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Contrary To Perceptions That International Marketing Is Adversarial

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ABSTRACT

With the progress of globalization, international business has become quite complex and highly demanding, on all fronts such as economic, social, cultural, political and technological environments. Global marketing strategy has to be redesigned in view of complex global marketing environment. Although domestic and international marketing principles are the same, but managers often need to apply them differently because of environmental differences. A study of international marketing should begin with an understanding of what marketing is and how it operates in an international context. Because of the large number of marketing textbooks, a variety of definitions of marketing are currently in use. Yet most of these definitions are convergent in the sense that they all describe the basics of marketing in much the same way.

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Introduction

A study of international marketing should begin with an understanding of what marketing is and how it operates in an international context. Because of the large number of marketing textbooks, a variety of definitions of marketing are currently in use. Yet most of these definitions are convergent in the sense that they all describe the basics of marketing in much the same way. Any definition is acceptable as long as it captures the essential ideas and as long as the strengths and limitations associated with the definition is acknowledged.

The most satisfactory definition of international marketing which is based upon the definition adopted by American Marketing Association is given here:

"International marketing is the multinational process of planning and executing the conception pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives."

This definition reveals the following important characteristics of international marketing.

1. By placing individual objectives at one end of the definition and organizational objectives at the other, the definition stresses a relationship between a consumer and an organization.
2. What is to be exchanged is not restricted to tangible products but can include concepts and services as well. When the United Nations promotes such concepts as *birth control* and *breast feeding,* this should be viewed as international marketing.
3. International marketing applies to business transactions as well as international non-profit marketing by governments i.e. governments do marketing to attract foreign investment.

   For the purposes discussion in this text, international multinational, and global, marketing are used interchangeably.

Why Global marketing?

Contrary to perceptions that international marketing is adversarial, trade across countries is beneficial to all participating countries. It is desirable to understand the benefits so as to dispose wrong notions prevailing about international marketing. The following points help appreciate the importance of global marketing.

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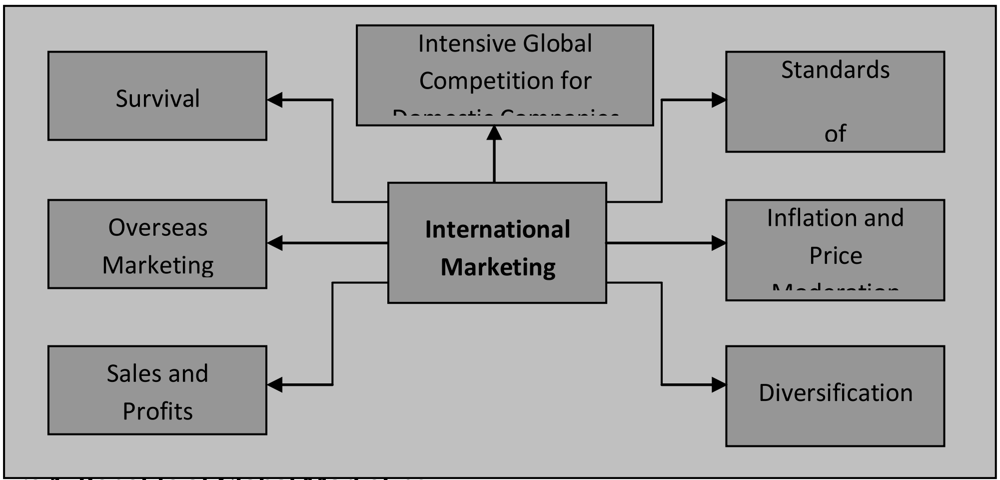

Figure 1. Benefits of Global Marketing

1. **Survival:** Many countries need to trade across the globe for their survival. Hong Kong, for example, has historically underscored this point well, for without food and water from China, the British colony would not have survived long. The countries of Europe have had a similar experience, since most European nations are relatively small in size. Without foreign markets, European firms would not have sufficient economies of scale to allow them to be competitive with the US firms. Nestle, for example, is forced to depend on foreign markets as its home country, Switzerland, is relatively small in size.

