

Global marketing

LEARNING OBJECTIVES

By the end of this chapter you will:

- understand the importance of international and global aspects of marketing to the modern marketer
- appreciate some of the key factors which have given rise to the growth of international marketing
- be familiar with the different possible levels of involvement in international marketing
- understand some of the key differences and additional complexities encountered when developing marketing strategies for international markets
- comprehend the key decision areas in planning international marketing strategies
- appreciate the importance of, and difficulties associated with, researching and appraising international markets

INTRODUCTION

International and global marketing activities continue to grow to the extent that virtually every marketing manager in today's competitive environment is involved in, or is affected by international and global issues. For this reason, the contemporary marketing manager who does not understand the nature and significance of international marketing and how to plan strategically for these markets, is deficient in the skills required of a modern professional marketing manager.

This chapter seeks to address some of these key issues and skills required when managing marketing programmes in international markets. It is important to stress that this chapter only gives an overview of the issues and skills associated with international marketing management. As such, we are focused on what we believe to be some of the key contemporary issues in international marketing and some of the key decision areas and considerations when developing marketing strategies in these markets. Students and managers who are interested in acquiring a more detailed knowledge in this area are advised to consult one of the specialist texts in this increasingly complex region of marketing. We start by examining some of the background to the growth in international trade and marketing and some of the reasons put forward as to why companies and nations become involved in such activities.

THE GROWTH OF INTERNATIONAL/GLOBAL MARKETING

One of the most striking business trends of the past 40 years has been the increase in internationalization; that is, the growing number of firms that participate in international trade. Of course international trade is not new; after all, nations have traded ever since the start of commerce. However, the 1990s was really the first decade when companies around the world started to think globally. It was during the 1990s that time and distance, dimensions which have been shrinking for centuries between countries, began to become really compressed. The advent of ever faster transport and communication systems which in turn have led to vastly increased travel and more cosmopolitan consumers, have served to 'shrink' the world even further, so much so that writers now refer to the so-called 'global village'. Needless to say, in this millennium this shrinking will continue, aided principally by the Internet.

Although companies such as Nestlé, IBM, Shell, Toshiba and others have been conducting international marketing for decades, global competition has now intensified to the extent that even purely 'domestic companies' that have hitherto never thought about international marketing are affected in their marketing by global competitors.

In addition, the importance of international trade to governments and their economies has meant that more and more firms are being urged to internationalize thereby selling more of their products abroad and as a consequence adding positively to balance of payments. This 'urging' has resulted in many governments offering material encouragement to companies to become involved more in international marketing through, for example, grants and loans and offers of expert advice. Finally, global markets themselves have changed, and are changing with developments such as the enlarged and more co-ordinated European Union, with the majority of the member states having adopted a single currency. The development of the so-called 'tiger economies' of the Pacific rim, and the collapse of Communism and ensuing growth of more liberal economies in Eastern Europe, many now having joined the EU, have given rise to significant new opportunities for companies that have been willing and able to take advantage of them and threats for those who have not. These and other developments largely explain the increased activity and importance of international marketing, but do not, of themselves, explain basic reasons and motives for companies becoming involved in international markets. It is useful in our understanding of international markets management to identify some of these key underpinning reasons and motives.

The prime motive for a company becoming involved in international trade and marketing is essentially profit. This is a very simplistic view and we shall return to some of the added complexities and considerations in making this decision later in this chapter. However, related to the profitability issue, economists have long known some of the prime reasons for international trade.

Adam Smith was the first major writer on international trade. He produced the theory of '**absolute advantage**' in which a country exported products over which it had an absolute cost advantage compared to foreign competition, and imported products over which it had an absolute cost disadvantage. This, he argued was not only common sense, but through specialization in production and trade which it gave rise to, would actually increase the wealth and wellbeing of each participating nation. Other economists developed Adam Smith's basic thesis to include considerations of comparative rather than absolute costs, or the notion that trade was largely explained by relative factor endowments such as land, labour, capital and entrepreneurial skills possessed by a nation. These legacies concerning the notions of absolute, comparative, and factor endowment considerations to explain international trade are still to be found in more recent explanations of international marketing and trade. The major conclusions of these theories are that an examination of price, cost structures and factor endowments between countries will indicate which products and services they are likely to export and import.

