

UNIT 1: INTRODUCTION TO INTERNATIONAL MARKETING

INTRODUCTION:

International marketing, also known as global marketing, is the process of distributing, promoting and advertising a company's products or services across national borders. It may involve marketing products in one or many foreign countries.

This type of marketing can have various **advantages** for companies seeking to diversify their customer base, including:

- **Increase sales:** Many companies use global marketing strategies to reach a higher number of customers in different countries. A larger market can often help to increase sales and profitability.
- **Scale costs:** Entering the global market can help companies reduce production costs by manufacturing their products in larger amounts. Scaling costs can help businesses establish competitive pricing strategies.
- **Expand market share:** It is common for companies to engage in global marketing to build their customer base. By gaining new customers in other countries, they can expand their market share.
- **Increase brand awareness:** Companies can use global marketing techniques to target a wider audience and inform new customers about their products and services. This type of marketing can help businesses increase their brand awareness.

➤ **Features of global marketing**

Global marketing has some distinct features that make it different from other types of marketing. These features include:

- **Scope:** Typically, this type of marketing has a large scope encompassing various activities, which may include market research, product development, packaging and branding.
- **Market access:** Global marketing typically provides access to a broad market in different countries, which each have their own products and traditions.
- **Research:** Most global marketing strategies require long-term planning and extensive research to understand various factors in other countries, such as trading regulations and foreign markets.
- **Foreign exchange:** Global marketing allows for the foreign exchange between companies and customers, which may involve different currencies, exchange rates and payment collection systems.

➤ **Types of global markets:**

There are different types of global marketing companies can use to expand into a foreign country. Companies often refer to their goals when determining the type or marketing they want to pursue. Some common types of global marketing include:

Exporting

This type of global marketing involves marketing products to potential customers in another country. A company exports products when it sends them to a foreign country for purchase. Some companies choose to engage in direct exporting, which means they sell their products directly to target customers. Others use indirect exporting methods, which typically involve using a third-party agency or distributing company to sell the company's goods. Many companies seeking to expand in foreign markets begin by exporting their products because this method involves a low risk and minimal impact on operations.

Licensing

Licensing is a type of global marketing that occurs when one company, known as the licensor, allows another company in a foreign country to use its intellectual property. This type of property is an intangible asset, such as copyrights, patents or trademarks. The company in the foreign market has a licence to use the property in exchange for payment, known as royalties. Typically, licensing is a short-term agreement between two companies. It can be beneficial for companies seeking to expand their brand awareness in a foreign market.

Franchising

In global marketing, franchising refers to an agreement between a parent company and an individual or firm in another country. Under this agreement, the franchise owner can operate an establishment in the parent company's name and use its resources, such as branding. The franchise owner pays a fee to the parent company for these rights. Franchising is a common type of global marketing for service-based companies, such as hotels and restaurants. It can be a beneficial agreement for companies with a strong brand recognition in another country.

Joint venture

A joint venture in global marketing involves a partnership between two companies located in different countries. Both companies contribute assets, such as products or intellectual property, and own part of the venture. They work together to be successful partners. A joint venture can be beneficial for companies wanting to expand into a foreign market because they share business risks with another enterprise.

Foreign direct investment

Foreign direct investment is a type of global marketing that involves one company investing in a foreign company. It refers to different types of investments, such as building new facilities or purchasing stocks. Often, a company uses this type of global marketing to begin manufacturing its products in another country. It is typically a long-term investment in a foreign market. It can be a beneficial type of global marketing for companies that want to have a significant influence or ownership in business decisions.

➤ **Steps to implement global marketing strategies across national borders:**

Perform market research

Before deciding to expand in a foreign country, perform market research to determine the potential return on investment. In global marketing, market research often involves analysing the cultural differences in another country to evaluate the market opportunity. Some factors you may consider as you conduct this research include:

- The foreign country's economy
- Demographics of your target market
- Competitors already operating in the foreign country
- Foreign regulations, such as trade restrictions
- Costs involved in expanding into the new market

