22MBA243B INTERNATIONAL MARKETING

Course Educational Objectives (CEOs):

CEO1: To provide knowledge about Principles of International Marketing

CEO2: To inculcate various aspects pertinent to International Market opportunities

CEO3: To elucidate International Product Management

CEO4: To provide necessary knowledge about international market channels

CEO5: To give a elaborate view about pricing and promotion of international markets

UNIT-I: Introduction: Scope and Significance of International Marketing, The Strategic Importance of International Marketing, Difference Between International and Domestic Marketing, Need for International Trade- International Market Environment.

UNIT-II: International Market Opportunities: Regional Market Characteristics, Marketing in Transitional Economies and Third World Countries, International Market segmentation and Targeting- International Market entry strategies- Direct exporting, Indirect exporting, Entry strategies of Indian Firms

UNIT-III: International Product Management: International Product Positioning, International Product Life, Cycle, Geographic Expansion-Strategic Alternatives- New products in International Marketing, Product and Culture, Brands in International Market.

UNIT-IV: International Market Channels: Channels-Distribution Structures, Distribution Patterns, Factors Effecting Choice of Channels, The Challenges in Managing an International Distribution Strategy, Selecting Foreign Country Market Intermediaries-The Management of Physical Distribution of Goods.

UNIT-V: Pricing and Promotion for International Markets: Environmental Influences on Pricing Decisions, Grey Market Goods, Transfer Pricing, Global Pricing – Policy Alternatives, Definitions of International Marketing

According to Kotler, "Global marketing is concerned with integrating and standardizing marketing actions across a number of geographic markets."

According to Cateora, "International marketing is the performance of business activities that direct the flow of goods and services to consumers and users in more than one nation."

International marketing is different from domestic marketing not only in scope but also in nature. Following are the nature and scope of international marketing.

Nature of International Marketing

1. Broader market is available – Unlike domestic marketing the market is not restricted to national population. Population of other countries can also be targeted in international marketing.
2. Involves at least two set of uncontrollable variables – In domestic marketing the marketers have to interact with only one set of uncontrollable variables. In international marketing at least two set of uncontrollable variables are involved or more if the marketing organization deals in more countries.
3. Requires broader competence – Special management skills and broader competence is required in international marketing/business.
4. Competition is intense – An international marketing organization has to compete with both the domestic competitors and the international competitors. Hence, the competition is intense in international marketing.
5. Involve high risk and challenges – International marketing is prove to various kinds of risk and challenge like – political risk, cultural differences, changes in fashion and style of foreign customers, sudden war, changes in government rules and regulations, communication challenges due to language and cultural barriers, etc,.

Scope of International Marketing

1. Export – It is a function of international business whereby goods produced in one country are shipped to another country for further sale or trade.
2. Import – Goods or services brought into one country from another for use or sale.
3. Re-export – Import of semi-finished goods, further processing, and export of finished goods.

4. Management of international operations

- Operating marketing and sales facilities abroad,
- Establishing production or assembly facilities in foreign countries, and
- Monitoring the operations and practices of other MNCs and agencies.

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Significance of IM / Need for International Trade:

The attainment of business exercises monitoring, directing and controlling the channel of a company’s products and services to its customers at the global level to earn profit and satisfy the demands internationally is the motto of international marketing.

The main advantages of international marketing are discussed below −

Provides higher standard of living

International marketing ensures high standard life style & wealth to citizens of nations participating in international marketing. Goods that cannot be produced in home country due to certain geographical restrictions prevailing in the country are produced by countries which have abundance of raw material required for the production and also have no restrictions imposed towards production.

Ensures rational & optimum utilization of resources

Logical allocation of resource & ensuring their best use at the international level is one of the major advantages of international marketing. It invites all the nations to export whatever is available as surplus. For example, raw material, crude oil, consumer goods & even machinery & services.

Rapid industrial growth

Demand for new goods is created through international market. This leads to growth in industrial economy. Industrial development of a nation is guided by international marketing. For example, new job opportunities, complete utilization of natural resources, etc.

Benefits of comparative cost

International marketing ensures comparative cost benefits to all the participating countries. These countries avail the benefits of division of labor & specialization at the international level through international marketing.

International cooperation and world peace

Trade relations established through international marketing brings all the nations closer to one another and gives them the chance to sort out their differences through mutual understanding. This also encourages countries to work collaboratively with one another. This thereby designs a cycle wherein developed countries help developing countries in their developmental activities and this removes economic disparities and technological gap between the countries.

Facilitates cultural exchange

International marketing makes social & cultural exchange possible between different countries of the world. Along with the goods, the current trends and fashion followed in one nation pass to another, thereby developing cultural relation among nations. Thus, cultural integration is achieved at global level.

Better utilization of surplus production

Goods produced in surplus in one country are shipped to other countries that have the need for the goods in international marketing. Thus, foreign exchange of products between exporting country & importing countries meets the needs of each other. This is only possible if all the participating countries effectively use surplus goods, service, raw material, etc. In short, the major advantages of international marketing include effective utilization of surplus domestic production, introduction of new varieties of goods, improvement in the quality of production & promotion of mutual co-operation among countries.

Availability of foreign exchange

International marketing eases the availability of foreign exchange required for importing capital goods, modern technology & many more. Essential imports of items can be sponsored by the foreign exchange earned due to exports.

Expansion of tertiary sector

International marketing promotes exports of goods from one country to another encouraging industrial development. Infrastructure facilities are expanded through international marketing. It indirectly facilitates the use of transport, banking, and insurance in a country ensuring additional benefits to the national economy.

Special benefits at times of emergency

Whenever a country faces natural calamities like floods & famines, it is supported by other countries in the international market. The international market provides emergency supply of goods and services to meet urgent requirements of the country facing the calamity. This distribution can only be facilitated by a country which has surplus imports.

A company exporting goods to other foreign countries earns substantial profit through export operation as domestic marketing is less profitable than international marketing. The loss a company suffers in domestic marketing can be compensated from the profit earned through exports in international marketing. Foreign exchange can be earned by exporting goods to foreign countries. Thus, the profit earned can be used for the import of essential goods, new machinery, technology, etc. This would further facilitate large-scale export in future.

Difference Between Domestic and International Marketing

Marketing is defined as the set of activities which are undertaken by the companies to provide satisfaction to the customers through value addition and making good relations with them, to increase their brand value. It identifies and converts needs into products and services, so as to satisfy their wants. There are two types of marketing namely, domestic and international marketing. Domestic marketing is when commercialization of goods and services are limited to the home country only.

On the other hand, International marketing, as the name suggests, is the type of marketing which is stretched across several countries in the world, i.e. the marketing of products and services is done globally. In this article excerpt you can find the difference between domestic and international marketing in detail.

BASIS FOR COMPARISON	DOMESTIC MARKETING	INTERNATIONAL MARKETING
Meaning	Domestic marketing refers to marketing within the geographical boundaries of the nation.	International marketing means the activities of production, promotion, distribution, advertisement and selling are extend over the geographical limits of the country.
Area served	Small	Large
Government interference	Less	Comparatively high
Business operation	In a single country	More than one country
Use of technology	Limited	Sharing and use of latest technology.
Risk factor	Low	Very high
Capital requirement	Less	Huge
Nature of customers	Almost same	Variation in customer tastes and preferences.
Research	Required but not to a very high level.	Deep research of the market is required because of less knowledge about the foreign markets.

Key Differences Between Domestic and International Marketing

The significant differences between domestic and international marketing are explained below:

1. The activities of production, promotion, advertising, distribution, selling and customer satisfaction within one's own country is known as Domestic marketing. International marketing is when the marketing activities are undertaken at the international level.
2. Domestic marketing caters a small area, whereas International marketing covers a large area.
3. In domestic marketing, there is less government influence as compared to the international marketing because the company has to deal with rules and regulations of numerous countries.
4. In domestic marketing, business operations are done in one country only. On the other hand, in international marketing, the business operations conducted in multiple countries.
5. In international marketing, there is an advantage that the business organisation can have access to the latest technology of several countries which is absent in case domestic countries.
6. The risk involved and challenges in case of international marketing are very high due to some factors like socio-cultural differences, exchange rates, setting an international price for the product and so on. The risk factor and challenges are comparatively less in the case of domestic marketing.
7. International marketing requires huge capital investment, but domestic marketing requires less investment for acquiring resources.
8. In domestic marketing, the executives face less problem while dealing with the people because of similar nature. However, in the case of international marketing, it is quite difficult to deal with customers of different tastes, habits, preferences, segments, etc.
9. International marketing seeks deep research on the foreign market due to lack of familiarity, which is just opposite in the case of domestic marketing, where a small survey will prove helpful to know the market conditions.

Need for IM

1. Important to expand target market – Target market of a marketing organisation will be limited if it just concentrate on domestic market. When an organisation thinks globally, it looks for overseas opportunities to increase its market share and customer base.

2. Important to boost brand reputation – International marketing may give boost to a brand's reputation. Brand that sold internationally is perceived to be better than the brand that sold locally. People like to purchase products that are widely available. Hence, international marketing is important to boost brand reputation.

3. Important to connect business with the world – Expanding business into an international market gives a business an advantage to connect with new customers and new business partners. Apple - the tech giant designs its iPhone in California; outsources its manufacturing jobs to different countries like - Mongolia, China, Korea, and Taiwan; and markets them across the world. Apple have not restricted its business to a nation, rather expanded it to throughout the world. The opportunities for networking internationally are limitless. The more "places" a business is, the more connections it can make with the world.

4. Important to open door for future opportunities – International marketing can also open door for future business opportunities. International marketing not only increases market share and customer base, it also helps the business to connect to new vendors, a larger workforce and new technologies and ways of doing business. For example – American organisations investing in Japan have found programs like – Six Sigma and Theory Z which are helpful in shaping their business strategies.

The Strategic importance of International marketing

The desire to expand sales and revenue to acquire inputs at least cost and to minimize business and financial risk through geographic diversification has led to the growth of MNC's. The factors that led the companies accelerate their business activities worldwide are:

Minimize competitive risk

Expand sales

Acquire resources

Cost

4.1 Minimize Competitive Risk

Companies seek to have global presence for defensive reasons. The intense competition between companies in the domestic market incites companies to have global operations.

Real Business Case – Tata Motors: Since early 1990's India have been witnessing strong waves of liberalization, privatization, and globalization. The automobile giant in India, Tata motors realized that if it wants to grow then it cannot afford to have business solely to the fortunes of one country as automotive business is highly competitive and the competitiveness depends on the quality, economies of scale and efficiency can be improved if the organization enters foreign market. The senior management of Tata Motors where left with the question "whether they should remain as an exporter of vehicles which they were doing since 1961 or to enter into the international market which can compete with the best in the business.” The answer they have zeroed in was to widen its business operations than just exports (Misra and Yadav, 2009).

4.2 Acquire Resources

Another important motive of companies to set for international business is to acquire resources such as raw materials, capital, products, technology, products or services. The reasons for it would be:

Non-Availability of resources in the home country.

High prices of resources in the home country.

To seek resources of better quality/standard.

Real Business Case – Philips: Cheap labor in China brought Philips to China. In 2002 Philips had 23 factories in china which were either wholly owned or joint ventures. Two third of the company’s export products were from these plants. According to Gerard Kleiterlee, the president and CEO of Philips Electronics, ” China is the second largest market for Philips Surpassing Germany in the last quarter of 2009. We are one of the largest multinationals in the country operating in 600 Chinese cities and employ 15000 people.” (Philips.com, 2009)

4.3 Minimize Risk

Organizations always want to minimize the risk by minimizing the swings in sales and profit. Companies try to mitigate the vulnerability to a single economy by having a broader base in multiple geographies.

Real Business Case – Nestle: In 2001, Nestle witnessed slower growth in Western Europe and in the U.S. but this was offset by higher growth in Eastern Europe, Latin America and Asia. According to Peter Brabeck , Vice chairman and CEO of Nestle, ‘ Nestle has delivered a good performance by any measure in the first half of 2002 demonstrating its capacity for growth and performance improvement even in a difficult global environment” (Nestle, 2002).

4.4 Cost

Cost aspect is a significant motivation for organizations to have inclination towards global business. Many organizations go in for international business to become more competitive internationally by reducing their costs.

Real Business Case – Toshiba: The manufacturing of Toshiba laptop is dispersed geographically where the mix of factor costs and skills are most favorable. The manufacturing of laptop components such as memory chips and display screens take place in Japan, microprocessors and hard drives made in the U.S. and finally assembly takes place in Singapore from where it is shipped to the U.S, Western Europe and Japan. (Toshiba.com, 2009)

International Market Environment:

Environment consists of forces. Environment is made of such controllable and uncontrollable forces. It is the environment that determines favourable or unfavourable conditions, and hence, provides either opportunities or threats and challenges. Degree of one’s success, to a large extent, depends on effect of marketing environment and ability of the firm to respond effectively. International marketing environment covers all the relevant global forces influencing international marketing decisions.

These forces may be internal (such as resource ability and management attitudes), may be domestic (such as government policy toward international business and facilities), and global (such as overall international business environment of relevant part of the world). However, discussion of global forces is more relevant as they are major considerations in international marketing.

Definitions:

We can define the word ‘international marketing environment as under:

1. International marketing environment is a set of controllable (internal) and uncontrollable (external) forces or factors that affect international marketing. International marketing mix is prepared in light of this environment.

2. International marketing environment consists of global forces, such as economic, social, cultural, legal, and geographical and ecological forces, that affect international marketing decisions.

3. International marketing environment for any marketer consists of internal, domestic, and global marketing forces affecting international marketing mix.

Figure 1: Three-level International Marketing Environment

Factors of International Marketing Environment:

Factors or forces involved in the international marketing environment can be classified into three categories as stated in the figure 1. Manager dealing with international marketing has to design his marketing mix and marketing (mix) strategies in accordance with these forces.

1. Global Factors:

Such factors are related to the world economy. Broader picture of global phenomenon affects every decisions of international marketing.

Main global factors include:

i. Customer-related factors
ii. Political and legal factors
iii. Social factors
iv. Cultural factors
v. Competition
vi. Global relations among nations and degree of the worldwide peace.
vii. Geographic/ecological/climate-related factors
viii. Functioning of international organisations like UNO, World Bank, WTO, etc.
ix. Availability of marketing facilities and functioning of international agencies, etc.

2. Domestic Factors:

Domestic factors are related to the economy of the nation. Overall economic, social and cultural, demographic, political and legal, and other domestic aspects constitute domestic environment for international marketing. This environment affects international marketing mix in several ways.

Important domestic factors include:

i. Political climate/stability/philosophy

ii. Government approach and attitudes toward international trade

iii. Legal system and business ethics

iv. Availability and quality of infrastructural facilities

v. Availability and quality of raw-materials

vi. Functioning of institutions and availability of facilities

vii. Technological factors

viii. Ecological factors, etc.

3. Internal or Organisational Factors:

These are internal and controllable factors. They are related to internal situation of the company dealing with international trade. International marketer needs to use, adjust, and organize these factors to satisfy needs and wants of the (international) target markets.

These factors include:

i. Objectives of company

ii. Managerial philosophy of company

iii. Personal factors related to management

iv. Managerial attitudes toward other nations, customers, social welfare, etc.

v. Company's policies and rules

vi. Resource ability of company and marketing mix

vii. Form of organisation and organisational structure.

viii. Nature and types of employees

ix. Internal relations with other departments

x. Company's relations with other stakeholders and service providers.

The international business environment is highly characterized and influenced by

International Politics

International Culture

International Trade

International financial markets and Institutions

3.2.1 International Politics

International politics is a primary concern for Multi National Enterprises. (MNE's) The past two decades have witnessed dramatic change in their political systems. Most of the countries in the Eastern Europe, in the Americas' are building market economies in varying degrees. MNE's feel more confident in starting up their operations in market driven economy as they are endowed with more freedom to fix prices and more liberty in carrying out their business operations. Until MNE's feel that the government is willing to take the steps necessary to ensure that promises are kept and they are able to repatriate their funds, they are going to proceed very cautiously with their investment plans. (Rugman and Collinson, 2006)

3.2.2 International Culture

Despite the various patterns and processes of globalization, Cultural awareness is a very important aspect for MNE's when it operates in international arena. As an example, the culture, beliefs and etiquettes which are followed in the India is entirely different from that of the western world and the companies and persons who are involved in businesses in India should comprehend the Indian culture to its full extent. ‘When going to a business meeting in India, bring family photos. Indians enjoy talking about each other’s families, which is seen as building trust and rapport before doing business. ‘(Czinkota,Ronkainen and Moffet, 2009)

Real Business Case – Saudi Arabia: Many organizations from foreign countries entered into the Saudi Arabian market following the crisis it faced in 1970’s. But not all were successful as they failed to understand the Saudi Arabian culture. A major U.S security company won a large contract to install security system for a client in Saudi Arabia. The troubles started when the shipments from the U.S. which landed in Saudi Arabia were not released by the custom officials. The reason behind the detainment of the shipments was that the security devices were wrapped in newspapers which contained fashion photographs of scantly claded women. This offended the cultural sensitivities of the officials of a nation in which majority of the women wear a long garment called ‘Abayah’. (Misra and Yadav, 2009)

3.2.3 International Trade

International trade is a broad term, which includes all commercial transactions that take place between nations. Multinational companies are major players in international trade and account for the major proportion of International trade. Some classic examples for international trade are, Ford which makes gear box in its factory in Bordeaux and exports it to assembly plants in different EU countries. Spain depends upon Nigeria, Algeria and Libya for 99% of its natural gas requirements. (Misra and Yadav, 2009)

3.2.4 International Financial Markets and Institutions

Irrespective of whether a company or bank engages in international trade, it is important that its managers understand some key aspects of international financial markets. The euro currency market, international monetary system, the foreign exchange market all influence the functioning of markets for goods and services. The euro currency market may offer a low cost borrowing opportunity; the international monetary system may set a framework that may affect many firms and the foreign exchange market determines the cost and availability of foreign currencies used in business by many firms. (Misra and Yadav, 2009)

UNIT – II

REGIONAL MARKET CHARACTERISTICS

- A **preferential trade agreement** is a mechanism that confers special treatment on select trading partners. By favoring certain countries, such agreements frequently discriminate against others.
- A **free trade area** (FTA) is formed when two or more countries agree to eliminate tariffs and other barriers that restrict trade. A free trade area comes into being when trading partners successfully negotiate a **free trade agreement** (also abbreviated FTA), the ultimate goal of which is zero duties on goods that cross borders between the partners.
- **Rules of origin** are used to discourage the importation of goods into the member country with the lowest external tariff for transshipment to one or more FTA members with higher external tariffs.
- To date, dozens of free trade agreements, many of them bilateral, have been successfully negotiated.
- **Customs Unions** represent the logical evolution of a free trade area.
    - In addition to eliminating internal barriers to trade, members of a customs union agree to the establishment of **common external tariffs** (CETs).
    - Examples of customs unions are the Andean Community, the Central American Integration System (SICA), Mercosur, and CARICOM.
- A **common market** is the next level of economic integration. In addition to the removal of internal barriers to trade and the establishment of common external tariffs, the common market allows for free movement of factors of production, including labor and capital.
- An **economic union** builds upon the elimination of the internal tariff barriers, the establishment of common external barriers, and the free flow of factors. It seeks to coordinate and harmonize economic and social policy within the union to facilitate the free flow of capital, labor, goods, and services from country to country.
    - The **full evolution of an economic union** involves the creation of a unified central bank, the use of a single currency, and common policies on agriculture, social services and welfare, regional development, transport, taxation, competition, and mergers.
    - A true economic union requires extensive political unity, which makes it similar to a nation. The further integration of nations that were members of fully developed economic unions would be the formation of a central government that would bring together independent political states into a single political framework.
    - The European Union is approaching its target of completing most of the steps required to become a full economic union.

