V Skills
Skills for a secure future

Certified International Marketing Analyst Sample Material

V-Skills Certifications

A Government of India
&
Government of NCT Delhi Initiative

V-Skills

Skills for a secure future

1. INTRODUCTION TO INTERNATIONAL MARKETING

1.1. Marketing: A Universal Discipline

The foundation for a successful global marketing program is a sound understating of the marketing discipline. Marketing is the process of focusing the resources and objectives of an organization on environmental opportunities and needs. The first and most fundamental fact about marketing is that it is universal discipline. Marketing is a set of concepts, tools, theories, practices and procedures, and experience. Together, these elements constitute a teachable and learnable body of knowledge. Although marketing is universal, marketing practice, of course, varies from country to country. Each person is unique, and each country is unique. This reality of differences means that we cannot always directly apply experience form one country to another. If the customers, competitors, channels of distribution, and available media are different, it may be necessary to change our marketing plan.

A revolutionary development in the shift to the strategic concept of marketing is in the marketing objective: from profit to stakeholder benefits. Stakeholders are individuals or groups who have an interest in the activity of a company. They include the employees and management, customers, society, and government, to mention only the most prominent. There is a growing recognition that profits are a reward for performance (defined as satisfying customers in a socially responsible or acceptable way). To compete in today's market, it is necessary to have an employee team committed to continuing innovation and to producing quality products. In other words, marketing must focus on the customer in context and deliver value by creating stakeholder benefits for both customers in context and deliver value by creating stakeholder benefits for both customers and employees. This change is a revolutionary idea that is accepted today by a vanguard minority of marketing practitioners.

Profitability is not forgotten in the strategic concept. Indeed, it is a critical means to the end of creating stakeholder benefits. The means of the strategic marketing concept is strategic management, which integrates marketing with the other management functions. One of the tasks of strategic management is to make a profit, which can be a source of funds for investing in the business and for rewarding shareholders and management. Thus, profit is still a critical objective and measure of marketing success, but it is not an end in itself. The aim of marketing is to create value for stakeholders and the key stakeholder is the customer. If your customer can get greater value for stakeholders, and the key stakeholder is the customer. If your customer can get greater value form your competitor because your competitor is willing to accept a lower level of profit reward for investors and management, the customer will choose your competitor, and you will be out of business.

Finally, the strategic concept of marketing has shifted the focus of marketing form a microeconomics maximization paradigm to a focus of managing strategic partnerships and positioning the firm between vendors and customers in the value chain with the aim and purpose of creating value for customers. This expanded concept of marketing was termed boundary less marketing by Jack Welch, chairperson and chief executive officer (CEO) of General Electric. Marketing, in addition to being a concept and philosophy is a set of activities and a business process. The marketing activities are called the four Ps; product, price, place (distribution), and promotion (or communications). These four Ps can be expanded to five Ps by adding probe (research). The marketing management process is the task of focusing the resources and objectives of the organization on opportunities in the environment. The three basic principles that underlie marketing are discussed next.

1.2. Principles of Marketing

The essence of marketing can be summarized in three great principles. The first identifies the purpose and task of marketing, the second the completive reality of marketing and the third the principal for achieving the first two.

Customer Value and the Value Equation

The task of marketing to create customer value that is greater than the value created by competitors. Expanding or improving product and / or service benefits, by reducing the price, or by a combination of these elements, can increase value for the customer. Companies with a cost advantage can use price as a competitive weapon. Knowledge of the customer combined with innovation and creativity can lead to a total offering that offers superior customer value. If the benefits are strong enough and valued enough by customers, a company does not need to be the low-price competitor to win customer.

Competitive or Differential Advantage

The second great principle of marketing is competitive advantage. A competitive advantage is a total offer, vis-à-vis relevant competition that is more attractive to customers. The advantage can exist in any element of the company's offer; the product, the

Where V= value, B= perceived benefits – perceived costs (for example, switching costs) and **P**= price

Price, the advertising and point of sale promotion or the distribution of the product one of the most powerful strategies for penetrating a new national market is to offer a superior product at a lower price. The price advantage will get immediate customer attention, and, of those customers who purchase the product, the superior quality will make an impression.

