



INTERNATIONAL MARKETING STRATEGY



FIFTH EDITION

INTERNATIONAL MARKETING STRATEGY

ANALYSIS, DEVELOPMENT AND
IMPLEMENTATION

ISOBEL DOOLE

ROBIN LOWE



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To Andrew and Sylvia
and to our children;
Rob, Libby and Will,
Catherine and Jonathan



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PREFACE

Introduction

Markets and marketing are becoming ever more international in their nature and managers around the world ignore this fact at their peril. To achieve sustainable growth in markets that are becoming increasingly global, or merely to survive in domestic markets that are increasingly attacked by international players, it is essential that organisations understand the complexity and diversity of international marketing and that their managers develop the skills, aptitudes and knowledge necessary to compete effectively around the globe.

This new and completely revised edition of *International Marketing Strategy* continues to meet the needs of the international marketing student and practitioner in an up to date and innovative manner. It recognises the increasing time pressures of both students and managers and so strives to maintain the readability and clarity of the previous editions, as well as providing a straightforward and logical structure that will enable them to apply their learning to the tasks ahead.

The book continues to incorporate new, significant and relevant material with learning innovations that ensure its continued status as the best-selling UK text on international marketing strategy.

Structure of the book

As in previous editions, the book is divided into three main subject areas – analysis, strategy development and implementation – each of which has four chapters. For each chapter the learning objectives for the reader are stated at the outset and these lead to the key themes of the chapter, which are explored in the text. Illustrations of the key issues are provided along with examples of the kind of practical dilemmas faced by international marketing managers.

Success in international marketing is achieved through being able to integrate and appreciate the interaction between the various elements of the international marketing strategy development process and this is addressed in two ways. First, at the end of each chapter a case study is included. Whilst the main focus of the chapter case study is on integrating a number of the themes of the chapter, the reader should also draw on their learning from the chapters that have gone before to give a complete answer. Second, at the end of each part there is a more comprehensive integrative learning activity for the reader that focuses on international marketing strategy development. At the end of Part 1 this activity is concerned with analysis, at the end of Part 2 with strategy development and at the end of Part 3 with implementation. The format for these learning activities is similar so that the three integrative learning

activities, when added together, integrate all the learning from the book and provide a practical and comprehensive exercise in international marketing strategy development for the reader.

New to this edition

A number of chapters have been revised and updated to ensure the inclusion of the latest developments in international marketing. Each chapter now has a case study that encourages further reflection and discussion on the key themes of the chapter.

In Chapter 1 we have included a full section introducing international marketing planning. The chapters (5 and 6) on international marketing in SMEs and global firms have been expanded to include the management and planning implications of the strategy development issues highlighted within the chapter.

In this new edition Chapter 12 focuses on how technology not only supports and enables the international marketing process in areas such as customer relationship management, value and supply chain management, but is also changing the process by which the future strategies of organisations in international markets are being formulated.

The majority of the case studies, illustrations and dilemmas are new or updated. Material is used from around the world and includes a number of cases and illustrations from Asia, Latin America, Eastern Europe and Ireland. The authors have endeavoured to cater for the needs of readers who are developing their international marketing skills in Europe, the Americas, Asia, Australasia or other parts of the world. Each illustration and dilemma has a question highlighting a specific issue that should be considered.

The Integrative Learning Activity is an innovative section at the end of each part with the objective of encouraging readers to integrate their learning from the chapters and the parts. By obtaining and analysing data through secondary sources, typically through the Internet, the reader is able to proceed through the steps of the international marketing strategy process, thus acquiring further knowledge and using this opportunity to practise a number of their international marketing skills.

How to study using this book

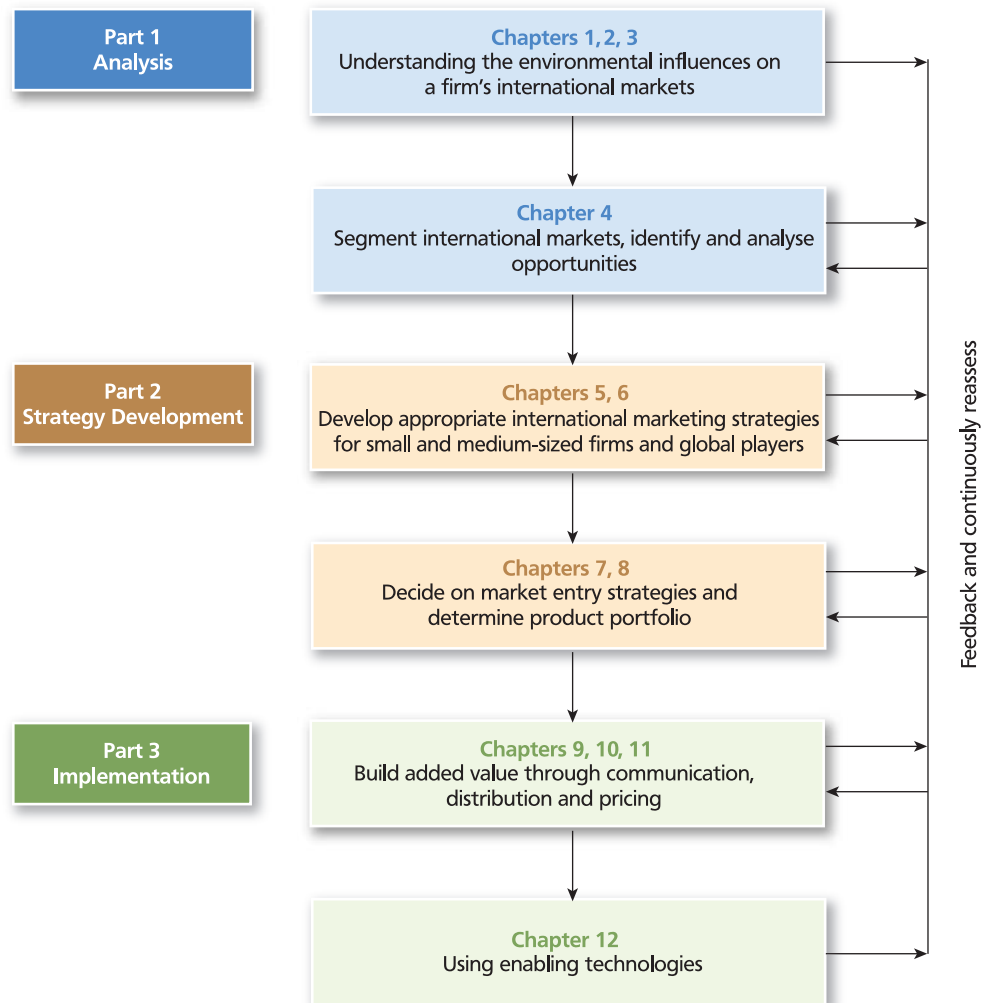
The aim of the book is for readers to have an accessible and readable resource for use both as a course book and for revision. The text is also recommended reading for students of the CIM qualifications.

It has a clear structure which is easy to use and easy for the reader to follow, thus making it ideal for incorporation into a course delivered in a 12-week teaching semester. Its geocentric view of international marketing, with examples of good practice in competing internationally from around the globe, makes it ideal for use with courses with multicultural students.

International Marketing Strategy has been developed to help the reader learn, understand and practise a number of elements of the international marketing strategy process. The process involves the analysis of a situation, development of a strategy against a background of a number of strategic options and the implementation of the chosen option. It is important to recognise that there is not one 'right' strategy, because success is ultimately determined by many factors and, besides, it will usually take a number of years before the strategy can be seen finally as a success or failure. Therefore, this book provides a framework, within the parts and chapter structure, in

which to understand and evaluate the factors that should be taken into account (and which should be dismissed too) in building an international marketing strategy.

Structure of the book



Parts

The three parts focus on the topics of analysis, strategy development and implementation. Each part contains an introduction to the four chapters that have been grouped together.

PART 1 ANALYSIS

Part 1 focuses on analysing the international marketing environment. It provides an introduction to how the international marketing environment influences how firms operate. It explores the changing nature of the environment and explains the structures that support and control international trade. Also considered are the social and cultural influences on customer buying behaviour in international markets.

Frameworks and processes that provide the means to systematically identify and evaluate marketing opportunities and carry out market research across the world are explained.

CASE STUDIES AT THE END OF EACH CHAPTER

PART 1 ANALYSIS

Chapter 1

Flatbread goes round the world explores the success and the reasons behind the success of a Mexican flour product company expanding throughout America, Europe and Asia.

Chapter 2

Should governments support domestic companies investing in foreign markets? This case examines the role of government support agencies in assisting and advising companies trading and investing overseas.

Chapter 3

Leapfrogging the banking system investigates the mobile phone banking revolution taking place in Africa.

Chapter 4

Segmenting the global mobile phone gaming market addresses the issues arising from Cometa Wireless Gaming Systems' attempt to sell mobile phone games to a global market.

Integrative Learning Activity

Li Ning analyses the opportunities in the domestic and global market for the leading sports supplier in China.

PART 2 STRATEGY DEVELOPMENT

Chapter 5

Ebac – dipping their toes further into the water looks at the options and measures taken by a dehumidifier company to combat similar, cheaper Asian imports.

Chapter 6

Conglomerate breaks out from India focuses on Tata Sons group's approach to becoming more competitive and global.

Chapter 7

When joint ventures go wrong. Unforeseen factors cause major problems in promising mergers between companies from developed and developing countries.

Chapter 8

Lego explores the toymaker's attempts at diversification in the face of declining sales and profits, and the outcomes of this diversification.

Integrative Learning Activity

Future Global Players examines the different starting points and means used by newcomers from developing economies to cultivate global brands.

PART 3 IMPLEMENTATION

Chapter 9

Google to dominate online ads? This case looks at bigger corporations taking over more independent networking sites and the ensuing issues (legal, advertising and user-related).

Chapter 10

Merry Management Training presents the problems arising when a Western management training consultancy and a small Dubai consultancy firm enter into a friendly informal agreement.

Chapter 11

Beta Automotive explores the strengths and weaknesses of a Singaporean entrepreneur looking to exploit the grey market in auto parts on an international basis.

Chapter 12

India showing IBM the way? This case touches on former and current means of internationalisation and assesses IBM's history and future as a 'globally integrated enterprise'.

Integrated Learning Activity

Microsoft attempts to market its newest products, competing with other companies as well as its own earlier software.

PART 2 STRATEGY DEVELOPMENT

Part 2 explains the international marketing strategy options available for small and medium-sized firms and also the largest organisations that will enable them to compete effectively in global markets. The factors that affect the choice of strategy are considered as well as the challenges that are posed to the managers of these strategies.

A key decision for most organisations is which market entry method to use to exploit the market opportunities from the many options available. This is then followed by the selection and development of the products and service strategy that determine the portfolio that will be offered to customers.

PART 3 IMPLEMENTATION

Part 3 deals with the international communication, distribution and pricing strategies that support the introduction and development of the business in the various worldwide markets. The different local market factors that affect implementation are considered. These factors may allow the associated implementation programmes and processes to be standardised across different markets but, frequently, it is necessary to adapt the strategies to suit local needs.

Finally, technology plays a key enabling role in international marketing strategy implementation. It supports the programme and process delivery and also provides opportunities for creativity that allow innovative firms to gain competitive advantage.

Readers should realise that these groupings of chapter topics within parts are primarily to provide a clear structure and layout for the book. In practice, however, there is considerable overlap between analysis, strategy development and implementation topics. For example, product strategy and market entry are considered by organisations in some situations to be implementation issues, and technology might be used to support analysis, set the overall international marketing strategy or support implementation.

Chapters

After a brief introduction to each chapter the learning objectives for the chapter are set out: these should provide the focus for study. To help to reinforce the learning and encourage the reader to explore the issues more fully the chapters contain a number of additional aids to learning.

Illustrations

The illustrations that have been provided are not present just to reinforce a key issue or learning point that has been discussed within the chapter: the questions that have been added are intended to enable the reader to reflect upon the deeper and broader implications too and thus provide a further opportunity for discussion. Our aim is that the settings for the illustrations be as diverse as possible, geographically, culturally, by business sector, size and type of organisation, in order to try to help the reader consider the situations described from alternative perspectives.

Dilemmas

The dilemmas included emphasise the point that there are few simple and straightforward management decisions in international marketing. Organisations and

managers often face difficult problems that require a decision. The dilemmas within a chapter provide the opportunity for the reader to identify those factors that should be taken into account in coming to the decision and, hopefully, consider rather more creative ideas that lead to decisions and solutions that add greater value.

Case studies

The case studies provide the opportunity for the reader to carry out more comprehensive analysis of key chapter topics before deciding what strategic decisions or plans should be made. These short cases provide only limited information and, where possible, readers should obtain more information on the case study subject from appropriate websites in order to complete the tasks. The reader should start with the questions that have been supplied in order to help guide the analysis or discussion. After this, however, the reader should think more broadly around the issues raised and decide whether these are indeed the right questions to ask and answer. International markets change fast and continuously and new factors that have recently emerged may completely alter the situation.

Integrative learning activities

At the end of each of the three parts of the book we have included an Integrative Learning Activity. Their purpose is to integrate the four chapters that make up each of the parts. More importantly, however, is that as a whole the three activities provide a framework for planning an international marketing strategy and give the opportunity for readers to consider the practical issues involved in developing, planning and implementing an outline international marketing strategy. The objective of these activities is to provide a vehicle through which the reader is able to develop practical skills in research, analysis, evaluation and strategy development. In completing these activities you will need to synthesise the various strands and themes explored throughout the book and apply them to a practical situation.

Web support

The textbook is fully supported by the accompanying website that can be found at www.cengage.co.uk/doole5. This enables students and lecturers to access a number of resources in order to explore the subject further. Lecturers can use the site to access valuable online teaching resources, including a full set of PowerPoint slides to accompany the text and hints and tips on how to use the case studies, illustrations etc. in a classroom situation. Students are able to access learning resources to accompany the textbook and hotlinks to other websites that may be useful in exploring the cases and illustrations in the text.

ID, RL

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Inevitably, in the task of writing this textbook we have had help, support and valuable contributions from many people. We would especially like to thank our colleagues from Sheffield Hallam University and other universities who have contributed a number of case studies and illustrations.

We are indebted to our students from many countries, the managers of many businesses in South Yorkshire, who have freely given their time to share their expert knowledge of international niche marketing, and managers in many larger companies, including IBM and Shell, who have discussed with us the challenges they face in global marketing. Over the years they have all helped to shape and influence our view of international marketing strategy.

The team at Cengage Learning have always encouraged us and we are grateful for their professionalism in turning the manuscript into its finished form.

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WALK THROUGH TOUR

CHAPTER 1

AN INTRODUCTION TO INTERNATIONAL MARKETING

INTRODUCTION

Managers around the globe are recognising the increasing necessity for their companies and organisations to develop the skills, aptitudes and knowledge to compete effectively in international markets.

