

International Marketing



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International Aspect of Marketing

- The global business environment
- International market entry
- International operation structures
- International market research
- International marketing mix
- Impact of IT on international marketing
- International business planning



The global business environment

- ☞ What is international business ?
 - doing business in the global market place
 - can be viewed as a management process to understand its international environment and then be able to adapt familiar techniques to unfamiliar circumstance.



The global business environment

Comparative analysis

☞ what makes foreign markets different ?

(P.E.S.T analysis)

Politics

Legal Structure

Culture

Social System

Technology

Economic Factors



The global business environment

☞ Political/legal environment

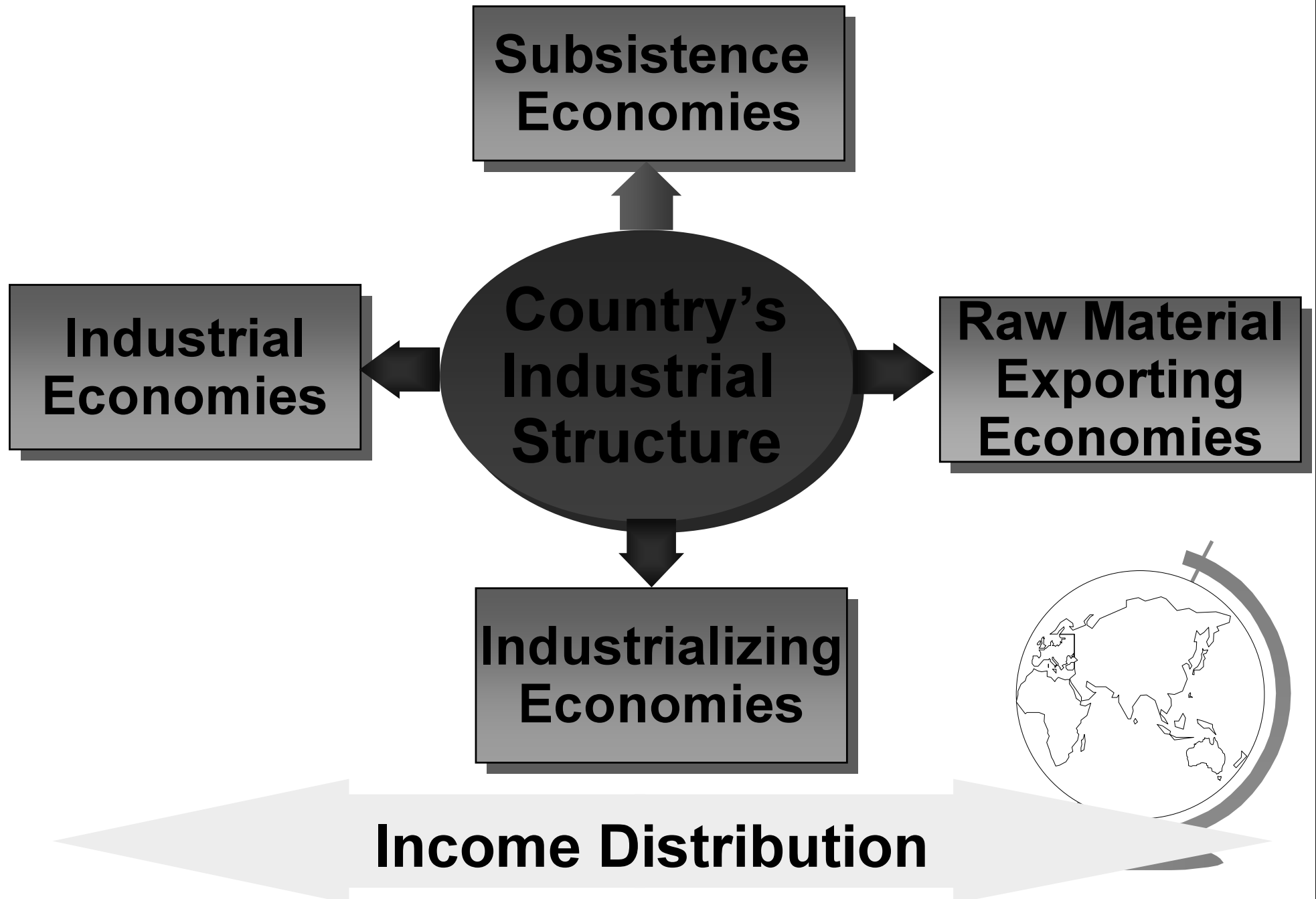
- political climate
- national interests
- home and foreign country laws
- government regulation