Other contributors have amended these economic theories. Some, for example, have highlighted the fact that many of the more traditional economists' theories of trade are essentially only 'supply side' theories. They point out that demand patterns may reverse or at least affect trading flows that we might otherwise predict on the basis of classical economics alone. For example, we may find that the demand for a product in a country may be so high that despite the country possessing a comparative advantage, demand exceeds supply. Instead of being a net exporter, the country then becomes a net importer, often from higher cost foreign suppliers. Similarly, we know as marketers that markets are not homogeneous as the classical economists assumed. They are often segmented, which means a nation can be both an exporter and importer within the same product group. Brand image reinforces this phenomenon. For example, the UK exports cars, but imports more than it exports. Much of this trading flow results from the plant location strategies of US, Far Eastern, and

European multinational vehicle manufacturers, complicating the more simplistic notions to explain production and trade suggested by the classical economists. Another example is Sweden which has a comparative advantage in luxury cars such as Volvo and Saab, but has a comparative disadvantage in small, medium and budget cars.

Perhaps one of the most interesting alternative trade theories to explain international trade and marketing is that developed by Wells.¹ He suggested that international trading in products and services follows a pattern that was broadly similar in nature to that of the product life cycle with which we are already so familiar. Essentially he suggested that many products and services follow a pattern that can be divided into four stages as follows:

- 1 *Innovation and exporting*: New products and innovations are developed in the most 'advanced' economies essentially for domestic consumption. However, these countries will quickly begin to export these new products and services to other 'less developed' economies.
- 2 *Start of foreign production*: As the market for the new product or service begins to grow in the importing countries, companies in these countries begin to start their own production to take account of local demand.
- 3 *Foreign production becomes more competitive in domestic markets*: As production and demand in the previously importing country grows, factors such as economies of scale and experience curve effects begin to make domestic production much more cost competitive compared to imports.
- 4 *Foreign production becomes competitive in export markets*: In this final stage the previously importing countries become competitive in export markets to the extent that their products begin to substitute for the original innovators'/exporters' products in their own markets. In effect we have come full circle with the early producers and exporters becoming net importers.

Wells further suggests that this pattern of trade is repeated over time with successively less developed and therefore lower cost economies becoming in turn the foreign producers and eventually net exporters to countries from which they previously imported.

Many empirical studies have in fact confirmed this 'pecking order' over time. Lancaster and Wesenlund² have modified and extended Wells's basic theory to suggest that as the cycle of trade from one group of countries to another progresses, sales of the product or service in question gradually increase. However, Lancaster and Wesenlund's evidence still supports the basic notion of a product life cycle at work for international trade.

Notwithstanding the insights which these various theories of international trade provide about the reasons and motives for international marketing, as mentioned earlier, the prime motive for the individual company to become involved in this area of marketing is the potential for increased profits. It is this potential which largely explains why a company might move from purely domestic marketing to some involvement in international markets. However, the term 'international marketing' can mean very different levels of involvement in international markets and very different issues for the participating company with regard to, for example, strategic marketing planning. Before we consider these issues in more detail, and to continue the development of our understanding as to the reasons and motives for international marketing, we need to explore further this notion of different levels of involvement in international marketing.

INTERNATIONAL MARKETING DEFINITIONS: LEVELS OF INVOLVEMENT IN INTERNATIONAL MARKETING

The simple notion that international marketing involves marketing across national boundaries belies the potential complexities of defining precisely what international marketing is and what it involves. On the one hand marketing across national boundaries may simply involve a company passively responding to an unsolicited foreign order received from, say, an independent broker. The company involved in this transaction simply sells its product or service to the broker with little effort, additional considerations or long-term commitment. On the other hand, marketing across national boundaries may involve a company devoting most of its resources to foreign market activities with substantial commitment to markets across the globe and with production or marketing in many countries. Clearly, the term 'international marketing' can encompass a wide range of different activities and commitments even though products and services are still essentially being sold across national boundaries. Different levels of involvement allow us to explore and categorize distinct types of activities and commitments encompassed when marketing across national boundaries:

- 1 **Casual or accidental exporting** This type of international business entails the lowest levels of commitment and involvement by a company. It essentially consists of a company responding to largely unsolicited foreign orders and there is not real commitment to international marketing.
- 2 **Active exporting** is where a company makes a positive commitment to its international marketing with an ensuing higher degree of involvement. Not only is there an active recognition that foreign markets exist and represent possible marketing opportunities, but because of this, attempts are made to cultivate sales across national boundaries in a proactive manner. However, even this type of export marketing tends still simply to apply marketing principles to exporting a product which the firm is already selling in its domestic market. Because of this, overall corporate strategy does not really reflect foreign market importance and activities although minor adjustments may be made to the company's strategy to accommodate these.
- 3 **Committed international marketing** This level of commitment to international marketing entails the greatest degree of involvement on the part of the company. Markets across national boundaries are a key consideration in the marketing strategy of the company. International marketing activities are an integral part of the overall marketing programme. Organizational systems, structures and procedures may be developed specifically for the purpose of enhancing international marketing operations and profitability.

