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PG DEPARTMENT OF COMMERCE

SUBJECT NAME: INTERNATIONAL MARKETING

SUBJECT CODE: KDACE

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International Marketing

Objective: To offer knowledge and expertise in the marketing business at global level and to provide exposure on marketing practices of business firms

UNIT I The concept of global marketing – Importance, Growth and Benefits – Scope and Challenge of international marketing – The dynamic environment of international marketing

UNIT II Developing Global Marketing strategies – Global marketing management –Planning and Organization – International Marketing Information System and Research – Understanding Global Consumers – Cultural Dynamics in assessing Global markets

UNIT III International product policy – Product positioning in foreign market – Product standardization and Adoption – Brands, Trademarks, Packaging and Labeling – International marketing of services – International product pricing policy – Export pricing –Pricing for international markets.

UNIT IV International promotional policy – International advertising – Developing International advertising strategy – International sales force and Their management – Other forms of promotion for global markets

UNIT V Overseas marketing channel policy – Managing international distribution channels – Multinational retailers and Wholesalers – Global Logistics – Contemporary issues in International marketing – Future prospects in International marketing

Book References

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UNIT I

THE CONCEPT OF GLOBAL MARKETING

This unit is about "GLOBAL MARKETING" which is defined as the process of focusing the resources (i.e. people, money, and physical assets) and objectives of an organization on global market opportunities and threats. Prior to nineties, the term global marketing or even international business in a broader sense, i.e. a major area of management studies, which encompasses the global marketing management as one of the subject of international business stream, probably did not even exist. In the global world of today, global marketing is essentially not only for the realization of the full potential of a business, but even more critically for the survival of a business. In the era of globalization, a company which fails to go global may also find itself in situation of losing domestic business to its competitors with lower costs, greater experience, better quality productsand in a nutshell, more value for the customers.

Meaning of Global Marketing

Global marketing refers to marketing activities by companies that emphasize the following:

1. Reduction of cost inefficiencies and duplication of efforts amongtheir national and regional subsidiaries
2. Opportunities for the transfer of products, brands, and other ideas across subsidiaries
3. Emergence of global customers
4. Improved linkages among national marketing infrastructures lead-ing to the development of a global marketing infrastructure.

Meaning Global Marketing

Global marketing is basically the beginning, middle, and end of how a business organizes, creates, positions, and advertises its products and services on a global scale. Giant corporations have always had their hands in global marketing through having operations, representatives, and employees in other countries.

Through social media platforms, websites, and other online tools, small businesses can also participate in the process of global marketing.

Importance of Global Marketing

1. It gives businesses new opportunities to create new streams of income
2. Raises brand familiarity and reputation
3. Its gives businesses the opportunity to gain new knowledge about their products in order to adjust for better quality service

Global Marketing Strategy

The planning part of a business trying to grow into new markets around the world is a global marketing strategy. When entering various international markets, a business must be mindful of how they will approach marketing (public relations, promotion, channels, etc.) in countries with different values, cultures, and even languages.

For instance, if you have an American-based company trying to sell products in China, you must gage how to reach that particular audience.

Strategies for a Successful Global Marketing

1. **Establish a popular and well-recognized brand and image**
   - When a business is successful and popular in their native country, curiosity arises in other countries from foreigners willing to try out their products
2. **Use a unified approach to marketing across borders**
   - Utilize a marketing strategy for your business as if there were no global boundaries to better analyze engagement with content from country to country
3. **Make a marketing plan**
   - Investigate goals/benchmarks of a business and the needs/wants of the region within the global market, then create a marketing plan based on research collected
4. **Adjust your approach**
   - Just a because a marketing strategy was a success in a business' native country does not mean that it will translate well in another country with different values, culture, and language
5. **Personalize promotions**
   - Be mindful of language differences, cultural practices, and observances (i.e. holidays and events) when advertising a product or service to a foreign audience
6. **Observe and know where your target audience comes from**
   - Using tools such as Google Analytics and Shopify to pinpoint consumers by specific their location helps businesses create better marketing strategies that reach their target audiences
7. **Tailor your products based on where they are sold**
   - Fast food juggernaut McDonald's provides cultural food staples (i.e. poutine in Canada and Crock Brie in Italy) based on the localization of every franchise
   - Are your services or products in any way culturally offensive?
   - Is your business following foreign government rules and regulations?
   - Is your business brand/trademark unique to the country in which services are provided?

8. **Keeping branding in mind**
   - A business must ensure that anything from the company name to the logo that they use is not similar to other business in the area, that their branding is easily translatable in a different language, and that it is familiar
9. **Specify your message based on location**
   - Different people have different wants/needs, and this is especially true for people that live and different countries. A business must make sure that their promotions speak to their customers, whether native or foreign
10. **Bring an in-country marketer on your team**
    - As the saying goes, “When in Rome, do as the Romans do.” But, no one knows Rome like an actual Roman. When tailoring your marketing strategy to foreign countries, hiring a native from those countries ensures better communication that translates to the people that a business is trying to reach.
11. **Utilize the correct technology and software**
    - If the most popular social media platform in a foreign country is Twitter, then it is imperative for a business to structure its global marketing strategy around the use of that platform to reach its desired audience
12. **Take advantage of available data**
    - Growth in the modern digital landscape has allowed for businesses to be more creative in how they reach potential customers through marketing campaigns online

Development of Global Marketing Campaign

- **Product**

  Is a company’s product sellable across all global markets or does it need to be changed depending on regional traditions and tastes?
- **Price**

  Do prices need to be changed because of competition already in the foreign market?
- **Placement**

  How do foreign customers choose and purchase their products?
- **Advertising**

  Does a company’s message easy to understand across all cultures? Are there any misunderstandings based on language, culture, and/or value differences?

Scope of Global Marketing

Targeting and reaching out to customers on a global scale requires a business to have various profiles instead of just one distinct profile. Every country analyzed will have different types of consumers with different types of needs. That is why global marketing campaigns must be flexible and adjustable across all borders.

Benefits of Global Marketing

- **Increase the quality of a product or service**

  When a business expands into a new market, they gain more knowledge. With analytical tools, they acquire knowledge at a faster pace, which leads to a higher quality of service or products that are available for customers.

- **The familiarity of brand image**

  Think about why companies like McDonald's and Starbucks are known all around the world

- **Raised knowledge about your brand**

  If your business not only has ads on social media platforms but also commercials that air all around the world (tailored from country to country) there is an increased chance of gaining a global customer base.

- **Lesser costs, more savings**

  By establishing a brand in other global markets, a business can acquire more consumers and get them familiarized with the brand to a point where the marketing does itself (recommendations, social media posts, etc.). Plus, by taking advantage of social media, businesses use less money for promotions.

- **Reach a wider target audience**

  Being on top of the American market is nothing to sneeze at, but thanks to modern innovations (the internet) it is easier than ever before to connect with the foreign market to increase a businesses' customer base.

- **Gain the upper hand on your competitors**

  Everyone knows that McDonald's is a dominant global powerhouse compared to Whataburger due to its reach in the global market, especially in China.

- **Gain relationships across borders**

  Not only can a business form a relationship or even partnerships within their native countries (i.e. Coca-Cola and McDonald's), but they can also establish alliances with foreign corporations to sharpen their edge within the global market.

- **Helps form relationship outside of the "political arena"**

  Certain might not be able to link up in their native countries due to conflicts of interests, however, in another country, those constraints might not be there.

- **Helps to manifest good strategies faster in a more efficient way**

  Thanks to digital innovations, businesses can implement global strategies with at a faster rate than reaches more people.

- **Reveals the advantages of e-Marketing vs traditional marketing**

  In the age of social media posts and images with the use of social media, e-Marketing is king.

- **Influence and scope**
  The more global impact that a company has the more cultural influence and power that they have, which also increases the sizes of their operations.

CHALLENGES IN GLOBAL MARKETING

- **No market, no sale**

  An American burger joint might not be able to establish itself in a country like India because cows are considered sacred animals in their culture. They would have to adjust their menu to be more plant-based.

- **More financial risk**

  A business trying to cross over into a global market is a risky task due to having to adapt their marketing strategy (which costs money) to places with differing values, cultures, and languages with could fail.

- **The rules are different**

  Not only does a business entering into a foreign market have to deal with language and cultural barriers, but they also have to deal with following the rules of foreign governments.

THE DYNAMIC ENVIRONMENT OF INTERNATIONAL MARKETING

The international marketing environment surrounds and impacts upon the organisation. Marketers aim to deliver value to satisfied customers, so they need to assess and evaluate the internal environment and the external environment which is subdivided into micro and macro.

