

International Marketing

Prof.dr. Smaranda COSMA
Facultatea de Business

What is international marketing?

Content

Concepts and Importance of International Marketing

Levels of International Marketing

Drivers of International Marketing

Obstacles to Internationalization

Main factors of international marketing environment

Chapter Objectives

- Define international marketing and identify the different levels of international involvement.
 - Describe the different company orientations and philosophies toward international marketing.
 - Identify environmental and firm-specific drivers that direct firms toward international markets.
 - Identify obstacles preventing firms from engaging in successful international ventures.
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Chapter Objectives

- Discuss the world economic environment and examine different development perspectives.
 - Discuss the importance of emerging markets
 - Examine political risk and risk management
 - Discuss the impact of different legal systems and jurisdiction issues
 - Address intellectual property laws and the challenges involved in operating in legally ambiguous environments
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Selective bibliography

1. Cateora, P.R., Gilly, M.C., Graham, J.L., (2011), International Marketing, 15th edition, McGraw-Hill Publishing Company.
2. Doole, I. and Lowe, R. (2012), International Marketing Strategy, Analysis, Development and Implementation, 6th edition, Thomson Learning.
3. Lascu, D.-N., International Marketing, Textbook Media Press, 2016
4. Keegan, W.J., Green, M.,(2012), Global Marketing, 7th edition, Prentice Hall.

What is international marketing?

Concepts

"At its simplest level, international marketing involves the firm in making one or more marketing mix decisions across national boundaries. At its most complex level, it involves the firm in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe."

Doole and Lowe

What is international marketing?

Concepts

Note:

Doole and Lowe differentiate between international marketing (simple mix changes) and global marketing (more complex and extensive).

What is international marketing?

Concepts

"International Marketing is the performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."

Cateora, Gilly and Graham

What is international marketing?

Concepts

Note:

Cateora, Gilly and Graham consider international marketing in the absence of global marketing.

What is international marketing?

Concepts

"The international market goes beyond the export marketer and becomes more involved in the marketing environment in the countries in which it is doing business."

Keegan and Green

What is international marketing?

Concepts

Note:

Keegan and Green's definition is typical of those that see international marketing a one stage of an internationalisation process.

What is international marketing?