- **NORTH AMERICA**
    - North America, which includes Canada, the United States, and Mexico, comprises a distinctive regional market. Of them, the U.S. has more industry leaders than any other nation, dominating the computer, software,

aerospace, entertainment, medical equipment, and jet engine industry sectors.
    - The U.S.-Canada Free Trade Area (CFTA) came into existence in 1989, resulting in over $400 billion per year trade between the two countries.
    - Of the top trading partners of the U.S., Canada is the number one trading partner, Mexico is second, and China ranks third. American companies have more invested in Canada than in any other country.

  The **North American Free Trade Agreement** (**NAFTA)** became effective in 1994;

- **LATIN AMERICA: SICA, Andean Community, Mercosur, CARICOM**
    - Latin America includes the Caribbean and Central and South America; the market is sizeable, has a huge resource base, and Latin America has begun economic transformation.
    - **What are the most important trading arrangements in Latin America?**

Important trading arrangements include:	• Central American Integration System (SICA) • Andean Community • The Common Market of the South (Mercosur) • The Caribbean Community and Common Market (CARICOM).

    - **Central American Integration System**

Central America is trying to revive its common market, which originally had five members: El Salvador, Honduras, Guatemala, Nicaragua and Costa Rica.

Common **rules of origin** allow for freer movement of goods among SICA countries which agreed to a common external tariff of 5 to 20 percent for most goods by the mid-1990s. Still, attempts to achieve integration are uncoordinated, inefficient, and costly (e.g., there are still tariffs on imports of products – sugar, coffee, and alcoholic beverages.)

    - **Andean Community**

      The Andean Community was formed in 1969 to accelerate development of member states through economic and social integration. (Figure 3-4 and Table 3-6).

The member countries of the Andean Community are:	• Bolivia • Colombia • Ecuador • Peru

	• Venezuela

Members lowered tariffs on intra-group trade and decided what products each country should produce.

Common Market of the South (Mercosur)

March 2006 marked the fifteen anniversary of the signing of the Asunción Treaty that established MERCOSUR.

The treaty signified the agreement by the governments of (see Table 3-7 and Figure 3 -4):	• Argentina, • Brazil, • Paraguay, and • Uruguay.

Internal tariffs were eliminated, and common external tariffs of up to 20 percent were established; in theory goods, services, and factors of production will move freely. Until this goal is achieved, Mercosur will operate as a customs union.

- **Caribbean Community and Common Market (CARICOM)**

CARICOM was formed in 1973 with the following member states:	Antigua and Barbuda Bahamas Barbados Belize Dominica Grenada Guyana	Haiti Jamaica Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Trinidad and Tobago

- **ASIA-PACIFIC: The Association of Southeast Asian Nations (ASEAN)**
  - The Association of Southeast Asian Nations (ASEAN) was established in 1967 as an organization for economic, political, social, and cultural cooperation among its member countries.

The original six members of ASEAN were:	• Brunei • Indonesia • Malaysia	• the Philippines • Singapore • Thailand

Vietnam became the first Communist nation in the group when it was admitted to ASEAN in July 1995. (Figure 3-6 and Table 3 -9). Cambodia and Laos were admitted at the organization's thirtieth anniversary meeting in July 1997. Burma (known as Myanmar by the ruling military junta) joined in 1998.

- **Who are ASEAN's top three trading partners?** Individually and
- , China, and Korea were informally added to the member roster; some observers called this configuration "ASEAN plus three." When the roster expanded again to include Australia, New Zealand, and India, it was dubbed "ASEAN plus six."

- **SINGAPORE:**

  In fewer than three decades, Singapore has transformed itself from a British colony to a vibrant, 240-square-mile industrial power. Singapore has an extremely efficient infrastructure – the Port of Singapore is the world's second-largest container port (Hong Kong's ranks first) – and a standard of living second in the region only to Japan's. Singapore accounts for more than one-third of U.S. trading activities with ASEAN countries.

- **Marketing Issues in the Asia-Pacific Rim**

  Mastering the Japanese market takes flexibility, ambition, and a long-term commitment. Japan has changed from being a closed market to one that's just tough, with barriers in attitudes and laws. Japan requires top-quality products and services, tailored to local tastes.

  WESTERN, CENTRAL, AND EASTERN EUROPE:

The countries of Western Europe are among the most prosperous in the world. Entering the first decade of the twenty-first century, the governments of Western Europe have achieved unprecedented levels of economic integration.

- **The European Union (EU) (Table 3-10).**

  The EU began in 1958 with the Treaty of Rome and original members Belgium, France, Holland, Italy, Luxembourg, and West Germany.

  The 1991 **Maastricht Treaty** prepared the transition to an economic and monetary union (EMU) with a European central bank and a new currency, the **euro**. The euro brings the benefits of eliminating currency conversion costs and exchange rate uncertainty. In 2002, euro coins and paper money were issued to replace national currencies such as the French franc.

- **THE MIDDLE EAST**

The Middle East includes 16 countries:	• Afghanistan • Cyprus • Bahrain	• Kuwait • Lebanon • Oman

	- Egypt - Iran - Iraq - Israel - Jordan	- Qatar - Saudi Arabia - Syria - The United Arab Emirates - Yemen

The majority is Arab, a large percentage Persian, and a small percentage Jews. The population is 95 percent Muslim and 5 percent Christian and Jewish.

- Despite apparent homogeneity, Middle Eastern countries fall into all categories of the index of economic freedom from “mostly free” (Bahrain, Kuwait, Saudi Arabia, United Arab Emirates) to “repressed” (Iran and, until the 2003 regime change, Iraq).

The Middle East lacks a single societal type with a typical belief, behavior, and tradition; each major city has many social groups, different in religion, social class, education, and wealth. The price of oil drives business. Bahrain, Iraq, Iran, Kuwait, Oman, Qatar, and Saudi Arabia hold significant world oil reserves which have widened the gap between rich and poor nations.

- **Cooperation Council for the Arab States of the Gulf**
- **In 1989, two other organizations were formed:** Morocco, Algeria, Mauritania, Tunisia, and Libya formed the Arab Maghreb Union (AMU). Egypt, Iraq, Jordan, and North Yemen created the Arab Cooperation Council (ACC). Many Arabs see their regional groups as economic communities to foster the development of inter-Arab trade and investment.

- **Marketing Issues in the Middle East**

  Connection is a key word in conducting business in the Middle East; developing relationships with key business and government figures are likely to cut through red tape.

  Women are not part of the business or entertainment scene for traditional Muslim Arabs.

- **AFRICA:**
  - It is not really possible to treat Africa as a single economic unit.
  - **What are the three unique regions of Africa?**

The 54 nations on the continent can be divided into three distinct areas:	- the Republic of South Africa, - North

	Africa, and • sub-Saharan or Black Africa

With 1.3 percent of the world's wealth and 11.5 percent of its population, Africa is a developing region with an average per capita income of less than $600. The Arabs living in North Africa are differentiated politically and economically. The six northern nations are richer and more developed, and several—notably Libya, Algeria, and Egypt— benefit from large oil resources.

- **For what does the acronym "Mena" stand?**

  The Middle East and North Africa are viewed as a regional entity "Mena"; the economies of non-oil, "emerging Mena" (Jordan, Lebanon, Morocco, Tunisia) have performed best.

- **Economic Community of West African States (ECOWAS)** (see Table 3 – 13).

ECOWAS was established in 1975 to promote trade, cooperation, and self-reliance in West Africa:	• Benin • Burkina Faso • Cape Verde, • The Gambia, • Ghana • Guinea • Guinea-Bissau • Ivory Coast	• Liberia • Mali • Mauritania • Niger • Nigeria • Senegal • Sierra Leone • Togo

In 1980, members established a free trade area for unprocessed agricultural products and handicrafts. By 1990, tariffs on twenty-five items had been eliminated, with measures taken to create a single monetary zone by 1994. Still, economic development has occurred unevenly in the region.

- **East African Cooperation**

- **South African Development Community (SADC)**

SADC promotes trade, cooperation, and economic integration; members include:	Angola Botswana Democratic Republic of Congo Lesotho	Namibia South Africa Seychelles Swaziland

	Malawi	Tanzania
	Mauritius	Zambia,
	Mozambique	Zimbabwe

The goal is a fully developed customs union. South Africa joined the community in 1994, and represents 75 percent of regional income and 86 percent of intraregional exports.

South Africa has explored the formation of a free trade area with the EU.

South Africa, Botswana, Lesotho, Namibia, and Swaziland belong to the Southern African Customs Union (SACU).

- **Marketing Issues in Africa**

  In 2000, President George W. Bush signed the African Growth and Opportunities Act (AGOA) into law. Created with the theme of "Trade Not Aid", the law is designed to support African nations that make significant progress toward economic liberalization. AGOA also

INTERNATIONAL MARKET ENTRY STRATEGIES

28.1 Introduction

When a domestic company decides to do international business, it must decide a best mode of entry. The major entry modes are indirect exporting, direct exporting, licensing, joint ventures, and direct investment. This chapter describes various international market entry modes.

28.2 International Market Entry

Doing business in many nations is a strategic decision. It has long term financial and structural implications. It requires careful analysis of different market entry options available to a firm. Selection of the mode depends upon the ability and willingness of firm to allocate resources, the level of control desired over the international operations by the firm and the level of risk firm is willing to take.

28.2.1 International market entry module

International market entry is carried out first by home production and than by other country production through various modes as described in this section.

28.2.1.1 Home production

This implies that goods and services are produced in home country and sold to overseas market. This is the most simple and common international market entry mode. It involves lower risk and less allocation of resources. This is adopted by following mechanisms.

a) Exports

Bilkey and Tesar have identified following stages in export marketing.

Stage 1	Firm is not in exporting; ignores unsolicited
Stage 2	Firm supplies unsolicited business; does not examine feasibility of active exporting.
Stage 3	Firm actively examines the feasibility of exporting
Stage 4	Firm exports on experimental basis to a country of close business distance.
Stage 5	Firm becomes an experienced exporter to that country.
Stage 6	Firm explores feasibility of exporting to countries with greater business distance.

b) Indirect exports

It is the process of selling products to an export intermediary in the firm's home country, who would then sell it in foreign markets. This mode is suitable for a firm which has limited experience of exposure to overseas markets and has less resource for investment in export development. This can be carried out by (i) Selling to a foreign firm or buying agent in home country (ii) Exporting through a merchant intermediary (export house/ trading house). The trading house carry out following functions: Selection of market and conducting market research, identifying the customers and evaluating them, performing negotiations of commercial or technical nature, developing the vendors, product/packaging adoption and technology up gradation, imports of items required for export production, arrangement of finances, counter trading, ensuring protection against export through insurance, carry out export documentation and shipping, provide timely payments, deals with claims, provide after sale service, ensure spare part availability, great distribution network abroad, develop and maintain special relations with government.

As large number of functions is being carried out by export houses, it provides following benefits to firms adopting international marketing.

- It provides best option for firms having limited resources to enter into international market.
- As export house obtain shipment from many firms, it is possible for to get competitive price for exports and reduced operational cost which can be carried to firms in the form of discounted prices.
- Risks associated with exports like commercial, transport and credit risk is borne by export house.
- Due to consolidated shipment, they have better negotiating power.
- As many marketing activities are carried out by export house, it results into saving in financial and operational resources of firm.

c) Direct export

Here all the activities which are carried out by export house/trading house in case of indirect export are carried out by firm itself. This is carried out by foreign based independent market intermediaries (agents and distributors). Agents do not take title to goods; assume no risk or responsibility and gets commission according to work. Agent is considered as exporting company in the given market and finds wholesalers and retailers for its products. An overseas distributor is a foreign based merchant who buys the product on his own account and resells them to wholesaler and retailers to earn profit.

I. Advantages of direct export

- Higher profit is realized by exporter due to absence of intermediaries.
- Firm develop in house skills for export operations with passage of time.

- Firm builds its own rapport/ brand image in the foreign market due to direct contact with foreign importers.

II. Disadvantages of direct export

- More allocation of resources
- More risk.

d) Complimentary exporting (piggy backing)

Here well established distribution network of a foreign country is used by home country to sell their products in foreign market. The home company/exporting company is referred to as rider and foreign company is referred to as carrier. The carrier may act as an agent on commission base or as an independent distributor which outright buys the product. Complimentary exporting is generally adopted for allied products from unrelated companies that are non competitive.

Advantages of complimentary exporting

1. Allows the company to enter into international marketing without developing its own distribution channel.
2. Helps the firm to learn and understand the process of international marketing.
3. For Carrier Company, it helps to broaden the product line.

Disadvantages of complimentary exports

1. Carrier may be conscious about uninterrupted supply of products from rider to maintain continuity.
2. Carrier is also conscious about quality and warranty of product.
3. Rider may be conscious about handling over of selling activities to carrier which may not be compatible with firm's long term objectives.

28.2.2 Other country production

Exporting as a measure of international marketing is preferable when currency and home country is weak. When home currency becomes strong then it is wise to take it to other countries having weaker currency. The change in production facilities may be effected either by contractual alliances or foreign direct investment.

Contractual entry modes: Company can enter into contractual arrangements so as to have beneficial effect for both the companies. A company having excellent production facilities at home but lacking distribution competencies abroad may enter in to contractual agreement with a company having excellent distribution network in related product. Contractual entry modes may be adopted by following measures.

28.2.2.1 Licensing

Under this mode, two companies enter in to agreement wherein one company allows use of its intellectual property such as trademark, copyright, patent, process technology, design or specific business skills in lieu of agreed royalty payment. The firm which transfers the intellectual property is called licenser and the firm which receives it, is called licensee.

a) Advantages of licensing

- It allows fast penetration in international markets specially for technology intensive product and processes.
- It opens up markets having high level of tariff and low tariff barriers.
- It decreases economic and political risks of international marketing and provide opportunity to do business in sensitive markets.

- It helps in reducing duplicate product's market in developing and underdeveloped nations.
- Less cost is incurred for exiting the market.

b) Disadvantages of licensing

- The quality of the product is dependent upon licenser. Lack of commitment by licensee may have negative impact on image of the licenser.
- The licenser may be creating potential competitor in the form of licensee.

28.2.2.2 Franchising

This mode is gently adopted for service sector wherein the transfer of intellectual property and other assistance is required for a longer period. The company which provides intellectual property and other assistance is called franchiser and the receiving company is called franchisee.

28.2.2.3 Turn-key projects abroad

Some engineering companies which possess competencies in constructing dams, bridges etc. can obtain international contract and can enter in to international market. For an international market turnkey project, a firm carries out all the activities right from conceptualizing, designing, constructing and carrying out preliminary testing of a prepared structure for a foreign client organization. The various types of turnkey projects are (a) Built and transfer (b) Built, operate and transfer, (c) Built, operate and own. This mode of entry into international market allows companies to take advantage of their core competencies and exploit export opportunities.

28.2.2.4 Management contracts

Under this mode a firm enters into contract with foreign company to provide technical and managerial skills/know how for a specific period. This is a low risk, low mode of entry. This mode is specially used in managing hotels, catering services, operation of power plants etc.

a) Strategic alliance

When two companies cooperate with each other to achieve common strategic goals but they do not establish a separate company, such a relationship is called strategic alliance. In today's competitive world, majority of the companies are willing to focus on their core competencies, which increases scope for strategic alliance. Strategic alliance reduces individual risk of firms but at times give rise to conflicts due to difference of opinion among companies.

28.2.2.5 Contract manufacturing

Under this system, manufacturing operations of an international firm are done at off shore location on contract basis. Under this mode the contracted firm carries out the production activities and the marketing activities are carried out by the main firm. This mode is advantages to many firms as it is not required to invest its resources in manufacturing, which can be done at other locations by contracting firm at reduced cost. Due to low exit cost, it is possible for the main firm to change contracted firm if is necessary to maintain quality of the finished product.

28.2.2.6 Assembly or mixing in foreign market

Under this mode a manufacturing firm exports various components of the product in completely knocked down condition and assembles them in foreign country. This helps the firm to eliminate the high cost of shipping and high import tariffs, counter non tariff barriers for imports. Manufacturing firm can also avail the facility of cheap labour if assembly of parts is to be undertaken in developing or underdeveloped nations.

28.2.2.7 Joint ventures

If a company wants to retain complete control of all its foreign country operations/assignments then it enters into a joint venture with other country with equity partition. The firms involved in joint ventures contribute their complementary expertise and resources. As compared to other modes, this provides access to foreign capital market but at the same time involves more risk as compared to other modes of entry without equity participation. Also at times opportunistic behaviour of partner firms adds to high rate of dissolution.

28.2.2.8 Wholly owned foreign subsidiaries

If a firm is willing to have complete control and ownership of international operations, then it chooses to have foreign direct investment to own foreign operations. This option is helpful to the firm to develop foreign market with growth potential by way of product differentiation and competitive response. The firm can also avail the incentives provided by host government to foreign companies. But this mode requires more financial and other operational resources. It also involves higher risk and requires sufficient experience of international business.

A company can set up a wholly owned subsidiary by any of the following modes.

a) Acquisition

It provides speedy access to the resources of a foreign company such as skilled man power, its product and brand, its distribution channel.

b) Greenfield operations

In this mode, a company creates the production and marketing facilities on its own from initial stage. Acquisition can be adopted by bigger firms, whereas Greenfield operation strategy operation strategy is suitable for smaller firms with limited financial resources.

Transitional Economy

The existence of private property rights may be the most basic element of a market economy, and therefore implementation of these rights is the key indicator of the transition process.

