

Matt Monroe

Professor Vahid Rahmani

MKTG 411

19 April 2016

Final Project

I. Internationalization Advantages & Disadvantages

The 21st century is witnessing a new age of firms going global at an increasing rate. The main driving factors behind this phenomenon are the rise of the internet which has brought people from all walks of life closer together through a single platform. Therefore, firms that once saw geographic distance as a negative factor in going global, now have a closer reach to these locations through the use of a virtual space for conducting business in foreign markets. The internet has also benefitted consumers from around the world. Individuals in nations that were once isolated and remote can now view foreign products from more developed nations which stimulate an increasing demand for them. Another major factor that has driven global trade is the formation of organizations that promote it such as the WTO. This organization has influenced nations to reduce their old protectionist policies by promoting free trade and lowering trade barriers through negotiation. Although an increasing rate of firms are turning to foreign markets for more opportunities, there are also risks and disadvantages that come along with entering new markets.

International marketing has opened the door for many domestic firms to explore outside

their comfort boundaries and look for new opportunities abroad. Perhaps one of the greatest advantages of going global is to sustain your brand. Often times a firm may find that its product or service is losing sales due to market saturation. This is a result of the natural cycle that all products go through on the product life cycle in which a product reaches a stage of maturity and then starts to decline. However, there are opportunities to market these products in nations that are just developing such as China, Russia, or even countries that are more towards the bottom of the tier. For example, a particular cell phone may be in the declining stage of the life cycle in Japan. In order to increase market share and sustain the product life cycle they would move their operations to emerging markets that have demand for the good. Although the market for this shoe firm may not be saturated yet, it would be wise to explore the option of going international in order to have markets already established when the market does become saturated.

Another advantage of going global is the access to new customers. Domestic firms only have a limited amount of consumers they can market their product to. For example, despite a U.S. firm's success at home, they only have the possibility to market goods to 5 percent of the global population (Lee, 2015). This is a positive incentive to go global in order to try and tap in to that extra 95 percent of potential consumers. As a result, the firm can increase its overall market share if competition in the domestic market intensifies.

Finally, another advantage of going global is the ability to achieve economies of scale. This concept essentially means that when a firm begins exporting more products to foreign markets to meet the growing needs, it becomes more efficient in its production and distribution activities while also lowering the overall costs involved. The furniture store IKEA is a great example of a company that took advantage of economies of scale. For example, its standardization strategy allows it to produce the same type of products for all the different

foreign markets it operates in. Also since IKEA is involved in many markets it can take “advantage of different growth rates in different markets and gain stability by not being overly dependent on a particular market” (Czinkota & Ronkainen, 2013). This is a huge advantage of international marketing in regards to how a firm can remain flexible and have more reinforcement from its other regional markets in case one is doing poorly. The shoe firm that I own could see great benefit from going international in this regards, with greater access to new markets and expansion, the firm may be able to achieve economies of scale through standardization. However, slight modifications may need to be made in our advertising aims and product design to fit local tastes in the different countries I am contemplating about entering.

Although international marketing and going global has many advantages and opportunities, there are some risks involved. A notable risk is when a firm treats the international market in the same way it does with its domestic market. Failure to research cultural differences is often a major factor for a firm’s failure in an international market. For example, Pepsi’s marketing research appeared to fail on its translation-retranslation approach when its slogan in China was read as “Pepsi Brings Your Ancestors Back from the Grave” (Zakkour, 2014). Fortunately, company is one of the largest corporations in the world, but if this was the case for a smaller company, it could have catastrophic results for its brand image in the market if it tries to reintroduce a new product.

Another disadvantage of going global from a cultural standpoint is that some cultures may not view your product in a positive light. For example, some clusters of countries can be regarded as strong in uncertainty avoidance while others are lower. So for example, if your company were to release a new technology gadget in Taiwan, it may take a while for the consumers in that market to adopt your product. This is due to Taiwan being high in uncertainty

avoidance which correlates into consumers who are “late technology adopters and highly risk averse” (Czinkota & Ronkainen, 2013). Therefore, it is important for the research team to use cultural segmentation strategies to better understand how consumers view foreign products and how late it will take for them to adopt the product.