Thus, there are mainly two components of international marketing environment:

1. Internal Environment
2. External Environment

Component # 1. Internal Environment:

Internal environment refers to the firm related factors. The firm related factors are referred to as controllable variables because the firm has control over them and can (relatively easily) change them as may be thought appropriate as its personnel, physical facilities, organisation and functional means such as marketing mix, to suit the environment.

The internal environment of the company includes all departments, such as management, finance, research and development, purchasing, operations and accounting. Each of these departments has an impact on international marketing decisions. For example, research and development have input as to the features a product can perform and accounting approves the financial side of marketing plans.

Component # 2. External Environment:

External environment refers to the factors outside the firm. These factors are uncontrollable or we can say that these are beyond the control of a company. The external environmental factors such as the economic factors, socio-cultural factors, government and legal factors, demographic factors, geographical factors etc. are generally regarded as uncontrollable factors.

The external environment may further be divided in two parts:

a. Micro Environment and
b. Macro Environment.

a. Micro Environment:

The micro environment is made from individuals and organisations that are close to the company and directly impact the customer experience. They can be defined as the actors in the firm's immediate environment which directly influence the firm's decisions and operations. These include, suppliers, various market intermediaries and service organisations, competitors, customers, and publics. The micro environment is relatively controllable since the actions of the business may influence such stakeholders.

Wal-Mart's micro environment would be very much focused on immediate local issues. It would consider how to recruit, retain and extend products and services to customers. It would pay close attention to the actions and reactions of direct competitors. Wal-Mart would build and nurture close relationships with key suppliers. The business would need to communicate and liaise with its publics such as neighbours which are close to its stores, or other road users. There will be other intermediaries as well including advertising agencies and trade unions amongst others.

i. Suppliers:

Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship.

ii. Marketing Intermediaries:

Marketing intermediaries refers to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product. They match the distribution to the customers and include places such as Wal-Mart, Target, and Best Buy.

Physical distribution firms are places such as warehouses that store and transport the company's product from its origin to its destination. Marketing services agencies are companies that offer services such as conducting marketing research, advertising, and consulting. Financial intermediaries are institutions such as banks, credit companies and insurance companies.

iii. Customers:

Another aspect of microenvironment is the customers. There are different types of customer markets including consumer markets, business markets, government markets, international markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell.

This is different from the reseller market which includes businesses that purchase goods to resell as is for a profit. These are the same companies mentioned as market intermediaries. The government market consists of government agencies that buy goods to produce public services or transfer goods to others who need them. International markets include buyers in other countries and includes customers from the previous categories.

iv. Competitors:

Competitors are also a factor in the micro environment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

v. Publics:

The final aspect of the microenvironment is publics, which is any group that has an interest in or impact on the organisation's ability to meet its goals. For example, financial publics can hinder a company's ability to obtain funds affecting the level of credit a company has. Media publics include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions.

Government publics can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen- action publics include environmental groups and minority groups and can question the actions of a company and put them in the public spotlight. Local publics are neighborhood and community organisations and will also question a company's impact on the local area and the level of responsibility of their actions.

The general public can greatly affect the company as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company's customer base and finally those who are employed within the company and deal with the organisation and construction of the company's product.

b. Macro Environment:

The macro environment is less controllable. The macro environment consists of much larger all-encompassing influences (which impact the micro environment) from the broader global society. The macro environment includes culture, political issues, technology, the natural environment, economic issues and demographic factors amongst others.

A number of factors constitute the international environment: social, cultural, political, legal, competitive, economic, and technology. Each should be evaluated before a company makes a decision to go international.

i. Social/Cultural Environment:

The social/cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between home country and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programmes. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

This task is not as easy as it sounds as various features of a culture can create an illusion of similarity. Even a common language does not guarantee similarity of interpretation. For example, in the US customers purchase “cans” of various grocery products, but the Britishers purchase “tins”. A number of cultural differences can cause marketers problems in attempting to market their products overseas.

These include:

(a) Language,
(b) Colour,
(c) Customs and taboos,
(d) Values,
(e) Aesthetics,
(f) Time,
(g) Business norms,
(h) Religion, and
(i) Social structures.

Each is discussed in the following sections:

(a) Language:

The importance of language differences cannot be overemphasised, as there are almost 3,000 languages in the world. Language differences cause many problems for marketers in designing advertising campaigns and product labels. Language problems become even more serious once the people of a country speak several languages. For example, in Canada, labels must be in both English and French. In India, there are over 200 different dialects, and a similar situation exists in China.

(b) Colours:

Colours also have different meanings in different cultures. For example, in Egypt, the country’s national colour of green is considered unacceptable for packaging, because religious leaders once wore it. In Japan, black and white are colours of mourning and should not be used on a product’s package. Similarly, purple is unacceptable in Hispanic nations because it is associated with death.

(c) Values:

An individual’s values arise from his/her moral or religious beliefs and are learned through experiences. For example, in America people place a very high value on material well-being, and are much more likely to purchase status symbols than people in India.

Similarly, in India, the Hindu religion forbids the consumption of beef, and fast-food restaurants such as McDonald’s and Burger King would encounter tremendous difficulties without product modification. Americans spend large amounts of money on soap, deodorant, and mouthwash because of the value placed on personal cleanliness. In Italy, salespeople call on women only if their husbands are at home.

(d) Aesthetics:

The term aesthetics is used to refer to the concepts of beauty and good taste. The phrase, "Beauty is in the eye of the beholder" is a very appropriate description for the differences in aesthetics that exist between cultures. For example, Americans believe that suntans are attractive, youthful, and healthy. However, the Japanese do not.

(e) Time:

Americans seem to be fanatical about time when compared to other cultures. Punctuality and deadlines are routine business practices in the US. However, salespeople who set definite appointments for sales calls in the Middle East and Latin America will have a lot of time on their hands, as business people from both of these cultures are far less bound by time constraints. To many of these cultures, setting a deadline such as "I have to know next week" is considered pushy and rude.

(f) Business Norms:

The norms of conducting business also vary from one country to the next.

Here are several examples of foreign business behaviour that differ from Indian business behaviour:

(1) In France, wholesalers do not like to promote products. They are mainly interested in supplying retailers with the products they need.

(2) In Russia, plans of any kind must be approved by a seemingly endless string of committees. As a result, business negotiations may take years.

(3) In Japan, businesspeople have mastered the tactic of silence in negotiations.

(g) Religious Beliefs:

A person's religious beliefs can affect shopping patterns and products purchased in addition to his/her values. In the United States and other Christian nations, Christmas time is a major sales period. But for other religions, religious holidays do not serve as popular times for purchasing products. Women do not participate in household buying decisions in countries in which religion serves as opposition to women's rights movements.

Every culture has a social structure, but some seem less widely defined than others. That is, it is more difficult to move upward in a social structure that is rigid. For example, in the US, the two-wage earner family has led to the development of a more affluent set of consumers. But in other cultures, it is considered unacceptable for women to work outside the home.

ii. Political Environment:

The political environment abroad is quite different from that of India. Most nations desire to become self-reliant and to raise their status in the eyes of the rest of the world. This is the essence of nationalism. The nationalistic spirit that exists in many nations has led them to engage in practices that have been very damaging to other countries' marketing organisations.

For example, foreign governments can intervene in marketing programmes in the following ways:

(1) Contracts for the supply and delivery of goods and services

(2) The registration and enforcement of trademarks, brand names, and labeling

(3) Patents

(4) Marketing communications

(5) Pricing

(6) Product safety, acceptability, and environmental issues

(a) Political Stability:

Business activity tends to grow and thrive when a nation is politically stable. When a nation is politically unstable, multinational firms can still conduct business profitably. Their strategies will be affected however. Most firms probably prefer to engage in the export business rather than invest considerable sums of money in investments in foreign subsidiaries. Inventories will be low and currency will be converted rapidly. The result is that consumers in the foreign nation pay high prices, get less satisfactory products, and have fewer jobs.

(b) Monetary Circumstances:

The exchange rate of a particular nation's currency represents the value of that currency in relation to that of another country. Governments set some exchange rates independently of the forces of supply and demand. The forces of supply and demand set others. If a country's exchange rate is low compared to other countries, that country's consumers must pay higher prices on imported goods. While the concept of exchange rates appears relatively simple, these rates fluctuate widely and often, thus creating high risks for exporters and importers.

(c) Trading Blocs and Agreements:

A trade bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organisation, where regional barriers to trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states. Regional trading blocs represent a group of nations that join together and formally agree to reduce trade barriers among themselves.