☞ The economic environment

- population, density
- GNP, inflation, growth
- age, income
- climate
- natural resources
- urbanisation
- other economic activities



Economic Environmental Factors



The global business environment

☞ The social/cultural environment

- material culture
- language
- aesthetics
- education
- religion
- attitudes and values
- social organization



Cultural Environmental Factors

**How
Customers
Think About
and
Use
Products**

**Business
Norms and
Behavior**

**Cultural
Traditions,
Preferences,
and
Behaviors**



Cultural Lessons

- ☞ Diet Coke is named Light Coke in Japan - dieting was not well regarded
- ☞ Red circle trademark was unpopular in Asia due to its resemblance of Japanese flag
- ☞ Packaging of products is more important in some countries than in U.S.
- ☞ Advertisement featuring man and dog failed in Africa--dogs were not seem as man's best friend



More Cultural Lessons...

- ❏ Cologne ad featuring a man “attacked” by women failed in Africa
- ❏ Food demonstration did well in Chinese stores but not in Korean ones--older women were insulted by being “taught” by younger representatives
- ❏ Pauses in negotiations
- ❏ Level of formality



Proverbs

- ☞ Western: “The early bird gets the worm”
- ☞ Eastern:
 - “The first bird in the flock gets shot”
 - “A nail that stands out will be hammered down.”

Cultural Aspects of Promotion

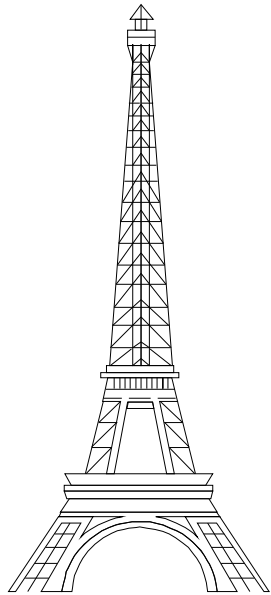
Car called „Nova“ – in Spanish speaking countries

Volkswagen – „occupation“ campaign in March

Electrolux – Nothing sucks like Electrolux



Country of Origin Effects



- Perception of product
 - quality (e.g., Japan, Germany)
 - elegance and style (e.g., France, Italy)
- Historical associations
- Positioning strategies
 - Emphasis on origin (e.g., French wine)
 - De-emphasis/obfuscation of country of origin (e.g., French beer, American products with French language labels)



The global business environment

- ☞ The technological environment
 - IT and communication infrastructure
 - energy systems
 - tools and machinery
 - transportation
 - science and invention
 - urbanisation



The global business environment

Reasons for going global

- shrinking domestic market
- global competitors attacking home market
- foreign markets might offer higher growth and profit opportunities
- reduce dependency on any one single market
- require enlarged customer base/overseas facilities to achieve economies of scale
- domestic customers expanding abroad



International Market Entry

Foreign market selection criteria

- Market potential (size, economic trends, customers profiles, needs and wants, financial and human resources, channel availability)
- Similarity ('Psychological' proximity vs. 'geographical' proximity)
- Accessibility (physical distance, logistics, political distance, legal constraints, import and exchange controls)



International Market Entry

Entry to foreign markets

The critical decision is

the level of involvement !!