Finally, another risk or disadvantage that comes with going global is entering a nation with political risk. In other words, the nation may be going through a regime change or it could impose new policies that could affect the corporation’s activities. For example, a company may be exposed to ownership risk in which the property or even the lives of your employees may be in jeopardy due to civil war or other instabilities (Czinkota & Ronkainen, 2013). Therefore, a company may want to heavily research the political environment of that nation it wants to enter. Other than ownership risk, foreign nations may confiscate the global company’s assets in that country and transfer ownership rights to the host country.

In conclusion, there are advantages and disadvantages that come with going global. It is vital that a firm weighs the pros and cons of entering foreign markets. While new markets can increase the customer base, sales, and market share for a firm, they can also lead to disadvantageous outcomes that could break a firm’s ability to conduct marketing operations in the future.

II. Research

China

The nation of China is well regarded as a rising force in terms of economic power and projection across the global market. This is why it is crucial for marketers and firms to have a better grasp of their culture. In terms of language, most Chinese speak Mandarin and it is the

official language of the country. Within Mandarin there are several dialects such as Yue and Wu (“East & Southeast,” 2016). As far as religion is concerned, 18.2 percent are Buddhist, 5 percent Christian, 21.9 percent folk religion, and 52.2 percent unaffiliated ((“East & Southeast,” 2016). As you can see, China has quite a diverse set of religions which can make it hard for marketers to understand the worldview of many Chinese. Although this isn’t a requirement in the research, I found it useful to note that China has 96 percent literacy rate in which 250-350 million are English learners((“East & Southeast,” 2016). This could mean a growing consumer base that could aid global companies in communication abilities with more English speaking Chinese.

Besides these cultural attributes, China has a unique set of values and attitudes. Scholar Zhang Lihua notes that some of China’s deepest values spring from its Buddhist traditions. For example, she goes on to say that the core values of China and its national identity are “harmony, benevolence, righteousness, courtesy, and wisdom (as cited in “Cultural Foundation,”2013). Of these many values, she stresses that harmony and benevolence are two of the biggest values in China. Harmony can have many interpretations among different cultures, but for the Chinese it is valued as a tool to keep social cohesion and order. This would make sense due to the large population figures it contains. The value of benevolence stems from Confucianism in China. She goes on to state it relates to how the Chinese value “family ties and blood connections” (as cited in “Cultural Foundation,”2013). Therefore, family and relationships are valued highly in China.

While China is famed for its traditionalist attitudes, more youthful Chinese are shifting their attitudes towards a more Western way. For example, many Chinese in the past viewed premarital relationships as taboo. However, more Chinese youth are more tolerant of such activities with a poll in 2000 claiming that only 30 percent of Chines youth opposed sexual

relations before marriage (“The Changing Attitudes”, 2002). However, many Chinese youth still hold on to more traditionalist views such as frugality. In 1997, about 63 percent found that living economically or within one’s means was the true pathway towards wealth (“The Changing Attitudes”, 2002). When it comes to manners and customs, many Chinese feel that it is appropriate to greet new people by introducing with their “full name, job position, and the place you work for in formal situations” (“Chinese Greetings,” n.d.). Dining situations are also very formal. For example, people are only allowed to eat once the host and guests are fully seated. It is considered rude to start eating ahead of time. Despite some differences, China has similarities in manners and customs to other nations. Hand shaking is often seen as appropriate when it comes to greeting people or congratulating them on certain achievements.

Mexico

Mexico is a nation that has a language that is increasingly being spoken in the Western part of the world. Spanish is the main language of Mexico and 92.7 percent of Mexicans speak it with the other percent being indigenous (“North America,” 2016). As far as religion is concerned, Catholicism is widely practiced in Mexico. Exactly 82.7 percent of the population aligns their faith with Roman Catholicism (“North America,” 2016).

As far as attitudes and values, many Mexicans value the family. They see it as a stabilizing force and essential to family unity, welfare, and honor. Most of these values stem from the dominant faith in the regions, Roman Catholicism. Another essential value to point with Mexicans is that they value authority. Often times they will look to authority figures as the source of guidance and decision making. Therefore, much respect is shown within the hierarchy in Mexico. If a certain individual is above another when it comes to status, they are meant to be respected.

Manners and customs are a little different compared to what is expected in China. For example, hand shaking only occurs when the individuals get to know one another a little better. It is rare for this to occur on initial meetings. Dining etiquette is also different compared to China. For example, it is acceptable to show up 30 minutes late to a dining occasion and arriving on time is seen as rude. Business etiquette in Mexico is important for relationship building and saving face. For example, Business appointments must be made 2 weeks ahead of time and should be reconfirmed a week before the meeting. Therefore, it is vital for a foreign company to understand the norms of this style of scheduling.