The emergence of a more open world economy, the globalisation of consumer tastes and the unabated expansion of internet access globally all increase the interdependency and interconnections of nation economies across the globe. The need for managers to develop the skills to respond to these pressures affects companies of all sizes.

In this chapter, the reader will be introduced to the concepts of international marketing, enabling them to acquire an appreciation of the complexities of marketing on an international basis and of how this activity differs from operating purely in domestic markets. In the following sections we will define international marketing, examine the important trends in the global marketing environment and introduce the reader to the international marketing strategy development and international marketing planning process.

LEARNING OBJECTIVES

After reading this chapter you should be able to:

- Explain and use the STEEP factors to assess international markets
- Discuss the differences between export marketing, international and global marketing
- Understand the criteria required to evaluate a company's international marketing strategy
- Appreciate the key steps in the international marketing planning process

3

Learning objectives Listed at the start of each chapter, highlighting the key concepts covered in that chapter.

SUMMARY

- The increase in global business activity has resulted from a number of drivers in the environment, particularly through technological developments. Clearly it is communications and information technology that have had the greatest effect on creating a global marketplace. Firms have also accelerated the move towards greater globalisation by developing a worldwide presence and strategy, and offering similar products and services.
- To exploit global markets firms have developed appropriate strategies for their particular situation. These range from multi-domestic strategies, in which each market is seen as separate and individual, through to globally standardised strategies in which the firm has identified one global segment with similar needs. In practice, the largest firms are too complex for one simple strategy to be appropriate and so they use a combination of different strategies to build global efficiency, local effectiveness and knowledge assets.
- In the past global trade has been dominated by MNCs from developed countries, but now companies from emerging markets that have built their capability and resources in the domestic market, are becoming global players investing in developed countries too. The competitive advantage that they have built in their home market must then be tested in the global marketplace.
- To succeed globally firms must build global appeal through globally recognised brands, but also innovate as the basis of competitive advantage in many industries changes constantly.
- An increasingly common feature of transnational strategies is the greater level of cooperation between firms that would otherwise be competitors, customers or suppliers.
- To enable managers to set and control the operations of the business an appropriate organisation structure is needed. International managers must also be able to recruit and develop the right staff that will have the skills necessary to deal with the complexity, diversity and conflicting challenges of global business development.

KEYWORDS

Competitive advantage	Global reach	Organisation structure
Control	Global sourcing	Globalisation
Global appeal	International manager	Standardisation/adaptation
Global brand	Market access	Transnationality
Global presence	Mergers of equals	World Wide Web

CASE STUDY

Conglomerate breaks out from India

Over the last two decades multinationals from developed countries have focused on their core activities where there appeared to be the most attractive global market opportunities. For many firms this has meant withdrawing from sectors by selling off unwanted parts of the business. The conglomerate model, in which hundreds of often disparate businesses are held

in an organisation that perhaps resembles a private equity fund, is not so common in developed countries but it still flourishes in emerging markets, and there are a number of examples in India and China. The activities that have found these businesses together in the conglomerate model in the past have often been manufacturing or international trading. Western multinationals, however, seem to have focused on global branding and marketing, and outsourcing manufacturing wherever possible.

and faster to apply questionnaires to existing and potential customers around the world by using the Internet. Customer behaviour can be monitored on websites by tracking navigation through the site to provide new insights, thought processes and predict likely purchasing intentions.

The Internet provides some negative information as well, from blogs and social networking sites, as Dilemma 12.2 shows. Firms can suffer considerable damage at the hands of such sites and Dell suffered badly in 2005, prompting the company to set up its own blog, www.dellzone.com to try to explain and counteract the damage.

As we discussed in Part 1, organisations are collecting this type of information in a much more systematic way. For example, Procter & Gamble and Unilever have a database of observed behaviour accessible to staff worldwide through an intranet.

The impact of technology on international strategy development

For some firms their international marketing strategy is inextricably linked to technology either because of the nature of the business, in the case of firms such as IBM, Microsoft and Acer, or because it is the route to market in the case of Expedia, Dell and CDNow.

DILEMMA 12.2

Social networking sites can make or break product marketing

Social networking is having a significant effect on the way that consumers now search for information about products and services they wish to buy. Consequently, this has implications for the international marketing strategies of firms.

Research by Yahoo in 2006 showed that 77 per cent of consumers are influenced by Internet research and on average customers spend 12 hours researching a potential purchase online but 15 hours on research of more expensive products, such as a holiday.

Increasingly significant in acting as sources of information are social networking websites such as MySpace, iStock, Newsline and StumbleUpon, which rely on users to create content by sending in their own stories or links to stories they have found on the Web. Users vote for the stories they most like and add their own content. The most voted for stories end up on the front page, where they attract more attention and so the snowball effect continues.

While on the one hand complainers from the US on the Digg website, a site claiming 20 million visitors per month, were saying that 'Steve Jobs and Apple don't produce good tech, they produce good marketing', other contributors were more positive. Suman Dyalal, an 18-year-old from Pune, India was observing that Apple's computers and iPods were revolutionary products. Dyalal has 500 'friends' who took his Apple stories, so any recommendations he makes carry

500 votes and this provides a good start towards getting a story on the front page. The different aspect of this type of site from other sites, such as Google and Yahoo, that also aggregate stories is that they rank stories and also recognise the social nature of their users and that some are regarded as opinion formers.

There are many implications for marketing. For example, a casual remark by a senior company executive will be passed on by users. When he dismissed a rival product, VW, as an impulse buy, a Sony senior executive attracted 270 comments, generally criticising Sony as arrogant and complaining about the high cost of Sony products. It is clear that some individual stories may seem insignificant but they add up.

In 2005 a Blogger and media commentator, Jeff Lein, complained about his problems with online computer seller, Dell, and this triggered an avalanche of similar complaints which led to a drop in Dell's share price. This does not illustrate the power the Internet gives to one person, rather it provides a focus for many similar individual complaints from other users to gather together.

Of course, marketing companies may see the opportunity to exploit the grass roots marketing by providing the 'seed' stories, but the risks if they were to do so are potentially huge because of the backlash if consumers found out. They see these websites as their own and not part of traditional media, and object if they are invaded by big marketing firms.

The dilemma is how can firms use social networking websites for their advantage without alienating the users?

Dilemmas International marketing dilemmas and associated questions are located throughout the text and provide a forum for classroom and tutorial discussion.

SUMMARY

- The increase in global business activity has resulted from a number of drivers in the environment, particularly through technological developments. Clearly it is communications and information technology that have had the greatest effect on creating a global marketplace. Firms have also accelerated the move towards greater globalisation by developing a worldwide presence and strategy, and offering similar products and services.
- To exploit global markets firms have developed appropriate strategies for their particular situation. These range from multi-domestic strategies, in which each market is seen as separate and individual, through to globally standardised strategies in which the firm has identified one global segment with similar needs. In practice, the largest firms are too complex for one simple strategy to be appropriate and so they use a combination of different strategies to build global efficiency, local effectiveness and knowledge assets.
- In the past global trade has been dominated by MNCs from developed countries, but now companies from emerging markets that have built their capability and resources in the domestic market, are becoming global players investing in developed countries too. The competitive advantage that they have built in their home market must then be tested in the global marketplace.
- To succeed globally firms must build global appeal through globally recognised brands, but also innovate as the basis of competitive advantage in many industries changes constantly.
- An increasingly common feature of transnational strategies is the greater level of cooperation between firms that would otherwise be competitors, customers or suppliers.
- To enable managers to set and control the operations of the business an appropriate organisation structure is needed. International managers must also be able to recruit and develop the right staff that will have the skills necessary to deal with the complexity, diversity and conflicting challenges of global business development.

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in an organisation that perhaps resembles a private equity fund, is not so common in developed countries but it still flourishes in emerging markets, and there are a number of examples in India and China. The activities that have found these businesses together in the conglomerate model in the past have often been manufacturing or international trading. Western multinationals, however, seem to have focused on global branding and marketing, and outsourcing manufacturing wherever possible.

KEYWORDS

Asian Free-Trade Area
Association of South East Asian Nations
Balance of payments
Comparative advantage
Copenhagen criteria
Doha Round

Economic and Monetary Union
Exchange Rate Mechanism
Free-Trade Area of the Americas
Hard currency
International Development Association
International Monetary Fund
International product life cycle

Measures
Non-tariff barriers
Single European Market
Tariff
Trade deficit
Trading blocs
World Bank

CASE STUDY

Should governments support domestic companies investing in foreign markets?

As well as trying to protect domestic markets, governments try to help domestic companies export to international markets. They regard this as important because companies that trade successfully on international markets tend to be more profitable and innovative. This in turn means that they generate more wealth, employ more people and pay more tax to their governments.

The UK provides support to businesses trying to trade overseas through an organisation called UK Trade and Investment (UKTI) which has offices in the UK and in embassies and Consulate Offices throughout the world. Until recently support has focused on providing subsidies to travel overseas and to attend overseas trade fairs. The staff based in UKTI offices around the world carry out market research on behalf of UK companies to identify whether there is demand in the foreign market and to provide lists of contact, possible agents etc. They also help open doors for companies, particularly to senior politicians and senior managers in the markets being investigated.

With the advent of cheap travel, the significant amounts of information available on the internet and a rapid increase in consultants providing specialist support overseas, the focus of the support of UKTI has shifted to working with companies to build knowledge and skills so they are able to be more professional in their approach to international business and reduce the risk of costly mistakes, such as:

- A fireworks company in the UK won a major contract in Hong Kong. The company employed 13 staff all year and a few more at the peak sales period just prior to the British Guy Fawkes night on 5 November when traditionally there are a lot of fireworks displays. The Hong Kong contract was their first overseas sale and required a major up-front investment in materials by the company to fulfil the order. Rather than arrange payment in advance or ensure they got paid on delivery, they dispatched the

fireworks and simply waited for the money to arrive. When it didn't they ran out of cash and were closed by the bank.

- A major PLC was used to Letters of Credit (a way of ensuring prompt payment) taking 9 months to be paid. A chance conversation between the Finance Director and a bank manager led them to train the staff and reduce the payment to 1 month. They had £14 million in outstanding letters of credit – just think how much extra cash they now have.

- A sausage manufacturer sent a large consignment of sausages to the USA. Sadly they hadn't received approval from the US Food and Drug Administration which controls food quality in the USA. They had to pay to have the sausages quarantined and returned.

These kind of things happen every week, all of them hugely costly to the companies and entirely avoidable.

The role of the government support agencies is therefore primarily to ensure that companies reduce risk in international business by being fully prepared.

Outward investment

Traditionally governments have primarily been concerned with helping companies reduce risk when trading overseas by learning the basics of international trading. The examples outlined above are problems which could be avoided with basic training. Of course once you understand the basics and you have put them into practice by trading with one country you can do the same in another.

Another very high-risk activity is when companies make investments overseas for the first time. However, public support agencies such as UKTI provide little support for this area of activity.

Investing overseas for the first time is often far more risky than trading overseas because companies are investing a lot of time and money in developing a business presence

Summary Featured at the end of every chapter, the summary captures the key issues in each chapter, helping you to assess your understanding and revise key content.

Keywords Highlighted throughout the book where they first appear, and alerting you to core concepts and techniques. Listed at the end of every chapter and emboldened within the text.

- **Subsidies to help native industries.** When the US announced increased wheat subsidies to US farmers, they outraged the Australian and Canadian wheat farmers who saw it as a direct attack on their international markets. Without comparable government support, they felt they were unable to compete with US wheat in these markets.
- **Building expertise in certain key areas.** This is another way to achieve comparative advantage. The Japanese identified biotechnology as a key area where they have comparative strength and so have targeted it as a priority research area.
- **Some countries use international trade to buy in a comparative advantage, buying in highly developed products and so speeding up their development.** Porter (1990) suggests that countries can build a national advantage through four major attributes:
 - **Factor conditions:** the nation's position in factors of production such as skilled labour or infrastructure necessary to produce.
 - **Demand conditions:** the nature of demand in the home country.
 - **Related and supporting industries:** the presence or absence of supplier industries and related industries that are internationally competitive.
 - **Firm strategy, structure and rivalry:** the conditions in the nation governing how companies are created, organised and managed and the nature of domestic rivalry.

ILLUSTRATION 2.1

The comparative advantage of China and India

In a report published 2006 by the OECD listing the world's 250 largest technology firms, measured by revenue, companies from China, Hong Kong and India appeared for the first time and the number from Taiwan more than doubled. The figures for China mark the fact that many Western companies have operations there, which is why they are now the world's largest exporter of technology goods. Conversely, China is now the sixth-largest buyer of hi-tech goods and services in the world.



PHOTO CREDIT: KEVIN ROY/SHUTTERSTOCK

by 2010 it will be in third place, behind America and Japan. China and India make an interesting contrast in their technological development. They have roughly the same population, but China spends 2.5 times as much on technology as India does. It is the world's largest mobile phone market, and the second-largest market for PCs. China had almost 170 million internet users compared with 51 million in India, and China has 480 million mobile phone users, versus 120 million in India. The two countries are adopting technology at different paces and in different ways.

A further difference is that China's manufacturing strength means hi-tech gear is available locally at low cost, whereas India must import it. India has focused more on software and services, which can be delivered via networks without bureaucratic interference, unlike China which has focused on competing in physical goods. However, India is seen as playing an invaluable role in the global innovation chain. Motorola, Hewlett-Packard, Cisco Systems, Google and other tech giants now rely on their Indian teams to develop software platforms and the tech hubs in such places as Bangalore. These companies are 'spawning' companies producing their own chip designs, software, and pharmaceuticals at an exhilarating pace of innovation.

QUESTION Compare and contrast the alternative strategies of China and India to build a comparative advantage.

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footwear and simply waited for the money to arrive. When it didn't they ran out of cash and were closed by the bank.

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Illustrations Illustrative real-life examples are featured throughout the text, showing international companies' marketing strategies, accompanied by a question.

global ambitions of their own and do not want to be constrained by a global multinational partner who may want to curtail these ambitions. The joint venture partners frequently argued about the allocations of profits and decisions on investments.

China itself has also changed having become a member of the World Trade Organisation it had to agree to be more open legally. As the domestic economy grew more rapidly than any one expected domestic capital was freely available, with the result that there was little need for money from foreign investors. As the Chinese market became one of the most attractive in the world and sentiment in China became more nationalistic and self-reliant the balance of power shifted between the Chinese and foreign partners, and providing access to China for foreign partners was of much less interest. While Wahaha originally knew little about business and welcomed a partner, it now is aware of all the attractive possibilities and it objects to the fact that it must clear plans with its foreign majority owner before going ahead, especially as Danone is pursuing alternative strategies in China through its joint ventures with other Chinese companies. Even worse, Danone wants full ownership of the firm. Things came to a head when Danone eventually realised that Wahaha was operating a parallel firm, marketing similar products. The companies are involved in an acrimonious public dispute. HSBC's problems are the result of success. Bank of Communications' assets have grown so much that it has now been included in the Chinese government's list of powerful

banks that it will not allow to be taken over. HSBC has responded by pursuing local incorporation, something only recently allowed, and made investments in the Bank of Shanghai and Ping An, an insurance firm, but these are far less attractive options.

