DYNAMICS OF INTERNATIONAL MARKETING STRATEGIES

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Abstract

A fundamental shift is occurring in the world economy. We are moving rapidly away from a world in which national economies were relatively self-contained entities, isolated from each other by barriers to cross-border trade and investment; by distance, time zones, and language; and by national differences in government regulation, culture, and business systems. And we are moving toward a world in which barriers to cross-border trade and investment are tumbling; perceived distance is shrinking due to advances in transportation and telecommunications technology; material culture is starting to look similar the world over; and national economies are merging into an interdependent global economic system.

International marketing environment is rapidly changing. The global forces like technology, transport and communication and changes in the economic environment have reshaped the international transaction. Today, every organization is directly or indirectly facing international competition. The companies are using all possible efforts to win in the race of competition. The international incentives attract companies to find way out to reach international

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or global market. Traditionally there were few strategies for marketing across the boundary. But today the international dimension of marketing has changed. Companies operating within a political boundary also can engage in international marketing either by supplying raw material to multinational companies or selling its product to overseas customers in the home country.

The present paper attempts to throw light on dimensions of international marketing, strategic decisions for successful marketing abroad and it mainly focuses on evolution and international entry strategies. Selecting a right set of market is crucial for any international marketing firms. It also highlights on the technique for identifying international market opportunities.

Key words: International Marketing, Entry strategies, Evolution, decisions, opportunities.

Introduction

Today most business activities are global in scope. Technology, research, capital investment, production, and marketing, distribution and communications networks all have global dimensions. Every business must be prepared to compete in an increasingly interdependent global economic and physical environment, and all business people must be aware of the effects of these trends when managing a domestic company that exports or a multinational conglomerate. As one International expert noted, every American company is International, at least to the extent that its business performance is conditioned in part by events that occur abroad.

International business has been practiced for thousands of years. In modern times, advances in technology have improved transportation and communication methods; as a result, more and more firms have set up shop at various locations around the globe. A natural component of international business is international marketing. International marketing occurs when firms plan and conduct transactions across international borders in order to satisfy the objectives of both consumers and the firm. International marketing is simply a strategy used by firms to improve both market share and profits. While firm managers may try to employ the same basic marketing strategies used in the domestic market when promoting products in international locations, those strategies may not be appropriate or effective. Firm managers must adapt their strategies to fit the unique characteristics of each international market. Unique environmental factors that need to be explored by firm managers before going global include trade systems, economic conditions, political-legal, and cultural conditions.

The challenge of international marketing is to develop strategic plans that are competitive in the intensifying global markets. For a growing number of companies, being international is no longer a luxury but a necessity for economic survival.

For a company to keep growing, it must increase sales. Industrialized nations have, in many product and service categories, saturated their domestic markets and have turned to other countries for new marketing opportunities. Companies in some developing economies have found profitability by exporting products that are too expensive for locals but are considered inexpensive in wealthier countries.

One of the product categories in which global competition has been easy to track is in U.S. automotive sales. Three decades ago, there were only the big three: General Motors, Ford, and Chrysler. Now, Toyota, Honda, and Volkswagen are among the most popular manufacturers. Companies are on a global playing field whether they had planned to be global marketers or not.

Meaning and Definition of International Marketing

The Oxford University Press defines global marketing as “marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives. A definition adopted by the AMA (American Marketing Association) is used as a basis for the definition of international marketing given here: international marketing is the multinational process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. Only the word multinational has been added to the definition adopted by the AMA. That word implies that marketing activities are undertaken in several countries and that such activity should somehow be coordinated across nations. A multinational marketer may find it more desirable to use a certain degree of standardization if the existing market differences are somewhat artificial and can be overcome.

International marketing is not the same thing as international trade. Only a part of the international trade flows represents international marketing. Further, there is a category of international marketing, which is not captured by the international trade statistics.