Italy

Italy is very similar in regards to Mexico when it comes to religion. About 80 percent of Italians are Christian with the majority being Roman Catholic. ("Europe," 2016) The most common language in Italy is Italian and it is the official language for the nation.

Much like Mexico and China, the family is seen as the most important value among Italians. In Italy the family is a vital support structure and often times these families act in unison with their decision making process. Other than this, the family serves as a support structure for both emotions and finances. Therefore, the traditional nuclear family is valued above all else in Italy. Other than the family, Italians value appearance and good fashion sense. This makes sense since Italy is one of the fashion capitals of the world. Since Italians judge a lot based on first impressions, it is important for individuals to be styled correctly. Poor fashion senses can make Italians judge your position in society, educational level, and family background. Therefore, it is important to make a good first impression especially in business matters.

As far as manners and customs are concerned, greetings are rather informal in Italy. For example, once a relationship starts to build, the usual greeting will be two air kisses on both cheeks. This greeting is also seen as appropriate for two men as well. Also being late to dining occasions is also seen as acceptable. For example, it is normal for guests to arrive 15 minutes late to a dinner and 30 minutes late for a party. Gift giving is also seen as a standard activity amongst Italians, however choosing the right gift for the right occasion is important. For example, giving a gift of red flowers can signify secrecy and giving yellow flowers may symbolize jealousy. Thus it is important, to know which gift to give in order to appear acculturated in the society.

Business etiquette is another important matter for any firms wanting to go global and enter Italy. For example, it is important to build trust amongst Italian businessmen as they usually prefer doing business with people they know and trust. Therefore, relationships can be seen as a vital component to long term business cooperation. Also it is important to understand the times of the year that businesses are non-operational. Unlike corporations in the U.S. many Italians take part in the iconic Mediterranean lifestyle. For example, many companies are closed during the month of August since many Italians value vacation time.

According to Exhibit 3, some of the cultural elements that would be difficult to adjust to could be verbal language, manners and customs, and education. Verbal language can be seen as a major challenge for going global in China. For example, experts have placed Mandarin Chinese as one of the hardest languages to learn. Compared to learning Spanish or Italian, Mandarin requires 2,200 hours of study to reach reading and speaking proficiency ("Effective Language," n.d.). This also doesn't take into account that people learn at different paces. U.S. firms have found that failure to grasp the language can lead to failure to reach deals and lose

their competitive advantage in negotiations. Furthermore, if a U.S. firm tries to use glocalization in its marketing strategy, failure to understand a language could lead to bad results when it comes to adapting a brand to local tastes. For example, a change in brand name for China may require careful analysis of the language in order to keep consumers on your side. As I demonstrated in the earlier part of the article, Pepsi made a mistake with its slogan about Pepsi's abilities to raise people from the dead. An error such as this could show the native people that a company cares little about learning the native language and the nation's culture. Therefore, it is important as a firm we learn the language to perfection through acculturation, or education.

For Mexico, I see one of the main problems that could potentially face U.S. firms is the educational factor in Mexico. This could potentially be a problem when trying to communicate with the population. For example, in Mexico, only 46.68 percent of people between the ages of 15 and 19 are enrolled in an educational program ("Living Mexico," n.d.). Furthermore, the country witnesses a high dropout rate. So how does poor education affect a firm's opportunities in a foreign market? Lack of education can result in the native population not being prime targets for recruitment into the company to help with operations on the local level. For example, this could lead to issues with creating a "suitable sales force or support personnel" (Czinkota & Ronkainen, 2013). Even though the company's product is a shoe and not a technology good, it still needs salespeople who are willing to be educated about how the company wants the salesperson to sell the shoe to the general public that fall in line with the company's message. Inconsistency and a poor sales force could translate into lack of sales. Furthermore, high education usually translates into a higher standard of living. Since the shoe is priced at around \$50, you would need a consumer base that can afford the shoe.

In Italy, manners and customs could also be a challenge. I discussed earlier, many

Italians live a slower paced life than many Americans. This could be problematic for our firm when working with business people for local distributors or retailers. For example, negotiations in Italy can be slow and time consuming. Any sense of urgency on our firm's part could be seen as a "sign of weakness" ("Doing Business," n.d.). Therefore, it could be difficult to close a deal or the Italian doing the negotiating could become more competitive at this unintentional sign of weakness.