A committed international marketer is the Coca-Cola Company. International marketing activities form the centre of the company's overall marketing programme. All of the company's organizational systems, structures and procedures are purposely designed to enhance international marketing operations and profitability.

The level of involvement and commitment by a company to 'marketing across national boundaries' can vary considerably which means that no single simple definition of what constitutes international marketing can adequately encompass the possible range and scope of activities involved. Related to this notion of different levels of involvement and types of international marketing, is the notion of

different types of company perspectives and approaches to organizational structure and systems with regard to its non-domestic marketing.

The export marketing company, as suggested in our earlier discussion of levels of involvement, is a company which simply sells its products overseas. This company may or may not have a separate export marketing division, but essentially uses the same marketing strategies in both its domestic and export markets.

The **international company** is one whose headquarters are located in one country and where ownership is dominated by the nationals of that one country. However, this sort of company views international marketing in a much more positive manner and sees it as being more central to their overall strategy and profits. Marketing strategy tends to emanate from the company headquarters, although they may possess marketing operations in other countries which, in turn, may reflect the particular requirements of each of the foreign markets and customers.

The **multinational company (MNC)** is generally agreed to have the following characteristics:

- They treat the various national markets in which they operate as if they were one. In other words they do not see a distinction between domestic and global marketing opportunities.
- They have a single management strategy that guides all their various operating companies throughout the world.
- They think and operate in what Wind *et al.*³ term a 'geocentric' manner. This means that they are essentially world oriented in their approach to their marketing and planning. We return to this notion when we consider alternative organizational systems and structures for international marketing later in this chapter, but essentially the multinational company which will predominantly have a geocentric perspective will be concerned to achieve complete integration of its marketing strategies throughout the world. Lascau⁴ refers to this as the most extreme type of international involvement. Increasingly, multinational corporations are practising global marketing. A global marketing company views the world as a whole as its market and develops a global marketing strategy.

Both the level of involvement and commitment by a company to its international markets, and associated perspectives regarding these markets, constitute key decisions by a company regarding its international marketing strategy. Simply stated, a company must decide whether it is going to be either a passive exporter or a fully fledged global marketing operator, or of course any number of levels of involvement and commitment in between. However, while this is obviously a crucial determinant of virtually every other aspect of a company's international marketing operations and strategies, we know that the decision to 'go international' is often not a rational 'searching after business' opportunity, but rather the result of a series of chance decisions and many companies go through a process of gradually evolving their international marketing operations. For example, in the first stage a company begins by filling unsolicited orders, but does not actively seek to export. In the next stage the company may actively seek out export markets, but exporting still remains a small part of its business. If the exporting is successful, the company becomes established in one or more export markets and exporting becomes a major activity. The company may then begin to invest in production and other facilities in overseas markets and eventually the company move towards becoming a fully fledged global marketer.

Progression through the stages of involvement to international marketing is by no means an automatic one. Marks & Spencer, for example, despite early forays into overseas expansion including the opening of stores in France, North America and the Far East, have never really developed into a full-blown international retailer. IKEA on the other hand have progressed through successful expansion of their international operations.

Although this gradual evolution of international marketing is how many companies develop their global marketing activities, it is better if the organization plans a systematic development of its activities into the international arena. A firm may enter into marketing across national boundaries passively, due to problems in their domestic market, or actively, by seeking attractive opportunities abroad. We consider some of the reasons for deciding to 'go international' shortly, together with some of the factors that should affect this choice if it is to be planned, as suggested, systematically as part of the overall strategic planning process for international marketing. Before we do this, it is useful to consider what, if anything is different or 'special' about the management of international marketing compared to pure domestic marketing. We now consider these differences.

INTERNATIONAL MARKETING MANAGEMENT: DIFFERENCES AND SPECIAL ISSUES

The main concepts and techniques of marketing management apply both in domestic and international markets. Many of the steps in strategic marketing planning – analysing strengths, weaknesses, opportunities and threats, research and appraising markets and customers, segmentation and targeting, the management of the marketing mix – apply in both situations. Even though the principles of marketing management are the same, there are some additional important issues that arise once a company begins to extend its marketing operations beyond its national boundaries. The areas of marketing management and planning where there are inherent differences between domestic and international marketing management are now considered in Table 16.1. We can see that there are differences between domestic and international marketing management. Many of these differences and additional complexities stem simply from operating in markets with a different environment to that encountered in the domestic market. Of particular significance in this respect are the differences which arise from the cultural and social elements of the environment. Because of this importance we now consider these factors in more detail.