The main ingredients of the transition process are:

- *Liberalization* – the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies.
- *Macroeconomic stabilization* – bringing inflation under control and lowering it over time, after the initial burst of high inflation that follows from liberalization and the release of pent-up demand. This process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments.[4]
- *Restructuring and privatization* – creating a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and transferring their ownership into private hands.
- *Legal and institutional reforms* – redefining the role of the state in these economies, establishing the rule of law, and introducing appropriate competition policies.[5]

According to Oleh Havrylyshyn and Thomas Wolf of the International Monetary Fund, transition in a broad sense implies:

- liberalizing economic activity, prices, and market operations, along with reallocating resources to their most efficient use;
- developing indirect, market-oriented instruments for macroeconomic stabilization;
- achieving effective enterprise management and economic efficiency, usually through privatization;
- imposing hard budget constraints, which provide incentives to improve efficiency; and
- establishing an institutional and legal framework to secure property rights, the rule of law, and transparent market-entry regulations.[6]

Edgar Feige, cognizant of the trade-off between efficiency and equity, suggests[7] that the social and political costs of transition adjustments can be reduced by adopting privatization methods that are egalitarian in nature, thereby providing a social safety net to cushion the disruptive effects of the transition process.

The European Bank for Reconstruction and Development (EBRD) developed a set of indicators to measure the progress in transition. The classification system was originally created in the EBRD's 1994 Transition Report, but has been refined and amended in subsequent Reports. The EBRD's overall transition indicators are:

- Large-scale privatization
- Small-scale privatization
- Governance and enterprise restructuring
- Price liberalization
- Trade and foreign exchange system
- Competition policy
- Banking reform and interest rate liberalization
- Securities markets and non-bank financial institutions
- Infrastructure reform[8]

<table>
<tr><th colspan="2">Europe
IMF (2000), World Bank (2002, 2009)</th></tr>
<tr><th>In transition</th><th>Transition complete (2019)</th></tr>
<tr><td>• Albania
• Armenia
• Belarus
• Bosnia and Herzegovina[1]
• Georgia
• Kosovo[1]
• Macedonia
• Moldova
• Montenegro[1]
• Serbia[1]
• Ukraine</td><td>• Bulgaria
• Croatia
• Czech Republic
• Estonia
• Hungary
• Latvia
• Lithuania
• Poland
• Romania
• Slovak Republic
• Slovenia</td></tr>
</table>

[1] — World Bank assessment

What Is Third World?

"Third World" is a phrase that can be used to describe a class of economically inferior nations. Historical observations have developed a four-part segmentation for dividing the world’s economies by economic status. Third World falls behind First World and Second World but is ahead of Fourth World though Fourth World countries are hardly recognized at all.

Understanding Third World Countries

There can be a few ways to divide up the world for purposes of economic segmentation. Classifying countries as First, Second, Third, and Fourth World is a concept that was created during and after the Cold War which ran from approximately 1945 to the 1990s.

In general, nations are typically characterized by economic status and key economic metrics like gross domestic product (GDP), GDP growth, GDP per capita, employment growth, and an unemployment rate. Third World countries typically have inferior results to First World and Second World countries in these areas. In these countries, inferior production and labor market characteristics are usually paired with relatively low levels of education, poor infrastructure, improper sanitation, limited access to health care, and lower costs of living.

Third World countries are often among those on close watch by the International Monetary Fund (IMF) and World Bank which seek to provide global aid for the purposes of projects that help to improve infrastructure and economic systems comprehensively. Third World countries can also be the target of many investors seeking to identify potentially high returns through possible growth opportunities though risks are also relatively higher. While Third World countries are generally characterized as inferior economically, innovative and industrial breakthroughs can lead to substantial improvements in a short amount of time.

KEY TAKEAWAYS

- A Third World country is a nation characterized by relatively inferior economic statistics.
- The countries known as Frontier Markets can often be synonymous with Third World.
- The International Monetary Fund, World Bank, and World Trade Organization may allow for certain benefits and contractual term provisions for countries that meet certain types of economic status classifications.

A transition economy is one that is changing from **central planning** to **free markets**. Since the collapse of communism in the late 1980s, countries of the former Soviet Union, and its satellite states, including Poland, Hungary, and Bulgaria, sought to embrace market capitalism and abandon central planning. However, most of these transition economies have faced severe short-term difficulties, and longer-term constraints on **development**.

The problems of transition economies include:

Rising unemployment

Many transition economies experienced rising unemployment as newly privatised firms tried to become more efficient. Under communism, state owned industries tended to employ more people than was strictly needed, and as private entrepreneurs entered the market, labour costs were cut back in an attempt to improve efficiency. As the newly established private firms became subject to greater competition some were driven out of the market, which created job losses. In addition, a reduction in the size of the state bureaucracy also meant that many employees of the state also lost their jobs.

Rising inflation

Many transition economies also experienced price inflation as a result of the removal of price controls imposed by governments. When this happened, the newly privatised firms began to charge prices that reflected the true costs of production. In addition, some entrepreneurs exploited their position and raised prices in an attempt to *profit* from the situation.

Annual inflation in the transition economies between 1990 and 1997 averaged around 20%, but then fell, moving much closer to the average found in the market economies of Western Europe.

Lack of entrepreneurship and skills

Many transition economies suffered from a lack of entrepreneurs and *entrepreneurship*, which make it more difficult to reform their economies and promote market capitalism. In addition, there was also a *skills gap* with few workers having the necessary skills required by employers in the newly privatised firms.

Corruption

It is alleged that corruption was widespread during the early years of transition in many former communist countries, and this inhibited the effective introduction of market reforms. Many products were poorly made and sold in unregulated and illegal markets, and many have claimed that criminal gangs and widespread racketeering filled the vacuum left by the deposed communist regimes.

Lack of infrastructure

The transition economies also suffered from a lack of real capital, such as new technology, which is required to produce efficiently. This was partly because of the limited development of financial markets, and because there was little inward investment from foreign investors. Clearly, this has changed as the transition economies have reformed, and joined the global market, which has encouraged inward investment (**Foreign Direct Investment** – FDI) from around the world.

Lack of a sophisticated legal system

Under communism, the state owned all the key productive assets, and there was little incentive to develop a sophisticated legal system that protected the rights of consumers, and regulated the activities of producers. Market-driven economies will only develop when citizens are granted extensive **property rights**, and can protect these rights through the legal process. This was large absent in the former communist transition economies.

Moral hazard

The problem of **moral hazard** implies that inferior performance can arise when the risks associated with poor performance are insured against. For example, if individuals insure the contents of their house against theft, they are more likely to leave their windows open. In the context of transition economies, under communism people felt that the state would insure them against the risks associated with global competition, including the risk of losing their jobs. The consequence is that many workers remained inefficient and unproductive, knowing that employment prospects would not be reduced.

Inequality

Economic transition also led to rapidly increasing **inequality** as some exploited their position as entrepreneurs and traders in commodities, while others suffered from unemployment and rising inflation.

UNIT- III

INTERNATIONAL POSITIONING

After the global market has been segmented and one or more segments have been targeted, it is essential to plan a way to reach the target(s). To achieve this task, marketers use positioning, a process whereby a company establishes an image for its product in the minds of consumers relative to the image of competitors' product offerings. In today's global market environment, many companies find it increasingly important to have a unified global positioning strategy.

1) High Tech Positioning:

Personal computers, video and stereo equipment, and automobiles are examples of product categories where high-tech positioning has proven effective. Such products are frequently purchased on the basis of concrete product features, although image may also be important. Buyers typically already possess or wish to acquire considerable technical information. High-tech products may be divided into three categories: technical products, special-interest products, and demonstrable products.

i) Technical Products:

Computers, chemicals, tires, and financial services are just a sample of the product categories whose buyers have specialized needs; require a great deal of product information and who share a common "language."

ii) Special-Interest Products:

While less technical and more leisure or recreation oriented, special-interest products also are characterized by a shared experience and high involvement among users. Again, the common language and symbols associated with such products can transcend language and cultural barriers. Fuji bicycles, Adidas sports equipment, and Canon cameras are examples of successful global special- interest products.

iii) Products that Demonstrate Well:

Products that "speak for themselves" in advertising of features and benefits can also travel well.

2) High-Touch Positioning:

Marketing of high-touch products requires less emphasis on specialized information and more emphasis on image. Like high-tech products, however, high touch categories are highly involving for consumers. Buyers high-touch products also share a common language and set of symbols relating to themes of wealth, materialism, and romance.

The three categories of high-touch products are:

i) Products that solve a Common Problem:

At the other end of the price spectrum from high-tech, products in this category provide benefits linked to "life's little moments." Ads that show friends talking over a cup of coffee in a cafe or quenching thirst with a soft drink during a day at the beach put the product at the centre of everyday life and communicate the benefit offered in a way that is understood worldwide.

ii) Global Village Products:

Channel fragrances, designer fashions, mineral water, and pizza are all examples of products whose positioning is strongly cosmopolitan in nature. Fragrances and fashions have traveled as a result of growing worldwide interest in high-quality, highly visible, high-price products that often enhance social status. However, the lower- priced food products just mentioned show that the global village category encompasses a broad price spectrum.

iii) Products that use Universal Themes:

Some advertising themes and product appeals are thought to be basic enough that they are truly transnational. Additional themes are materialism (keyed to images of well-being or status), heroism (themes include rugged individuals or self-sacrifice), play (leisure/recreation), and procreation

seps to product Positioning

Marketers with the positioning process try to create a unique identity of a product amongst the customers.

1. **Identify target market**

   It is essential for the marketers to first identify the target audience and then understand their needs and preferences. Every individual has varied interests, needs and preferences. No two individuals can think on the same lines.

   Know what r customers expect

   The products must fulfill the demands of the individuals.

2. **Identify competitors**
   - A marketer must be aware of the competitor's offerings. Let the individuals know how your product is better than the competitors?
   - Never underestimate your competitors.
   - Let the target audience know how your product is better than others.

   The marketers must always strive hard to have an edge over their competitors

3. **Identify the differentiating product features**

   The marketers themselves must be well aware of the features and benefits of the products. It is rightly said you can't sell something unless and until you yourself are convinced of it.

A Perceptual Map in Market Positioning

A perceptual map is used to show consumer perception of certain brands. The map allows you to identify how competitors are positioned relative to you and to identify opportunities in the marketplace.

An example of consumers perception of price and quality of brands in the automobile industry are mapped below:

- .

4. **Positioning and repositioning:**
   - For an effective positioning it is essential for the marketers to continue to live up to the expectations of the end - users.
   - Never compromise on quality.
   - Don't drastically reduce the price of your products.
   - A Mercedes car would not be the same if its price is reduced below a certain level.

- A Rado watch would lose its charm if its price is equal to a Sonata or a Maxima Watch.

I. A marketer selling Nokia phones should himself also use a Nokia handset for the customers to

II. Anti Dandruff Shampoos are meant to get rid of dandruff. This is how the product is positioned in the minds of the individuals.

III. Individuals purchase "Dabur Chyawanprash "to strengthen their body's internal defense mechanism and fight against germs, infections and stress. That's the image of Dabur Chyawanprash in the minds of consumers.

IV. USP of a Nokia Handset - Better battery backup.

V. USP of Horlicks Foodles - Healthy snack

INTERNATIONAL PRODUCT POSITIONING

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Can global positioning work for all products? One study suggests that global positioning is most effective for product categories that approach either end of a "high-touch/high-tech" continuum. Both ends of the continuum are characterized by high levels of customer involvement and by a shared "language" among consumers.

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Product saturation leves in global market:

Product saturation level is one of the most essential factor in global business and marketing world.We are going to disclose the nine points of product saturation with the view of time and custom zones.

I.Productdesign:-

Product design is the key factor of success in global market so it is need to keep in mind that single design may not be work same in globally .It needs modification due to change of time and customs changing level in internationally.

2.ProductPreferences:-

Product preferences depend on color and taste based because same color or taste may not be suitable for another customs or nation so product must give preference on the basis of particular custom or nation(s).

3.Productcost:-

Product cost is one of the major factor of global market so when it design must keep in mind to as much as cheapest cost either in manufacturing or selling matter.

4.ProductLaw&Regulation:-

Product design does never violet the law and regulation of any nation or international any treaty between the nations.If it violets then must bear great loss in globally.

5.LocalLikeDesign:-

Product design must bear the local made sign on it because on a days nationalism growing more and more for the capturing the capitalism.

6.SelfProduceDesign:-

Self produce design means that manufacturing unit must covers the nationals where it situated.If possible more and more local employees should keeps in hand to design.

7.NonTariffBarriers:-

Non tariff barriers means the product design have to cross the boundaries of many nations so it have to obey the local government and touches countries laws and policies which they apply on your design.

8.Communication Strategic Alternatives:-

Product design must have the alternative strategic source under the on time situation basis that is the demand of time and custom(s).

9.ProductCompatibility:-

Product design last issue is compatibility with the environment in which it is used.Simply any one can say that translate all things as manual, warranty card, electricity consume, repair diagram etc must be on the basis of local custom and tradition. Another thing is that climate which can maintain the withstandhumidity.

International product life cycle:

Product life cycle theory divides the marketing of a product into four stages: introduction, growth, maturity and decline. When product life cycle is based on sales volume, introduction and growth often become one stage. For internationally available products, these three remaining stages include the effects of outsourcing and foreign production. When a product grows rapidly in a home market, it experiences saturation when low-wage countries imitate it and flood the international markets. Afterward, a product declines as new, better products or products with new features repeat the cycle.

General Theory

When a product is first introduced in a particular country, it sees rapid growth in sales volume because market demand is unsatisfied. As more people who want the product buy it, demand and sales level off. When demand has been satisfied, product sales decline to the level required for product replacement. In international markets, the product life cycle accelerates due to the presence of "follower" economies that rarely introduce new innovations but quickly imitate the successes of others. They introduce low-cost versions of the new product and precipitate a faster market saturation and decline.

Growth

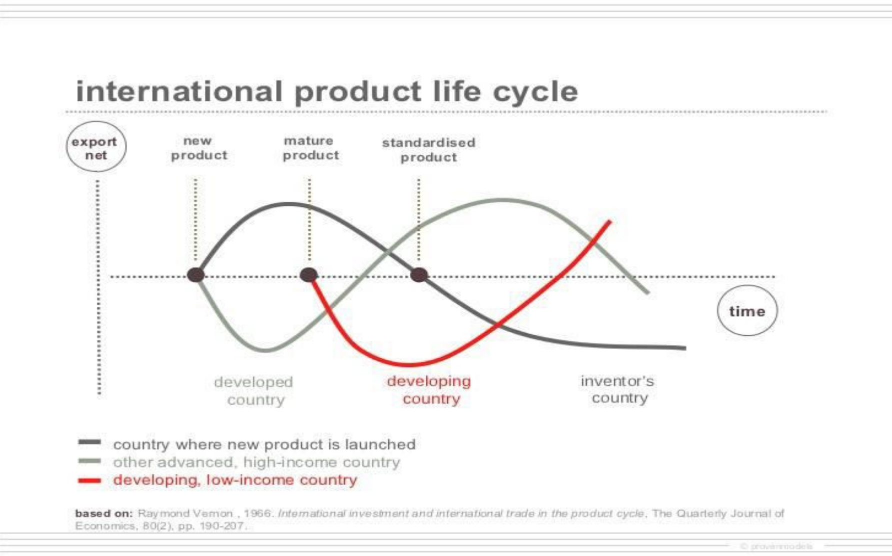
An effectively marketed product meets a need in its target market. The supplier of the product has conducted market surveys and has established estimates for market size and composition. He introduces the product, and the identified need creates immediate demand that the supplier is ready to satisfy. Competition is low. Sales volume grows rapidly. This initial stage of the product life cycle is characterized by high prices, high profits and wide promotion of the product. International followers have not had time to develop imitations. The supplier of the product may export it, even into follower economies.

Maturity

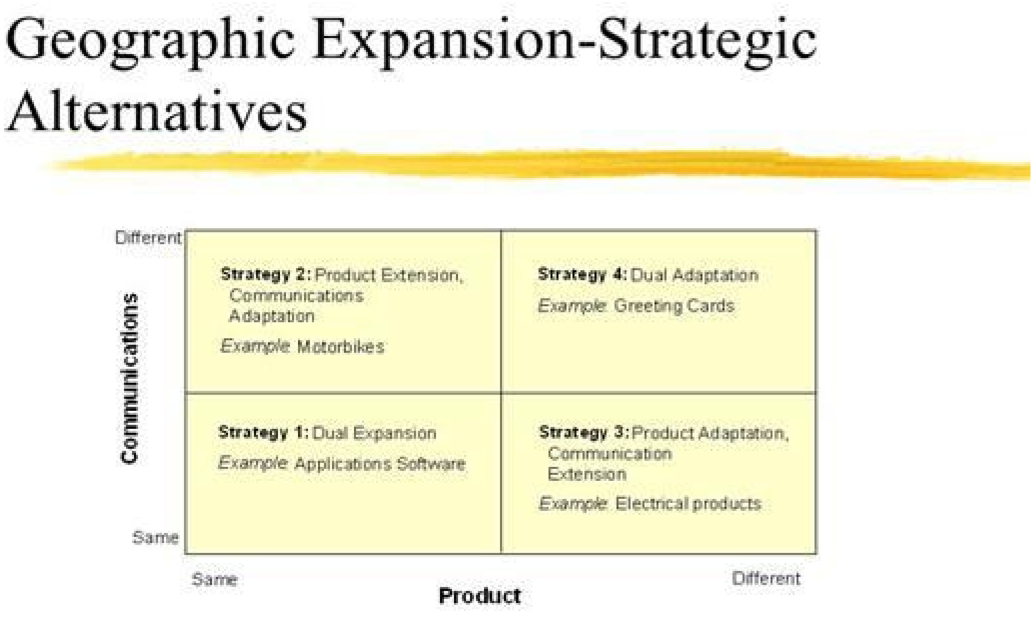
In the maturity phase of the product life cycle, demand levels off and sales volume increases at a slower rate. Imitations appear in foreign markets and export sales decline. The original supplier may reduce prices to maintain market share and support sales. Profit margins decrease, but the business remains attractive because volume is high and costs, such as those related to development and promotion, are also lower.