Besides area such as negotiating, setting up meetings would be a difficult task for our firm. Italians prefer to do business with people they already know. Therefore, going straight to a business owner to form a relationship in regards to marketing in Italy could prove disastrous. This could lead to a missed opportunity at finding perhaps a local retailer or distributor. Instead our firm needs to understand that in Italy, you need to find contacts that know that owner so they can introduce you to them. Building up a network of local contacts should be one of the first steps before we decide to just dive in.

For the first part of the Hofstede's Cultural Dimensional analysis I will be comparing China with Italy. In regards to power distance, China is ranked 80 compared to Italy's 50. This essentially means that the average Chinese person accepts the level of imbalance of authority within their nation. This power distance is usually associated with countries that have a more "authoritarian hierarchy" ("Power Distance," 2010). This makes sense with China since its government is centered on communism rather than democracy. China has a weak middle class which translate into a large gap between the rich and the poor. Italy on the other hand has a lower power distance since it is more democratic in nature and has the elements of a middle class within its society. A firm entering a nation with a high power distance could experience problems with selling its product. For example, a study showed that nations with high power

distance beliefs tended to have consumers that were less impulsive buyers (“Culture Matters,” n.d). This could be problematic for a firm from a country with a lower power distance entering one with higher levels.

For individualism, Italy scored substantially higher than China with a score of 76 compared to China’s 20. What this essentially means is that China’s culture is more collectivist. This can have multiple implications for a firm in that collectivist cultures tend to make decisions as a group rather than individually. This can mean a consumer in a collectivist culture may seek out more advice from families or friends when it comes to purchasing a product. On the other hand, they may not purchase the product at all in fear of rejection from their group associations.

In the category of masculinity, both countries scored close with Italy edging out by 4 points. Both countries are high in this category which translates into a high spirit of competitiveness. For firms such as ours, this could mean operating in a market with more competitive businesses and tougher negotiations since winning and success are the ultimate goals.

In uncertainty avoidance, China scored at a low 30 with Italy reaching 75. These figures suggest that in China, individuals are more open to change and innovation. Another way of looking at high uncertainty avoidance is that people within that culture are willing to fight against change in order to make sure their future is in line with their expectations. For example, studies show that firms in cultures with high uncertainty avoidance “lead firms to protect/differentiate more of their new brands to face threats from competitors” (Giarratana & Torres, n.d.). This could be problematic for our firm if we were to try and create a joint venture with the home company since they may be reluctant to cooperate in the form of sharing business strategies and info.

In the category of long term orientation, China and Italy both score high, but scores higher than Italy with a score of 87 compared to Italy's 61. Long term orientation can be correlated into a culture's willingness to accept societal change. If a culture has high long term orientation this means that it is willing to adapt to the circumstances in regards to the "situation, context and time" (Czinkota & Ronkainen, 2013). For example, a firm with high long term orientation wouldn't let tradition be as much of a factor when adapting to a particular marketing environment.

Finally, we have the category of indulgence. China scores much lower than Italy with a score of 24. This translates into China's culture emphasizing the entrainment of indulging one's self in pleasurable activities such as relaxing or overconsumption. This can mean that the Chinese may show more restraint when it comes to purchasing products to fulfill their desire.

Now that I have discussed which each of these categories mean, I will cover some of the more obvious discrepancies between the countries in these category rankings. When Italy is compared to Mexico, there is a large gap in the indulgence category with Italy being significantly lower with a score of 30 compared to Mexico's 97. Both of these countries are on equal footing when it comes to the masculinity factor. Between Mexico and China, Mexico was basically equal with China in regards to power distance and masculinity, but drastically different in uncertainty avoidance.

III. Economic Environments

China

China has seen a drastic change in its economic environment which has transitioned more towards open trade and capitalism. In 2010, China became the World's largest exporter taking

advantage of its huge human resources for labor (“East and Southeast Asia,” 2016). In 2015, its GDP swelled to \$ 19.51 trillion and has exceeded the U.S. and the European Union in this category (“East and Southeast Asia,” 2016). Its GDP is also growing considerably and in 2015 its annual rate was 6.8 percent growth. The nation also tends to save more than it spends compared to other countries. In 2015 it was ranked 3rd in gross national saving with the country conserving 47.4 percent of its GDP (“East and Southeast Asia,” 2016). One of its strong economic factors is its ability to produce massive quantities of agriculturally produced goods. For example, it is the world leader in gross value of agricultural output (“East and Southeast Asia,” 2016). Other than agricultural, it also the gross leader in industrial output with sources stemming from mining, iron, and steel production (“East and Southeast Asia,” 2016). China is obviously a force to be reckoned with.

