

GLOBAL MARKETING – A COMPARISON OF DOMESTIC AND INTERNATIONAL MARKETING**Ms Monika and Ms Kiran Chaudhary,**

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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. This paper begins with explaining: What is global marketing? Why there is need for global or international marketing? What are the differences between the domestic and international marketing? We will then examine two prominent issues of international marketing i.e. assessing/screening for target market selection and global marketing management or global marketing mix strategy in international setting.

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.

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. (Figure 1.1)

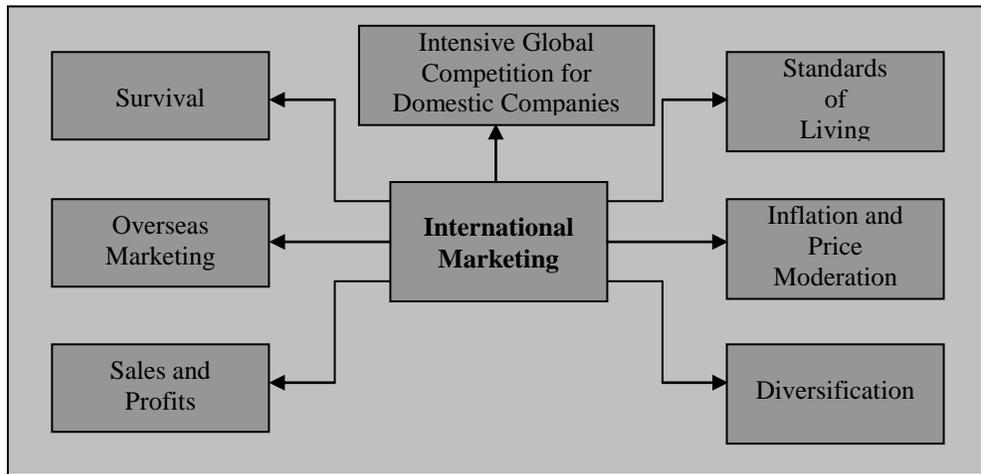


Figure 1.1 Benefits of Global Marketing

- 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 Unilever (consumer products). Similarly, Japanese firms dominate many industries; among them are Mitsui and Mitsubishi (electronics, banking, import-export), Dentsu (advertising), Sony and Panasonic.

- 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.

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 1.1.

Table 1.1 Domestic and International Marketing Compared

	Basis of Comparison	Domestic Marketing	International Marketing
1	Environmental Factors	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.
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 countries like India which is known for multi-linguism	Most firms face the problem of languages 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.

It is evident from Table 1.1 that international marketing has to face so many complex problems whereas the domestic marketing is free from these problems.

Major Decisions in International Marketing

For a company of any size to go global, it must make a series of decision. These decisions are shown in figure 1.2.