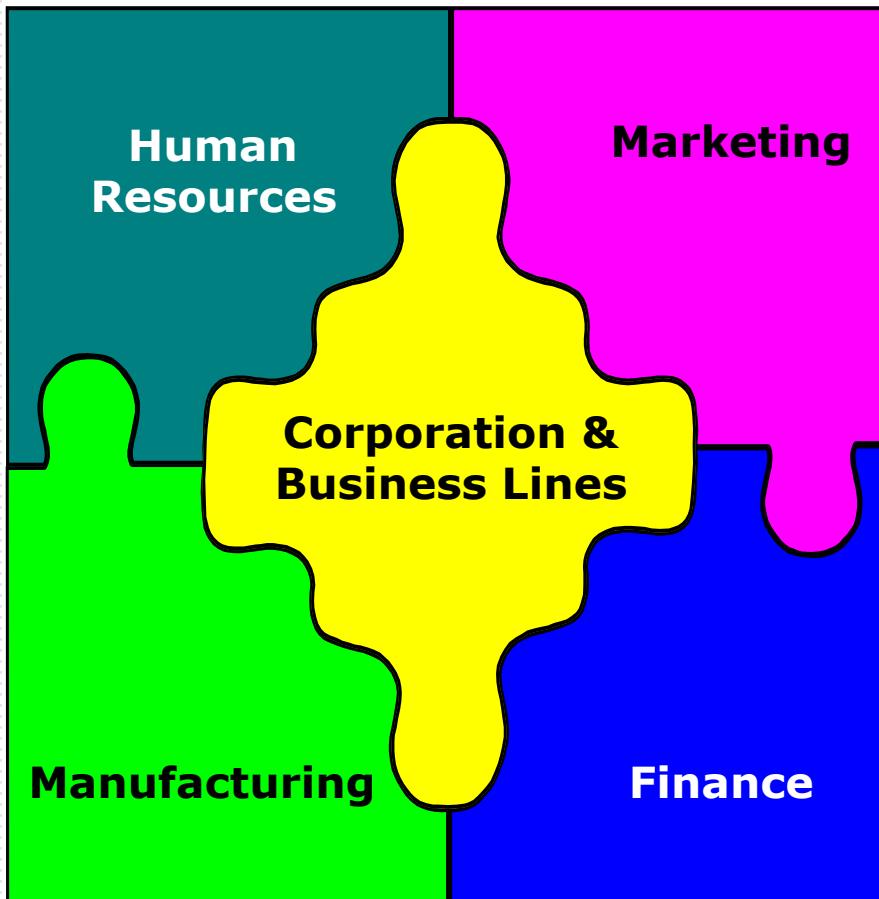
Importance of International Marketing

- Keep pace with competition
- Reach a larger market
- Reap higher profits
- Prolong the lifecycle of their products



What is international marketing?

Importance of International Marketing



internationalization philosophy affects all functional areas of the corporation

What is international marketing?

Differences between International and Domestic Marketing

- 1. Culture:*** often diverse and multicultural markets
 - 2. Markets:*** widespread and sometimes fragmented
 - 3. Data:*** difficult to obtain and often expensive
 - 4. Politics:*** regimes vary in stability – political risk becomes an important variable
 - 5. Governments:*** can be a strong influence in regulating importers and foreign business ventures
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What is international marketing?

Differences between International and Domestic Marketing

- 6. Economies:*** varying levels of development and varying and sometimes unstable currencies
 - 7. Finance:*** many differing finance systems and regulatory bodies
 - 8. Stakeholders:*** commercial, home country and host country
 - 9. Business:*** diverse rules, culturally influenced
 - 10. Control:*** difficult to control and coordinate across markets.
-

Video Case: Is marketing for everyone?

[http://wps.pearsoned.co.uk/
ema_uk/he/marketing/mktgintro_1/127/32608/8347658.cw/content/index.html](http://wps.pearsoned.co.uk/ema_uk/he/marketing/mktgintro_1/127/32608/8347658.cw/content/index.html)

If someone told you that effective marketing was crucial in large companies with well-known brands like Electrolux or Land Rover you might readily agree. Do smaller firms need to think about their marketing? How about a city – can marketing ideas be useful to them? Is it possible that a charity company could usefully spend time thinking about their marketing strategy? St Paul's Cathedral – surely marketing could never be something that might concern that august institution!

In this opening video case, marketing managers from six organisations - from across the commercial, public and charitable sectors - talk about what marketing means to them, and how it helps them meet their objectives – and yes, even St Paul's does marketing.

Questions:

1. Imagine you are the Head of Marketing at Electrolux, facing a saturated home appliance market. How can marketing help you sell your latest line of products?
2. What challenges would you face in marketing an intangible such as the feeling a visitor experiences when visiting St Paul's Cathedral, as compared to selling one of Acme's whistles? Can Land Rover and VSO learn from each other?

What is international marketing?

Levels of International Marketing

- Internationalization is a general term used to describe any activity of the organization, addressed to people from foreign countries.
 - This term covers very different realities.
 - Most companies that are internationalizing go through stages with different levels of involvement and commitment.
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What is international marketing?

Levels of International Marketing

Domestic marketing

The marketing strategy is based on internal consumer needs and desires and internal microenvironment and macroenvironment.

These organizations are considering only domestic competition.

What is international marketing?

Levels of International Marketing

Export marketing

In an attempt to respond to orders coming from abroad, the company begins its export activity.

Involvement in international marketing is rather the result of adaptation to changing environmental conditions, than the consequence of a deliberate strategy.

What is international marketing?

Levels of International Marketing

International marketing

Involve activities, interests or operations in more than one country and where there is some kind of influence or control of marketing activities from outside the country in which the goods or services will actually be sold.

For each market, the company develops distinct marketing strategies. To acquire a better position, firm adapts its products to the specific foreign market if local consumer preferences dictate.

What is international marketing?

Levels of International Marketing

Global marketing

The world is considered as a single market and a single strategy is developed for the all world.

Contribute to lower overall marketing costs, the development of a global infrastructure and create global consumer. A global company develop a strategy that reflects the common features of the needs of customers from different countries, tending towards global standardization of activities.

What is international marketing?