Develop a buyer persona

Once you understand the foreign market you want to enter, you can develop a buyer persona to identify the potential customers you want to target in the new country. A buyer persona is a fictional representation of your target audience. You can use this persona to develop effective marketing strategies based on the persona's likes, motivations or habits. Collect data and research potential customers in the foreign market to develop this persona. Some demographic factors you may consider while creating a buyer persona include:

- Age
- Gender
- Profession
- Education
- Income
- Hobbies or interests

Maximise your SEO strategy

When a company expands into another country, it is important to maximise your search engine optimisation (SEO) strategy to connect with potential customers online. Some methods you can use to optimise your SEO strategy include:

- Creating a new website
- Targeting new search engines
- Using the local language

➤ **Importance of International Marketing**

Expand Target Market

The target market of a marketing organization will be limited if it just concentrates on the domestic market. When an organization thinks globally, it looks for overseas opportunities to increase its market share and customer base.

Boost Brand Reputation

International marketing may give boost to a brand's reputation. Brand that sold internationally is perceived to be better than the brand that sold locally. People like to purchase products that are widely available. Hence, international marketing is important to boost brand reputation.

Connect Business with World

Expanding business into an international market gives a business an advantage to connect with new customers and new business partners. Apple the tech giant designs its iPhone in California; outsources its manufacturing jobs to different countries like Mongolia, China, Korea, and Taiwan; and markets them across the world.

Opportunities for Small Businesses

Going global is an important opportunity for small business owners in India. Any entrepreneur can use the Internet to market products and services to buyers in foreign markets. He must build a system to satisfy foreign consumers' needs, such as shipping goods overseas and paying appropriate export fees.

Finding Successful Foreign Partnerships

Another benefit of going global is enjoyed by companies of different sizes, not just small businesses. Many times, your company saves money because expenses such as labour costs charged by business partners overseas are cheaper.

Also, foreign workers carrying out your company's operations are familiar with the needs of local consumers; they live and work in the same foreign culture.

Diversification

The benefit of globalization is that a company can diversify its consumer base and revenue streams. A company that markets only to Indian consumers is especially vulnerable to domestic economic trends.

Profit Advantage

International business may help to improve the bottom line of a firm. Even when international business is less profitable than domestic, it could increase the total profit. There are many companies which make the major share of their profits from foreign markets.

Business Growth Opportunities

An important reason for going international is to take advantage of the opportunities in other countries. MNCs are getting increasingly interested in a number of developing countries as the income and population are rapidly rising.

Of the one billion people estimated to be added to the world population between 1999 and 2014, only about 3% will be in the high-income economies.

Competition

Competition may become a driving force behind internationalization. A protected market does not normally motivate companies to seek business outside the home market. Until the liberalization which started in July 1991, the Indian economy was a highly protected market.

Government Policies and Regulations

Government policies and regulations may also motivate internationalization. There are both positive and negative factors which could cause internationalization. Many governments give a number of incentives and other positive support to domestic companies to export and invest in foreign countries.

Monopoly

In some cases, international business is a corollary of the monopoly power which a firm enjoys internationally. Monopoly power may arise from such factors as monopolization of certain resources, patent rights, technological advantage, product differentiation, etc. Such monopoly power need not necessarily be an absolute one but even a dominant position may facilitate internationalization

➤ **Difference Between Domestic and International Marketing**

Domestic Marketing	International Marketing
The activities of production, promotion, <u>advertising</u> , distribution, selling and customer satisfaction within one's own country.	Marketing activities are undertaken across the globe.
There is less government influence.	Companies have to deal with the rules and regulations of various countries.
More reliance on indigenous technology.	There is an advantage that the business organizations can have access to the latest technology of numerous countries.
Cultural adjustment issues are less challenging	Cross cultural adjustment issues are very challenging.
The risk factor and challenges are comparatively less in the case of domestic marketing.	The risk involved and challenges in the case of international marketing are very high due to some factors like sociocultural differences, exchange rates, setting an international price for the product and so on.
Requires less investment for acquiring resources and involves less research due to the familiarity of the market.	Requires huge capital investment and in depth research of the foreign markets.

➤ **Different challenges faced by international marketing:**

Traffic Barriers

It refers to various tax and duties which are imposed on import and export of goods or services. International marketers sometimes find it difficult to abide by all the rules and regulations imposed by the foreign government. Such taxes may adversely affect their profitability and create a problem for them.