Trace blocs can be stand-alone agreements between several states such as the North American Free Trade Agreement (NAFTA) or part of a regional organisation such as the European Union (EU). Depending on the level of economic integration, trade blocs can fall into different categories, such as, preferential trading areas, free trade areas, customs unions, common markets and economic and monetary unions.

Trade agreements regulate international trade between two or more nations. An agreement may cover all imports and exports, certain categories of goods, or a single category. The most important general trade agreement is called, simply enough, the General Agreement on Tariffs and Trade (GATT).

India views Regional Trading Arrangements (RTA's) as 'building blocks' towards the overall objective of trade liberalisation. Hence, it is participating in a number of RTAs which include Free Trade Agreements (FTAs); Preferential Trade Agreements (PTAs); Comprehensive Economic Cooperation Agreements (CECAs); etc. These agreements are entered into either bilaterally or in a regional grouping. The United States is currently engaged in some 320 trade agreements with various nations; However, several general trade agreements have shaped trade policy on broad levels.

(d) Tariff and Non-Tariff Barriers:

Most nations encourage free trade by inviting firms to invest and to conduct business there, while encouraging domestic firms to engage in overseas business. These nations do not usually try to strictly regulate imports or discriminate against foreign-based firms. There are, however, some governments that openly oppose free trade. For example, many Communist nations desire self-sufficiency. Therefore, they restrict trade with non-Communist nations. But these restrictions vary with East-West relations.

The most common form of restriction of trade is the tariff, a tax placed on imported goods. Protective tariffs are established in order to protect domestic manufacturers against competitors by raising the prices of imported goods. The other form of restriction is non-tariff. Countries impose non-tariff barriers to restrict the import of goods indirectly from certain countries. Non-tariff barriers include quota system, restriction on foreign exchange, state trading, etc.

(e) Expropriation:

All multinational firms face the risk of expropriation. That is, the foreign government takes ownership of plants, sometimes without compensating the owners. However, in many expropriations there has been payment, and it is often equitable. Many of these facilities end up as private rather than government organisations. Because of the risk of expropriation, multinational firms are at the mercy of foreign governments, which are sometimes unstable, and which can change the laws they enforce at any point in time to meet their needs.'

iii. Legal Environment:

Businesses are affected by legal environments of countries in many ways. Legal environments are not just based on different laws and regulations concerning businesses, these are also defined by the factors like rule of law, access to legal systems by foreigners, litigations systems etc. Variations in legal environments, rule of law, laws, and legal systems affect foreign business firms in a number or areas.

Key areas of business that are affected by legal environments are listed below:

(a) Laws concerning employment and labour affect managing of workforce in international markets.

(b) Different laws in foreign countries regulate financing of operations by foreigners. In some countries foreign firms are restricted access to local deposits/funds.

(c) Various countries around the world have different laws concerning marketing of products, especially food products, pharmaceuticals, hazardous materials and strategic products to a nation.

(d) Countries also control and regulate developing and utilising of technologies through various laws and regulations.

(e) Many countries also have different laws and regulations that affect ownership of businesses by foreigners.

(f) Countries also regulate /restrict remittances to foreign countries and repatriation of profits.

(g) Some countries regulate closing of operations and in some countries businesses are not allowed to close shop especially when they have sold products that have guarantees and warranties from the foreign firms.

(h) Various countries around the world have implemented different trade and investment regulations.

(i) Countries also have their own taxation requirements, systems and laws.

(j) Countries also differ on the accounting reporting requirements from various categories of firms.
(k) Countries around the world have also actively implemented environmental regulations that affect businesses.

iv. Technological Environment:
Technological know-how impacts all spheres of an international marketer's operations including production, information system, marketing etc. The international marketers must understand technological development and its impact on its total operations. The marketing intelligence system may help the international firm to know technological orientations of other enterprises and to update its own technologies to remain competitive. Research and Development (R&D) has a vital role to play in increasing technological ability of a firm.

New technologies create new markets and opportunities. However, every new technology replaces an old technology. Xerography hurt carbon-paper industry, computer hurt typewriter industry, and examples are so on. Any international marketer, when ignored or forgot new technologies, their business has declined. Thus, the marketer should watch the technological environment closely. Companies that do not keep up with technological changes, soon find their products outdated.

The United States leads the world in research and development spending. Scientists today are researching a wide range of promising new products and services ranging from solar energy, electric car, and cancer cures. All these researches give a marketer an opportunity to set his products as per the current desired standard. The challenge in each case is not only technical but also commercial that means manufacture a product that can be afforded by mass crowd.

The level of technological development of a nation affects the attractiveness of doing business there, as well as the type of operations that are possible. Marketers in developed nations cannot take many technological advances for granted. They may not be available in lesser developed nations.

Consider some of the following technologically related problems that firms may encounter in doing business overseas:
(a) Foreign workers must be trained to operate unfamiliar equipment.
(b) Poor transportation systems increase production and physical distribution costs.
(c) Maintenance standards vary from one nation to the next.

(d) Poor communication facilities hinder advertising through the mass media.
(e) Lack of data processing facilities makes the tasks of planning, implementing, and controlling marketing strategy more difficult.

v. Economic Environment:
The international marketer tries to understand economic environmental variables of the global markets for identifying the right marketing opportunities for the enterprise.

The economic environment is comprised of the following economic variables:
(a) National Income
(b) Gross Domestic Product (GDP)
(c) Industrial Structure
(d) Currency floating (Open/fixed) issue
(e) Demand patterns
(f) Balance of Payment (BOP) status
(g) Economy base (Import/Export)
(h) Rate of Economic Growth
(i) Occupational Pattern
(j) State of Inflation
(k) Consumer Mobility.

The economic situation varies from country to country. There are variations in the levels of income and living standards, interpersonal distribution of income, economic organisation, and occupational structure and so on. These factors affect market conditions. The level of development in a country and the nature of its economy will indicate the type of products that may be marketed in it and the marketing strategy that may be employed in it.

In high income countries there is a good market for a large variety of consumer goods. But in low-income countries where a large segment does not have sufficient income even for their basic necessities, the situation is quite different. A nation’s economic situation represents its current and potential capacity to produce goods and services. The key to understanding market opportunities lies in the evaluation of the stage of a nation’s economic growth.
A way of classifying the economic growth of countries is to divide them into three groups:
(a) Industrialised,
(b) Developing, and
(c) Less-developed nations.

The industrialised nations are generally considered to be the United States, Japan, Canada, Russia, Australia, and most of Western Europe. The economies of these nations are characterised by private enterprise and a consumer orientation. They have high literacy, modern technology, and higher per capita incomes. Developing nations are those that are making the transition from economies based on agricultural and raw materials production to industrial economies.
Many Latin American nations fit into this category and they exhibit rising levels of education, technology, and per capita incomes. Finally, there are many less developed nations in today's world. These nations have low standards of living, literacy rates are low, and technology is very limited.

Usually, the most significant marketing opportunities exist among the industrialised nations, as they have high levels of income, one of the necessary ingredients for the formation of markets. However, most industrialised nations also have stable population bases, and market saturation for many products already existing. The developing nations, on the other hand, have growing population bases, and although they currently import limited goods and services, the long-run potential for growth in these nations exists.Dependent societies seek products that satisfy basic needs-food, clothing, housing, medical care, and education. Marketers in such nations must be educators, emphasising information in their market programmes. As the degree of economic development increases, so does the sophistication of the marketing effort focused on the countries.

vi. Competitive Environment:
To plan effectively international marketing strategies, the international marketer should be well-informed about the competitive situation in the international markets.

By competitive environment we mean the following variables:
(a) Nature of competition
(b) Players in the competition
(c) Strategical weapons used by the participants
(d) Competition regulations

Entering an international market is similar to doing so in a domestic market, in that a firm seeks to gain a differential advantage by investing resources in that market. Often local firms will adopt imitation strategies, sometimes successfully. When they are successful, their own nation's economy receives a good boost. When they are not successful, the multinational firm often buys them out.

Japanese marketers have developed an approach to managing product costs that has given them a competitive advantage over US competitors. A typical American company will design a new product, and then calculate the cost. If the estimated cost is too high, the product will be taken back to the drawing board.

In Japan, a company typically starts with a target cost based on the price that it estimates the market is most willing to accept. Product designers and engineers are then directed to meet the cost target. This approach also encourages managers to worry less about product costs and more about the role it should play in gaining market share. Briefly, at Japanese companies like NEC, Nissan, Sharp, and Toyota, a team charged with bringing a product idea to market estimates the price at which the product is most likely to appeal to the market.

From this first important judgment all else follow. After deducting the required profit margin from the selling price, planners develop estimates of each element that make up the product's cost- engineering, manufacturing sales, and marketing. US firms tend to build products, figure how much it costs to build the product, and then ask whether the product can be sold at a profitable price. US companies tend not to assess what the market will be willing to pay.