2. **Growth of Overseas Markets:** Developing countries are growing into potential markets for international business; particularly Latin America and Asia/Pacific are experiencing considerable economic growth. MNCs cannot afford to ignore the growing markets.

   Throughout history, firms have achieved worldwide dominance mainly through forays into overseas markets, notwithstanding their home country markets being small in size. Successful global firms from the Netherlands, a smaller country in Western Europe, have become giants worldwide. Among them are Philips (electronics), Royal Ahold (retail), Royal Dutch/Shell (petrol), and Uniliver (consumer products). Similarly, Japanese firms dominate many industries; among them are Mitsui and Mitsubishi (electronics, banking, import-export), Dentsu (advertising), Sony and Panasonic (electronics), and Ito Yokado (retail).

3. **Sales and Profits:** Foreign markets constitute a large share of the total business of many firms that have wisely cultivated markets abroad. As stated in the first chapter in this book, foreign sales constitute a major share of total revenues of many firms. Coca-Cola's foreign sales, for example, account for 80 per cent of its total revenue. No international business can ignore overseas markets.

4. **Diversification:** Demand for most products in domestic market is affected by cyclical factors (e.g. recession) and seasonal factors (e.g. climate). These factors are likely to cause a drop in sales often forcing firms to layoff personnel. Foray into overseas markets may help a firm avoid such a possibility. Foreign markets iron out fluctuations by providing outlets for excess production capacity. Cold weather, for instance, may depress soft drink consumption. Yet, not all countries enter the winter season at the same time, and some countries are relatively warm the year-round.

   A similar situation pertains to the business cycle. Europe's business cycle often lags behind that of the US. That domestic and foreign sale operates in differing economic cycles works in favour of General Motors and Ford because overseas operations help even out the business cycles of the North American market.

5. **Inflation and Price Moderation:** The benefits of exports are pretty obvious. Even imports can be beneficial to a country. Without imports, there is no force to influence domestic firms to moderate their prices. Absence of imported products compels consumers to buy domestic products at higher prices, resulting in inflation and excessive profits for local firms. This development usually acts as a prelude to workers' demand for higher wages, further exacerbating the problem of inflation.

6. **Standards of Living:** Trade affords participating nations and their citizens' higher standards of living than is otherwise possible. Without trade, product shortages force people to pay more for less, denying them the purchasing power to buy more. In addition, life in most countries would be much more difficult were it not for many strategic materials that must be imported. Trade also makes it easier for industries to specialize and gain access to raw materials, while at the same time fostering competition and efficiency. A diffusion of innovations across national boundaries is a useful by-product of international trade. Absence of such trade would impede the flow of innovative ideas.

7. **Intensive Global Competition for Domestic Companies:** Many companies have conducted international marketing for decades – Nestle, Shell, Bayer, and Toshiba are familiar to consumers around the world. But global competition is intensifying. Domestic companies that never thought about foreign competitors suddenly find them in their backyards. Domestic companies in India are facing increasing competition from international players. In the television market, LG and Samsung are the leading players. Similar is the case in the air-conditioning market. The automobile market in India is witnessing intense competition from

the global auto giants such as General Motors, Ford, Skoda, Honda, Toyota, and Hyundai. L'Oreal has already made its presence felt in the hair-colorant market.

Domestic And International Marketing Compared

Although domestic and international marketing are regarded as the same as the principles of marketing are the same but they are different in scope due to uncontrollable environmental factors. The comparison or the differences between the two are shown in table 1.