Italy

Italy is also an economic power house and has one of the largest economies in Europe. In 2015 it was ranked 3rd in the Euro-Zone, but is experiencing high debt and structural development issues (“Europe,” 2016). Another situation it is facing is a declining birth rate which translates into a decreased labor force. This has led Italy to seek more immigrants to fulfill its labor objectives. In 2015, its GDP was \$2.174 trillion and its annual growth rate was 0.8 percent (“Europe,” 2016). The inhabitants still enjoy a relatively high standard of living. For example, in 2015 its GDP per capita came in at \$35,800 (“Europe,” 2016). Like most Western nations it relies heavily on its service sector for its GDP. In 2015 this made up 74.2 percent of its economy with tourism being a major driving force (“Europe,” 2016).

Mexico

Although Mexico has had some economic troubles in the past, its membership in NAFTA has led to positive economic growth. Much of this is a result of its increased manufacturing capabilities which make up 34.1 percent of its economy (North America,” 2016). In 2015, its GDP was 2.2 trillion with an annual growth of 2.3 percent (“North America,” 2016). Despite the amount of growth Mexico is experiencing, its GDP per capita is still low. In 2015, the average was at \$18,500 with much of its labor force in the service sector (North America,” 2016).

IV. Political and Legal Environments

China

China’s political and legal environment stems from its transformation into a communist country in 1949(“The Chinese,”n.d.). Their legal system revolves around a more socialist system of law based primarily on the Civil Law Model. This model essentially dictates how the government regulates society when it comes to things like property and matters related to crime. China is moving in a more open political environment and is lessening its central authority when it comes to economic affairs. For example, there has been a “growing willingness by central government to devolve executive powers down to the administrative chain, granting ever-greater powers to local authorities” (“3 Political Environment,” n.d.). Of course this measure is being seen as a result of its increase in free market economics and more foreign investment. However, China’s political and legal environments do have some draw backs. For example, there is a lot of bureaucratic red tape and it is often difficult to operate efficiently or understand the official laws put in place. One good example is from the CEO of Chindex International, Roberta Lipson. Her company sells medical equipment and when trying to open a new hospital in China, it was often hard to manage logistics. She goes on to state “it is not obvious to the applicants or the

regulators themselves who has the authority to grant or deny approvals” (as cited in Jindal, Lai, & Takubo, 2006). Therefore, firms entering China should understand that they may find more bureaucratic red tape and lack of organization within the political and legal environment.

Italy

Italy has a republican form of government which is composed of an executive, legislative, and judicial branch much like the U.S. However, its civic code was shaped by Roman law and the Napoleonic Code. Firms that are entering Italy should be well aware that it has some of the toughest laws for intellectual property. Furthermore, much of its codes on laws regarding importing, exporting, and tariffs are covered by the EU in the form of the Binding Tariff Information System. Another interesting characteristic of the legal environment is the formation of “super courts” in Italy. These courts are specifically designed to have “jurisdiction over proceedings involving foreign companies in matters such as intellectual property, unfair competition, and corporate law” (Montinari & Parisi, 2014). One of the main reasons for the rise of these courts is the heavy intellectual copywriting violations that have been occurring in Italy at a high rate.

Mexico

Mexico’s government operates in the form of a federal republic. It has a central government that delegates different powers to each individual state. Currently, Mexico is attempting to modernize its legal and judicial systems from its close proximity to the U.S. Furthermore, its legal environment has improved due to its connection with the U.S. and Canada through NAFTA (“Mexican Law,” n.d.). Mexico in regards to its legal environment practices civil law which is different than U.S. common law. The most notable difference is the creation and adherence of

laws within each respective system. For example, in the U.S. the courts can be seen as creating law (“Mexican Law,” n.d.). Thus in the United States, our courts create rules of law to fill in the gray areas not clearly covered by legislation, or regulations” (“Mexican Law,” n.d.).

Therefore, the differences in legal systems usually compel U.S. firms to hire a lawyer from Mexico in case they run into legal troubles.