Focus

The third marketing principle is focus, or the concentration of attention. Focus is required to succeed in the task of A clear focus on customer needs and wants an

A clear focus on customer needs and wants and on the competitive offer is required to mobilize the effort needed to maintain a differential advantage. This can be accomplished only by focusing or concentrating resources and efforts on customer needs and wants and on how to deliver a product that will meet those needs and wants.

1.3. Management Orientations

The form and substance of a company's response to global market opportunities depend greatly on management's assumptions or beliefs both conscious and unconscious about the nature of the world. The worldview of a company's personnel can be described as ethnocentric, polycentric, egocentric, and geocentric. Management at a company with a prevailing ethnocentric orientation may consciously make a decision to move in the direction of geocentricism. The orientations are collectively known as the EPRG framework.

Ethnocentric Orientation: A person who assumes his or her home country is superior compared to the rest of the world is said to have an ethnocentric orientation. The ethnocentric orientation means company personnel see only similarities in markets and assume the products and practices that succeeded in the home country will, due to their demonstrated superiority, be successful anywhere. At some companies, the ethnocentric orientation means that opportunities outside the home country are ignored. Such companies are sometimes called domestic companies. Ethnocentric companies that do conduct business outside the home country can be described as international companies; they adhere to the notion that the products that succeed in the home country are superior and, therefore, can be sold everywhere without adaptation.

In the ethnocentric international company, foreign operations are viewed as being secondary or subordinate to domestic ones. An ethnocentric company operates under the assumption that "tried and true" headquarters' knowledge and organizational capabilities can be applied in other parts of the world. Although this can sometimes work to a company's advantage, valuable managerial knowledge and experience in local markets may go unnoticed. For a manufacturing firm, ethnocentrism means foreign markets are viewed as a means of disposing of surplus domestic production. Plans for overseas markets are developed utilizing policies and procedures identical to those employed at home. No systematic marketing research is conducted outside the home country, and no major modifications are made to products. Even if consumer needs or wants in international markets differ from these in the home country, those differences are ignored at headquarters.

Fifty years ago, most business enterprise- and specially those located in a large country such as the United States could operate quite successfully with an ethnocentric orientation. Today, however, ethnocentrism is one of the biggest internal threats a company faces.

Polycentric Orientation: The polycentric orientation is the opposite of ethnocentrism. The term polycentric describes management's often unconscious belief or assumption that each country in which a company does business is unique. This assumption lays the ground work for each subsidiary to develop its own unique business and marketing strategies in order to subsidiary to develop its own unique business and marketing strategies in order to succeed; the term multinational company is often used to describe such a structure.

Regiocentric and Geocentric Orientations: In a company with a regiocentric orientation, management views regions as unique and seeks to deep an integrated strategy. For example, a U.S. company that focuses on the countries included in the North American Free Trade Agreement 5 (NAFTA)—the United States, Canada, and Mexico have a regiocentric orientation. A company with a geocentric orientation views the entire world as a potential market and strives to develop integrated world market strategies. A company whose management has a regiocentric or geocentric orientation is sometimes known as a global or transnational company.

The geocentric orientation represents a synthesis of ethnocentrism and polycentrism; it is a "worldview" that sees similarities and differences in markets and countries and seeks to create a global strategy that is fully responsive to local needs and wants. A regiocentric manager might be said to have a worldview on a regional scale; the world outside the region of interest will be viewed with an ethnocentric or a polycentric orientation, or a combination of the two.