no. of markets

degrees of penetration

int'l experience

\$, costs

control, flexibility

exposure



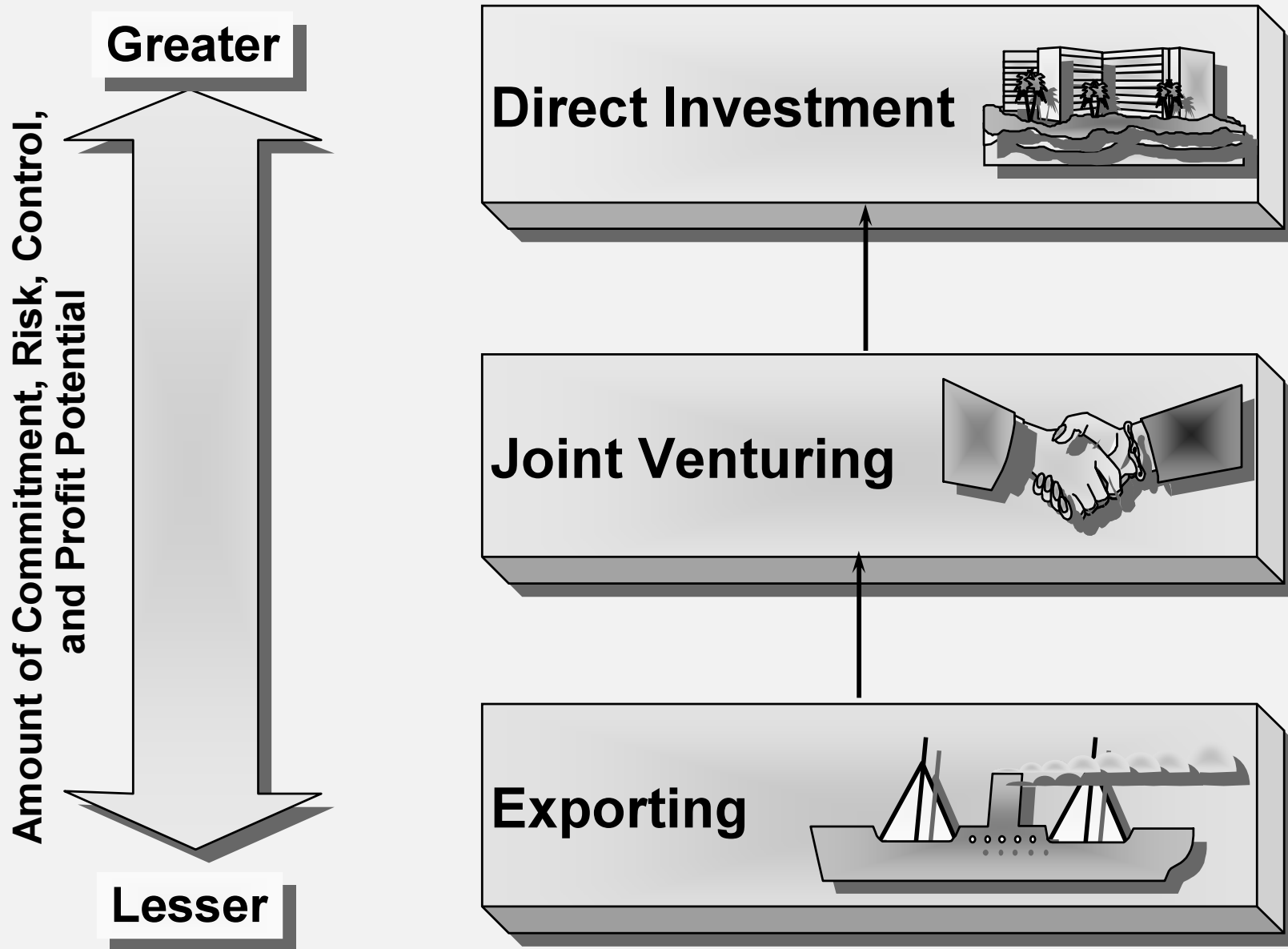
International Market Entry

Methods of market entry

- ☞ Home-based production
 - indirect export (trading company, piggy-back)
 - direct export (agents, distributors, mkg branch)
- ☞ Foreign-based production
 - assembly
 - contract manufacture
 - licensing
 - JV
 - 100% subsidiary



Deciding How to Enter the Market



International Operation Structures

- ☞ International division (Home-based)
 - by area, product or functional ops structures
 - no perfect structure exists
 - aim is to integrate separate national operations
- ☞ Pros : a more focused drive to expand int'l business
- ☞ Cons : potential friction between domestic and int'l divisions



International Operation Structures

Foreign production

- ☞ Contributing factors for setting up foreign production facility:
 - high transportation costs
 - government preference
 - tariffs or quota restrictions
 - lower production costs overseas
 - better response to foreign market need



