

Chapter One

An Overview of International Marketing

IM is that segment of business concerned with the planning, promoting, distribution, pricing and servicing of the goods and services desired by intermediate and ultimate consumers (Albaum et al., 1998).

IM is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations. International marketing has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations and management contracts (Czinkota et al., 2001).

International marketing is about the application of marketing skills and techniques to markets beyond the domestic market. The marketing concepts, skills and techniques are universal, but their application to different markets varies, because of the environmental differences encountered. If marketing concepts, processes and principles are universally applicable and the marketer's task is the same, then, what is the difference between domestic and international marketing? The concepts are not different, but the environments in which marketing plans must be designed and implemented are different. Foreign markets are unique due to the unfamiliar problems that appear. Elements such as the legal system, government measures, consumers with different tastes, are uncontrollable elements. They cannot be controlled but instead the company must adjust or adapt to them.

Why International Marketing?

The major reasons to go to international markets are:

1. **Market Saturation:** When domestic markets are becoming saturated faster than new markets are being found. E.g. Staple consumer goods such as cars, radios, and TVs' already outnumber households. Thus, companies in those industries must develop new markets to continue to operate successfully. International markets especially those where market saturation is a distant threat, provide an attractive alternative.
2. **Trade Deficit:** To balance the trade deficit i.e. to balance import & export.
3. **Foreign Competition:** Competition forced some companies to shift their products to foreign

markets.

4. **Emergence of new Markets:** The world is changing fast, resulting in the emergence of new markets.
5. **Globalization:** Technology has homogenized worldwide markets and that; companies should therefore produce globally standardized products and market them in the same way to people everywhere. All the principal barriers to the growth of such markets have weakened.
6. **The Possibility of achieving economies of scale:** In industrialized where economies of scale are feasible, a large market is essential, so if the home market is not large enough, entering foreign markets may be an attractive alternative.
7. **To get cheap labor costs:** In many industries labor constitutes of costs. Since labor cost in developing countries is much lower than in the developed countries, it is economically attractive for the companies to expand foreign operations
8. **To develop and /or test new products outside:** This practice avoids exposure to competitors and to some extent, keeps new development information secret until the product is ready for full introduction.

1.2 Major International marketing decisions

There are different decisions that a company may face when they think of going international or abroad.

A. Deciding whether to go international or not.

Not all companies need to venture into foreign markets to survive. For example, many companies are local businesses that need to market well only in the local marketplace. However, companies that operate in global industries, where their strategic positions in specific markets are affected strongly by their overall global positions, must think and act globally. Any of several factors might draw a company into the international arena.

B. Looking at the global marketing environment.

It comes from looking at the *international marketing environment*. Multinational companies operating in many countries have proliferated and in a global economy more companies must consider international markets if they are to grow.

C. Deciding which markets to enter

Before going abroad, the company should try to define its international marketing objectives and policies. First, it should decide what volume of foreign sales it wants, second, the company must

choose how many countries it wants to market in, Third, the company must decide on the types of countries to enter. Possible international markets should be ranked on several factors, including market size, market growth, and cost of doing business, competitive advantage, and risk level

D. Deciding how to enter the market

Once a company has decided to market in a foreign country, it must determine the best mode of entry. Its choices are *exporting, joint venturing and direct investment*. Each succeeding strategy involves more commitment and risk, but also more control and potential profits.

1.3 International marketing tasks

Actually the marketing's task is to mould the controllable elements of marketing decisions (product, price, promotion and distribution) within the framework of uncontrollable elements of the market place (competition, consumer behaviour, politics, etc) in such a way that marketing objectives are achieved.

At international level the environment in which the companies function (the uncontrollable elements) can change dramatically from one country to another and this is the international marketer's primary concern: the difficulties created by different environments and how to deal with them.

Cateora et al. (2002) present the fact that the international marketer's task is more complicated than that of the domestic marketer. This happens because the international marketer must deal at international level with at least two levels of uncontrollable variables instead of one (besides the domestic environment of the home market, it is also the foreign environment of the foreign market).

Marketing controllable are the elements the marketer controls and he can change at his own will (price, promotion, product, distribution). The controllable elements can be altered in the long run and in the short run, to adjust to changing market conditions, consumers' tastes or corporate objectives.