The ethnocentric company is centralized in its marketing management, the polycentric company is decentralized, and the regiocentric and geocentric companies are integrated on a regional and global scale, respectively. A crucial difference between the orientations is the underlying assumption for each. The ethnocentric orientation is based on a belief in home country superiority. The underlying assumption of the polycentric approach is that there are so many differences in cultural, economic, and marketing conditions in the world that it is impossible and futile to attempt to transfer experience across national boundaries.

1.4. Benefits of International Marketing

International marketing daily affects consumers in many ways, though its importance is neither well understood nor appreciated. Government officials and other observers seem always to point to the negative aspects of international business. Many of their charges are more imaginary than real. The benefits of international marketing must be explicitly discussed in order to dispel such notions.

Survival

Because most countries are not as fortunate as the United States in terms of market size, resources, and opportunities, they must trade with others to survive. Hong Kong has historically underscored this point well, for without food and water from China proper, and The British colony would not have survived long. Nestle mentions in one of its advertisements that its own country, Switzerland, lacks natural resources, forcing it to depend on trade and adopt the geocentric perspective.

International competition may not be a matter of choice when survival is at stake. A study of five medical – sector industries found that international expansion was necessary when foreign firms entered a domestic market. However, only firms with previously substantial market share and international experience could expand successfully. Moreover firms that retrenched after an international expansion disappeared.

Growth of Overseas Markets

Developing countries, in spite of economic and marketing problems, are excellent markets. Latin America and Asia / Pacific are experiencing the strongest economic growth.

In a study of some 1500 companies found that U.S manufactures with factories or sales subsidiaries overseas outperformed their domestic counterparts during the 1980s in terms of growth in nineteen out of twenty major industry groups and higher earnings in seventeen out of twenty groups.

American marketers cannot ignore the vast potential of international markets. The world market is more than four times larger than the U.S market. In the case of Amway Corp, a privately held U.S manufactures of cosmetics, soaps, and vitamins, Japan represents a larger market than the United States.

Sales and Profits

Foreign markets constitute a large share of the total business of many firms that have wisely cultivated markets abroad. According to the U.S Department of Commerce, foreign profit of American firms rose at a compound annual rate of 10.8 percent between 1982 and 1991, almost twice as fast as domestic profits of the same companies.

Diversification

Demand for most products is affected by such cyclical factors as recession and such seasonal factors as climate. The unfortunate consequence of these variables is sales fluctuations, which can frequently be substantial enough to cause layoffs of personnel. One way to diversify a company's risk is to consider foreign markets as a solution for variable demand. Such markets even 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 same time, and some countries are relatively warm year round.

Inflation and Price Moderation

The benefits of export are readily self – evident. Imports can also be highly beneficial to a country because they constitute reserve capacity for the local economy. Without imports (or with severely restricted imports), there is no incentive for domestic firms to moderate their prices. The lack of imported product alternatives forces consumers to pay more, 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. Import quotas imposed on Japanese automobiles in the 1980 saved 46200 U.S production jobs but at a cost of $ 160,000 per job per year. This huge cost was a result of the addition of $400 to the prices of U.S cars and $1000 to the prices of Japanese imports. This windfall for Detroit resulted in record – high profits for U.S automakers.

The short-term gain derived from artificial controls on the supply of imports can in the long run return to haunt domestic firms. Not only do trade restrictions depress prices competition in the short run, but also they can also adversely affect demand for years to come.

Employment

Trade restrictions, such as the high tariffs which force the average tariff rates across the board to climb above 60 percent, contribute significantly to the greater Depression and have the potential to cause wide – spread unemployment again. Unrestricted trade, On the other hand, improves the world's GNP and enhances employment generally for all nations.

Importing products and foreign ownership can provide benefits to a nation. Unfortunately there is no question that globalization is bound to hurt some workers whose employers are not cost competitive. Some employers may also have to move certain jobs overseas so as to reduce costs. As a consequence, some workers will inevitably by unemployed. It is extremely difficult to explain to those who must bear the brunt of unemployment due to trade that there is a net benefit for the country.