International Operation Structures

Foreign Assembly

- ☞ parts produced domestically
- ☞ product assembled in foreign markets
- ☞ Rationale :
 - lower transport costs
 - lower tariffs
 - overcome quota restrictions
 - lower labour costs



International Operation Structures

Foreign Contract Manufacture

- ☞ product produced overseas by 3rd party under contract
- ☞ Rational :
 - less risk
 - avoid direct overseas labour and plant operational problems
 - product advertised as ‘local made’



International Operation Structures

Licensing

- ☞ making available company's intangible assets such as patents, trademarks, know-how and brand name to foreign partners
- ☞ in return for royalties and/or other form of payment
- ☞ Rationale :
 - quicker and easier way into the foreign market
 - no capital outlay



International Operation Structures

Joint Venture

- ☞ JV may be classified as majority, minority or 50:50
- ☞ JV may be started from scratch or by acquisition in existing local company
- ☞ Rationale :
 - response to host gov't policies
 - share risk with local partner
 - local knowledge of market and business practices



Market Entry Strategies

☞ **Exporting**

- Low investment
- Low control of promotion

☞ **Licensing**

- Low investment
- Low control of promotion, positioning, and quality
- Able to benefit from existing distribution and market knowledge

☞ **Joint venture**

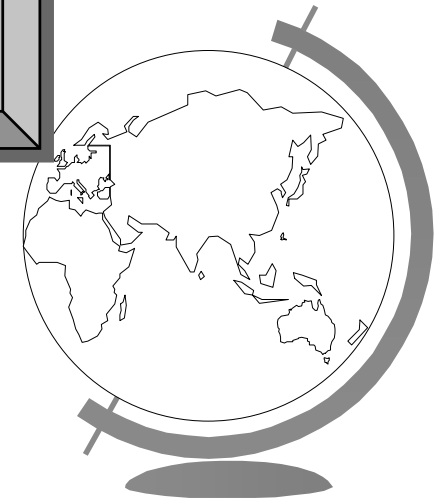
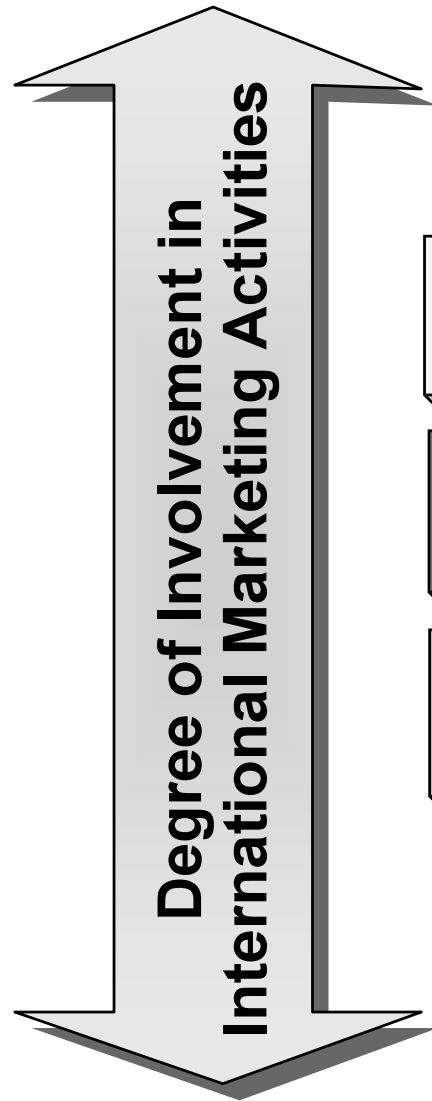
- Considerable investment
- More control
- Able to benefit from partner's experience
- Must work with a partner

☞ **Direct investment**

- Large investment
- Risky
- Greater control
- May lack knowledge of market



Deciding on the Global Marketing Organization



International Marketing Mix

The 4 P's

- ☞ International product policy
- ☞ International distribution decision
- ☞ International pricing consideration
- ☞ International promotion

More P's : payment, people, process ...