Following are the ways an international marketer can handle competition:

(i) Proper knowledge about the competitors
(ii) Knowledge of competitors' objectives
(iii) Knowledge of competitors' strategies
(iv) Knowledge of competitors' reaction patterns
(v) Knowledge of competitors' strengths and weakness.

International Marketing Environment – Importance

The various components of the international marketing environment are the major determinants of marketing opportunities. As such, it is the responsibility of an international firm to have clear grasp of international marketing environment to formulate effective marketing decisions regarding Marketing Mix variables.

The following points highlight the importance of understanding international marketing environment:

1. International Marketing environment opportunities vary among the nations. Some economies have enormous potentials of growth while other has not. The knowledge of

economic environment helps an international marketer to understand which market to select for reaping lasting benefits.

2. Culture is a basic determinant of human behaviour. The cultural norms and values may vary among the countries. That's why knowledge of cultural environment is utmost important to the international marketer.

3. Political environment has a major influence on creating sound investment climate. The law and order situations influence business operations. International marketing operations can be smoothly conducted in a country having political stability and healthy political situation.

4. International marketing is affected by legal environment of a foreign country in which a firm intends to operate. International marketing transactions need compliance with legal provisions. So international marketer should be familiar with the legal environment of foreign countries where marketing efforts will be made.

5. The state of competition prevailing in an international market has great importance upon the strategic plan of the international marketer.

6. Technological changes have also great importance because of its direct impact on product obsolescence issue. Up-to-date knowledge about the state of technological environment is essential for the firms associated with international marketing.

UNIT II

Developing Global Marketing strategies

A mode of entry into Global market is the channel which your organization employs to gain entry to a new international market. This lesson considers a number of key alternatives, but recognizes that alter- natives are many and diverse. Here you will be considering modes of en- try into international markets such as the Internet, Exporting, Licensing, International Agents, International Distributors, Strategic Alliances, Joint Ventures, Overseas Manufacture and International Sales Subsidiaries.
The Internet

The Internet is a new channel for some organizations and the solechannel for a large number of innovative new organizations. The e-Mar- keting space consists of new Internet companies that have emerged as the Internet has developed, as well as those pre-existing companies that now employ e-Marketing approaches as part of their overall marketing plan. For some companies the Internet is an additional channel that enhances or replaces their traditional channel(s). For others the Internet has pro- vided the opportunity for a new online company.

EXPORTING

There are direct and indirect approaches to exporting to other nations. Direct exporting is straightforward. Essentially the organization makes a commitment to market overseas on its own behalf. This gives it greater control over its brand and operations overseas, over an above indi- rect exporting. On the other hand, if you were to employ a home countryagency (i.e. an exporting company from your country - which handles exporting on your behalf) to get your product into an overseas market then you would be exporting indirectly. Examples of indirect exporting include:

Piggybacking:

whereby your new product uses the existing distribution and logistics of another business.

Export Management Houses (EMHs):

that act as a bolt on export department for your company. They offer a whole range of bespoke or a la carte services to exporting organizations.

Consortia are groups of small or medium-sized organizations that group together to market related or sometimes unrelated products in international markets.

Trading companies were started when some nations decided that they wished to have overseas colonies. They date back to an imperialist past that some nations might prefer to forget e.g. the British, French, Spanish and Portuguese colonies. Today they exist as mainstream businesses that use traditional business relationships as part of their competitive advantage.

OTHER DEVELOPING GLOBAL MARKETING STRATEGIES

1. Distribution process: The distribution process includes the physical handling and distribution of goods, the passage of ownership (title), and—most important from the standpoint of marketing strategy—the buying and selling negotiations between producers and middlemen and between middlemen and customers.

2. In an import-oriented or traditional distribution structure, an importer controls a fixed supply of goods, and the marketing system develops around the philosophy of selling a limited supply of goods at high prices to a small number of affluent customers.

3. The idea of a channel as a chain of intermediaries performing specific activities and each selling to a smaller unit beneath it until the chain reaches the ultimate consumer is not common in an import-oriented system. } Because the importer–wholesaler traditionally performs most marketing functions, independent agencies that provide advertising, marketing research, warehousing and storage, transportation, financing, and other facilitating functions found in a developed,

4. Mature marketing infrastructure are nonexistent or underdeveloped. Thus, few independent agencies to support a fully integrated distribution system develop. Contrast this situation with the distribution philosophy of mass consumption that prevails in the United States and other industrialized nations. In these markets, one supplier does not dominate supply, supply can be increased or decreased within a given range, and profit maximization occurs at or near production capacity.

5. Generally a buyer's market exists, and the producer strives to penetrate the market and push goods out to the consumer, resulting in a highly developed channel structure that includes a variety of intermediaries, many of which are unknown in developing markets.

6. Distribution in Japan has long been considered a most effective nontariff barrier to the Japanese market. } The Japanese system has four distinguishing features: ◦ (1) a structure dominated by many small middlemen dealing with many small retailers, ◦ (2) channel control by manufacturers, ◦ (3) a business philosophy shaped by a unique culture, and ◦ (4) laws that protect the foundation of the system— the small retailer.

7. The density of middlemen, retailers, and wholesalers in the Japanese market is unparalleled in any Western industrialized country. The traditional Japanese structure serves consumers who make small, frequent purchases at small, conveniently located stores. An equal density of wholesalers supports the high density of small stores with small inventories. It is not unusual for consumer goods to go through three or four intermediaries before reaching the consumer—producer to primary, secondary, regional, and local wholesaler, and finally to retailer to consumer.
8. Traditional channel structures are giving way to new forms, new alliances, and new processes—some more slowly than others, but all are changing. Pressures for change in a country come from within and without. Multinational marketers are seeking ways to profitably tap market segments that currently are served by costly, traditional distribution systems.

9. Retail Patterns } Size Patterns: Large dominant retailers can be sold to directly, but there is no adequate way to reach small retailers who, in the aggregate, handle a great volume of sales. In Italy, official figures show there are 931,000 retail stores, or one store for every 63 Italians. Of the 269,000 food stores, fewer than 10,000 can be classified as large. Thus, retailers are a critical factor in adequate distribution in Italy

GLOBAL MARKETING MANAGEMENT –PLANNING AND ORGANIZATION

Phases of the Planning Process

So where do you begin when trying to market to a new demographic in a country that is culturally different from your own? There are certain phases that any company, large or small, must consider when taking their product abroad. No matter what your beliefs are, there is always something to learn about a different culture, making these steps important. A misstep on understanding someone's customs could spoil your chance at capturing an international market. The phases are as follows:

Preliminary analysis and screening: This activity helps companies understand the country they are looking to penetrate at a high level before diving into the intricacies of the plan. During this stage, companies may outline a high level set of objectives for management. Important factors that are uncovered during this stage include:

- The market segments, demand, and other customer insights for the countries of analysis.
- Competitive insights, or a detailed SWOT (strengths, weaknesses, opportunities, threats) for like companies operating in the countries of analysis.
- New collaborations and partnerships that may develop. This might include new or expanded supply chain relationships and other strategic alliances.

Adapting the marketing mix to target markets: Once a company has an overall view of the situation through its preliminary analysis, it must adapt its marketing mix to match this new information. Let's say you are running a multinational company that wants to penetrate the market in France. The marketing mix considerations would include:

- Product: The type of tangible good or service you plan to create and offer to the new target country
- Price: Considerations on how to price the product in this new market in regards to goals and market demand
- Place: The locations where you will sell your product. With technology, this has expanded past physical retail locations, but now includes online as well.
- Promotion: This involves how you will get the word out about your product. Technology also plays a major factor here, incorporating a whole new branch of marketing products through social media and other technologies

Developing the marketing plan: Once a company has a good idea of what its objectives and goals will be, management needs to create a detailed marketing plan for each country in consideration.

- Specific activities that are necessary to remain competitive internationally
- Where the company currently stands in its market position, and where it predicts it will fall in this new market
- A detailed description of its target market, or the people it plans to sell to
- A description of the marketing mix (explained above) that it plans to use as it moves into this new market
- An overall picture of market research, what competition looks like, and the companies goals.

Implementation, evaluation and control: Every plan should have a way of figuring out whether it is actually working. As a company takes its strategy to action, specific systems are set in place to monitor progress and assure a company it is meeting its objectives.

International Marketing Information System and Research

International Marketing Information System

Information requirements for international marketing depend upon the decisions to be taken on the basis of that information, but each of the elements of international marketing strategy outlined here will require marketing research and intelligence. Examples of the information required for some of the key decision areas in developing international marketing plans.