Levels of International Marketing

Domestic Marketing	Export Marketing	International Marketing	Global Marketing
Least international commitment Domestic focus	Limited international commitment Involves direct or indirect export Ethnocentric	Substantial international commitment Focus on individual countries or regions Polycentric or Regiocentric	Extensive international commitment Focus on segments, rather than countries or regions Geocentric

company orientations and philosophies
toward international marketing

Ethnocentric Orientation

Guided by *domestic market extension concept*:

- Domestic strategies, techniques, and personnel are perceived as superior
 - International customers are considered as secondary
 - International markets are regarded primarily as outlets for surplus domestic production
 - International marketing plans are developed in-house by the international division
-

Polycentric Orientation

Guided by the *multidomestic market concept*:

- Focuses on the importance and uniqueness of each international market
 - Likely to establish businesses in each target country
 - Fully decentralized, minimal coordination with headquarters
 - Marketing strategies are specific to each country
 - Result: No economies of scale, duplicated functions, higher final product costs
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Regiocentric Orientation

Guided by the *global marketing concept*:

- World regions that share economic, political, and/or cultural traits are perceived as distinct markets
 - Divisions are organized based on location
 - Regional offices coordinate marketing activities
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Geocentric Orientation

Guided by the *global marketing concept*:

- The world is perceived as a total market with identifiable, homogenous segments
 - Targeted marketing strategies aimed at market segments, rather than geographic locations
 - Achieve position as low-cost manufacturer and marketer of product line
 - Provides standardized product or service throughout the world
-

What is international marketing?

Drivers of International Expansion

- Competition
- Regional Economic and Political Integration
- Technology
- Improvements in Transportation and Telecommunication
- Economic Growth
- Transition to Market Economy
- Converging Consumer Needs



What is international marketing?

Drivers of International Expansion



COMPETITION

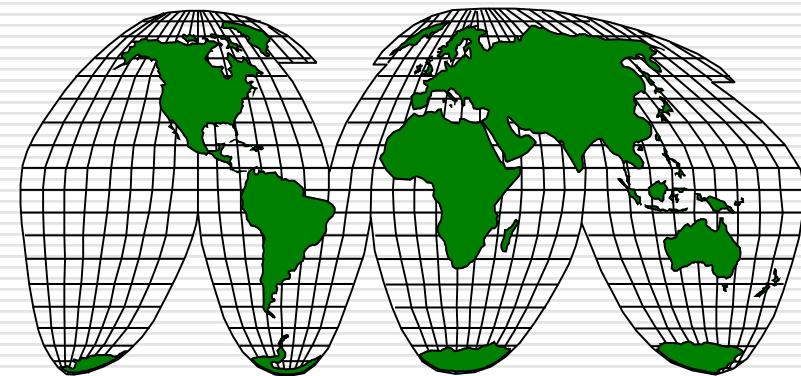
- McCann Erickson, the advertising agency, follows longtime client, Coke, to all countries where company is present

What is international marketing?

Drivers of International Expansion

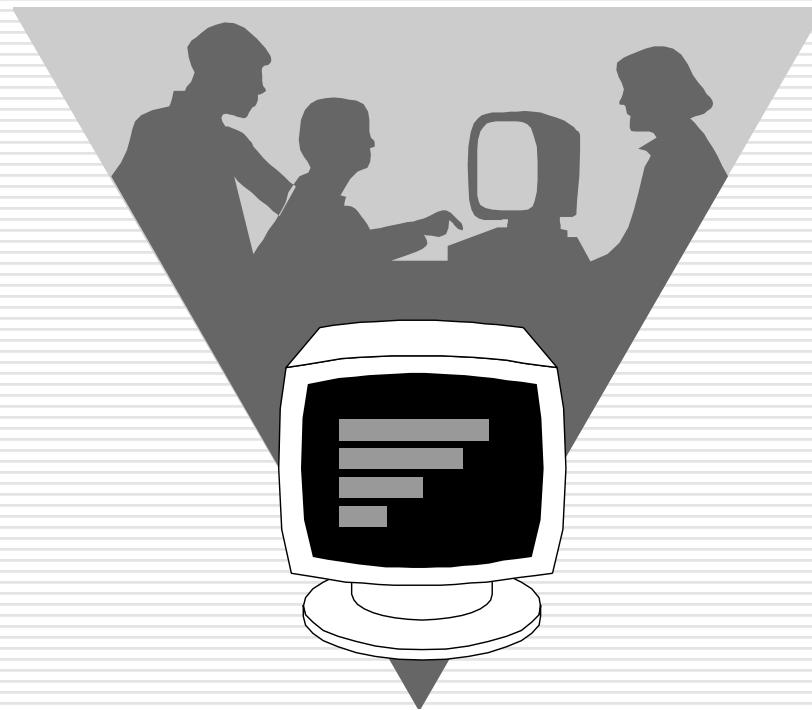
REGIONAL, ECONOMIC and POLITICAL INTEGRATION

