DEPARTMENT OF BUSINESS ADMIISTRATION
GOVERNMENT ARTS COLLEGE(AUTONOMOUS), COIMBATORE-18.

INTRODUCTION TO INTERNATIONAL MARKETING

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Concept of Branding- role of Branding- Branding decisions- Brand Piracy.

REFERENCE BOOKS:

1. Foreign Trade- Theory, Procedures, Practices and Documentation- Dr. Khushpat S.jain, Dr.Apexa V.Jain- Himalaya Publishing House.

2. International Marketing- L.Natarajan-Margham Publications.

INTRODUCTION TO INTERNATIONAL MARKETING

UNIT-I

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CONCEPT OF INTERNATIONAL MARKETING:

International marketing refers to the marketing carried out by companies overseas or across national boundaries. International marketing is simply the extension of the techniques and strategies used in the home country of a firm.

Definitions:

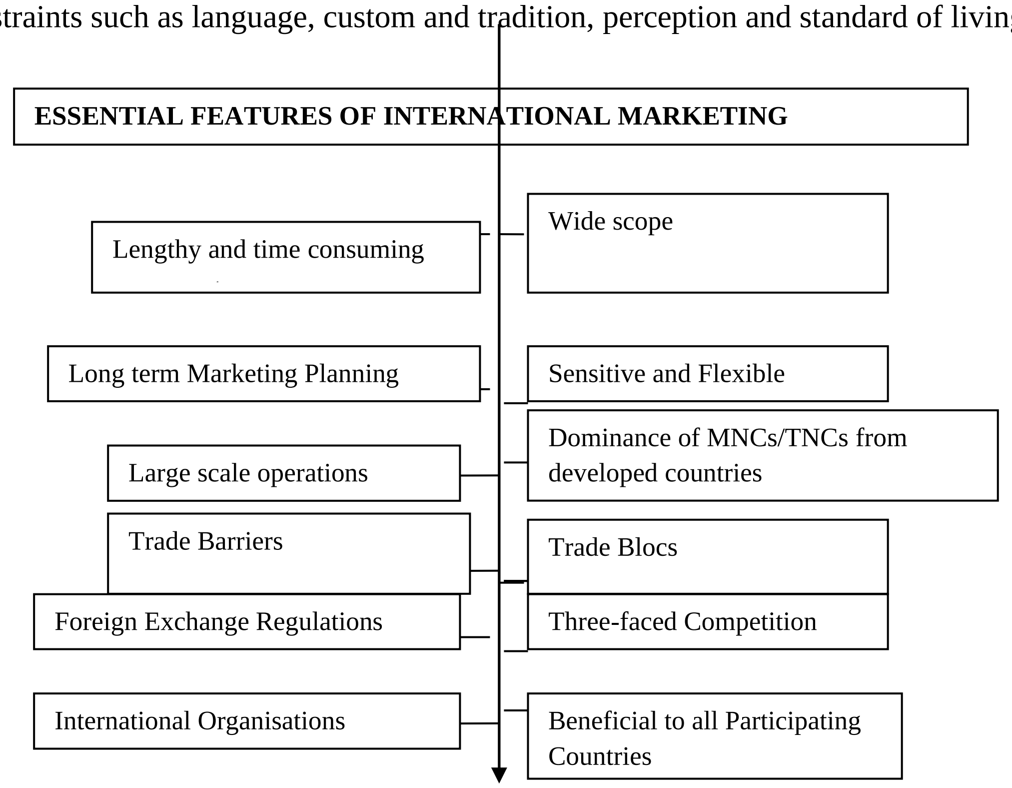
“Marketing carried on across national boundaries”- **Terpstra**

“International marketing is the marketing function on multinational companies”- **Francis Cherunilam**

“International marketing is the performance of the business activities that direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.”- **Cateora and Ghauri.(1999**

“International marketing is the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives.” – **American Marketing Association**

In simple words, international marketing is the application of marketing principles across national boundaries. An international marketer must consider various diversities and constraints such as language, custom and tradition, perception and standard of living.



