



**SREENIVASA INSTITUTE OF TECHNOLOGY AND
MANAGEMENT STUDIES (AUTONOMOUS)
DEPARTMENT OF MANAGEMENT STUDIES (MBA)**

LECTURE NOTES

Course: INTERNATIONAL MARKETING

Year/Branch: II MBA / IV SEMESTER

Regulation: R22

Prepared By: DR.R.PRIYADHARSINI



“Global marketing requires balancing standardization with adaptation to local markets.”

Philip Kotler

SYLLABUS

II MBA – Semester - IV

Course Code	INTERNATIONAL MARKETING	L	T	P	C
22MBA243B		4	0	0	4

Course Educational Objectives:

- 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 an elaborate view about pricing and promotion of international markets

UNIT - I	Introduction to International Marketing	Lecture Hrs: 8
Introduction to IM, 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	Lecture Hrs: 12
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	Lecture Hrs:10
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	Lecture Hrs:8
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	Lecture Hrs:12
Environmental Influences on Pricing Decisions, Grey Market Goods, Transfer Pricing, Global Pricing – Policy Alternatives, Global Advertising and Publicity, Sponsorship Promotion.		

Course Outcomes:

On successful completion of the course the student will be able to,		POs & PSOs related to COs
C01	explain the fundamental concepts of international marketing and outline the strategic significance of international marketing	PO1, PO2, PO7, PS01, PS02
C02	Evaluate the international market entry strategies by analyzing the regional market characteristics	PO1, PO4, PO7, PS01, PS02
C03	Apply branding and positioning strategies for international products	PO1, PO2, PO4, PO7, PS01, PS02
C04	Compare the international distribution strategies and effectively manage the physical distribution function.	PO1, PO2, PO4, PO7, PS01, PS02
C05	Demonstrate the knowledge in International Pricing and Promotional strategies.	PO1, PO4, PO7, PS01, PS02

Text Books:

1. Global Marketing Management, 4/e, Keegan, Green, Pearson Education, New Delhi, 2008.

2. **International Marketing Analysis and Strategy, 3/e, Sakonkvisit, John J.Shaw, Prentice Hall India, New Delhi, 2009.**

Reference Books:

1. **International Marketing,13/e, Philip R Cateora, John Graham, PrasanthSalwan, Tata Mc Graw Hill, New Delhi, 2008.**
2. **International Marketing, 1/e, Dr. Shalini Agrawal Sahitya Bhawan Publications; 2021**
3. **International Marketing, 4/e, Vasudeva PK, Excel Books, New Delhi, 2010.**
4. **Global Marketing Management,2/e Lee, Carter, Oxford, New Delhi, 2009.**

Online Learning Resources:

<https://archive.nptel.ac.in/courses/110/105/110105157/>

<https://backup.pondiuni.edu.in/sites/default/files/Global%20marketing-260214.pdf>

<http://ebooks.lpude.in/management/mba/term 4/DMGT547 INTERNATIONAL MARKETING.pdf>

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UNIT-I

Introduction to International Marketing

Theodore Levitt

*“The world’s needs and desires have been
irrevocably homogenized.”*

Unit 1: Introduction to International Marketing

1. Unit Overview

This unit introduces the concept of International Marketing and explains its nature, scope, significance, and need in the global business environment. It also discusses the differences between domestic and international marketing, strategic importance of international marketing, and the international marketing environment that influences global business decisions.

2. Objectives of the Unit

After studying this unit, students will be able to:

1. Understand the concept and meaning of international marketing.
2. Explain the nature and scope of international marketing.
3. Identify the importance and need for international trade.
4. Distinguish between domestic marketing and international marketing.
5. Understand the strategic importance of international marketing for global business expansion.
6. Analyze the international marketing environment and its influencing factors.

3. Learning Outcomes

After completing this unit, students will be able to:

1. Define international marketing and explain its key characteristics.
2. Identify the scope and activities involved in international marketing.
3. Compare domestic and international marketing practices.
4. Evaluate the importance of international trade for economic development.
5. Analyze the factors influencing the international marketing environment.

4. Importance of Studying this Unit

1. Helps understand global marketing opportunities and international trade practices.
2. Provides knowledge about expanding business operations across international markets.
3. Helps organizations utilize global resources and increase competitiveness.
4. Enhances understanding of global market environments and cultural differences.
5. Improves strategic thinking for global business expansion and international trade management.

5. Key Concepts

- International Marketing
- Nature of International Marketing
- Scope of International Marketing
- Need for International Marketing
- Domestic vs International Marketing
- Strategic Importance of International Marketing
- International Marketing Environment
- Global, Domestic, and Internal Factors affecting International Marketing

UNIT – I Introduction to International Marketing

Introduction

International Marketing refers to the process of planning, pricing, promoting, and distributing goods and services across national boundaries. With globalization and technological advancements, organizations increasingly expand their operations into international markets to achieve growth, competitive advantage, and market diversification. This unit introduces the concept, scope, and significance of international marketing, highlighting the strategic importance of global trade in modern economies. It also explains the key differences between domestic and international marketing and examines the environmental factors that influence global marketing decisions.

“International marketing is not just selling products abroad; it is understanding global customers.” — Philip Kotler

1.1 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.

1.2 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.,

1.3 Scope of International Marketing



FIG NO 1.3.1 SCOPE OF IM

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.

1.4 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.

Advantages of International Marketing	Example
Higher standard of living	India imports advanced medical equipment from Germany.
Optimum utilization of resources	Middle East countries export crude oil to many nations.
Rapid industrial growth	China's exports of electronics increased its industrial growth.
Comparative cost advantage	Bangladesh produces garments at lower cost and exports worldwide.
International cooperation and peace	Trade relations between India and Japan strengthen cooperation.
Cultural exchange between countries	Korean fashion and music spreading worldwide through global trade.
Better use of surplus production	India exports surplus rice to African countries.
Availability of foreign exchange	IT services exported by India earn foreign exchange.
Expansion of tertiary sector	International trade increases demand for shipping, banking, and insurance.
Support during emergencies	Countries sending medical supplies during the COVID-19 pandemic

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.

1.5 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
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.

1.6 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.

1.7 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 were 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)

1.8 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:

Definition of 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.**



FIG 1.8.1 INTERNATIONAL MARKET 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**

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)**

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 scantily 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 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)

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)

Conclusion

Understanding the fundamentals of international marketing helps organizations recognize global opportunities and challenges. By analyzing international market environments and trade needs, firms can design effective strategies for successful global operations.

UNIT HIGHLIGHTS

- **International Marketing** refers to business activities that direct the flow of goods and services to consumers in more than one nation.
- Nature of IM: Broader market, intense competition, higher risk, multiple uncontrollable variables.
- Scope of IM: Export, Import, Re-export, and management of international operations.
- Need for IM: Expansion of market, brand reputation, global networking, and future opportunities.
- Strategic Importance: Minimize competitive risk, acquire resources, reduce cost, and diversify risk.
- International Marketing Environment includes Global, Domestic, and Internal factors.
- Global forces include political, legal, cultural, economic, competitive, and ecological factors.
- Difference between Domestic and International Marketing: Area served, risk level, capital requirement, and research intensity.

CASE STUDY

Tata Motors initially operated mainly in India but faced intense competition due to globalization and liberalization. To minimize competitive risk and expand sales, the company decided to enter international markets instead of remaining only an exporter. By expanding globally, Tata Motors aimed to achieve economies of scale, improve efficiency, and compete with global automobile giants. International expansion also helped the company acquire advanced technology and access new customer segments. However, it had to deal with cultural differences, foreign regulations, and higher financial risk. Through strategic international marketing, Tata Motors strengthened its global presence and diversified business risk.

- What were the main reasons for Tata Motors to enter international markets?
 - Identify the environmental factors affecting Tata Motors in foreign markets

TEXT BOOK

- Cateora, P. R., Gilly, M. C., & Graham, J. L. (2020). *International marketing* (18th ed.). McGraw-Hill Education.

REFERENCES

- Kotler, P., & Keller, K. L. (2016). *Marketing management* (15th ed.). Pearson.
- Misra, S., & Yadav, S. (2012). *International business environment*. Himalaya Publishing House.
- <https://www.youtube.com/watch?v=wFd8EgVNIJE&t=688s>

Question	Questions
No.	
UNIT – 1: INTRODUCTION	
PART-A (Two Marks Questions)	
1	Define International Marketing
2	List the characteristics of International Marketing
3	Compare International and Domestic Marketing
4	Explain Export
5	Explain Entrepot
6	Define International Marketing Environment
7	List the advantages of IM
8	List the strategic benefits of IM
9	List out domestic factors.
10	Explain PEST
PART-B (Ten Marks Questions)	
1	Outline the Nature of International Marketing with suitable examples.
2	Examine the scope and importance of International Marketing in the current global village scenario.
3	Compare and Contrast International and Domestic Marketing
4	Assess the impact of International marketing Environment on businesses entering into global market.
5	Examine the strategic significance of International marketing with suitable case illustrations.
6	Outline the need for International Marketing for the growth and expansion of domestic organizations.
7	Define International Marketing and illustrate its importance in economic development.
8	Outline the domestic, national and global environment factors that has an influence on the international business organizations.
9	Assess the significance of International Marketing that leads to expansion of business with social responsibility.
10	Explain the steps to be taken by the organization to analyse the International Marketing environment..