CULTURAL AND SOCIAL FORCES IN INTERNATIONAL MARKETING

Many of the additional complexities and problems faced by international marketers stem from differences in the cultural and social environment which the marketer faces when marketing internationally. Influences of cultural differences when marketing across national boundaries take on a heightened importance.

We know how people consume, their needs and wants, and the ways in which these wants are satisfied are determined by culture. Culture is the human-made part of environment that includes

TABLE 16.1 Comparison between domestic and international marketing

<i>Domestic</i>	<i>International</i>
1 Single language and nationality	1 Multi-lingual/multi-national/multicultural
2 Relatively homogeneous market	2 Fragmented and diverse markets
3 Data usually accurate and easily available	3 Data collection a formidable task requiring significantly higher budget and personnel allocation
4 Political factors relatively unimportant	4 Political factors frequently vital
5 Relative freedom from government and interference	5 Involvement in national economic plans Government influences company plans
6 Individual company has little effect on environment	6 'Gravitational' distortion by large companies in small countries
7 Chauvinism helps	7 Chauvinism hinders
8 Relatively stable business environment	8 Multiple environments, many of which are unstable, but may be highly profitable
9 Uniform financial climate	9 Variety of financial climates ranging from over conservative to wildly inflationary
10 Single currency	10 Currencies differing in real value and stability
11 Business 'rules of the game' understood	11 Rules diverse, changeable and unclear
12 Management generally accustomed to sharing responsibilities and using financial controls	12 Management sometimes autonomous and unfamiliar with budgets and controls

knowledge, beliefs, morals, laws, customs and other elements acquired by humans in society. Because cultures are so different between countries, cultural forces and factors take on a particular significance for the international marketer. We highlight some of the possible areas or aspects of culture where there may be important differences when marketing in foreign markets:

- social organization;
- norms and values;
- religion;
- language;
- education;
- arts and aesthetics.

Sometimes seemingly relatively small and subtle differences in cultural habits and practices can be important in marketing products in different cultures. For example, attitudes towards body hair

differ between even relatively geographically proximate European countries. In the UK for instance, most women shave their under-arm hair, whereas most German women do not. A company like Gillette takes this difference into account in preparing its marketing plans for the different European countries.

The marketer must understand the implications of these different elements of culture for developing marketing strategies e.g. there may be very different norms and values pertaining to say gender roles, or the use of sex in advertising when marketing in a foreign country. Similarly, religious beliefs may have a significant impact on what is acceptable marketing practice.

It is important to recognize that within any national culture there are often a number of sub-sets of culture. In the UK there is a distinct cultural difference between the north and south, which affects purchasing behaviour – in direct and observable ways, but sometimes in quite subtle ways. In addition to geographical sub-cultures, cultural sub-sets will often be created by, for example, different racial groups within a country, such as the Chinese in Malaysia and Mexicans in the USA.

Sub-cultures within countries have become prime targets for many marketers. In the European Union, the Asian sub-culture, once a neglected area of the market, now represents a major market segment. Such sub-cultures have their own particular marketing needs and represent substantial opportunities for the marketer willing and able to cater for these.

There are a number of key concepts relating to culture that become especially important when marketing across national boundaries:

- 1 **Self reference criterion (SRC).** This notion emphasizes the fact that it is all too easy to use all one's own cultural experience and values when developing and implementing marketing plans in another country. When confronted with a situation or set of facts we assess this situation or facts on the basis of our own knowledge and experiences, usually relating to the culture in which we were raised and with which we are most familiar. This can give rise to unconscious but disastrous mistakes in international marketing strategies.

A simple example is the word 'pet'. In many societies this word is used in an affectionate manner to describe domestic animals or even, in some societies, loved ones. In France however, the word 'pet' means, in certain circumstances, flatulence. Simple cultural differences like this can be significant in developing marketing branding programmes. It is important to isolate differences in cultural values between one's own culture and the new culture. Inevitably we use our own criterion and culture frameworks to assess markets, but these may not always be appropriate.

There are many examples of 'misnamed' products or unfortunate advertising slogans including:

'Nova' – Vauxhall's small car which in Spanish means literally 'no go';

'Pschitt' – a French soft drink brand which needs no explanation;

The 'Come alive with Pepsi' campaign slogan was translated in some countries to 'Pepsi will bring your relatives back from the grave'.