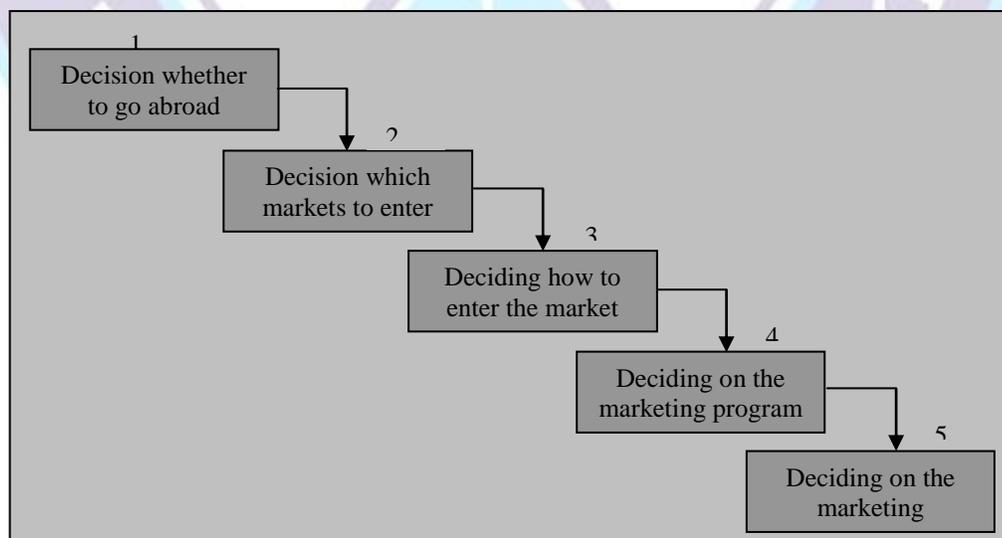


Figure 1.2 Major Decisions in International Marketing

Source: Kotler, Philip, Kevin Lane, Koshy and Jha, Marketing Management, Twelfth Edition, 2007, New Delhi, P. 565.

Special Skills and Plans Required for Entering Developing Markets

The special skills and plans come from the companies which are introducing new practices.

(Box-1)

Box-1 New Ways/Practices for Serving the Customers in Developing Markets

- Grameen-Phone markets cell phones to 35,000 villages in Bangladesh by hiring village women as agents who lease phone time to other villagers, one call at a time.
- Colgate-Palmolive rolls into Indian villages with video vans that show the benefits of tooth brushing; it expects to earn over half of its Indian revenue from rural areas by 2003.
- An Indian-Australian car manufacturer created an affordable rural transport vehicle to compete with bullock carts rather than cars. The vehicle functions well at low speeds and carries up to two tons.
- Fiat developed a "third-world car," the Palio, that far outsells the Ford Fiesta in Brazil and that will be launched in other developing nations.
- Corporation GEO builds low-income housing in Mexico. The two-bedroom homes are modular and can be expanded. The company is now moving into Chile and southern U.S. communities.
- A Latin American building-supply retailer offers bags of cement in smaller sizes to customers building their own homes.

Source: Adapted from Vijay Mahajan, Marcos V. Pratini De Moraes and Jerry Wind, "The Invisible Global Market", Marketing Management, Winter 2000, PP. 31-35.

These marketers are able to capitalize on the potential of developing markets by changing their conventional marketing practices to sell their products and services more effectively. It cannot be business as usual when selling in developing markets. Economic and cultural differences abound; a marketing infrastructure may barely exist; and local competition can be surprisingly stiff. In China, PC maker Legend and mobile-phone provider TCL have thrived despite strong foreign competition. Besides their close grasp on Chinese tastes, they also have their vast distribution networks, especially in rural areas.

Deciding How to Enter the Market

Once a company decides to target a particular country, it has to determine the best mode of entry. Its broad choices are *indirect exporting*, *direct exporting*, *licensing*, *joint ventures* and *direct investment*. These five market strategies are shown in Figure 24.3. Each succeeding strategy involves commitment, risk, control, and profit potential.

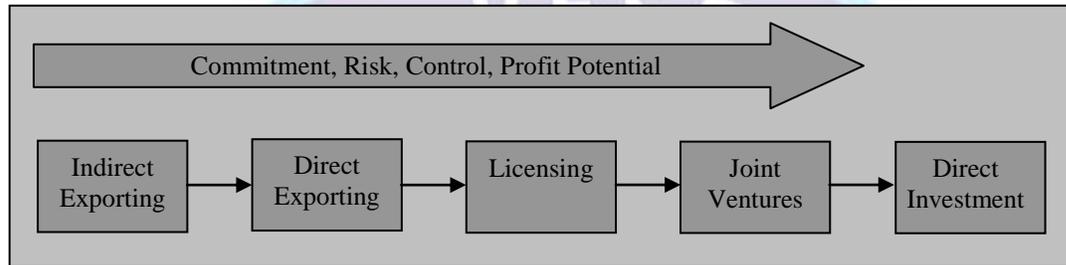


Figure 1.3 Five models of entry in to foreign markets

Source: Kotler, Philip, Kevin Lane, Koshy and Jha, Marketing management, Twelfth Edition, 2007, New Delhi, P. 570