Walsh, who states international marketing is perhaps best regarded as a shorthand expression for the special international aspects of marketing, defines international marketing as:

The marketing of goods and services across national frontiers, and the marketing operations of an organization that sells and/or produces within a given country when that organization is part of, or associated with, an enterprise which also operates in other countries; and there is some degree of influence on or control of the organization's marketing activities from outside the country in which it sells and/or produces.

"Another view is that international marketing is simply an attitude of mind, the approach of a company with a truly global outlook, seeking its profit impartially around the world, "home" market included, on a planned and systematic basis."

"Another definition of international marketing is that it is the marketing function of multinational companies. International Marketing is marketing in an internationally competitive environment, no matter whether the market is home or foreign. For example, although its market is confined almost entirely to India, the competition, which Nirma encounters, is indeed international. Its major competitors include MNCs like Unilever, P&G, Colgate Palmolive, etc. Besides, there is also competition from imported products. Thus, many firms in their own home market face the technological, financial, organizational, marketing and other managerial prowess of the multinationals.

International Dimensions of Marketing

One way to understand the concept of international marketing is to examine how international marketing differs from such similar concepts as domestic marketing, foreign marketing, comparative marketing, international trade, and multinational marketing. Domestic marketing is concerned with the marketing practices within a marketer's home country. From the perspective of domestic marketing, marketing methods used outside the home market are foreign marketing. To a British firm, the opposite is true- British marketing is domestic, and American marketing is foreign.

A study becomes comparative marketing when its purpose is to contrast two or more marketing systems rather than examine a particular country's marketing system for its own sake. Similarities and differences between systems are identified. Thus, comparative marketing involves two or more countries and an analytical comparison of marketing methods used in these countries.

International marketing must be distinguished from international trade. International trade is concerned with the flow of goods and capital across national borders. The focus of the analysis is on commercial and monetary conditions that affect balance of payment and resource transfers. This economies approach provides a macro view of the market at the national level, with no specific attention given to companies marketing intervention. The study of international marketing, on the other hand, is more concerned with the micro level, of the market and uses the company as a unit of analysis. The focus of the analysis is on how and why a product succeeds or fails abroad and how marketing efforts affect the outcome.

One might question whether the subtle difference between international marketing and multinational marketing is significant. For practical purposes, it is merely a distinction without a difference. As a matter of fact, multinational firms themselves do not make any distinction between the two terms. It is difficult to believe that international business Machines will become more global if it changes its corporate name to multinational business machines. Likewise there is no compelling reason for American express and British petroleum to change their names to, say global express and multinational petroleum.

Evolution of International Marketing

Global marketing is not a revolutionary shift, it is an evolutionary process. It does apply to most companies that begin as domestic-only companies. The five stages outlined below explain the Internationalization process:

1. Domestic Marketing

Company marketing only within its national boundaries only has to consider domestic competition. Even if that competition includes companies from foreign markets, it still only has to focus on the competition that exists in its home market. Products and services are developed for customers in the home market without thought of how the product or service could be used in other markets. All marketing decisions are made at headquarters.

The biggest obstacle these marketers face is being blindsided by emerging global marketers. Because domestic marketers do not generally focus on the changes in the global marketplace, they may not be aware of a potential competitor who is a market leader on three continents until they simultaneously open 20 stores in the Northeastern U.S. These marketers can be considered ethnocentric, as they are most concerned with how they are perceived in their home country.

2. Export Marketing

Generally, companies began exporting, reluctantly, to the occasional foreign customer who sought them out. At the beginning of this stage, filling these orders was considered a burden, not an opportunity. If there was enough interest, some companies became passive or secondary exporters by hiring an export management company to deal with all the customs paperwork and language barriers. Others became direct exporters, creating exporting departments at headquarters. Product development at this stage is still focused on the needs of domestic customers. Thus, these marketers are also considered ethnocentric.