1. **Lengthy and time consuming**: It is lengthy and time consuming due to long distances, restrictions imposed by different countries, payment difficulties because of the use of different currencies and lengthy procedural formalities. A marketer needs to comply with the laws of his own country, that of the other countries and also international forums.

2. **Wide scope**: International Marketing has wide scope. The important areas covered by international marketing are product planning, product development , product adaptation, pricing, packaging, branding, advertising, marking, labeling, communication, procedural formalities, sales promotion, international marketing research etc.,

3. **Long term Marketing Planning**: International marketing needs long term marketing planning due to complexities involved in marketing operations. International marketing environment is highly dynamic –various social, economic and political factors keeps on changing and a successful marketers needs to adjust and adapt accordingly.

4. **Sensitive and Flexible**: International marketing is very sensitive and flexible in character. Due to the political, economic reasons, a product may suddenly become unpopular or market share may come down quickly. The sale at the international level may also be affected due to change in technology or the introduction of a new product by a competitor.

5. **Large scale operations**: Full utilization of the resources of resources reduces cost of production and thereby price of the product.

6. Dominance of MNCs/TNCs from developed countries: International trade is dominated by MNCs and TNCs originating from developed countries like USA, Japan and European countries. These companies have huge financial and physical resources and operates throughout the world.

7. Trade Barriers: International marketing is subject to trade barriers. Trade barriers are the artificial restrictions on the free movement of goods among the countries of the world. These barriers are of two types, tariff and non-tariff. Tariff barriers are in the form of taxes and custom duties. Non-tariff barriers are in the form of quotas and licenses.

8. Trade Blocs: International marketing operations are also affected by regional trade blocs. Trade blocs are the associations of countries situated in a particular region whereby they come to a common understanding regarding rules and regulations to be followed while trading among them. For example: the European Union(EU), North American Free Trade Association(NAFTA), etc.,

9. Importance of Advanced Technology: International marketing is very dynamic and competitive. Advanced countries like USA, Japan and Germany dominate in international marketing because they use advanced or sophisticated technology in production and marketing of goods.

10. Foreign Exchange Regulations: Different countries have different currencies and conversion rates. Therefore, each country has a separate set of rules for the collection and payment of foreign currencies. For example, in India, all foreign currency transactions are regulated by the Foreign Exchange Management Act (FEMA), 1999.