Table 1.2: Factors Affecting the Choice between Concentration and Diversification Strategies

Factor	Diversification	Concentration
Market growth rate	Low	High
Sales stability	Low	High
Sales response function	Concave	S curve
Competitive lead time/response	Short	Long
Spillover effects	High	Low
Need for product adaptation	Low	High
Need for communication adaptation	Low	High
Economies of scale in distribution	Low	High
Extent of constraints	Low	High
Program control requirements	Low	High

Source: Michael Resource Czinkota, Iikka A. Ronkainen and Michael H. Moffett, "International Business", South Western Cengage Learning, New Delhi, 2009, p.477.

Global Marketing Management

After target markets are selected, next important step in international marketing is to implement the international marketing mix comprising product, price, place/distribution and promotion. The key question is to decide the extent to which the elements of international marketing mix (IMM) should be standardized. There are big challenges of adjusting each of the mix elements in the international market place. For example the main focus has to be identified in each element of IMM. The figure 1.3 highlights the elements of IMM and the required focus.

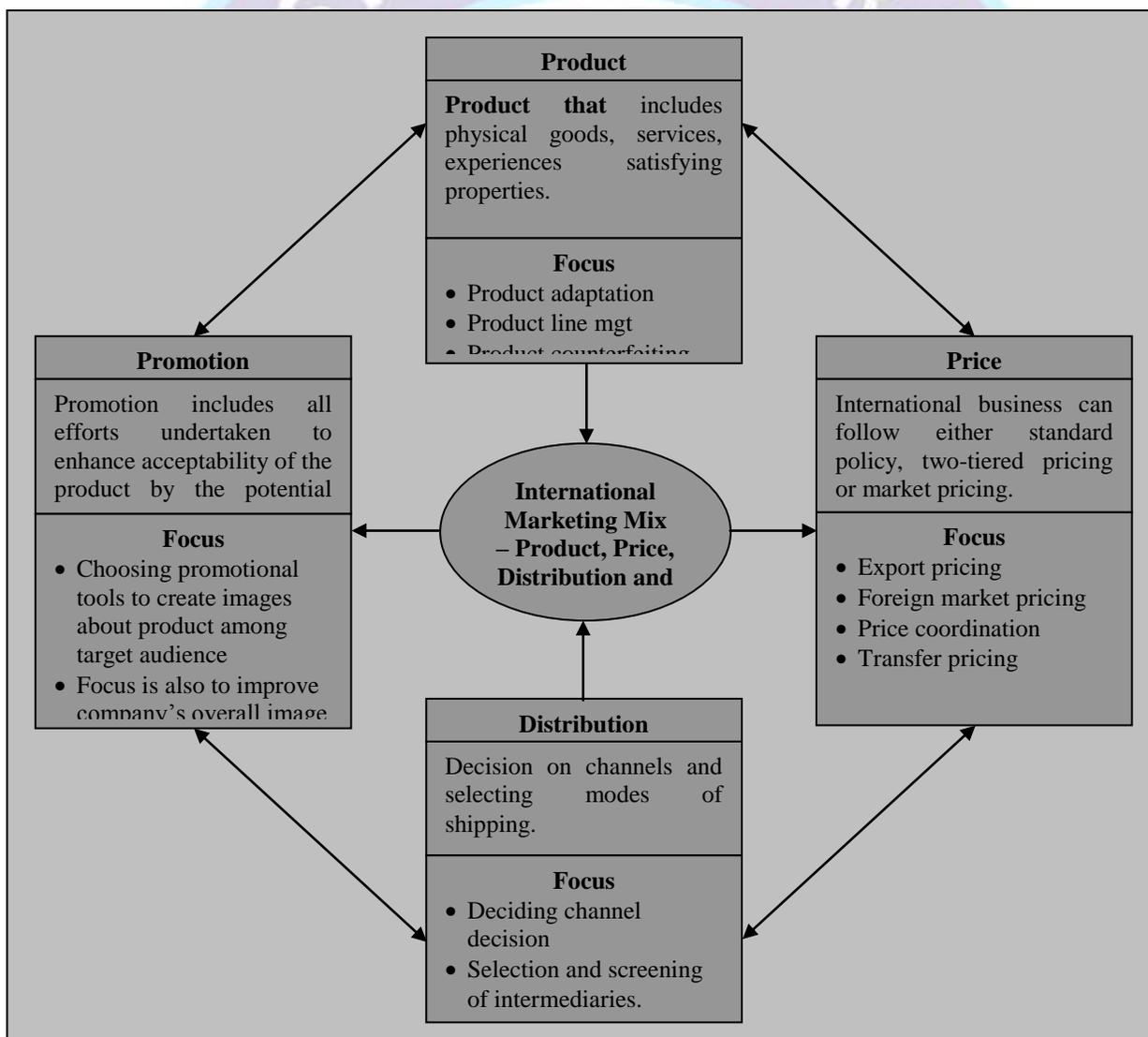


Figure 1.5: The International Marketing Mix and Main Focus

Another focus is product policy in international marketing is about product line management. International marketers' product lines consist of local, regional, and global brands. In a given market, an exporter's product line, typically shorter than domestically, concentrates on the most profitable products. Product lines may vary dramatically from one market to another depending on the extent of the firm's operations.

Some firms at first cater only to a particular market segment, and then eventually expand to cover an entire market. For example, Japanese auto manufacturers moved into the highly profitable luxury car segment after establishing a strong position in the world small-car segment.

The domestic market is not the only source of new-product ideas for the international marketer, nor is it the only place where they are developed. Some products may be developed elsewhere for worldwide consumption because of an advantage in skills. Colgate-Palmolive has set up centers of excellence around the world; in hair care, they are located in Paris, France, and Bangkok, Thailand. Ford Europe was assigned the task to develop the Ford Focus, which was then introduced to North America a year later.