A smaller number of firms that had a better understanding of the situation were able to legally end their joint ventures without too much pain. Unilever shut down more than a dozen joint ventures and Coca-Cola and Starbucks bought out their Chinese partners.

The moral of this experience confirms conventional wisdom about forming joint ventures – to ensure the joint ventures will be successful the most careful planning should focus on how to end them.

QUESTIONS

1. What are the factors that a multinational firm should consider when deciding to use a joint venture as a market entry strategy for a developing country? What are the potential benefits and risks in taking this course of action?
2. Develop an outline international marketing strategy for a joint venture between Danone, a French multinational food company, and a food producer from a developing country. Explain which companies would be responsible for providing the leadership and decision-making for the various activities detailed.

DISCUSSION QUESTIONS

1. Outline the market entry methods and the levels of involvement associated with the development of a company's globalisation process from initial exporting through to becoming a global corporation. Specify what you consider to be the important criteria in deciding the appropriate entry method.
2. Selecting the market entry strategy is the key decision many companies have to take in expanding into overseas markets because it involves both risk and levels of control. Using examples to illustrate your answer, explain how risk and control are affected by different entry methods.
3. International marketing of intellectual property, such as technological innovations, creative works, the performing arts and consultancy power, particular challenges for market entry. Using examples to illustrate your answer, explain what the particular challenges might be and what criteria might be used for selecting an appropriate strategy.
4. Why is acquisition often the preferred way to establish wholly-owned operations abroad, and what are its limitations as an entry method?
5. Projects that involve large amounts of development money are sometimes undertaken through a strategic alliance. Explain the rationale behind this form of global partnering and outline the major advantages and disadvantages of the arrangement.

Case studies A longer and in-depth case study is provided at the end of every chapter. They draw upon real-world companies and help to demonstrate theory in practice. Each case is accompanied by questions to test the reader's understanding.

INTEGRATIVE LEARNING ACTIVITY 1

INTERNATIONAL MARKETING PLANNING: ANALYSIS

Introduction

In this activity we explore the issues facing a Chinese company that is trying to develop a global marketing strategy which will then explore the international marketing opportunities they have identified.

As a medium-sized enterprise, Li Ning faces issues as to how he should internationalise and how quickly. Perhaps most important at this stage he needs to develop a thorough understanding of the complexities of the international marketing environment in which he is competing and decide how to segment the global market, which segment he should target, and how to develop a positioning strategy to achieve competitive leverage. Increasing global competition in this market necessitates greater innovation not just in products and services, but in all aspects of the operation of the firm. To understand such issues we need to build the skills to research, analyse and evaluate how such factors impact international strategy development. We hope the reader will develop these skills in this activity.

Learning objectives

- On completing this activity the reader should be able to:
 - Identify and analyse international market opportunities
 - Use appropriate conceptual frameworks to develop a positioning strategy
 - Identify sources of information, methods of information collection and methods of information analysis suitable for international marketing operations

The scenario: Li Ning

China's best known gymnast, Li Ning, won three gold medals at the 1984 Olympics but he rather regretted the fact that he was not able to wear Chinese labelled sportswear because the sector was dominated by foreign-owned sports goods. His solution was to set up his own sports goods company, Li Ning Sports Goods Company. The company has now grown to become the largest sports goods company in China with a turnover of 3,100 million Chinese yuan (RMB) (£541 million) and now dominates the Chinese sports apparel, with a bigger share than companies such as Nike and Reebok. The group has established an extensive distribution and retail network throughout China and has 4,297 stores. In 2005 Li Ning formed a joint venture with AGILE whereby they now have the exclusive right to manufacture, market and distribute AGILE sports products in China for the next 50 years.

The Chinese market environment

Since China joined the World Trade Organisation many Chinese tariff and other trade barriers have reduced, allowing sports goods companies from the West, such as Nike and Adidas, to compete more strongly in China, but Li Ning has fought back by building its own brand and promoting its products.

The firm is also very aware of Chinese customer attitudes to sport. Only 15 per cent of people aged 15–35 from the Chinese mainland play sports regularly compared to 50 per cent in the US. However, this is now starting to change. With greater leisure time and spending power than ever before, Chinese people have developed a national obsession with sports and leisure activities. This in turn has led to a boom in the number

Discussion questions Short discussion questions appear at the end of every chapter. This feature encourages readers to review and/or critically assess their understanding of the main topics covered in the chapter.

Integrative learning activities A series of in-depth learning activities is presented at the end of each part. Each one integrates the four chapters of the associated part.

ACCOMPANYING WEBSITE

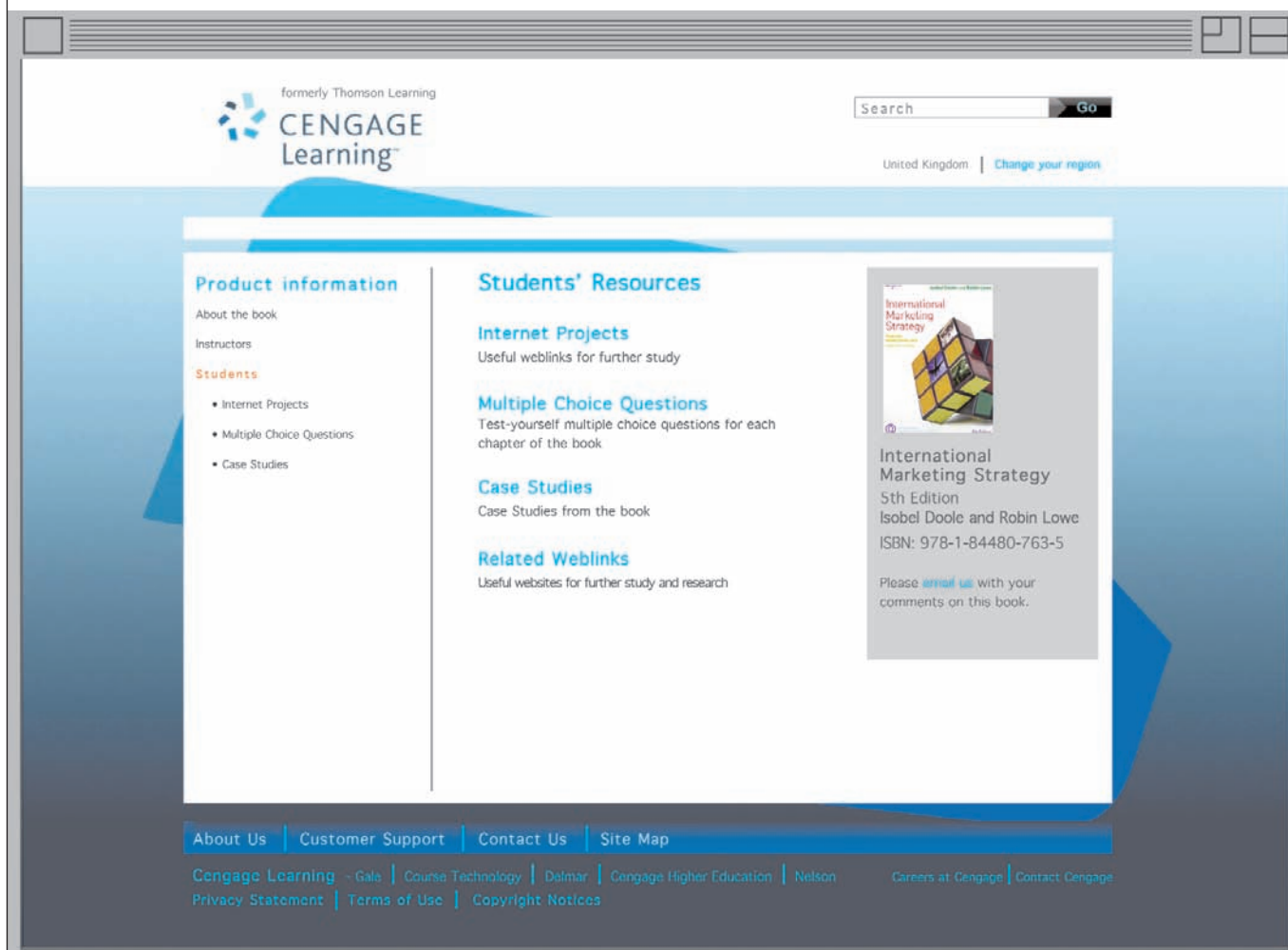
Visit the International Marketing Strategy accompanying website at **www.cengage.co.uk/doole5** to find further teaching and learning material including:

FOR STUDENTS

- Internet projects
- Multiple choice questions for each chapter
- Case Studies and accompanying questions from the text
- Related weblinks

FOR LECTURERS

- Instructor's Manual – including teaching notes, how to use the text and answers to the questions within the text
- Downloadable PowerPoint slides
- Case Study teaching notes to accompany cases within the text
- Additional Case Study Material from the fourth edition with full commentaries to use as a teaching aid – ideal for classroom and tutorial discussion
- Cases and notes from the previous edition



PART 1 ANALYSIS

AIMS AND OBJECTIVES

Knowledge and an understanding of the markets in which companies operate are important for all business activities. In international markets, because of geographical distances and the complexities of operating in a number of disparate markets where risk and uncertainty are high, the need for knowledge and understanding becomes of paramount importance. It is this issue that is central to Part 1 of this book. The chapters in this section concentrate on helping the reader generate a greater understanding of the concepts of the international marketing process and the international environment within which companies operate. It aims to extend the range of understanding in order to enable the reader to deal with international marketing situations and to develop the skills to analyse and evaluate non-domestic markets, which in turn will enable their firms to compete effectively in world markets.

In Chapter 1 we focus on the international marketing environment. The book uses the SLEPT approach to understanding the complexities of the environmental influences on international marketing, thus enabling the reader to acquire an appreciation of the complexities of marketing on an international basis. We examine what is meant by international marketing and introduce the reader to the international market planning process. We also examine the reasons for success and failure in international marketing strategies and the characteristics of best international marketing practice.

In Chapter 2 the focus is on gaining an understanding of the international trading environment. We first examine, at a macro level, the development of international trading structures and the changes in trading patterns, as well as reviewing the major international bodies formed to foster world trade. The evolution of trading regions is analysed and the implications to international marketing companies assessed.

In Chapter 3 we take a fairly detailed look at the social and cultural influences in international marketing. The components of culture are



- 1 An introduction to international marketing
- 2 The international trading environment
- 3 Social and cultural considerations in international marketing
- 4 International marketing research and opportunity analysis

examined together with the impact of these components on international marketing. We then look at how cultural influences impact on buyer behaviour across the globe both in consumer markets and in business-to-business markets and discuss methods that can be used to analyse cultures both within and across countries.

In Chapter 4 the focus is on the identification and evaluation of marketing opportunities internationally. Segmentation of international markets is discussed, and how to prioritise international opportunities. The marketing research process and the role it plays in the development of international marketing strategies are also examined. The different stages in the marketing research process are discussed, with particular attention being paid to the problems in carrying out international marketing research in foreign markets and coordinating multi-country studies.



CHAPTER 1

AN INTRODUCTION TO INTERNATIONAL MARKETING

INTRODUCTION

Managers around the globe are recognising the increasing necessity for their companies and organisations to develop the skills, aptitudes and knowledge to compete effectively in international markets.

The emergence of a more open world economy, the globalisation of consumer tastes and the unabated expansion of Internet access globally all increase the interdependency and interconnections of nation economies across the globe. The need for managers to develop the skills to respond to these pressures affects companies of all sizes.

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LEARNING OBJECTIVES

After reading this chapter you should be able to:

- Explain and use the SLEPT factors to assess international markets
- Discuss the differences between export marketing, international and global marketing
- Understand the criteria required to evaluate a company's international marketing strategy
- Appreciate the key steps in the international marketing planning process

THE STRATEGIC IMPORTANCE OF INTERNATIONAL MARKETING

Last year's **international trade** in merchandise exceeded US\$10.5 trillion and world trade in services is estimated at around US\$2.4 trillion. Whilst most of us cannot visualise such huge amounts, it does serve to give some indication of the scale of international trade today.

This global marketplace consists of a population of 6.6 billion people which is expected to reach 10 billion by 2050 according to the latest projections prepared by the United Nations.

Global wealth is increasing and this is reflected in higher demand. Increasing affluence and commercial dynamism has seen nations across Asia, Central and Eastern Europe emerge as high growth economies. Increasing affluence and demand simply means that consumers will actively seek choice, with the result that globally competition is intensifying as companies compete to win the battle for disposable income.

Population growth and increased affluence together have helped create a '**global youth culture**' – teenagers now account for 30 per cent of the population globally. In many countries, more than half the population is pre-adult, creating one of the world's biggest single markets, the youth market. Everywhere adolescents project worldwide cultural icons, Nike, Coke, Gap and Sony Walkman, as well as Sega, Nintendo and the Sony Playstation. When 'virtual reality' is commonplace, the one-world youth culture market will exceed all others as a premier global market segment. Parochial, local and ethnic growth products may face difficult times.

Older consumers are also increasingly non-national in their identity, if not in their personal identity then from the perspective of the consumable fabric of their lives. They drive international cars, take foreign holidays, watch international programmes on television, use international hardware and software. On the supply side, multinational and global corporations are increasing in size and embracing more global power. The top 500 companies in the world now account for 70 per cent of **world trade** and 80 per cent of international investment. Total sales of multinationals are now in excess of world trade, which gives them a combined gross product of more than some national economies.

To strategically position themselves for global competitiveness, companies are consolidating through mergers, acquisitions and alliances to reach the scale considered necessary to compete in the global arena. At the same time, there is a trend towards global standardisation, as companies strive for world standards for efficiency and productivity. In Europe last year mergers and acquisitions were worth US\$ 1.59 trillion, in the USA \$1.54 trillion. The Indian company Tata took over Corus making them the world's largest steel producer, overtaking Mittal (Dutch) who in the same year took over Acelor of Luxembourg. In Germany e.ON bid for Endesa of Spain. GSK have a number of global alliances in the pharmaceutical market, creating the world's largest research-based pharmaceutical company. Such trends can also be seen in the service sector. In the US, Morgan Stanley and Dean Witter merged to offer global investment as well as global private banking and credit card services. There has also been an increase in the number of joint ventures and international strategic alliances to compete in mature markets. Xerox entered into a joint venture with Fuji to consolidate their global position and the Siemens and Fujitsu joint venture is now the only computer hardware company in Europe following the global consolidation of that sector.

The global marketplace is no longer the summation of a large number of independent country markets but much more multilateral and interdependent, economically, culturally and technically. Information moves anywhere in the

world at the speed of light, the ease of transmission being facilitated by the convergence of long distance telecoms, cuts in the cost of electronic processing and the exponential growth in Internet access.