Table .1 Domestic and International Marketing Compared

	Basis of Comparison	**Domestic Marketing**	**International Marketing**
1	Environmental Factors	Controllable and uncontrollable factors are: **Controllable:** Price, Product, Promotion & Distribution **Uncontrollable:** Economic, Political, Legal, Cultural and Competitive environment	Controllable and uncontrollable factors are same as in domestic marketing
2	Nature of Environmental Factors	Simple and uniform	Complex and varying legal, economic, cultural & political environment in different countries differ
3	Marketing Strategy	Uniform marketing strategy	Marketing strategy can't be uniform as environments vary in different countries
4	Example	Sagar Ratna Chain of Restaurant has uniform menu throughout India	McDonald's, recognizing the importance of foreign markets and local customs customizes the menu by region. For example, it has changed its menu for India by excluding beef.
5	Pricing Policy	Price fixation is a complex task	Pricing is more complicated in foreign markets because of additional problems associated with tariffs dumping laws, inflation and currency conversion
6	Advertising	Language translation may not pose a problem, except in	Most firms face the problem of languages

		countries like India which is known for multi-linguism	translation while advertising in overseas markets
7	Media Selection	Media selection or selecting media agencies for preparing and placing the advertisement is not complex	Besides the international marketing the media used in the domestic market may not be readily available. Selecting multinational advertising agency for international marketing is highly complex

It is evident from Table.1 that international marketing has to face so many complex problems whereas the domestic marketing is free from these problems.

R&D Issues in International Marketing

R&D activities in international business are quite significant as these are the basis of new product development and their marketing. The firms that successfully develop and market new products in international arena can learn enormous returns. For example:

Dupont: produced a steady stream of successful innovations such as Cellophane, Nylon and Teflon (nonstick pans)

Sony: produced with success The Walkman, The Compact Disk and The Play Station

Pfizer: the drug company during 1990s produced several major new drugs including Viagra

Intel: has consistently managed to lead in the development of innovative microprocessors to run personal computers

Cisco systems: developed with success, the routers for internet connections, directing the flow of digital traffic.

There is a lot of competition due to technological innovations. An innovation can make established products obsolete overnight but can also make a host of new products possible. Hence there is a need for the firm to invest in R&D and establish R&D activities at those locations where expertise is concentrated. Besides, the firms need to build links between R&D, marketing, and manufacturing. So that the product so designed must satisfy the needs of the consumers. This of course is difficult for the domestic firm, but it is even more problematic for the international business competing in an industry where consumer tastes and preferences differ from country to country.

Relating to R&D and its relevance in international marketing, we need to discuss the following aspects of R&D.

1. **Decision Regarding the Location of R&D**
2. **Decision Regarding Integration of R&D, Marketing and Production**
3. **Setting up of Cross-functional Teams**
4. **Building Global R&D Capabilities**

1. Decision Regarding the Location of R&D:

Other things being equal, the rate of product development seems to be greater in countries where more money is spent on basic and applied research and development, underlying demand is strong, consumers are affluent, and competition is intense.

Basic and applied research and development discovers new technologies and, then commercializes them. Strong demand and affluent consumers create a potential market for new products. Intense competition between firms stimulates innovation as the firms try to beat their competitors and reap potentially enormous first-mover advantages that result from successful innovation.

Location during Post-world War II Period: For most of the post-World War II period, the country that ranked highest on these criteria was the United States. The United States devoted a greater proportion of its gross domestic product (GDP) to R&D than any other country did. Its scientific establishment was the largest and most active in the world. U.S. consumers were the most affluent, the market was large, and competition among U.S. firms was brisk. Due to these factors, the United States was the market where most new products were developed and introduced. Accordingly, it was the best location for R&D activities.

Location over Past Thirty Years: Over the past 30 years, things have been changing quickly. The U.S. monopoly on new-product development has weakened considerably. Although U.S. firms are still at the leading edge of many new technologies, Asian and European firms are also strong players, with companies such as Sony, Sharp, Samsung, Ericsson, Nokia, and Philips NY driving product innovation in their respective industries. In addition, both Japan and the European Union are large, affluent markets, and the wealth gap between them and the United States is closing.