3. International Marketing

If the exporting departments are becoming successful but the costs of doing business from headquarters plus time differences, language barriers, and cultural ignorance are hindering the company's competitiveness in the foreign market, then offices could be built in the foreign countries. Sometimes companies buy firms in the foreign countries to take advantage of relationships, storefronts, factories, and personnel already in place. These offices still report to headquarters in the home market but most of the marketing mix decisions are made in the individual countries since that staff is the most knowledgeable about the target markets. Local product development is based on the needs of local customers. These marketers are considered polycentric because they acknowledge that each market/country has different needs.

4. Multinational Marketing

At the multi-national stage, the company is marketing its products and services in many countries around the world and wants to benefit from economies of scale. Consolidation of research, development, production, and marketing on a regional level is the next step. An example of a region is Western Europe with the US. But, at the multi-national stage, consolidation, and thus product planning, does not take place across regions; here the company orientation towards the overseas markets is region centric approach.

5. Global Marketing

When a company becomes a global marketer, it views the world as one market and creates products that will only require tweaks to fit into any regional marketplace. Consulting with marketers in all the countries that will be affected makes marketing decisions. The goal is to sell the same thing the same way everywhere. These marketers are considered geocentric.

Reasons for/motives of international marketing

There are several answers to the question 'why firms go international?' The factors, which motivate or provoke firms to go international, may be broadly divided into two groups, viz., the pull factors and the push factors.

The pull factors, most of which are proactive reasons, are those forces of attraction, which pull the business to the foreign markets. In other words, companies are motivated to internationalize because of the attractiveness of the foreign market. Such attractiveness includes, broadly, the relative profitability and growth prospects.

The push factors refer to the compulsions of the domestic market, like saturation of the market, which prompt companies to internationalize. Most of the push factors are reactive reasons.

Important reasons for going international are described below:

1. Profit Motive

One of the most important objectives of internationalization of business is the profit advantage. International business could be more profitable than the domestic. Even when international business is less profitable than the domestic, it could increase the total profit.

One of the important motivations for foreign investment is to reduce the cost of production (by taking advantage of the cheap labour, for example). While in some cases, the whole manufacturing of a product may be carried out in foreign locations.

2. Growth Opportunities

The enormous growth potential of many foreign markets is a very strong attraction for foreign companies. In a number of developing countries, both the population and income are growing fast. It may be noted that several developing countries, the newly industrializing countries (NICs) and the Peoples' Republic of China in particular, have been growing much faster than the developed countries. Growth rate of India has also been good and the liberalization seems to have accelerated the growth.

Even if the market for several goods in these countries is not very substantial at present, many companies are eager to establish a foothold there, considering their future potential. Similarly, when the East European economies have been opened up, there has been a rush of MNCs to establish a base in these markets.

3. Domestic Market Constraints

Domestic demand constraints drive many companies to expanding the market beyond the national border. The market for a number of products tends to saturate or decline in the advanced countries. This often happens when the market potential has been almost fully tapped. In the United States, for example, the stock of several consumer durables like cars, TV sets etc. exceed the total number of households. Estimates are that in the first quarter of the 21st century, while the population in some of the advanced economies would saturate or would grow very negligibly, in some others there would be a decline. Such demographic trends have very adverse effects on certain lines of business. For example, the fall in the birth rate implies contraction of market for several baby products.

4. 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 liberalizations, which started in July 1991, the Indian economy was a highly protected market; the domestic producers were protected from foreign competition. Policy induced entry barriers, operated by such measures as industrial licensing and the MRTP regulations, restricted domestic competition. Being in a seller's market, the Indian companies, in general, did not take the foreign market seriously. The economic liberalization ushered in India since 1991, which has increased competition from foreign firms as well as from those within the country has, however, significantly changed the scene. Many Indian companies are now systematically planning to go international in a big way.

Many companies also take an offensive international competitive strategy by way of counter-competition. The strategy of counter-competition is to penetrate the home market of the potential foreign competitor so as to diminish its competitive strength and to protect the domestic market share from foreign penetration.