Variations In Exchange Rate

Every country has its own currency and need to be exchanged with each other while doing international trade. There are fluctuations in the currency exchange rate every day. It becomes a

great challenge before international marketer for converting currencies in case if fluctuations in exchanges rate sometimes goes extraordinary.

Cultural Diversity

Cultural diversity means difference in culture and norms among people in several nations. Every country's people have distinct tastes, habits, language, preferences, buying and consumption pattern. Companies may face difficulty in introducing their product in international market.

Distance Problem

Another major problem in international marketing is the large geographical distances between countries. Trading with the nation at far distances is a quite challenging task as it requires large time and effort. In case of supplying perishable and fresh goods, companies may face a big problem.

Political Environment

There is a difference in the political atmosphere of every country. These political differences may pose threats or provide opportunity to companies. Government of foreign countries has distinct priorities and approaches to international trade. Companies may face restrictive trade policies imposed by the government of that country while trading their products.

Competition

Existence of high competition in the international market is another problem faced by companies. It may become difficult for them to sell their products or compete with existing companies in developed countries.

➤ **Reasons for entering international markets**

In one study, the following motivating factors were given for initiating overseas marketing involvement (in order of importance):

- large market size
- stability through diversification
- profit potential
- unsolicited orders
- proximity of market
- excess capacity
- offer by foreign distributor
- increasing growth rate
- smoothing out business cycles

➤ **International Marketing Research:**

International marketing research is the systematic design, collection, recording, analysis, interpretation, and reporting of information pertinent to a particular marketing decision facing a company operating internationally. International marketing managers need to constantly monitor the different forces affecting their international operations.

➤ **Reasons why companies need to research their international markets:**

Despite the additional challenges involved, international market research is simply unavoidable if entering a new market overseas. Here are some of the reasons why.

1. Differences in culture

The culture of your overseas target market may be similar to yours, but it could also be completely different. Failing to adequately research the culture of your target market could result in serious blunders, which could seriously harm your market entry and brand reputation.

Cultural differences don't have to be vast in order to cause major problems. For example, in many African countries containers are labeled with a picture of their contents. When baby nutrition company Gerber entered this market with their jars labeled with photos of babies, the reaction was understandably negative and seriously impacted sales.

2. Differences in laws and regulations

Laws and regulations don't just have an impact on your market research methods. They can affect every part of your market entry process and how you conduct your business in your new market. If you enter a new market without a comprehensive understanding of the law and its relation to your activities, you risk ending up in legal trouble.

3. Differences in customer preferences

Customers in one country may have completely different preferences to those in another. This can be due to the cultural issues mentioned earlier, but it can also result from other factors. When China began allowing its citizens to buy and own homes a few decades ago, US DIY chain Home Depot quickly capitalised on this new opportunity. Six years later, they closed all their Chinese stores, never to return.

4. Understand competition

When you enter a new market, you'll need to compete with the brands that are already there. This is not easy — you're already at a significant disadvantage compared to companies who have been established in that region for a long time and are well-known to the local consumers. It's essential to understand who you are competing against, and — more importantly — how they have been able to succeed. What exactly is it that customers like about your competitors? What keeps them coming back? What has allowed them to gain and maintain a hold in your target market?

5. Mitigate risk

Entering any new market is a risky venture, and that risk increases when you expand abroad. According to research by the Harvard Business Review, companies operating abroad faced far

lower Return on Assets compared to those in domestic markets. Many of these companies do not survive the attempt.

6. Logistical challenges

The logistical challenges involved in entering a foreign market can be enormous. You'll need to do things like select and evaluate suppliers, hire new staff, find appropriate premises, learn about payment procedures and financial infrastructure, find ways to transport your products around your new market, comply with import and export regulations, and much more. When entering a market in the developing world, these challenges become compounded. Regions without well-established transport infrastructure, financial systems, labour laws, government, and so on can create an endless series of logistical challenges.