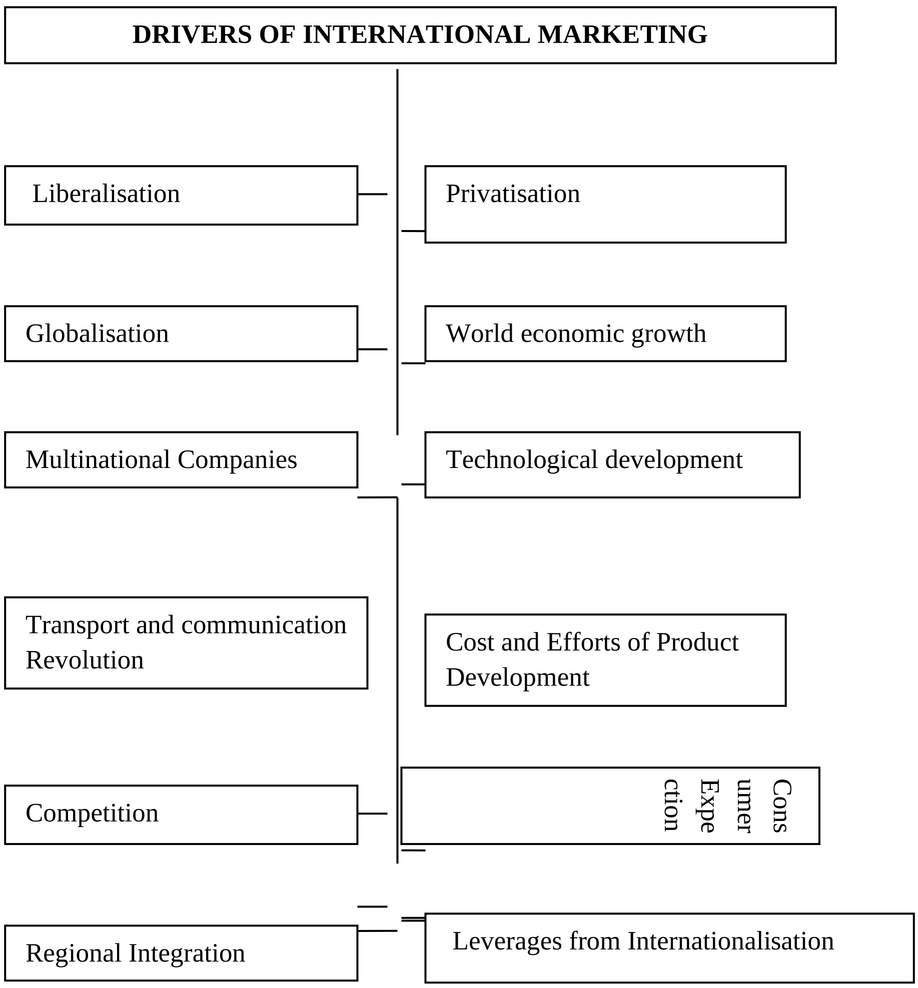
11. Three-faced Competition: International marketers face stiff competition from three angles:

Marketers from their own country.
Marketers from other countries.
Local suppliers in the importing country.

12. International Organisations: International trade is subject to the rules laid down by the international bodies like World Trade Organisation (WTO) and the United Nations Conference on Trade and Development (UNCTAD). The objective of these organisations is to promote world trade and help underdeveloped countries to build their export potentials.

13. Beneficial to all Participating Countries: International marketing is beneficial to all the countries participating in it. Although, the advantages of international marketing are not shared in a fair proportion by all participating countries, some benefit does occur to all participants. It also develops good relations between countries and thereby, ensures world peace.

DRIVERS OF INTERNATIONAL MARKETING:



The world has become a global market. The opportunities emerging in any nation are not confined to that nation alone but are getting extended to the globe. Global thinking, liberal dealings with each other, positive attitudes toward privatisation, access to necessary guidelines and facilities and encouragement by the governments and international trade organisations all these factors have collectively contributed to the growth of international marketing. Let us analyse these factors in detail:

1. **Liberalisation**: Liberalisation refers to the relaxation of government restrictions on trade and commerce. While the credit for liberalisation of economic policies in a number of countries goes to the GA'IT/WTO, substantial liberalisation has been occurring outside GATT/WTO as well. For example, the revolutionary economic policy reforms in China and other socialistic and communist countries. Liberalisation has contributed to two-way movement of goods in all economies.

2. **Privatisation**: Privatisation is the process of divesting the government stake, both in terms of money and control from public companies. In lndia, this process has been kicked off from a long time and is moving in steady albeit slow pace with the government divesting its stake in public enterprises and offering it to the common public. Private companies are better equipped to exploit emerging opportunities in different parts of the world.

3. **Globalisation**: Globalisation is described as an ongoing process by which regional economies, societies and cultures have become integrated through globe-spanning networks of exchange. The term is sometimes used to refer specifically to economic globalisation, i.e., the integration of national economies with the international economy through trade, foreign direct investment, capital flows, migration and the spread of technology.

4. **World Economic Growth**: One of the important trends of 21st century is the difference in the growth rates of the economies. The comparative slow growth of the developed economies or the stagnation of their markets and the fast growth of a number of developing countries, prompt firms of developed countries to turn to the expanding markets, elsewhere. This has prompted a number of MNCS to turn to markets of the developing and underdeveloped economies.