- Regional agreements such as NAFTA, MERCOSUR, and the European Union lower and eliminate barriers and promote trade within common markets.
- Subsidiaries are established in specific markets to take advantage of free trade within the region.



What is international marketing?

Drivers of International Expansion



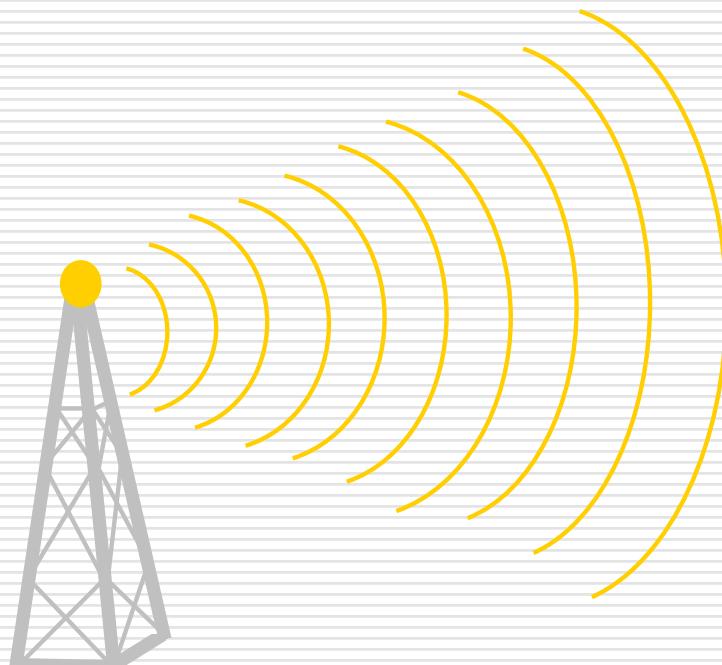
TECHNOLOGY

- Consumers worldwide are exposed to similar products, services, and entertainment.
 - The Web and the Internet have revolutionized the way companies conduct business.
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What is international marketing?

Drivers of International Expansion

TRANSPORTATION and TELECOMMUNICATIONS



- Lower cost and higher quality communication due to satellite technology, teleconferencing, and e-mail
- Efficient transportation due to containerization and just-in-time technology

What is international marketing?

Drivers of International Expansion



ECONOMIC GROWTH

- Emerging middle class with increasing buying power in big emerging markets such as Brazil and India
 - Opening of new markets previously closed, such as the markets of China and Vietnam
 - Emerging economies are becoming viable trade partners
-

What is international marketing?

Drivers of International Expansion

TRANSITION to a MARKET ECONOMY



- Transition of the Eastern Bloc to a market economy created important new markets
 - Created opportunities to transform inefficient government-owned local companies into successful enterprises
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What is international marketing?