Domestic uncontrollable refer to the *home country* elements that can have a direct effect on the success of a foreign venture and they are out of the immediate control of the marketer. Among the domestic environment elements that can influence the activity of a company abroad are:

- Political decisions

- Domestic economic climate: the capacity to invest in plants either in domestic or foreign markets is a function of the economic vitality. A company has to have the money first and then to spend it, to invest it home or abroad. So, if it is a good economic climate in the home country, the company prospers and therefore gains the money to invest either home and/or abroad;
- Competition in the home market: when Kodak started to lose market share on the USA market in favour of Fuji, its strategy was to defend its domestic market, therefore investing a lot in this activity as part of its funds went to defend the domestic market and did not go to invest internationally. If a company has problems in the domestic market the likely-hood to go international is small. High competition in the home market affects a company's domestic or international plans, as the company has to invest heavily to protect its home market.

Foreign uncontrollable: refer to the *elements outside the home country* that are not in the immediate control of the company (politics, technology, economic climate). Some of the elements of the foreign environment worth taking into consideration are:

Technology: the differences that exist between developed and developing countries as far as technology is concerned determine different understandings of concepts. For instance, the concept of preventive maintenance for equipment means one thing in the developed countries and may mean a different thing in developing countries due to the lack of adequate technical knowledge. In these conditions the company has to take extra steps to make sure that the importance or routine maintenance is understood and carried out everywhere.

Political issues. An example of political problems that may appear in a foreign country is the “alien status” of a company, the fact that the company belongs to foreigners and they are seen as outsiders and the company may have an unfair treatment coming from politicians and legal authorities.

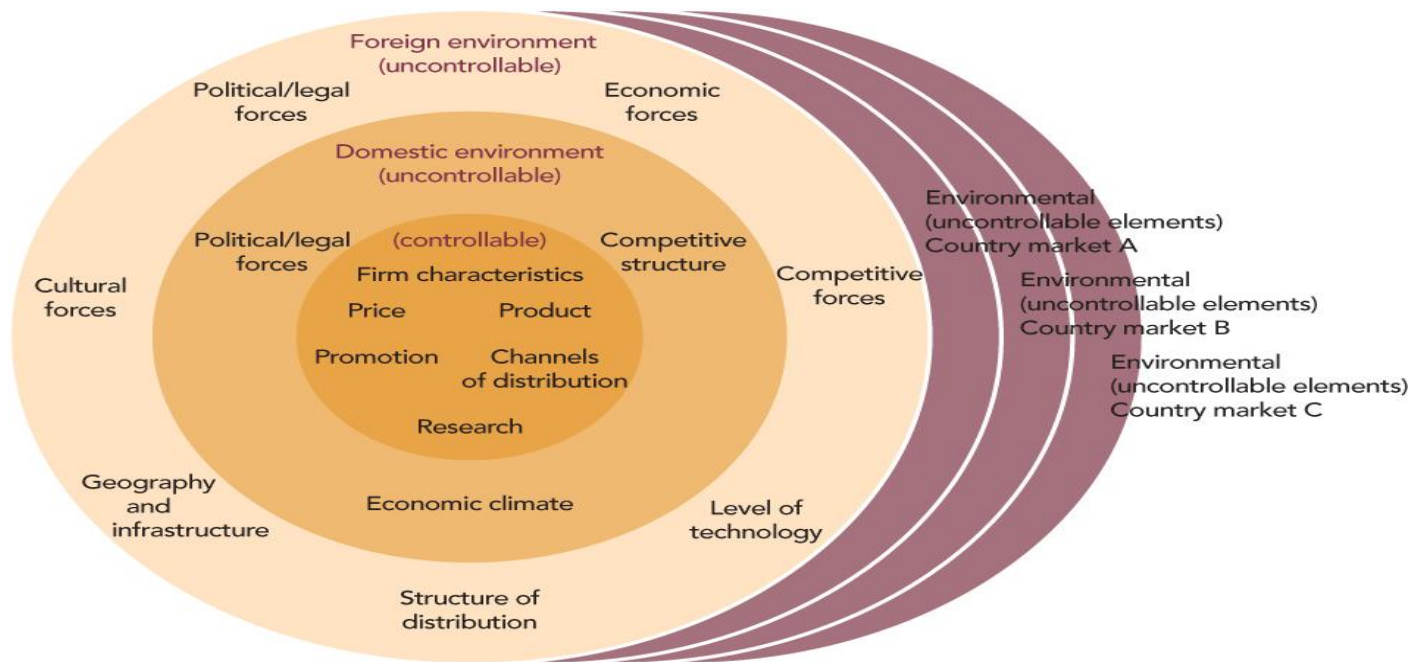


Figure no. 1.1 the international marketing task

Source: Cateora Ph. and Graham J., 2002, *International Marketing*, McGraw Hill, p. 9

