**Chapter One**

**An Overview of International Marketing**

* 1. **What does international marketing mean?**

Why do nations trade? A nation trades because it expects to gain something from its trading partner. A study of international marketing should begin with an understanding of what marketing is and how it operates in an international context. One way to understand the concept of international marketing is to examine how international marketing differs from its counterpart of domestic marketing. Cateora, described international marketing as the performance of business activities that directs the flow of products in more than one nation. Alternatively, according to AMA (American Marketing Association), international marketing is the process of planning, producing, pricing, promoting and distributing want-satisfying marketing offers to customers across national boundaries. It is a marketing process multi-nationally.

Why is international marketing? The following reasons cause international marketing to take place.

* Countries vary in their natural resource possession
* Customers’ choice of varied product categories
* World economic growth and emerging regions
* Reduction in trade barriers
* Price alternatives
* Technological advancement
* Socio-cultural integration

**Differences between domestic and international marketing**

The following differentiates international marketing from domestic marketing

* Exchange takes place in different currencies
* Mostly products cross long geographical distance in international marketing
* More capital is needed in international marketing than in domestic
* Differences in socio-cultural setup
* Differences in degree of privatization
* Differences in rules and regulation in business practice
  1. **Benefits of international marketing**
* It offers varied product choices for buyers
* It encourages domestic firms to do their best to win competition
* It earns the government an attractive revenue
* It bears employment opportunity
* It strengthens socio-cultural relationships among sovereign nations
* It offers price alternatives for sellers and for buyers
* Sales and profit dependence
* Technology transfer
* Market base expansion
* Inflation and price moderation: the lack of imported product alterative forces consumers to pay more, resulting in inflation and excessive profits for local firms.
* It enables to diversify risks- demand for most products is affected by various incidences. One way to diversify risk is to consider foreign markets as a solution for variable demand and consumer taste change.
  1. **Involvement in International Marketing**

The stages of international marketing involvement are presented here; the reader should not infer that a firm progresses from one stage to another, quite to the contrary, a firm may begin its international involvement at any one stage or be in more than one stage simultaneously. For example, many high-tech companies, large and small see the entire world, including their home market, as a single market and strive to reach all possible customers as rapidly as possible.

According to the level of involvement, 5 levels are presented in this section. The marketers are different in their degree of commitment.

1. **No Direct Foreign Marketing**

A company in this stage does not actively cultivate customers outside national boundaries; however, this company’s products may reach foreign customers who come directly to the firm.

Products may reach foreign markets via domestic wholesalers or distributors who sell abroad without explicit encouragement or even knowledge of the producer.

As companies develop websites on the internet, many receive orders from international web surfers. Often an unsolicited order from a foreign buyer is what piques the interest of a company to seek additional international sales.

1. **Infrequent Foreign Marketing**

Temporary surpluses caused by variations in production levels or demand may result in frequenting overseas.

The surpluses are characterized by their temporary nature; therefore, sales to foreign markets are made as goods are available, with little or no intention of maintaining continuous market representation.

As domestic demand increases and absorbs surpluses, foreign sales activity is withdrawn. In this stage, there is little or no change in company organization or product lines. However, few companies today fit this model because customers around the world increasingly seek long-term commercial relationships.

1. **Regular Foreign Marketing**

At this level, the firm has permanent productive capacity devoted to the production of goods to be marketed in foreign markets. A firm may employ foreign or domestic overseas middlemen or it may have its own sales force or sales subsidiaries in important foreign markets. The primary focus of operations and production is to service domestic market needs. However, as overseas demand grows, production is allocated for foreign markets, and products may be adapted to meet the needs of individual foreign markets. Profit expectations from foreign markets move from being seen as a bonus to regular profits i.e the company depends on foreign sales and profits to meet its goals.

1. **International Marketing**

Companies in this stage are fully committed & involved in international marketing activities.

Such engagement entails not only the marketing but also the production of goods outside the home market. At this point, a company becomes an international or multinational marketing firm.

1. **Global Marketing**

The most profound change is at this stage, companies treat the world, including their home market, as one market.

Market segmentation decisions are no longer focused on national borders. Instead, market segments are defined by income levels, usage patterns, or other factors that often span countries and regions.

Often this transition from international marketing to global marketing is catalyzed, by a company’s crossing the threshold of more than half its sales revenues coming from.

* 1. **International Marketing Orientations**

Companies’ response to overseas market opportunities depends greatly on managements’ assumptions about the nature of the world. The international orientations of companies vary widely. The EPRG framework identifies four types of attitudes or orientations towards internationalization.

1. **Ethnocentric orientation**

In ethnocentric orientation, overseas operations are viewed as secondary to domestic operations and primarily as a means of disposing of surplus domestic production. The top management views domestic techniques and personnel as superior to foreign and as the most effective in overseas markets. Plans for overseas markets are developed in the home office, utilizing policies and procedures identical to those employed in the domestic market. An export department or international division most commonly administers overseas marketing and the marketing personnel are composed primarily of home country nationals. At some companies, the ethnocentric orientation means that opportunities outside the home country are ignored.

1. **Polycentric orientation**

It is managements’ assumption that each country in which the company does business is unique. This assumption lays a ground for each subsidiary to develop its own unique marketing strategies in order to succeed. As the company begins to recognize the importance of inherent differences in overseas markets, a polycentric attitude emerges. The prevalent philosophy of this orientation is that local personnel and techniques are best suited to deal with local market conditions. Subsidiaries are established in overseas markets and each subsidiary operates independently of the others and establishes its own marketing objectives and plans.