The combination of all these forces has meant that all companies need to develop a marketing orientation which is international in nature and that companies need managers who have the skills to analyse, plan and implement strategies across the globe. It is for these reasons that international marketing has become such a critical area of study for managers and an important component of the marketing syllabus of business faculties in universities.

So perhaps now we should turn our attention to examining exactly what we mean by international marketing.

What is international marketing?

Many readers of this textbook will have already followed a programme of study in marketing but, before explaining what we mean by international marketing, let us reflect for a few moments on our understanding of what is meant by marketing itself. The Chartered Institute of Marketing defines marketing as the 'Management process responsible for identifying, anticipating and satisfying customer requirements profitably'. Thus marketing involves:

- focusing on the needs and wants of customers
- identifying the best method of satisfying those needs and wants
- orienting the company towards the process of providing that satisfaction
- meeting organisational objectives.

In this way, it is argued, the company or organisation best prepares itself to achieve competitive advantage in the marketplace. It then needs to work to maintain this advantage by manipulating the controllable functions of marketing within the largely uncontrollable marketing environment made up of SLEPT factors: i.e. Social, Legal, Economic, Political and Technological.

How does the process of international marketing differ? Within the international marketing process the key elements of this framework still apply. The conceptual framework is not going to change to any marked degree when a company moves from a domestic to an international market; however, there are two main differences. First, there are different levels at which international marketing can be approached and, second, the uncontrollable elements of the marketing environment are more complex and multidimensional given the multiplicity of markets that constitute the global marketplace. This means managers have to acquire new skills and abilities to add to the tools and techniques they have developed in marketing to domestic markets.

International marketing defined

At its simplest level, international marketing involves the firm in making one or more marketing mix decisions across national boundaries. At its most complex, it involves the firm in establishing manufacturing/processing facilities around the world and coordinating marketing strategies across the globe. At one extreme there are firms that opt for 'international marketing' simply by signing a distribution agreement with a foreign agent who then takes on the responsibility for pricing, promotion, distribution and market development. At the other extreme, there are huge global companies such as Ford with an integrated network of manufacturing plants worldwide and who operate in some 150 country markets. Thus, at its most complex, international marketing becomes a process of managing on a global

scale. These different levels of marketing can be expressed in the following terms:

- Domestic marketing, which involves the company manipulating a series of controllable variables such as price, advertising, distribution and the product/service attributes in a largely uncontrollable external environment that is made up of different economic structures, competitors, cultural values and legal infrastructure within specific political or geographic country boundaries.
- International marketing, which involves operating across a number of foreign country markets in which not only do the uncontrollable variables differ significantly between one market and another, but the controllable factors in the form of cost and price structures, opportunities for advertising and distributive infrastructure are also likely to differ significantly. It is these sorts of differences that lead to the complexities of international marketing.
- Global marketing management, which is a larger and more complex international operation. Here a company coordinates, integrates and controls a whole series of marketing programmes into a substantial global effort. Here the primary objective of the company is to achieve a degree of synergy in the overall operation so that by taking advantage of different exchange rates, tax rates, labour rates, skill levels and market opportunities, the organisation as a whole will be greater than the sum of its parts.

This type of strategy calls for managers who are capable of operating as international marketing managers in the truest sense, a task which is far broader and more complex than that of operating either in a specific foreign country or in the domestic market. In discussing this, Sarathy *et al.* (2006) comment that 'the international marketing manager has a dual responsibility; foreign marketing (marketing within foreign countries) and global marketing (co-ordinating marketing in multiple markets in the face of global competition)'.

Thus, how international marketing is defined and interpreted depends on the level of involvement of the company in the international marketplace. International marketing could therefore be:

- **Export marketing**, in which case the firm markets its goods and/or services across national/political boundaries.
- **International marketing**, where the marketing activities of an organisation include 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. Sometimes markets are typically perceived to be independent and a profit centre in their own right, in which case the term multinational or multidomestic marketing is often used.
- **Global marketing**, in which the whole organisation focuses on the selection and exploitation of global marketing opportunities and marshals resources around the globe with the objective of achieving a global competitive advantage.

The first of these definitions describes relatively straightforward exporting activities, numerous examples of which exist. However, the subsequent definitions are more complex and more formal and indicate not only a revised attitude to marketing but also a very different underlying philosophy. Here the world is seen as a market segmented by social, legal, economic, political and technological (SLEPT) groupings.

In this textbook we will incorporate the international marketing issues faced by firms, be they involved in export, international or global marketing.

For all these levels the key to successful international marketing is being able to identify and understand the complexities of each of these SLEPT dimensions

of the international environment and how they impact on a firm's marketing strategies across their international markets. As in domestic marketing, the successful marketing company will be the one that is best able to manipulate the controllable tools of the marketing mix within the uncontrollable environment. It follows that the key problem faced by the international marketing manager is that of coming to terms with the details and complexities of the international environment. It is these complexities that we will examine in the following sections.

THE INTERNATIONAL MARKETING ENVIRONMENT

The key difference between domestic marketing and marketing on an international scale is the multidimensionality and complexity of the many foreign country markets a company may operate in. An international manager needs a knowledge and awareness of these complexities and the implications they have for international marketing management.

There are many environmental analysis models which the reader may have come across. For the purposes of this textbook, we will use the SLEPT approach and examine the various aspects and trends in the international marketing environment through the social/cultural, legal, economic, political and technological dimensions, as depicted in Figure 1.1.

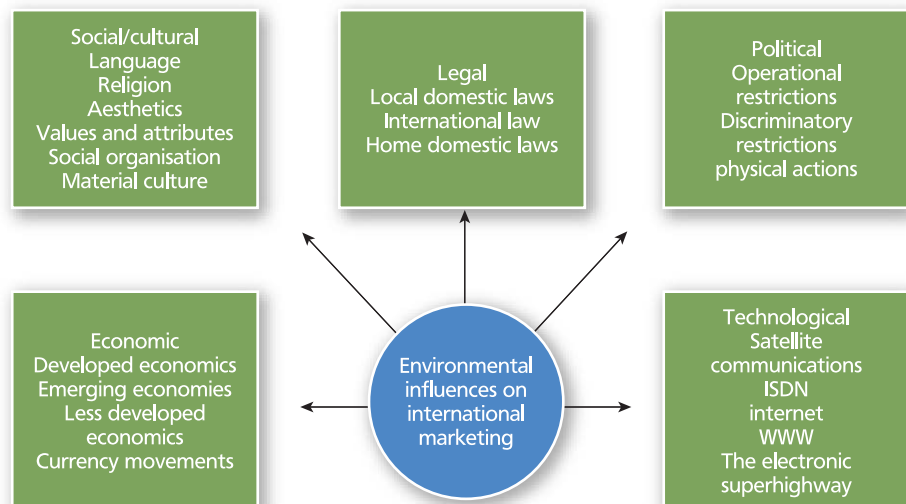
Social/cultural environment

The social and cultural influences on international marketing are immense. Differences in social conditions, religion and material culture all affect consumers' perceptions and patterns of buying behaviour. It is this area that determines the extent to which consumers across the globe are either similar or different and so determines the potential for global branding and standardisation.

A failure to understand the social/cultural dimensions of a market are complex to manage, as McDonald's found in India. It had to deal with a market that is 40 per cent vegetarian, had an aversion to either beef or pork among meat-eaters

FIGURE 1.1

The environmental influences on international marketing



and a hostility to frozen meat and fish, but with the general Indian fondness for spice with everything. To satisfy such tastes, McDonald's discovered it needed to do more than provide the right burgers. Customers buying vegetarian burgers wanted to be sure that these were cooked in a separate area in the kitchen using separate utensils and sauces like McMasala and McImli were developed to satisfy the Indian taste for spice. Interestingly however, these are now innovations they have introduced into other markets.

Cultural factors

Cultural differences and especially language differences have a significant impact on the way a product may be used in a market, its brand name and the advertising campaign.

Initially, Coca-Cola had enormous problems in China as Coca-Cola sounded like 'Kooke Koula' which translates into 'A thirsty mouthful of candle wax'. They managed to find a new pronunciation 'Kee Kou Keele' which means 'joyful tastes and happiness'.

Other companies who have experienced problems are General Motors whose brand name 'Nova' was unsuccessful in Spain ('no va' in Spanish means 'no go'). Pepsi Cola had to change its campaign 'Come Alive With Pepsi' in Germany as, literally translated, it means 'Come Alive Out of the Grave'. In Japan McDonald's character Ronald McDonald failed because his white face was seen as a death mask. When Apple launched the iMac in France they discovered the brand name mimicked the name of a well established brand of baby laxative – hardly the image they were trying to project.

Operating effectively in different countries requires recognition that there may be considerable differences in the different regions. Consider northern Europe versus Latin Europe, the northwest of the USA versus the south or Beijing and Taipei. At the stage of early internationalisation it is not unusual for Western firms to experience what appear to be cultural gaps with their counterparts in Latin America and Asian countries as well as in different regions of those countries. A campaign by Camay soap which showed a husband washing his wife's back in the bath was a huge success in France but failed in Japan, not because it caused offence, but because Japanese women viewed the prospect of a husband sharing such a time as a huge invasion of privacy.

On the other hand, some commentators argue there are visible signs that social and cultural differences are becoming less of a barrier. The dominance of a number of world brands such as Microsoft, Intel, Coca-Cola, McDonald's, Nike etc., all competing in global markets that transcend national and political boundaries, are testimony to the convergence of consumer needs across the globe. However, it is important not to confuse globalisation of brands with the homogenisation of cultures. There are a large number of global brands but even these have to manage cultural differences between and within national country boundaries.

There are also a number of **cultural paradoxes** which exist. For example, in Asia, the Middle East, Africa and Latin America there is evidence both for the westernisation of tastes and the assertion of ethnic, religious and cultural differences. There are more than 600 000 Avon ladies now in China and a growing number of them in Eastern Europe, Brazil and the Amazon (see Illustration 1.1).

In northern Kenya you may find a Samburu warrior who owns a cellular telephone. Thus, whilst there is a vast and, sometimes, turbulent mosaic of cultural differences, there are commentators who believe there is evidence that a global village is potentially taking shape which, as Kenichi Ohmae (2005) says, 'will be a nationless state marked by the convergence of customer needs that transcends political and cultural boundaries'.

The social/cultural environment is an important area for international marketing managers and we will return to this subject in a number of chapters where we examine the various aspects of its strategic implications. Chapter 3 is devoted to a full examination of the social and cultural influences in international marketing. In Chapter 5 we will examine the forces driving the global village and its strategic implication to companies across the world.

Social factors

Growth and movement in populations around the world are important factors heralding social changes. Eighty per cent of the world's population live in developing countries; by 2025 this is likely to reach 85 per cent. Two out of every five people live in China and India. However, whilst world population is growing dramatically, the growth patterns are not consistent around the world.

Over the next half century, Africa's population will almost treble. China's population will rise much more slowly from 1.2 billion to 1.5 billion. With a population of 1.53 billion people, India will have more inhabitants than China in 50 years' time. Europe is the only region where the population is expected to decline; any increase in population in high income countries is entirely due to migration.

There are also visible moves in the population within many countries, leading to the formation of huge urban areas where consumers have a growing similarity of needs across the globe. By 2010, 50 per cent of the world's population will live in urban areas: the world is moving into gigantic conurbations. The population of greater Tokyo is soon to be close to 30 million and Mexico City 20 million. Cities such as Lagos, Buenos Aires and Djakarta will soon outstrip cities such as Paris, London and Rome. In the year 2015, no European city will be in the top

ILLUSTRATION 1.1

The beautification of the ageing baby boomers

Analysts at Goldman Sachs estimate that the global beauty industry is worth about 100 billion US dollars a year and is growing at up to 7 per cent a year, more than twice the rate of the developed world's GDP. This growth is being driven by richer, ageing baby-boomers and increased discretionary income in the West, and by the growing middle classes in developing

countries. China, Russia and South Korea and Brazil are turning into huge markets. In India, sales of anti-ageing creams are growing by 40 per cent a year. Avon is expanding rapidly in Eastern Europe and Russia as well as in South America. Brazil now has more than 900 000 Avon ladies.

Global competition in the market is becoming increasingly intense. Unilever and Procter and Gamble, facing maturity in many of their traditional businesses, are devoting more resources to developing global beauty brands. Luxury product manufacturers such as Dior, Chanel and Yves St Laurent are moving into mainstream beauty products and many of the global giants are growing by buying up smaller brands. Japan's Kao have gone into the hair dye market by buying John Frieda while Estée Lauder has acquired Stila, MAC and Bobbi Brown, all of which are innovative and growing make-up brands.

The traditional global beauty brands established by such companies as L'Oréal, Elizabeth Arden and Helena Rubenstein are now having to fight hard in a global market where traditionally they have earned huge margins and enjoyed continuous growth for many years.

QUESTION Outline the reasons for the changing structure of the global beauty market.



30 and 17 of the world's mega cities of 10 million plus will be in emerging markets. This has powerful implications for international marketing. These cities will be markets in themselves. Urban dwellers require similar products (packaged conveniently and easy to carry). Similarly, they demand services, telephones and transportation of all kinds and modern visual communications. It also means, for the incoming company, that customers are accessible. They are identifiable and firms can communicate with them efficiently via supermarkets, advertising and other marketing communication tools. Table 1.1 shows the ten mega cities in the world forecast for 2015.

Legal environment

Legal systems vary both in content and interpretation. A company is not just bound by the laws of its home country but also by those of its host country and by the growing body of international law. Firms operating in the **European Union** are facing ever-increasing directives which affect their markets across Europe. This can affect many aspects of a marketing strategy – for instance advertising – in the form of media restrictions and the acceptability of particular creative appeals (see Illustration 1.2). Product acceptability in a country can be affected by minor regulations on such things as packaging and by more major changes in legislation. In the USA, for instance, the MG sports car was withdrawn when the increasing difficulty of complying with safety legislation changes made exporting to that market unprofitable. Kraft Foods sell a product called Lifesavers, which are very similar to the Nestlé Polo brand, in many countries. Using EU law, Nestlé attempted to stop the sale of Lifesavers in the EU purely to protect their market share.

It is important, therefore, for the firm to know the legal environment in each of its markets. These laws constitute the 'rules of the game' for business activity. The legal environment in international marketing is more complicated than in

TABLE 1.1 The world's ten mega cities in 2015

<i>City</i>	<i>Country</i>	<i>Population (millions)</i>
Tokyo	Japan	26.4
Mumbai	India	26.1
Lagos	Nigeria	23.2
Dhaka	Bangladesh	21.1
Sao Paulo	Brazil	20.4
Karachi	Pakistan	19.2
Mexico City	Mexico	19.2
New York	USA	17.4
Jakarta	Indonesia	17.3
Calcutta	India	17.3

domestic markets since it has three dimensions: (1) local domestic law; (2) international law; (3) domestic laws in the firm's home base.