ASSIGNMENT

International Product Analysis

Students must select **one Indian product that is sold internationally** (for example: Tata Tea, Amul products, Basmati rice, Ayurvedic products, etc.).

Prepare a short report covering:

1. Company name and product description
2. Countries where the product is exported
3. Reasons for international demand
4. Differences between domestic and international marketing strategy
5. Challenges faced in international markets

Submission: 2–3 page report with images or examples.

EXERCISE

Country Product Match Game

Match products with the countries that dominate their exports.

- Switzerland → ?
- Japan → ?
- India → ?

Discuss why those countries specialize in those products.

UNIT – II
REGIONAL MARKET
CHARACTERISTICS

“Companies that succeed internationally are those that respect regional differences.”
— Philip Kotler

Unit 2: International Trade Agreements and Regional Markets

1. Unit Overview

This unit explains the concept of international trade agreements and economic integration among countries. It discusses different forms of trade agreements such as Preferential Trade Agreements, Free Trade Areas, Customs Unions, Common Markets, and Economic Unions. The unit also explains regional markets across the world (North America, Latin America, Europe, Asia-Pacific, Middle East, and Africa) and various international market entry strategies used by companies to expand globally.

2. Objectives of the Unit

After studying this unit, students will be able to:

1. Understand the concept of international trade agreements and economic integration.
2. Explain different types of trade agreements such as FTA, customs union, common market, and economic union.
3. Identify the characteristics of major regional markets around the world.
4. Understand various international market entry strategies used by companies.
5. Explain the concept of transition economies and third world economies.
6. Understand the concept and methods of international market segmentation.

3. Learning Outcomes

After completing this unit, students will be able to:

1. Describe the different types of international trade agreements.
2. Analyze the characteristics of major regional markets.
3. Evaluate various international market entry modes such as exporting, licensing, franchising, and joint ventures.
4. Explain the economic transition of countries toward market economies.
5. Apply international market segmentation strategies in global marketing.

4. Importance of Studying this Unit

1. Helps understand global trade relationships and economic cooperation among countries.
2. Provides knowledge about international market opportunities and regional trade blocs.
3. Helps businesses select appropriate market entry strategies for global expansion.
4. Improves understanding of global economic structures and international trade systems.
5. Enhances the ability to analyze global markets and consumer segments.

5. Key Concepts

- International Trade Agreements
- Preferential Trade Agreement
- Free Trade Area (FTA)
- Customs Union
- Common Market
- Economic Union
- Regional Markets (NAFTA, EU, ASEAN, MERCOSUR)
- International Market Entry Strategies
- Transition Economies
- Third World Economies
- International Market Segmentation

UNIT – II International Market Opportunities

Introduction

International markets offer numerous opportunities for businesses seeking expansion and growth. However, identifying these opportunities requires careful analysis of regional market characteristics, economic structures, and consumer behavior. This unit focuses on understanding international market segmentation, targeting strategies, and the unique features of transitional and developing economies. It also introduces different international market entry strategies such as direct exporting, indirect exporting, and strategic entry approaches adopted by Indian firm

“Opportunities in global markets belong to those who understand cultural and economic diversity.” — Warren J. Keegans.

2.1 INTERNATIONAL TRADE AGREEMENTS

- 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.**

2,2 REGIONAL MARKETS AND CHARACTERISTICS

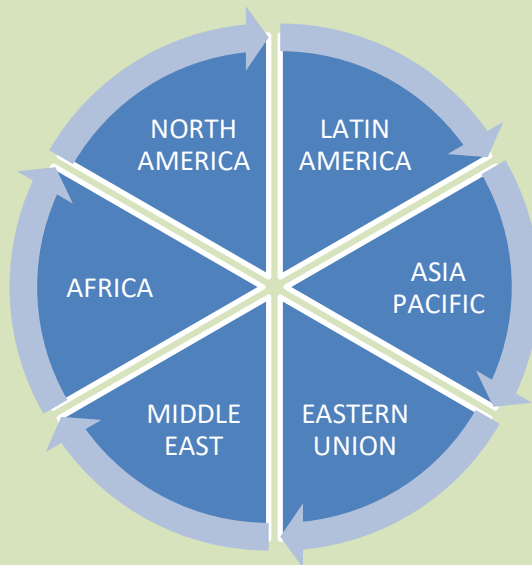


FIG NO 2.2.1 REGIONAL MARKETS

- **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.

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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?

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The treaty signified the agreement by the governments of

- Argentina,
- Brazil,
- Paraguay, and
- Uruguay.

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

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.

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	?	Haiti
		Barbuda		?	Jamaica
		Bahamas		?	Montserrat
		Barbados		?	St. Kitts
		Belize			and Nevis
		Dominica		?	St. Lucia
		Grenada		?	St. Vincent
		Guyana			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	• the
	• Indonesia	Philippines
	• Malaysia	• Singapore
		• Thailand

Vietnam became the first Communist nation in the group when it was admitted to ASEAN in July 1995. 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.

○ , 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)**

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 | • Kuwait |
| | • Cyprus | • Lebanon |
| | • Bahrain | • Oman |
| | • Egypt | • Qatar |
| | • Iran | • Saudi Arabia |
| | • Iraq | • Syria |
| | • Israel | • The United Arab Emirates |
| | • Jordan | • 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

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

○ 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?

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.

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

Economic Community of West African States (ECOWAS)

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

- o South African Development Community (SADC)

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

- o 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.

2.3 INTERNATIONAL MARKET ENTRY STRATEGIES/ INDIAN COMPANIES ENTERING INTO FOREIGN MARKET

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.

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.

International market entry module

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

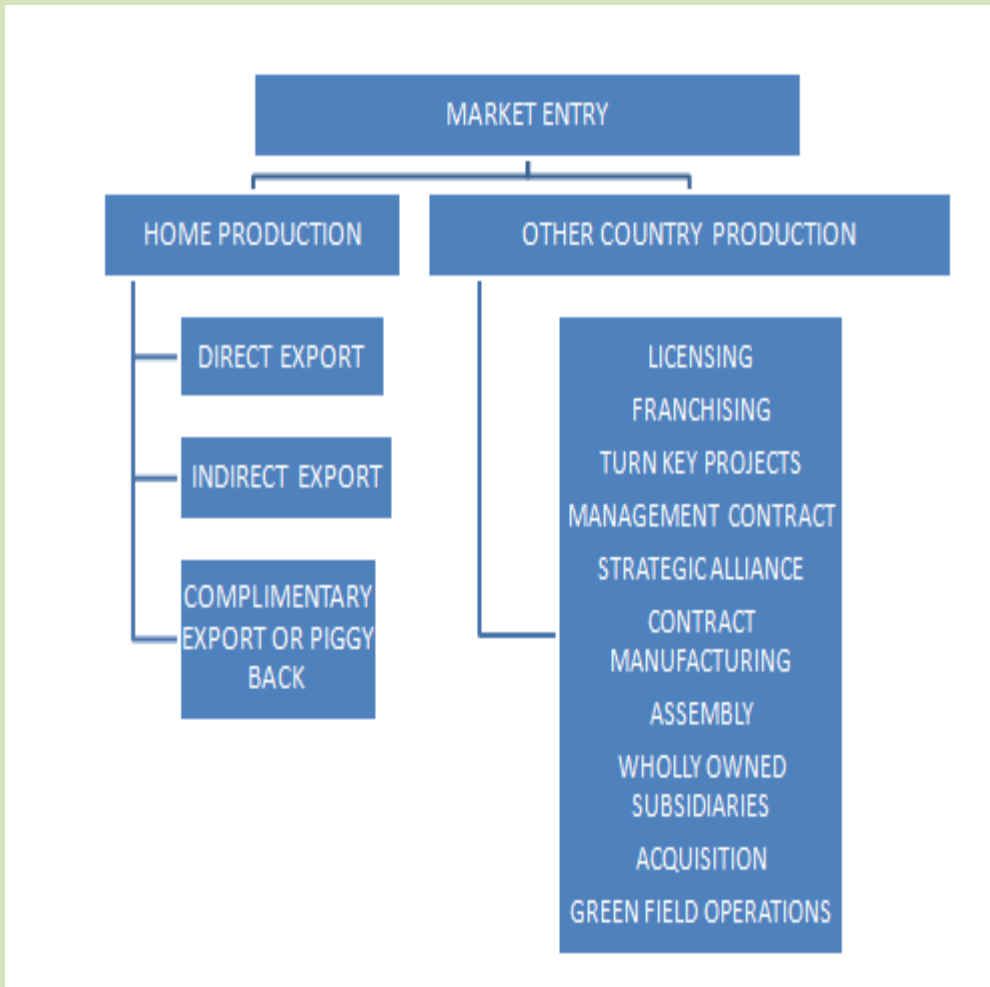


FIG NO 2.2.1 MARKET ENTRY METHODS

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

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

Disadvantages of complimentary exports

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

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.