- 2 **High and low context culture.** Cultures and societies differ in terms of certain aspects of their development. Differences between high and low context cultures have implications for various

facets of their cultural elements. An example is in the use of language. Chee and Harris⁵ suggest that language is a major factor in distinguishing one culture from another. It is not only the formal written and oral structure of the language to which we refer, but also symbolic communication that is termed 'silent language'. These are ways of communicating in a culture other than through verbal communication. Silent language includes aspects such as time, e.g. the use of deadlines and scheduling appointments and space, e.g. conversation differences in communication. Much communication in high context cultures takes place through silent rather than spoken language. For example, in some cultures arriving late for a meeting is a sign of respect; in others it is a sign of power. Self-reference criteria create more difficulty with silent languages than with spoken ones. Spoken languages are more obvious in their differences, whereas silent languages are much less obvious and yet can significantly impact on marketing.

- 3 **Cultural sensitivity.** Culture is potentially important to all products and services, and hence to marketing plans, but some products are more 'culturally sensitive' than others. Food usage, preparation and consumption and overall attitudes towards food in general can differ significantly between cultures and subcultures. For example, attitudes to drinking coffee in Italy and France are still very different to those in the UK. Some products are taboo for social or religious reasons in some cultures. Consumer products are more culturally sensitive than business-to-business products, but even in business-to-business markets there are rules of social and business etiquette that marketers need to appreciate and adhere to when conducting business in other countries. Cultural differences represent one of the most important areas of increased complexity compared to purely domestic marketing. As we have seen, there are other differences and complexities, but as already suggested, the overall concepts and principles of marketing remain the same. However, some of the decision areas involved in planning international marketing also differ from purely domestic ones, and it is to the key steps and decision areas in developing international marketing plans that we now turn our attention.

INTERNATIONAL MARKETING STRATEGIES AND DECISIONS

As in domestic marketing, international marketing strategies must be systematically planned and implemented. The following represents the key steps and decisions in planning and implementing international marketing programmes.

- 1 *The extent of involvement and commitment to international markets*, i.e. does the company wish to become involved in international markets, and if so, to what extent, e.g. does it intend to be simply at the one extreme a passive exporter, or at the other extreme, a global marketing company.
- 2 *Foreign market selection* where the company must decide which markets it wishes to enter. The company must determine not only which specific markets offer the best opportunities, but how many markets it wishes and is able to enter.
- 3 *The method of market entry* involves determining how the foreign market is to be developed.
- 4 *Marketing mix strategies*: As in domestic markets, this involves decisions regarding the 4Ps and for service products, the 7Ps of the marketing mix.

- 5 *Marketing organization and implementation for developing international markets*: Here the company must decide factors such as organizational systems and procedures including its orientation towards international markets.

These are the key decision areas which we now consider in more detail. In addition to these five key areas, as in purely domestic markets, these decisions need to be based on a careful appraisal of markets including: market size, customer needs and competitors. In short, they need to be based on accurate and up-to-date marketing research and information. We therefore also consider a sixth key area, namely the process of *planning and collecting marketing information for international marketing decisions*.

THE EXTENT OF INVOLVEMENT AND COMMITMENT TO INTERNATIONAL MARKETS

We have discussed the notion of different levels of involvement and commitment to international markets. It was suggested that although this is often the result of a process of evolution, in many companies it is a well planned, systematic and considered decision area and indeed the first one in planning international marketing strategies.

Many factors influence and determine the extent to which a company wishes to become involved and committed to international markets. It is therefore not possible to be specific about what constitutes an appropriate degree of involvement as it varies from company to company and even within a company. A company should decide in a rational manner the extent of its current and planned future involvement and commitment to international markets, and where this commitment is planned to increase over time, this should be done in a systematic and ordered manner. Amongst factors that will affect these decisions are:

- situation in domestic market regarding sales and profits;
- opportunities afforded through international expansion;
- corporate objectives and plans;
- company resources and skills;
- attitudes towards risk;
- outside influences e.g. government incentives and changes in trading blocks.

What is most important is that international marketing plans should be developed from, and be consistent with overall corporate objectives and plans.

Foreign market selection

Having determined how committed and involved a company is to be to international markets, the company must then select specific foreign markets it intends to target. In many ways this is an issue of market segmentation and targeting which were considered in Chapter 3. Overall, it is a question of matching company strengths and resources against potential market opportunities after considering aspects such as competition, market size and growth. Of particular importance, especially for

inexperienced international marketing companies, is the need to resist the temptation to attack too many markets, thereby spreading effort and resources too thinly to be successful. Often, initial efforts should be directed at a single market and this can be later extended to other markets.