5. 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 to invest in foreign countries. Similarly, several countries give a lot of importance to import development and foreign investment.

Sometimes, as was the case in India, companies may be obliged to earn foreign exchange to finance their imports and to meet certain other foreign exchange requirements like payment of royalty, dividend, etc. Further, in India, permission to enter certain industries by the large companies and foreign companies was subject to specific export obligation. Some companies also move to foreign countries because of certain regulations, like the environmental laws in advanced countries.

With the recent changes in the government of India's economic policy, the situation, however, has changed. Many Indian companies are entering international market or are expanding their international operations because of positive reasons.

6. Monopoly Power

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.

7. Spin-off Benefits

International business has certain spin-off benefits too. International business may help the company to improve its domestic business and the image of the company. International marketing may have pay-offs for the internal market too by giving the domestic market better products. Further, the foreign exchange earnings may enable a company to import capital goods, technology etc. which may not otherwise be possible in countries like India.

8. Strategic Vision

The systematic and growing internationalization of many companies is essentially a part of their business policy or strategic management. The stimulus for internationalization comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalization. Many companies in India, like several pharmaceutical firms, have realized that a major part of their future growth will be in the foreign markets.

International Orientations

The degree and nature of involvement in international business or the international orientations of companies vary very widely.

The analysis provided by Wind, Douglas and Perlmutter within the framework of the modified EPRG scheme is helpful in understanding the levels of involvement of firms in international business.

The EPRG framework identifies four types of attitudes or orientations toward Internationalization that are associated with successive stages in the evolution of international operations. These four orientations are:

1. Ethnocentrism (home country orientation)
2. Polycentrism (host country orientation)
3. Regiocentrism (regional orientation)
4. Geocentrism (world orientation).

These stages are assumed to reflect the goals and philosophies of the company in so far as international operations are concerned and lead to different management strategies and planning procedure for international operations.

International Marketing Decisions

A firm that plans to go international has to make a series of strategic decisions, they are:

i) International Business Decision:

The first decision a company has to make, of course, is whether to take up international business or not. This decision is based on a serious consideration of a number of important factors, such as the present and future overseas opportunities, present and future domestic market opportunities, the resources of the company (particularly skill, experience, production and marketing capabilities and finance), company objectives, etc.

(ii) Market Selection Decision:

Once it has been decided to go international the next important step is the selection of the most appropriate market. For this purpose, a thorough analysis of the potentials of the various overseas markets and their respective marketing environments is essential. Company resources and objectives may not permit a company to do business in all the overseas markets. Further, some markets are not potentially good, and it may be suicidal to waste company resources in such markets. A proper selection of the overseas market(s), therefore, is very important.

(iii) Entry and Operating Decisions:

Once the market selection decision has been made, the next important task is to determine the appropriate mode of entering the foreign market. The important modes of entering the foreign market are discussed in subsequent pages

(iv) Marketing Mix Decision:

The foreign market is characterized by a number of uncontrollable variables. The marketing mix consists of internal factors, which are controllable. The success of international marketing, therefore, depends to a large extent on the appropriateness of the marketing mix. The elements of the marketing mix - product, promotion, price and physical distribution should be suitably designed so that they may be adapted to the characteristics of the overseas market.

(v) International Organization Decision:

A company, which wants to do direct exporting, has also to decide about its organisational structure so that the exporting function may be properly performed. This decision should necessarily be based on a careful consideration of such factors as the expected volume of export business, the nature of the overseas market, the nature of the product, the size and resources of the company, and the length of its export experience. The nature of the organisation structure of the company will depend on a number of factors like its international orientation, future plans, nature and size of the business, etc.

Entry Strategies

Strategies for entering foreign markets are conveniently classified into five basic categories: exporting, licensing, joint venture, wholly owned subsidiaries and management contract.

The below table presents these approaches in a systematic form for comparison. These alternatives differ from one another in intensity of commitment, amount of investment, extent of control and degree of profitability. Making a choice is often dictated by circumstances such as insufficient funds, inadequate knowledge of a foreign environment and host country restrictions on ownership.