- 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 licensor 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 licensor. Lack of commitment by licensee may have negative impact on image of the licensor.
- The licensor may be creating potential competitor in the form of licensee.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

- **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.

Market Entry Method	Meaning	Example
Direct Export	Company produces goods in its home country and sells directly to customers in another country.	Toyota exporting cars from Japan to many countries.
Indirect Export	Company sells goods to an intermediary who exports them to foreign markets.	Indian handicraft producers selling through export trading companies.
Complementary Export / Piggyback	A small firm uses another company's international distribution network.	Small food producers exporting through the global network of Nestlé.
Licensing	A company allows a foreign firm to produce its product using its technology or brand.	Disney licensing its characters for merchandise worldwide.
Franchising	A firm allows another company to operate its business model and brand in another country.	McDonald's operating through franchise partners in India.
Turnkey Project	A company builds a complete facility and hands it over ready for operation.	Siemens building power plants in other countries.
Management Contract	One company provides management expertise to operate another firm's business.	Taj Hotels managing hotels internationally.
Strategic Alliance	Two companies collaborate to enter or operate in a foreign market.	Starbucks partnering with Tata Group in India.
Contract Manufacturing	Production of goods is outsourced to a foreign manufacturer.	Apple manufacturing products through Foxconn.
Assembly	Components are produced in different countries and assembled in the target market.	Hyundai Motor Company assembling cars in India.
Wholly Owned Subsidiary	A company fully owns and controls operations in another country.	IBM operating its subsidiary in India.
Acquisition	A company buys an existing foreign company to enter a new market.	Tata Motors acquiring Jaguar Land Rover.
Greenfield Investment	A company builds a completely new facility in a foreign country.	Toyota establishing a new plant in India.

2.4 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.

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 reform¹

Europe IMF (2000), World Bank (2002, 2009)	
In transition	Transition complete (2019)
<ul style="list-style-type: none"> • Albania • Armenia • Belarus • Bosnia and Herzegovina¹ • Georgia • Kosovo¹ • Macedonia • Moldova • Montenegro¹ • Serbia¹ • Ukraine 	<ul style="list-style-type: none"> • Bulgaria • Croatia • Czech Republic • Estonia • Hungary • Latvia • Lithuania • Poland • Romania • Slovak Republic • Slovenia

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.

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.

2.5 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.

2.6 International Market Segmentation

It is the process of dividing the global market into smaller groups with similar needs and characteristics.. It helps companies create suitable marketing strategies for different countries.

Market Segmentation			
Geographic	Demographic	Psychographic	Behavioral
<ul style="list-style-type: none"> • Countries • Nations • Status • Regions • Cities • Neighborhoods 	<ul style="list-style-type: none"> • Age • Gender • Sex • Family • Education • Income 	<ul style="list-style-type: none"> • Lifestyle • Social • Class • Personality 	<ul style="list-style-type: none"> • User Status • Usage Rate • Benefits • Sought • Occasions • Loyalty • Attitude

FIG 2.6.1 MARKET SEGMENTATION

☑ Geographic Segmentation

Dividing markets based on location such as country, region, city, or climate. It allows companies to modify products according to geographical conditions.

▪ Countries

Each country is treated as a separate market due to cultural and economic differences. Marketing strategies vary from one country to another.

▪ Nations

Segmentation based on national identity and political boundaries. Consumer preferences differ according to national culture and traditions.

▪ Regions

Large areas like Asia or Europe are grouped based on similarities. Companies may use similar strategies within the same region.

▪ Cities

Urban areas are segmented separately due to lifestyle and income differences. City consumers often demand modern and premium products.

▪ Neighborhoods

Small local areas are segmented based on local preferences. Retailers adjust products according to community needs.

☑ Demographic Segmentation

Dividing markets based on measurable population characteristics. It is simple and widely used because data is easily available.

- **Age**

Products are designed for specific age groups like children, youth, or seniors. Buying behavior changes with age.

- **Gender**

Marketing strategies are tailored separately for males and females. Product design and advertising may differ based on gender.

- **Gender**

Biological differences influence product preference and usage. Certain products are specifically created for men or women.

- **Family**

Family size and life cycle affect purchasing decisions. Products are targeted based on family needs.

- **Education**

Education level influences awareness and buying decisions. Highly educated consumers may prefer quality and branded products.

- **Income**

Income determines purchasing power of consumers. High-income groups buy premium products, while low-income groups prefer affordable options.

☐ **Psychographic Segmentation**

Dividing markets based on lifestyle, personality, and values. It focuses on how consumers think and live.

- **Lifestyle**

Consumers are grouped based on activities and interests. Lifestyle affects product choice and brand preference.

- **Social Class**

Consumers are categorized based on economic and social status. Different social classes prefer different types of products.

- **Personality**

Products are marketed based on individual traits and attitudes. Brands often match their image with customer personality.

☐ **Behavioral Segmentation**

Dividing markets based on consumer buying behavior. It considers how consumers use and respond to products.

- **User Status**

Customers are classified as potential, new, or regular users. Marketing strategies differ for each group.

- **Usage Rate**

Consumers are categorized as heavy, medium, or light users. Companies may reward heavy users with special offers.

- **Benefits Sought**

Customers are segmented based on specific benefits they expect. Some look for quality, others for price or convenience.

▪ **Occasions**

Products are marketed based on special events or situations. Sales increase during festivals and celebrations.

▪ **Loyalty**

Consumers are grouped based on their level of brand loyalty. Loyal customers are given rewards and incentives.

▪ **Attitude**

Segmentation is based on consumer feelings toward a product. Positive attitudes increase purchase intention.

Segmentation Type	Basis of Segmentation	Global Example
Geographic Segmentation	Countries, regions, cities, climate	McDonald's offers McAloo Tikki in India, Teriyaki burgers in Japan, and different menus in Europe based on regional tastes.
Demographic Segmentation	Age, gender, income, education, family size	Nike markets sports shoes for men, women, and children and also premium products for high-income consumers.
Psychographic Segmentation	Lifestyle, social class, personality	Harley-Davidson targets consumers with an adventurous and freedom-oriented lifestyle around the world.
Behavioral Segmentation	Usage rate, benefits sought, loyalty, occasions	Coca-Cola markets drinks for different occasions such as celebrations, meals, and refreshment moments globally.

Conclusion

Identifying and evaluating international market opportunities is essential for global business success. Proper market segmentation and suitable entry strategies enable firms to minimize risks and maximize global competitiveness.

UNIT HIGHLIGHTS

- **International Trade Agreements** include Preferential Trade Agreements, Free Trade Areas (FTA), Customs Unions, Common Markets, and Economic Unions.
- Examples of regional blocs: NAFTA, ASEAN, EU, Mercosur, CARICOM, SADC.
- International Market Entry Strategies: Exporting (direct & indirect), Licensing, Franchising, Joint Ventures, Strategic Alliances, Contract Manufacturing, Wholly Owned Subsidiaries.
- Transitional Economy: Shift from centrally planned economy to market-based economy through liberalization, privatization, and stabilization.
- Third World Countries: Nations with lower GDP, weak infrastructure, and developing economic systems.
- International Marketing Environment includes political, cultural, economic, and legal forces

CASE STUDY

Infosys started as a domestic IT company in India but later adopted international market entry strategies to expand globally. Initially, the company entered foreign markets through direct exporting of IT services. Later, it established wholly owned subsidiaries and development centers in the U.S., Europe, and Asia-Pacific to gain better control and customer proximity. Infosys leveraged strategic alliances and offshore contract manufacturing (outsourcing model) to reduce costs and improve efficiency. The company carefully analyzed international trade agreements, regional markets, and global economic conditions before expansion. By diversifying geographically, Infosys minimized competitive risk and increased global brand reputation.

- Which international market entry strategies were used by Infosys?
- Why is direct investment preferred over exporting in some cases?
- How do international trade agreements influence entry decisions?
- What are the risks involved in foreign direct investment?
- How does global diversification reduce business risk?

TEXT BOOK

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Question No.	Questions
Unit II: (International Market Opportunities)	
PART-A (Two Marks Questions)	
1	Explain Transitional Economu
2	Explain Direct Export
3	Explain Piggy back
4	Explain Joint venture
5	Differentiate Direct and Indirect Export
PART-B (TEN Marks Questions)	
1	Examine the regional market entry characteristics that need to be analyzed to enter into foreign markets.
2	Categorize the market entry strategies available for businesses to enter into new markets.
3	Outline the level of trade agreements entered by the international marketers which determines regional market characteristics.
4	Assess the various International market entry strategies and suggest a suitable strategy for a car manufacturer to enter foreign market.
5	List the global entry strategies available for Indian firms to enter into the foreign markets.
6	Examine the characteristics of third world countries and challenges faced by those countries.
7	Explain transitional economy and outline the symptoms of transitional economy.
8	Categorize the market segmentation strategies and methods and recommend a suitable segmentation method for mobile manufacturer at global level.
9	Outline the concept of Market segmentation and discuss the methods of market segmentation.
10	Differentiate Third world countries and Transitional Economy.