Decline

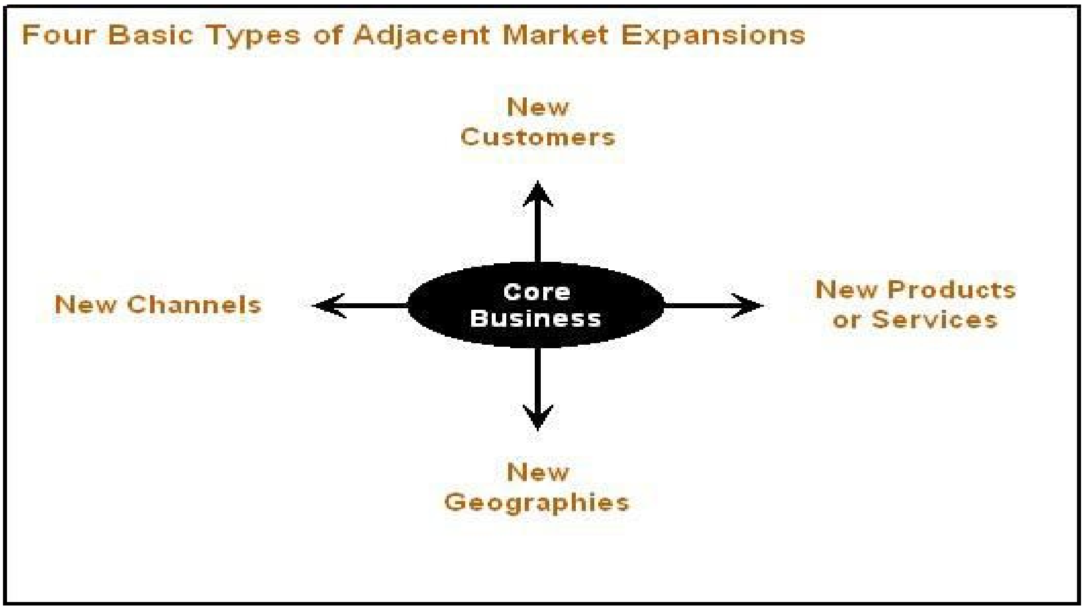
In the final phase of the product life cycle, sales volume decreases and many such products are eventually phased out and discontinued. The follower economies have developed imitations as good as the original product and are able to export them to the original supplier's home market, further depressing sales and prices. The original supplier can no longer produce the product competitively but can generate some return by cleaning out inventory and selling the remaining products at discontinued-items prices.

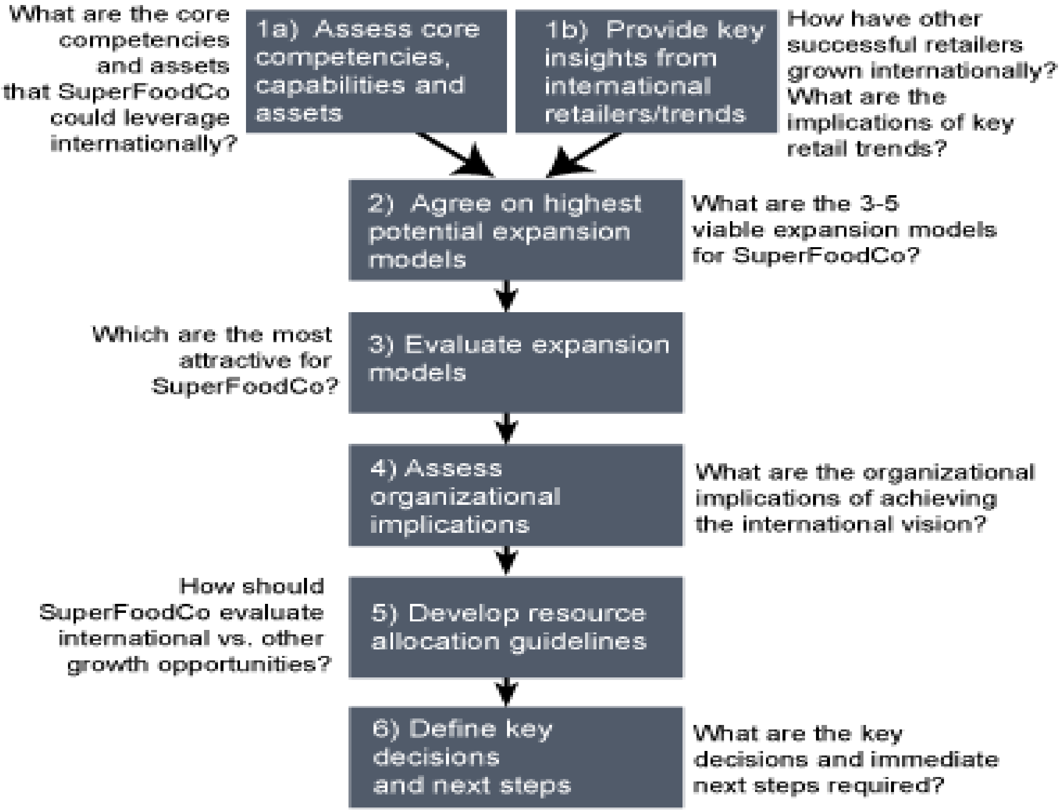


Geographical expansion and strategic alternatives:



Global Product Planning: Strategic Alternatives for Expanding into Global Markets


Four Basic Types of Adjacent Market Expansions
New Customers
New Channels
Core Business
New Products or Services
New Geographies


What are the core competencies and assets that SuperFoodCo could leverage internationally?
1a) Assess core competencies, capabilities and assets
1b) Provide key insights from international retailers/trends
How have other successful retailers grown internationally? What are the implications of key retail trends?
2) Agree on highest potential expansion models
What are the 3-5 viable expansion models for SuperFoodCo?
Which are the most attractive for SuperFoodCo?
3) Evaluate expansion models
4) Assess organizational implications
What are the organizational implications of achieving the international vision?
How should SuperFoodCo evaluate international vs. other growth opportunities?
5) Develop resource allocation guidelines
6) Define key decisions and next steps
What are the key decisions and immediate next steps required?

PRODUCT AND CULTURE:

Culture is the way that we do things around here. Culture could relate to a country (national culture), a distinct section of the community (sub-culture), or an organization (corporate culture). It is widely accepted that you are not born with a culture, and that it is learned. So, culture includes all that we have learned in relation to values and norms, customs and traditions, beliefs and religions, rituals and artifacts (i.e. tangible symbols of a culture, such as the Sydney Opera House or the Great Wall of China).

Values and Attitudes

Values and attitudes vary between nations, and even vary within nations. So if you are planning to take a product or service overseas make sure that you have a good grasp the locality before you enter the market. This could mean altering promotional material or subtle branding messages. There may also be an issue when managing local employees. For example, in France workers tend to take vacations for the whole of August, whilst in the United States employees may only take a couple of week's vacation in an entire year.

- In 2004, China banned a Nike television commercial showing U.S. basketball star LeBron James in a battle with animated cartoon kung fu masters and two dragons, because it was argued that the ad insults Chinese national dignity.

- In 2006, Tourism Australian launched its ad campaign entitled *"So where the bloody hell are you?"* in Britain. The $130 million (US) campaign was banned by the British Advertising Standards Authority from the United Kingdom. The campaign featured all the standard icons of Australia such as beaches, deserts, and coral reefs, as well as traditional symbols like the Opera House and the Sydney Education

The level and nature of education in each international market will vary. This may impact the type of message or even the medium that you employ. For example, in countries with low literacy levels, advertisers would avoid communications which depended upon written copy, and would favor radio advertising with an audio message or visual media such as billboards. The labeling of products may also be an issue.

- In the People's Republic of China a nationwide system of public education is in place, which includes primary schools, middle schools (lower and upper), and universities. Nine years of education is compulsory for all Chinese students.
- In Finland school attendance is compulsory between the ages of 7 and 16, the first nine years of education (primary and secondary school) are compulsory, and the pupils go to their local school. The education after primary school is divided to the vocational and academic systems, according to the old German model.
- In Uganda schooling includes 7 years of primary education, 6 years of secondary education (divided into 4 years of lower secondary and 2 years of upper secondary school), and 3 to 5 years of post-secondary education.

Social Organizations

This aspect of Cultural Framework relates to how a national society is organized. For example, what is the role of women in a society? How is the country governed – centralized or devolved? The level influence of class or casts upon a society needs to be considered. For example, India has an established caste system – and many Western countries still have an embedded class system. So social mobility could be restricted where caste and class systems are in place. Whether or not there are strong trade unions will impact upon management decisions if you employ local workers.

Technology and Material Culture

Technology is a term that includes many other elements. It includes questions such as is there energy to power our products? Is there a transport infrastructure to distribute our goods to consumers? Does the local port have large enough cranes to offload containers from ships? How quickly does innovation diffuse? Also of key importance, do consumers actually buy material goods i.e. are they materialistic?

- Trevor Baylis launched the clockwork radio upon the African market. Since batteries were expensive in Africa and power supplies in rural areas are non-existent. The clockwork radio innovation was a huge success.
- China's car market grew 25% in 2006 and it has overtaken Japan to be the second-largest car market in the world with sales of 8 million vehicles. With just six car owners per 100 people (6%), compared with 90% car ownership in the US and 80% in the UK, the potential for growth in the Chinese market is immense.

Law and Politics

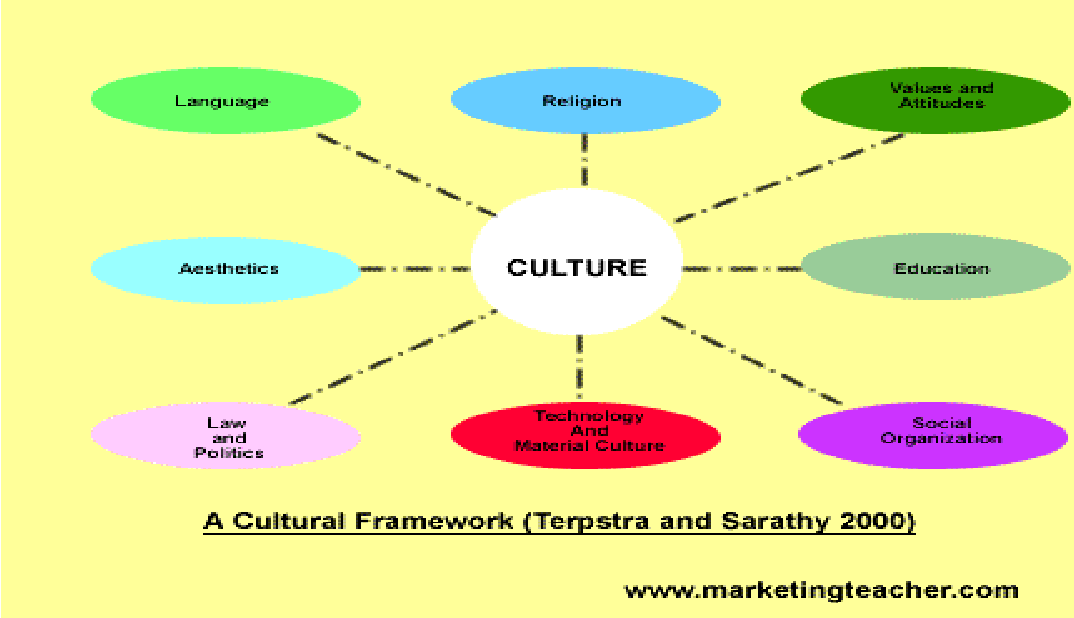
The political ideology on which the society is based will impact upon your decision to market there. For example, the United Kingdom has a largely market-driven, democratic society with laws based upon precedent and legislation, whilst Iran has a political and legal system based upon the teachings and principles Islam and a Sharia tradition.

Aesthetics

Aesthetics relate to your senses, and the appreciation of the artistic nature of something, including its smell, taste or ambience. For example, is something beautiful? Does it have a fashionable design? Was an advert delivered in good taste? Do you find the color, music or architecture relating to an experience pleasing? Is everything relating to branding aesthetically pleasing?

Language

With language one should consider whether or not the national culture is predominantly a high context culture or a low context culture (Hall and Hall 1986). The concept relates to the balance between the verbal and the non-verbal communication.



In a low context culture spoken language carries the emphasis of the communication i.e. what is said is what is meant. Examples include Australia and the Netherlands.

In a high context culture verbal communications tend not to carry a direct message i.e. what is said may not be what is meant. So with a high context culture hidden cultural meaning needs to be considered, as does body language. Examples of a high context cultures include Japan and some Arabic nations.

Religion

The nature and complexity of the different religions an international marketer could encounter is pretty diverse. The organization needs to make sure that their products and services are not offensive, unlawful or distasteful to the local nation. This includes marketing promotion and branding.

- In China in 2007 (which was the year of the pig) all advertising which included pictures of pigs was banned. This was to maintain harmony with the country's Muslim population of around 2%. The ban included pictures of sausages that contained pork, and even advertising that included an animated (cartoon) pig.
- In 2005 France's Catholic Church won a court injunction to ban a clothing advertisement (by clothing designers Marithe and Francois Girbaud based upon Leonardo da Vinci's Christ's Last Supper.

Brand in international marketing:

Building a global brand requires more than just launching a web site that's accessible from almost anywhere in the world. From language missteps to misunderstanding cultural norms, veteran branding expert Barbara E. Kahn has seen it all when it comes to the missteps of launching a brand across borders. Here, she shares five tips to help entrepreneurs avoid the pitfalls.

1. Understand customer behavior.

Just because consumers have certain buying preferences or habits in one culture, doesn't mean that such preferences are universal. "It's astonishing how many retailers haven't made it because they haven't studied how consumers shop," she says.

2. Position yourself properly.

Good brand positioning includes truly understanding your competition and then looking at your competitive advantage. Who are the providers of similar products and services that you sell in this country? They may not be the same providers as in the U.S.

For example, if you sell athletic clothing, look at where people are buying their athletic clothing. It could be from specialty stores, online retailers, or sporting goods stores. If you have a high-end brand and you're going into a market where the preferred buying location is discount retailers, it may take a different strategy from the one you use in the U.S. "You need to understand how people shop and how your brand will fit into that mix," she says.

3.Know how your brand translates.

A clever brand or product name in one language may translate into an embarrassing misstep in another. For example, the French cheese brand Kiri changed its name to Kibi in Iran because the former name means “rotten” or “rank” in Farsi -- not exactly the association you want for cheese.

In addition to ensuring that your brand translates well into other languages, consider which colors are favored in various markets. In the U.S., blues and greens are favored, while reds and yellows are frequently used in some Latin American countries and may be appealing and familiar to audience members from those areas.

4. Think broadly.

Since your company may need to expand into offering new products based on regional market demands, it's important that your company name be broad enough to accommodate those changes.

"Boston Chicken changed its name to Boston Market because it had expanded into other foods," Kahn says. If your company name is Brian's Computers for example, consider whether that will be limiting in other markets if you also sell peripherals and services, she says.

5. Find good partners.

Work with your attorney to protect your intellectual property overseas, filing the appropriate trademark and patent protections in the U.S. and elsewhere, if applicable. Find trade representatives who come recommended from colleagues or state or federal trade offices, since they're more likely to be reputable.

If you decide to license your product or service name to a manufacturer or provider overseas, exercise tight controls to make sure that the provider is reputable and won't misuse or misappropriate your name and will adhere to your quality control standards. "When you put your brand name on [a product or service], you want a consistent experience so that every time, people have it, they understand the values of the brand," Kahn says.

1. Definitions of Brand:

Some definitions of brand are as under:

1. According to American Marketing Association- “A brand is a name, term, symbol or design or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”

2. According to W.J. Stanton- “All trade-marks are brands and thus include the words, letters, or numbers which may be pronounced (they may also include a pictorial design).”

3. According to Lipson and Darling- “The brand name is concerned with that part of the brand that can be vocalized.”

From the above definitions it is clear that the word ‘brand’ is a comprehensive term. It may be a name, some words, a design or a combination of all these. Thus branding means giving a distinct individuality to a product.

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2. Types or Classification of Brands:

The brands can be divided on the following bases:

I. According to Ownership:

A brand may be of the following two types on the basis of ownership:

1. Manufacturer’s Brand:

When a manufacturer uses his own name as brand for his products, it is known as manufacturer’s brand. For example, the use of the word ‘Philips’ on all the products of Philips Company like Bulb, Tubelight, Radio, Transistor, TV etc. Similarly, LG Company uses the word ‘LG’ on all its products, such as Refrigerator, TV, and Washing Machine etc. This type of brand is very popular and a large number of manufacturers use this type of brand, such as SONY, BPL, GODREJ, MARUTI etc.

2. Middlemen’s Brand:

When a manufacturer does not use any brand for his products and the middlemen like distributors—wholesalers, retailers etc., sell the product under their own brand, it is known as middlemen's brand. For example, Bajaj Company uses the name of Bajaj on Iron though it is purchased from the market.

II. According to the Market Area:

According to the market area, a brand may be of the following types:

1. Local Brand:

When a brand is used for a local market, it is called local brand. Under this type of brand, the manufacturer uses different brands for his products in different markets.

2. Provincial Brand:

When a brand is used in a particular province or a particular state it is called provincial brand.

3. Regional Brand:

In this type of brand, a manufacturer divides the whole market of his products into several regions and uses different brands for selling his products in different regions.

4. National Brand:

When a manufacturer uses a single brand for marketing his products throughout the country, it is known as national brand. For example, Nirma soap.

5. International Brand:

When a single brand is used for marketing a product in all the parts of the world, it is known as international brand, for example, Parker Pen, Coca-Cola.

III. According to Number of Product:

1. Individual Brand:

When a manufacturer uses different brands for all of its products, it is called individual brand. For example, cars of Maruti Ltd. are marked with different brands such as Maruti 800, Zen, Alto, Versa, Wagon-R, etc. Similarly, all the toilet soaps of Hindustan Lever Ltd. are marked with different brands such as Lifebuoy, Lux, Rexona etc.

2. Family Brand:

When an industrial enterprise uses a single brand for all its products and for all the segments of its market, it is known as family brand. For example all the products of Bajaj Group are marketed with the word ‘Bajaj’, such as Bulb, Tubelight, Scooter, Iron, Toaster, Ceiling Fan, Table Fan, Mixer, Geyser etc.

Similarly, products of Jai Engineering Works Ltd. Kolkata market Fans, Sewing Machines, Cooler, and Iron etc. under a brand name of ‘USHA’. This type of brand is widely used in India. Almost all the big industrial houses use this type of brand like, Godrej, Amul, Tata, Lakme etc.

Some scholars use the word ‘Blanket or Umbrella’ brand in place of family brand, but some say that if family brand is used for product line only then it may be called blanket Or umbrella brand. For example, Tata, Birla, Godrej etc. use same brand name for all the products.

3. Product Line Brand:

When the business or industrial houses use different brand names for their different product lines it is called product line brand. For example, ‘Dalda’ is used for Vanaspati Ghee product line and ‘Super Surf’ for detergent powder line by the same manufacturer, i.e., Hindustan Lever Ltd.

IV. According to the Use:

1. Fighting Brand:

When there is very tough competition in the market and the producer wants to introduce a new product which has quite different characteristics from that of competitors’ brand and also gives an impression of such a difference, it is called a fighting brand. For example, Hindustan Lever Ltd. has recently introduced Wheel brand detergent.

2. Competitive Brand:

When the brand introduced in the market is almost similar to those of competitors, such a brand is known as competitive brand. For example, Surf, Nirma Soap, etc. are all having similar characteristics.

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3. Characteristics of Brand:

On the basis of above definitions following are the main characteristics of brand:

1. Brand is a comprehensive term and main objective is to make a distinct identification of the product.

2. The brand may include the words, letters or numbers which may be pronounced. They may also include a pictorial design but not include packaging.

3. Branding is helpful in sales promotion of a product.

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4. Essentials of a Good Brand Name:

Any brand name may be selected by a producer for his products. There are no legal restrictions, but it should not be similar to existing one, and he is free to select a brand in the form of any name, picture or mark.