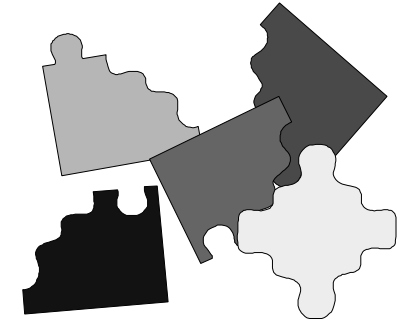
International Product Policy

- ☞ Environmental factors that may cause change in product mix ...
 - **Core components** : local income, climate, labour costs, technical skills, govt stds
 - **Packaging components** : transportation, consumer taste, literacy, language, information needs, distributions system, promotion
 - **Support services components** : technology, education, competitive strategy, distance, locally available services etc.

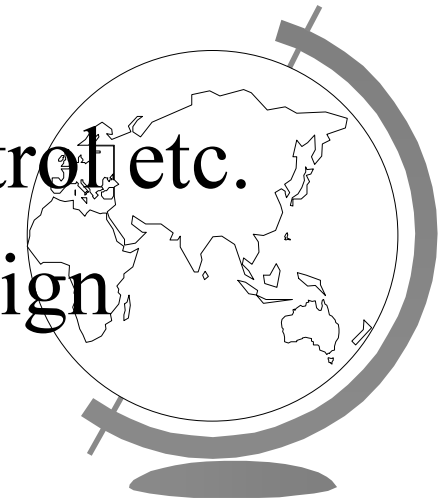


International Distribution Decision

Key Criteria



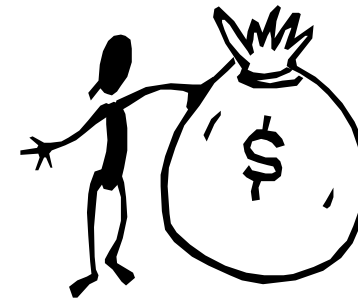
- Profit maximisation
- Channel type, availability of middlemen
- Target market - size, distribution of customers, buying habits, attitude
- Product characteristics - unit value, volume, technical complexity etc.
- Management know how, level of control etc.
- Govt regulations - restrictions on foreign subsidiaries etc.



International Pricing Consideration

➡ Int'l pricing policy is often influenced by mkt position and prevailing mkt conditions, but basically there are three approaches :

- Demand-oriented pricing
- Cost-oriented pricing
- Competition-oriented pricing



➡ With these, tactical methods can then be employed to create flexibility of the price mechanism



International Pricing Consideration

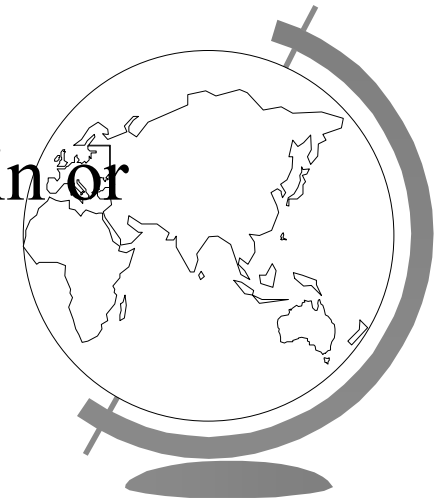
Examples of tactical pricing methods

- ➡ **Differential pricing** - apply different prices to separable mkt segments which have different elasticities of demand
- ➡ **Marginal cost pricing** - to recover the VC of output + contribution to FC and profits
- ➡ **Dumping pricing** - apply to off-load goods or to kill competition



International Pricing Consideration

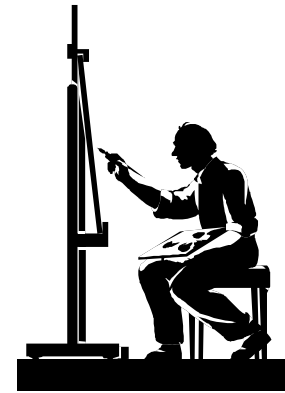
- ☞ Government influences on pricing
 - control of price increases
 - set min. prices
 - control of manufacturer's profit margins
- ☞ Transfer pricing
 - for inter-company transaction
 - may be set based on cost, cost + margin or arm's length transfer



International Promotion

Typical constraints on Int'l promotion

- ☞ language differences
- ☞ the restrictions on advertising
- ☞ media availability and quality
- ☞ agency experience
- ☞ level of competition
- ☞ deep rooted cultural factors
- ☞ distribution channel configurations