Sensitivity to local requirements and tastes also has to be reflected in the company's product line. In Brazil, Levi Strauss developed a line of jeans exclusively for women there, who prefer ultra tight jeans. However, what is learned in one market can often be adopted in another. Levi's line of chino pants and casual wear originated in the company's Argentine unit and was applied to loosely cut pants by its Japanese subsidiary. The company's U.S. operation adopted both in 1986, and the line became global in the 1990s.

The focus on product counterfeiting is also important while framing the product policy in international marketing. Product counterfeiting is a practice in which goods bearing an unauthorized representation of a trade mark, patented invention or copyrighted work are legally protected in the country where it is marketed. Four types of action that can be taken against counterfeiting are legislative action, bilateral and multilateral negotiations, joint private sector action, and measures taken by individual firms.

Although advertising is often equated with the promotional effort, in many cases promotional efforts consist of personal selling. In the early stages of internationalization, exporters rely heavily on personal contact. The marketing of industrial goods, especially of high-priced items, requires strong personal selling efforts. In some cases, personal selling may be truly international, for example, Boeing salespeople engage in sales efforts around the world.

Conclusion

However, in most cases, personal selling takes place at the local level. The best interests of any company in the industrial area lie in establishing a solid base of dealerships staffed by local people. Personal selling efforts can be developed in the same fashion as advertising. For the multinational company, the primary goal again is the enhancement and standardization of personal selling efforts, especially if the product offering is standardized. As an example, Eastman Kodak has developed a line-of-business approach to allow for standardized strategy throughout a region. In Europe, one person is placed in charge of the entire copier-duplicator program in each country. That person is responsible for all sales and service teams within the country. Typically, each customer is served by three representatives, each with a different responsibility. Sales representatives maintain ultimate responsibility for the account; they conduct demonstrations, analyze customer requirements, determine the right type of equipment for each installation, and obtain orders. Service representatives install and maintain the equipment and retrofit new-product improvements to existing equipment. Customer service representatives are the liaison between sales and service. They provide operator training on a continuing basis and handle routine questions and complaints. Each team is positioned to respond to any European customer within four hours.

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