Following are the essentials of a good brand name:

1. Simple and Short:

The name of the brand must be simple and short and easy to remember, for example, Dalda, Panghat, Coca Cola, 555, LG., Fruity, Liberty, BPL, Tata, Maruti, Bajaj etc.

2. Easy Pronouncement:

The name should be such which can be easily pronounced by one and all, for example, Palki, Ganesh, Param, Nirma, Hira, Moti, Modi, and Godrej etc.

3. Recognizable:

The brand name should not be imitation of others. It should be distinctive.

4. Memorable:

The name should be such which can easily be remembered. For example, Taj Mahal, Himalaya, Minar, Red Fort Quality etc.

5. Far from Obscene:

The name of brand must be far from obscene. It must be of the nature that no consumer may object it on this ground.

6. Economic:

A brand should not be very expensive for the enterprise. It must be economical to be printed, advertised or demonstrated.

7. Suggestive:

The name of brand must be of the nature that it may suggest the consumers to adopt a particular product or to do a particular work. For example- Sleepwell, Goodknight, Sunlight, Milkmaid Ice-cream, Zandu Chyavanprash etc.

8. Registerable:

The brand name must be capable of being registered to protect it legally. Name should not be restricted under any Act and also should not be closely associated with an existing brand.

9. Slogan Oriented:

Name must be slogan oriented.

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5. Advantages or Importance of Brand:

No one is aloof from this creative task of branding that brings home a number of merits both to the consumers and producers.

The advantages occurring from the brand are as under:

Advantages to Producers:

1. Price Control:

The prices once fixed by producer cannot be altered by middlemen. Thus, the producer can exercise control over prices. The branded products are sold at same price everywhere.

2. Market Control:

The brand helps in creating brand loyalty among consumers. Therefore, a product used and liked by a consumer will be repeatedly purchased by him. Thus, the producer can be reasonably sure of his market share.

3. Incentive to Repeat Sales:

Once a customer has tried and liked a product, the brand enables him to identify it so well that he is tempted to buy it again and again. Brand reputation ensures market control as repeat sales become more likely.

4. Development of Market:

Producers can develop market for their products with the help of advertisement and sales promotion.

5. Assists Advertising and Promotion Programme:

When the product or products of an enterprise are marketed with a particular brand, it makes very easy for the enterprise to advertise its products because the enterprise can use the name of brand in its advertisement messages. Brand influences the customers. The customers prefer to use the products of a particular brand.

6. Convenient in Direct Selling:

When the brand of a producer becomes popular among consumers, it becomes very easy for the producer to eliminate the middlemen because he is in a position to sell his products directly to the consumer. It reduces the cost of distribution considerably.

7. Convenient in Expansion of Product Mix:

If the brand of a producer is very popular in the market and the demand for such products is quite encouraging, the producer may decide to expand his product mix. He can add new product lines to his product mix. It does not create any difficulty for the producer to create demand for these new products because his brand has already got popularity among the consumers.

8. Easy to Identify the Products:

Use of brand is very helpful in the identification of products. The producers can advertise their products with their brand and the consumers can identify such products easily.

9. Creation of Separate Market:

Producers can create a separate market for their products if they use a particular brand because the use of a particular brand differentiates these products from others.

10. Creation of Goodwill:

The brand helps in developing reputation for the products and creating an image in the public mind. It creates goodwill to the firm.

Advantages to Middlemen:

Brand offers following advantages to middlemen:

1. Convenient in Selling:

When a product of a particular brand becomes popular, the consumers ask for the product of that particular brand. Thus, middlemen can easily understand the needs, wants, tastes and preferences of the customers. Moreover, a middleman can sell the product of a popular brand very easily. Where demand for a particular brand is high, the sales of the enterprise also increase substantially, because the market for such product already exists.

2. Less Risk:

As the demand for a popular brand already exists in the market, the middlemen have no risk in keeping the stock of the product. The amount already invested in such stock is recovered very soon by selling the product in the market. In addition to it, the prices of such popular products do not fluctuate very frequently. Thus, it reduces the risk for middlemen.

3. No need of Advertising and Sales Promotion:

As the demand for a famous brand already exists in the market and the customers ask the product by brand name, there is no need for the middlemen to advertise such product. Moreover, sales promotion techniques need little expenditure.

4. Enhancement in Goodwill:

With the popularity of the product, goodwill of the seller also increases.

5. Increase in Profits:

As the goodwill of the business and the product increases, the demand of the product also increases. The profits of the firm will increase with the increase in the sales of the produce.

Advantages to Consumers:

Following are the main advantages of brand name to the consumers:

1. Purchase Convenience:

Good deal of time and energy can be saved in purchasing of goods, if they are branded. A branded product renders product identification much easier and convenient. The money value of time and efforts saved will mean a substantial consumer solace.

2. Faith in Quality:

The producers who use a particular brand for their products, always keep themselves busy on improving the quality of their products because they want that the demand for their products should go on increasing. The result of such efforts of producers is that the consumers get the products of best quality.

3. Protection to Consumers:

Consumers find it easier to make complaint claims against those marketers of branded products in case their products fail to meet the declared claims of consumer satisfaction. Thus, consumers are provided with trade and legal protection against unfair trade practices.

4. Price Stability:

It has been the experience that the prices of the products of standard brands fluctuate very rarely. It brings certainty in the prices of these products.

5. Good Packaging:

The packing of the products of standard brands is always of high quality. The name of the brand and all the relevant particulars about the product are printed on packing itself. The packing of such products is very attractive, convenient and durable.

6. Easy Identification:

Use of a particular brand of a producer makes it very easy for the consumers to recognise the products of such producer because almost all the products of a producer are of the same brand, packing, design, colour etc.

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6. Brand Policies and Strategies:

Brand policies and strategies can be divided into three parts:

1. Brand policies and strategies adopted by manufacturers.

2. Brand policies and strategies adopted by middlemen.

3. Other brand policies and strategies.

1. Brand Policies and Strategies Adopted by the Manufacturers:

(a) Marketing Under the Own Brand of Manufacturer:

Under this policy and strategy the manufacturer sells all his products under the brand name of his own.

(i) Individual Brand

(ii) Product line Brand

(iii) Family Brand

(iv) Local Brand

(v) Provincial Brand or State Brand

(vi) Regional Brand

(vii) National Brand

(viii) International Brand

(ix) Fighting Brand, and

(x) Competitive Brand.

Main Advantages of this Brand Policy and Strategy:

It increases the goodwill of manufacturer. It facilitates in the implementation of advertisement and sales promotion programmes of the enterprise. It helps in bringing stability in the prices of products of the enterprise. It helps in controlling the marketing activities of the enterprise. It helps in adopting a suitable policy regarding product mix of the enterprise. The main drawback of this policy is that middlemen do not find any existence and manufacturers have to spend regularly on advertisement.

(b) Marketing under the Brand of Middlemen:

Under this policy and strategy, the manufacturer does not use any brand name for his products. He sells his products to the middlemen without any brand name. Here, middlemen are free to use any brand name selected by them for the products purchased by them. The main advantage of this policy is that the manufacturers do not concentrate on marketing of goods; they simply concentrate on producing the best quality goods at reasonable cost.

This brand policy has some disadvantages. For example, manufacturer depends upon the marketing policies and programme adopted by the middlemen. It unnecessarily creates competition among manufacturers. The middlemen may purchase goods from other manufacturers, if they agree to sell their products at cheaper rates.

2. Brand Policies and Strategies Adopted by Middlemen:

It includes the following two policies:

(a) Use of Brand of Manufacturer Only:

Under this policy, the middlemen sell all the products of a manufacturer under the brand name of the manufacturer. They do not use any independent brand name for the products. Main advantages of this policy are- Middlemen have not to make special efforts for selling the products. The middlemen get full advantage of the goodwill of manufacturer. Therefore, it increases the sales of the middlemen but under this policy middlemen do not find any existence of their own brand.

(b) Joint use of the Manufacturer's Brand and Middlemen's Brand:

Under this policy middlemen sells his own brand as well as manufacturer's brand. Thus, the same product is marketed under two brand names.

3. Other Brand Policies and Strategies:

Other brand policies and strategies are:

(a) Multiple Brand Policy:

Under this policy, the manufacturer uses different brands for his different product items.

(b) Product Line Brand Policy:

Under this policy, manufacturer uses one brand for each product item in the same product line. Thus, different brand names are used for different product lines.

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7. Brand in International Marketing:

Today information technology and means of transport have made the whole world as a market and hence the development of market has become possible. But at the same time many cultural problems arise while making a brand international. The meaning of a brand name does not remain same in all countries due to difference in language and culture and beliefs and faith. By considering the current international business environment a brand can be made international.

Global Brand:

Some brands like Pepsi, McDonald, Coca Cola, and Parker are popular all over the world. This type of brand is known as global brand. By this type of brand, specific advantage of market development can be obtained. Although due to cultural and other factors the use of similar type of brand is not possible, e.g., cultural interpretation of colour, number, and symbol is different in different countries.

Similarly sometimes the meaning of one word is different in other languages. So global brand should be utilised after considering local factors and cultural matters.

Some important advantages of global brand are discussed as under:

(i) This type of brand is most popular, so sales promotion expense can be reduced.

(ii) Good sale is possible from the very beginning by the use of this brand.

(iii) Entry in new market is easily possible by global brand. For example, Pepsi was popular in Indian market before its entry in India. One thing regarding global brand should be noted that the product sold in different countries under this brand has not remained same in every country. For example, Indian Lux soaps produced by Hindustan Lever Ltd. are different in comparison to the market of other countries.

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8. Branding Problems in International Marketing:

Many problems arise for branding in international marketing.

They are as under:

(i) It is very difficult to take the decision regarding branding due to cultural and other factors in international marketing.

(ii) Sometimes before using the modified brand name in the country, the firm has to take permission and has to pay fees to the person, who was the first to register the same type of brand name in the country.

(iii) For small company it is very difficult to popularise their brand name in international market because huge expense is required for brand promotion in foreign markets.

(iv) Established and well-reputed importers of foreign country demoralise the use of exported brand because they prefer to sell the product under their own brand.

(v) In some countries the use of foreign brand is restricted. Some companies have tried to solve this problem by modifying the original brand name. For example, instead of ‘Mazda’ now ‘Swaraj Mazda’, ‘Hero Honda’ instead of ‘Honda’.

9. International Marketing and Indian Brands:

There are many problems in selling Indian brand in foreign countries, in spite of many opportunities.

This fact can be corroborated by the following information:

So many Indian business houses and firms have created notable reputation in foreign countries and they can develop their brand in foreign countries. Reliance, Tata, Dabur are some of the popular brands in foreign countries. Indian brand can be used by attractive and high level marketing strategy.

There is a possibility of export business by developing one’s own brand for the experienced and reputed exporter. No problem arises for Indian exporter to sell the product under their own brand if the importer is selling the product without using their own brand. By purchasing foreign brand or by purchasing business of foreign firm including the brand, Indian company can sell their product very easily under the foreign brand.

Sometimes Indian company purchases a sick or weak company of foreign country with their brand and then after using the same brand sells their product in the foreign country on large scale, e.g. Arvind Mills of Ahmedabad has purchased ‘The Big Mill’ of Europe with their ‘Denim Brand’ and at present the company is selling large quantity of cloth under this brand all over Europe. Government of India has formed ‘Brand Acquisition Fund’ in 1996.

From this fund help is given to the company, who wants to purchase foreign brand. By joining foreign brand with their own brand, Indian company can use mix-brand. Export promotion agencies should manufacture the product according to the standard and by holding the permission these agencies can sell their product under their brand and symbol. For example ‘Darjeeling’ name is popularised by Tea Board of India in foreign countries.

In business and engineering,
new product development (NPD) is the term used to describe the complete process of bringing a new product or service to market. There are two parallel paths involved in the NPD process : one involves the idea generation, product design, and detail engineering ; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management used to maintain or grow their market share.

Categories of new products:

• Six categories of new products in terms of their newness to the company and to the market place:

– New-to-the-world products
• new products that create an entirely mew market
– New product-lines
• new products that allow a company to enter an established market for the first time
– Additions to existing product-lines
• new products that supplement a company's established product lines *(package sizes, flavors, so on)*
– Improvements or revisions to existing products
• new products that provide improved performance or greater perceived value and replace existing products
– Repositioning
• existing products that are targeted to new markets or new market segments
– Cost reductions
• new products that provide similar performance at lower cost

Issues in new product development:

The companies need the development of original products, product improvements, product modifications & new brands on a consistent basis to survive competition but most new products fail.
• New-product failure
– nearly 80% of new packaged consumer goods & line extensions fail
– nearly 33% of new industrial products fail at launch
• New successful products
– are unique superior products
• *higher quality, new features & offer higher value*
– have well-defined concept
• *by carefully defining and assessing the target markets, product requirements & benefits*
To remain successful companies must continuously develop new products - but the odds weigh heavily against success. The solution lies in strong new-product planning

Successful new products are the ones;

- that have relative advantage

- have compatibility with other technology and distribution systems

- allow trialability / divisibility for buyers to try and learn

- can be judged through observation

- just right in terms of complexity of technology and use

- offer value for the price

The new product development process:

Successful new product development process consists of eight major steps;

1. Idea generation:

systematic search for new-product ideas
- internal sources
- customers
- competitors
- distributors
- suppliers
- others

2. Idea screening:

to spot good ideas and drop poor ones
- is the product truly useful to consumers & society
- availability of market
- does it mesh well with company's objectives & strategies
- do we have the people, skills & resources to make it succeed
- does it deliver more value to customers than competing products
- is it easy to advertise and distribute
- availability of technology
- availability of raw materials
- risk exposure, profitability, cost/benefit
- government priority
- any other factor
- CRITICAL SUCCESS FACTOR

3. Concept development & testing

– product concept is a detailed version of the new-product idea stated in meaningful consumer terms
– concept development - *a new product idea is developed into alternative product concepts*
– concept testing - *calls for testing new-product concepts with groups of target customers*

4. Marketing strategy development

– describe target market
– planned product positioning
– planned sales & market share
– & profit goals for first few years

5. Business analysis

– a review of the sales, costs & profit projections for a new product to find out whether these factors satisfy the company's objectives
– sales forecast
– estimation of costs & profits

6. Product development

7. Test marketing - *in realistic market setting*
8. Commercialization *(launch)*

Introducing new products to the world markets:
- Waterfall Model:
- *Global phased roll out – new products tickle down in a cascade like manner.*
- Sprinkler Model:

- *Simultaneous worldwide entry.*
- *Growing prominence of universal segments.*
- *Concerns about competitive pre-emption in the foreign markets.*

The waterfall strategy of segmentation entry is preferable over the sprinkler model when ;

1. The lifecycle of the products is relatively long
2. Non-favorable conditions govern the foreign market, such as:

• *Small foreign markets (compared to home market)*
• *Slow growth*
• *High fixed cost of entry*

3. Weak competitive climate exists in the foreign market, because of such things as

• Very weak local competitors
• Competitors willing to cooperate
• No competitors

Superior quality can reduce a customer’s life-cycle ownership costs, enhancing customer loyalty, repeat buying, and word-of-mouth advertising ISO 9004 suggests the roles that marketing should play:

– Take the lead in establishing quality requirements for the company by determining customer needs and communicating them throughout the company
– Translate customers needs into specifications including performance and sensory characteristics, installation configuration, statutory and technical standards, packaging and quality standards
– Set up an information system to monitor customer satisfaction and dissatisfaction, and feedback such pertinent information to facilitate design and manufacturing changes
– Develop early warning systems to spot performance problems with new-product introductions; continuously monitor product performance against quality specifications such as reliability and safety, and track and analyze customer complaints so that corrective action can be taken in design and manufacturing

INTERNATIONAL MARKETING CHANNELS:

A channel is a passageway that allows the happening of certain processes. Marketing is understood to be an exchange process. Marketing channels help this exchange process to take place. A marketing channel can be defined as a group of exchange relationships, which create customer value in acquiring, consuming and disposing of products and services.

International marketing involves coordinating the firm's marketing activities in more than one nation. The international marketing strategy is effectively realized by choosing the suitable international marketing channel. The channel is the medium through which the firm's global marketing strategy is communicated among the customers scattered all around the globe.

Marketing Channels are set of interdependent organizations involved in the process of making a product or service available for use or consumption.

A major focus of channels of distribution is delivery. It is only through distribution that public and private goods and services can be made available for use or consumption. The emergence and arrangement of a wide variety of distribution oriented institutions and agencies, typically called intermediaries because they stand between productions on the one hand and consumption on the other can be explained in the following terms:

1) Intermediaries can improve the efficiency of the process.

2) They help in the proper arrangement of routes of transactions.

3) They help in the searching process.

4) They help in the sorting process.

Internationally operating companies have to partner with these distributors to gain access to their unique expertise and knowledge. Channel innovation depends on many factors like level of economic development of the country in which the firm is operating, local demographic/geographic factors, social norms, government actions and competitive pressures. A properly designed distribution channel will help a company achieve a sustainable competitive advantage. Channel structure varies depending on the customer.

Transactions between parties that do not involve the ultimate consumer are considered wholesale transactions. There are two types of wholesale intermediaries: merchant intermediaries and functional intermediaries. Merchant intermediaries buy products and resell them.

Functional intermediaries negotiate and just expedite exchange among producers and resellers. They charge fees and/or commission. An international firm must take adequate care when entering into agreements with distributors. This can make or mar its chances of success. A firm can choose direct or indirect channel based on requirements. It can similarly go for selective or intensive distribution depending on the need.