As a result, it is often no longer appropriate to consider the United States as the **lead market**. In video games, for example, Japan is often the lead market, with companies such as Sony and

Nintendo introducing their latest video game players in Japan some six months before they introduce them in the United States. In wireless telecommunications, Europe is generally reckoned to be ahead of the United States. Some of the most advanced applications of wireless telecommunications services are being pioneered not in the United States but in Finland, where more than 80 percent of the population has wireless telephones, compared to 40 percent of the U.S. population. However, it often is questionable whether any developed nation can be considered the lead market. To succeed in today's high-technology industries, it is often necessary to simultaneously introduce new products in all major industrialized markets. When Intel introduces a new microprocessor, for example, it introduces it simultaneously around the world.

2. Decision Regarding Integration of R&D, Marketing and Production

Although a firm that is successful at developing new products may earn enormous returns, new-product development has a high failure rate. One study of product development in 16 companies in the chemical, drug, petroleum, and electronics industries suggested that only about 20 percent of R&D projects result in commercially successful products or processes. Another in-depth case study of product development in three companies (one in chemicals and two in drugs) reported that about 60 percent of R&D projects reached technical completion, 30 percent were commercialized, and only 12 percent earned an economic profit that exceeded the company's cost of capital. Along the same lines, another study concluded that one in nine major R&D projects, or about 11percent, produced commercially successful products. In sum, the evidence suggests that only 10 to 20 percent of major R&D projects give rise to commercially viable products.

To avoid failure or to minimize the ratio of failure, there is need to integrate the R&D activities with marketing and production. Its benefits would include:

- Product development projects are driven by customer needs.
- New products are designed for ease of manufacture.
- Development costs are kept in check.
- Time to market is minimized.

Close integration between R&D and marketing: It is required to ensure that product development projects are driven by the needs of customers. A company's customers can be a primary source of new-product ideas. Identification of customer needs, particularly unmet needs, can set the context within which successful product innovation occurs. As the point of contact with customers, the marketing function of a company can provide valuable information in this regard. Integration of R&D

and marketing is also crucial if a new product is to be properly commercialized. *Without integration of R&D and marketing, a company runs the risk of developing products for which there is little or no demand.*

Integration between R&D and production: It can help a company design products with manufacturing requirements in mind. Designing for manufacturing can lower costs and increase product quality. Integrating R&D and production can also help lower development costs and speed products to market. If a new product is not designed with manufacturing capabilities in mind, it may prove too difficult to build. Then the product will have to be redesigned, and both overall development costs and the time it takes to bring the product to market may increase significantly. Making design changes during product planning could increase overall development costs by 50 percent and add 25 percent to the time it takes to bring the product to market. Minimizing time to market and development costs may require the simultaneous development of new products and new processes.

3. Setting up of Cross-functional Teams

Besides cross functional integration is to established for R&D. Cross-functional product development teams must be composed of representatives from R&D, marketing and production. This is because these functions may be located in different countries. The objective of these teams should be to take a product development project from concept development to market production. For effective results from these teams, following attributes are important:

(a) The team should be led by a renowned project manager who has high status within the organization, and who has the power and authority to arrange required human and financial resources

(b) The team should be composed of at least one member from each key function

(c) The team member should be physically co-located if possible so to create good environment for proper communication and coordination.

4. Building Global R&D Capabilities

For integrating R&D and marketing to adequately commercialize new technologies, one has to solve the problems of different versions of a new product to be produced for various countries. In order to overcome such problems there is need to integrate R&D and production in these international businesses that have dispersed production activities to different locations around the globe depending on consideration of relative factor costs.

In fact there is need for proper allocation of product development responsibilities to various centers.

Hewlett-Packard (HP) has four **basic research centers** in Palo Alto, California Bristol, England; Haifa, Israel; and Tokyo, Japan. These labs are the seedbed for technologies that ultimately become new products and businesses. They are the company's innovation engines.

Microsoft offers a similar example. The company has basic research sites in Redmond, Washington (its headquarters); Cambridge, England: Tokyo, Japan; and Silicon Valley, California. Staff at this research sits work on the fundamental problems that underlie the design of future products.

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