- **Local domestic laws.** These are all different! The only way to find a route through the legal maze in overseas markets is to use experts on the separate legal systems and laws pertaining in each market targeted.
- **International law.** There are a number of international laws that can affect the organisation's activity. Some are international laws covering piracy and hijacking, others are more international conventions and agreements and cover items such as the International Monetary Fund (IMF) and World Trade Organisation (WTO) treaties, patents and trademarks legislation and harmonisation of legal systems within regional economic groupings, e.g. the European Union.
- **Domestic laws in the home country.** The organisation's domestic (home market) legal system is important for two reasons. First, there are often export controls which limit the free export of certain goods and services to particular marketplaces, and second, there is the duty of the organisation to act and abide by its national laws in all its activities, whether domestic or international.

It will be readily understandable how domestic, international and local legal systems can have a major impact upon the organisation's ability to market into

ILLUSTRATION 1.2



PHOTO CREDIT: CUBOIMAGES SRL/ALAMY

When is a Parma ham not a Parma ham?

The European Court of Justice has decided that it is illegal for the world-famous Parma ham to be sliced and packaged outside the Italian region that gives Parma ham its name. The ruling was a victory for the 200 or so producers of Parma ham who had launched their legal action against Asda, a UK food retailer. The case hinged on the court's interpretation of geographical indications – EU-protected trademarks that recognise the importance of products closely associated with a particular place, whether it be Parma ham, French champagne, Spanish sherry or Stilton cheese from Britain. The Parma producers argued that slicing the ham was an important process that had to be done locally. Asda argued they should be free to slice and pack the ham where they chose in order to cut costs and reduce the price to consumers. The court showed it was more concerned with the protection of the ham producers' rights than market efficiency. However strangely Asda can still use the Parma name when the meat is sliced on a delicatessen counter in front of shoppers?

The question is, how will the world view the decision? Some commentators use such examples to question the commitment of the European Union to freeing trade and becoming more competitive.

QUESTION Do you think the court decision protects local market diversity across European markets, or does it act as a restrictive trade practice?

particular overseas countries. Laws will affect the marketing mix in terms of products, price, distribution and promotional activities quite dramatically. For many firms, the legal challenges they face in international markets are almost a double-edged sword. Often firms operating internationally face ethical challenges in deciding how to deal with differing cultural perceptions of legal practices.

In many mature markets they face quite specific and, sometimes, burdensome regulations. In Germany, for instance, environmental laws mean a firm is responsible for the retrieval and disposal of the packaging waste it creates and must produce packaging which is recyclable, whereas in many emerging markets there may be limited patent and trademark protection, still evolving judicial systems, non-tariff barriers and an instability through an ever-evolving reform programme.

China earned notoriety in the past for allowing infringements of copyright and blatant piracy. However, this is now changing. Some governments are reluctant to develop and enforce laws protecting intellectual property partly because they believe such actions favour large, rich, multinationals. Anheuser Busch (USA) and Budvar (Czech Republic) have been in constant litigation over the right to use the name Budweiser in the European Union and both companies have recently been legally deemed the right to use it.

Piracy in markets with limited trademark and patent protection is another challenge. Bootlegged software constitutes 87 per cent of all personal computer software in use in India, 92 per cent in Thailand and 98 per cent in China, resulting in a loss of US\$8 billion for software makers each year.

India is regarded by many firms as an attractive emerging market beset with many legal difficulties, bureaucratic delay and lots of red tape. For example, shoes cannot be imported in pairs but have to be imported one at a time – which causes huge problems for shoe manufacturers who need to import shoes as production samples. The way many of them overcome the problem is by importing the left shoe via Madras and the right shoe via Mumbai. Companies such as Mercedes Benz, Coca-Cola and Kellogg have found the vast potential of India's market somewhat hard to break into. Its demanding consumers can be difficult to read and local rivals can be surprisingly tough. Political squabbles, bureaucratic delays and infrastructure headaches are also major obstacles.

Economic environment

It is important that the international marketer has an understanding of economic developments and how they impinge on the marketing strategy. This understanding is important at a world level in terms of the world trading infrastructure such as world institutions and trade agreements developed to foster international trade, at a regional level in terms of regional trade integration and at a country/market level. Firms need to be aware of the economic policies of countries and the direction in which a particular market is developing economically in order to make an assessment as to whether they can profitably satisfy market demand and compete with firms already in the market.

Amongst the 194 countries in the world, there are varying economic conditions, levels of economic development and **Gross national income** (GNI) per capita. Gross national income in the world is US\$62 trillion (**purchasing power parity** [ppp]); however, it is not shared equitably across the world. The United Nations classes 75 per cent of the world's population as poor, that is, they have a per capita income of less than US\$3470, and only 11 per cent of the population as rich, meaning they have a per capita income of more than US\$8000. Perhaps more startling is the UN claim that the richest 50 million people in the world share the same amount of wealth as the poorest 3000 million. Such disparities of incomes set particular challenges for companies operating in international markets in terms of seeking possible market opportunities, assessing the viability of potential

markets as well as identifying sources of finance in markets where opportunities are identified but where there is not capacity to pay for goods.

Another key challenge facing companies is the question as to how they can develop an integrated strategy across a number of international markets when there are divergent levels of economic development. Such disparities often make it difficult to have a cohesive strategy, especially in pricing.

The Economist 'Big Mac' Index (Figure 1.2) is a useful tool which illustrates the difficulties global companies have in trying to achieve a consistent pricing strategy across the world. It provides a rough measure of the purchasing power of a currency. UBS, a bank in the USA, uses the price of the Big Mac burger to measure the purchasing power of local wages around the world. It divides the price of a Big Mac by the average net hourly wage in cities around the world. A worker from Jakarta must work for almost $1\frac{1}{2}$ hours to buy a Big Mac, but a Moscow wage buys the burger in 25 minutes and a Tokyo salary buys one in just ten. This causes problems for McDonald's in trying to pursue a standard product image across markets. Priced in US dollars, a Big Mac in Switzerland would cost US\$5.21, whereas in China it would be US\$1.31.

In order to examine these challenges further we divided the economies into developed economies and **less developed economies**.

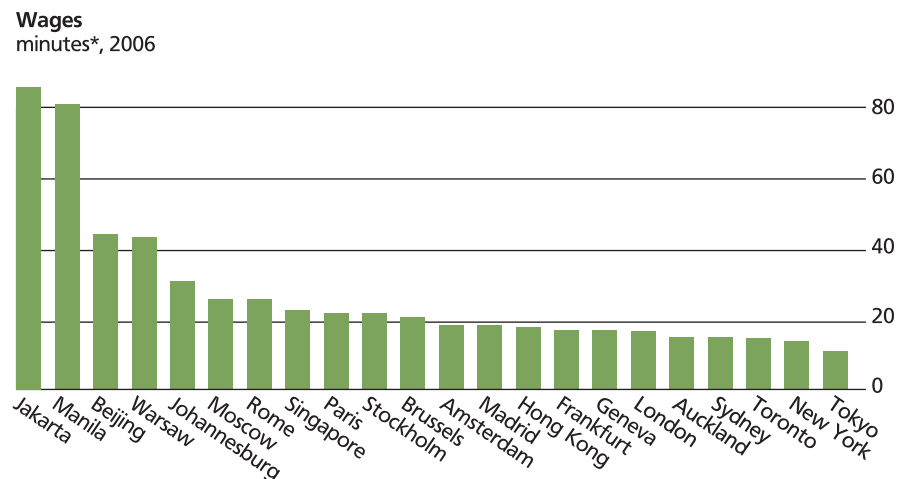
The developed economies

The developed economies of the **North American Free Trade Area** (NAFTA), European Union (EU) and Japan account for 80 per cent of world trade. For many firms this constitutes much of what is termed the global market. Even though many companies call themselves global, most of their revenues and profits will be earned from these markets. In the European Union nearly 70 per cent of the international goods traded are traded within the European Union; in NAFTA, 50 per cent of goods exported are to other members of NAFTA. This leads some commentators to argue that most competition, even in today's global marketplace, is more active at a regional level than a global level. It is from these developed economies that the global consumer with similar lifestyles, needs and desires emanates. However, emerging markets are now becoming more economically powerful and moving up the ranks, especially such countries as Brazil, Russia, India and China.

FIGURE 1.2

The Big Mac index

SOURCE: ©THE ECONOMIST NEWSPAPER LIMITED, LONDON (AUGUST 31ST 2006)



Source: UBS

*Price of a big Mac divided by average net hourly wage in 14 professions

The emerging economies

In countries such as Brazil, Russia, India and China, (the BRIC economies) there is a huge and growing demand for everything from automobiles to cellular phones and all are viewed as key growth markets where there is an evolving pattern of government-directed economic reforms, lowering of restrictions on foreign investment and increasing privatisation of state-owned monopolies. All these **emerging economies** herald significant opportunities for the international marketing firm.

Such markets often have what is termed as a 'dual economy'. Usually there tends to be a wealthy urban professional class alongside a poorer rural population. Income distribution tends to be much more skewed between the 'haves' and the 'have nots' than in developed countries. From negligible numbers a few years ago, China now has a middle class of 100 million which is forecast to grow to 500 million in the next century. Brazil and Indonesia have middle classes of 25 million each.

Less developed countries

This group includes underdeveloped countries and less developing countries. The main features are a low GDP per capita, a limited amount of manufacturing activity and a very poor and fragmented infrastructure. Typical infrastructure weaknesses are in transport, communications, education and healthcare. In addition, the public sector is often slow-moving and bureaucratic.

It is common to find that less developed countries (LDCs) are heavily reliant on one product and often on one trading partner. In many LDCs this product is the main export earner. In Angola, for instance, the sole export is oil and in the Sudan oil accounts for 99 per cent of their exports. In addition, three-quarters of LDCs depend on their main trading partner for more than one-quarter of their export revenue. The risks posed to the LDC by changing patterns of supply and demand are great. Falling commodity prices can result in large decreases in earnings for the whole country. The resultant economic and political adjustments may affect exporters to that country through possible changes in tariff and non-tariff barriers, through changes in the level of company taxation and through restrictions on the convertibility of currency and the repatriation of profits. In addition, substantial decreases in market sizes within the country are probable.

A wide range of economic circumstances influences the development of the less developed countries in the world. Some countries are small with few natural resources and for these countries it is difficult to start the process of substantial economic growth. Poor health and education standards need money on a large scale, yet the pay-off in terms of a healthier, better-educated population takes time to achieve. At the same time, there are demands for public expenditure on transport systems, communication systems and water control systems. Without

DILEMMA 1.1

How do you sell to subsistence farmers in Africa ?

KickStart International is a non-profit organisation that sells irrigation systems to subsistence farmers in Africa. The customers are hard to reach. They live hours from major cities and many are illiterate. Even though they are a non-profit organization, KickStart needs to

build brand loyalty which is difficult in a market where there is a lack of trust in a foreign US company. The other dilemma is given the levels of illiteracy, how do they educate the farmers to use the equipment and how do KickStart get their message across given the small budget they have for such activities?

QUESTION How should KickStart approach this market?

real prospects for rapid economic development, private sources of capital are reluctant to invest in such countries. This is particularly the case for long-term infrastructure projects and, as a result, important capital spending projects rely heavily on world aid programmes. Marketing to such countries can be problematic, as in the case of KickStart in Dilemma 1.1.

Currency risks

Whilst we have examined economic factors within markets, we also need to bear in mind that in international marketing transactions invariably take place between countries, so exchange rates and currency movements are an important aspect of the international economic environment. On top of all the normal vagaries of markets, customer demands, competitive actions and economic infrastructures, foreign exchange parities are likely to change on a regular if unpredictable basis. World currency movements, stimulated by worldwide trading and foreign exchange dealing, are an additional complication in the international environment. Companies that guess wrongly as to which way a currency will move can see their international business deals rendered unprofitable overnight. Businesses that need to swap currencies to pay for imported goods, or because they have received foreign currency for products they have exported, can find themselves squeezed to the point where they watch their profits disappear.

In Europe, the formation of the European Monetary Union (EMU) and the establishment of the Single European Payments Area (SEPA) has led to greater stability for firms operating in the market. The formation of the European Monetary Union and the introduction of the single currency across Europe has had important implications for company strategies which we will discuss in Chapter 2, when we examine regional trading agreements, and in Chapter 11, when we look at pricing issues in international marketing.

Political environment

The political environment of international marketing includes any national or international political factor that can affect the organisation's operations or its decision making. Politics has come to be recognised as the major factor in many international business decisions, especially in terms of whether to invest and how to develop markets.

Politics is intrinsically linked to a government's attitude to business and the freedom within which it allows firms to operate. Unstable political regimes expose foreign businesses to a variety of risks that they would generally not face in the home market. This often means that the political arena is the most volatile area of international marketing. The tendencies of governments to change regulations can have a profound effect on international strategy, providing both opportunities and threats. The invasions of Afghanistan and Iraq have brought market development opportunities for some but market devastation for others and higher political risk in neighbouring markets for all. The instability in the Middle East and the continued threat of global terrorism have served to heighten firms' awareness of the importance of monitoring political risk factors in the international markets in which they operate. Lesser developed countries and emerging markets pose particularly high political risks, even when they are following reforms to solve the political problems they have. The stringency of such reforms can itself lead to civil disorder and rising opposition to governments, as has been seen recently in Indonesia, Venezuela, Brazil and Argentina.

Political risk is defined as a risk due to a sudden or gradual change in a local political environment that is disadvantageous or counter productive to foreign firms and markets.

The types of action that governments may take which constitute potential political risks to firms fall into three main areas:

- *Operational restrictions.* These could be exchange controls, employment policies, insistence on locally shared ownership and particular product requirements.
- *Discriminatory restrictions.* These tend to be imposed on purely foreign firms and, sometimes, only firms from a particular country. The USA has imposed import quotas on Japan in protest at non-tariff barriers which they view as being imposed unfairly on US exporters. They have also imposed bans on imports from Libya and Iran in the past. Such barriers tend to be such things as special taxes and tariffs, compulsory subcontracting, or loss of financial freedom.
- *Physical actions.* These actions are direct government interventions such as confiscation without any payment of indemnity, a forced takeover by the government, expropriation, nationalisation or even damage to property or personnel through riots and war. In 2001 the Nigerian government claimed ownership of Shell's equipment and machinery without any prior warning.

Investment restrictions are a common way governments interfere politically in international markets by restricting levels of investment, location of facilities, choice of local partners and ownership percentage. When Microsoft opened its Beijing office, it planned to use its Taiwan operations to supply a Mandarin language version of Windows. The government not only wanted such an operating system to be designed in China but also insisted on defining the coding standards for Chinese characters' fonts, something Microsoft had done independently everywhere else in the world. In a flurry of meetings with officials, Bill Gates argued that the marketplace, not the government, should set standards. But the Chinese electronics industry threatened to ban Windows and president Jiang Zemin personally admonished Gates to spend more time in China and 'learn something from 5000 years of Chinese history'. Gates sacked the original management team and promised to cooperate with Beijing.

