life, to work in a safe environment, and to maintain economic and political independence with economic equity as a major objective.

absolute advantage: products that countries produce for which they have a cost or resource advantage.

opportunity cost: the value a producer would have by producing one product instead of another.

comparative advantage: relative advantage in producing one product over another.

Factor Endowment Theory: the comparative advantage a country possesses in products requiring resources that are abundant in that country.

country similarity theory: explanation of trade flows as originating from the demands of consumers from one country for products of another, economically similar country.

international product life cycle theory: features involved in getting products to market, such as strategic response to global rivalry, and incentives to trade and investment internationally.

balance of payments: system of accounts that records a nation's financial transactions.

foreign direct investment: any cross-border investment made by an investor with a view to establishing a lasting financial interest in an enterprise and exerting significant managerial influence.

intra-firm trade: trade between a parent firm and its affiliate located in a foreign country.

intra-firm investment: foreign direct investment involving a parent firm and its affiliate located in a foreign country.

current account: record of all merchandise exports, imports, and services plus unilateral transfers of funds.

capital account: record of direct investment, portfolio investment, and short-term capital movements to and from countries.

reserve account: record of exports and imports of gold, increases and decreases in foreign exchange, and increases or decreases in liabilities to foreign central banks.

trade balance: the difference between a country's exports and its imports in a given year.

current account balance: the difference between a country's exports and imports, plus the net income from Canadian international operations less net income earned by foreign companies in Canada, plus transfers of gifts received by Canadians compared to gifts given to foreign citizens in a given year.

foreign direct investment: any cross-border investment made by an investor with a view to establishing a lasting financial interest in an enterprise and exerting significant managerial influence.

portfolio investment: investments made in foreign financial assets for the purpose of short-term returns where there is no substantial managerial influence involved in the investment.

exchange rate: the value of one country's currency in terms of what it costs to buy it in another country's currency.

Purchasing Power Parity: the purchasing power of a country's currency as indicated by the number of units of that currency required to purchase the same basket of goods and services that a citizen in another country would buy with its currency.

floating exchange rate: an exchange rate that is determined through the market process by actions and expectations of demanders and suppliers of a country's currency.

nontariff barrier: something, such as a system of grants to domestic manufacturers, that has the effect of limiting imports without the use of tariffs.

protectionism: the use of legal, exchange, and psychological barriers to restrain entry of unwanted goods into a country.

tariff: a tax imposed by a government on goods entering at its borders.

quota: specific unit or dollar limit applied to a particular kind of good.

voluntary export restraints (VER): an agreement between the importing country and the exporting country for a restriction on the volume of exports.

orderly market agreement: an agreement between the importing country and the exporting country for a restriction on the volume of exports.

boycott: an absolute restriction against the purchase and importation of certain goods from other countries.

embargo: a refusal to sell to a particular country.

predatory pricing: a practice whereby a foreign producer intentionally sells its products in a foreign market for less than the cost of production to undermine the competition and take control of the market.

Agreement on Internal Trade (AIT): an agreement among Canadian government departments that coordinates the development of policies and programs to address international and national trade barriers.

Team Canada: a network of more than 20 federal departments and agencies, participants from other levels of government, and private industry designed to enhance export development in Canada.

GATT: General Agreement on Tariffs and Trade, first effective worldwide tariff agreement.

Uruguay Round: 1994, most recent round of GATT inter-governmental tariff negotiations.

Tokyo Round: 1974 GATT negotiations that resulted in tariff cuts and set out new international rules for, among others, subsidies and countervailing measures.

TRIMs: Trade-Related Investment Measures.

TRIPs: Trade-Related Aspects of Intellectual Property Rights.

WTO: World Trade Organization, created to set rules governing trade between its 132 members.

IMF: International Monetary Fund.

special drawing rights (SDRs): "paper gold" representing an average base of value derived from the value of a group of major currencies used in trade contracts to avoid exchange-rate fluctuations.