5. **Multinational Companies (MNCs):** MNCs that link their objectives and resources with world market opportunities have been a powerful force driving globalisation. Due to liberalisation, there has been a fast growth of the number of MNCs and their affiliates. As per the World Investment Report 2009 (UNCTAD), there is a total of 8,89,416 MNCs around the world; 82,053 parent corporations and 807,363 affiliates. These MNCs dominate the world trade scenario.

6. **Technological Development**: Technological advances have tremendously fostered globalisation. Technology has, in fact, been a very important facilitating factor of globalisation, with its rising costs and risks, which makes it imperative for firms to tap world markets and to spread these costs and risks. Technology is truly stateless, there are no cultural boundaries limiting its application. Once a technology is developed, it soon becomes available everywhere in the world.

7. Transport and Communication Revolutions: Revolutions in transport and communication technology has enormously contributed to the emergence of the global village. IT revolution has made it possible for buyer and seller to negotiate the terms of contract without meeting personally. The development in satellite, optical fibre, wireless technologies and internet services are greatly contributing to increased exchange of goods and services at the global level.

8. Cost and Efforts of Product Development: The cost and efforts required for the development of new products is very huge in some industries like pharmaceuticals. To recoup such high costs, it is necessary to spread it over several markets. Further, due to huge investment and diverse requirements of skills associated with new product development, cross-border alliances in research and development are becoming more and more popular.

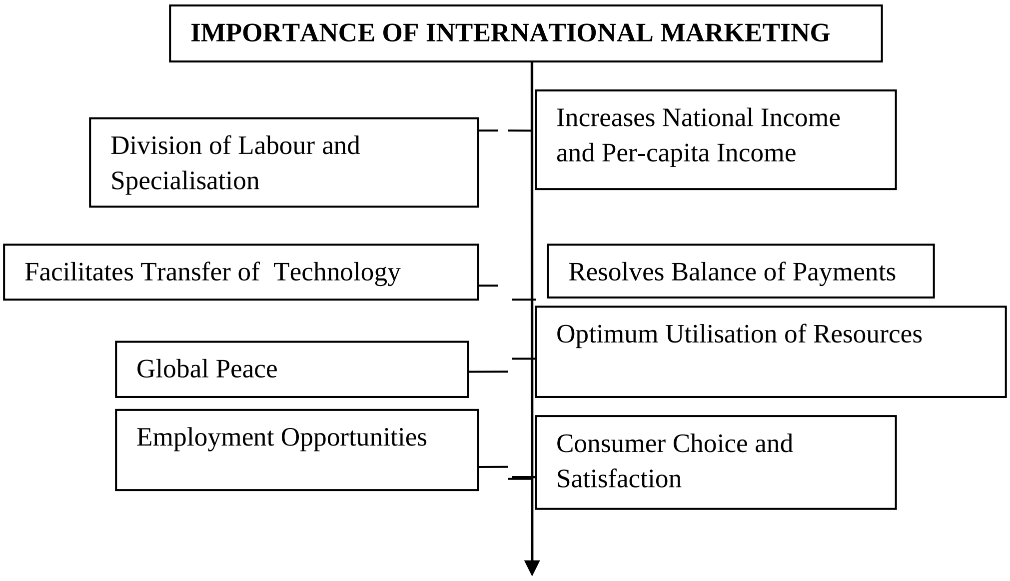
9. Competition: Another factor that has contributed to increased internationalisation of trade and commerce is the increasing competition, internally as well as externally. Heightened competition compels firms to explore new ways of reducing costs and increasing their efficiency. Internationalisation is one of the ways of reducing costs and increasing efficiency resulting from economies of large-scale production and distribution and spread of risks to several markets.

10. Regional Integration: The proliferation of regional economic integrations, like European Union (EU), North American Free Trade Agreement (NAFTA), South Asian Association of Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN), etc. by creating a borderless world between the member of such trade blocs, foster the Internalisation trend. These regional trade blocs also give a fillip to the cross-border Investments and financial flows.