Drivers of International Expansion

CONVERGING CONSUMER NEEDS

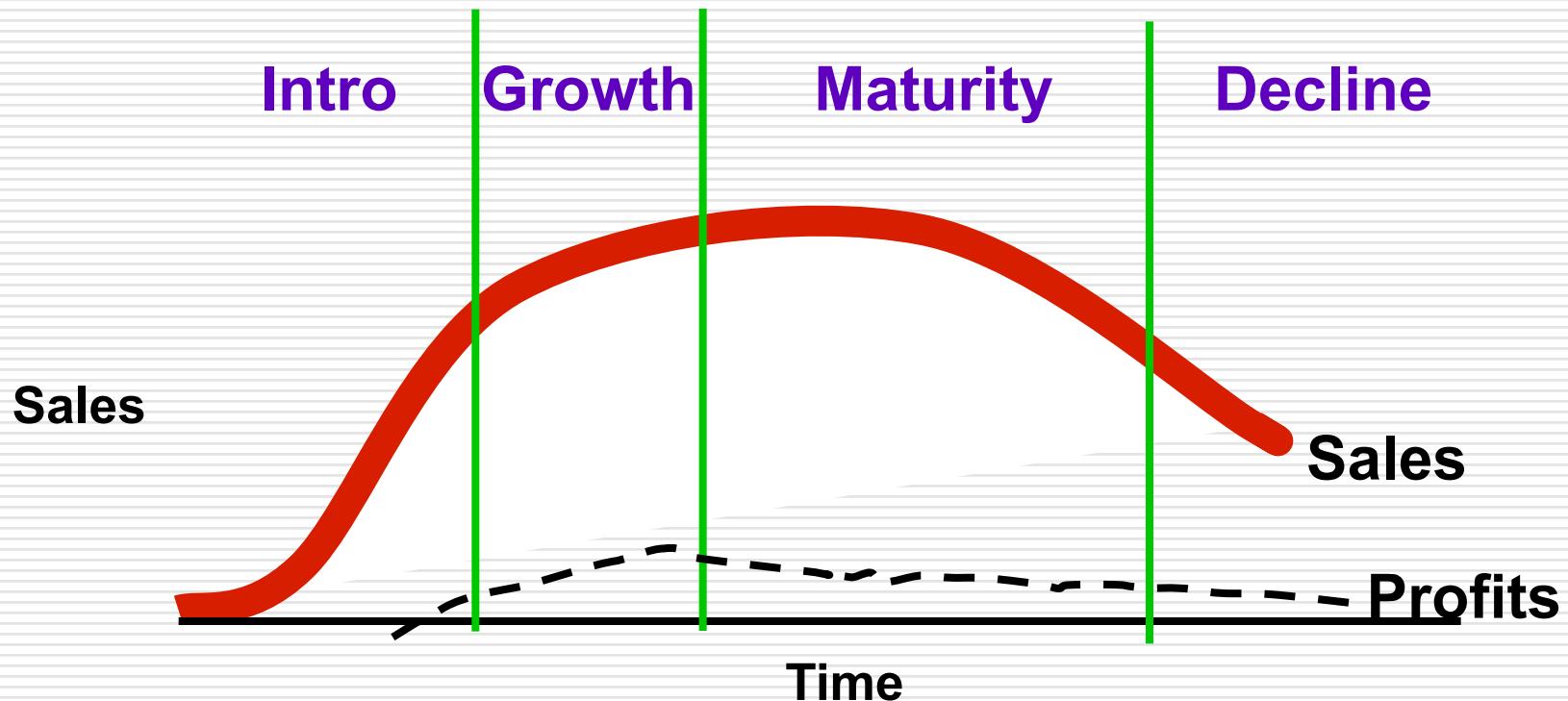


- Uniform consumer segments emerging worldwide: global teenagers, global elite
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What is international marketing?

Firm Specific Drivers

Product Life Cycle Considerations: opportunity to prolong product lifecycle by entering growth markets.



What is international marketing?