A systematic approach to marketing research and information gathering activities is even more important when conducting an international marketing research programme. Problem definition, and the design of the research brief, need to be done as precisely as possible so there is less room for misinterpretation. In developing the research plan, the timing and scheduling of events needs thorough planning to enable data to be collected, analysed, interpreted and reported upon in a common language and in the most efficient manner. Specification of the analysis and method of interpretation must be standardized to enable international comparisons and a meaningful report to be produced. Obtaining information on international markets can be done through secondary information supplied by governments, Chambers of Commerce, banks, and organizations like the United Nations. The availability of such secondary data differs by country, but major developed economies have substantial amounts of secondary information available for marketing research.

Marketing decision Information/Intelligence needed

1. Degree of involvement/commitment in Assessment of global market demand and firm's international marketing potential share in view of local and international competition and compared to domestic opportunities.
2. Market selection A ranking of potential markets based on e.g.market size and growth, political, cultural and economic factors and extent of local competition.
3. Market entry method Size of market, trade barriers, transport costs, intermediary availability, local competition, government requirements and political stability.
4. Marketing mix strategies For each market: buyer behaviour, competitive practice, distributors and channels, promotional media and practice, economic factors.

UNDERSTANDING GLOBAL CONSUMERS

The following ways understanding of global customer is easy.

1. Identify the major trends that have influenced world trade and global marketing
2. Identify the environmental forces that shape global marketing efforts.
3. Name and describe the alternative approaches companies use to enter global markets.
4. Explain the distinction between standardization and customization when companies craft worldwide marketing programs.
5. Back translation
6. Cross-cultural analysis

CULTURAL DYNAMICS IN ASSESSING GLOBAL MARKETS

"Culture refers to "the human-made part of human environment—the sum total of knowledge, beliefs, art, morals, laws, customs, and any other capabilities and habits acquired by humans as members of society"

1. Culture is the integrated sum total of learned behavioral traits that are shared by member of society.
2. Culture – Ways of living, built up by a group of human beings, that are transmitted from one generation to another
3. Culture is acted out in social institutions
4. Culture has both conscious and unconscious values, ideas and attitudes
5. Culture is both material and nonmaterial

Culture's Pervasive Impact

1. Culture influences every part of our lives
2. Cultures impact on birth rates in Taiwan, Japan, and Singapore
3. Birthrates have implications for sellers of diapers, toys, schools, and colleges
4. Consumption of different types of food influence is culture: Chocolate by Swiss, seafood by Japanese preference, beef by British, wines by France and Italy
5. Even diseases are influenced by culture: stomach cancer in Japan, and lung cancer in Spain

Origins of Culture

Culture is the sum of the "values, rituals, symbols, beliefs, and thought processes that are learned, shared by a group of people, and transmitted from generation to generation"

Culture has been conceptualized as:

1. "Software of the mind" culture is a guide for humans on how to think and behave; it is a problem-solving tool (Hofstede)
2. An invisible barrier… a completely different way of organizing life, of thinking, and of conceiving the underlying assumptions about the family and the state, the economic system, and even Man himself" (Hall)
3. A "thicket" (U.S. Ambassador Hodgson)

Origins of Culture: Geography

1. Geography, which includes climate, topography, flora, fauna, and microbiology, influences our social institutions
2. Two researchers suggest that geography influences everything from history to present-day cultural values
3. First, Jared Diamond states that historically innovations spread faster east-to-west than north-to-south
4. Second, Philip Parker reports strong correlations between the latitude (climate) and the per capita GDP of countries

Origins of Culture: History

1. The impact of specific events in history can be seen reflected in technology, social institutions, cultural values, and even consumer behavior
   For e.g., American trade policy depended on tobacco being the original source of the Virginia colony's economic survival in the 1600s

2. The military conflicts in the Middle East in 2003 bred new cola brands, Mecca Cola, Muslim Up, and Arab Cola

Origins of Culture: The Political Economy

1. For most of the 20th Century three approaches to governance competed for world dominance: fascism, communism, and democracy/free enterprise
2. Necessary to appreciate the influence of the political economy on social institutions and cultural values and ways of thinking

Origins of Culture: Technology

- Technological innovations also impact institutions and cultural
- Jet aircraft, air conditioning, televisions, computers, and the internet have all influenced culture
- Arguably the greatest impact is the pill that has allowed women to have careers and freed men to spend more time with kids

Origins of Culture: Social Institutions

a. Social institutions including family, religion, school, the media, government, and corporations all affect culture

b. The family, social classes, group behavior, age groups, and how societies define decency and civility are interpreted differently within every culture

c. Family behavior varies across the world, e.g., extended families living together to Dad washing dishes

d. Religious value systems differ across the world, e.g., Muslims not allowed to eat pork to Hindus not allowed to consume beef

UNIT III

INTERNATIONAL PRODUCT POLICY

PRODUCT

On the surface, this seems like a simple question with an obvious answer. A product can be defined in terms of its tangible physical attributes such as weight, dimensions, and materials,

thus, an automobile could be defined as 3,000 kgs of metal or plas- tic, measuring 190" long, 75" wide, and 59" high. However, any descrip- tion limited to physical attributes gives an incomplete account of the ben- efits a product provides. At a minimum, car buyers expect an automobile to provide safe, comfortable transportation, which derives from physical features such as air bags and adjustable seats. However, marketers can- not ignore status, mystique, and other intangible product attributes that a particular model of automobile may provide. Indeed, major segments of the auto market are developed around these intangible attributes

INTERNATIONAL PRODUCTS

International products are offered in multinational, regional markets. The classic international product is the Euro product, offered throughout Europe but not in the rest of the world. Renault was for many years a Euro product When Renault entered the Brazilian market, it be- came a multi-regional company. Most recently, Renault invested in Nissan and has taken control of the company. The combination of Renault in Europe and Latin America, and Nissan in Asia, the Americas, Europe, the Middle East and Africa, has catapulted Renault from a multi-regional to a global position. Renault is an example of how a company can move over- night through investment or acquisition from an international to a global position.

PRODUCT POSITIONING IN FOREIGN MARKET –

Product positioning is a communications strategy based on the no- tion of mental "space" positioning. It refers to the act of locating a brand in customers' minds over and against other products in terms of product attributes and benefits that the brand does and does not offer. The word positioning, first formally used in 1969 by Ries and Trout in an article that appeared in Industrial Marketing, describes a strategy for "staking out turf' or "filling a slot" in the minds of target customers.

Several general strategies have been suggested for positioning products: positioning by attribute or benefit, quality/price, use or appli- cation, and use/user? Two additional strategies, viz. high-tech and high- touch have been suggested for global products.

1. ATTRIBUTE OR BENEFIT

A frequently used positioning strategy exploits a particular product attribute, benefit, or feature. In global marketing, the fact that a productis imported can itself represent a benefit positioning. Economy, reliabil- ity, and durability are other frequently used attribute/benefit positions. Volvo automobiles are known for solid construction that offers safety in the event of a crash. In the ongoing credit card wars, VISA's advertising focuses on the benefit of worldwide merchant acceptance.

2. QUALITY/PRICE

This strategy can be thought of in terms of a continuum from high fashion/quality and 'high price to good value' (rather than low quality) at a low price. The American Express Card, for example, has traditionally been positioned as an upscale card whose prestige justifies higher annual fees than VISA or MasterCard. The Discover card is at the other end ofthe continuum. Discover's value position results from no annual fee and a cash rebate to cardholders each year.

3. USE/USER

Positioning can also be achieved by describing how a product is used or associating a product with a user or class of users the same wayin every market. For example, Benetton uses the same positioning for it's clothing when it targets the global youth market.igh-Tech Positioning

Personal computers, video and stereo equipment, and automo- biles are product categories for which high-tech positioning has proven effective. Such products are frequently purchased on the basis of physical product features, although image may also be important. Buyers typically already possess or wish to acquire considerable technical information. High-tech products may be divided into three categories technical prod- ucts, special interest products, and demonstrable products.

4. HIGH -TOUCH POSITIONING

Marketing of high-touch products requires less emphasis on spe- cialized information and more emphasis on image. Like high-tech prod- ucts, however, high-touch categories are highly involving for consum-ers. Buyers of high-touch products also share a common language and set of symbols relating to themes of wealth, materialism, and romance. There are three categories of high-touch products: products that solve a common problem, global village products, and products with a universal theme.

PRODUCT STANDARDIZATION AND ADOPTION
ADOPTION

PRODUCT STANDARDIZATION :

Product standardization refers to the process of maintaining uniformity of products and services sold in different markets or in other words setting identical characteristics for a particular good or a service.
For an example, if a particular company comes up with the decision of standardizing the product then the product is being manufactured using the same materials, same processes and even sold under the same name.