1. **Regio-centric orientation**

A regio-centric company views different regions as different markets. A particular region with certain important characteristics is regarded as a single market, ignoring national boundaries. Strategy integration and product policy tend to be implemented at regional level. Objectives are set by negotiation between headquarters and regional subsidiary managers. In a company with region-centric orientation, management views regions as unique and seeks to develop an integrated regional strategy.

1. **Geocentric orientation**

A geocentric company views the entire world as a single market and develops a standardized marketing mix, projecting a uniform image of the company and its products.

In general, the desirability of a particular international orientation tends to depend on several factors, such as the experience gained in a given market, the size of the potential market and the type of product and its cultural dependency.

* 1. **International Marketing management process**

An international marketer must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps: Situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decisions are made, the plan is implemented and the results are monitored.

**1. Situation Analysis**

A thorough analysis of the situation in which the firm finds itself serves as the basis for identifying opportunities to satisfy unfulfilled customer needs. In addition to identifying the customer needs, the firm must understand its own capabilities and the environment in which it is operating.

The situation analysis thus can be viewed in terms an analysis of the external environment and an internal analysis of the firm itself. The external environment can be described in terms of macro-environmental factors that broadly affect many firms, and micro-environmental factors closely related to the specific situation of the firm.

The situation analysis should include past, present, and future aspects. It should include a history outlining how the situation evolved to its present state, and an analysis of trends in order to forecast where it is going.

If the situation analysis reveals gaps between what consumers want and what currently is offered to them, then there may be opportunities to introduce products to better satisfy those consumers. Hence, the situation analysis should yield a summary of problems and opportunities. From this summary, the firm can match its own capabilities with the opportunities in order to satisfy customer needs better than the competition.

There are several frameworks that can be used to add structure to the situation analysis:

***5C Analysis* -** company, customers, competitors, collaborators, climate. Company represents the internal situation; the other four cover aspects of the external situation.

***PEST analysis* -** for macro-environmental political, economic, societal, and technological factors. A PEST analysis can be used as the "climate" portion of the 5C framework.

***SWOT analysis*** - strengths, weaknesses, opportunities, and threats - for the internal and external situation. A SWOT analysis can be used to condense the situation analysis into a listing of the most relevant problems and opportunities and to assess how well the firm is equipped to deal with them.

In each framework, the analysis can be done through information seeking and analysis or through market research (secondary or primary data collection and analysis).

**2. Marketing Strategy**

Once the best opportunity to satisfy unfulfilled customer needs is identified, a strategic plan for pursuing the opportunity can be developed. Market research will provide specific market information that will permit the firm to select the target market segment and optimally position the offering within that segment. The result is a value proposition to the target market. The marketing strategy then involves:

* Segmentation
* Targeting (target market selection)
* Positioning the product within the target market
* Value proposition to the target market
* Demand measurement & forecasting,

**3. Marketing Mix Decisions**

Detailed tactical decisions then are made for the controllable parameters of the marketing mix. The action items include:

* Product development - specifying, designing, & producing the first units of the product.
* Pricing decisions
* Distribution contracts
* Promotional campaign development

**4. Implementation and Control**

At this point in the process, the marketing plan has been developed and the product has been launched.

Given that few environments are static, the results of the marketing effort should be monitored closely.

As the market changes, the marketing mix can be adjusted to accommodate the changes. Often, small changes in consumer wants can be addressed by changing the advertising message. As the changes become more significant, a product redesign or an entirely new product may be needed. The marketing process does not end with implementation - continual monitoring and adaptation is needed to fulfill customer needs consistently over the long-term.

* 1. **Marketing information system in international marketing**

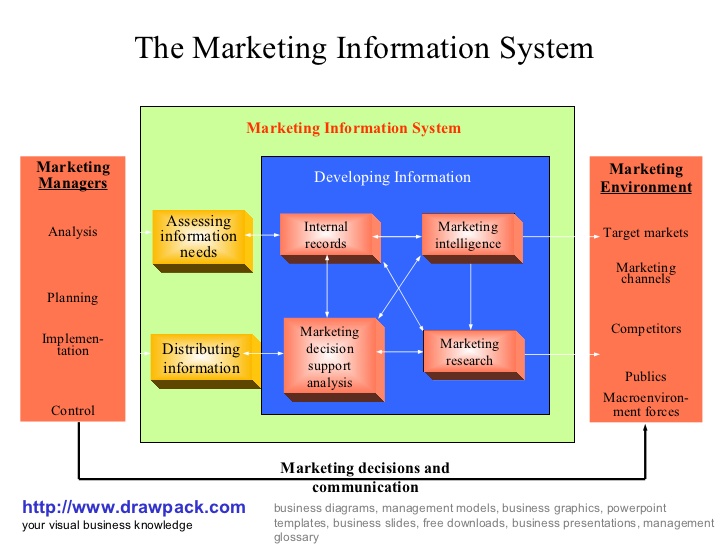
Marketing information system is procedural, people involved and equipment employed in order to assemble market information and supply it to marketing decision makers.

A Marketing information system supplies:

1. Recurrent information: this is the information that MIS supplies periodically at a weekly, monthly, quarterly, or annual interval. This includes sales, market share, sales call reports,

inventory levels, payables, and receivables etc.which are made available regularly.

1. Monitoring information: it is obtained from regular scanning of certain sources such as trade journals and other publications. Here relevant information from external environment is captured to monitor changes and trends related to marketing situations which impacts marketing decisions internationally. Information about competitors can also be part of this category. Commercial research firms and government sources may offer these information.
2. Problem related or customized information: this is developed in response to some specific requirements. For example, if a company has developed a new product, the marketing manager may want to find out the opinions of the target customers before launching the product in the market. Such information is generated by conducting a market research with adequate sample size and the findings obtained are used to help decide whether the product is accepted and can be launched.

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