Market selection can be based on a number of criteria:

- 1 *Market potential*: e.g. market size and trends, location of competition and their marketing mixes, customer profiles, needs and wants and channels of distribution.
- 2 *Market similarity*: often a company will select markets which are similar to their own domestic markets. 'Psychological' proximity is often more important than geographical proximity in international markets. While it is understandable that companies would prefer markets similar to their own domestic markets in which they have experience, there is a danger that a company may be tempted to take too much for granted and ignore subtle but critical environmental differences.
- 3 *Accessibility*: encompasses both geographical distance and logistics, but also for example, political distance which involves legal and technical import controls, political constraints on business and exchange controls.

The selection of which markets to enter, and how many (i.e. coverage) is a crucial strategic decision. Overall we are looking for those markets which offer the greatest potential for the company to achieve its overall objectives for its international markets.

METHODS OF MARKET ENTRY

There are a number of ways in which a company can become involved in foreign markets depending on its level of commitment and involvement. Related to this, and having decided this degree of involvement and commitment, and determined which foreign markets are to be targeted, the company must determine how it will most appropriately enter these markets. There are two broad alternative methods as shown in Table 16.2. Each of these methods of entry has its own advantages and disadvantages and must be assessed against a number of criteria. Examples of criteria which may be used to assess the alternative methods of entry are:

Company-specific factors

- corporate goals;
- size of company, resources.

General factors

- number of markets;
- penetration within markets;
- competition.

Political factors

- government restrictions/incentives;
- political risk, stability.

TABLE 16.2 Alternative methods of entry*A. Home based production*

Indirect export	Direct export
Trading company	Overseas agents
Export management company	Overseas distributor
Piggy-back operation	Overseas marketing subsidiary

B. Foreign production sources

Assembly
Contract manufacturer
Licensing
Joint venture
100% ownership

Control

- more direct involvement affords greater control.

Incremental costs/investment requirements

- marketing outlay varies directly with method of entry as do investment requirements.

Profit and sales potential

- long-term sales and profit potential associated with each method of entry need to be considered.

Administrative requirements

- documentation, red tape, management and legal time.

Personnel requirements

- the more direct the method of entry, the greater the skills required.

Risk

- political as well as commercial.

Flexibility

- an optimal choice at one point in time may change over time and long-term involvement may require initial flexibility.

THE MARKETING MIX STRATEGIES TO BE USED

Although there are differences in detail, management of the marketing mix elements in international marketing involves the same 'ingredients', i.e. the basic 4Ps or 7Ps in the case of services, and the

same general principles for their management as in domestic markets. There are some differences, for example, the 'place' element of the marketing mix for international markets is more likely to include more specialized intermediaries in the channels of distribution such as agents or overseas distributors. Similarly, logistics, because of sheer distance, is likely to be more complex to plan. In the area of pricing, the marketing manager has to consider exchange rates when quoting prices and matters such as currency regulations and provision for export credit guarantees. Nonetheless, despite these and other added considerations and complexities when marketing abroad, as already mentioned the basic concepts and techniques for managing the marketing mix remain the same. However, there is one major aspect of managing marketing mix elements in international marketing which broadly is not an issue when marketing on a solely domestic basis. This aspect, which is central to managing the marketing mix in international marketing, concerns the extent to which the elements of the marketing mix, and indeed the marketing mix as an overall package, need to be modified or adapted to each of the foreign markets in which a company is involved. On the other hand, it can be applied in a standardized manner across all the markets in which the company operates. This is an issue of 'standardization' and can often be the major issue when considering managing the marketing mix in international markets. We therefore concentrate in our discussion on the management of the international marketing mix on this area.

When a company operates in one or more international markets a decision must be made as to the extent to which it is appropriate and/or possible to use a standardized versus a non-standardized approach to its marketing mix in these markets. Keegan⁶ proposed five strategies for international marketing as shown in Table 16.3. Examples of strategies and products and services that fall under each of the above categories are:

- 1 straight extension e.g. famous cola brands;
- 2 product adaptation e.g. famous petrol brands using international logos and advertising themes, but adapted in terms of the product being slightly different for different climatic conditions;
- 3 communications adaptation e.g. bicycles promoted as a leisure item in advanced economies, but as a prime means of transport in less well developed countries;
- 4 dual adaptation e.g. clothing where fashion might be the principal motivator in some countries, but in others it might be functionality;

TABLE 16.3 Keegan's five strategies for international marketing

<i>Strategy</i>	<i>Promotion</i>	<i>Product</i>
1	Same	Same
2	Same	Different
3	Different	Same
4	Different	Different
5	(Re)invention	

- 5 product invention or re-invention to meet customer needs at affordable prices a standard item might have to be simplified e.g. a hand-cranked washing machine or sewing machine.

It is appropriate here to use Buzzell's⁷ interpretation to define the meaning of standardization and non-standardization in international markets:

In a literal sense, multinational standardization would mean the offering of identical product lines, at identical prices, through identical distribution systems, supported by identical promotional programmes, in several different countries. At the other extreme, completely and 'localized' marketing strategies would contain no common elements whatsoever.