V. Marketing Research (Competitive Analysis)

If a company wants to go into the global market, it must choose the competitive strategy that best fits with its internal situation such as its product category, internal resources, manufacturing capabilities, distribution costs, etc. Externally it is important to know who the competitors are and what product they are offering, as well as if the market is suitable for a particular strategy. In order to determine which strategy to use, I will first research other shoe companies that have similar offerings to our firm in the Italian market. One of the main advantages Italy has is it is well known for its quality when it comes to shoe design. There are three main companies that make up a large portion of the shoe market share in Italy. However, each is relatively close when it comes to market share. Nike Italia and Bata both have 6 percent market share with Geox at 5 percent (“Footwear in Italy,” 2016). Nike plans on gaining more market share in the future due to the trend in Italy for more of an urban casual style of footwear (“Footwear in Italy,” 2016). This is a positive incentive for our company since it falls in line with being a comfortable, lightweight, and casual sneaker. However, it appears Nike will be our biggest competitor. Despite this, the prospects are showing Italians are looking for a more “comfortable/high quality footwear at reasonable prices” (“Footwear in Italy,” 2016). I’m leaning towards a focused strategy, but more research has to be done on the average prices for the competitor’s shoes.

Nike offers a line of casual sneakers outside of its famous basketball and running shoes. For example, its Nike Roshe Ones are the main shoe for its casual product line and is offered in both men and women's versions. The good news is its price is higher than our product coming in on average at \$75. Bata also prices its casual sneakers in the same price range as Nike. For example, the lowest price I could find was 59 Euros for its white leather sneakers and this is with a discount.

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Lower Product Prices • Quality Shoe Design(Comfort) • Product falls in line with growing casual sneaker demand among younger Italians 	<ul style="list-style-type: none"> • Lack of Brand Recognition • Limited Financial Resources • Lack of experience in Foreign Markets
Opportunities	Threats
<ul style="list-style-type: none"> • Focus strategy • Competitive advantage • Growing Italian Market for casual sneakers 	<ul style="list-style-type: none"> • Competitors in Italy lowering their prices in response to our strategy • U.S. Competitors adopting our strategy

With the information I have gathered, I conclude that the best option is to go with a focused strategy. Our product offering will be similar to the competitions, but it will be priced lower without decreasing a substantial amount of quality. With a focus strategy, we can capitalize on a narrower target market of Italian consumers who are favoring more affordable shoes, but still want to have that stylish appeal.

A. Target Market

Our firm's target market will consist of both men and women between the ages of 18-30 that have either just graduated college or have a reasonable paid job that puts them within the middle class in Italy. In regards to demographics, they can be considered singles and couples without children. Furthermore, they will have a disposable income between \$20,000 and \$30,000 which is close to the average income in Italy. All these characteristics fall in line with the price of our product offering and will give these consumers an opportunity to purchase affordable and well-designed shoes.

Geographically, our firm should concentrate on the regions of Italy in which these consumers are in. Southern Italy has the income distribution that is consistent with our target market. The average GDP within this area in cities such as Naples and Palermo is \$25,000 ("Italy's north-south," 2014). Again I believe it's best if the firm focuses on being a niche in the overall market Italy by being a source for affordable quality sneakers for those in lower income brackets. My reasoning is that it would be harder to compete in other geographic areas of Italy with a much higher GDP since those consumers would most likely turn to more expensive brands.

When defining our target market by psychographics I will use the VAL's Lifestyle chart. The target market we will focus on fits into the category of strivers. This group of consumers can be described as a "low resource consumer group that wants to reach some achievement". Are product offering will allow them to obtain this sense of achievement if we can position our footwear as a high quality product. Furthermore, the target market will be made of individuals who are non-athletic and value leisure time more than athletic activities.

Behaviorally, our target market will be made up of consumers who will develop brand loyalty as long as the product fits with their expectations of quality, comfort, and price. Therefore, it will consist of the members that are looking at the overall benefits of the shoe compared to the competitor. We plan on targeting those consumers who value the benefits of being able to wear a comfortable and stylish sneaker for an affordable price that doesn't sacrifice quality.

B. Positioning

When it comes to positioning a product it is important that your product or brand occupies a space within the consumer's mind that separates it from competitors. Since our price offering is less than many of our competitors it is important to not make the consumers feel as if they are getting a low quality or cheap product. One way to position this product in more favorable light is to go with a strategy similar to Target. Although Target's products are not as cheap as Walmart's they are still within a low price range. However, to reposition its brand to the consumer, it uses the catchy phrase "Expect More. Pay Less.". I feel we can build on a message similar to this and claim that basically our shoes can provide more comfort and quality for less of your hard earned Euro. This would help differentiate our brand by showing that lower earning

Italians don't have to spend a lot of money on other well-known brands in order to get the quality they deserve.