In the process of standardizing a product, there are certain guidelines to be used and such guidelines should be followed by the company who is willing to standardize the product and the guidelines will be applicable to one organization or to one industry and will be conformed in the national level or international level.

PRODUCT ADAPTION :

This is a strategy mostly used by Multi-National Companies(MNCs). This product adaption refers to the process of modifying the existing products in order to reach to each market. There are several product adaption strategies that an entity can use such as **product, target market, package and design, ingredients, language, culture, religion etc.** That means in terms of target markets, packaging and designs, ingredients, languages, culture and etc the organizations need to come up with different ways so that they can cater different markets in a way where the customer needs and requirements are addressed.

BRANDS, TRADEMARKS, PACKAGING AND LABELING –

BRANDING

The basic purposes of branding are the same everywhere in the world. In general, the functions of a brand are to (1) create identifica-tion and brand awareness, (2) guarantee a certain level of quality, quality, and satisfaction, and (3) help with promotion. All of these purposes have the same ultimate goal: to induce repeat sales. The Spalding name, for example, has a great deal of marketing clout in Japan. In fact, a group of investors bought the company in 1982 because they felt that Spalding was the best-known name in sports in the free world and that the name was underutilized.

Branding Levels and Alternatives

There are four levels of branding decisions:

1. No brand versus brand
2. Private brand versus manufacturer's brand
3. Single brand versus multiple brands
4. Local brands versus worldwide brand

PACKAGING AND LABELING

Much like the brand name packaging is another integral part of a product. Packaging serves two primary purposes: functional and promo- tional. First and foremost, a package must be functional in the sense that it is capable of protecting the product at minimum cost.

If a product is not manufactured locally and has to be exported toanother country, extra protection is needed to compensate for the time and distance involved. A country's adverse environment should also be taken into account. When moisture is a problem, a company may haveto wrap pills in foils or put food in tin boxes or vacuum-sealed cans. Still, the type of package chosen must be economical.

In Mexico, where most consumers cannot afford to buy detergents in large packages, detergent suppliers found it necessary to use plastic bags for small packages because cardboard would be too expensive for that purpose.

INTERNATIONAL MARKETING OF SERVICES –

Companies should be aware of basic business practices that are paramount to successful international selling. Because cultures vary, there is no single code by which to conduct business. These practices transcend culture barriers and will help the U.S. a company (as also the any other company from different parts of the world) to conduct business overseas:

Keep promises. The biggest complaint from foreign importers about U.S. suppliers is failure to ship as promised. A first order is particularly important because it shapes the customer's image of a firm as a dependable or an undependable supplier.

Be polite, courteous, and friendly. However, it is important to avoid undue familiarity or slang. Some overseas firms feel that the usual brief U.S. business letter is lacking in courtesy.

Personally sign all letters. Form letters are not satisfactory.

INTERNATIONAL PRODUCT PRICING POLICY – EXPORT PRICING –PRICING FOR INTERNATIONAL MARKETS.

It is a universally accepted fact that "Price" is the hero of any trans- action, because the demand for any commodity or service, depends on the price quoted for it. Similarly, the supply of any commodity or service also depends on the price is paid for it.

Price level is defined as the average of higher quotations and lower quotations given by various dealers for one particular commodity (for ex- ample the price of goods is higher in air – conditioned shops with all facil- ities when compared to the price of the same commodity on a road – side dealers shop. This average price is the basis for demand and also repeated demand for goods. In the matter of services like very popular high class hospitals, the changes are very high than the Government Hospitals.

The global marketing management is comprised of the following three different stages:

1. Export,
2. Create foreign exchange,
3. Import

When these stages or steps are followed especially in multinational corporations (MNCs) there will be a smooth outflow of goods. Hence, the export pricing decisions are very important

The pricing decisions may be divided into the following sections:

1. Export pricing in the global markets
2. The MNC pricing, including transfer pricing
3. Discussion on tax – incentives
4. Financial Exposure, cash management moving money across na-tional boundaries.
5. Describing the government support systems for financing exports, foreign investment and foreign trade and
6. Comments on foreign aid as finance for creating markets.

International pricing policies have, probably not been analyzed as thoroughly as product policies. For example, many global or international firms tend to apply standard markups to sales anywhere in the world. This is too simplistic because of the greater diversity of foreign markets, the different degrees of government intervention, the cost escalation that builds into certain exports due to the tariff and non–tariff barriers and also the volatility of currencies.

Moreover, the international pricing policies must consider the'price' as the essential part of global marketing strategy. Therefore, the policy must be closely related to the utilities created by the product, the promotional messages and the channel structure. The international pric- ing policy covers export pricing as well as transfer pricing. The latter is the pricing within an MNC global system or between two firms which are not independent of each other; but inter–dependant of each other.

The international pricing policy covers all sources of funds and safeguarding of monies. The exporter, here, is assumed to be marketing to an independent party in a foreign country. Therefore, the exporter's pric- ing policy is depending upon the demand curve, costs, and also the long– term strategy. Normally, in the international trade the exporters face very elastic demand curve, under the conditions of the intense competitive- ness. So, the exports must meet the existing global price and compete with the suppliers from the other parts of the world. At the same time particularly in developing countries exporters face an inelastic demand curve for their import requirements and use the cost–plus method.

The common and more usual case, especially for the branded goods, is to go in – between the cost and the price. The demand in the

INTERNATIONAL PRICING STRATEGIES

The components of strategic planning process involve four sets of inter – related decisions. The first defines the business. The second deter- mines the mission and sets specific performance expectations. The third formulates functional strategies and the fourth connects resource alloca- tion and the required budget.

Also, the strategic planning, deals with five areas such as the commitment, market selection, mode of entry, marketing organization and marketing mix.

INTERNATIONAL MARKETING STRATEGY

To develop an international marketing strategy following four sets of inter–related decisions are taken into consideration.

The first decision defines the business. This includes product and market scope, as to what type of products are to be served? Which needs are to be satisfied? And what technologies are to be used to satisfy theseneeds?

Export Pricing in Practice

High prices, for example, will combine with a high – quality image and must be supported by appropriate distribution and promotion. Low prices may result in quicker penetration and the target segment wants this and competition permits.

Globally, pricing must consider costs and then be adopted to local requirements in foreign markets but, at the same time, it must be consist- ent with the firms worldwide objectives, such as profit maximization, ROI (Return on Investment), or market–share.

Global pricing decisions include the expenses on fees, tariffs, spe- cial taxes, additional packaging, labeling, shipping, middlemen, addition-al risks, insurance, and financing costs, etc. arising from varying levels of inflation and fluctuation in currency rates. Volkswagen concludedthat many of these charges forced the price of their “Rabbit” model in the American market to reach at uncompetitive levels. So, they decided to produce “Rabbit” in the United States of America.

MNC’S PRICING IN A NATIONAL MARKET

Generally, the goals of a MNC are achieving a satisfactory ROI, fol- lowed by maintaining the market share and meeting a specific profit goal

TRANSFER PRICING WITHIN A MNC

The need occurs for rational systems to price MNC intra – firm transfer of goods at various stages of production which would satisfy the goal of manages abroad to earn adequate profits for their subsidiaries and affiliates, while simultaneously furthering corporate project goals. Evidence indicates that head quarters management, in setting transfer prices, often considers the differential incidence in taxation in various na- tions in which MNC operates.

UNIT IV

INTERNATIONAL PROMOTIONAL POLICY

INTERNATIONAL PROMOTION

Promotional tools. Numerous tools can be used to influence consumer purchases:

Advertising—in or on newspapers, radio, television, billboards, busses, taxis, or the Internet.

Price promotions—products are being made available temporarily as at a lower price, or some premium (e.g., toothbrush with a package of toothpaste) is being offered for free.

Sponsorships

Point-of-purchase—the manufacturer pays for extra display space in the store or puts a coupon right by the product

Other method of getting the consumer's attention—all the Gap stores in France may benefit from the prominence of the new store located on the Champs-Elysees

Promotional objectives.

Promotional objectives involve the question of what the firm hopes to achieve with a campaign—"increasing profits" is too vague an objective, since this has to be achieved through some intermediate outcome (such as increasing market share, which in turn is achieved by some change in consumers which cause them to buy more). Some common objectives that firms may hold:

Awareness.

Many French consumers do not know that the Gap even exists, so they cannot decide to go shopping there. This objective is often achieved through advertising, but could also be achieved through favorable point-of-purchase displays. Note that since advertising and promotional stimuli are often afforded very little attention by consumers, potential buyers may have to be exposed to the promotional stimulus numerous times before it "registers."