Chapter 3

culture: the human-made part of human environment, i.e., the sum total of knowledge, beliefs, art, morals, laws, customs, and any other capabilities and habits acquired by humans as members of society.

socialization: acquiring culture through the social institutions in one's society.

acculturation: the learning of a culture by adjusting to a new culture.

value: an enduring belief that a specific mode of conduct is personally or socially preferable to an opposite or converse mode of conduct.

belief: a mental acceptance of and conviction in the truth, actuality, or validity of something.

attitude: a predisposition to view a particular person, object, or idea in either positive or negative terms.

Value-Belief-Attitude system: Rokeach's theory that values, beliefs, and attitudes all work in unison, and are not independent of one another.

terminal value: an end-state of existence that is personally and socially worth striving for, e.g., salvation, inner harmony, equality.

instrumental value: a single belief that a mode of conduct is personally and socially preferable to achieve a desired end-state of existence.

cultural values: belief systems from individual cultures and countries which shape individual and group behaviour patterns.

Individualism/Collectivism Index (ICI): behaviour pattern that focuses on self-orientation.

Power Distance Index (PDI): behaviour pattern that focuses on authority orientation.

Uncertainty Avoidance Index (UAI): behaviour pattern that focuses on risk orientation.

Masculinity/Femininity Index (MAS): behaviour pattern that focuses on assertiveness and achievement.

linguistic distance: how far the roots of a language are from English; how this affects the amount of trade transacted between countries.

factual knowledge: knowledge about a culture that must be learned.

interpretive knowledge: an ability to understand and to appreciate fully the nuances of different cultural traits and patterns.

cultural sensitivity: being attuned to the nuances of culture so that a new culture can be viewed objectively, evaluated, and appreciated.

cultural borrowing: societies that use ideas from other cultures to solve problems in their own.

imperatives: business customs that must be recognized and accommodated.

electives: business customs to which adaptation is helpful but not necessary.

exclusives: business customs in which an outsider must not participate.

silent language: symbolic meanings of time, space, things, friendships, and agreements and how they vary across cultures.

M-time: monochromic time, or concentrating on one thing at a time, dividing time into small units, and holding to a schedule.

P-time: polychronic time, or the simultaneous occurrence of many things where completion of a human transaction is emphasized.

glass ceiling: barrier women face when they try to rise through ranks to executive level positions.

OECD Convention on Bribery: an accord signed by 33 countries to force their companies to follow rules similar to those of Canada and the U.S.

bribery: being voluntarily offered payment by someone seeking unlawful advantage.

extortion: when payments are extracted under duress by someone in authority from a person seeking only what they are lawfully entitled to.

facilitation payment: a small sum of cash, a gift, or service given to a low-ranking official in a country where such offerings are not prohibited by law.

subornation: giving large sums of money to entice an official to commit an illegal act on behalf of the one offering the bribe.

Corruption of Foreign Public Officials Act: Canadian Act that prohibits Canadian businessmen from paying bribes openly or using middlemen as conduits for a bribe.

Foreign Corrupt Practices Act (FCPA): American Act prohibiting corruption among businessmen.

utilitarian ethics: principle of the greatest good for the greatest number of people.

rights of the parties: principle whereby the action taken respects the rights of all parties.

justice or fairness: principle whereby the action taken respects the canons of justice and fairness to all parties involved.

Chapter 4

sovereignty: the powers exercised by a state in relation to other countries and the supreme powers exercised over its own members.

nationalism: an intense feeling of national pride and unity.

confiscation: the seizing of a company's assets without payment.

expropriation: when the government seizes an investment but makes some reimbursement for the assets.

domestication: when host countries transfer foreign investments to national control and ownership through a series of government decrees so foreign investors share more of the ownership.

PSAs: political and social activists.

International Country Risk Guide (ICRG) model: risk indicator system that provides detailed country risk ratings covering a broad repertoire of risk factors.