The following are the overview of the benefits and drawbacks of each category:

Strategy	**Definition**	**Intensity of Commitment**	**Amount of investment**	**Extent of control**	**Degree of profitability**
Exporting	Marketing in one country goods produced in another	Typically very limited	Possible investment in inventory	Rather limited except in the case of exclusive distribution	Moderate, due to transportation cost, import duties, middlemen costs
Licensing	Licensor grants licensee right to use patent, know-how, etc	Own marketing effort precluded until expiration of license	Virtually none	Very restricted, spelled out in license agreement	Fixed royalties dependent on licensee effort
Joint venture	Sharing ownership and control of foreign operation with at least one partner	Generally provide know how and equity capital portion	Dependent on equity share	Dependent on ownership ratio and power play	Varies according to circumstances
Wholly	Firm abroad	Strong	Substantial	Complete	Can be highly

owned subsidiary	100% owned by company	commitment to all kinds of resources	investment in plant and systems	control over all phases of operation	profitable
Management contract	Managing a foreign facility under contract	Only human resources	Facility not owned by managing firm	Restricted by contract, typically quite	Moderate, due to its fee character

Identifying International Marketing Opportunities

Marketing opportunity analysis is a systematically managed task, which involves committed and well-informed executives. A team can be created rapidly and provided with clear-cut mandates to create marketing opportunities and tackle competitive threats. More specifically, the team should actively look for opportunities to create action. The following opportunities are presented as examples.

Opportunity 1:

Search for opportunities in un-served, poorly served, or emerging market segments.

Actions:

a) Penetrate and expand niches
b) Improve products and services
c) Stretch product lines
d) Position products to the needs of customers and against competitors.

Opportunity 2:

Identify ways to create new opportunities.

Actions:

a) Seek new product or market niches
b) Participate in new technology, innovations and manufacturing
c) Pioneer something new or unique.

Opportunity 3:

Look for opportunities through marketing creating

Actions:

a) Promote the company or product image through quality, performance and training.
b) Promote creativity in sales promotion, advertising, personal selling and the Internet.

Opportunity 4:

Monitor changing behavioral patterns and preferences

Actions:

a) Practice segmenting markets according to cultural and behavioral patterns
b) Identify clusters of customers who might buy or utilize different services for different reasons.

Opportunity 5:

Learn from competitors and adapt strategies from other industries

Action:

a) Understand competitors
   - How they conduct business?
   - What products they sell?
   - What strategies they pursue?
   - How they manufacture, distribute, promote and price?
   - What are their weaknesses, limitations and possible vulnerabilities?

There doesn't appear to be limitations to developing opportunities. What's needed is a keen ability to diagnose a customer's problem and grasp business and competitive problems.

Conclusion:

Many companies, which have international business since their very beginning, including 100 per cent export oriented companies. Even in the case of many of the hundred percent exports oriented companies, the development of their international business would pass through different stages of evolution. A firm that plans to go international has to make a series of strategic decisions on market, customer and marketing mix elements. There are a number of forces, which induce and propel globalization and thereby expand the cope and importance of international marketing. There are enormous international marketing opportunities for Indian firms to developing products that suit the specific overseas markets.

The factors, which motivate or provoke firms to go international, may be broadly divided into two groups, viz., the pull factors and the push factors. The push factors refer to the compulsions of the domestic market, like saturation of the market, which prompt companies to internationalize. Most of the push factors are reactive reasons.

The EPRG framework identifies four types of attitudes or orientations toward internationalization that are associated with successive stages in the evolution of international operations. These four orientations are: Ethnocentrism (home country orientation); Polycentrism (host country orientation), Regiocentrism (regional orientation); and. Geocentrism (world orientation).International marketing opportunity analysis is crucial important for marketer. However, marketer should analyze and select the markets on the basis of both internal and external strength of the marketer to make use of the international market potential.

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