1.4 Scope of international marketing

International marketing is a part of total marketing process. All the marketing activities like buying, selling, transportation, storage and warehousing, financing, risk bearing, pricing, advertising and sales promotion etc when performed in foreign markets across the national border is called international marketing.

The scope of international marketing essentially includes exporting of goods and services in foreign markets. The exporter performs various activities, other than exporting the goods and services. These activities are;

1. **Establishing** a branch in foreign market for processing, packaging or assembling the goods according to the needs of the markets. Sometimes complete manufacturing is carried out by the branch through direct investments.
2. **Joint Ventures and collaborations.**

International marketing includes establishing joint ventures and collaboration in foreign countries with some foreign firms for manufacturing or marketing the product. Under these arrangements, the company works in collaboration with the foreign firm in order to exploit the foreign markets.

3. . Licensing Arrangements

The company establishes licensing arrangements with the foreign firm whereby they are granted the right to use the exporting company's know-how, i.e. patents, processes or trademarks according to the terms of agreement

4. . Consultancy services

The exporting company offers consultancy services by undertaking turnkey projects in foreign countries. For this purpose, the exporting company sends its consultants and experts in foreign countries who guide and direct the manufacturing activities.

5. Technical and managerial know how

The scope of international marketing also includes the technical and managerial know how provided by the exporting company to the importing company. The technicians and managerial personnel of the exporting company guide and train the technicians and managers of the importing company.

1.5 Stages of international marketing involvement

Once a company decides to be international, it has to be deciding the degree of marketing involvement and commitment it is prepared to make .these decisions should reflect considerable study and analysis of market potential and company capabilities. Many companies begin tentatively in international marketing, growing as they gain experience and gradually changing strategy and tactics as they become more committed. Other enter international marketing after much research and with fully developed long range plans, prepared to make investments to acquire a marketing positions.

The degree to which the companies involve themselves in international marketing activities depends on the degree of their overall involvement internationally. Companies generally develop different marketing strategies depending on the degree of experience and the nature of the operations in international markets. Companies tend to evolve over time, accumulating international business experience and learning the advantages and disadvantages of marketing around the world. As a result, it has been developed an evolutionary perspective of

internationalization of the company, characterized by a number of stages of international marketing involvement. When we talk about international marketing involvement, we take into account the degree of market control over marketing activities.

The marketing involvement in a foreign market refers to the degree of market control. Even though the stages of international marketing involvement are presented in a linear order, the firm does not progress automatically from one stage to another.

A firm may begin its international involvement at any one stage and to be in more than one stage simultaneously. These stages are overlapping.

- I. No direct foreign marketing** in this phase, there is any active cultivation of customers outside national boundaries; however, this company's products may reach foreign markets. Sales may be made to trading companies and other foreign customers who come directly to the firm. Or products reach foreign markets via domestic wholesalers or distributors who sell abroad on their own without explicit encouragement or even knowledge of the producer. An unsolicited order from a foreign buyer is often what piques the interest of a company to seek additional international sales.
- II. Infrequent foreign marketing** Temporary surpluses caused by variations in production levels or demand may result in infrequent marketing overseas. The surpluses are characterized by their temporary nature; therefore, sales to foreign markets are made as goods are available, with little or no intention of maintaining continuous market representation. As domestic demand increases and absorbs surpluses, foreign sales activity is withdrawn. In this phase, there is little or no change in company organization or product lines. Few companies fit today to this model because usually customers are looking for long term relationships and regular sales.
- III. Regular foreign marketing.** At this level, the firm has permanent productive capacity devoted to the production of goods to be marketed on a continuing basis in foreign markets. A firm may employ foreign or domestic overseas middlemen or it may have its own sales force or sales subsidiaries in important foreign markets. The primary focus for products presently being produced is to meet domestic market needs. Investments in marketing and management effort and in overseas manufacturing and/or assembly are generally begun in this phase. Further, some products may

become specialized to meet the needs of individual foreign markets, pricing and profit policies tend to become equal with domestic business, and the company begins to become dependent on foreign profits.