ASSIGNMENT

Foreign Market Opportunity Study

Students must analyze **one foreign country market** for an Indian product.

Steps:

1. Select an Indian product (for example: spices, handicrafts, textiles).
2. Select a foreign country market (USA, UAE, UK, Japan etc.).
3. Study:
 - Market demand
 - Customer preferences
 - Competition
 - Entry strategy suitable for that market
4. Suggest the **best market entry strategy**.

Submission: Market opportunity report (3 pages).

EXERCISE

Global Brand Mapping

Students list **5 international brands** and identify:

- Country of origin
- Target market
- Entry strategy used

Example:

- McDonald's – USA – Franchising
- Samsung – South Korea – Direct Investment

Unit 3: International Product Strategy and Positioning

“Markets are people, not places; understanding their culture is the key to success.”

— Peter Drucker

Unit 3: International Product Strategy and Positioning

1. Unit Overview

This unit explains the concept of international product strategy and global positioning. It discusses international positioning strategies such as high-tech and high-touch positioning, the process of product positioning, international product life cycle, geographical expansion strategies, and new product development in international markets. The unit also highlights the relationship between product and culture and the role of branding in international marketing.

2. Objectives of the Unit

After studying this unit, students will be able to:

1. Understand the concept of international positioning and global product strategy.
2. Explain different types of positioning strategies such as high-tech and high-touch positioning.
3. Understand the process of product positioning and perceptual mapping.
4. Describe the international product life cycle and its stages.
5. Understand strategic alternatives for geographical expansion in global markets.
6. Explain the concept of new product development in international markets.
7. Understand the relationship between product strategy and cultural factors.
8. Explain the concept and types of branding in international marketing.

3. Learning Outcomes

After completing this unit, students will be able to:

1. Explain different international product positioning strategies.
2. Analyze the product life cycle in international markets.
3. Evaluate different strategic options for global product expansion.
4. Understand the process of developing and introducing new products globally.
5. Analyze the impact of culture on product and marketing decisions.
6. Identify different types of brands and global branding strategies.

4. Importance of Studying this Unit

1. Helps understand how companies position their products in global markets.
2. Provides knowledge about product development and international market expansion strategies.
3. Improves understanding of product life cycle in global markets.
4. Enables firms to adapt products according to cultural differences.
5. Helps businesses build strong global brands and competitive advantage.

5. Key Concepts

- International Positioning
- High-Tech and High-Touch Positioning
- Product Positioning Process
- Perceptual Map
- International Product Life Cycle
- Global Product Strategy
- Product Adaptation and Standardization

- **New Product Development (NPD)**
- **Product and Culture**
- **Branding in International Marketing**
- **Global Brand Strategy**

I UNIT - III International Product Management

Introduction

International product management involves planning and managing products for global markets. Companies must adapt product positioning, branding, and design to suit different cultures and customer preferences. The international product life cycle explains how products move through introduction, growth, maturity, and decline stages globally. This unit focuses on product positioning, branding, and new product development in international markets.

“A successful global product respects culture while delivering universal value.”

3.1 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.

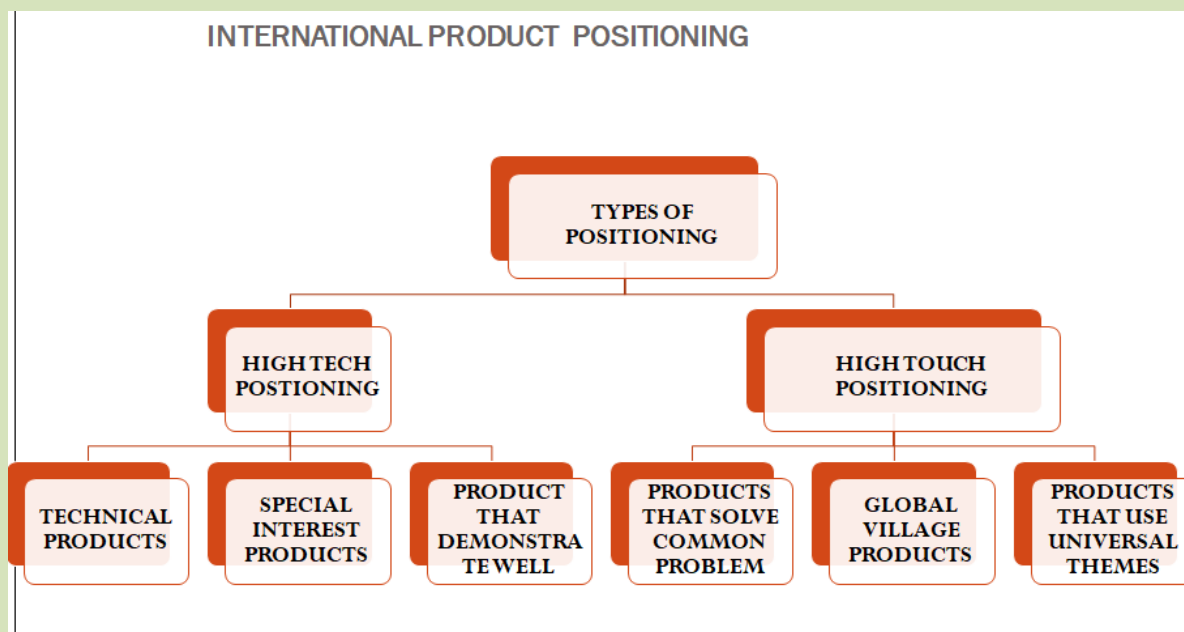


FIG 3.1.1 TYPES OF POSITIONING

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

Positioning Type	Category	Meaning	Global Example
High-Tech Positioning	Technical Products	Products purchased mainly for advanced technology and performance.	Intel processors used globally in computers.
High-Tech Positioning	Special Interest Products	Products designed for specific professional or hobby users.	Canon professional DSLR cameras for photographers worldwide.
High-Tech Positioning	Products that Demonstrate Well	Products whose features are best shown through demonstration.	Dyson vacuum cleaners demonstrated in stores globally.
High-Touch Positioning	Products that Solve a Common Problem	Products addressing universal consumer needs.	Colgate-Palmolive toothpaste solving oral hygiene needs worldwide.
High-Touch Positioning	Global Village Products	Products related to lifestyle, entertainment, or leisure shared globally.	Nike sportswear appealing to global youth culture.
High-Touch Positioning	Products that Use Universal Themes	Products marketed using emotional themes like love, family, or happiness.	Coca-Cola advertisements based on happiness and sharing worldwide.

3.2 PROCESS OF 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:



FIG 3.2.1 PERCEPTUAL MAP

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

3.3 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.

Introduction

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.

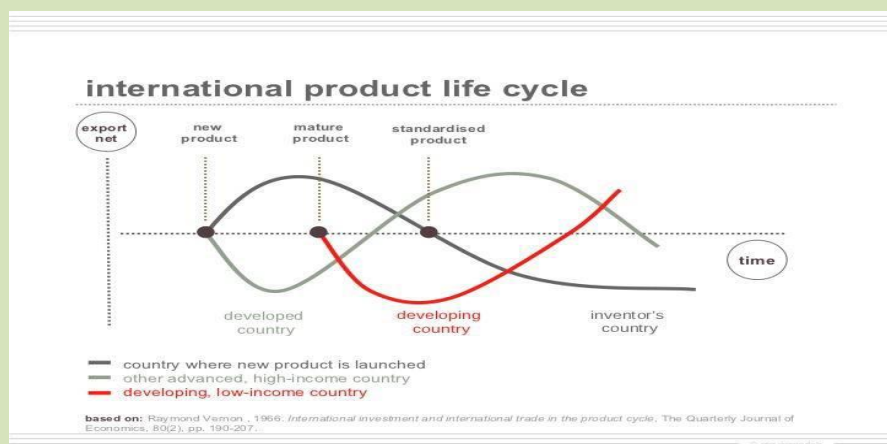


FIG .3.3.1 PRODUCT LIFE CYCLE

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

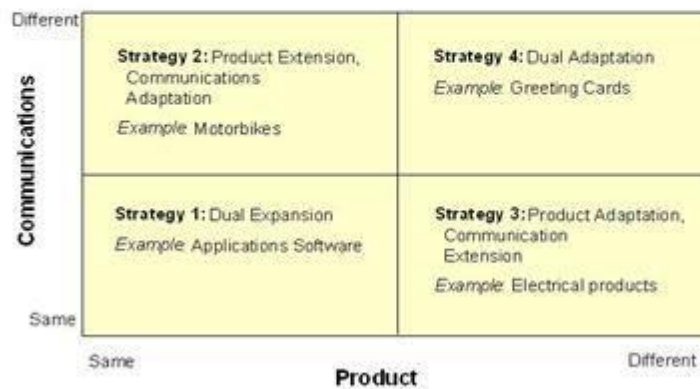
In the maturity phase of the product life cycle, demand levels off and sales volume increases at a slower rate. Imitations appear in foreign markets and export sales decline. The original supplier may reduce prices to maintain market share and support sales. Profit margins decrease, but the business 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.