The **World Trade Organisation** has led negotiations on a series of worldwide agreements to expand quotas, reduce tariffs and introduce a number of innovative measures to encourage trade amongst countries. Together with the formation of regional trading agreements in the European Union, North and South America and Asia, these reforms constitute a move to a more politically stable international trading environment. An understanding of these issues is critical to the international marketing manager, which is why in Chapter 2 we examine in some detail the patterns of world trade, the regional trading agreements and the development of world trading institutions intended to foster international trade. In Chapter 4 we will examine in some detail the procedures, tools and techniques which can help the analysis and evaluation of opportunities across such markets.

The political and economic environments are greatly intertwined and, sometimes, difficult to categorise. It is important, however, that a firm operating in international markets assesses the countries in which it operates to gauge the economic and political risk and to ensure they understand the peculiarities and characteristics of the market they wish to develop. Illustration 1.3 examines Cadbury's, who caused huge offence by their misreading of political sentiments in India.

Technological environment

Technology is a major driving force both in international marketing and in the move towards a more global marketplace. The impact of technological advances can be seen in all aspects of the marketing process. The ability to gather data on markets, management control capabilities and the practicalities of carrying out the business function internationally have been revolutionised in recent years with the advances in electronic communications.

Satellite communications, the Internet and the World Wide Web, client-server technologies, ISDN and cable as well as email, faxes and advanced telephone networks have all led to dramatic shrinkages in worldwide communications.

Shrinking communications means, increasingly, that in the international marketplace information is power. At the touch of a button we can access information on the key factors that determine our business. News is a 24 hours a day service. Manufacturers wanting to know the price of coffee beans or the relevant position of competitors in terms of their share price or new product activity have it at their immediate disposal.

As wireless technology renders land cables and telephone lines redundant, developing countries are abandoning plans to invest in land-based communication. They are bypassing terrestrial communication systems, enabling them to catch up

ILLUSTRATION 1.3



Cadbury's in political faux pas

The Indian division of Cadbury-Schweppes suffered embarrassment around the world and incensed large swathes of Hindu society by running a newspaper advertisement comparing its Temptations chocolate to the war-torn region of Kashmir. The ad carried the tagline:

*'I'm good. I'm tempting. I'm too good to share. What am I?
Cadbury's Temptations or Kashmir?'*

To make sure nobody missed the point, the ad's creators laid the 'too good to share' catch-line over a map of Kashmir.

The ad caused a national outcry. Arguments over Kashmir have taken India and Pakistan to the brink of nuclear war: using them to sell chocolate was perhaps not the wisest thing to do. Indian politicians were shocked at the very mention of sharing the territory and threatened nationwide protests. To add insult to injury the advertisement was timed to appear on 15 August, India's Independence Day. Cadbury's British roots may have made the ad even harder to swallow. It was British colonial rulers who, at partition in 1947, drew the boundary line between India and Pakistan that the two nations have battled over ever since.

Though Cadbury India has apologised, it does show that in global markets, multi-nationals can't hide their blunders for long.

QUESTION What are the dangers of a company making such blunders when it operates globally?

with and, in some cases, overtake developed countries in the marketplace. In emerging economies consumers are jumping from no telephone to the latest in global communications technology. Wireless application protocol (WAP) technology allows online services to be available to mobile phone users on the move, wherever they happen to be in the world. The use of Global System for Mobile Communications (GSM) technology enables mobile phone operators to determine the location of a customer globally to send them relevant and timely advertising messages.

British Airways operates its worldwide online operations from Mumbai: everything from ticketing to making an 'exceptional request' facility, such as wheelchair assistance needed for a passenger can be managed from the centre in Mumbai. Increasingly companies are using India as a centre for their global online customer service operations. The ease of hiring computer-literate graduates by the hundred, who are intelligent, capable, keen and inexpensive to hire, as is local property to rent, makes India an attractive location (see Illustration 1.4).

THE INTERNET AND THE WORLD WIDE WEB (WWW)

The Internet and the access gained to the World Wide Web has revolutionised international marketing practices. Airlines such as EasyJet and RyanAir have helped completely change the way we book our airline reservations. EToys, a virtual company based in the US, has no retail outlets but a higher market capitalisation than Toys'R'Us. Firms ranging from a few employees to large multinationals have realised the potential of marketing globally online and so have developed the facility to buy and sell their products and services online to the world.

ILLUSTRATION 1.4

Indian brands emerge from the shadows

FLEXCUBE is the world's best-selling banking-software product. For many years Indian technicians have been beavering away writing code to be sold as an American or European brand. Now India's own brands are starting to fight in the global markets in their own right. Indian marketing professionals have been arguing for some time that IT exports would be more secure if they relied less on outsourcing and were 'products', where the Indian



PHOTO CREDIT: FREDRIK RENANDER/ALAMY

seller owns the intellectual property, not just the brainpower for hire. Mixing his metaphors wildly, Rajesh Hukku, the founder and chairman of i-flex, argues that Indian firms otherwise risk being doomed forever to providing 'the cheap labour at the bottom of the food chain'.

At a time when there has been a protectionist backlash in America and Europe against the outsourcing of IT jobs to India and fears of decline in the industry as margins and costs are being further reduced, Indian software firms are emerging from the shadows and fighting in the global market under their own brand names.

Last year, Nasscom, the Indian industry's lobby group, estimated that India captured just 0.2 per cent of a global market of US\$180 billion for software products. It expects that to increase, but recognises the obstacles. The product business depends on heavy investment in sales, marketing and branding and the ability to market globally against fierce and rich competitors.

A recent success has been the tie up with Financial Services Inc. (FSI) in the USA to launch FLEXICUBE as a hosted offering to community banks in the US. FLEXCUBE will help community banks in the USA to compete with large banks and financial institutions on an equal footing.

QUESTION How should new brands in developing countries compete against established US global brands?

An estimated 1.2 billion people – some 17 per cent of the global population – now have access to the Internet. However, for many this will be through public-based Internet services in cafes etc. The United Nations estimate that global e-business is now worth more than US\$10 trillion, most of which is business-to-business (B2B), not business-to-consumer (B2C) purchases.

The Internet has meant huge opportunities for small and medium-sized enterprises (SMEs) and rapid internationalisation for many. It has enabled them to substantially reduce the costs of reaching international customers, reduce global advertising costs and made it much easier for small niche products to find a critical mass of customers. Because of the low entry costs of the Internet it has permitted firms with low capital resources to become global marketers, in some cases overnight. There are, therefore, quite significant implications for SMEs which will be examined further in Chapter 5, where we discuss in some detail the issues in international marketing pertinent to SMEs.

For all companies, the implications of being able to market goods and services online have been far reaching. The Internet has led to an explosion of information to consumers, giving them the potential to source products from the cheapest supplier in the world. This has led to the increasing standardisation of prices across borders or, at least, to the narrowing of price differentials as consumers become more aware of prices in different countries and buy a whole range of products via the net. In B2C marketing this has been most dramatically seen in the purchase of such things as flights, holidays, CDs and books. The Internet, by connecting end-users and producers directly, has reduced the importance of traditional intermediaries in international marketing (i.e. agents and distributors) as more companies have built the online capability to deal direct with their customers, particularly in B2B marketing. To survive, such intermediaries have begun offering a whole range of new services, the value added element of their offering no longer being principally in the physical distribution of goods but rather in the collection, collation, interpretation and dissemination of vast amounts of information. The critical resource possessed by this new breed of 'cybermediary' is information rather than inventory. The Internet has also become a powerful tool for supporting networks both internal and external to the firm. Many global firms have developed supplier intranets through which they source products and services from preferred suppliers who have met the criteria to gain access to their supplier intranets. It has become the efficient new medium for conducting worldwide market research and gaining feedback from customers.

Thus the Internet produces a fundamentally different environment for international marketing and requires a radically different strategic approach affecting all aspects of the marketing process. Not all forays into Internet marketing have been successful. Many early dotcom high growth companies became 'dot.bombs' when they failed to sustain their early promise. Levi Strauss stopped its Internet selling operation after finding the cost of servicing returned goods was greater than the revenue generated from new sales.

The dual technological/cultural paradox

On one hand commentators view technological advancement and shrinking communications as the most important driving force in the building of the global village where there are global consumers who have similar needs. On the other hand, to access this global village a person invariably needs a command of the English language and access to a whole range of equipment. In many markets we stumble against the paradox that whilst in some countries there is a market of well-educated and computer-literate people, in other countries the global electronic highway completely bypasses them.

Despite all that has been said in previous sections, many developing and emerging markets are characterised by poor, inadequate or deteriorating infrastructures. It is estimated that only 10 per cent of the world's population has direct access to a PC and only 7 per cent have direct access to the Internet. Essential services required for commercial activity, ranging from electric power to water supplies, from highways to air transportation and from phone lines to banking services are often in short supply or unreliable. There are also major disparities in the cost of accessing the Internet. In the USA, accessing the Internet for 20 hours per month would cost 1 per cent of a person's average income; in Mexico it would cost 15 per cent of a person's average income. However, in Bangladesh the same amount of access is equivalent to 278 per cent of the average income and in Madagascar 614 per cent, hardly making access to the Internet feasible for the average person, even if it is technically available.

The huge population shifts discussed earlier have also aggravated the technical infrastructure problems in many of the major cities in emerging markets. This often results in widespread production and distribution bottlenecks, which in turn raises costs. 'Brown outs', for instance, are not uncommon in the Philippines, even in the capital city Manila, where companies and offices regularly lose electric power and either shut down in those periods or revert to generators. Fragmented and circuitous channels of distribution are a result of lack of adequate infrastructure. This makes market entry more complicated and the efficient distribution of a product very difficult. Pepsi Cola in Eastern Europe have a large number of decentralised satellite bottling plants in an attempt to overcome the lack of a distribution infrastructure.

The reader will find that we will examine the impact of the Internet on the relevant marketing practices and processes as we move through the chapters of the book. Chapter 12 of this edition is devoted to examining the implications for the international marketing strategies of companies of such trends in the technology environment.

DIFFERENCES BETWEEN INTERNATIONAL AND DOMESTIC MARKETING

As we have seen in the previous sections, there are many factors within the international environment which substantially increase the challenge of international marketing. These can be summarised as follows:

- 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
- 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.

The international competitive landscape

A major difference for managers operating on international markets is the impact all these **currents** and **cross-currents** have on the competitive landscape. Wilson and Gilligan (2003) define marketing as 'getting the competitive advantage and keeping it'. The task of achieving this in a competitive environment where firms are subject to local, regional and global competition can be immensely challenging. This is especially so if indigenous local competitors are supported by the government of the country.

Across international markets, advanced countries are seeing significant competition from both emerging markets and less developed countries who are exploiting modern technology and their own low labour costs to compete in markets no longer so protected by tariff walls.

The complexity of competition is also heightened by the strategic use of international sourcing of components by multinationals and global firms to achieve competitive advantage.

Given the nature of the challenges and opportunities identified above and the speed of change within the international environment, this means that substantially different pressures are being placed upon management than if they were purely operating in domestic markets. It follows from this that the manager of international marketing needs a detailed knowledge and understanding of how-particular environmental variables impact on a firm's international marketing operations.

Perlmutter (1995) identified nine cross-cultural management incompetencies which led to failure across a spread of country markets. He defined these core incompetencies as 'the bundle of activities and managerial skills that are mis-matched in a great variety of countries where firms do business'.

The first three are interrelated and relate to the failure to be market driven.

- 1 Inability to find the right market niches.
- 2 Unwillingness to adapt and update products to local needs.
- 3 Not having unique products that are viewed as sufficiently higher added value by customers in local markets.
- 4 A vacillating commitment. It takes time to learn how to function in countries such as Japan.
- 5 Assigning the wrong people. Picking the wrong people or the wrong top team in an affiliate.
- 6 Picking the wrong partners. There is a list of difficulties in building alliances; a main limitation is picking partners who do not have the right bundle of capabilities to help reach the local market.
- 7 Inability to manage local stakeholders. This includes incompetence in developing a satisfactory partnership relationship with unions and governments.
- 8 Developing mutual distrust and lack of respect between HQ and the affiliates at different levels of management.
- 9 Inability to leverage ideas developed in one country to other countries worldwide.

If such mistakes are not to be made in your marketing strategies it is essential to ensure that the company has a robust and rigorous approach to its international marketing planning processes. Approaches to achieving this will be discussed in the following sections.

THE INTERNATIONAL MARKET PLANNING PROCESS

In international marketing the very complexity of handling the diverse range of factors that must be considered make planning and control a difficult activity to carry out satisfactorily. For large global companies, the problem becomes one of how to structure the organisation so that its increasingly complex and diverse activities around the world can be planned and managed effectively, its goals can be achieved and its stakeholders' expectations satisfied.

In this section we look at the international marketing planning and control process and consider how managers can respond to the challenges posed in the previous sections by ensuring they have robust strategy development and market planning processes.

The planning process

The planning process is the method used by the management of the firm to define in detail how it will achieve its current and future strategic aims and objectives. In doing this, it must evaluate the current and future market opportunities, assess its own current and potential capabilities and attempt to forecast how those changes over which it has no control might help or hinder its efforts to reach its objectives.

The international planning process must allow the company to answer the following three marketing questions.

- 1 Where is the company now?
- 2 Where does it want to go?
- 3 How might it get there?

These questions are fundamental for the majority of businesses whether they are large or small, simple or complex, and they emphasise the firm's need to prepare for the future to ensure its own survival and growth within the increasingly competitive international environment. There is an implication in these questions that the future is likely to be significantly different from the past, so planning is inevitably about forecasting and implementing change which determines the very nature and future direction of the organisation.

The starting point of the planning process for any company is to set long-term goals and objectives which reflect its overall aspirations. These goals cannot be set in isolation, however, as the company's history and current levels of success in its different country markets are usually major determinants of its future. Other factors, too, over which the company has little control in international markets, such as the economic and political situation of the countries in which it is operating, the response of the competition and the diverse background, behaviour and expectations of its customers, all have a major impact upon the company's operations and will have a significant effect on determining whether or not it will meet its goals.

Too many firms, particularly smaller ones, fail to prepare contingency plans to cope with the unexpected and, in some cases, even the predictable events in international markets: they are often surprised and unprepared for success too. When unexpected events occur, many companies too easily ignore the plan and develop new strategies as they go along. Whilst it may be possible to survive in a relatively uncomplicated domestic environment by reacting rapidly to new situations as they arise, it is impossible to grow significantly in international markets, as an overly reactive management style is usually wasteful of opportunities and resources.

In international markets, planning and control is essential for both day to day operations and the development of long-term strategies in order to manage the differences of attitudes, standards and values in the extended parts of the organisation and avoid the problems of poor coordination and integration of the diverse activities. The plans which are developed must be sufficiently flexible to cope with unfamiliar cultures, rapidly changing political, economic and competitive environments, and the effects of unexpected events which affect global companies in one way or another throughout the world on an almost daily basis.