<u>Distribution structures:</u>

1. Objectives What is international distribution system What is indirect exporting What is direct export What are the types of foreign intermediaries Why the distribution system in the market is influenced by the business environment What is international logistics International Marketing Decision

2. Introduction Place, i.e., placing the product, is one of the four P's of marketing and it refers to the distribution of the product covering channels of distribution and physicaldistribution.The path traced in the direct or indirect transfer of title to a product as it moves from a producer to ultimate consumers or industrial users. International Marketing Decision

3. International Channel System The international distribution system consists of two subsystems, namely, the domestic system and the foreign system. There are broadly two ways of exporting, namely, direct exporting and indirect exporting. International Marketing Decision

4. Indirect Exporting The indirect method is more popular with firms which are just beginning their exporting activities and with those whose export business is not considerable. Two alternative channels for indirect exporting.1. International marketing middlemen 2. Co-operative organizations. International Marketing Decision

5. Marketing middlemen Export merchants Export/trading houses Trading companies Export drop shipper Agents/brokers International Marketing Decision

6. Co-operative organizations the co-operative exporting organizations, which represents a cross between indirect and direct export, carries on exporting activities on behalf of several producers,

and is partly under the administrative control of the manufacturers.1. Piggyback marketing2. Exporting combinations International Marketing Decision

7. Direct Export As the name indicates, direct export refers to the sale in the foreign market directly by the manufacturer. Firms with considerable export business usually resort to direct exporting. International Marketing Decision

8. Types Of Foreign Intermediaries Importers Distributors Wholesalers Retailers Multiple channels Government Departments State buying organizations Joint-ventures and licensees/franchisees International Marketing Decision

9. Marketing Environment and Internal Distribution The nature of the distribution system in a market is generally influenced by the relevant business environment. A particular distribution channel best suited for a product in one market may be inappropriate in another market. Within-country channels of distribution very considerably from country to country for consumer goods. International Marketing Decision

10. Factors Influencing Channel Selection 1. Product characteristics 2. Market and customer characteristics 3. Middlemen characteristic 4. Company characteristic and objectives 5. Competitor's characteristics 6. Environmental characteristics International Marketing Decision

11. International Logistics International logistics defined as 'the designing and managing of a system that contracts the flow of materials into, through, and out of the international corporation. It encompasses the total movement concept by covering the entire range of operations concerned with product movement. International Marketing Decision

12. Components Of Logistics Management Fixed facilities location Transportation Inventory management Order processing Materials handling and warehousing International Marketing Decision

13. Summary The international channel is affected by the method of exporting. Direct exporting and indirect exporting are the two ways of exporting Some important foreign intermediaries are; importers, distributors, wholesalers, retailers, multiple channels, government departments, state buying organizations, joint ventures and licenses. Logistics is a factor which affects the competitiveness of a firm. International Marketing Chapter-11 International Decision

Some of the factors influencing channel decisions in international market are as follows:

International marketing channels deal with channels within which goods and services pass to reach their foreign consumers. This implies that manufacturers and consumers must be located in either the manufacturers or consumers country or having presence in both countries.

The choice of the channel to use is a fundamental decision for the manufacturer where a number of factors and objectives have to be considered as a basis for such decision. The international marketer needs a clear understanding of market characteristics and must have established operating policies before beginning the selection of channel middlemen. The following points should be addressed prior to the selection process:

1) Identify specific target markets within and across countries.

2) Specify marketing goals in terms of volume, market share, and profit margin requirements.

3) Specify financial and personnel commitments to the development of international distribution.

4) Identify control, length of channels, terms of sale, and channel ownership.

There are a number of factors both objective and subjective and varying from company to company which govern choice or selection of channel of distribution. But there are some which stand out and influence channel of distribution choice in all cases. They are as follows:

1) Factors Relating to Product Characteristics:

Product manufactured by a company itself is a governing factor in the selection of the channel of distribution. Product characteristics are as follows:

i) Industrial/Consumer Product:

When the product being manufactured and sold is industrial in nature, direct channel of distribution is useful because of the relatively small number of customers, need for personal attention, salesman’s technical qualifications and after-sale servicing etc. However, in case of a consumer product indirect channel of distribution, such as wholesalers, retailers, is most suitable.

ii) Perishability:

Perishable goods, such as, vegetables, milk, butter, bakery products, fruits, sea foods etc. require direct selling as they must reach the consumers as easily as possible after production because of the dangers associated with delays in repeated handling.

iii) Unit Value:

When the unit value of a product is high, it is usually economical to choose direct channel of distribution such as company's own sales force than middlemen. On the contrary, if the unit value is low and the amount involved in each transaction is generally small, it is desirable to choose indirect channel of distribution, i.e. through middlemen.

iv) Style Obsolescence:

When there is high degree of sty obsolescence in products like fashion garments, it is desirable to sell direct to retailers who specialize in fashion goods.

v) Weight and Technicality:

When the products are bulky, large in size and technically complicated, it is useful to choose direct channel of distribution.

vi) Standardized Products:

When the products are standardized, each unit is similar in shape, size, weight, colour and quality etc. it is useful to choose indirect channel of distribution. On the contrary, if the product is not standardized and is produced on order, it is desirable to have direct channel of distribution.

vii) Purchase Frequency:

Products that are frequently purchased need direct channel of distribution so as to reduce the cost and burden of distribution of such products.

viii) Newness and Market Acceptance:

For new products with high degree of market acceptance, usually there is need for an aggressive selling effort. Hence indirect channels may be used by appointing wholesalers and retailers as sole agents. This may ensure channel loyalty and aggressive selling by intermediaries.

ix) Seasonally:

When the product is subject to seasonal variations, such as woolen textiles in India, it is desirable to appoint sole selling agents who undertake the sale of production by booking orders from retailers and direct mills to dispatch goods as soon as they are ready for sale as per the order.

x)* Product Breadth*:

When the company is manufacturing a large number of product items, it has greater ability to deal directly with customers because the breadth of the product line enhances its ability to clinch the sale.

2) Factors Relating to Company Characteristics:

The choice of channel of distribution is also influenced by company's own characteristics as to its size, financial position, reputation, past channel experience, current marketing policies and product mix etc. In this connection, some of the main factors are as follows:

i) Financial Strength:

A company which is financially sound may engage itself in direct setting. On the contrary, a company which is financially weak has to depend on intermediaries and, therefore, has to select indirect channel of distribution, such as Wholesalers, retailers, with strong financial background.

ii) Marketing Policies:

The Policies relevant to channel decision may relate to delivery, advertising, after-sale service and pricing, etc. For example, a company which likes to have a policy of speedy delivery of goods to ultimate consumers may prefer direct selling and thus avoid intermediaries and will adopt a speedy transportation system.

iii) Size of the Company:

A large-sized company handling a wide rang of products would prefer to have a direct channel for selling its products. On the contrary, a small-sized company would prefer indirect selling by appointing wholesalers, retailers etc.

iv)* Past Channel Experience*:

Past Channel experience of the company also influences the choice of selection of channel distribution. For instance, an old and established company with its past good experience of working with certain kinds of intermediaries will like to opt for the same channel. However, different will be the case in reverse situation.

v) Product Mix:

The wider is the company's product mix, the greater will be its strength to deal with its customers directly. Similarly, consistency in the company's product mix ensures greater homogeneity or uniformity and similarity in its marketing channels.

vi) Reputation:

It is said that reputation travels faster than the man. It is true in the case of companies also who wish to select channel of distribution. In case of companies with outstanding reputation like Tata Steel, Bajaj Scooters, Hindustan Levers etc indirect channel of distribution (wholesalers, retailers, etc.) is more desirable and profitable.

3) Factors Relating to Market or Consumer Characteristics:

Market or consumer characteristics refer to buying habits, location of market, size of orders, etc. They influence the channel choice significantly. They are:

i) Consumer Buying Habits:

If the consumer expects credit facilities or desires personal services of the salesman or desires to make all purchases at one place, the channel of distribution may be short or long depending on the capacity of the company for providing these facilities. If the manufacturer can afford those facilities, the channel will be shorter, otherwise longer.

ii) Location of the Market:

When the customers are spread over a wide geographical area, the long channel of distribution is most suitable. On the contrary, if the customers are concentrated and localized, direct selling would be beneficial.

iii) Number of Customers:

If the number of customers is quite large, the channel of distribution may be indirect and long, such as wholesalers, retailers, etc. On the contrary, if the number of customers is small or limited, direct selling may be beneficial.

iv) Size of Orders:

Where customers purchase the product in large quantities, direct selling may be preferred. On the contrary, where customers purchase the product in small quantities frequently and regularly, such as cigarettes, matches, etc., long (wholesalers, retailers, etc.) of distribution may be preferred.

4) Factors Relating to Middlemen Considerations:

The choice of the channel of distribution is also influenced by the middlemen considerations. They may include the following:

i) Sales Volume Potential:

In selecting channel of distribution, the company should consider the capability of the middlemen to ensure a targeted sales volume. The sales volume potential of the channel may be estimated through market surveys.

ii)* Availability of Middlemen*:

The company should make efforts to select aggressively oriented middlemen. In case they are not available, it is desirable to wait for some time and then to pick up. In such cases, the company should manage its own channel so long the right types of middlemen are not available.

iii)* Middlemen's Attitude*:

If the company follows the resale price maintenance policy, the choice is limited. On the contrary, if the company allows the middlemen to adopt their own price policy, the choice is quite wide. Quite a large number of middlemen would be interested in selling company's products.

iv)* Services Provided by Middlemen*:

If the nature of product requires after-sale services, repair services, etc., such as automobiles, cars, scooters etc, only those middlemen should be appointed who can provide such services, otherwise the company will adopt direct selling channel.

v) Cost of Channel:

Direct selling generally is costlier and thus distribution arranged through middlemen is more economical.

5) Factors Relating to Environmental Characteristics:

The environmental factors which include competitors' channels, economic conditions, legal restrictions, fiscal structure etc., as given below, affect significantly the channel choice.

i)* Economic Conditions*:

When economic conditions are bright such as inflation, it is desirable to opt for indirect channel of distribution because there is an all-round mood of expectancy, market tendencies are bullish and favourable. On the contrary, if the market is depressed (such as deflation), shorter channel may be preferred.

ii)* Legal Restrictions*:

The legislative and other restrictions imposed by the state are extremely formidable and give final shape to the channel choice. For example, in India M.R.TP. Act, 1969 prevents channel arrangements that tend to substantially lessen competition, create monopoly and are otherwise prejudicial to public interest. With these objectives at the backdrop, it prevents exclusive distributorship, territorial restrictions, resale price maintenance etc.

iii) Competitors' Channel:

This also influences the channel choice decision. Mostly, in practice, similar types of channels of distribution used by the competitors are preferred.

iv) Fiscal Structure:

Fiscal structure of a country also influences the channel choice decision. For example, in India, State Sales Tax rates vary from state to state and form a significant part of the ultimate price payable by a consumer. As a result, it becomes an important factor in evolving channel arrangements.

Differences in the sales tax rates in two different states would not only bring about difference in the price payable by a consumer but also in the distribution channel selected. Hence the company should appoint the channel in that stale where the sales tax rates are quite low, such as in Delhi, and that would give price advantage to the buyers of those states where the sales tax rates are high.

Challenges in managing an international distribution strategies:

Many companies today distribute goods throughout their local region or across the country with considerable success, and some may be considering expanding into an international market to increase sales. The fact is that managing international distribution channels can be profitable and rewarding for many companies, but it can also be challenging on several different levels. By spending some time analyzing what is involved in managing international distribution channels, you may make a more informed decision about expansion that is right for your company.

The Right Market for Your Products

First, you should carefully consider the benefit associated with finding an international market that is similar to your own. Reaching into international markets can be difficult to do because your products may appeal to a different target audience, marketing messages may be skewed when they reach a foreign audience or are translated into a foreign language and more. Examples of similar international markets that may be compatible include New Zealand and Australia or Singapore, Malaysia and Hong Kong. Do your research and find out if the desired market does have a demand for your goods. Choosing the right international market is imperative for success as your company expands. Talk to local retailers and their customers to establish if the market is worth the investment.

Other Logistical Concerns

In addition to selecting the right international market to invest in, there are other logistical concerns to consider when managing international distribution channels. For example, you must consider if you will sell your goods online or through local retailers.

Selling Online to International Markets

Online distribution only requires you to ship goods overseas direct to the customer. But international freight can cause issues and lost stock can be a time consuming nightmare to deal with. Consider insurance.

Supplying International Retailers

While selling big orders to international retailers sounds good it also brings with it some administrative issues. The lack of transparency, trust and distance between you and the retailer can cause communication issues and in a lot of cases the retailer will ignore your account leaving you with little hope in recovering what's owed to you.

Get in front of you desired retailers as much as possible. Establish a good business relationship with them before entering into a risky business deal. Consider getting a local distributor. Someone who can go door knocking when it comes time to do the debt collection.

Managing Multiple Currencies

You must also navigate the challenges associated with working with multiple currencies. Fluctuating currencies rates are not manageable on spreadsheets. Consider a good cloud based inventory management and sales management system to handle this for you.

As you can see, there are many factors to consider when you are evaluating the pros and cons of managing international distribution channels. Thanks to innovations in technology, shipping services and more, expanding a company's operations into international areas is easier to do than ever before, and many companies are finding great levels of success from these efforts. However, you do want to carefully consider each of these points so that you make the best decision possible for your business.

Management of physical distribution of goods:

(1) Order Processing:

A company receives orders from other companies, middlemen, or directly from customers through mail, e-mail, fax, phone, or salesmen. Order processing is an importation component of the distribution system. It is considered as a key to customer service and satisfaction.

Order processing mainly includes:

1. Receiving order

2. Recording order

3. Filing order

4. Executing order or assembling of products for dispatch

5. Credit and collection.

Thus, it concerns with processing the orders quickly, accurately, and efficiently. The time period from the receipt of an order to the date of dispatch of products must be as short as possible. Ideally, the order recycle time should be completed within 8 days. But, the use of computer and computer networks, for speedy and accurate order processing, can save time, money and efforts for the company and increases customer satisfaction. It is often called as electronic data processing that minimizes possibility of error and omission. Every firm should establish the standard order procedure.

The physical distribution must be customer-oriented. It starts with customer order. Note that order processing affects customer service in two ways – reordering time (interval between two orders) and consistency of delivery time (delivering products within the fixed time). Rapid order processing enables a company to attain economy in other areas of physical distribution.

The person in charge of order processing must be careful for following aspects:

1. Assembling product must be exactly as per demand of customers in terms of quantity, quality, features, and price.

2. Execution must be as quick as possible.

3. The dispatch must be in appropriate mode of transportation.

4. Credit discount and other allied benefits must be offered as per policy.

5. Assessing the effectiveness of order processing. That includes feedback and follow-up.

(2) Warehousing:

In today's context, production is made in expectation of demand. Therefore, products are to be stored or preserved safely for the future demand. And also, all the production is not sold directly. Warehousing plays an important role for balancing demand and supply. For example, most of the agricultural products are produced seasonally, but have demand throughout the year.

It facilitates both continuous production and continuous marketing of the production. Warehousing service can contribute to customer satisfaction. Be clear that storage and warehousing are not similar terms, though are closely related.

Storage is marketing activity that involves holding and preserving products from the time of their production until their sale. Warehousing embraces storage plus a broad range of functions, such as assembling, breaking the bulk, dispatching as per need of middlemen, sorting/classification, providing market intelligence, preparing product for reshipping, etc. Warehousing involves more activities.

Classification of Warehouses:

Warehouses may be classified on two bases, on the basis of commodity and on the basis of ownership. Let's have overview of different warehouses.

On the Basis of Commodity:

On the basis of commodity stored, there can be:

1. Special Commodity Warehouses provide facility for storing special types of commodities, e.g., cotton warehouses, potato warehouses, grain warehouses, tanks for liquid products, explosive product warehouses, etc.

2. Cold Storage Warehouses provide facility for storing perishable products, e.g., fish, flowers, vegetable, fruits, etc.

On the Basis of Ownership:

According to the ownership, there may be various types of warehouses, like:

1. Private Warehouses are owned by individual, or firms. They are owned by retailers and wholesalers, or by manufacturers. Retailers and wholesalers store finished products while manufacturers store raw materials, provision, tools-equipment's, and finished products.

2. Cooperative Warehouses are owned on cooperative basis by two or more private parties to utilize storage facility jointly.

3. Public Warehouses owned by local authorities such as municipality, or by the state and central governments. Such warehouses are used by public/traders as well as by government. Traders can use these warehouses on the rents fixed by the government. Government uses these warehouses to buy and maintain stock of certain essential commodities.

4. Household Warehouses are temporary in nature owned by household/family to store and protect furniture, paintings, furs, tapestry, etc.

5. Bonded Warehouses are used to store product until payment is made or documents are cleared. They are situated near the Port for export and import business.

Many companies set up their distribution centers in each of regions around the market and integrate its distribution network with them for smooth, safe, and speedy delivery of products. The latest technology is used for maximum consumer benefits. Warehouses offer a number of direct advantages to manufacturers and sellers, and indirect advantages to customers.

Benefits Offered by Warehouses*:*

Following are the important benefits offered by warehouses:

1. Protection of products from fire, sunlight, dust, theft, heat/cold, etc.

2. Modern warehouses enable to store or preserve perishable products, like milk, fruits, vegetable, flowers, and certain types of chemicals, for reasonably longer period.

3. Professional warehouses provide a lot of facilities, such as inspection, protection, records, displacement on demand, insurance, etc., at affordable charges. Such warehouses are well-equipped with human and mechanical devices.

4. Warehouses at different key centres can speed up order processing efficiently with less risk and costs.

5. Producers and sellers can avail loans on the product stored in warehouses.

6. Consumers have a number of indirect benefits like quick and continuous availability, low price, quality, etc. Producers, sellers, and users equally share all the benefits of warehousing.

Key Issues/Decisions in Warehousing*:*

The manager should consider following aspects while utilizing warehouses:

1. Type of product

2. Time to store the product

3. Rent charged and facilities available

4. Location

5. Working capital requirement

6. Ownership

7. Risk, etc.

(3) Transportation:

Transportation is one of the core components of distribution system. It consists of moving or transferring products from producers to final users. Transportation involves two parties, carriers and shippers. Carriers are those companies that provide transportation facilities to others, such as the Western Railway, Indian Airline, Indian Shipping Companies, and many other private carriers provide transportation services by road, rail, water, air and underground pipes.

Shippers are those organisations and individuals such as manufacturers, middlemen, customers, and others to whom the carriers provide transportation services. For different modes of transportation, various regulatory bodies deal with various issues related to transportation of products. The Central and the State Governments have formulated a lot of Acts or legal provision to regulate transportation activities in the country.

The main regulatory bodies may include:

i. The Civil Aviation Department, for air carriers.

ii. The Shipping Corporation of India, for water carriers.

iii. The Oil and Natural Gas Commission, for pipeline carriers.

iv. The Road Transport Corporation of the state, for land or road carriers

v. The Railway Authorities, for rail transportation, etc.

Transportation plays a crucial role in today’s global marketing. It creates the place utility. In brief, transportation has positive impact in every facet of economic, social, and cultural development of the society. The key issues in transportation are type, costs, time, speed, risk, suitability, and availability. Marketer should take transportation decision carefully.

Key Issues in Transportation Decisions:

A marketer needs to consider on following issues:

1. Mode of Transportation:

This decision relates with selecting an appropriate mode of transportation. Main modes of transportation are road, railway, water, air, and pipeline. As per financial capacity, need, time available and overall suitability, the appropriate mode of transportation should be selected.

2. Costs and Availability:

One should select such a mode of transportation that is the most suitable and low in costs. Similarly, the mode must be easily available.

3. Suitability and Credibility:

It is an important consideration. The mode of transportation must fit to the products and company's overall internal situation, and must be reliable.

4. Relations:

In the era of relationship marketing, the marketer must maintain long-term profitable relations with various transport agencies. A firm has to perform many activities to establish and maintain healthy and profitable relations with the transport agencies.

5. Legal Provisions and Restrictions:

A firm must take transportation decisions within limit of contemporary legal provisions. Knowledge of legal provisions is essential.

6. Ownership:

This issue concerns with whether a firm should own, contract, or hire transportation means. Depending upon a company's capacity and requirements, it may own its own means of transportation, may undergo the contracts, or may hire such facilities.