3.5 GEOGRAPHICAL EXPANSION AND STRATEGIC ALTERNATIVES:

Geographic Expansion-Strategic Alternatives



Global Product Planning: Strategic Alternatives for Expanding into Global Markets

FIG 3.5.1 STRATEGIC ALTERNATIVES

Strategic Option 1:

Product and Communications Extension – Dual Extension: At one extreme, a company might choose to market a standardized product using a uniform communications strategy. Early entrants in the international arena will often opt for this approach. Also, small companies with few resources typically prefer it.

. The Japanese firm, Shiseido, the world's sixth-largest cosmetics company by sales volume, sells in Europe, the Americas and across the Asia- Pacific, including Australia and New Zealand. The company's strategy is a global multi-brand strategy, with each brand similarly positioned in each market, including near-identical advertising and packaging.

Strategic Option 2:

Product Extension – Communications Adaptation: Because of differences in the cultural or competitive environment, often the same product is used to offer benefits or functions that dramatically differ from those in the home market. These differences between the foreign and home market drive companies to market the same product using customized advertising campaigns.

In Japan Levi's are positioned as an American icon and the communications strategy reflects this

Strategic Option 3:

Product Adaptation – Communications Extension: Alternatively, firms might adapt their product but market it using a standardized communications strategy. Local market circumstances often favour the case of product adaptation. Another source for product adaptation is the company's expansion strategy.

Within such a context, clever marketing ideas can be transferred from one country to another country, despite the product-related differences with their core brand, 'British Petroleum'. BP delivers a series of adapted energy products in more than 100 countries (e.g., different formulae of petrol to meet each country's unique regulations). However, the core brand values remain almost identical and the communication strategies and commercials are very similar in each market. The logo and most visible aspects of BP are markedly consistent in most countries.

Strategic Option 4:

Product and Communications Adaptation – Dual Adaptation: Differences in both the cultural and physical environments across countries call for a dual adaptation strategy. In such circumstances, the

most viable option for international expansion is adaptation of the company's product and communication strategy.

Slim-Fast adapts both product and advertising to comply with varying government regulations for weight-loss products. When Slim-Fast was first launched in Germany, its ads used a local celebrity. In the U.K., testimonials for diet ads may not feature celebrities. Instead, the U.K. introduction campaign centered around everyday people. Also, the product gets adapted to the local markets. In the U.K., banana is the most popular flavour but this flavour is not sold in continental Europe.

Strategic Option 5: Product Invention:

Genuinely global marketers try to figure-out how to create products with a global scope rather than just for a single country. Instead of simply adapting existing products or services to the local market conditions, their mindset is to zero in on global market opportunities. Black & Decker is a good example of a company that adopts the product invention approach to international market expansion. Black & Decker aims to bring out new products that cater to common needs and opportunities around the world to manage its global product development process. **Black & Decker set up a worldwide household board.**

This steering committee approves global plans, allocates resources and gives direction and support, among other tasks. One of the product innovations flowing from this global product planning approach is the SnakeLight Flexible Flashlight. The SnakeLight was first launched in North America, and then, six months later, in Europe, Latin America and Australia. The product addresses a global need for portable lighting. The SnakeLight proved to be major hit around the world.



3.6 INTRODUCING NEW PRODUCTS IN INTERNATIONAL MARKETS

In business 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 product-lines**
 - **Additions to existing product-lines**
 - **Improvements or revisions to existing products**
 - **Repositioning**
 - **Cost reductions**

Issues in new product development:

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**

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

Develop prototypes product

7. Test marketing - Verify in real markets

8. Commercialization (launch)

Introducing new products to the world markets:

3.7 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.

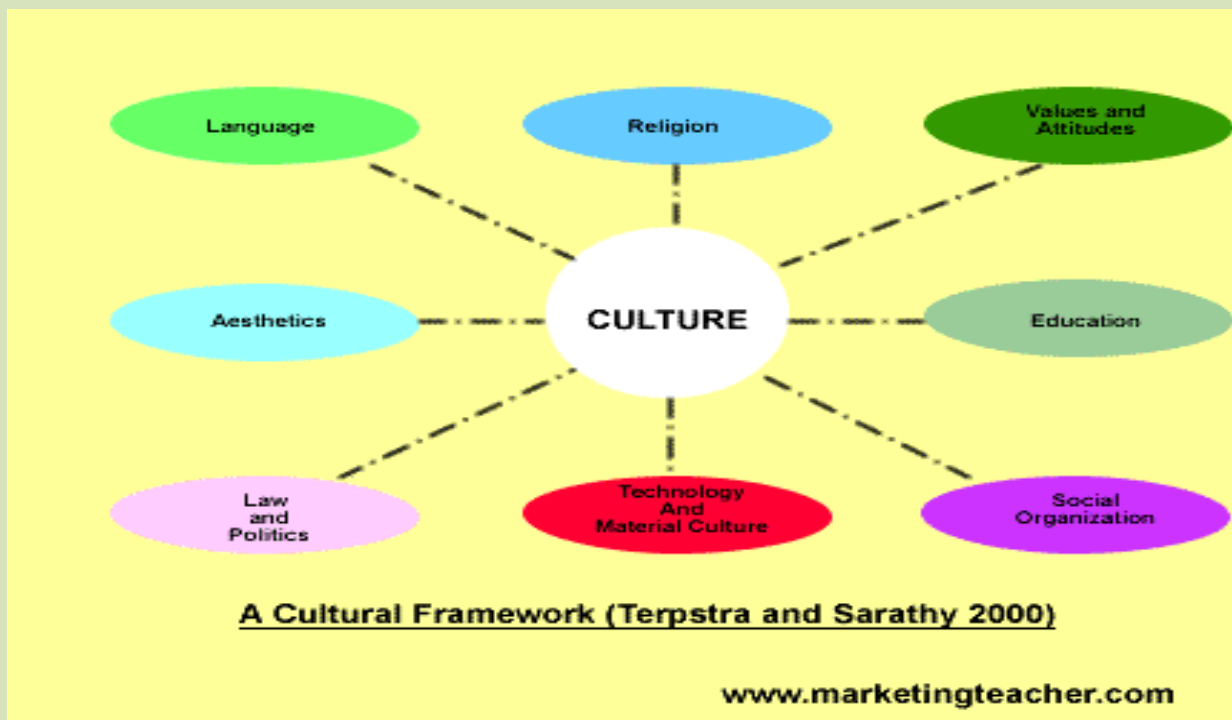


FIG 3.7.1 CULTURAL DIMENSIONS

Values and Attitudes

Values and attitudes vary between nations, and even vary within nations. So if the company is planning to take a product or service overseas make sure that there is 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.**

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 the company 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.**

Law and Politics

The political ideology on which the society is based will impact upon the 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 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.

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.

3.8 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.

Definitions of Brand:

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.”

Types or Classification of Brands:

The brands can be divided on the following bases:

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.

3. 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.**

4. 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.**

5. 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.**

6. 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.**

Type of Brand	Meaning	Example
Manufacturer's Brand	When a manufacturer uses his own name as the brand for his products.	Philips using Philips on bulbs, TVs, and radios; LG Electronics on refrigerators, TVs, and washing machines.
Middlemen's Brand	When intermediaries such as wholesalers or retailers sell products under their own brand name.	Bajaj Electricals selling iron under the Bajaj brand though purchased from the market.
National Brand	When a company uses a single brand name for marketing products throughout a country.	Nirma sold across India.
International Brand	When the same brand name is used for selling products worldwide.	Parker Pen and Coca-Cola sold worldwide.
Individual Brand	When different products of the same company have different brand names.	Maruti Suzuki cars like Alto, Wagon-R, and Swift; Hindustan Unilever soaps like Lux and Lifebuoy.
Family Brand	When one brand name is used for all products of a company.	Bajaj Group using Bajaj for many appliances and products.

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.

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.**

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'.

Conclusion

Effective international product management helps firms create strong global brands and satisfy diverse customer needs. Companies must consider cultural differences, product life cycles, and global market trends when designing products. Strategic positioning and innovation are essential for sustaining competitiveness. Overall, this unit highlights how firms manage products successfully in global markets.

UNIT HIGHLIGHTS

- **International Positioning:** Creating a distinct image of a product in global consumers' minds relative to competitors.
- Types of Positioning: High-Tech and High-Touch positioning.
- Product Positioning Process: Identify target market, analyze competitors, identify differentiating features, and reposition if required.
- International Product Life Cycle: Introduction, Growth, Maturity, Decline with global imitation effects.
- Strategic Alternatives: Dual extension, product adaptation, communication adaptation, dual adaptation, product invention.
- New Product Development Steps: Idea generation, screening, concept testing, marketing strategy, business analysis, development, test marketing, commercialization.
- Culture impacts product design, branding, communication, and promotion.
- Types of Brands: Manufacturer's brand, middlemen's brand, national brand,

CASE STUDY

Coca-Cola operates in more than 200 countries and uses a strong international positioning strategy. The company follows a high-touch positioning approach by associating its product with universal themes such as happiness, friendship, and celebration. While the core brand identity and logo remain standardized globally, Coca-Cola adapts flavors, packaging sizes, and promotional messages according to local cultural preferences. For example, in some countries, sweetness levels are adjusted to match consumer tastes. The company also considers cultural, religious, and legal factors before launching advertisements. By balancing global brand consistency with local adaptation, Coca-Cola maintains a strong international brand image.