Chapter 5

common law: when a new decision is rendered, (i.e., a precedent), the reason for the decision becomes a part of the corpus of common law.

civil law/code law: based on rules that have been codified, i.e., written into texts by a designated jurist; to determine a ruling, code is consulted.

Islamic law: interpretation of the Koran.

Marxist-socialist tenets: premise that law is strictly subordinate to prevailing economic conditions.

conciliation: a nonbinding agreement between parties to resolve disputes by asking a third party to mediate differences.

arbitration: the preferred method, rather than litigation, for resolving international commercial disputes.

litigation: the final step to resolve a dispute, when all else fails.

prior use versus registration: refers to how ownership of intellectual property is established; prior use means copyright comes into existence automatically with the creation of the work; with registration, the first to register a trademark is considered the rightful owner.

"connecting factor" rule: Canadian law will be applied outside national boundaries if there is a compelling connecting factor between the issues in the case and Canadian interests.

Chapter 6

marketing research: the systematic gathering, recording, and analyzing of data to provide information useful in marketing decision making.

international marketing research: marketing research that is communicated across cultural boundaries and put into terms that those managers can understand and that requires imaginatively applying research tools.

research process: defining the research problem and establishing research objectives.

secondary data: international and domestic market data collected by some other agency, e.g., Statistics Canada.

primary data: data collected specifically for the particular research project at hand.

back translation: questionnaire translated from one language to another, then translated back by someone else into the original.

parallel translation: more than two translators used for back translation, after which the results are compared, differences discussed, and the most appropriate translation selected.

decentring: translation and retranslation of a questionnaire, each time by a different translator.

multicultural research: dealing with countries that have different languages, economies, social structures, behaviour, and attitude patterns.

expert opinion: experts are polled for their opinions about market size and growth rates to forecast demand by comparing estimates produced by different sources.

analogy: assumes that demand for a product develops in much the same way in all countries as comparable economic development occurs in each country.

Chapter 7

economic growth: growth characterized by improved standards of living, transition from socialist to market-driven economies, liberalization of trade, and rapid development of regional market alliances.

stage of economic development: way of classifying countries with each stage a function of the cost of labour, technical capability of the buyers, the scale of operations, interest rates, and the level of product sophistication.

structuralist thesis: structural problems of developing countries.

dependency theory: theory that sees developing countries as only producers of raw materials for developed countries, and thus in a dependent role in the world economy.

neoclassical thesis: theory that government intervention thwarts development and that free market principles are best.

NICs: newly industrialized countries.

infrastructure: represents capital goods that serve the activities of many industries, such as paved roads, railroads, and energy supplies.

economic dualism: the coexistence of modern and traditional sectors within an economy.

BEMs: big emerging markets.

market receptivity: emerging markets that are able to develop foreign trade as measured by per capita imports and trade as a percentage of GDP.

market intensity: concentration of gross national income per capita, making a country attractive to foreign investors in emerging markets.

ASEAN: Association of Southeast Asian Nations.

Chapter 8

multinational market regions: groups of countries that seek mutual market benefit by reducing interregional trade and tariff barriers.

Regional Cooperation for Development (RCD): governments agree to participate jointly to develop basic industries beneficial to each economy.

free trade area (FTA): an agreement between two or more countries to reduce or eliminate customs duties and nontariff barriers among partner countries.

customs union: enjoys free trade area's reduced internal tariffs and adds a common external tariff on products imported from countries outside the union.

common market: eliminates all tariffs and other restrictions on internal trade and removes all restrictions on the free flow of capital and labour among member nations.

Mercosur: the Southern Cone Common Market in Latin America, the second-largest common-market agreement in Latin America after NAFTA.

political union: most fully integrated form of regional cooperation, involving political and economic integration.

Maastricht Treaty: document that created the European Union when the 12 member countries ratified it.

TICAs: Trade and Investment Cooperative Arrangements between Canada and Mercosur countries, South Africa, and the Andean Community.

