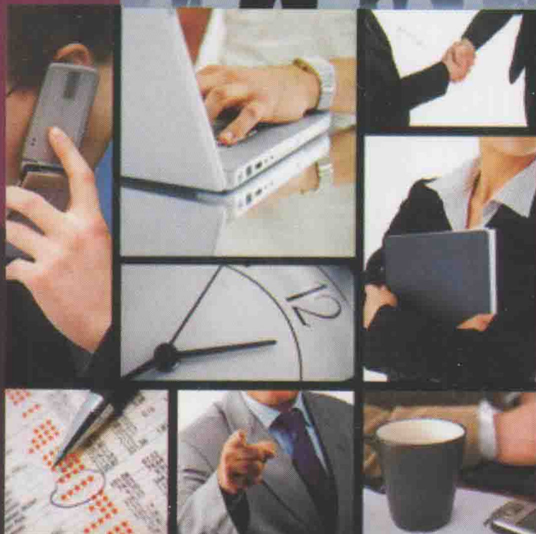
International Marketing Management



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Preface

International marketing is no longer an option, but a strategic imperative. Businesses that focus primarily on their domestic markets will be left behind as their competition gains "first mover advantage" in the international marketplace. When we consider that the Unites States only represents 4 percent of the world's population, opportunities to sell our products and services worldwide become clearly evident. The growth of the Internet has increased competition tremendously and opened up the doors to international business. Companies have developed a web presence to keep themselves ahead or in line with their competitors internationally. In addition to gaining a competitive advantage, there are a number of additional reasons why a company's web presence is becoming an increasingly important tool to reach global markets.

International Marketing in a rather unplanned way which gives the impetus to more formal and larger operations. In order to take advantage of global opportunities, as well as meet the challenges presented by so doing a number of concepts can be particularly useful. Every organisation needs an understanding of what is involved in "strategy", or else the hapharzardness involved in chance exporting can be accepted as the norm with all inherent dangers involved. In order to put together the task of finding the differences and similarities in environmental and market analysis, a framework needs to be devised. Where unifying influences are found then the marketer is able to develop more standardised plans. When there are a large number of differences, then plans have to be designed adapted to circumstances. Once having identified the unifying and differentiating influences and answered many questions about where one could or could not standardise

the marketing planning process then a conceptual framework for multinational marketing planning can be developed.

The final stage of any marketing planning process is to establish targets (or standards) so that progress can be monitored. Accordingly, it is important to put both quantities and timescales into the marketing objectives (for example, to capture 20 per cent by value of the market within two years) and into the corresponding strategies. Changes in the environment mean that the forecasts often have to be changed. Along with these, the related plans may well also need to be changed. Continuous monitoring of performance, against predetermined targets, represents a most important aspect. The marketing process involves a good deal of detail and focuses generally on the one-year time horizon. Programs can be related to either one element of the marketing mix such as distribution for one or more products or to all elements of the mix for a single product or market. To some extent, the choice will be determined by the nature of the company's organization.

In today's global world, where consumers travel more, watch satellite television, communicate and shop internationally over the internet, the world now is becoming a lot smaller. Because of this there is no need to adapt products to local markets. Brands such as Coca-Cola, MTV, Nike, Levis are all successful global brands where they have a standardised approach to their marketing mix, all these products are targeted at similar groups globally. In many circumstances a company will have to adapt their product and marketing mix strategy to meet local needs and wants that cannot be changed. Mcdonald is a global player however, their burgers are adapted to local needs. In India where a cow is a sacred animal their burgers are served with chicken or fish. In Mexico burgers come with chilli sauce. Coca-cola is some parts of the world taste sweeter then in others. Yes we can argue that standardisation is better for the organisation because it reduces cost, however many organisations will have to 'think global, but act local' if they are to successfully establish them selves in foreign markets.

– Author

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1 The Evolution of Global Marketing Management

Led to Internationalisation

There have been many underlying forces, concepts and theories which have emerged as giving political explanation to the development of international trade. Remarkably, despite the trend to world interdependency, some countries have been less involved than others. The USA, for example, has a remarkably poor export record. About 2000 US companies only account for more than 70% of US manufacturer's exports. This has been mainly due to its huge statewide domestic market, which is almost tantamount to "international trade", for example, Californian fruit being sold three thousand kilometres away in New Jersey. Japan has risen fast to dominate the export rankings, with countries of Africa struggling to make a significant mark, mainly because of their emphasis on exporting primary products. This section will briefly examine the forces which have been instrumental in the development of world trade.