1. What type of positioning strategy does Coca-Cola use?
2. Why is product adaptation necessary in international markets?
3. What cultural factors influence product positioning?
4. Explain the importance of global branding in this case.
5. How does product life cycle differ in international markets?

TEXT BOOK

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Question No.	Questions
Unit III: (International Product Management)	
PART-A (Two Marks Questions)	
1	Define Positioning
2	Draw Perceptual map.
3	Explain STP.
4	List the stages in international product life cycle.
5	Define brand.
PART-B (TEN Marks Questions)	
1	‘International Product Positioning is the foremost product strategy’. Discuss.
2	Classify the positioning strategies available for International marketers and explain with suitable examples.
3	Explain the process involved in International positioning and list the positioning strategies.
4	Analyze the stages in Product Life cycle in a global perspective.
5	List and explain the geographic expansion strategic alternative with suitable examples.
6	Examine the international cultural influence on product strategies.
7	Outline the concept of brand, its types and benefits in international marketing.
8	Outline the process of new product development in a global perspective.
9	Examine the strategies that could be adopted during International Product Life cycle.
10	Outline the strategic alternatives available for product development in international markets.

Assignment

Global Brand Case Study

Choose **one global brand** (Nike, Apple, McDonald's, Coca-Cola, Samsung etc.) and analyze:

1. Brand positioning in international markets
2. Product adaptation for different countries
3. Cultural influence on product design
4. Product life cycle stage in different markets

Submission: Case study presentation (PPT or report).

Submission: Diagram + explanation (2 pages).

Exercise

Product Adaptation Activity

Choose one product (e.g., soft drink, clothing brand, or food product) and discuss:

- How it should change for **India**
- How it should change for **Japan**
- How it should change for **USA**

Present their ideas on **cultural adaptation**.

UNIT-IV

International Market Channels

*“The strength of a global company lies not only in what it produces but in how effectively it distributes across borders.”
— Theodore Levitt*

Unit 4: International Marketing Channels and Distribution

1. Unit Overview

This unit explains the concept of marketing channels and distribution systems used to deliver goods from manufacturers to customers. It discusses different levels of marketing channels such as direct and indirect channels, factors determining channel selection, and the management of physical distribution activities like order processing, warehousing, and transportation. The unit also highlights challenges in managing international distribution and selecting foreign intermediaries.

2. Objectives of the Unit

After studying this unit, students will be able to:

1. Understand the concept and importance of marketing channels in international markets.
2. Explain different types and levels of distribution channels.
3. Identify the factors influencing the selection of marketing channels.
4. Understand the management of physical distribution activities such as order processing, warehousing, and transportation.
5. Analyze the challenges in managing international distribution systems.
6. Understand the process of selecting foreign intermediaries in global markets.

3. Learning Outcomes

After completing this unit, students will be able to:

1. Explain different marketing channel structures used in international markets.
2. Identify the roles of intermediaries in product distribution.
3. Analyze factors influencing distribution channel decisions.
4. Evaluate the importance of physical distribution management.
5. Understand the challenges and strategies in international distribution channels.

4. Importance of Studying this Unit

1. Helps understand how products move from producers to global customers.
2. Provides knowledge about efficient distribution and logistics management.
3. Enables firms to select suitable marketing channels in international markets.
4. Improves understanding of global supply chain and distribution strategies.
5. Helps businesses overcome challenges in international product distribution.

5. Key Concepts

- Marketing Channels
- Direct and Indirect Channels
- One-Level, Two-Level, and Three-Level Channels
- Channel of Distribution
- Factors Determining Marketing Channels
- Physical Distribution Management
- Order Processing
- Warehousing
- Transportation
- International Distribution Challenges
- Selection of Foreign Intermediaries

UNIT – IV International Market Channels

Introduction

Distribution channels play a vital role in delivering products to international markets. This unit explains various international distribution structures and patterns used by firms. It also discusses factors influencing channel selection and challenges in managing international logistics and intermediaries.

“A product becomes global only when it reaches customers everywhere.”

4.1 Definition:

Marketing channel refers to the means through which the physical distribution of goods takes place from the manufacturer to the customers, either directly or through intermediaries. The manufacturer can also adopt Multi-Channel marketing if he finds it suitable for his product and the business. In simple words, marketing channels are a medium to facilitate the active physical exchange of goods or services.

Marketing Channels Examples

Every company in existence use one or more marketing channels to reach their target customers. Some of the most common examples include:

Nike

Nike is a famous shoe manufacturer that sells its products to customers through both online and offline channels.

The company uses a mix of both direct and indirect channels where it sells its products directly using its websites and franchise model, and indirectly on online marketplaces and offline retailers using intermediaries.

Apple

As one of the most popular technology companies in the world, Apple sells its products through both online and offline, direct and indirect channels.

The company sells its products directly using its own website and physical stores, and indirectly through intermediaries such as online marketplaces and offline retailers.

29% of Apple's net sales come from direct channels, and 71% come from indirect channels.

4.2 Levels/ Types Of Marketing Channels/distribution structure/distribution pattern:

Marketing channels can be categorised into direct and indirect channels depending on the structure of the channel. The indirect channels are further divided into three types: one-level, two-level, and three-level channels based on the number of intermediaries present.

Direct Channel or Zero Level Channel

Manufacturer → Customer

A direct or zero-level channel is one in which the manufacturer sells directly to the end-user with no intermediaries involved. This type of channel is often used by businesses that produce perishable goods, expensive goods, or whose target market is small and concentrated.

An all-new D2C model in which the manufacturer sells directly to the customer through its online branded channels is being followed by a lot of companies these days.

Indirect Channel

Manufacturer → Intermediaries → Customer

When the manufacturer takes the help of one or more intermediaries to reach the end-user, it is known as an indirect channel.

One-Level Channel

Manufacturer → Retailer → Consumer

A one-level channel has only one intermediary – the retailer – between the manufacturer and the end-user. In this type of channel, the manufacturer sells directly to a retailer, who then sells the product to the consumer. This type of channel is often used for shopping goods like clothes, food, and home furnishings.

Two-Level Channel

Manufacturer → Wholesaler → Retailer → Customer

A two-level channel has two intermediaries – the wholesaler and the retailer – between the manufacturer and the end-user. In this type of channel, the manufacturer sells to a wholesaler who, in turn, sells to the retailer who then sells to the consumer.

The wholesaler's role is to break the bulk and deliver the product to the retailer. The retailer's role is to reach the end consumer.

Goods that are sold in two-level channels are usually durable, have a long shelf life, and target an audience that isn't limited to a confined area. These include goods like home appliances, FMCG products, and automobile parts.

Three-Level Channel

Manufacturer → Agent → Wholesaler → Retailer → Customer

A three-level channel has three intermediaries – the agent, the wholesaler, and the retailer – between the manufacturer and the end-user. In this type of channel, the manufacturer sells to an agent whose role is to break bulk for a wholesaler or retailer. The agent then sells to the wholesaler throughout the country or region.

The wholesaler's role is to distribute the product to the retailer who sells it to the consumer. The agent in this channel often provides services like credit, financing, and market information.

The main advantages of this type of channel are that it allows manufacturers to reach more markets faster and build relationships with multiple retailers at a time.

Products that are sold in three-level channels include agricultural produce, raw materials, and commodities.

Four-Level Channel

Manufacturer → Distributor → Agent → Wholesaler → Retailer → Customer

A four-level channel has four intermediaries – the agent, the distributor, the wholesaler, and the retailer – between the manufacturer and the end-user. In this type of channel, the manufacturer sells to a distributor agent whose role is to break bulk for a wholesaler or retailer. The agent then sells to the wholesaler throughout the country or region.

The wholesaler's role is to distribute the product to the retailer who sells it to the consumer. The agent in this channel often provides services like credit, financing, and market information.

4.3 Factors Determining the Marketing Channels

There are certain factors related to the product, the company, the competitors, the market and the environment which determines the selection of an appropriate channel of distribution for a particular product.

To know about these factors in detail, let us go through the following categories:



FIG 4.3.1 FACTORS DETERMINING CHANNEL SELECTION

Product-Related Factors

The product's features, specifications, nature, usage, value and durability plays a vital role in the selection of marketing channels. Let us go through the related factors give below:

- **Nature of Product:** If the product is a general product which is widely used like cosmetics, it requires a more extended channel. Whereas, the product which is customised or has limited customers like industrial machinery needs a shorter channel.
- **Perishability:** The goods which are perishable require to be sold through the shorter channel. However, the products which are non-perishable can be distributed through a longer channel.
- **Unit Value of the Product:** If the product is of low value it can be easily distributed through the longer channel, but for the products which are expensive and valuable the manufacturers prefer a shorter channel.
- **Product Complexity:** If the product is complicated to use and has technical specifications, it will require a shorter channel. The products which are user-friendly and easy to handle can be sold through longer channels.