Trial.

Even when consumers know that a product exists and could possibly satisfy some of their desires, it may take a while before they get around to trying the product—especially when there are so many other products that compete for their attention and wallets. Thus, the next step is often to try get consumer to try the product at least once, with the hope that they will make repeat purchases. Coupons are often an effective way of achieving trial, but these are illegal in some countries and in some others, the infrastructure to readily accept coupons (e.g., clearing houses) does not exist. Continued advertising and point-of-purchase displays may be effective.

Although Coca Cola is widely known in China, a large part of the population has not yet tried the product.

***Attitude toward the product*.**

A high percentage of people in the U.S. and Europe has tried Coca Cola, so a more reasonable objective is to get people to believe positive things about the product—e.g., that it has a superior taste and is better than generics or store brands. This is often achieved through advertising.

***Temporary sales increases*.** For mature products and categories, attitudes may be fairly well established and not subject to cost-effective change. Thus, it may be more useful to work on getting temporary increases in sales (which are likely to go away the incentives are removed). In the U.S. and Japan, for example, fast food restaurants may run temporary price promotions to get people to eat out more or switch from competitors, but when these promotions end, sales are likely to move back down again (in developing countries, in contrast, trial may be a more appropriate objective in this category).

INTERNATIONAL ADVERTISING

International Advertising Standardization

For the study of the Global Marketing Management, a scrutiny of developing international advertising strategy is necessary. The central is-sue in the development of international advertising strategy is the extent to which the advertising should be standardized or adopted to the local needs.

Therefore, a “Two – Tier” advertising strategy has become possible. The first tier comprises of standard “ads” crossing the borders through international magazines such as Time, Newsweek, the Economist, Asia Magazine, etc.

The second are similar type of ‘ads’ in the local media and outdoor or transit sites in urban communities. This latter advertising should look very familiar to the visitors from abroad, but it should also look local and use the domestic language in its messages.

International advertisers are well aware that the visual elements in the advertising designs and logos encourage the international familiarity which is effective across national cultures while it activates cost – efficiencies. International campaigns should be with a more common theme.

In Sum, the following factors influence the need for declaration in international advertising:

1. **Market Criteria**

   Low competition, dissimilar demographics, sparse distribution and low industrialization make the market criteria more effective.

2. **Cultural Criteria**

   Cultural taboos, religious barriers towards foreign firms, cultur- al–bonds, as supposed to cosmopolitan outlook will make the cultural criteria.

3. **Media Criteria**

This pertains to the dissimilar media from others, in the home market.

4. **Other Criteria**

High importance for price–factor, low levels of advertising accept- ance, highly subjective and concepts, and high emotional appeal in the ads do fall under this criterion.

DEVELOPING INTERNATIONAL ADVERTISING STRATEGY –

An advertising programme designed to respond to market simi- larities could develop to become a source of major international synergy. The particular benchmark design developed by "Colgate – Palmolive" is based on the seven "P" principles outlined below.

1. Positioning – position the product within a specific market segment.
2. Promise competitiveness – identification of consumer benefits.
3. Point of differences - products' differential advantage.
4. Platform - identification of media priority – Communication ofone or two most motivating product attributes.
5. Priority – Communication of one or two most motivating productattributes.
6. Proof – show effectiveness of product and
7. Presentation – define important presentation characteristics.

INTERNATIONAL SALES FORCE AND THEIR MANAGEMENT –

Philip Kotler is of the opinion that personal selling involves oral presentation in a conversation with one or more prospective purchasers, for the purpose of making sales. Like advertising, personal selling is alsoa method of communication. It is a two way form of communication. It involves individual and social behaviour. It is also a face–to–face conver- sation. Personal selling influences the buyers to buy a product.

Objectives of Personal Selling

1. To do the entire job
2. To serve the existing customers
3. To search out and obtain new customers
4. To secure and maintain customers' cooperation in stocking andpromoting the product line
5. To keep the customers well informed of changes in the product line
6. To assist the customers in selling the product line
7. To provide technical advice and assistance to customers
8. To handle the sales personnel of middlemen
9. To provide advice and assistance to middlemen wherever neededand
10. To collect and report market information in interested matters tothe company management by periodical returns and in meetings

OTHER FORMS OF PROMOTION FOR GLOBAL MARKETS

According to the American Marketing Association, sales promo- tion is "those marketing" activities, other than personal selling, adver- tising and publicity, that stimulate consumer purchasing and the dealer effectiveness such as display shows, expositions, demonstrations and vari- ous non – recurrent selling efforts which are not in the ordinary routine".

Purpose of Sales Promotion

The basic purpose of sales promotion is to disseminate informa- tion to the potential customers. The sellers use incentive–type promotions to attract customers and to increase the re–purchase rates of occasional users. Sales promotions yield faster responses in sales than advertising. Sales promotion is considered as a special selling effort to accelerate sales.

IMPORTANCE OF SALES PROMOTION

Now–a–days, the amount spent on sales promotion equals the amount spent on advertising. Sales promotion increases according to the changing market environment. The importance of sales promotion increases due to new ideas for favourable consideration of selling and promoting sales and for future expansions.

OBJECTIVES OF SALES PROMOTION

1. To increase buying response at the Consumers level
2. To increase the sales effort of dealers and sales personnel
3. To attract new customers
4. To inform the public about the new product and its specialties, at-traction, and advantages
5. To capture the major share of the market
6. To enable a favourable attitude towards the product
7. To simplify the job of middlemen
8. To meet the competition of other firms
9. To effect off – season sales to boost the total sales
10. To stock more at the level of traders, through whom aggressivesales can be affected

All the manufacturers use various sales forces to maintain the cur- rent sales and more particularly to increase the volume of sales for their products. All vigorous efforts to sell more products by widening the mar- ket result in aggressive selling. The aggressive sales can be gained by uti- lizing the various sales promotions, described in this lesson. These pro- motions will facilitate the progress of the organization as a whole

UNIT V

OVERSEAS MARKETING CHANNEL POLICY

'Distribution' is one of the four aspects of marketing. A distributor is the middlemen between the manufacturer and retailer. After a product is manufactured by a supplier/factory, it is typically stored in the distribu- tor's warehouse. The product is then sold to retailers or customers. The other three parts of the marketing mix are product management, pricing and promotion.

Meaning of Distribution Channels

There may be a chain of intermediaries; each passing the prod-uct down the chain to the next organization, before it finally reaches the consumer or end-user. This process is known as the 'distribution chain'or, rather more exotically, as the 'channel'. Each of the elements in these chains will have their own specific needs; which the producer must take into account, along with those of the all-important end-user.

A channel is an institution through which goods and services are marketed. Channels give place and time utilities to consumers. In orderto provide these and other services, channels charge a margin. The longer the channel the more margins are added. Channels are an integral part of the marketer's activities and as such are very important. They also give a very vital information flow to the exporter. The degree of control one has over a channel depends on the channels type, which is employed

1. **Indirect Distribution**

Indirect channels are further classified based on whether the international marketer makes use of domestic intermediaries. An international marketer therefore, can make use of the following types of intermediaries for distribution in foreign markets.

a) Domestic Overseas Intermediaries • Commission buying agents • Country-controlled buying agents • Export management companies (EMCs) • Export merchants • Export agents • Piggy backing

b) Foreign Intermediaries • Foreign Sales Representatives • Foreign Sales Agents • Foreign Stocking and Non-Stocking Agents • State Controlled Trading Companies

2. **Direct Distribution**

The options available to international marketer in organising direct distribution include sending missionary skies representatives abroad from the headquarter, setting up of local sales/branch office in the foreign country or for a region, establishing a subsidiary abroad, entering into a joint venture or franchising agreement.

The international distribution policy of a firm according to Cateora, should cover the following factors:

1. Question of control, size of margins, length of channels, terms of sale and channel ownership.
2. Resource (money and personnel) commitment plans for the distribution function management keeping profit goals in a foremost position.
3. Specific market goals expressed in terms of volume, market share and margin requirements, to be accomplished.

4. Return on investment, sales volume and long run potential as well as guidelines for solving routine distribution problems, and
5. The relationship between long-and short-term goals, the extent of the company's involvement in the distribution system as well as the extent of its ownership of middlemen.

MULTINATIONAL RETAILERS AND WHOLESALERS

There are many types of channel members relevant to global marketing:

BROKERS

Brokers do not take title to the goods traded but link suppliersand customers. They are commonly found in international markets and especially agricultural markets. Brokers have many advantages, not least of which is they can be less costly overall for suppliers and customers.