IV. International marketing. Companies in this phase are fully committed and involved in international marketing activities. Such companies seek markets throughout the world and sell products that are a result of planned production for markets in various countries. This generally entails not only the marketing, but also the production of goods throughout the world. At this point, a company becomes an international or multinational marketing firm dependent on foreign revenues.

V. Global marketing

At the global marketing level, companies treat the world, including their home market, as their market. This is one step further than the multinational or international company that views the world as a series of country markets (including their home market) with unique sets of market characteristics for which products and marketing strategies must be developed.

A global company develops an overall strategy and image to reflect the existing commonalities of market needs among many countries to maximise returns through some global standardisation of its business activities – as much as it is culturally possible to achieve efficiencies. However a global marketing strategy does not require absolute standardization, but rather a consistent application of the core elements of the marketing strategy across countries with varying degrees of customisation, as the situation requires. One of the well known companies that have global marketing is Coca Cola Company.

1.6 International Marketing Orientation

- ✓ The way a company responds to international market opportunities depends on management's assumptions and beliefs about the world and the international activities.
- ✓ The orientations a company's management and personnel can have are collectively known as the EPRG framework

1.The ethnocentric

- ✓ Ethnocentricity is a strong orientation toward the home country.
- ✓ Markets and consumers abroad are viewed as unfamiliar and even inferior in taste, sophistication, and opportunity.

- ✓ Assumes that the home country is superior compared to the rest of the world. It is also known as the domestic market extension concept.
- ✓ The company assumes that products and practices that were successful in the home country will be successful anywhere, due to their proven superiority in the home market.
- ✓ Excess production is the main reason for selling abroad.
- ✓ The foreign sales are only extensions of the domestic sales and usually they take the form of export.
- ✓ No systematic marketing research is conducted outside the home country and no major modifications are made to the products.
- ✓ Even if consumer needs and wants in foreign markets are different from those in the home country, those differences are ignored.
- ✓ These companies miss opportunities outside the home countries. Today such an approach is one of the largest internal threats for a company

2. The polycentric

- ✓ Is the opposite the ethnocentric one. It is also known as the multi-domestic or multinational concept.
- ✓ The company that bases its activity on this orientation, recognizes the importance of market differences and develops one marketing program for each market.
- ✓ The management believes that each country with which the company does business is unique.
- ✓ Consequently each subsidiary will develop its own unique marketing strategy in order to succeed.
- ✓ The company guided by this orientation thinks that success requires adaptation to local country markets.
- ✓ The company will adapt the product for each market, will have localized advertising and will make local decisions on pricing and distribution strategies.
- ✓ There will be no co-ordination with other country market.

3. The regiocentric orientation

- ✓ Belongs to those managers who view regions as unique and try to develop regionally integrated marketing strategies.

- ✓ Such approaches are usually used in the case of geographic regions that have been integrated economically (such as European Union or NAFTA).

4. Geocentricity

- Geocentricity is an orientation that considers the whole world rather than any particular country as the target market.
- Geocentric firms take the view that, even though countries may differ, differences can be understood and managed.
- In coordinating and controlling the global marketing effort, the company adapts its marketing program to meet local needs within the broader framework of its total strategy.
- stands for the philosophy when management considers that there is only one market, the world. These companies are looking for standardization in order to obtain economies of scale and they search for global market segments.
- Companies guided by the global marketing concept see the world as being one market.
- They are looking for market segments that are similar, that have similar demands all over the world.
- They are looking at markets for commonalities, that can be standardized across regions or country market sets.

Summary

Ethnocentric(home country orientation): everything is centered on the domestic market.

- Home country is superior; sees similarities in foreign countries

Polycentric(host country orientation): several important foreign markets exist.

- Each host country is unique; sees differences in foreign countries

Regiocentric(regional orientation): the market is composed of several large economic regions.

- Sees similarities and differences in a world region; is ethnocentric or polycentric in its view of the rest of the world

Geocentric(world orientation): the world is one large global market. World view; Sees similarities and differences in home and host

1.3. International Marketing management process