(4) Organizational Responsibility for Physical Distribution:

Physical distribution is an important decision in today's marketing management. It involves a wide range of activities. Therefore, an effective coordination of various activities, such as order processing, warehousing, transportation, inventory control, etc., is indispensable to contribute in overall success of marketing strategies.

The entire range of physical distribution must be systematic and even scientific for effective distribution of products to the ultimate users. For the purpose, the systematic structure of organisation should be created to take care of physical distribution activities. Organisation of physical distribution must be well-equipped and properly organised to serve the purpose over time.

Type, nature, formation, and activities of organisational structure for physical distribution depend upon various factors like type of business, size of operation, resource availability, management philosophy, and so on.

After proper analysis of various relevant variables, the suitable structure of organisation should be created and implemented. There may be practically two alternatives, physical distribution committee or physical distribution department.

Physical Distribution Committee*:*

In order to manage distribution activities effectively and efficiently, many companies formulate a permanent committee. The committee consists of a group of people who work jointly for attaining marketing goals. The number of members in committee depends on types of key activities in distribution system.

A physical distribution committee consists of experts on various areas of distribution like warehousing, transportation, communication, order processing, and so on. This committee is headed by distribution manager or marketing manager. Each of the experts in a committee has necessary skills and experience to handle specific group of activities.

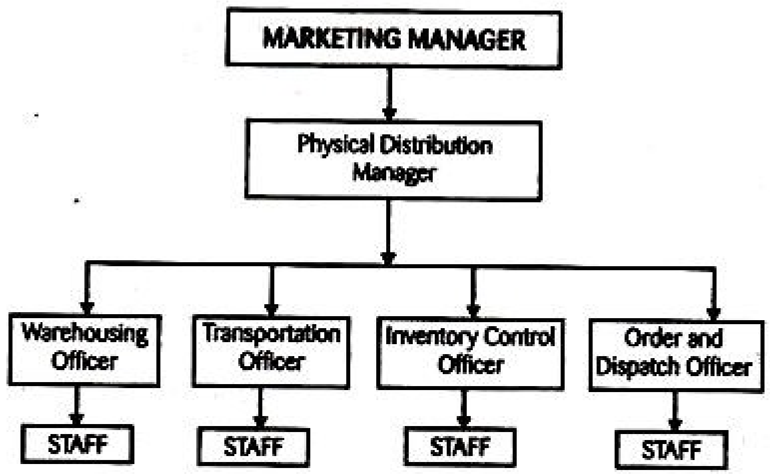
The committee, known as physical distribution committee, takes care of the entire range of activities related to distribution of products and is responsible for smooth distribution of products. The committee meets periodically and formulates policy to improve physical distribution system.

Physical Distribution Department:

Some companies treat physical distribution as a separate area of marketing management and maintain a separate physical distribution department. This department is headed by physical distribution manager. He is solely responsible for managing physical distribution activities.

He appoints needed experts in his department to assist him carrying different types of activities related to physical distribution. The physical distribution manager works under either production manager or marketing manager.

Mostly, the companies engaged in production and distribution activities, appoint physical distribution manager under marketing manager. He may be line administrator, a manager with staff responsibility, or the combination of both staff and line function. This type of organisation is typically portrayed in Figure 1.



Marketing Manager:

He, along with other marketing activities, also directs and controls physical distribution activities. Under him, the physical distribution manager is placed. Here, physical distribution is treated as a part of marketing. He takes care of marketing and distribution activities.

Physical Distribution Manager*:*

He is a direct authority responsible for physical distribution. He works under marketing manager. His functions involve storage and warehousing, inventory management, transportation, order processing and dispatching, communication, etc. He coordinates various activities needed for effective physical distribution. Various officers are appointed under him for each type of activities.

The officers who work under his direct supervision and control include:

1. Storage and warehousing officer

2. Inventory officer

3. Transportation officer

4. Order processing and dispatching officer

5. Communication officer, etc.

Advertising:

Global advertising encompasses areas such as advertising planning, budgeting, resource allocation issues, message strategy, and media decisions. Other areas include: local regulations, advertising agency selection, coordination of multi-country communication efforts and regional and global campaigns

1. Global Advertising and Culture

• Language Barriers – Language is one of the most formidable barriers in global marketing.

Three types of translation errors can occur in international marketing:

- Simple carelessness
- Multiple-meaning words
- Idioms

2. Setting the Global Advertising Budget

• Companies rely on different kind of advertising budgeting methods which include:

– Percentage of Sales

– Competitive Parity

– Objective-and-Task Method

First establish concrete marketing objectives, the advertiser determines how much it will cost to meet them.

3. Creative Strategy

• The "Standardization" versus "Adaptation Debate"

• Merits of Standardization: – Scale Economies – Consistent Image – Global Consumer Segments

• Barriers to Standardization: – Cultural Differences – Advertising Regulations – Market Maturity – "Not-Invented-Here" (NIH) Syndrome

4. Global Media Decisions

• Media Infrastructure – Media infrastructure differs from country to country

• Media Limitations – The major limitation in many markets is media availability.

• Media Infrastructure – Media infrastructure differs from country to country

• Media Limitations – The major limitation in many markets is media availability.

• Recent Developments in the Global Media Landscape: – Growing commercialization and deregulation of mass media – Shift from radio and print to TV advertising – Rise of global and regional media – Growing spread of interactive marketing – Growing popularity of text messaging – Improved monitoring – Improved TV-viewership measurement

5. Advertising Regulations

• The major types of advertising regulations include: – Advertising of "Vice Products" and Pharmaceuticals – Comparative Advertising – Content of Advertising Messages – Advertising Targeting Children – Other Advertising Regulations: Issues of local languages, tax issues, and advertising rates.

• Strategies to deal with advertising regulations: – Keep track of regulations and pending legislation – Screen the campaign early on – Lobbying activities – Challenge regulations in court – Adapt marketing mix strategy

6. Choosing an Advertising Agency

• In selecting an ad agency, the international marketer has several options:

1. Work with the agency that handles the advertising in the firm's home market.

2. Pick a purely local agency in the foreign market.

3. Choose the local office of a large international agency.

4. Select an international network of ad agencies that spans the globe.

• Criteria for screening ad agencies: – Market coverage – Quality of coverage – Expertise with developing a central international campaign – Creative reputation – Scope and quality of support services – Desirable image (“global” versus “local”) – Size of the agency – Conflicting accounts

7. Globally Integrated Marketing Communications (GIMC)

• Integrated Marketing Communications (IMC): – IMC coordinates different communication vehicles – mass advertising, sponsorships, sales promotion, packaging, point-of- purchase displays, so forth.

Grey market goods:

A **grey market** (sometimes called a **parallel market**), but this can also mean other things not to be confused with a black market or a grey economy is the trade of a commodity through distribution channels that are legal but unintended by the original manufacturer. The most common type of grey market is the sale, by individuals or small companies not authorized by the manufacturer, of imported goods which would otherwise be either more expensive or unavailable in the country to which they are being imported. An example of this would be the import and subsequent re-sale of Apple products by unlicensed intermediaries in countries such as South Korea where Apple does not currently operate retail outlets and licensed reseller markups are high.

Goods

Arcade games

Certain arcade games (with the same game play) are marketed under different titles (especially titles from Japanese companies), such as Carrier Air wing/US Navy, Mega Man/Rock man, and Police 911/Police 24/7. When certain arcade games (especially titles for Japan) are first powered on, a warning message is shown such as “[t]his game is intended only for sale and use in (country/region)” and often, such a message is occasionally displayed when the game is idle.

One reason for regional variations for the game title despite the same game play is trademark issues in different regions e.g. someone else could already own the rights a particular trademark in a particular country or region even though the particular game company owns the rights to the same trademark in their home country.

Another reason for regional variations for the game title is to help combat bootleg arcade games at one time, including those from Japanese versions.

Automobiles

Automobile manufacturers segment world markets by territory and price, thus creating a demand for grey import vehicles.

Although some grey imports are a bargain, some buyers have discovered that their vehicles do not meet local regulations, or that parts and services are difficult to obtain because these cars are different from the versions sold through the new car dealer network.

Also, ensuring service history and mechanical condition for a vehicle purchased at a distance can be a problem.

Many used cars come from Singapore or Japan, and are sold in other countries around the world, including United Kingdom, Russia and New Zealand. Japan and Singapore both have strict laws against older cars. The Japanese "Shaken" road-worthiness testing regime, requires progressively more expensive maintenance, involving the replacement of entire vehicle systems, that are unnecessary for safety, year on year, to devalue older cars and promote new cars on their home market that were available for low prices. This makes these well running cars seem reasonably priced, even after transport expenses. There are very few cars in Japan more than five years old.

New car arbitrage has become an issue in the US as well, especially when the US price is lower in the US than in countries like China.

Beyond cost issues, grey market cars provide consumer access to models never officially released. Before 1987, the Range Rover and Lamborghini Countach, both revolutionary designs, were grey import vehicles in the United States. The grey market provided a clear signal to these manufacturers that the United States had significant demand for these cars, and their present-day US model descendants remain popular. Years later, Nissan similarly decided to sell the GT-R in North America after seeing how many people were importing older Skylines. Although Mercedes-

Benz was also a beneficiary of the signals to US consumer demand that the grey market provided, their lobbying in Washington succeeded in virtually ending the US grey market in 1988.

In the UK, some Japanese domestic market models fetch a high price in the UK because of their performance, novelty or status. Popular types include - off road vehicles, people carriers, affordable sports cars like the Mazda MX5 / Eunos, very high performance sports cars like the, rally homologation based cars like the Subaru Impreza and Mitsubishi Evo, ultra compact key cars, and limited edition Japanese market designer cars like the Nissan Figaro.

Broadcasting

In television and radio broadcasting, grey markets primarily exist in relation to satellite radio and satellite television delivery. The most common form is companies reselling the equipment and services of a provider not licensed to operate in the market. For instance, a Canadian consumer who wants access to American television and radio services that are not available in Canada may approach a grey market reseller of Dish Network or DirecTV. There is also a grey market in the United States for Canadian satellite services such as Bell TV or Shaw Direct.

In Europe some satellite TV services are encrypted since they have only been authorized by content suppliers to broadcast films, sporting events and US entertainment programming in a certain country or countries, hence only residents of the UK and Ireland may subscribe to Sky Digital. In other European countries with large British expatriate populations, such as Spain, Sky is widely available through the grey market. Although Sky discourages the use of its viewing cards outside the UK or Ireland, and has the technology to render them invalid, many people continue to use them.

Parallel importing of "free-to-view" Sky cards from the UK to Ireland is often done so that Irish Sky customers can receive Channel 5 and some of the other channels not generally available via Sky in the Republic because of trademark and other licensing issues. Conversely, Sky viewing cards from the Republic of Ireland, which allow viewing of Irish terrestrial channels, are imported into the UK. Northern Ireland residents subscribing to Sky can watch RTÉ One and Two and TG4, although not TV3, which carries many of the same programs as ITV, a lot of the programs airing before ITV can show them.

It is also becoming increasingly common in the UK for some pubs to use satellite decoder cards from Greece, Norway, Poland or the Arab world to receive satellite TV broadcasting live English football matches from those countries. Alternatively, they may use cards which allow pirate decryption of scrambled signals. Such cards are typically much cheaper than the cards available in the UK from Sky (who charge extra fees for public showing licenses). However, Sky has taken civil and criminal action against some who do this. Two recent cases involving grey cards have been referred to the Justice. The suppliers of grey cards and Karen Murphy have won their cases at the European Court of Justice. The judges have ruled that right holders cannot license their content on an exclusive territorial basis as it breaches EU Law on competition and free movement of goods and services. However, whilst this ruling allows domestic viewers to subscribe to foreign satellite services, pubs may still need permission from right holders such as the Premier League to broadcast content. This is because certain elements of the broadcast such as branding are copyrighted. The matter now rests on the High Court to incorporate the ruling into UK Law.

There have been two High Court judgments on this matter now. Mr. Justice Kitchen has ruled that QC Leisure and other suppliers of foreign satellite systems can carry on with their businesses if they can prevent copyright elements such as branding of football matches from being shown in a public place. The Premier League can pursue prosecutions of licensees who show branding of matches via foreign satellite systems. Karen Murphy has won her case in the High Court following the ruling from the European Court of Justice. The ruling from Justice Stanley Burnt on allows Ms Murphy to shop for the cheapest foreign satellite provider. However the ruling from Justice Kit chin prevents Ms Murphy from showing matches in her pub via foreign satellite systems because branding are copyrighted. It is no longer illegal though for a customer to purchase a foreign viewing card from an EU country and use it outside the territory.

Cell phones

The emergence of the GSM international standard for cell phones in 1990 prompted the beginning of the grey market in the cell phone industry. As global demand for mobile phones grew, so did the size of the parallel market. Today, it is estimated that over 30% of all mobile phones traded will pass through the grey market and that statistic continues to grow. It is impossible to quantify an exact figure, but sources suggest that as many as 500,000 mobile phones are bought and sold outside official distribution channels through their trading platforms every day.

The driving forces behind a heavily active mobile phone grey market include currency fluctuations, customers demands, manufacturers policies and price variations. It is not uncommon for grey market traders to introduce a product into a market months in advance of the official launch. This was evident with the launch of the iPhone 4, where international grey market traders bought large quantities at Apple's retail price then shipped to countries where the product was not available adding a substantial margin to the resale price.

Computer games

Purchasing some games from online content distribution systems, such as Valve's Steam, simply requires entering a valid CD key to associate with an account. In 2007, after the release of The Orange Box, Valve deactivated accounts with CD keys that were purchased outside of the consumer's territory in order to maintain the integrity of region-specific licensing. This generated complaints from North American customers who had circumvented their Steam end-user license agreement by purchasing *The Orange Box* through cheaper, market retailers.

Due to regional lockout, videogame consoles and their games are often subjected to grey market trade and are chosen as the alternative to modding by some gamers. The reasons for this may range from the console being crippled in some markets to that of the desired game not being released for the market the potential consumer of the game is in.

PC Code Stripping is a process by which boxed PC product is bought in large quantities at cheap rates. Manual labor is then used to open the box, retrieve the activation code from the box and enter the code into a database. The activation code is then sold online as a download key and the physical product is discarded.

Electronics

There is a grey market in electronics in which retailers import merchandise from regions where the prices are cheaper or where regional design differences are more favourable to consumers, and subsequently sell merchandise in regions where the manufacturer's selling price is more expensive. Online retailers are often able to exploit pricing disparities in various countries by using grey-market imports from regions where the product is sold at lower costs and reselling them without regional buyer restrictions. Websites such as Taobao and Amazon.com enable customers to buy products designed for foreign regions with different features or at cheaper costs, using parallel importation. The grey market for photographic equipment and other such electronics is thriving in heavily taxed states like Singapore with dealers importing directly from lower taxed states and selling at lower prices, creating competition against local distributors recognised by the products' manufacturers. Grey sets, as colloquially called, are often comparable to products purchased from the manufacturer's preferred retailer. Lenses or flash units of parallel imports often only differ by the warranty provided, and since the grey sets were manufactured for another state, photographic equipment manufacturers often offer local warranty, instead of international warranty, which will render grey sets ineligible for warranty claims with the manufacturer. Because of the nature of local warranties, importers of grey sets usually offer their own warranty schemes to compensate for the manufacturers' refusal of service. Grey sets do not differ particularly from official imports. They look and function identically. In the salad days of camera sales during the 60s and 70s, when lenses had amber coating, the bargain basements for Japanese equipment were Hong Kong and Singapore, through which goods were channeled to European shop windows bypassing the often substantial levy of the official importers. World-market pricing and the Internet have largely eliminated this. Canon gives their hard-selling DSLR cameras names like "Rebel" in the USA and "EOS xx0/xx00" outside it, aimed at preventing the competitively priced US-merchandise reaching Europe where sales are slower but achieve a higher profit.

Frequent-flyer miles

Trade or bartering of frequent-flyer miles is prohibited by nearly all major airlines, although an authorised medium exists for specific frequent flyer programs.[16] Unauthorised exchanges of frequent flyer miles – of which several exist – are also major examples of grey markets.

Pharmaceuticals

Some prescription medications, most notably popular and branded drugs, can have very high prices in comparison to their cost of transport. In addition, pharmaceutical prices can vary significantly between countries, particularly as a result of government intervention in prices. As a consequence, the grey market for pharmaceuticals flourishes, particularly in Europe and along the US–Canadian border where Canadians often pay significantly lower prices for US made pharmaceuticals than Americans do.

Stock market securities

Public company securities that are not listed, traded or quoted on any U.S. stock exchange or the OTC markets are sometimes purchased or sold over the counter (OTC) via the grey market. Grey market securities have no market makers quoting the stock. Since grey market securities are not traded or quoted on an exchange or interdealer quotation system, investors' bids and offers are not collected in a central spot so market transparency is diminished and effective execution of orders is difficult.[20]

Export costing and pricing:

In the era of Global Market Economy and fierce competition, importance of accurate costing of product need not be over – emphasized. In accurate costing can lead to either losing of orders or losing of profits. Export pricing is most important tool for promoting sales and contesting international competition. Exporter has to face domestic producers in the export market, producers in other competing supplying countries and domestic producer's in one owns country. Costs, Demand and Competition are the three important factors that determine price. The price for export should be as realistic as possible. The exporter has to exclude cost for domestic production which are not applicable for export and add those elements of costs which are relevant to export product. Exporter has to compete with manufacturers formal over the world. Hence, his price has to be realistic considering all export benefits and price in foreign market.

There is no fixed formula for successful export pricing. It differs from exporter to exporter depending upon whether the exporter is a merchant exporter or manufacturer exporter or exporting through canalizing agency. Exporter has to assess the strength of his competitor And anticipate the move of competitor in the market of operation. Exporter can still be competitive with higher prices with better delivery package or added advantage.

Following are few examples of such factors :

- Range of product offered
- Prompt deliveries and continuity in supplies
- Product differentiation and brand image
- Frequency of purchases
- Presumed relationship between quality and price
- Credit offered

Pricing Vs Costing :

There is a lot of confusion between the price and the cost. Many consider these synonymous. A few points to give you a mental pictures of these points are as under

- Price is what we offer to the customer. Cost is the price that we pay / incur for the product.
- Price includes our profit margin. Cost only gives the expenses we have incurred.
- Costing is the Cost Accountant's privilege. Pricing is the Marketing man's privilege.