11. Leverages from Internationalisation: Leverage is some type of advantage that a company enjoys by virtue of the fact that it conducts business in more than one country. These leverages are economies of large-scale operations, sharing management practices, advantage of technological breakthroughs and International strategy to scan the world business environment to identify opportunities, trends, threats and resources. These leverages promote internationalisation.

12. Consumer Expectations: Due to increasing levels of education and exposure to the electronic media, the aspirations of people all around the world are rising. The customer today is by and large international, as he/she wants a world-class product or products of desired attributes at the competitive prices. Further, consumers have become quality and brand conscious. This has given boost to trade prospects of international brands owned by MNCs.

IMPORTANCE OF INTERNATIONAL MARKETING



No country in the world is self-sufficient in all its requirements. There are various factors which give rise to interdependence among countries. This interdependence among countries directs the flow of trade from the surplus regions to the deficient regions. Thus, all countries involved in the international trade are benefited. Some of the benefits of international trade are:

1. Division of Labour and Specialisation: Each country enjoys comparative cost advantage in the production of certain commodities due to favourable climatic conditions and availability of technical knowhow and natural and human resources. These countries produce such commodities in excess of their requirements and exchange surplus production with other countries for the commodities they are deficient in.

2. Increases National Income and Per-capita Income: Due to division of labour and specialisation each country produces and exports commodities for which it has comparative cost advantage and imports commodities for which it has comparative cost disadvantage. This generates additional income through export promotion and increases real income by providing imported goods at competitive rates.

3. Facilitates Transfer of Technology: Some advanced countries like Japan. the USA, the UK and Germany are highly developed in terms of technology and possess superior scientific knowledge while most of the Afro-Asian and South American countries are backward in technology. This directs the flow of technology from the technically advanced countries to the technically backward countries of the world.

4. Resolves Balance of Payments Crisis: Balance of payments may be defined as the difference between the monetary value of exports and Imports of a country. When the outflow of foreign currencies exceeds the inflow, a country suffers from an unfavourable balance of payments. Such imbalance in balance of payments can be resolved only through international trade, i.e., export promotion and import substitution.

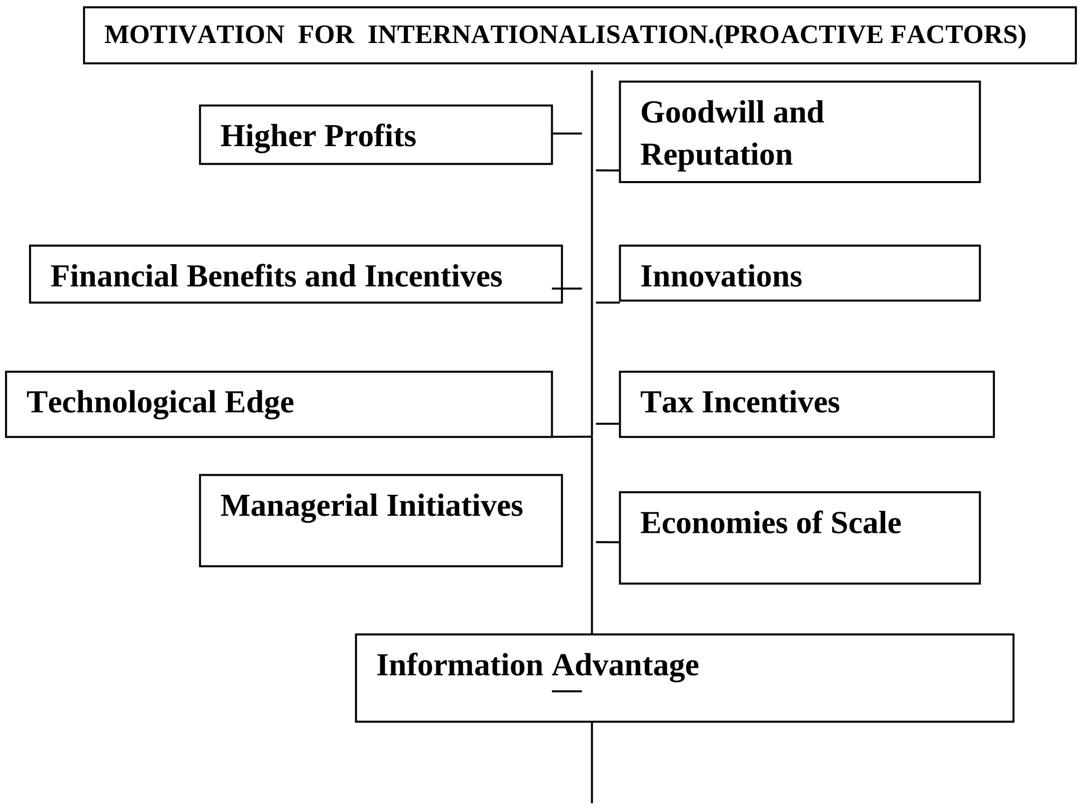
5. Global Peace: In the age of nuclear weapons, there is a greater need of promoting exchange of dialogues between countries of the world. International trade may provide a platform to nations for exchange of ideas and bringing about amicable solutions to their problems without confrontation. This promotes international peace and friendly relations among the countries of the world. Thus, international trade may also contribute to international peace.