Management and Orientation

Perlmutter (1967) identified distinctive "orientations" of management of international organisations. His "EPRG" scheme identified four types of attitudes or orientations associated with successive stages in the evolution of international operations.

- Regiocentrism-regional orientation-world market strategies.
- Geocentrism-world orientation-world market strategies.
- Ethnocentrism-home country orientation-exporting surplus.

- Polycentrism-host country orientation-subsidiary operation.

The latter two are based on similarities and differences in markets, capitalising on similarities to obtain cost benefits, but recognising differences.

THEORETICAL APPROACHES

These include the theory of comparative advantage described in the book Wealth of Nations (Adam Smith) and David Ricardo), the product trade cycle (Raymond Vernon) and The Business Orientation (Howard Perlmutter).

The Product Trade Cycle: The model describes the relationship between the product life cycle, trade and investment and is attributable to Venon (1966). The international product trade cycle model suggests that many products go through a cycle during which high income, mass consumption countries which are initial exporters, lose their export markets and finally become importers of the product. At the same time other countries, particularly less developed but not exclusively so, shift from being importers to exporters. From a high income country point of view phase 1 involves exporting, based on domestic product strength and surplus-to phase 2, when foreign production begins, to phase 3 when production in the foreign country becomes competitive, to phase 4 when import competition begins.

The assumption behind this cycle is that new products are firstly launched in high income markets because a) there is most potential and b) the product can be tested best domestically near its source of production. Thus new products generally emanate from high income countries and, over time, orders begin to be solicited from lower income countries and so a thriving export market develops. High income country entrepreneurs quickly realise that the markets to which they are selling often have lower production costs and so production is initiated abroad for the new products, so starts the second stage. In the second stage of the cycle, foreign and high income country production begins to supply the same export market.

As foreign producers begin to expand and gain more experience, their competition displaces the high income export

production source. At this point high income countries often decide to invest in foreign countries to protect their share. As foreign producers expand, their growing economies of scale make them a competitive source for third country markets where they compete with high income exporters. The final phase of the cycle occurs when the foreign producer achieves such a scale and experience that it starts exporting to the original high income producer at a production cost lower than its original high income producer at a production cost lower than its original high income supplier. High income producers, once enjoying a monopoly in their own market, now face competition at home. Whilst the underlying assumption behind the International Product Trade Cycle is that the cycle begins with the export of new product ideas from high income countries to low income importers, then low income countries begin production of the product etc., things do not always turn out as the cycle suggests.

Sometimes a high or even low income exporter may put a product into a high/low income country which is simply unable to respond. In this case, the Trade Cycle ceases to be the underpinning concept. This may be due to a number of factors like lack of access to capital to build the facilities to respond to the import, lack of skills or that the costs of local production cannot get down to the level of costs of the imported product. In this case, product substitution between the exporter and importer may also take place. A classic example of this phenomenon is the case of Zimbabwe Sunsplash fruit juice drinks.

The Theory of Comparative Advantage: The theory can be relatively complex and difficult to understand but stated simply this theory is a demonstration (under assumptions) that a country can gain from trade even if it has an absolute disadvantage in the production of all goods, or it can gain from trade even if it has an absolute advantage in the production of all goods. Even though a country has an absolute production advantage it may be better to concentrate on its comparative advantage. To calculate the comparative advantage one has to compare the production ratios, and make the assumption that the one country totally specialises in one product. To maximise the wellbeing of both individuals and countries, countries are better off specialising in their area of

competitive advantage and then trading and exchanging with others in the market place. Today there are a variety of spreedsheets that one can use to calculate comparative advantage, one such is that of the Food and Agriculture Organization (FAO). Calculation of comparative advantage is as follows:

Example: It may be assumed that Holland is more efficient in the production of flowers than Kenya. Yet Kenya succeeds in exporting thousands of tonnes of flowers to Europe every year. Kenya flower growers Sulmac and Oserian have achieved legendary reputations, in the supply of fresh cut flowers to Europe, How?