Firm Specific Drivers

High New Product Development Costs

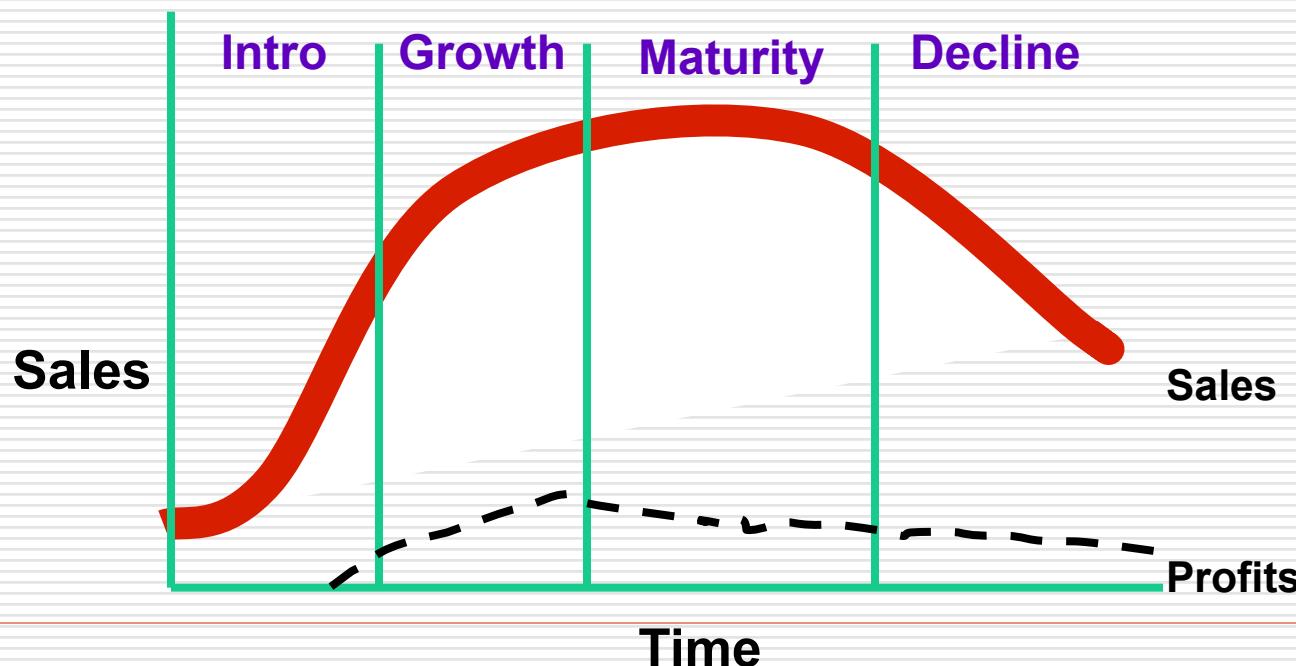
- Firm must look beyond home-country market to recover investment costs
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What is international marketing?

Firm Specific Drivers

Standardization, Scale Economies, Cheap Labor

Price competition during maturity drives firm to new international markets



What is international marketing?

Firm Specific Drivers

Experience Transfers

- Experience in one country serves as basis for strategies in new international markets.
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What is international marketing?

Obstacles to Internationalization

□ Self-reference Criterion

- Conscious and unconscious reference to own national culture while operating in the host country
 - To counter the impact of the self-reference criterion, the corporation must select appropriate personnel for international assignments and engage in sensitivity training
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What is international marketing?

Obstacles to Internationalization

□ Government Barriers

- Restrictions placed on foreign corporations by imposing tariffs, import quotas, and other limitations, such as restrictive import license awards**
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What is international marketing?

Obstacles to Internationalization

- Barriers Imposed by International Competition**
 - Blocked channels of distribution
 - Exclusive retailer agreements
 - Price reductions at the time of market entry
 - Advertising blitzes
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International Marketing Environment

Main factors of international marketing environment

Economic

Socio-cultural

Technological

Political-legal

Demographical

Natural



International Marketing Environment

Main factors of international marketing environment

The World Economy

Rather than rising and falling separately, national economies have become **interdependent** and respond to the same environmental forces.



The international economy has become one single unit.

(e.g. Finance/ Banking crises 2008/2009)

The Economic Development Disparity

- Firms from industrialized countries dominate the world economy, allocating resources based on market potential, rather than based on local needs.
 - Increasing economic gap between developed and developing countries
 - Developing countries maintain control over own resources (raw materials, labor) and access to local consumers.
 - Lessen economic gap by imposing barriers to international corporations
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Levels of Development

no universal, agreed-upon criterion for what makes a country developing versus developed