Standards of Living

Trade affords countries and their citizen's higher standards of living than otherwise possible. Without trade, product short- ages force people to pay more for less. Products taken for granted such as coffee and bananas may become unavailable overnight. Life in most countries would be much more difficult were it not for the many strategic metals 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. A lack of such trade would inhibit the flow of innovative ideas.

Understanding of Marketing Process

International marketing should not be considered a subject or special case of domestic marketing. As commented by the chairman of the supervisory board of N.V. Philip's Gloeilampen – fabrieken.

When an executive is required to observe marketing in other cultures, the benefit derived is not so much the understanding of a foreign culture. Instead, the real benefit is that the executive actually develops a better understanding of a foreign culture. Instead, the real benefit is that the executive actually develops a better understanding of marketing in one's own culture. For example, Coca – Cola Co. has applied the lessons learned in Japan to U.S. and European markets. The study of international marketing thus can prove to be valuable in providing insights for the understanding of behavioral patterns often taken for granted at home. Ultimately, marketing as a discipline of study is more effectively studied.

1.5. Forces Affecting Global Integration and Marketing

The remarkable growth of the global economy over the past 50 years has been shaped by the dynamic interplay of various driving and restraining forces. During most of those decades, companies from different parts of the world in different industries achieved great success by pursuing international, multinational, or global strategies. During the 1990s, changes in the business today, the growing importance of global marketing stems from the fact that driving farces have more momentum than the restraining forces.

Driving Forces

Converging market needs and wants, technology advances, pressure to cut costs, pressure to improve quality, improve quality, improvements in communication and transportation technology, global economic growth, and opportunities for leverage all represent important driving forces; any industry subject to these forces is a candidate for globalization.

Technology: Technology is a universal factor that crosses national and cultural boundaries. Technology is truly "stateless", there are no cultural boundaries limiting its application. Once a technology is developed, it soon becomes available everywhere in the world. This phenomenon support Levitt's prediction concerning the emergence of global markets for standardized products. In his landmark Harvard Business Review article, Levitt anticipated the communication revolution that has, in fact, become driving force behind global marketing. Satellite dishes. Globe-spanning television networks such as CNN and MTV, and the Internet are just a few of the technological factors underlying the emergence of a true global village. In regional markets such as Europe, the increasing overlap of advertising across national boundaries and the mobility of consumers have created opportunities for marketers to pursue pan- European product positioning.

Regional Economic Agreements: A number of multilateral trade agreements have accelerated the pace of global integration. NAFTA is already expanding trade among the United States, Canada, and Mexico. The General Agreement on Tariffs and Trade (GATT), which was ratified by more than 120 nations in 1994, has been replaced by the world Trade Organization to promote and protect free trade, but it has come under attack by developing countries. In Europe, the expanding membership of the European Union is lowering barriers to trade within the region.

Market Needs and Wants: A person studying markets around the world will discover cultural universals as well as cultural differences. The common elements in human nature provide an underlying basis for the opportunity to create and serve global markets. The word create is deliberate. Most global markets do not exist in nature: They must be created by marketing effort. For example, no one needs soft drinks, and yet today in some countries per capita soft drink consumption exceeds the consumption' of water. Marketing has driven this change in, behavior, and today the soft-drink industry is a truly global one. Evidence is mounting that consumer needs and wants around the world are converging today as never before. This creates an opportunity for global marketing. Multinational companies pursuing strategies of product adaptation run the risk of being overtaken by global competitors that have recognized opportunities to serve global customers.

Transportation and Communication Improvements - The time and cost barriers associated with distance have fallen tremendously over the past 100 years. The jet airplane revolutionized "communication by making it possible for people to travel around the world in less than 48 hours Tourism enables people from many countries to see and experience the newest products being sold abroad. One essential characteristic of the effective global business is face-to-face communication among employees and between the company and its customers. Without modern jet travel, such communication would be difficult to sustain. A similar revolution has occurred in transportation technology. Physical distribution has declined in terms of cost; the time required for shipment has been greatly reduced as well. A letter from China to New York is now delivered in eight days faster than domestic mail is delivered within many countries.