So in apples, South Africa has an advantage of 1.25 (100/80) but in oranges 1.67 (50/30). So South Africa should concentrate on the production of oranges as its comparative advantage is greatest here. Unfortunately the theory assumes that production costs remain relatively static. However, it is a well known fact that increased volumes result, usually, in lower costs. Indeed, the Boston Consulting Group observed this phenomenon, in the so called "experience curve" effect concept. And it is not only "production" related but "all experience" related; including marketing. The Boston Consulting group observed that as an organisation gains experience in production and marketing the greater the reduction in costs. The theory of comparative advantage also ignores product and programme differentiation. Consumers do not buy products based only on the lowest costs of production. Image, quality, reliability of delivery and other tangible and non tangible factors come into play. Kenyans may well be prepared to pay extra for imported French or South African wines, as the locally produced paw wine may be much inferior.

Development and Market Forces

Over the last few decades internationalism has grown because of a number of market factors which have been driving development forward, over and above those factors which have been attempting to restrain it. These include market and marketing related variables. Many global opportunities have arisen because of the clustering of market opportunities worldwide Organisations have found that similar basic segments exist worldwide and,

therefore, can be met with a global orientation. Cotton, as an ingredient in shirtings, suitings, and curtain material can be globally marketed as natural and fashionable. One can see in the streets of New York, London, Kuala Lumpar or Harare, youth with the same style and brand of basketball shirts or American Football shorts. Coca Cola can be universally advertised as "Adds Life" or appeal to a basic instinct " You can't beat the Feeling" or "Come alive" as with the case of Pepsi. One can question "what feeling?", but that is not the point. The more culturally unbounded the product is, the more a global clustering can take place and the more a standardised approach can be made in the design of marketing programmes. This standardised approach can be aided and abetted with technology.

Technology has been one of the single most powerful driving forces to internationalism. Rarely is technology culturally bound. A new pesticide is available almost globally to any agricultural organisation as long as it has the means to buy it. Computers in agriculture and other applications are used universally with IBM and Macintosh becoming household names. The need to recoup large costs of research and development in new products may force organisations to look at global markets to recoup their investment. This is certainly true of many veterinary products. Global volumes allow continuing investment in R & D, thus helping firms to improve quality. Farm machinery, for example, requires volume to generate profits for the development of new products. Communications and transport are shrinking the global market place.

Value added manufacturers like Cadbury, Nestlè, Kelloggs, Beyer, Norsk Hydro, Massey Ferguson and ICI find themselves "under pressure" from the market place and distributors alike to position their brands globally. In many cases this may mean an adaption in advertising appeals or messages as well as packaging and instructions. Nestle will not be in a hurry to repeat its disastrous experience of the "Infant formula" saga, whereby it failed to realise that the ability to find, boiled water for its preparations, coupled with the literacy level to read the instructions properly, were not universal phenomenon. Marketing globally also provides the marketer with five types of "leverage" or "advantages", those of

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experience, scale, resource utilisation and global strategy. A multi-product global giant like Nestle', with over £10 billion turnover annually, operates in so many markets, buys so much raw material from a variety of outgrowers of different sizes, that its international leverage is huge. If it consumes a third of the world's cocoa output annually, then it is in a position to dominate terms. This also has its dangers. The greatest lift to producers of raw agricultural products has been the almost universal necessity to consume their produce.

If one considers the whole range of materials from their raw to value added state there is hardly a market segment which cannot be tapped globally. Take, for example, oranges. Not only are Brazilian, Israeli, South African and Spanish oranges in demand in their raw state worldwide, but their downstream developments are equally in demand. Orange juice, concentrates, segments and orange pigments are globally demanded. In addition the ancillary products and services required to make the orange industry work, find themselves equally in global demand. So insecticides, chemicals, machinery, transport services, financial institutions, warehousing, packaging and a whole range of other production and marketing services are in demand, many provided by global organisations like Beyer, British Airways and Barclays Bank. Of course, many raw materials are at the mercy of world prices, and so many developing countries find themselves at the mercy of supply and demand fluctuations. But this highlights one important global lesson-the need to study markets carefully. Tobacco producing countries of the world are finding this out. With a growing trend away from tobacco products in the west, new markets or increasing volumes into consuming markets have to be prospected and developed. Many agricultural commodities take time to mature. An orange grove will mature after five years. By that time another country may plant or have its trees mature. Unless these developments are picked up by global intelligence the plans for a big profit may be not realised as the extra volume supplied depresses prices. This happened in 1993/94 with the Malawian and Zimbabwean tobacco companies.

