International Marketing

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About the Tutorial

International marketing is the practice of marketing principles by industries in one or more than one country across the national borders. This is a brief introductory tutorial that explains the basic concepts, strategies and challenges included in International Marketing.

Audience

This tutorial will be useful for students from management streams who aspire to learn the basics of International Marketing. Professionals, especially managers, aspirants of entrepreneurship regardless of which sector or industry they belong to, can use this tutorial to learn how to apply the methods of International Marketing in their respective enterprise.

Prerequisites

The readers of this tutorial are expected to have a basic understanding of how an entrepreneur would expand his/her business from home country to one or more foreign country.

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IM – Introduction

International marketing is the application of marketing principles by industries in one or more than one country. It is possible for companies to conduct business in almost any country around the world, thanks to the advances in international marketing.

In simple words, international marketing is trading of goods and services among different countries. The procedure of planning and executing the rates, promotion and distribution of products and services is the same worldwide.

In recent times, companies are not restricted to their national borders, but are open for international marketing. With the increasing change in customers' demands, choices, preferences and tastes, the economies are expanding and giving way to more competitive marketing. Thus, organizations need to respond rapidly to the demands of the customers with well-defined marketing strategies.

International Marketing – Overview

The word 'International Marketing' is defined as the exchange of goods and services across national borders to meet the requirements of the customers. It includes customer analysis in foreign countries and identifying the target market.

The **major participants** in international marketing are as follows:

- **Multinational Corporations** (MNCs) – A multinational corporation (MNC) is an organization that ensures the production of goods and services in one or more countries other than its home country. Such organizations have their offices, help desks or industrial set-up across nations and usually have a centralized head office where they co-ordinate global management.

- **Exporters –** They are the overseas sellers who sell products, and provide services across their home country by following the necessary jurisdiction.

- **Importers** – They are the overseas buyers who buy products and services from exporters by complying with the jurisdiction. An import by one nation is an export from the other nation.

- **Service companies** – A service company generates revenue by trading on services and not on physical commodities. A public accounting company is the best example of a service company. Revenue here is generated by preparing returns of income tax, performing audit services, and by maintaining financial records.

Many companies believe that their targets are limited if they only concentrate on a single market like the U.S. Market and Global marketplace is competitive. Thus, to enrich their market presence such companies are always on a lookout for better opportunities worldwide.

IM – Objectives

International marketing simply means the sale and purchase of products and services in a market that acts as a platform for several other markets. Companies from different countries attempt to draw customers by advertising their products and services on the same platform.

The **major objectives** of international marketing are outlined as follows:

- To enhance free trade at global level and attempt to bring all the countries together for the purpose of trading.
- To increase globalization by integrating the economies of different countries.
- To achieve world peace by building trade relations among different nations.
- To promote social and cultural exchange among the nations.
- To assist developing countries in their economic and industrial growth by inviting them to the international market thus eliminating the gap between the developed and the developing countries.
- To assure sustainable management of resources globally.

- To propel export and import of goods globally and distribute the profit among all participating countries.

- To maintain free and fair trade.

International marketing aims to achieve all the objectives and establish a connection among the nations that participate in global trade. Establishing a business in one's home country has limited restrictions and demands but when it comes to marketing at international level, one has to consider every minute detail and the complexities involved therein. In such instances, the demand grows as the market expands, preferences change and the company has to abide by the rules and regulations of two or more countries.

Some basic modes are followed to enter into the global market and the organizations planning to expand their business globally need to know some basic terms. These have been discussed in the next chapter.

IM – Basic Modes of Entry

The mode of entry is the path or the channel set by a company to enter into the international market. Many alternative modes of entry are available for an organization to choose from and expand its business.

Some of the basic modes or paths companies use to enter into the global market are as follows:

Internet

For some companies, internet is a new mode of marketing while for some it is the only source of marketing. With the change in recent trends, a large number of innovative enterprises promote their goods and services on the internet through E-marketing.

For example, online shopping websites like Amazon provide a wide range of products for all age groups. A customer only needs an active internet connection to browse through the website and order any product of his choice. The product gets delivered at your doorstep and shopping is made simple and easy with E-marketing.

Licensing

Licensing is a process of creating and managing a contract between the owner of a brand and a company which wants to use the brand in association with its product. It refers to that permission as well which is given to an organization to trade in a particular territory. Licensing further has different channels namely:

Franchising

It is that form of business where the owner of a firm or the franchiser distributes his products and services through affiliated dealers or the franchisees. Franchising comes with its own benefits. The franchiser here provides brand name, right to use a developed business concept, expertise, and also the equipment and material required for the business.

For example, Domino's Pizza, Pizza Hut, and McDonald's are a few fast food chains we can't do without. They have a significant presence around the world. However, they have standard recipes and follow the same techniques across all the branches. Such aspects are governed and monitored by the main branch or the franchiser.

Turnkey Contracts

It is a type of project which is constructed and sold to buyer as a complete product. Once the project is established and handed over to the buyer, the contractor no more holds any ownership over it.

For example, the local government has published an invitation for contractors to make proposals or put in their tenders for the construction of a highway. Many contractors put forth their proposals and the best out of all is chosen. The contractor is assigned the task of constructing the highway. A certain amount is paid in cash to the contractor after negotiation. The government promises to pay the remaining amount after the completion of the project. After the work is finished, the contractor hands over the project to the concerned government. This is an example of turnkey contracts.

International Agents and Distributors

The companies or individuals who handle the business or market representing their home country in some foreign country are called international agents and distributors. These agents may work with more than one enterprise at a time. So, their level of commitment and dedication towards achieving their goals should be high.

International distributors are like international agents; the only thing that makes them different is that the distributors claim ownership over the products and services whereas agents don't.

For example, travel agents who book tickets and deal with the passport and visa issues of their clients are international agents. **Amway** with its large variety of products being distributed in more than one country is an example of international distributor.

Strategic Alliances

A large number of companies share the international market ground collaboratively. These companies collaborate while remaining apart and distinct based on non-equity strategic alliance. The companies may or may not belong to the same countries.

For example, Maruti Suzuki's is a strategic alliance between the Government of India, under the United Front (India) coalition and Suzuki Motor Corporation, Japan.

Joint ventures

When two parties having distinct identities come together to establish a new company it is known as a joint venture. The profit gained and also the loss incurred by the company is shared or borne by both the parties.

For Example, Hulu is a profitable joint venture extremely popular as a video streaming website. It is a joint venture of NBC Universal Television Group (Comcast), Fox Broadcasting Company (21st Century Fox), and Disney-ABC Television Group (The Walt Disney Company).

Overseas Manufacture or International Sales Subsidiary

When a company invests in a new project, plant or machinery overseas, i.e., at the global level, it is said to be undertaking overseas manufacturing. The major advantage is that the business suits the existing local standards, and the products match with the demands of the customers of that particular area.

International Sales Subsidiary is to a certain extent like overseas manufacturing. However, it is less risk prone when compared to overseas manufacturing. It comes with its own set of benefits too. It possesses the characteristics of a distributor authorized by a local company. A project or plant established in some foreign country but governed by a different company in the home country is international sales subsidiary. This is also referred to as Foreign Direct Investment (FDI).

End of ebook preview

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