Export Price :

Once the Ex- works / purchase price has been decided the additional expenses that have to be added are as under :

- Loading charges from work to truck/ rail/ air etc.
- Freight charges to port of shipment
- Clearing and forwarding charges
- Dock charges / wharf age/ terminal handling charges etc.
- Freight charges to the destination port
- Insurance charges
- Insurance (both to port of shipment and destination)
- Commission
- Interest charges
- Guarantee/Warrantee costs

In order to withstand international competition, the Government offers certain exemptions and incentives / benefits. These are additional realizations which tend to reduce the cost of your product. the following are few of them :

- There is no sales tax applicable on the final product

- There is no excise applicable on the final product
- Duty free import of raw materials, components and consumables is permitted under the advance licensing scheme.
- Income tax benefit under 80HHC
- Special import license
- Credit of duty under the duty Entitlement Pass Book Scheme
- Any other special subsidy announced by the government

Special Factors for Exporting Pricing :

There are many unique factors relating to goods to be sold abroad. These factors influence their determination in comparison to those having bearing on pricing for domestic products. These factors may be delivery schedules, terms of payments, motivation of pricing, size of order etc.

Factors that increase price of Export Products :

- Special packing, marking and labeling
- Additional supervision and effort for Export product
- Export Transaction cost
- Cost of Export Procedure
- Marketing cost
- Additional Insurance cost

Factors that reduce price of Export Products :

- Export Assistance and Facilities
- Refund or exemption from excise duty
- Lower price due to Imported components and spares
-

mport of raw materials at International price

- Benefit of economy of scale
- Cheaper Export credit

Ascertaining Exact Benefits from Export Assistance Schemes :

In order to ascertain the exact benefits that can be derived from export assistance schemes it is necessary first to locate the exact clarification or SI. Number of the product under these schemes.

The problem is exacerbated for products carrying specific brand names, as the brand rate may differ from the all industry rate. This occurs for example, under the duty drawback credit scheme, which provides relief on the customs and excise duties paid on raw materials and components used in export production. The exporter should be aware of two types of drawback rates :

1. All industry rates : These are published in the form of a government notification every year and are normally valid for one year.
2. Brand rates : These are fixed at the exporters or the manufacturer request.

Components, spare parts, ancillary items : Finding out the rate of assistance for components, spare parts or ancillary items of the main product exported can be a problem. To determine the exact rate of assistance it is necessary first to determine the exact classification of the product which has to be priced. This is especially important as the classification of a primary or main product may differ than from those of its components or ancillaries. The rate of assistance may sometimes be the same for the primary items and the co – product. Furthermore, there are common or general rates applicable to products which are not classifiable under any of the SI. Numbers for which specific policies have been laid down. Where it is not possible for exporters to determine the classifications on their own, they may seek the assistance of the disbursing authorities or organizations set up to help them.

When approaching an organization like an Export Promotion Council, licensing authorities or the Drawback Directorate for a product classification, the exporter must present the details required to establish this classification. These include the technical and trade name of the product, its various uses and its essentials ingredients (raw materials, etc.).

Export Pricing Strategies

Pricing strategy may be defined as the strategy adopted by exporters with respect to the pricing of goods while marketing them to the ultimate consumer. An exporter may charge a uniform price in different markets of the world or he may practise price discrimination taking into consideration the situations prevailing in different markets. Various pricing strategies used in the international market are:

(a) **Skimming Pricing Strategy:** A pricing strategy in which exporter charges a very high price initially in order to recover the cost incurred on high promotional expenditure, research and development, etc., is known as skimming pricing strategy. After exploiting the rich market, the exporter can gradually decrease the price in order to increase his market share.

(b) **Penetration Pricing Strategy:** A pricing strategy in which an exporter I charges a very low price initially in order to get hold of the market and drive away competitors is known as penetration pricing strategy. Sometimes, such strategy is referred to as dumping. This strategy is suitable for the items of mass consumption.

(c) **Transfer Pricing:** Transfer pricing refers to the pricing of goods transferred from one subsidiary to another or to the parent Company. Due to this, profits of one subsidiary are transferred to another subsidiary or to the parent company. Transfer pricing decisions are affected by factors such as differences in tax and tariff rates, foreign exchange restrictions and import restrictions.

d) **Marginal Cost Pricing:** Marginal cost is the cost of producing one extra unit of a product. Under this approach, an exporter simply considers variable costs or direct costs while arriving at the price to be charged in the international market and fixed costs are fully recovered from the domestic market.

(e) **Market Oriented Pricing:** This is a very flexible method of arriving at a price as it takes into consideration the changing market conditions. The price charged may be higher when demand conditions are favourable and vice versa. This method is sometimes referred to as what the traffic will bear method. This is a very flexible and realistic method of pricing.

(f) **Competitor's Pricing:** Under this method, pricing strategy of dominant competitors is taken into consideration while arriving at the pricing decisions. A price leader is the firm, which initiates the price trends in the market. However, if the competitor's pricing policy is faulty, the followers will also land up with wrong pricing.

Environmental factors influencing Pricing in International marketing:

Environmental monitoring should continue throughout the business cycle. Since marketers must comply with the law, an understanding of governmental policy and the process by which it is created is central to effective marketing decision-making.

To operate, international firms must understand the policy-making process and different categories of laws, and marketers must also investigate the general policy climate and local laws that affect the operation of their business. The main objective of marketing strategy is pivotal to customer satisfaction, financial performance, and compliance.

Political Factors

Pricing is influenced by laws and regulations which necessitate product modifications, in compliance with health and safety standards, environmental regulations, measures systems etc. Government policies influence the legislative and economic frameworks. Perhaps the most sinister cloud from the political arena is the threat of wars.

Economic Factors

The level of GDP is the main measure of economic attractiveness of foreign markets. As GDP increases, the demand for goods and services increases too. Furthermore, marketers consider the distribution of income within a country, in order to identify niche and segment markets. Marketers always watch not only the present economic prosperity of a country, but also its future development in terms of population and density, inflation and economic growth, age and distribution of income, level of urbanization as well as other economic activities that will affect markets and pricing.

The economic environment of the foreign or host country influences pricing decisions. It has a significant impact on firm's costs, determines demand potential for a particular product/service, in addition to the prices that local customers can afford and are willing to pay. For example, some products that are considered essential in western countries, are viewed as luxury items in my country (India), and most of the Asian countries.

Social Factors

People from different cultures have different tastes, buy different products and respond in different ways to the same service or product. Therefore, the demographic structure of a foreign market should be considered. The aging of population in major western markets, and the increase in population in several countries such as India and China, is another continuing development that will affect international marketing. As teens around the world are becoming a global market segment today, pricing strategies will have to adapt to social factors, that is, when pricing for international markets, one has to take in to consideration of local material culture, language, aesthetics, education and religion, as well as attitudes and values. Firms/Markets need to examine carefully target market, country's characteristics and purchasing behaviors, required to select appropriate pricing strategy. Price level is an important criterion used by consumers in evaluating competing products. Other criteria such as product quality and performance are important to customers. Thus, in developing pricing strategy, firms/organisations must be aware of foreign consumers' preferences, perceptions, and purchasing behaviors with respect to various price levels.

Technological Factors

Firms/Organizations need to analyze the technological environment of foreign markets. Well-developed communication infrastructure is an important factor to respond rapidly to customer's needs. International Firms/Organizations often rely on existing local distribution infrastructure in order to transport and distribute their products to consumers. This may have significant impact on costs, and in turn may influence price, as well as profits. Technological change is another dynamic but ongoing phenomenon. A perfect example is the internet. Internet allows online contact with the Firms/Organizations customers, suppliers, and partners and subsidiaries around the world, but it may also increase the opportunities for existing competitors and openings for new competitors. Therefore, technology provides both opportunities and challenges. Pricing is a strategic choice, and it will be partially influenced by environmental factors.

GLOBAL PRICING POLICY ALTERNATIVES

1. Extension/Ethnocentric: This policy requires that the price of an item be the same around the world and that the importer absorbs freight and import duties.

The problem with this policy is that extension pricing does not respond to the competitive and market conditions of each national market and, therefore, neither maximize the company's profits in each national market nor globally.

2. Adaptation/Polycentric: This policy permits subsidiary or affiliate managers to establish whatever price they feel is most desirable in their circumstances. The only constraint on this approach is in setting transfer prices within the corporate system.

Under this policy, managers would take advantage of the price disparities by buying in the lower-price market and selling in the higher-price market.

There is also the problem that under such a policy, valuable knowledge and experience within the corporate system concerning effective pricing strategies would not be applied to each local pricing decision.

3. Invention/Geocentric: In this approach, a company neither fixes a single price worldwide nor remains aloof from subsidiary pricing decisions, but instead strikes an intermediate position.

The company works on the assumption that there are unique local market factors that should be recognized in arriving at a pricing decision. These factors include local costs, income levels, competition, and local marketing strategy.

Sponsorships are the financial or in-kind support of activities. Businesses often sponsor events, trade shows, groups, or charity causes to reach specific business goals and increase their competitive advantage.

Though sponsorship is a form of marketing, it is different from advertising, which attempts to persuade customers to make purchases by sharing specific messages about a product or company.

Sponsorships, on the other hand, don't directly promote your company or products. Instead, your company pays to support a specific event that your customers care about. Your business is then associated with the event by customers, attendees, and the media.

How Event Sponsorships Work

Most large, community events use sponsorship support to offer more exciting programs and to help defray costs.

Promotional opportunities at trade shows, charity events, or business functions include sponsorships of press rooms, an international lounge, a speaker or VIP room, an awards reception, educational programs, banners, badge holders, audiovisual equipment, display computers, shuttle buses, tote bags, or other branded swag.

Local causes such as sports teams or charity drives offer more limited places for your branding and products, but they also allow you to reach a specific local audience. For example, fewer people will see your logo on the backs of local Little League uniforms than at a national trade show. However, if your customers are all local and have kids on the Little League team, that's the best place to be seen by your ideal audience.

9 Marketing Benefits of Sponsorship

In all its forms, sponsorships allow you to reach targeted niche markets without the expense and uncertainty associated with traditional advertising. Strategic sponsorships can help your business meet multiple marketing goals at once.

1. **Shape consumer attitudes.** Sponsoring events that your customers care about creates positive feelings about your brand. If customers feel you care about the same things they do, they are more likely to have a positive attitude toward your company.
2. **Build brand awareness.** Sponsorships with in-kind products are often cheaper than traditional advertising. If you choose your events carefully, it guarantees you an audience that needs your products, unlike traditional media ads, which can be seen by anyone. For example, a pet store owner who provides branded leashes for a local kennel club's annual dog show knows their brand's name will be seen in action repeatedly by their target customers.
3. **Drive sales.** Driving sales goes hand-in-hand with brand awareness, and many sponsorship opportunities allow you to introduce consumers to your product in a way that encourages them to make

a purchase. Food or cosmetic companies at a trade show, for example, may have samples for a customer to try at the same location where they can purchase full-size products. You may choose to link purchases to a specific event, as American Express did by making a donation every time customers used their AmEx cards during its "Charge Against Hunger" campaign.

4. **Increase reach.** Strategic sponsorship encourages word-of-mouth marketing. Ideally, people who attend an event that you sponsor will have a positive interaction with your brand and continue to talk about your service or product. If your company's name is on the event's promotional materials, including emails and advertisements, you have an additional opportunity to reach more customers.
5. **Generate media exposure**. For many small companies, media coverage is expensive and out of financial reach. If, however, you can sponsor a local occasion or industry trade show, you can capitalize on the media presence of that event. Media coverage often includes the names of sponsors, especially if your logo is tied to the name or branding of the event. This positive publicity increases the visibility of your products and services, especially if you have a media plan in place to capitalize on the exposure.
6. **Differentiate yourself from competitors.** Sponsoring an event, especially an exclusive sponsorship, sets you apart from your competitors by tying you to something positive in consumers' minds. This tactic is particularly helpful if your competitor has a larger ad budget than your company.
7. **Take on a "corporate citizen" role.** Not all sponsorships have to center around industry events. Sponsoring local sports teams, charity campaigns, or public organizations like museums puts you in the role of a good neighbor or a corporation with a conscience. Customers are more likely to perceive you as contributing to their community, which creates goodwill and positive associations with your brand.
8. **Generate new leads.** If you're sponsoring an industry event, you have the opportunity to connect with consumers who are actively in need of your services. Capitalize on the position and respect associated with sponsorship to showcase yourself or your product. Don't focus on sales. Be knowledgable and helpful while providing a way for interested customers to sign up to learn more about your business. If you can, offer something for free in exchange for their contact information.
9. **Enhance business, consumer, and VIP relationships**. Many events will offer special opportunities to sponsors, such as exclusive networking settings, VIP receptions, or outings with high-profile people in the industry. You can take advantage of these events to meet key customers and solidify business relationships, especially if you have a plan for following up once the event is done.

How to Add Sponsorship to Your Marketing Plan

Sponsorships help your business increase its credibility, improve its public image, and build prestige. Like any form of marketing, it should be used strategically as a way to reach your target customers.

As you build your marketing plan, research the events and causes that your ideal customers care about.

- Have they worked with sponsors before?
- If not, are they open to the idea in the future?
- What sort of financial support do they expect from sponsors?
- How much exposure can you reasonably expect at different levels of sponsorship?

Depending on the cost and reach of different sponsorship opportunities, you may find that they are a better use of your marketing budget than many forms of traditional advertising.

Publicity is also a way of mass communication. It is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. Publicity is not paid for by the organisation. Publicity comes from reporters, columnists, and journalists. It can be considered as a part of public relations.

Publicity involves giving public speeches, giving interviews, conducting seminars, offering charitable donations, inaugurating mega events by film actors, cricketers, politicians, or popular personalities, arranging stage show, etc., that attract mass media to publish the news about them.

Publicity is undertaken for a wide range of purposes like promoting new products, increasing sales of existing product, etc. It also aimed at highlighting employees' achievements, company's civic activities, pollution control steps, research and development successes, financial performance, its progress, any other missionary activities, or social contribution.

Definitions:

Publicity has been defined as:

1. William J. Stanton:

"Publicity is any promotional communication regarding an organisation and/or its products where the message is not paid for by the organisation benefiting from it."

2. Philip Kotler:

"Non-personal stimulation of demand for the product or service, or business unit by placing commercially significant news about it in public medium or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor."

Characteristics of Publicity:

Key characteristics of publicity have been briefly described in following part:

1. Meaning:

Publicity is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media. It involves obtaining favourable presentation upon radio, newspapers, television, or stage that is not paid for by the sponsor.

2. Non-paid Form:

Publicity is not a paid form of communication. It is not directly paid by producer. However, it involves various indirect costs. For example, a firm needs some amount for arranging function, calling press conference, inviting outstanding personalities, decorating of stage, other related costs, etc.

3. Various Media:

Mostly, publicity can be carried via newspapers, magazines, radio, or television. For example, in case a product is launched by popular personality in a grand function, the mass media like newspapers, television, radio, magazines, etc., will definitely publicize the event

4. Objectives:

Sales promotion is undertaken for a wide variety of purposes. They may include promotion of new product, pollution control, special achievements of employees, publicizing new policies, or increase in sales. It is primarily concerns with publishing or highlighting company's activities and products. It is targeted to build company's image. In a long run, it can contribute to increase sales.

5. Control of Producer:

Company has no control over publicity in terms of message, time, frequency, information, and medium. It comes through mass media like radio, newspapers, television, etc. It is given independently by the third party. It is presented as a news rather than propaganda.

6. Credibility/Social Significance:

Publicity has high degree of credibility or reliability as it comes from mass media independently. It is given as news for social interest. It has more social significance compared to other means of market promotion.

7. Part of Public Relations:

Publicity is a part of broad public relations efforts and activities. Public relations includes improving, establishing, and maintaining direct relations with all publics. Publicity can help improve public relations.

8. Costs:

Publicity can be done at much lower cost than advertising. Company needs to spend a little amount to get the event or function publicized.

9. Effect:

Publicity message is more likely to be read, viewed, heard, and reacted by audience. It has a high degree of believability as it is given by the third party.

10. Repetition:

Frequency or repetition of publicity in mass media depends upon its social significance or the values for news. Mostly, it appears only once.

Importance of Publicity:

Like advertising and sales promotion, sales can be increased by publicity, too. Publicity carries more credibility compared to advertisement. Publicity is cost free; it doesn't involve direct cost. Publicity offers a lot of benefits to the producers and distributors.

Importance of publicity can be made clear from the below stated points:

1. Publicity is an effective medium to disseminate message to the mass with more credibility. People have more trust on news given by publicity.

2. The credibility level of publicity is much higher than advertising and other means of market promotion. People express more trust on what the third party independently says. It appears directly through newspapers, magazines, television, or radio by the third party. It is free from bias.

3. It provides more information as the valuable information is free from space and time constraints. Similarly, publicity takes place immediately. No need to wait for time or space in mass media. It enjoys priority.

4. The firm is not required to pay for publicity. The indirect costs related to publicity are much lower than other means of promotion.

5. It is a part of public relations. It is free from exaggeration; it carries more factual information about company. It is more trustable. It helps establish public relations.

6. Generally, publicity covers the varied information. It normally involves name of company, its goods and services, history, outstanding achievements, and other similar issues. The knowledge is more complete compared to advertisement.

7. Publicity directly helps middlemen and sale persons. Their tasks become easy. Publicity speaks a lot about products on behalf of middlemen and salesmen. Sellers are not required to provide more information to convince the buyers.

8. It is suitable to those companies which cannot effort the expensive ways to promote the product.

9. Publicity increases credit or fame of the company. Publicity on company's assistance in relief operations during flood, earthquake, draught, and other natural calamities highlights its name and social contribution in mass media. People hold high esteem to this company.

10. Publicity can be used by non-commercial organisations/institutes like universities, hospitals, associations of blinds or handicaps, and other social and missionary organisations. They can publicize their noble works by the medium of publicity

Objectives of Publicity:

Publicity is aimed at a number of objectives.

The most common objectives of publicity have been discussed in brief as under:

1. Building Corporate Image:

Through publicity, a company can build or improve its corporate image. People trust more on what press reporters, columnists, or newsreaders say via mass media independently than what the company says. Publicity highlights the company's name and operations. It popularizes the name of the company.

2. Economy:

It is a cost saving medium. Here, a company is not required to pay for message preparation, buying space and time, etc. The cost involved is much lower than other means of market promotion. Financially poor companies may opt for publicity.

3. Assisting Middlemen and Salesmen:

Publicity can help middlemen and salesmen in performing the sales-related activities successfully. Information conveyed through publicity speaks a lot of things on behalf of sellers. Publicity makes selling tasks much easier.

4. Information with High Creditability:

Sometimes, publicity is targeted to disseminate information more reliably. Customers do not express doubts on what publicity appeals. Customers assign more value to information supplied by mass media via publicity than by the advertisement.

5. Removing Misunderstanding or Bad Image:

Company can defend the product that has encountered public problems. In many cases, publicity is aimed at removing misunderstanding or bad impression. Whatever a publicity conveys is more likely to be believed.

6. Building Interest on Product Categories:

Publicity attracts attention of buyers. Due to more trusted news, people build interest in various products and activities.

Goods

Arcade games

Automobiles

Broadcasting

Cell phones

Computer games

Electronics

Frequent-flyer miles

Pharmaceuticals

Stock market securities