C. Competitive Strategy

For the competitive strategy, I see that a focused strategy is the best option. Since we are a mid-sized company and rather small compared to well established shoe brands like Nike and Bata, the focus strategy will allow us to be a niche for our target market. We can also use a balancing act of cost leadership and differentiation through our lower average prices and our differentiation strategy focusing on the more benefits for less money concept. Furthermore, we must use the focus strategy because it would be disadvantageous to try and compete with Nike and Bata in an industry wide environment. With the limited resources we have, penetrating a smaller niche market would be much more conducive to our mission of entering Italy.

D. Entry Strategy

Since this is the company's first time entering an international market and due to the relative size of our company, I feel that licensing would be a good way to test the waters of the new market. Licensing has many advantages that go along with it. For example, it "reduces the exposure to both government intervention and terrorism" (Czinkota & Ronkainen, 2013). With Italy's unstable economy and an uncertain economic future, this could be key to make a safe entry strategy. Furthermore, it can allow our company to "test a foreign market without major investment of capital or management time" (Czinkota & Ronkainen, 2013). Since our profits were only 5 million, we obviously can't risk taking a chance of losing that hard fought money. Furthermore, licensing to the right Italian company means that they would already understand the culture and the consumer behaviors that are prevalent in our target market. Although

licensing may not be the best way to increase overall sales, it still gives us the chance to see how receptive our target market is to our product and how it does in the face of competitors.

VI. Core Benefit

A. The core benefit that the product is offering is style, comfort, and affordability in regards to the other major shoe brands in the Italian market. Although it was never stated that the shoe was of high quality, it can always be used in the advertisements to appeal to the target market.

B. In regards to the hierarchy of needs, it would depend how the product is positioned in the ad or the core message behind it. For example, if the ad showed a couple walking with our shoes they may find that the product can satisfy the “Love and Belonging Needs.” On the other hand, the company could feature an ad that shows a group of young women walking on a track which could tell the consumer that these shoes could fulfill their safety needs in regards to good health and exercise.

C. For the tangible attributes of the shoe I would add perhaps new leather material to make it appear more stylish against its Italian counterparts. In other words, I would strive to make it seem less American and more Italian. In terms of augmentation, I may offer a 6 month warranty for the shoe in case it is damaged or faces other issues. This could prove to have many benefits because it shows the positive service side that product comes with. For the intangible part of the product I would focus on making the shoe have a long lasting quality to it which encourages further use.

VII. Advertising Program

A. The target audience for the ad campaign will be directed at those members included in the target market which include non-athletic young adults (18-30), with a lower-middle class income. The messages will mainly be targeted in the dense cities of Southern Italy such as Naples and Palermo. This is the geographic area in which the target audience resides in and by focusing in the more densely populated areas; we hope the message will have greater reach.

B. With any advertising objectives it is important that they are specific, measurable, attainable, realistic, and timely. All of these factors will be taken into consideration when executing this program. If the company decides to go with a licensing entry strategy, we can decide to cooperatively advertise with a local Italian company. The benefit here is they will have a better grasp of the culture and what advertisements are appropriate and what are not. It would be beneficial for this company to also have a social media presence on a site such as Facebook as more Italians are turning towards online sources for their product purchases. Therefore, it is important we use the correct form of medium to get the message out to the target audience effectively. However, before running these ads, we need to make sure we have clear objectives.

1.) Increase brand awareness and likes on our Facebook page amongst our target audience. We hope to add 2,000 more likes to our page within the year.

2.) Use online display ads on social media sites like Facebook and obtain an average click through rate of 2 percent each month for a year. AdWords will be used to measure the monthly figures.

3.) Use post-testing measures in the form of unaided recalls among our target audience by asking them to name five shoe advertisements they have seen on social media within the past week. We hope to achieve a percentage increase of 0% to 20%.