TECAs: Trade and Economic Cooperation Arrangements between Canada and Norway, Australia, Switzerland, and Iceland.

MOUTI: Memorandums of Understanding on Trade and Investment between Canada and Central American countries.

FIPAs: Foreign Investment Promotion and Protection Agreements between Canada and developing countries as well as other trade and investment partners.

Single European Act: the 1987 agreement designed to remove all barriers to trade and make the European Community a single internal market.

EMU: Economic and Monetary Union of Europe, a provision of the Maastricht Treaty.

Treaty of Amsterdam: identifies measures needed to bring the single European market fully into effect as well as laying a solid foundation for the single currency and expanding into Central and Eastern Europe.

TIEA: Trade and Investment Enhancement Agreement between Canada and the EU.

United States–Canada Free Trade Agreement: designed to eliminate all trade barriers between Canada and the United States.

NAFTA: comprehensive trade agreement that eliminates all trade and investment barriers between the United States, Canada, and Mexico.

AFTA: ASEAN (Association of Southeast Asian Nations) Free Trade Area.

ASEAN+3: a forum for ASEAN ministers plus ministers from China, Japan, and South Korea.

APEC: Asia-Pacific Economic Cooperation, a forum that meets annually to discuss regional economic development and cooperation.

Chapter 9

corporate planning: long-term planning that incorporates generalized goals for the enterprise as a whole.

strategic planning: deals with products, capital, and research and long and short-term goals of the company.

tactical planning: or market planning, implements strategic planning goals in specific markets.

direct exporting: a company selling to a customer in another country.

indirect exporting: a company selling to a buyer (importer or distributor) in the home country who exports the product.

licensing: a means of establishing a foothold in international markets without large capital outlays.

franchising: a form of licensing in which the franchisor provides a standard package of products, systems, and management services and the franchisee provides market knowledge, capital, and personal involvement in management.

strategic international alliance (SIA): a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective.

joint venture (JV): a partnership of two or more participating companies that join forces to create a separate legal entity.

Chapter 10

quality: with cost, the most important criterion by which purchases are made, categorized by market-perceived quality and performance quality.

homologation: changes mandated by local product and service standards.

green marketing: concern with the environmental consequences of a variety of marketing activities.

innovation: an idea perceived as new by a group of people.

product diffusion: the process by which innovation spreads.

Product Component Model: identifies all possible ways a product can be adapted to a new market.

global brand: the worldwide use of a name, term, sign, symbol, design, or combination intended to identify goods or services of one seller and differentiate it from goods or services of competitors.

national brand: the country-specific use of a name, term, sign, symbol, design, or combination intended to identify goods or services of one seller and differentiate it from goods or services of competitors.

Chapter 11

derived demand: demand dependent on another source, for instance when selling capital equipment and big-ticket industrial services, e.g., the demand for Boeing 747s is derived from the worldwide demand for air travel.

price–quality relationship: relationship of price to quality of good, an especially important factor in marketing in developing economies.

ISO 9000s: series of five international industrial standards to meet the need for product quality assurances in purchasing agreements.

client followers: businesses that follow their clients abroad to provide them with the same services, such as hotels and auto rental agencies, that they have at home.

relationship marketing: long-term marketing to fulfill the needs of customers as they change, a strategy for business-to-business marketing.

ISIC: International Standard Industrial Classification system; coding system that identifies a firm’s primary business activities in international trade and reports domestic production to the UN.

NAICS: North American Industry Classification System; replaces SIC; used to track NAFTA trade flows.