7. Prepare a solid strategy and budget

A well-established strategy and budget plan is an essential starting point for any market entry process. The only way to do this effectively is through diligent market research. Market research allows you to understand the costs of your new market, including unexpected costs. It also helps you anticipate obstacles and challenges, and flesh out your strategy in a way that boosts your chances of success. Suppose you need to win the support of high-level stakeholders in your organisation. In that case, a well-prepared and financed strategy is an excellent way to convince them that your market entry attempt is well-placed to go ahead.

8. Find available marketing channels

Marketing your product in a foreign market comes with a unique set of challenges and considerations. Channels that work well in your home country may fail abroad — for example, digital marketing in a country with poor internet access. On top of that, your messaging will need to take into account all the cultural and linguistic characteristics of your target market. An advertising campaign that works well at home may very well perform terribly on the other side of the world.

➤ Challenges in international marketing research:

1. International markets are incredibly diverse

Some business fail to appreciate the diversity within a region or indeed a country. Only by rooting out the nuances of different geographical areas, cultures and consumers, can you get an accurate picture of what people value and whether your products and services might succeed.

2. There can be a temptation to go too broad

Linked to this, sometimes when companies set out on international marketing research projects, they make the mistake of going too broad and trying to understand a region as a whole. Another error we see is firms commissioning research to target one market and then using this as a

jumping off point into others with “similar” attributes. This inevitably leads in costly mistakes as brands map their assumptions about one market onto another.

To avoid this, be clear on the emphasis of your research. Where are you looking to focus? Why? Looking too broadly across a region of different markets, or exploring how an entire product range might perform, can cloud the picture.

3. Finding the right research partner

The next big question is whether you have the research capabilities to conduct meaningful projects internationally. Most brands and their research partners can run domestic research projects with ease. But if you’re in the UK, say, even going as far afield as France or Germany requires different sensibilities and capabilities. The more international you get, the harder you need to look for that kind of experience and expertise.

4. Bringing together local and global expertise

This is one of the biggest challenges in international marketing research and there has to be a collaborative effort and a shared understanding of the mission, the methodology and the insights to overcome this. A research team at HQ might working with a local marketing team to understand how to position a product for success in an emerging market. But if the teams are siloed and don’t have a consistent understanding of the brief, their approach to researching the market and their findings might not actually help deliver on the challenge at hand.

5. Ensuring that the project is realistic from the outset

This is where all the other challenges in international marketing research come together: which markets, what purpose, the capabilities available, and the effectiveness of the output – all within a budget that makes sense. There are always going to be limits to what’s practical – and the last thing any client needs is to be spending large sums testing international markets to no effect.

➤ **Marketing Information System**

Marketing Information System is a system concerned with the management of marketing information to facilitate effective decision making. It is a management information system where data related to market is systematically gathered, stored, analyzed, interpreted and communicated to managers on a regular basis as per the requirements.

➤ **Characteristics of Marketing information system**

Computerized System

Marketing Information System is a fully automated process that works on computer based systems for processing the market information. All functions related to gathering, analyzing and sharing of information with managers is done with the help of computer devices. It uses microfilms for storing important information related to market.

Future Oriented

Marketing Information System is a future oriented process as it assists in decision making related to future activities of organization. All the information provided by this system helps managers in planning and strategy formulation related to future market activities.

Continuous System

It is a continuous system which works regularly on management marketing information. Marketing information system functions permanently as long as the organization exist and support the decision making by providing all relevant information

Inter-Related Components

Marketing Information System has four inter-related components that includes Internal reporting system, Marketing research system, Marketing intelligence system and Marketing Decision support system. All these components are inter-linked with one another in such a way that information provided by one component is used by another one for its functioning

Right And Timely Information

It maintains an accurate database of all types of marketing information like level of competition, marketing environment, policies of government etc. This system keeps on updating this database regularly which provide managers with correct and timely information for effective decision making.

Easy Accessibility

Marketing Information system offer easy accessibility of marketing information to managers. All the database is stored and maintained on a computer system which can be viewed easily at any point of time.

Used By All Levels

It is a system that is used at all levels of management ranging from top level to low level managers. Information generated by this system is useful in formulating marketing plans, strategies and policies. It helps business to take advantage of prevailing opportunities and solve all market problems.

Consistent Information

Management information system provide consistent and up-to-date information to managers for taking quick decisions. It regularly collects information from market for updating its database which leads to consistent flow of information.