6. Optimum Utilization of Resources: International trade also includes the flight of capital and transfer of technology. This helps underdeveloped countries to make full utilisation of their resources which may otherwise remain unutilised or underutilised. Similarly, countries facing the problem of surplus can export their surplus production. Thus international trade promotes full utilisation of resources in both developed as well as underdeveloped economies.

7. Employment Opportunities: International trade brings about multiple increases in employment opportunities. It not only increases employment in the manufacturing and export and import sector but also in other related sectors such as, banking, insurance, warehousing, transportation, and advertising. etc. It has also promoted outsourcing which has proved boon to some of the labour abundant countries like India and China.

8. Consumer Choice and Satisfaction: International trade provides consumers with variety of goods and services from different parts of the world. Goods which are not produced in the home country can be imported from other countries. Similarly, surplus production of goods and services in the home country can be disposed of in other countries of the world. This two way traffic provides goods and services to consumers at competitive rates.

MOTIVATION FOR INTERNATIONALISATION.



There are a number of factors that motivate a firm to enter international market. These factors may be categorised as proactive factors(also known as pull factors) and reactive factors (also known as push factors).

Proactive Factors. Proactive factors are the pull factors which positively motivate firms to internationalise their business operations. These are the factors which attract business firms through more profits, higher sales and expanded market share to enter into international markets.

Some of the proactive factors are: -

1. **Higher Profits:** An important incentive for international business is profit advantage. Although. International business is less profitable due to high competition, it certainly increases overall profitability due to optimum utilisation of resources and economies of scale.

2. **Goodwill and Reputation**: An organisation operating globally acquires reputation and prestige in the domestic market and is recognised as Export Oriented Unit (EOU). Such units are eligible for a special package of incentives from the Government.

3. **Financial Benefits and Incentives**: The Government of India gives various incentives to exporters such as Duty Drawback (DBK), exemption from excise duty, octroi duty, etc. in order to avail the benefits of such incentives, local firms may be motivated to internationalise.

4. **Innovations**: Local Innovation is the first stage in the international product life cycle. If a newly developed product or service gets a good response in the local market, a seller may be motivated to experiment such innovated products in the international market to reap more benefits.

5. **Technological Edge**: Certain countries have technological edge in certain fields. For example, Japan has technological edge in electronic good and China has technological edge in mass production at reduced costs. Local firms may be motivated to reap benefits of such advantages.