As a company moves into international markets, having previously been marketing solely to domestic markets, the processes of planning and control remain largely the same, but the complexity of the process increases dramatically. In a domestic situation misunderstandings between different departmental managers can be relatively quickly sorted out with a face to face discussion, but in the international situation this is much harder and often impractical. More impersonal communications, along with longer lead times, different cultures and the use of different languages, results in seemingly inconsistent and often negative attitudes in international managers.

Major evolutionary stages of planning

As most companies move gradually into international markets they go through the major evolutionary stages of planning: the unplanned stage, the budgeting stage, the annual business planning and the strategic planning stage (see Illustration 1.5).

ILLUSTRATION 1.5

Divine Chocolate Ltd

Kuapa Kokoo is a cooperative of small-scale cocoa farmers in Ghana, who set up Divine Chocolate Ltd (formerly the Day Chocolate Company). The company buys all its cocoa at fair trade prices which means the farmers receive a guaranteed minimum price of US\$1600 per tonne of cocoa, plus a social premium of US\$150 per tonne which they invest in farm and community development projects. Divine Chocolate have two brand names, Divine and Dubble, which carry the Fairtrade Mark licensed by the international Fairtrade Labelling Organisation (FLO).



PHOTO CREDIT: DIVINE CHOCOLATE LTD

The mission of Divine Chocolate is to bring fair trade chocolate to the mainstream world markets. Their milk chocolate recipe was developed with UK tastes in mind, and both Divine and Dubble were created to a quality standard and designed to compete with major brands. Prices also matched those of equivalent products already available on the market.

In July 2006 the Body shop donated their shares in Divine Chocolate Ltd to Kuapa Kokoo, which now owns 45 per cent of the company. With this very special farmer-ownership model for the business and two successful Fairtrade brands, Divine has a strong appeal to today's more conscientious consumer.

Armed with a delicious product and a compelling story, and the clout of supporting charities such as Comic Relief (UK) and Christian Aid, Divine Chocolate has succeeded in getting both Divine and Dubble listed in all the top UK supermarkets, as well as many independents. They also supply chocolate for own label products in the Co-op and Starbucks in the UK. The company now has the USA and other European markets in their sights. However, given their limited resources, can they build on their UK success and take their message to new countries and new cultures with very different consumer behaviour patterns and varying attitudes to the importance of fairtrade?

QUESTION *How can the Divine Chocolate Company develop a marketing plan to help them develop into new international markets?*

The unplanned stage: In its early stages of international marketing, the company is likely to be preoccupied with finding new export customers and money to finance its activities. Frequently business is very unpredictable and is consequently unplanned, so that a short-term 'crisis management' culture emerges.

The budgeting stage: As the business develops, a system for annual budgeting of sales, costs and cash flow is devised, often because of pressure from external stakeholders such as banks. Being largely financial in nature, budgets often take little account of marketing research, product development or the longer term potential of international markets.

Annual business planning: Companies begin to adopt a more formalised annual approach to planning by including the whole of the business in the planning review process. One of three approaches to the process of international market planning generally emerge at this stage:

- 1 *Top-down planning:* this is by far the simplest approach, with senior managers setting goals and developing quite detailed plans for middle and senior staff to implement. To be successful, this clearly requires the senior managers to be closely in touch with all their international markets and for the business to be relatively uncomplicated in the range of products or services offered. It has the advantage of ensuring that there is little opportunity for misinterpretation by local managers, but the disadvantage of giving little opportunity for local initiative. Most of the strategic decisions at McDonald's and Coca-Cola are taken in the US, and by Sony in Japan.
- 2 *Bottom-up planning:* in this approach the different parts of the company around the globe prepare their own goals and plans and submit them to headquarters for approval. Whilst this encourages local initiative and innovation, it can be difficult to manage as the sum of the individual parts that make different demands on resources, financial returns and marketing profiles rarely add up to a feasible international development plan.
- 3 *Goals down, plans up:* in an attempt to benefit from the positive elements of the first two approaches, this third approach is based upon senior management assessing the firm's opportunities and needs, setting corporate global objectives and developing broad international strategies. Financial goals are then set for each part of the company, which has the responsibility for developing individual strategies and plans to achieve these targets. For this approach to work effectively the senior management generally allows considerable flexibility in the way that the goals are achieved by the component parts of the firm around the globe. This approach is adopted particularly by companies that have a very diverse portfolio of businesses and products.

The strategic planning stage: So far, the stages discussed have been concerned with relatively short-term planning (one to two years), but for many aspects of international marketing such as new market entry, growth strategies and brand management, much longer-term planning is essential. By developing strategies for a five year timescale, it is possible to avoid short-term, highly reactive and frequently contradictory and wasteful activity. The annual marketing plan then becomes a more detailed version of the five year strategic plan which can be rolled forward year on year.

The obvious benefits of strategic planning are that all staff can be better motivated and encouraged to work more effectively by sharing a vision of the future. There are, however, potential dangers too. Long-term strategic plans often fail to cope with the consequences of unexpected events, either environmental or political. There is often confusion between managers over what are strategic issues and what are operational tactics. What a manager in a foreign subsidiary might consider to be a strategic issue, such as achieving a substantial market share increase in the

country, might be regarded as an operational matter by a senior manager at the headquarters, which does not consider success in that particular country a priority for the company.

The international marketing planning process

There are a number of elements in the international marketing plan, as detailed in Figure 1.3.

STAKEHOLDER EXPECTATIONS

The complexities of the international marketing environment mean another major difference for companies competing on international markets is that the company has many more organisations and people who have a stake in how they conduct their business and so consequently many more stakeholders whose differing expectations they have to manage. The ability of a company to pursue its chosen marketing strategy is determined to a large degree by the aims and expectations of the stakeholders, who directly or indirectly provide the resources and support needed to implement the strategies and plans. It is important to clearly identify the different stakeholder groups, understand their expectations and evaluate their power, because it is the stakeholders who provide the broad guidelines within which the firm operates. Figure 1.4 identifies the typical stakeholders of a **multinational enterprise**. Body Shop, the environmentally conscious UK toiletries retailer, is always likely to have problems balancing the widely differing pricing and profit expectations and environmental concerns of its franchisees, customers and shareholders.

Whilst the senior management of the firm aim usually to develop and adopt strategies which do not directly oppose these stakeholder expectations, they do, of course, frequently widen or alter the firm's activities due to changes in the market and competition. Moreover, a wide range of stakeholders influence what multinational enterprises (MNEs) do by giving greater attention to the political, commercial and ethical behaviour of the organisations as well as taking more interest in the actual operation of the business and the performance and safety of the products. As a result of this, companies need to explain their strategies and

FIGURE 1.3

Aspects of international marketing planning

Stakeholder expectations

- Shareholders, customer, host government, employees in each country, pressure groups

Situation analysis

- Evaluation of the environment and individual markets

Resources and capabilities

- Individual small business unit strengths and weaknesses analysis
- Capability to deal with threats and opportunities

Corporate aims and objectives

- Financial, market, area, brand and mix objectives

Marketing strategies

- Growth strategies
- Standardisation and adaptation

Implementation of the plan

- Individual SBU and marketing mix plans
- Regional, global or multidomestic integration

Control and feedback

- Setting relevant standards, measuring performance, correcting deviations

plans to shareholders through more detailed annual reports, to staff through a variety of briefing methods and to pressure groups and the community in general through various public relations activities, particularly when their activities have an impact on the local environment or economy. In international marketing it is particularly important that the firm addresses the concern of its host country stakeholders, who may be physically and culturally very distant from the headquarters.

Particular attention should be paid to the different expectations of the stakeholders and their power to influence the firm's strategic direction. Given the different expectations of the firm's stakeholders it is inevitable that conflicts will occur. For example, shareholders usually want a high return on their investment and may expect the firm to find countries with low production costs, but the workers in these countries want an adequate wage on which to live. It is often the firm's ability to manage these potential conflicts that leads to success or failure in international marketing.

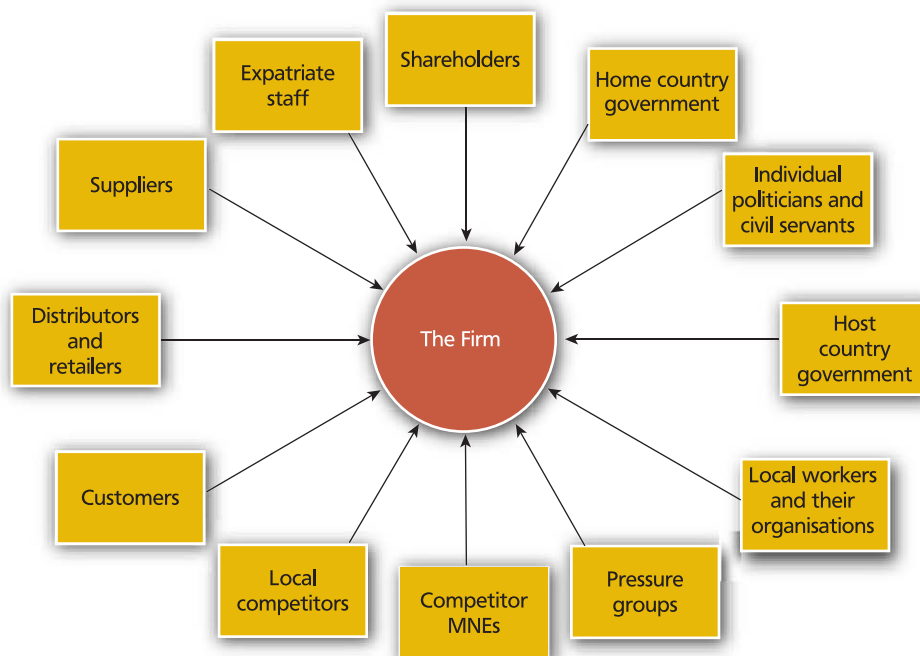
International pressure groups are another important stakeholder MNEs have to manage. Global communications and the ability of the Internet to draw together geographically dispersed people with shared interests have led to the growing power of globally based pressure groups. Such has been the success of a number of these, it is now the case that pressure-groups are seen by many global operators as one of the key stakeholders to be considered in international strategy decision making. The role of pressure groups in global markets tends to be to raise awareness of issues of concern. Among those that have received wide press coverage affecting international marketing strategies are:

- the Greenpeace efforts to raise awareness to threats on the environment
- the anti-globalisation lobby demonstrating against the perceived dark global forces they see manifested in the World Trade Organisation
- the anti-child labour movement.

Gap, the clothes manufacturer and retailer, responded to a revelation that companies who had a licence to produce their products were using child labour by applying the employment guidelines and dismissing the 'child'. This only exacerbated the anger of the pressure groups. Levi, another target of the anti-child

FIGURE 1.4

Some typical stakeholders of multinational enterprises



labour movement, finding themselves exposed to the same bad publicity, dismissed the child but agreed to fund the child's education up to the point when they would be eligible to seek employment. This pacified the pressure group in the short term, but one is left wondering what Levi would do if they subsequently discovered that there were another few thousand under-age employees across other factories they use, or if there was a sudden influx of employees that were recruited and then declared themselves under age in order to seek educational support.

One of the main roles of international public relations is to try to manage the expectations and aspirations of pressure groups and all the stakeholders of a company. In international marketing one of the key responsibilities is to establish good practice to respond to publicity generated by pressure groups on issues where they have been seen not to meet stakeholder expectations.

As the international business environment becomes more competitive, dynamic and complex, there is a greater need for individual managers to be aware not simply of their immediate situation, but also of the possible impact of changes taking place in surrounding areas too.

Situation analysis

Situation analysis is the process by which the company develops a clear understanding of each individual market and then evaluates its significance for the company and for other markets in which the business operates. As the international business environment becomes more competitive, dynamic and complex, there is a greater need for individual managers to be aware not simply of their immediate situation, but also of the possible impact of changes taking place in surrounding areas too. Individual national markets can be both surprisingly similar and surprisingly dissimilar in nature, and it is important to understand these linkages and the implications of the changes which take place. Chapters 2 and 3 give the reader a detailed insights onto the factors to consider in carrying out a situational analysis of the international marketing environment.

The processes and procedures for segmenting international markets and carrying out the necessary research to build the situational analysis are examined in some depth in Chapter 4.

A detailed analysis of each of these factors as they affect both the local and international market environments is necessary in order to forecast future changes. The most frequently adopted approach by firms is to extrapolate past trends. However, with so many factors to consider and the increasing frequency with which unexpected events seem to occur, it may be extremely difficult and misleading to build up one all-embracing vision of the future. Firms are responding to this uncertainty by developing a series of alternative scenarios as the basis of the planning process. An effective, robust strategy needs to contain contingency plans to deal with a variety of situations in which the company might find itself.

Resources and capabilities

In stressing the need to analyse and respond to external forces over which even global companies have little control, there can be a temptation amongst some managers to believe that the current capabilities of the organisation are inadequate when facing the future. A more thorough analysis of the firm's situation is needed and the SWOT framework (analysing the firm's strengths, weaknesses, opportunities and threats) is appropriate for this purpose. It is important therefore to audit not just the most obvious company weaknesses but also the strengths of the company, which are often taken for granted but which are really its source of competitive

advantage. This is particularly important in international markets as, for example, customer and brand loyalty may be much stronger in certain markets than others, and products which may be at the end of their life in the domestic market may be ideal for less sophisticated markets. SWOT analysis should, therefore, be carried out separately on each area of the business by function, product or market and focus upon what action should be taken to exploit the opportunities and minimise the threats that are identified in the analysis. This will lead to a clearer evaluation of the resources that are available or which must be acquired to ensure the necessary actions are carried out.

Knowledge management

The increasing **globalisation** of business, particularly because it is being driven by information technology, has led many firms to re-examine what contributes to their global competitive advantage. They have recognised the fact that it is the pool of personal knowledge, skills and competencies of the firms' staff that provides its development potential and they have redefined themselves as 'knowledge-based' organisations. Moreover, these firms have acknowledged that they must retain, nurture and apply the knowledge and skills across their business if they wish to be effective in global markets. The growth potential can only be exploited if the firm becomes a learning organisation in which the good practice learned by individual members of staff can be 'leveraged', transferred and built upon throughout its global activity.

Corporate objectives

Having identified stakeholder expectations, carried out a detailed situation analysis and made an evaluation of the capabilities of the company, the overall goals to be pursued can be set. It is important to stress that there is a need for realism in this, as too frequently corporate plans are determined more by the desire for short-term credibility with shareholders than with the likelihood that they will be achieved. The objectives must be based on realistic performance expectations rather than on a best case scenario. Consideration must also be given to developing alternative scenarios so that realistic objectives can be set and accompanied by contingency plans in case the chosen scenario does not materialise.