Company Related Factors

The company's financial condition, objectives, privacy policies and level of control influences the selection of a particular marketing channel:

- **Finance Available:** If a company is financially sound it can go for a shorter channel of distribution by opening its retail outlets otherwise it can opt for a longer marketing channel.
- **Core Competency:** If the manufacturing company focus on its core ability which is the production of goods it will be least interested in retailing. Thus it can opt for a longer marketing channel.
- **The degree of Control:** If the company wants to regulate its sale and the market segment it caters, it will prefer a shorter channel. The companies which do not exercise much control over its products go for a longer distribution channel.

Competitive Factors

The competitors affect the company's decisions related to the selection of marketing channels in the following ways:

- **Competitor's Channel of Distribution:** Sometimes the companies follow their competitors and use the same channel as adopted by them.

- **Distribution Policy:** Some companies have a different distribution policy, and they adhere to it. Multi-level marketing (MLM) companies usually stick to their chain marketing policy.

Market-Related Factors

The market is the place where the customers are served. Thus, it has a crucial role in determining the type of channel for any product. Let us see these factors in detail:

- **Market Size:** When the company needs to reach a large number of customers, it has to go for the longer channel. If the company has to cater a few customers, it can opt for a shorter channel of distribution.
- **Geographical Concentration:** If the potential customers are located in a vast geographic area, the company can reach them through a longer channel. The shorter channel will be preferred for the buyers located in the limited area.
- **Quantity Purchased:** If the product is purchased in bulk quantity by the limited customers, a shorter channel is suitable whereas the products which are bought in small quantities by multiple customers, a longer channel will work.

Environmental Factors

Every business operates within an environment where it has to deal with some legal obligations as well as economic conditions. These factors include the following:

- **Legal Environment:** The government imposes certain legal restrictions over trading activities which also affects the selection of a distribution channel. Like selling of weapons cannot take place through a longer channel.
- **Economic Conditions:** At the time of recession or depression in a country, the manufacturers prefer to reduce their distribution cost by going for a shorter marketing channel.

4.4 Management of physical distribution of goods:

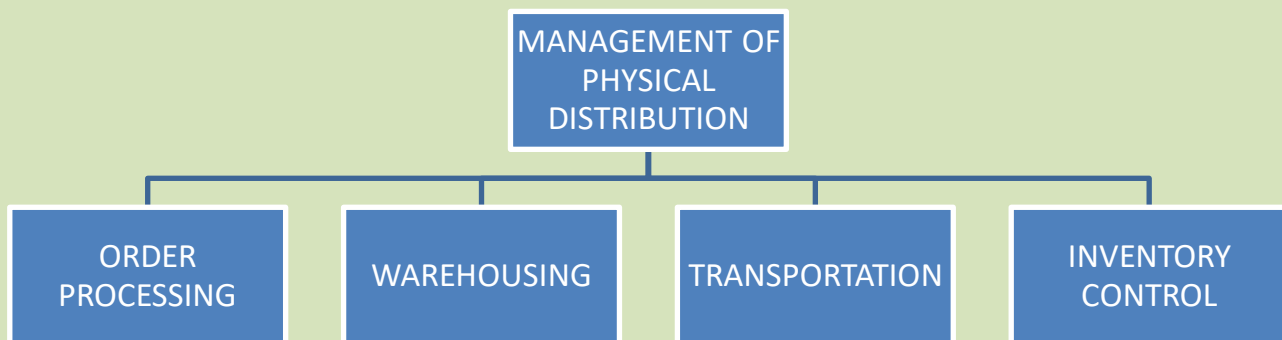


FIG 4.4.1 Management of physical distribution of goods:

(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.

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.

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.

3. 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.

4. 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.

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.

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.

(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.

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.



FIG 4.4.2 Organizational Responsibility for Physical Distribution:

4.5 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, company may make a more informed decision about expansion that is right for company .

a. The Right Market for Products

First, company should carefully consider the benefit associated with finding an international market that is similar to company own. Reaching into international markets can be difficult to do because company 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.

b. Selling Online to International Markets

Online distribution only requires company 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.

c. 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 company and the retailer can cause communication issues and in a lot

of cases the retailer will ignore company's account leaving company with little hope in recovering what's owed to company.

Get in front of company 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.

d. Managing Multiple Currencies

Company 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 company.

4.6 Selecting foreign country intermediaries:

Environment and market analysis

Put together a short list of countries that present a good concentration or potential concentration of the target market.

Analyse the variables for each country:

- GDP growth – including the country's growth prospects for infrastructure and the demand for tourism products
- country risk – including political or social unrest, insecurity and currency devaluations
- political factors – including the degree of political intervention in business decisions, political and social stability, and possible alliances or trade agreements with the country of origin
- other factors – including geographic proximity, and the similarity to the source market in terms of business and social culture

Analysis of the competition

To analyse competition in the market:

- identify the main competitors and describe them
- analyse their economic evolution and sales over the last 3 years
- detect their distinguishing factors – including prices, channels, market maturity, financial position, development potential and plans and/or expansion strategies

Demand analysis

The company need to analyse the current and potential demand of the product in its source market, as well as its profile and expected evolution. This information should confirm that the pre-selection process was successful and that the chosen markets are suitable for the product.

Selecting Distribution channels

Track the supply chain of the product, from its origins to its final customer. Develop a clear idea of the intermediate operators and their prices. Analyse the existing sales structure in the country and how this could be adapted to the product or service.

There are a number of possible distribution channels:

- international distribution from the own market
- a local distributor in the target market
- the own commercial agent
- the internet

UNIT HIGHLIGHTS

- **Marketing Channel:** The path through which goods move from manufacturer to consumer.
- Types of Channels: Direct (Zero-level) and Indirect (One, Two, Three, Four-level).
- Factors Determining Channel Selection: Product, Company, Competitors, Market, and Environmental factors.
- Physical Distribution Management includes Order Processing, Warehousing, Transportation, and Inventory Control.
- Types of Warehouses: Private, Public, Bonded, Cold Storage, Special Commodity Warehouses.
- Transportation Decisions involve cost, mode, availability, risk, suitability, and legal provisions.
 - Challenges in International Distribution: Currency fluctuations, communication barriers, retailer relationships, legal and economic conditions.
- Selection of Foreign Intermediaries requires market analysis, competition analysis, and demand assessment.

CASE STUDY

Nike uses a combination of direct and indirect marketing channels to distribute its products globally. The company sells directly to customers through its website and branded stores (zero-level channel). At the same time, it uses wholesalers, retailers, and online marketplaces (one and two-level channels) to reach a wider market. In international markets, Nike partners with local distributors to manage logistics, warehousing, and transportation efficiently. The company carefully selects intermediaries based on market potential, competition, and economic conditions. By adopting a multi-channel distribution strategy, Nike ensures product availability, faster delivery, and global market coverage while maintaining brand control.

1. Identify the types of marketing channels used by Nike.
2. What are the advantages of using a multi-channel distribution system?
3. Which factors influence the selection of marketing channels?
4. What challenges arise in international distribution?

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Question No.	Questions
Unit IV: (International Market Channels)	
PART-A (Two Marks Questions)	
1	List out the levels of channels of distribution.
2	Explain Direct Marketing
3	Explain Warehousing
4	Explain Order Processing
5	Explain Inventory control.
PART-B (TEN Marks Questions)	
1	Examine the Distribution patterns and structure adopted in global marketing.
2	List and explain the factors influencing selection of channels of distribution at global level.
3	Analyse the challenges in the management of International distribution strategy.
4	Explain the functions and organization structure of physical distribution department.
5	Classify the levels of channels and list the channel members in international marketing.
6	Outline the functions of Physical distribution with suitable examples.
7	Examine the factors that has an impact over the selection of channels of distribution in international market scenario.
8	Outline the concept of Transportation and Warehousing in International Marketing
9	Develop a suitable distribution strategy for the entry of International Market of a Machine Manufacturer.
10	Assess the importance of functions of International Physical Distribution

Assignment

International Distribution Channel Mapping

Students select **one imported product available in India** (smartphone, car, cosmetics, electronics etc.).

Identify and explain:

1. Manufacturer country
2. Exporter or distributor
3. Importer in India
4. Wholesaler / retailer channels
5. Final customer

Students must draw a **distribution channel diagram**.

Submission: Diagram + explanation (2 pages).

Exercise

Global Supply Chain Challenge

Trace the journey of a **smartphone** from manufacturing to the final consumer:

Example stages:

Factory → Shipping → Importer → Distributor → Retailer → Customer

Identify **countries involved in the supply chain**.