The unexpected release of Chinese tobacco depressed the tobacco price well below expectations, leaving farms with stock

and large interest carrying production loans. A number of suppliers of agricultural produce can take advantage of "off season" in other countries, or the fact that they produce speciality products. This is the way by which many East African and South American producers established themselves in Europe and the USA respectively. In fact the case of Kenya vegetables to Europe is a classic, covering many of the factors which have just been discussed-improved technology, emerging global segments, shrinking communications gaps and the drive to diversify product ranges. Whilst the forces, market and otherwise, have been overwhelming in their push to globalisation, there remain a number of negatives.

Many organisations have been put off or have not bothered going into global industry due to a variety of factors. Some have found the need to adapt the marketing mix, especially in many culture bound products, too daunting. Similarly brands with a strong local history may not easily transfer to other markets. National Breweries of Zimbabwe, for example, may not find their Chibuku brand of beer (brewed especially for the locals) an easy transboundary traveller. More often than not sheer management myopia may set in and management may fail to seize the export opportunity although products may be likely candidates. Similarly organisations may refuse to devolve activities to local subsidiaries. Other negative forces may be created by Governments. Simply by creating barriers to entry, local enterprises may be protected from international competition as well as the local market. This is typical of many developing countries, anxious to get their fledging industries off the ground.

Organisation Markets

Whether an organisation markets its goods and services domestically or internationally, the definition of marketing still applies. However, the scope of marketing is broadened when the organisation decides to sell across international boundaries, this being primarily due to the numerous other dimensions which the organisation has to account for. For example, the organisation's language of business may be "English", but it may have to do business in the "French language". This not only requires a translation facility, but the French cultural conditions have to be

accounted for as well. Doing business "the French way" may be different from doing it "the English way". This is particularly true when doing business with the Japanese. Let us, firstly define "Marketing" and then see how, by doing marketing across multinational boundaries, differences, where existing, have to be accounted for. S. Carter defines marketing as: "The process of building lasting relationships through planning, executing and controlling the conception, pricing, promotion and distribution of ideas, goods and services to create mutual exchange that satisfy individual and organisational needs and objectives".

The long held tenants of marketing are "customer value", "competitive advantage" and "focus". This means that organisations have to study the market, develop products or services that satisfy customer needs and wants, develop the "correct" marketing mix and satisfy its own objectives as well as giving customer satisfaction on a continuing basis. However, it became clear in the 1980s that this definition of marketing was too narrow. Preoccupation with the tactical workings of the marketing mix led to neglect of long term product development, so "Strategic Marketing" was born. The focus was shifted from knowing everything about the customer, to knowing the customer in a context which includes the competition, government policy and regulations, and the broader economic, social and political macro forces that shape the evolution of markets. In global marketing terms this means forging alliances (relationships) or developing networks, working closely with home country government officials and industry competitors to gain access to a target market. Also the marketing objective has changed from one of satisfying organisational objectives to one of "stakeholder" benefits-including employees, society, government and so on. Profit is still essential but not an end in itself. Strategic marketing according to Wensley (1982) has been defined as: "Initiating, negotiating and managing acceptable exchange relationships with key interest groups or constituencies, in the pursuit of sustainable competitive advantage within specific markets, on the basis of long run consumer, channel and other stakeholder franchise".

Whether one takes the definition of "marketing" or "strategic marketing", "marketing" must still be regarded as both a philosophy and a set of functional activities. As a philosophy

embracing customer value (or satisfaction), planning and organising activities to meet individual and organisational objectives, marketing must be internalised by all members of an organisation, because without satisfied customers the organisation will eventually die. As a set of operational activities, marketing embraces selling, advertising, transporting, market research and product development activities to name but a few. It is important to note that marketing is not just a philosophy or one or some of the operational activities. It is both. In planning for marketing, the organisation has to basically decide what it is going to sell, to which target market and with what marketing mix (product, place, promotion, price and people).