6. **Tax Incentives**: Governments of all countries give certain tax benefits to firms operating in the foreign markets. For example, In India, units located in SEZs enjoy tax holidays for certain number of years. Local firms may be motivated to internationalise to take advantage of such incentives.

7. **Managerial Initiatives**: Some business leaders are highly ambitious. They have a desire to operate in the major world markets. They undertake analytical study of international markets and expand their operations as and when they come across any advantageous opportunity for the firm.

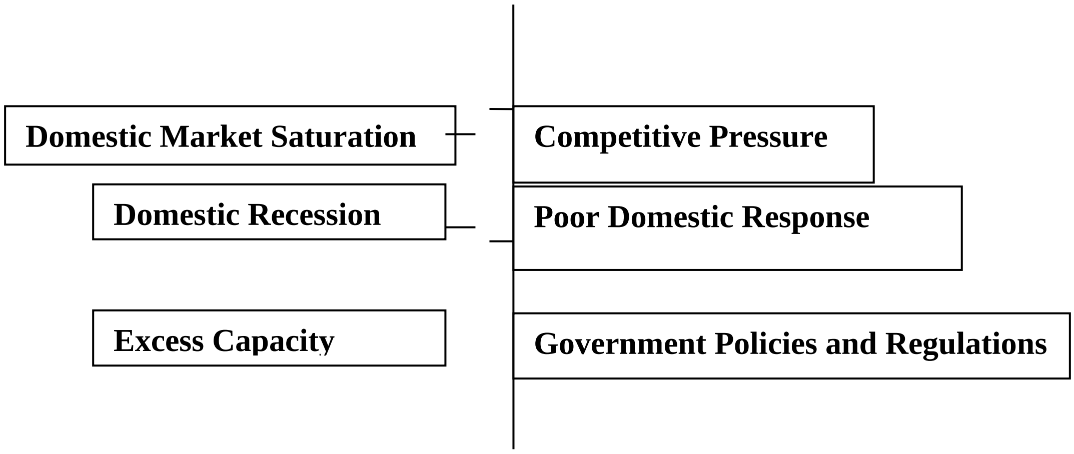
8. **Economies of Scale**: Some firms are motivated to internationalise their operations in order to reap benefits of large-scale production and distribution. Large-scale operations lead to cost reduction, lower prices, enhancement in competitive strength and higher profits.

9. Information Advantage: Certain firms having better access to information about foreign markets, their demand patterns, likes and dislikes of consumers, fashion trends, etc. may internationalise their operations to reap advantage from such information.

Reactive Factors :

Reactive factors are the push factors which, sometimes, make it compulsory for local firms to expand their operations in the foreign markets. These factors put local firms in such a situation that they have no other option than to internationalise their operations in order to survive else suffer huge losses or close down their establishments.

Reactive factors are:



(a) Domestic Market Saturation: Every product has a specific life cycle, at the end of which the product should be improved or replaced. Some marketers extend their products to underdeveloped and developing countries on certain local market gets saturated.

(b) Competitive Pressure: Sometimes, intense competition in the local market may compel firms internationalise their operation to new markets in foreign countries. Such firms locate certain niches in the underdeveloped or developing countries to escape intense competition.

(c) Domestic Recession: Trade cycles are global phenomenon. Domestic firm can spread its risks to different markets by exporting goods to different countries of the world. Thus losses due to depression in one market can be set off by prosperity in some other markets.

(d) Poor Domestic Response: Sometimes, out of over-enthusiasm, a domestic producer may over produce goods than what a domestic market can really absorb. Such producer may be compelled to dump over-produced goods in international markets in order to escape heavy losses.

(e) Excess Capacity: If a firm's installed capacity remains unutilised or underutilised for the want of demand in the domestic market, it can be fully utilised by exporting surplus production. This makes firm more competitive by bringing in economies of scale.