It is not always an either/or decision to standardize or not. Very often it is a question of deciding the degree of standardization for the mix as a whole and for each of the individual elements of the mix in particular.

On the one hand supporters of standardization argue that for any given product consumers' interests everywhere are basically the same and therefore standardization is possible. Increasingly the world is becoming a global marketplace where, mainly because of improvements in communication and transportation, there has been a trend towards a more homogeneous world market. The marketing manager must determine the appropriate level of standardization given the particular circumstances and the nature of the markets for his or her company. The potential benefits of standardization are:

- 1 *Cost savings*: With standardization a company can achieve larger production runs, spread the cost of marketing and research and development and thus reduce total unit costs.
- 2 *A uniform global image*: Standardization enables the development of a uniform image throughout the world, a consistency in product design, brand name and packaging, in sales and customer service and generally in the image projected to customers which can become a powerful competitive weapon.
- 3 *Improved planning and control*: A strategy of global standardization helps facilitate improved planning and control within a company. If all major decisions are made at company headquarters and implemented throughout all worldwide divisions and subsidiaries there is less potential for conflicting policies being pursued.

Despite the potential advantages to be gained from a standardized marketing mix, there are several factors which render this strategy less suitable and on occasions may make it impossible to standardize certain elements of the mix. For example, there may be legal restrictions which prevent standardizing elements of the marketing mix. Similarly, geographical or climatic conditions may prevent standardization. Economic factors, such as standards of living and disposable income may make it less effective to standardize marketing mix elements. Cultural factors may make standardization difficult.

The extent of standardization can only be determined for each particular company at a particular point in time in its overall strategic planning, but it is one of the key decisions regarding the management of the marketing mix elements in international marketing. Even a company like

McDonald's, who have standardized as much of their international marketing as possible, have to vary the marketing mix to meet local needs. For example, there is a non-beef product for the Hindu segment of the Indian market. Their New York outlets cater for lunch-time workers whereas in Holland they are geared up to family groups. In parts of the Far East they cater for the needs of the teenage market, and in the UK they are strongly positioned in the children's birthday party segment.

MARKETING ORGANIZATION AND IMPLEMENTATION FOR DEVELOPING INTERNATIONAL MARKETS

The final element in the strategic management of international marketing is the important area of organization and implementation of international marketing programmes. A highly centralized structure is likely to develop a more standardized approach. A more decentralized structure is likely to lead to less standardization. Majaro⁸ has identified three alternative types of organizational structure for international marketing:

- 1 The **'Macropyramid' structure** – This type of structure is characterized by a strong central 'nerve centre'. All strategic planning is centralized and subsidiaries operate primarily at the management and operational levels. Marketing effort is directed towards a maximum standardization of its mix with strong control procedures from the centre and centralized determination of policy.

This approach obviously encourages standardization, but may be characterized by a degree of inflexibility and a lack of empathy and sensitivity for dealing effectively with local and national business. Local managers may feel hindered by having to operate within rigid standards of performance.

- 2 The **'Umbrella' structure** – Here, the nerve centre lays down a broad set of objectives in terms of profits, growth and return on investment, but local management has freedom to interpret these objectives and adapt them to local needs and conditions. This organizational structure is based on the recognition that markets and countries differ and that a degree of local independence and freedom of action is more effective than totally centralized control and standardization.

Although the Umbrella organization is responsive to local needs, it may give rise to increased costs through the need for more adaptations to the elements of the marketing mix and can lead to over-fragmentation.

- 3 The **'Interconglomerate' structure** – In this type of organization central control and planning is exercised almost exclusively with regard to financial matters. Funds are manipulated on a transnational basis with a view to maximizing returns from factors such as exchange disparities. There is strong communication between the centre and subsidiaries, but only as regards financial planning and control and marketing tends to be non-standardized.

Many factors will affect choice of appropriate structures for implementing international marketing programmes such as: company size, number of markets and their geographical spread, management attitudes and culture. However, one of the most important determinants of organization, and indeed

the overall approach to developing and implementing strategic international marketing plans, is the level of involvement and commitment to international markets. You will recall that Wind *et al.*⁹ suggested that the company that is totally committed to and involved in international marketing, i.e. the global marketer, will tend to have what they term a 'geocentric' approach to its marketing. This is in fact part of these authors' EPRG schema.