Although these tenents of marketing planning must apply anywhere, when marketing across national boundaries, the difference between domestic and international marketing lies almost entirely in the differences in national environments within which the global programme is conducted and the differences in the organisation and programmes of a firm operating simultaneously in different national markets. It is recognised that in the "postmodern" era of marketing, even the assumptions and long standing tenents of marketing like the concepts of "consumer needs", "consumer sovereignty", "target markets" and "product/market processes" are being challenged. The emphasis is towards the emergence of the "customising consumer", that is, the customer who takes elements of the market offerings and moulds a customised consumption experience out of these. Even further, post modernisim, posts that the consumer who is the consumed, the ultimate marketable image, is also becoming liberated from the sole role of a consumer and is becoming a producer. This reveals itself in the desire for the consumer to become part of the marketing process and to experience immersion into "thematic settings" rather than merely to encounter products. So in consuming food products for example, it becomes not just a case of satisfying hunger needs, but also can be rendered as an image-producing act. In the post modern market place the product does not project images, it fills images. This is true in some foodstuffs.

The consumption of "designer water" or "slimming foods" is a statement of a self image, not just a product consuming act.

Acceptance of postmodern marketing affects discussions of products, pricing, advertising, distribution and planning. However, given the fact that this textbook is primarily written with developing economies in mind, where the environmental conditions, consumer sophistication and systems are not such that allow a quantum leap to postmodernism, it is intended to mention the concept in passing. Further discussion on the topic is available in the accompanying list of readings. When organisations develop into global marketing organisations, they usually evolve into this from a relatively small export base. Some firms never get any further than the exporting stage. Marketing overseas can, therefore, be anywhere on a continuum of "foreign" to "global". It is well to note at this stage that the words "international", "multinational" or "global" are now rather outdated descriptions. In fact "global" has replaced the other terms to all intents and purposes. "Foreign" marketing means marketing in an environment different from the home base, it's basic form being "exporting". Over time, this may evolve into an operating market rather than a foreign market. One such example is the Preferential Trade Area (PTA) in Eastern and Southern Africa where involved countries can trade inter-regionally under certain common modalities.

Another example is the Cold Storage Company of Zimbabwe. In "global marketing" the modus operandi is very different. Organisations begin to develop and run operations in the targeted country or countries outside of the domestic one. In practice, organisations evolve and Table 1.1 outlines a typology of terms which describes the characteristics of companies at different stages in the process of evolving from domestic to global enterprises. The four stages are as follows:

1. *Stage one:* domestic in focus, with all activity concentrated in the home market. Whilst many organisations can survive like this, for example raw milk marketing, solely domestically oriented organisations are probably doomed to long term failure.
2. Stage *two:* home focus, but with exports (ethnocentric). Probably believes only in home values, but creates an export division. Usually ripe for the taking by stage four organisations.

3. *Stage three:* stage two organisations which realise that they must adapt their marketing mixes to overseas operations. The focus switches to multinational (polycentric) and adaption becomes paramount.
4. *Stage four:* global organisations which create value by extending products and programmes and focus on serving emerging global markets (geocentric). This involves recognising that markets around the world consist of similarities and differences and that it is possible to develop a global strategy based on similarities to obtain scale economies, but also recognises and responds to cost effective differences. Its strategies are a combination of extension, adaptation and creation. It is unpredictable in behaviour and always alert to opportunities.

The International Economic System

Several factors have contributed to the growth of the international economy post World War II. The principal forces have been the development of economic blocs like the European Union (EU) and then the "economic pillars"-the World Bank (or International Bank for Reconstruction and Development to give its full name), the International Monetary Fund (IMF) and the evolution of the World Trade Organisation from the original General Agreement on Tariffs and Trade (GATT). Until 1969 the world economy traded on a gold and foreign exchange base. This affected liquidity drastically. After 1969 liquidity was eased by the agreement that member nations to the IMF accept the Special Drawing Rights (SDR) in settling reserve transactions. Now an international reserve facility is available. Recently, the World Bank has taken a very active role in the reconstruction and development of developing country economies, a point which will be expanded on later. Until the General Agreement on Tariffs and Trade (GATT) after World War II, the world trading system had been restricted by discriminating trade practices.

GATT had the intention of producing a set of rules and principles to liberalise trade. The most favoured nation concept (MFN), whereby each country agrees to extend to all countries the most favourable terms that it negotiates with any country, helped

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