(f) Government Policies and Regulations: Sometimes, government policies and regulations also make it compulsory for firms to internationalise .Excessive government control and discouraging industrial policy for a specific sector may compel domestic firms to internationalise.

(g) Fulfil Export Obligation: Under the Export Promotion Capital Goods (EPCG) scheme, Indian manufacturers are allowed to import duty free capital goods subject to export obligation, i.e., fulfilment of exports of certain value. Thus, exports become an obligation for the importer.

ORIENTATIONS OF INTERNATIONAL MARKETING:

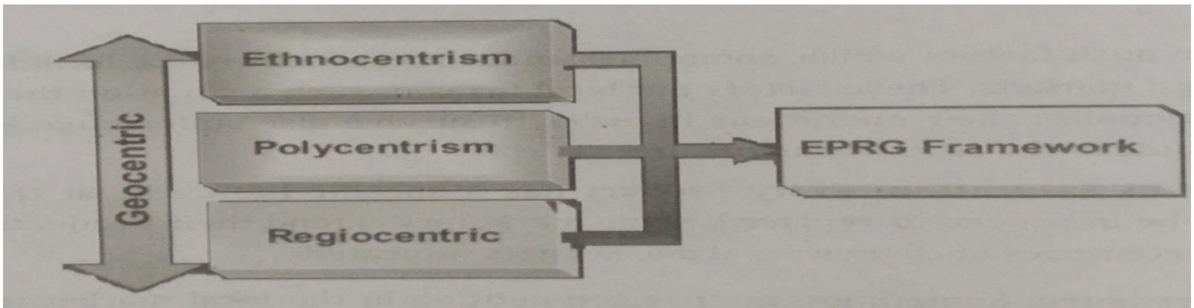


Fig. 6.1 EPRG Framework

The foreign marketing involvement of a domestic company may widely vary from a state of no direct involvement to a state of total involvement. The levels of these involvements are termed as marketing orientations. Depending on the kind and degree of its involvement in foreign marketing. a firm has to re-orient and re-organise its activities to cope with different levels of operational responsibilities inherent in such involvement. To explain these orientations, Wind, Douglas and Perlmutter [1969) have introduced **EPRG framework**. The EPRG framework explains four broad types of orientation of a firm towards foreign marketing. They are:

(a) Ethnocentrism (Home Country Orientation): An ethnocentric company views overseas operations as secondary to domestic operations and primarily as a means of disposing surplus. Such company conducts all its overseas operations from a home country base. Plans for overseas markets are developed in the home office, utilising policies and procedures identical to those employed in the domestic market. This approach entails a minimal risk and commitment to overseas markets.

(b) Polycentrism (Host Country Orientation): When a firm adopts polycentric approach, it attempts to organise its international marketing activities on a country-to-country basis. Each country is treated as a separate entity and individual strategies are worked out accordingly. Subsidiaries are established in the overseas market to look after each foreign market independently. Polycentric orientation could be most suitable for firms which are seriously committed to international marketing and have adequate resources for investing abroad.

(c) Regiocentrism (Regional Orientation): A regiocentric company views each region as a different independent market In this approach, a company considers economic, cultural or political similarities among the countries in a particular region in order to satisfy the similar needs of potential consumers. The operational strategies are formulated considering the common needs and requirements of consumers in various countries located in a particular region rather than individual countries. The production and distribution facilities are created to serve the whole region with effective economy on operation, close control and co-ordination. For example, countries like Pakistan, India and Bangladesh are very similar. They possess a strong regional identity.

(d) Geocentrism (World Orientation): A geocentric company views the entire world as a single market and develops standardised marketing mix, projecting a uniform image of the company. There are similarities between geocentric and regiocentric approaches in the international market except that the geocentric approach calls for a much greater scale of operation.

The above orientations of firms affect their market selection process. An ethnocentric firm mainly concentrates on domestic market; a polycentrism gives more importance to the foreign markets; a regiocentrism concentrates on regional markets while a geocentric firm considers the whole world as a single market.