International Promotion

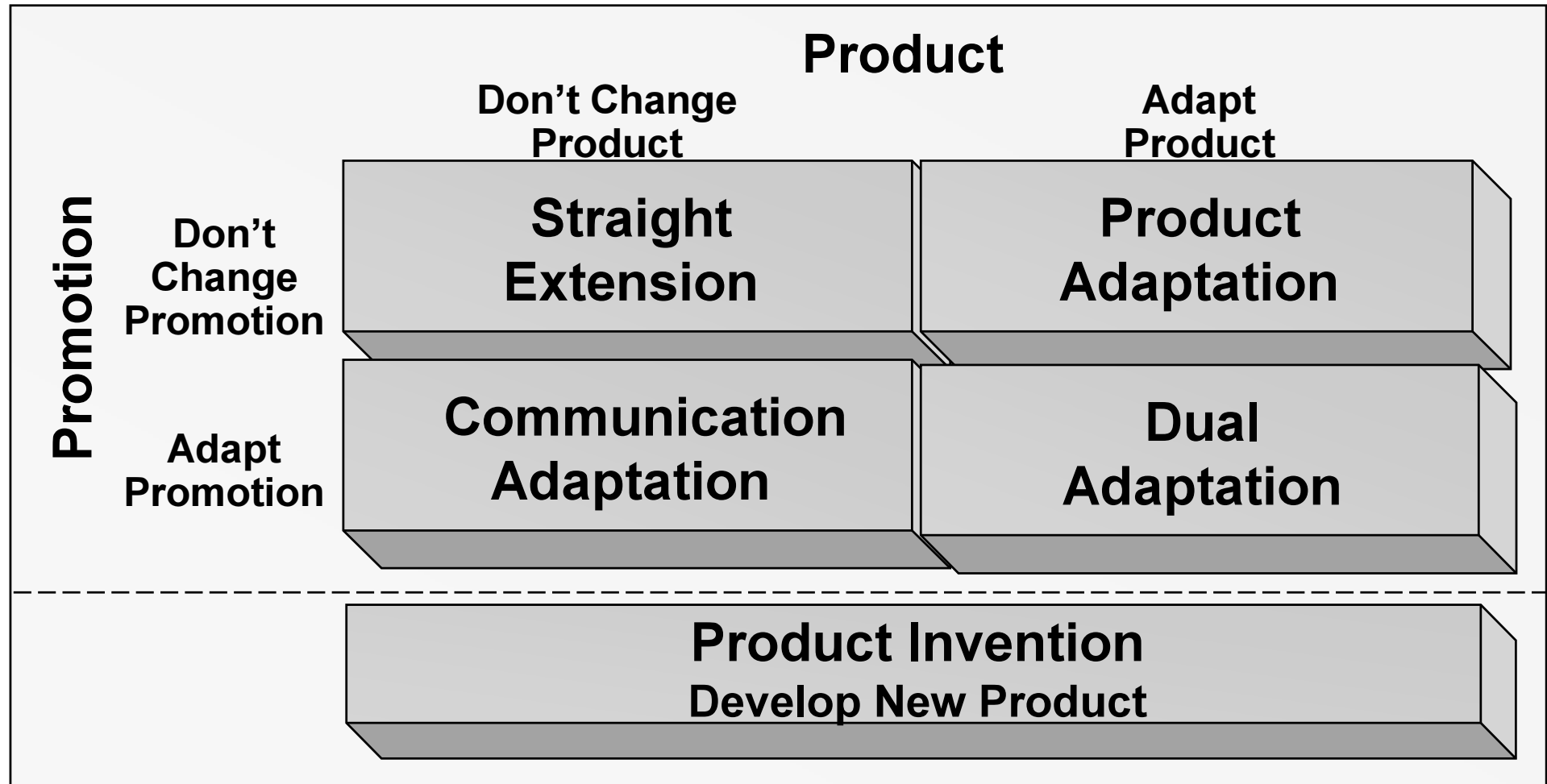
Typical decisions to be taken ...

- agency selection : international vs. local
- the level of standardisation to be employed
- the media mix required
- desirability of and potential for co-operative promotion
- the level of effectiveness measures
- budget setting



Deciding on the Global Marketing Program

Five International Product and Promotion Strategies



Questions ???