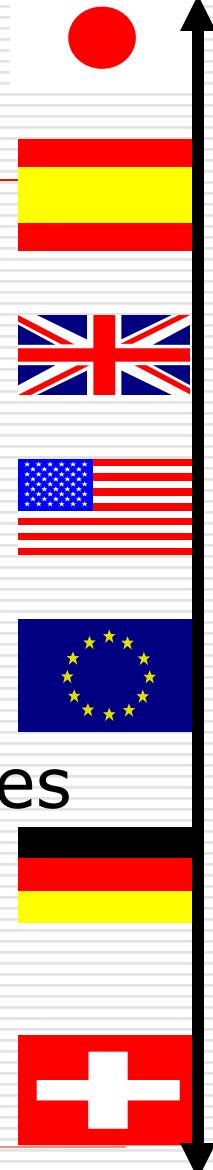
The World Bank classifies countries into income groups - GNI – gross national income (set each year on July 1) :

- Developed Countries (GNI per capita of above US \$12,476)
 - Emerging Countries (GNI per capita of US \$4,036 - \$12,476)
 - Developing Countries (GNI per capita of less than US \$4,036)
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Levels of Development

Developed Countries

- Well-developed industrial and service sectors
- Markets in maturity stage
- Consumers with established preferences
- Intense competition



Levels of Development

Emerging Countries

- Developing rapidly
- Great potential

Big Emerging Markets

- Present the greatest potential for international trade and expansion
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Examples of Emerging Markets

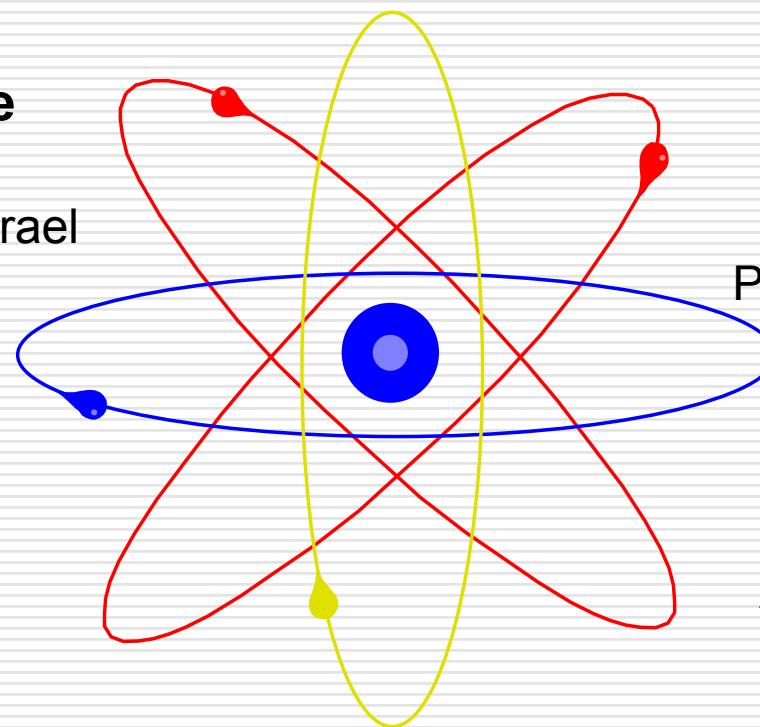
Asia: China, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Thailand

Africa and the Middle East:

South Africa and Israel

The Former Soviet Union:

Russia, Ukraine, and the Baltic's



Eastern Europe:

The Czech Republic, Hungary, Greece, Portugal, Turkey, Romania

Latin America:

Argentina, Brazil, Chile, Mexico, Venezuela

Emerging Markets

□ Big Emerging Markets

- China, India (populations exceeding one billion)
 - South Korea
 - Argentina, Brazil, Mexico
 - South Africa
 - Poland, Turkey
 - Russia
-