- A.** The ad will be more visual in nature with our shoe displayed in an aesthetically appealing manner. However, it is also important that it is informative so it can explain the design features that make it comfortable and casual. The core message of the ad is that this shoe can give you the quality comfort you're looking for without paying for that extra benefit. The company should aim to keep this message as simple as possible without adding too much complexity to it. That way our target audience will be able to register it more efficiently.
- B.** The appeal that will be used in the ads will be rational appeals. Rational appeals can be seen as the "reasonable, practical, and functional desirability of a product" ("What is rational," n.d.). Our ad could use comparative advertising in this situation by placing a competitor's casual shoe vs our product and then showing how the design and benefits are similar, but our product is cheaper. I believe this would touch on the core message of the ad being we can give you the same benefits for less.
- C.** Ads I stated before, social media will be are sole medium to deliver our message. It is more affordable than outdoor advertising or print advertising and it also allows us to track our advertising objectives more precisely overtime. On top of that social media can be utilized by smaller business trying to reach the global market and "cost per enquiry through social media is cheaper compared to traditional advertising" (Bavishi, 2014). Since the overall strategy is taking a more

conservative approach to international market entry, social media saves the potential losses from running a failed ad campaign.

References

- 3 Political Environments. (n.d.). Retrieved April 21, 2016, from http://www.china-britain.org/sistem_china/3_political.html
- Bavishi, M. (2014). Is Social Media Marketing a Threat to Traditional Advertising? Retrieved April 21, 2016, from <https://www.linkedin.com/pulse/social-media-marketing-threat-traditional-advertising-mehul-b>
- Czinkota, M. R., & Ronkainen, I. A. (2013). *International marketing*. Mason, OH: South-Western Cengage Learning
- Europe: Italy. (2016). Retrieved April 21, 2016, from <https://www.cia.gov/library/publications/the-world-factbook/geos/it.html>
- Giarratana, M. S., & Torres, A. (n.d.). The Effects of Uncertainty Avoidance on Brand Performance: Marketing Creativity, Product Innovation and the Brand Duration. Retrieved April 21, 2016, from <https://repositori.upf.edu/bitstream/handle/10230/1099/1015.pdf?sequence=1>
- Italy's north-south divide in one chart. (2014). Retrieved April 21, 2016, from <http://www.citymetric.com/business/italys-north-south-divide-one-chart-361>
- Jindal, V., Lai, E., & Takubo, S. (2006). Business and the Legal Environment: Lessons from China. Retrieved April 21, 2014, from https://www0.gsb.columbia.edu/mygsb/faculty/research/pubfiles/2115/Business_and_the_Legal_Environment.pdf

- Lee, M. Y. (2015). Does the United States really have 5 percent of the world's population and one quarter of the world's prisoners? Retrieved April 21, 2016, from <https://www.washingtonpost.com/news/fact-checker/wp/2015/04/30/does-the-united-states-really-have-five-percent-of-worlds-population-and-one-quarter-of-the-worlds-prisoners/>
- Living México – The most complete online guide for information on Mexico. (n.d.). Retrieved April 21, 2016, from <http://www.livingmexico.com/education.html>
- Montinari, M., & Parisi, G. (2014). The New Italian Super-Courts For Foreign Companies. Retrieved April 21, 2016, from [http://www.mondaq.com/x/301298/Corporate Commercial Law/The New Italian SuperCourts For Foreign Companies](http://www.mondaq.com/x/301298/Corporate-Commercial-Law/The-New-Italian-SuperCourts-For-Foreign-Companies)
- North America: Mexico. (2016). Retrieved April 21, 2016, from <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>
- Power-Distance Index (PDI) Definition | Investopedia. (2010). Retrieved April 21, 2016, from <http://www.investopedia.com/terms/p/power-distance-index-pdi.asp>
- The Changing Attitudes and Values in the New China. (2002). Retrieved April 21, 2016, from <http://www.china.org.cn/english/2002/Sep/44656.htm>
- The Chinese Revolution of 1949 - 1945–1952 - Milestones - Office of the Historian. (n.d.). Retrieved April 21, 2016, from <https://history.state.gov/milestones/1945-1952/chinese-rev>
- The Cultural Foundation of China's Foreign Policy. (2013). Retrieved April 21, 2016, from <http://carnegie.ru/2013/06/19/cultural-foundation-of-china-s-foreign-policy/ghny>

Zakkour, M. (2014). China's Golden Week - A Good Time To Make Sure You Don't 'Bite The Wax Tadpole. Retrieved April 21, 2016, from <http://www.forbes.com/sites/michaelzakkour/2014/10/02/chinas-national-day-golden-week-a-good-time-to-make-sure-you-dont-bite-the-wax-tadpole/#173884561bd1>