The process adopted for determining long-term and short-term objectives is important and varies significantly depending on the size of the business, the nature of the market and the abilities and motivation of managers in different markets. At an operational level, the national managers need to have an achievable and detailed plan for each country, which will take account of the local situation, explain what is expected and how performance will be measured. For most companies the most obvious international strategic development opportunities are either in increasing geographical coverage and/or building global product strength. This is discussed in much further detail in Chapter 5 from the viewpoint of the SME and in Chapter 6 from the viewpoint of globally based organisations. Dilemma 1.2 helps you consider this question from the viewpoint of a government trying to sell the strategic presence of a city.

Marketing strategies

Having set the objectives for the company, both at corporate and the subsidiary level, the company will develop detailed programmes of the marketing strategies and activities which will achieve the objectives. Decisions will need to be made as to how the company will segment and target its international markets? How will

it position itself in different international markets. How will it add value to its efforts through its product portfolio, communications, distribution and pricing strategies? It is this that is at the heart of the following chapters of this book as we take the reader through the detailed considerations in developing an international marketing strategy. A central consideration in marketing strategy development for international markets is the dilemma facing all international managers as to how far they can standardise marketing strategies in different country markets. This essential question will be examined as we go through different aspects of international marketing strategy development and implementation.

Implementation of the marketing plan

Having agreed the overall marketing strategy, plans for implementation are required at a central and local subsidiary level. Firms usually allocate resources to individual subsidiaries on a top-down basis, but this needs to be modified to include the special allocations made to enable foreign subsidiaries to resource specific market opportunities or difficulties encountered in particular markets. Agreement is reached through a process of discussion between the operating department and management levels. Detailed budgets and timescales can then be set for all areas of marketing including those outside agencies (such as marketing researchers, designers and advertising agencies) in order to ensure that their contributions are delivered on time and within the budget. Some allowance must be made for those activities which might be more difficult to estimate in terms of cost or time, such as research and development of new products.

We have, so far, emphasised the need for careful, detailed and thorough preparation of the plan, but it is essential that the plan is action oriented and contains programmes designed to give clear direction for the implementation, continuous evaluation and control of all the firm's marketing activity. The plan must therefore be: *strategic*, by fulfilling the corporate and marketing objectives and coordinating the individual strategic business unit (SBU) plans, *tactical*, by focusing upon individual SBU marketing activities in each country, and *implementable*, by detailing the individual activities of each department within the SBU.

The control process

The final stage of the planning process is setting up an effective system for obtaining feedback and controlling the business. Feedback and control systems should be regarded as an integrated part of the whole planning process, and they are essential in ensuring that the marketing plans are not only being implemented but are still appropriate for the changing international environment.

DILEMMA 1.2

How does a city sell itself internationally?

Ontario in Canada has set expanding the city's international strategic presence as a major priority. They view this strategy as essential to attracting job-creating investments to the province, which will also connect Ontario's companies with the contacts and information they need to succeed in a global economy. It already has a number of international marketing centres located within the Canadian embassies in places

such as New York, Munich, Tokyo and New Delhi. However, it now wishes to ensure a more strategic presence in three key regions – the Euro Zone, China and Central America – and is trying to decide whether it should take a different approach to setting up its centres and where such centres should be located in these regions.

QUESTION How would you advise the Ontario ministry to solve this dilemma?

There are three essential elements of the control process:

- 1 *Setting standards*: the standards that are set need to be relevant to the corporate goals such as growth and profits reported by financial measures, return on capital employed and on sales, and non-financial indicators, e.g. market share. Intermediate goals and individual targets can be set by breaking the plan down into measurable parts which when successfully completed will lead to the overall objectives being achieved. The standards must be understandable, achievable and relevant to each local country situation.
- 2 *Measuring performance against standards*: to obtain measurements and ensure rapid feedback of information, firms use a variety of techniques, including reports, meetings and special measurements of specific parts of the marketing programme, such as cost-benefit analysis on customers, product lines and territories or marketing audits for a thorough examination of every aspect of marketing in a particular country. They also use benchmarking, which allows comparisons of various aspects of the business, such as efficiency of distribution, customer response times, service levels and complaints, with other companies that are not necessarily from the same business sector.
- 3 *Correcting deviations from the plan*: perhaps the most difficult decisions that must be made are to determine when performance has deviated sufficiently from the plan to require corrective action to be taken either by changing the plan or the management team charged with the responsibility of carrying out the plan.

A checklist of the essential elements of the international marketing plan is summarised in Figure 1.5.

FIGURE 1.5

Essential elements of the international marketing plan

Does the plan contain:

International analysis

- assumptions about the world economy and the environment trends in the principal markets?
- details of historical performance (sales, cost, profitability)?
- forecast of future performance based on (a) an extrapolation of the past (b) alternative scenarios?
- identified opportunities and threats?

Company capability assessment

- analysis of the company strengths, weaknesses and future capabilities in comparison with local and international competition?

International mission statement with:

- long-term aims and objectives and the strategies to achieve them?
- one year marketing objectives and individual strategies (for example, budgets, brand objectives and development of personnel)?

Operational plans

- detailed country by country forecasts and targets?
- detailed country by country plans for all marketing activities and coordination with other functions (for example, manufacturing)?
- an explanation of how country plans will be integrated regionally or globally if appropriate?

Contingencies and controls

- a summary of the critical factors for success?
- an assessment of the likely competitor response?
- a contingency component for when things do not go to plan?
- a control process for feedback, evaluation and taking corrective action?

Reasons for success

Hamel and Prahalad (1996) suggest the firms operating globally that succeed are those that perceive the changes in the international environment and are able to develop strategies which enable them to respond accordingly. The firms that will do well will base their success largely on the early identification of the changes in the boundaries of markets and industries in their analysis of their international marketing environment. Management foresight and organisational learning are therefore the basis of a sustainable competitive advantage in global markets.

The increasing globalisation of business, particularly because it is being driven by information technology, has led many firms to re-examine what contributes to their global competitive advantage. They have recognised the fact that it is the pool of personal knowledge, skills and competencies of the firm's staff that provides its development potential and they have redefined themselves as 'knowledge-based' organisations. Moreover, these firms have acknowledged that they must retain, nurture and apply the knowledge and skills across their business if they wish to be effective in global markets. The growth potential of international markets can only be exploited if the firm becomes a learning organisation in which the good practice learned by individual members of staff in one market can be leveraged and built upon throughout its global activity.

However, firms are increasingly vulnerable to losing these valuable personal assets, because of the greater mobility of staff, prevalence of industrial espionage and the security risks and abuse associated with the Internet. Moreover, with the increase in communications it is becoming more difficult to store, access and apply the valuable knowledge that exists amongst the huge volume of relatively worthless data that the company deals with. Consequently, effective knowledge management is now critical for success. This means having Web-enabled database systems that facilitate effective data collection, storage in data warehouses and data mining (the identification of opportunities from patterns that emerge from detailed analysis of the data held).

Successful global operators use the knowledge gained to assess their strengths and weaknesses in light of their organisational learning and ensure they have the company capability and resources to respond to their learning in order to sustain their competitive advantage. This is particularly important in international markets as, for example, customer and brand loyalty may be much stronger in certain markets than others, and products that may be at the end of their life in the domestic market may be ideal for less sophisticated markets. In the dynamic international markets, therefore, if a firm is to succeed it must develop the ability to think, analyse and develop strategic and innovative responses on an international, if not global scale, perhaps such as Mrs Lofthouse did for the Fishermans Friend in Illustration 1.6.

Characteristics of best practice in international marketing

It is apparent, therefore, that firms and organisations planning to compete effectively in world markets need a clear and well-focused international marketing strategy that is based on a thorough understanding of the markets which the company is targeting or operating in. International markets are dynamic entities that require constant monitoring and evaluation. As we have discussed, as markets change so must marketing techniques. Innovation is an important competitive variable, not only in terms of the product or service but throughout

ILLUSTRATION 1.6

Fisherman's Friend

Fisherman's Friend lozenges were initially developed for sailors and Fleetwood fishermen who were working in the severe weather conditions of the North Atlantic fishing grounds. For an entire century the company made around 14lb of lozenges a month which were only sold in the local area. However, when Doreen Lofthouse joined the company she set about expanding the market by selling into towns throughout Lancashire and Yorkshire. Distribution then spread throughout the UK, before expanding overseas. Norway was a logical starting point and it is now the market with the highest sales per head of population. Surprisingly, the lozenge was a success in many hot countries too. Italy was the largest export market at one point before being overtaken by Germany. Although the lozenge needs no adaptation – a cough needs no translation – promotion of Fisherman's Friend differs greatly from country to country. The traditional concept has been the centre of advertising in the UK, but overseas promotional themes are quite different. An Italian TV commercial showed a girl who breathed so deeply after eating a lozenge that the buttons pop off her blouse to reveal her cleavage; in Denmark a man breathes fire; in the Philippines butterflies flutter against pastel shades accompanied by gentle

music. Fisherman's Friend is now available in over 100 countries worldwide and in many it is seen as a strong sweet, not as medicated confectionery. Exports now account for over 95 per cent of the company's total production.

QUESTION What are the reasons for the success of Fisherman's Friend?



愛味初嘗

漁夫之寶 全新蘋果玉桂味

如此誘人 情難禁

MADE FOR PEOPLE
REALLY UNDER
THE WEATHER.

ANISEED
ORIGINAL
EXTRA
STRONG

LOFTHOUSE'S
FISHERMAN'S FRIEND
EXTRA STRONG
25g e

ALSO AVAILABLE IN MINT, SUGAR FREE ORIGINAL, SUGAR FREE MINT AND SUGAR FREE LEMON FLAVOURS. PLEASE ASK YOUR PHARMACIST.
RELIEF FROM EXTREME CONDITIONS.

the marketing process. Countertrading, financial innovations, networking and value-based marketing are all becoming increasingly important concepts in the implementation of a successful international strategy.

The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research and an understanding and accurate evaluation of what is required to achieve the competitive advantage. Doole (2000) identified three major components to the strategies of firms successfully competing in international markets:

- A clear international competitive focus achieved through a thorough knowledge of the international markets, a strong competitive positioning and a strategic perspective which was truly international.
- An effective relationship strategy achieved through strong customer relations, a commitment to quality products and service and a dedication to customer service throughout international markets.
- Well-managed organisations with a culture of learning. Firms were innovative and willing to learn, showed high levels of energy and commitment to international markets and had effective monitoring and control procedures for all their international markets.

SUMMARY

- In this chapter we have discussed the growing strategic importance of international marketing and examined the issues associated with successfully competing in international markets. The chapter examines the main differences between domestic and international marketing, the different levels at which international marketing can be approached and the more complex and multidimensional uncontrollable elements of the international marketing environment.
- We have examined the major aspects of the SLEPT factors in the international marketing environment. The environments in which international companies must operate is typically characterised by uncertainty and change – factors which, taken together, increase the element of risk for international marketing managers.
- It has been suggested that marketing managers need to have a properly planned approach to any international activity because, without this, the costs and likelihood of failure are likely to increase. We examined the international marketing planning and control process and considered how managers can respond to the challenges posed in the international marketing environment by ensuring they have robust strategy development and market planning processes.
- The reasons for success and failure on international markets were examined and it was suggested the firms operating globally that succeed are those that perceive the changes in the international environment and are able to develop strategies which enable them to respond accordingly. Management foresight and organisational learning are therefore the basis of a sustainable competitive advantage in global markets.
- The reader has been introduced to many of the concepts that are important to the international marketing management process and will have gained an understanding of the issues to be addressed. All the various aspects of the international marketing strategy process introduced in this chapter will be examined in more detail in the following chapters. In Chapter 2 the international trading environment and the trends and developments in trading patterns will be examined.

KEYWORDS

Cross-currents
Cultural paradoxes
Currents
Emerging economics
European Union
Export marketing
Global marketing

Global youth culture
Globalisation
Gross national income
International marketing
International trade
Less developed economies

Multinational enterprise
North American Free
Trade Area
Piracy
Purchasing power parity
World trade
World Trade Organisation

CASE STUDY

Flatbread goes round the world

Gruma S.A.B. de C.V. is located near Monterrey, Mexico, and produces corn flour and other flour products, which it processes into tortillas and related snacks for markets worldwide. Its brand names include Maseca, Mission, and Guerrero. Its customers include supermarkets, mass merchandisers, smaller independent stores, restaurant chains, food service distributors and schools. The company began operations in 1949. In the early 1970s, Gruma launched its product on the Central American markets, specifically in Costa Rica. In 1976 it expanded to the

United States and in 1987 it began expanding its operations across the globe, opening plants in Honduras, El Salvador, Guatemala and Venezuela. It now has plants in Europe and most recently China.

The Asian market presents a very exciting development for Gruma. The company established their presence on continental China in the first instance and then gradually expanded their penetration of markets across Asia to the Middle East. It has already established distributorships in Japan, Korea, Singapore, Hong Kong, Thailand, the Philippines, Taiwan and India.

How has a Mexican company with a niche food product like cornflour succeeded so well in international markets? According to Martinez and Haddock, the answer lies in the fact that many of the markets they have focused on are emerging markets which tend to follow the same path of development. These emerging markets exhibit a natural life cycle – a predictable pattern of consumer demand that is evident in steel, wheat, consumer products, and every other major economic sector. What Gruma are following in their international expansion is the tried and tested method of leveraging the similarities across from market to market and growing their company accordingly. The root of the success of Gruma has been their ability to observe the life cycle of emerging markets around the world and expertly time their entry into these markets.

However, the other key factor has been their ability to adapt their products to local market tastes. Their key competitive advantage in international markets is based not on their product but the ability to roll any kind of flour, from corn to wheat to rice, into saleable flatbread. Most people from India do not eat corn tortillas, but they do eat a flatbread called naan, made from wheat, which Gruma sells in the United Kingdom and plans to sell in India. The Chinese don't eat many corn tortillas, but they buy wraps made by Gruma for Peking duck.

Gruma also follow a policy of deploying a senior 'beach-head' team to enter the new market in which they are building a presence. In China, the beachhead team had skills honed through many years of experience in Latin America and was already primed to develop the necessary market



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insights to feed into their marketing campaign. Thus, observed trends in China such as a decrease in home cooking among dual-career professionals, increasing penetration of fast food chains, an increase in cold storage in supermarkets and rapid improvements in the logistics and distribution channels were all utilised in thinking through the Gruma market-building strategy in China.

QUESTIONS

- 1 Evaluate the reasons behind the success of Gruma S.A.B. de C.V.
- 2 What environmental factors can be monitored to help decision makers recognise when it is the optimum time to enter a market?

DISCUSSION QUESTIONS

- 1 What are the major environmental influences which impact on international marketing? Show how they can affect international marketing strategies.
- 2 Using examples, examine the reasons why marketing strategies fail in international markets.
- 3 Identify three major global pressure groups. Examine how they have influenced the international marketing strategies of particular firms.
- 4 What skills and abilities are necessary requirements for an effective international marketing manager? Justify your choices.
- 5 How can marketing managers accommodate the multiplicity of international markets into a cohesive international marketing strategy and plan?

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