Chapter 12

distribution process: the physical handling and distribution of goods, the passage of ownership, and negotiations between producers and middlemen and middlemen and customers.

distribution structure: framework through which goods pass from producer to user in each country.

import-oriented structure: importer controls a fixed supply of goods and sells at high prices to a small number of affluent customers.

traditional distribution structure: See import-oriented structure.

agent middlemen: represent the principal rather than themselves.

merchant middlemen: own title to goods and buy and sell goods on their own account.

domestic middlemen: See home-country middlemen.

home-country middlemen: located in producing firm’s country and provide marketing services from there.

export management company (EMC): an export intermediary that acts as an export department for international traders.

trading companies: accumulate, transport, and distribute goods from many countries.

complementary marketing: companies with marketing facilities with excess marketing capacity who take on additional lines for international distribution.

dealers: anyone who has a continuing relationship with a supplier in buying and selling goods.

import jobbers: purchase goods directly from the manufacturer and sell to wholesalers and retailers and industrial customers.

distribution channels: way in which marketers get goods into hands of customers.

Chapter 13

export regulations: designed to conserve scarce goods for home consumption or to control the flow of strategic goods to actual or potential enemies.

import regulations: imposed to protect health, conserve foreign exchange, serve as economic reprisals, protect home industry, or provide revenue in the form of tariffs.

EICB: Export Import Controls Bureau.

EICS: Export Import Controls System.

area control list: specific countries enumerated by the Export Control Division for export permits.

export control list: list of products requiring export permits that are destined to specific countries enumerated on the Export Control Division list.

individual export permit: allows specific products to be exported during the permit’s legitimacy period, which could last up to five years.

general export permit: granted for specific commodities destined for eligible destinations and have no expiry date, generally apply to less sensitive goods, and constitute a valid export permit without prior authorization.

FAST program: Free and Secure Trade Program, focuses on risk management for both Canadian and U.S. importers.

PIP program: Partners in Protection Program, is designed to combat terrorism, organized crime, and contraband smuggling.

C-TPAT agreement: Customs Trade Partnership against Terrorism with the U.S. allows Canadian importers to secure their supply chains, reducing inspections, and expediting the processing of goods across the border.

ad valorem duties: customs duties based on a percentage of the determined value of imported goods.

specific duties: customs duties based on a stipulated amount per weight.

compound duties: customs duties that combine ad valorem and specific taxes, i.e., a tax per pound plus a percentage of value.

Customs Tariff: a schedule of product codes used by government revenue agencies to track imports into a country.

import permit: needed to import specific commodities, e.g., textiles, steel.

Import Control List: identifies all excluded items and all items requiring import permits.

terms of sale: the trade terms a country uses to ship its goods, e.g., FOB (free on board, meaning that the price is established at the door of the factory) or COD (cash on delivery).

Incoterm: booklet containing complete list of international trade terms.

open account: goods are delivered and customers are billed on an end-of-the-month basis.

letters of credit: payment arrangement that shifts the buyer's credit risk to the bank issuing the letter of credit, giving the seller the greatest degree of protection; payment is tendered only if the seller complies exactly with the terms of the letter of credit.

bills of exchange: payment arrangement where the seller assumes all the risk until the actual dollars are received.

forfaiting: financing technique to provide for long-term financing where the seller makes a one-time arrangement with a bank to take over responsibility for collecting the account receivables.

export documents: presented at port of exit and include the names and addresses of principals involved, the destination of the goods, a full description of the goods, and their declared value.

customs-privileged facilities: areas within a country's borders where goods can be imported for storage and/or processing with tariffs and quota limits postponed until the products leave the designated area.

foreign trade zone: See free trade area.

maquiladora special type of customs-privileged facility that allows a foreign company to import materials without import taxes, using low-cost labour in another country to manufacture the finished goods.

logistics management: total systems approach to management of the distribution process for global marketers.

physical distribution system: includes physical movement of goods, location of plants and storage, transportation mode, inventory quantities, and packing.

merge-in-transit: distribution method in which goods shipped from several supply locations are consolidated into one final customer delivery point while they are in transit and then shipped as a unit to the customer.

24-Hour Rule: security initiative that requires sea carriers and NVOCC (Non-Vessel Operating Common Carriers) to provide customs officers with detailed descriptions of the contents of containers bound for North America 24 hours before a container is loaded onto a vessel.