The authors contend that firms can be classified as having an ethnocentric, polycentric, regio-centric or geocentric orientation (EPRG) according to the level of involvement and commitment to international markets by the organization. The **ethnocentric orientation** is one that is essentially characterized by a company concentrating primarily on its home markets i.e. with little or no commitment to international markets. The **polycentric orientation** company organizes its international marketing around each host country and has little central control and standardization. The **regio-centric orientation** company, as the term implies, organizes its marketing strategies and systems around specific regions, often geographical, but often political or economic, such as the European Union. As we have seen, the geocentric company looks at the world and its markets in a global context. Such a **geocentric orientation** global marketing strategy will extend to have more standardized global marketing programmes. Even the global marketer needs to be sensitive to different environments.

INTERNATIONAL MARKETING RESEARCH AND INFORMATION SYSTEMS

As with all marketing plans, international marketing decisions must be based on accurate and up-to-date information and intelligence. The approaches to marketing research and information systems are the same internationally as domestically. However, at an international level market research and information gathering are more complex, have wider dimensions and are generally more difficult to plan and control. Some of the operational problems of conducting international marketing research are caused by differences in language and literacy, different cultural values and unreliable or unobtainable secondary data.

Information requirements for international marketing depend upon the decisions to be taken on the basis of that information, but each of the elements of international marketing strategy outlined here will require marketing research and intelligence. Examples of the information required for some of the key decision areas in developing international marketing plans are illustrated in Table 16.4.

A systematic approach to marketing research and information gathering activities is even more important when conducting an international marketing research programme. Problem definition, and the design of the research brief, need to be done as precisely as possible so there is less room for misinterpretation. In developing the research plan, the timing and scheduling of events needs thorough planning to enable data to be collected, analysed, interpreted and reported upon in a common language and in the most efficient manner. Specification of the analysis and method of interpretation must be standardized to enable international comparisons and a meaningful report to be produced. Obtaining information on international markets can be done through secondary information supplied by governments, Chambers of Commerce, banks, and organizations like the United Nations. The availability of such secondary data differs by country, but major developed economies have substantial amounts of secondary information available for marketing research.

TABLE 16.4 Information requirements for key international marketing decisions

<i>Marketing decision</i>	<i>Information/Intelligence needed</i>
1 Degree of involvement/commitment in international marketing	Assessment of global market demand and firm's potential share in view of local and international competition and compared to domestic opportunities.
2 Market selection	A ranking of potential markets based on e.g. market size and growth, political, cultural and economic factors and extent of local competition.
3 Market entry method	Size of market, trade barriers, transport costs, intermediary availability, local competition, government requirements and political stability.
4 Marketing mix strategies	For each market: buyer behaviour, competitive practice, distributors and channels, promotional media and practice, economic factors.

SUMMARY

Many of the principles and practices of marketing management that are used in purely domestic marketing apply when marketing across international boundaries. However, there are some additional considerations and decision areas when marketing internationally and such considerations are key ones when making decisions in areas of planning international marketing operations.

KEY TERMS

Absolute advantage	486	High and low content culture	492
Casual exporting	488	Cultural sensitivity	493
Active exporting	488	Macropyramid structure	499
Committed international marketing	488	Umbrella structure	499
International company	489	Interconglomerate structure	499
Multinational company (MNC)	489	Ethnocentric orientation	500
Self reference criterion	492	Polycentric orientation	500
		Regio-centric orientation	500
		Geocentric orientation	500

CASE STUDY

Fashionista Mode

Tina Stead is pondering a major decision for her UK-based company, Fashionista Mode. Twelve months ago, Tina received an unsolicited enquiry from a customer in France. From what was essentially a tentative enquiry regarding simply the possibility of supplying some of the company's products to this customer, this export customer now accounts for some 12 per cent of the company's total sales. Quite simply, this largely passive exporting activity has become very important to Tina's company.

On the basis of this success Tina has to decide whether or not to become more actively involved in other export markets. However, apart from the French market, the company has little or no experience of international marketing and markets. Partly due to feedback from her large French customer, Tina is sure that there is more potential for the firm to develop its international operations.

She is therefore actively researching other markets in Europe both within and outside European Union countries.

At this stage, she wants to assess which markets to target for future international expansion. She also has to decide the degree of commitment she is prepared to make on behalf of the company to international marketing. She is also aware that once she commits beyond the passive exporting stage she will have to consider appropriate methods of market entry for the countries she selects as the next target markets. Finally, she will have to consider the marketing mix strategies to be used, and in particular the degree of standardization with regard to the marketing mix.

With little experience in these areas, Tina has sought the advice of an external consultant in international marketing. She is awaiting an initial outline report from the consultant summarising the main considerations in making the decisions she is currently pondering.

CASE STUDY QUESTION

Prepare the summary report for Tina.

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