Product Development Costs - The pressure for globalization is intense when new products require major investments and long periods of development time. The pharmaceuticals industry provides a striking illustration of this driving force. According to the Pharmaceutical Manufacturers Association (PMA), the cost of developing a new drug in 1976 was $54 million; by 1982, the cost had increased to $87 million. By 1993, the cost of developing a new drug had reached $359 million.13 such costs must be recovered in. the global marketplace, as no single national market is likely to be -large enough to support investments of this size. As noted earlier, global marketing does not necessarily mean operating everywhere; in the $200 billion pharmaceutical industry, for example, seven countries account for 75Percent of sales.

Leverage - A global company possesses the unique opportunity to develop leverage. Leverage is simply some type of advantage that a company enjoys by virtue of the fact that it conducts business in more than one country. Four important types of leverage are experience transfers, scale economies, resource utilization, and global strategy.

Scale Economies - The global company can take advantage of its greater manufacturing volume to obtain traditional scale advantages within a single factory. Also, finished products can be produced by combining components manufactured in scale-efficient plants in different countries. The importance of manufacturing scale has diminished somewhat as companies implement flexible manufacturing techniques and invests in factories outside the home country.

Leverage from scale economies is not limited to manufacturing. Just as a domestic company can achieve economies in staffing by eliminating duplicate positions after an acquisition, a global company can achieve the same economies on a global scale by centralizing functional activities. The larger scale of the global company also creates opportunities to improve corporate staff competence and quality.

Resource Utilization - A major strength of the global company is its ability to scan the entire world to identify people, money, and raw materials that will enable it to compete most effectively in world markets. This is equally true for established companies and start-ups. For example, British Biotechnology Group, founded in 1986, raised $60 million from investors in the United States, Japan, and Great Britain. For a global company, it is not problematic if the value of the "home" currency rises or falls dramatically, because for this company there really is no such thing as a home currency. The world is full of currencies, and a global company seeks financial resources on the best available terms. In turn, it uses them where there is the greatest opportunity to serve a need at a profit.

Restraining Forces

Despite the impact of the driving forces identified earlier, several restraining forces may' slow a company's efforts to engage in global marketing. Three important restraining forces are management myopia, organizational culture, and national controls. As we have noted, however, in today's world the driving forces predominate over the restraining forces. That is why the importance of global marketing is steadily growing.

Management Myopia and Organizational Culture: In many cases, management simply ignores opportunities to pursue global marketing. A company that is "nearsighted" and ethnocentric will not expand geographically. Myopia is also a recipe for market disaster .if headquarters attempts to dictate when it should listen. Global marketing does not work without a strong local term that can provide information about local market conditions.

In companies in which subsidiary management "knows it all," there is no room for vision from the top. In companies in which headquarters management is all knowing, there is no room for local initiative or an in-depth knowledge of local needs and conditions. Executives and managers at successful global companies have learned how to integrate global vision and perspective with local market initiative and input a striking theme emerged during interviews conducted by the author with executives of successful global companies. That theme was the respect for local initiative and input by headquarters executives, and the corresponding respect for headquarters' vision by local executives.

National Controls and Barriers: Every' country protects local enterprise and interests by maintaining control over market access and entry in both low-and high-tech-tech industries and advertising. Such control ranges from a monopoly controlling access to tobacco markets to national government control of broadcast, equipment trans- mission markets. Today, tariff barriers have been largely removed in the high-income countries, thanks to the World Trade Organization WTO) NAFTA, and other economic agreements. However, non tariff barriers (NTBs) still make it more difficult for outside companies to succeed in foreign markets. The only way Global companies -can overcome these barriers is to become “insiders” in every country in which they do business. Global advertising and promotion are also hampered by government regulations. It is illegal in some countries to use comparative advertising.