Chapter 14

integrated marketing communications: composed of advertising, sales promotions, trade shows, personal selling, direct selling, and public relations.

sales promotions: marketing activities that stimulate consumer purchases and improve retailer or middlemen effectiveness and cooperation.

public relations: create good relationships with the popular press and other media to help companies communicate messages to their publics (customers, the general public, and government regulators).

noise: external influences in advertising, such as competitive advertising, other sales personnel, and confusion at the receiving end, that can detract from the effectiveness of the communication.

Chapter 15

expatriate: resident of a foreign country.

local nationals: citizens of one country employed by a foreign company doing business in their country.

TCNs: third-country nationals; expatriates from their own countries working for a foreign company in a third country.

separation allowance: payments of overseas premiums for short-term assignments if family doesn't go overseas.

Chapter 16

parallel imports: distributors buy products in one country and sell them in another to take advantage of wide margins between prices for the same products in the different countries.

exclusive distribution: practice used by companies to maintain high retail margins to encourage retailers to provide extra service to customers, to stock large assortments, or to maintain the exclusive-quality image of a product.

variable-cost pricing: marginal or incremental cost of producing goods to be sold in overseas markets.

full-cost pricing: each unit of a similar product bears its full share of the total fixed and variable cost of the product.

skimming: price used to maximize profits when a company wants to reach a segment of the market that is price insensitive and thus willing to pay a premium price.

penetration pricing policy: used to stimulate market growth and capture market share by deliberately offering products at low prices.

price escalation: disproportionate difference in price between exporting and importing country because of added costs incurred as a result of exporting products from one country to another.

dumping: selling goods in a foreign market below the price of the same goods in the home market, or products sold below their cost of production.

countervailing duty: duty restricting amount a country will import that may be imposed on foreign goods that benefit from subsidies.

countertrade: or barter arrangement, a pricing tool that gives marketers a competitive advantage in countries short on hard currency by trading in goods instead of cash.

barter: the direct exchange of goods between two parties in a transaction.

compensation deal: involves payment in goods and in cash where there is an immediate cash settlement of a portion of the bill.

counterpurchase: the seller agrees to sell a product at a set price to a buyer and receives payment in cash, involving two contracts, giving the seller more flexibility than the compensation deal because there is a time period for the completion of the second contract.

product buy-back agreement: a seller agrees to accept a portion of the output as partial payment, or receives full price initially but agrees to buy back a portion of the output.

transfer pricing: prices of goods transferred from a company's operations or sales in one country to its units elsewhere to lower duty costs, reduce income taxes, or facilitate dividend repatriation.

Advanced Pricing Agreement: an agreement between the Canada Revenue Agency and a taxpayer on transfer pricing methods that will be applied to some or all of a taxpayer's transactions with affiliates.

administered pricing: an attempt to establish prices for an entire market, through competitors, national, state, or local governments, or by international agreement.

cartel: when various companies produce similar products or services work together to control markets for the types of goods and services they produce.

Chapter 17

BATNA: the best alternative to a negotiated agreement.

nontask sounding: preliminary conversation at a meeting that includes activities involving establishing rapport or getting to know one another, before dealing with the business of the meeting.

task-related information exchange: how business counterparts communicate when negotiating business.

OLC

multiculturalism: policy whereby different ethnic groups are encouraged to maintain their unique cultural backgrounds.

national character: the combined moral and ethical structure of a country derived from the values, goals, and aspirations of its people.

manifest destiny: belief by Americans that God had chosen them to develop a model society.

rugged individualism: belief that individuals determine their own destiny.

Staples economic theory: formed by Harold Innes, an explanation of Canadian economic development.

Staples trap: when a country dependent on raw materials becomes increasingly dependent on the economies that receive its imports and supply its manufactured goods.

sustainable development: balance between economic development and protection for the environment.