

Chapter Two

International Marketing Environment

Cultural, Political, Legal, Economical, Natural and Technological Environment

Introduction

- The marketing environment consists of all factors that can affect the organization's marketing activities. These factors are largely uncontrollable.
- It can be classified as internal and external environment.

Internal marketing environment

- Internal environment are controllable because they are under the control of the firm's management
 - **Human resource**
 - **Marketing mix**
 - **R&D and technological capabilities**
 - **Company image and brand equity**

External marketing environment

- External marketing environment may be classified as: Micro environment & Macro environment
 - **Micro environment**
- The microenvironment consists of the actors in the company's immediate environment that affects the performance of the company directly. It includes Competitors, Customers, Suppliers, Stockholders, Employees, and Publics
 - **Macro Environment**
- The macro environment refers to all forces that are part of the larger society and affect the microenvironment. It includes concepts such as demography, economy, natural forces, technology, politics, and culture.

1. Cultural Marketing Environment

- ▢ Culture is a set of traditional beliefs and values that are transmitted and shared in a given society
- ▢ The marketing challenge is to create a product that fits the needs of a particular culture.

Basic aspects of culture:

- ▢ it is not innate, but learned
- ▢ the various facets of culture are interrelated - touch a culture in one place and everything is affected
- ▢ it is shared by group members, and defines boundaries between different groups

Social and cultural influences on the international buyer

- Cultural differences
 - language, spoken and silent
 - mental processes and learning
 - values and norms
 - rewards and recognition
- Type of buyer behaviour
 - consumer
 - business
 - government
- The influence of others in the buying process
 - decision-making unit
 - family
 - peers
- SLEPT influences on buyer behaviour

- Specific cultural influences
 - religion
 - education
 - family
 - reference groups
- The influence of the market
 - distribution channels
 - manufacturer
 - service provide

2. Demographic Environment

- ▢ Demography refers to studying human populations in terms of *size, density, location, age, gender, race, and occupation*

3. Economic Systems

- ▢ These systems serve to explain whether businesses are privately owned or government owned, or whether there is a combination of private and government ownership.
- ▢ Basically, **three systems may be identified:**
- ▢ **Communism, socialism, and capitalism**
- ❖ **Communist** theory holds that all resources should be owned and shared by all the people not by profit-seeking enterprises) for the benefit of the society. A movement toward **communism** is accompanied by **an increase in government interference and more control of factors of production.**
- ❖ **Socialism** is somewhat less than under communism. A socialist government owns and operates the basic, major industries but leaves small businesses to private ownership. Socialism is a matter of degree, and not all socialist countries are the same.
- ▢ **Capitalism** provides for a *free-market system that allows business competition and freedom of choice for both consumers and*

companies. A movement toward **capitalism** is accompanied by an increase in private ownership.

- ▮ It is a *market-oriented* system in which individuals, motivated by private gain, are **allowed to produce goods or services for public consumption under competitive conditions**. Product price is determined by demand and supply.

4. POLITICAL RISKS

- ▮ There are a number of political risks with which marketers must contend. Hazards based on a host government's actions include;
- ▮ **Confiscation,**
- ▮ **Expropriation,**
- ▮ **Nationalization,**
- ▮ **Domestication, and**
- ▮ **Creeping expropriation.**

a. Confiscation

- ▮ Confiscation is the process of a government's taking ownership of a property without compensation.

b. Expropriation

- ▮ In Expropriation there is some compensation, though not necessarily just compensation. More often than not, a company whose property is being expropriated agrees to sell its operations – not by choice but rather due to some explicit or implied coercion.
- ▮ After property has been confiscated or expropriated, it can be either nationalized or domesticated.

c. Nationalization

- ▮ Nationalization involves government ownership, and it is the government that operates the business being taken over

d. Domestication

- ▯ In the case of domestication, foreign companies hand over control and ownership, either completely or partially, to the nationals. The result is that private entities are allowed to operate the confiscated or expropriated property.

e. Creeping Expropriation

- ▯ Creeping expropriation as “a set of actions whose cumulative effect is to deprive (deny) investors of their fundamental rights in the investment.”
- ▯ Laws that affect corporate ownership, control, profit, and reinvestment (e.g., currency inconvertibility or cancellation of import license) can be easily enacted

Indicators of political instability

- ▯ Potential sources of political complication include **social unrest, the attitudes of nationals, and the policies of the host government**

Measures to minimize political risk

1. Stimulation of the local economy

- ▯ One defensive investment strategy calls for a company to link its business activities with the host country's national economic interests

2. Employment of nationals

- ▯ Frequently, foreigners make the simple but costly mistake of assuming that citizens of less developed countries are poor by choice

3. Sharing ownership

- ▯ Instead of keeping complete ownership for itself, a company should try to share ownership with others, especially with local companies

4. Being civic minded

- ▯ It is not sufficient that the company simply does business in a foreign country; it should also be a good corporate citizen there.

5. Political neutrality

For the best long-term interests of the company, it is not wise to become involved in political disputes among local groups or between countries.

Political and Legal Environment

- The political environment includes all laws, government agencies, and groups that influence or limit other organizations and individuals within a society.

- **Legal environment**

Intellectual Property

- Intellectual property (IP), is *“creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce.”*

1. Trademark is a symbol, word, or object used to identify a product made or marketed by a particular firm.

2. Copyright, offers protection against unauthorized copying by others to an author or artist for his or her literary, musical, dramatic, and artistic works.

3. Patent protects an invention of a scientific or technical nature. It is a legal grant from the government (the Patent Office) to an inventor in exchange for public disclosure giving the patent holder exclusive right to the functional and design inventions patented and excluding others from using those inventions for a certain period of time.

4. Trade secret refers to know-how (e.g., manufacturing methods, formulas, plans, and so on) that is kept secret within a particular business. Firm's competitive advantage.

5. Natural environment

- The natural environment is another important factor of the macro environment. This includes the natural resources that a company uses as inputs and affects their marketing activities. The concern in this area is the *increased pollution, shortages of raw materials and increased governmental intervention*

6. Technological environment

- The technological environment is perhaps one of the fastest changing factors in the macro environment. This includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology as it becomes outdated.