Levels of Development

Developing Countries

- Primarily agrarian
 - Located in different regions in Asia and Sub-Saharan Africa
 - Often neglected or under-served by large multinationals
 - Represent potential niche markets
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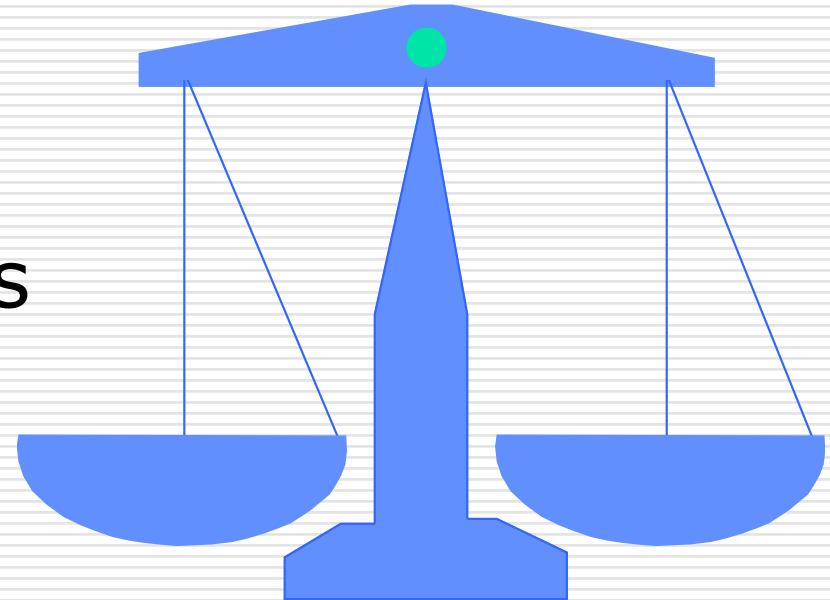
Political Environment

- At the basis of international law and international relations: sovereignty (self determination and independence from external interference)
 - International trade limits sovereignty
 - Governments can invoke sovereignty and jeopardize firm's operations (e.g. Iran, Cuba)
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International Legal Environment

- International Laws
- Host Country Laws
- Home Country Laws

- Legal Systems
 - Common law
 - Code (civil) law
 - Islamic law



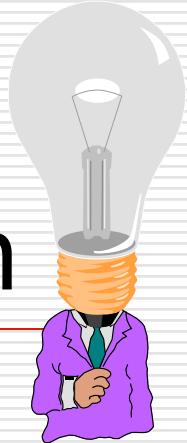
Jurisdiction

- Not automatic
 - In EU: European Court of Justice
 - Between Governments: The International Court of Justice
 - Between international enterprises: host- or home- or third country
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Intellectual Property Rights

- Violation of **intellectual property rights** is the most significant threat to the competitiveness of international corporations.
 - Losses attributed to the violation of intellectual property rights are estimated to be **\$60 billion** a year (e.g. Software \$11 billion, entertainment \$8, pharmaceuticals \$1 billion).
-

Intellectual Property Protection



- Patent
 - Protection of the rights of the inventor or of the firm to use and sell the invention for a specified period of time
- Copyright
 - Rights of owner of original work of art (literature, music, film, design) to reproduce, sell, perform, or film the work
- Trademark
 - Brand name, mark, symbol, motto, or slogan that identifies a brand and distinguishes it from competitors' brands (E.g. Rolex/ Design copying without the trademark is legal!)
- Trade Secret
 - Know-how, formulas, and special blends that are not registered and are thus not protected by law

Counterfeiting



There is a saying in Shanghai:
"We can copy anything except your mother"

Home Country Legislation

□ ANTITRUST LAWS

- Prevent anticompetitive activities such as the creation of monopolies and cartels

□ CORRUPTION LAWS

- Prevent multinational corporations from using unethical means to obtain competitive advantage in a particular market
- Foreign Corrupt Practices Act makes it illegal to bribe politicians



Chapter Summary

- International involvement: Domestic marketing, export marketing, international marketing and global marketing
 - Internationalization philosophies: Ethnocentric, polycentric, regiocentric, and geocentric
 - Drivers of international expansion: Competition, regional integration, removal of trade barriers, improvements in transportation, telecommunications and technology, and converging consumer needs
 - Firm-specific drivers: Prolonging product lifecycle, recovering new product development costs, price competition, standardization, economies of scale and cheap labor, experience transfers
 - Obstacles to entry: Self-reference criterion, government barriers, and competitive barriers
-

Chapter Summary

- Based on development, countries are categorized as: developing, developed, and emerging—the latter offer most potential.
 - Firms must evaluate and manage political risk related to government trade policies, economic policies, labor/political action groups, and terrorism.
 - Firms are affected by international, home-country, and host country laws—belonging to one of three judicial systems: common, code, and Islamic. Firms must decide jurisdiction and conflict resolution methods before conflicts arise.
 - Protection of intellectual property rights constitutes a priority for international firms.
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