1. They are better informed by buyers and or sellers;
2. They are skilled socially to bargain and forge links between buyers and sellers;
3. They bring the "personal touch" to parties who may not commu-nicate with each other;
4. They bring economies of scale by accumulating small suppliersand selling to many other parties;
5. They stabilize market conditions for a supplier and buyer as other- wise they may come across with many outlets and supply sources

PERSONALIZED TRADING NETWORKS

Frequently, relationships may be built up between a buyer and a seller, in which over time as confidence grows, unwritten and informal understandings develops. These relationships reduce information, bar- gaining, monitoring and enforcement costs. Often, as relationships build, then trust develops which may become proxy for laws. Flexibility ensues which often means priorities or "favours" can be expedited. Trust and rec- iprocity can enable trade to develop in unstable economic circumstances, but both parties are aware the relationship can be undermined through opportunistic behaviour. The Kenyan fresh vegetable industry is a clas- sic example of personalized trading networks enabling international trade between Kenya's suppliers and their familial (often Asian) buyers in the United Kingdom.

ASSOCIATIONS, VOLUNTARY CHAINS, COOPERATIVES

Associations, voluntary chains and cooperatives can be made upof producers, wholesalers, retailers, exporters and processors who agree to act collectively to further their individual or joint interests. Members may have implicit or exclusive contracts, membership terms and stand- ard operating procedures. These forms of coordination have a number of advantages:

1. They counter the "lumpy investment" phenomenon by spread-ing the cost of investment among members;
2. They can reduce or pool members' risks by bulk buying, providing insurance and credits, pooling market prices and risk;

3. They lower transaction costs of members by providing arbitration services for disputes and supplying market information.
4. They can reduce marketing costs through the provision of promotion, protection of qualities and monitoring members’ standards;
5. They can act as a countervailing power between buyers andproducers.

GLOBAL LOGISTICS

Introduction and Definition of Logistics

The term “logistics” broadly defined as the flow of material and in- formation between consumers and suppliers. In our definition of logistics we include the interdependent processes of customer service and order processing, inventory planning and management, supply, transportation and distribution, and warehousing. In customer service and order pro- cessing we include customer service policy design, order entry, order pro- cessing, status communication, invoicing, etc. In inventory planning and management we include forecasting, fill rate policy design, order quantity engineering, replenishment design, and deployment. In supply we include supply chain integration, supplier relationships, procurement, and manu- facturing engineering. In transportation and distribution we include lo- gistics network design, routing and scheduling, shipment planning and tracking, mode selection, and carrier selection. In warehousing we include cross docking, receiving and put away, storage and handling systems, or- der picking, shipping, and layout.

STRATEGIES OF LOGISTICS IN GLOBAL MARKETING

There are following strategies of logistics- that may be followed in global marketing:

Logistics Master Planning (LMP)

Logistic master planning is a systematic approach to logistics re- engineering based our logistics-planning pyramid. The LMP process de- fines performance measures and goals, processes, system requirements, and organization requirements for customer service and order processing, inventory planning and management, supply, transportation and distri- bution, and DC operations. LMP short-term and long-term recommen- dations are evaluated and time-phased with the principles of incremental justification and implementation.

SUPPLY CHAIN ENGINEERING (SCE)

Supply chain engineering program brings together manufacturers, wholesalers, and retailers in a given industry to jointly re-engineer their logistics chain. Our SCE program includes the creation of a supply chain scoreboard, supply chain value analysis, short and long-term recommen- dations for inventory and cycle time reductions, and supply chain infor- mation systems requirements analysis. The SCE program is conducted ina workshop format with facilitated breakout and general working sessions.

GLOBAL LOGISTICS (GL)

Global logistics master planning program extends the traditional scope of logistics to include international commerce, global sourcing, in- ternational transportation and distribution, International Commercial Terms

(INCOTERMS), terms of trade, customs management, global ware- housing, international facilities management, Electronic Data Interchange (EDI) and documentation strategies, and international cash flow.

LOGISTICS ORGANIZATION DESIGN (LOD)

Logistics organization design program assists clients to determine skill, participation, and culture requirements for logistics planning and management teams; to facilitate change and transition management; to identify appropriate performance measures and incentives; and to in-still a culture of coordinated, team-based logistics planning and decision making.

Business Case Development (BCD)

Business case development program assists clients to identify, as- sess and convert business opportunities in the logistics industry. Examples include the creation of a business case and plan for third-party logisticsin Latin America, a market assessment of pick-to-light systems in North America, an evaluation of third-party logistics options for three majorU.S. corporations.

CONTEMPORARY ISSUES IN INTERNATIONAL MARKETING

In most companies, international logistics processes mirror do- mestic supply chain practices in the 1970s: logistics staffs keep their supply chains moving through experience-based problem solving, and insistent phoning and faxing of logistics partners. At nearly two-thirds of com- panies, spreadsheets, department-built access database applications, and emails round out the technology portfolio. Many international logistics groups have reached the breaking point, however, as global sourcing and selling increases, so do transactions, partners, and problems to be man- aged. But budgets don't allow logistics departments to continue throw- ing people at these issues. The current manual-intensive process of global logistics is becoming unsustainable. Companies adopting automation are starting to experience cost and speed advantages over their competitors. These companies are using automation to tackle both physical distribu- tion challenges and cost control challenges.

Physical Distribution Challenges

Companies are seeking to improve international logistics pro-cesses because of longer lead times, greater supply chain uncertainty, and increased business risk. The greatest handicap to logistics performance, according to two-thirds of firms, is the lack of visibility and metrics for managing overseas vendors and logistics service providers.

Cost Challenges

A parallel issue is cost control. "In our domestic supply chain, we can easily attribute freight costs and even understand the impact of truck fuel surcharges at a carton level," says a retail international transporta- tion director. "But on the international side, we were challenged to answer even basic questions such as, "What's the average ocean freight spend per month, by lane?" Because we lacked integrated systems and normalized data." Companies are finding that inadequate transportation spend vis- ibility is leading to unanticipated budget discrepancies, unexpectedly low product margins, and in some cases, higher rather than lower total costs when sourcing from low-cost countries.

FUTURE PROSPECTS IN INTERNATIONAL MARKETING

Top performers are succeeding in using international logisticstransformation to drive quantifiable business benefits for their corporations, including cost and speed advantages. These companies are ableto invest less capital in international logistics yet provide better serviceto their customers. They are arming their logistics staffs with up-to-date technology and integration-friendly logistics partners to support today's global-intensive business winners found that greater process automation, improved technologies, and increased reliance on logistics partners were instrumental in driv-ing their successes. Although winners focused on different areas of in- ternational logistics improvement, they shared common views on how to achieve success.

PARTNER FOR SUCCESS

Unlike domestic logistics, it's impossible to "go it alone" in the international arena. Best practice winners are figuring out new ways to synchronize activities and increase visibility and control of processes with customs brokers, freight forwarders, ocean carriers, logistics service pro- viders, and others. These companies are leveraging the skills (and technol- ogy) of partners to achieve cost and lead time benefits. "Rather than dis- place our brokers, we want to automate our interactions," says a logistics manager. "The manual process of interacting with them results in high document fees and additional errors because they are re-keying data". Two of the best practice winners embraced total logistics outsourcing. "Don't do outsourcing for the sake of outsourcing," says an executive of one of the winners. "Your strategy needs to take into account the complexity of your products and business model or it will fail." For this company, lo- gistics outsourcing was the right strategy and resulted in a 30% decrease in logistics costs. "If you do outsource, never go with the lowest contract cost," continues the executive. "Go with the best value proposition." "If outsourcing is right for you, move immediately to a single end-to-end lo- gistics provider that can provide you with accessibility, reliability, and vis- ibility," urges another logistics executive. "But make sure you're diligent in your evaluation to pick the right partner and consider not just cost butalso quality and communications capabilities."

AUTOMATE WITH INTERNET-BASED TECHNOLOGY

Without exception, best practice winners' logistics strategies revolve around decreasing manual processes and increasing automa- tion. "Automation translates into speed," says one best practice winner. "Manual processes translate into delays and errors." According to another winner, "Having technology that lets you manage by exception is instru- mental to boosting efficiency." Internet-based technology is enabling a new level of transaction automation and partner synchronization pre- viously not practical or possible. On-demand global trade management platforms and data gateways are driving more electronic collaboration for significantly reduced IT costs. Best practice winners report very little in- ternal resistance to using on-demand technology, also known as "software as a service" or "hosted, web-based" systems. International logistics has historically been on the bottom of the corporate IT priority list, so CEOs are generally supportive of trying on-demand models in this area rather than having to re-prioritize their projects and re-allocate staff for traditional software installations.

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