Unit-V

Pricing and Promotion for International Markets

***“Stopping advertising to save money is like stopping your watch to save time.”
— Henry Ford***

Unit 5: International Pricing and Global Promotion

1. Unit Overview

This unit explains the concepts of international pricing strategies and global promotional activities used by companies in international markets. It discusses export costing and pricing strategies, environmental factors affecting pricing, global pricing policies, global advertising strategies, grey market goods, sponsorships, and publicity. These concepts help firms compete effectively in global markets and build strong international brand presence.

2. Objectives of the Unit

After studying this unit, students will be able to:

1. Understand the concept of international pricing and export costing.
2. Explain different pricing strategies used in international markets.
3. Identify the environmental factors influencing international pricing decisions.
4. Understand global pricing policy alternatives used by multinational companies.
5. Explain the concept of global advertising and promotional strategies.
6. Understand the concepts of grey market goods, sponsorship, and publicity in international marketing.

3. Learning Outcomes

After completing this unit, students will be able to:

1. Analyze different export pricing strategies used in international markets.
2. Evaluate the impact of environmental factors on global pricing decisions.
3. Explain various global advertising and communication strategies.
4. Understand the concept and impact of grey markets in international trade.
5. Assess the role of sponsorships and publicity in global brand promotion.

4. Importance of Studying this Unit

1. Helps understand how companies price products in international markets.
2. Provides knowledge about global promotional strategies and advertising decisions.
3. Enables firms to compete effectively in international markets through pricing strategies.
4. Improves understanding of global brand promotion and communication strategies.
5. Helps businesses deal with challenges like grey markets and international competition.

5. Key Concepts

- International Pricing
- Export Costing
- Pricing Strategies (Skimming, Penetration, Transfer Pricing)
- Environmental Factors Influencing Pricing
- Global Pricing Policies (Ethnocentric, Polycentric, Geocentric)
- Global Advertising
- Advertising Budget and Media Decisions
- Grey Market Goods
- Sponsorship
- Publicity

UNIT - V Pricing and Promotion for International Markets

Introduction

Pricing and promotion strategies play a vital role in determining the success of products in international markets. Companies must consider environmental factors such as economic conditions, exchange rates, government policies, and cultural influences when setting prices globally. This unit explores global pricing strategies, transfer pricing, and grey market goods. It also explains promotional tools such as global advertising, publicity, and sponsorship that help companies build international brand awareness.

“Price communicates value, and promotion communicates the brand.” — Philip Kotler

5.1 International Pricing:

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

• **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**

Export Pricing Strategies

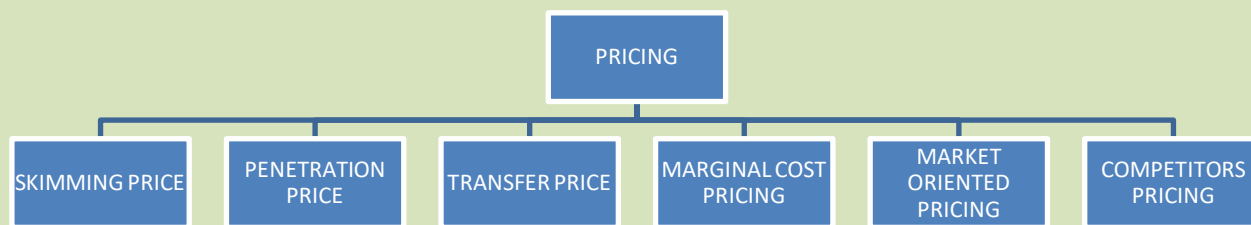


FIG 5.1.1 INTERNATIONAL PRICING METHODS

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 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.

5.2 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 into 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.

5.3 GLOBAL PRICING POLICY ALTERNATIVES

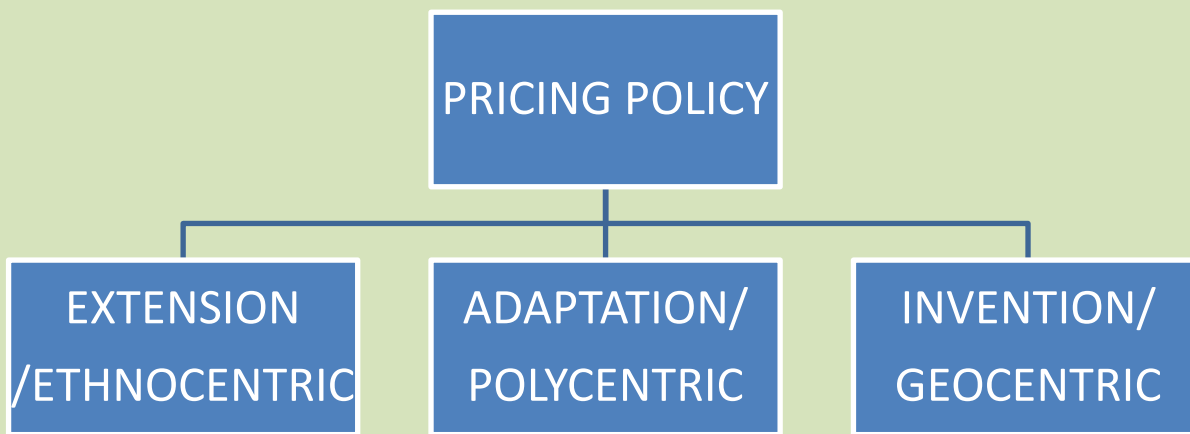


FIG 5.3.1 PRICING POLICY

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.

5.4 Global 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



FIG 5.4.1 GLOBAL ADVERTISING

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

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.

5.5 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.

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.

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.

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.

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.

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

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.

5.6 SPONSORSHIPS

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.

Aspect	Explanation	Example
Meaning	Financial or material support given by a company to an event, team, or organization to promote its brand internationally.	Coca-Cola sponsoring the FIFA World Cup
Objective	To increase global brand awareness and attract international customers.	Brand logos displayed during global sports events
Type of Sponsorship	Sports sponsorship, cultural sponsorship, entertainment sponsorship, educational sponsorship.	Samsung sponsoring the Olympic Games
Benefits to Company	Improves brand image, increases global visibility, and builds customer loyalty.	Companies gain recognition in multiple countries
Marketing Impact	Helps companies enter new international markets and strengthen brand reputation.	Global companies sponsoring international tournaments

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 knowledgeable 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.

5.7 Publicity

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.

Aspect	Explanation	Example
Meaning	Public information about a company or product spread through media without paid advertising.	News coverage of a product launch
Medium	Newspapers, TV, magazines, online news portals, social media.	Global media coverage
Cost	Usually free or unpaid publicity.	Media reporting about company achievements
Benefit	Builds trust, credibility, and brand awareness worldwide.	Positive news increases brand reputation
Example	Global media coverage of a product launch by Apple.	

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

Conclusion

Appropriate pricing and promotional strategies help firms remain competitive in global markets while ensuring profitability and brand recognition.

UNIT HIGHLIGHTS

- **International Pricing** involves export costing, pricing strategies, and global policy decisions.
- Factors increasing export price: packing, insurance, export procedures, marketing cost.
- Export Pricing Strategies: Skimming, Penetration, Transfer Pricing, Marginal Cost, Market-Oriented, Competitor's Pricing.
- Environmental Factors influencing pricing: Political, Economic, Social, Technological factors.
- Global Pricing Policies: Ethnocentric (Extension), Polycentric (Adaptation), Geocentric (Invention).
- Global Advertising includes budgeting methods, creative strategy, media decisions, and regulations.
- Grey Market Goods refer to products sold through unauthorized but legal channels.
- Sponsorship and Publicity are important tools of international promotion.

CASE STUDY

Apple Inc. follows a premium international pricing strategy for its products like iPhone and MacBook. The company often adopts a **skimming pricing strategy**, charging high prices during product introduction to recover R&D and promotional costs. In emerging markets, Apple faces challenges such as currency fluctuations, import duties, and high transportation costs, which increase the final retail price. The company also considers political, economic, and technological factors while setting international prices. In some countries, Apple adjusts pricing due to local tax policies and purchasing power differences. Through a balanced global pricing policy (geocentric approach), Apple maintains brand prestige while adapting to local market conditions.

1. Which export pricing strategy is used by Apple in the case?
2. What environmental factors influence international pricing decisions?
3. What is the difference between skimming and penetration pricing?
4. How do political and economic factors affect global pricing?

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Question No.	Questions
Unit V: (Pricing and Promotion for International Markets)	
PART-A (Two Marks Questions)	
1	List Grey market goods
2	Explain Transfer Pricing
3	Define Advertising
4	Illustrate Sponsorship
5	Explain Publicity
PART-B (TEN Marks Questions)	
1	Outline the factors that forces increase or decrease of International Price.
2	Examine the international pricing strategies and policies with suitable illustration.
3	Outline the steps in Global Advertisement Process with suitable example.
4	Examine the presence of Grey market goods in International Market with illustrations.
5	Examine the role of sponsorship and publicity in effective promotion of Products in International Markets.
6	Classify the methods of Pricing with pros and cons.
7	Develop an Advertisement Plan for International Marketer.
8	Assess the factors that influence determination of Pricing of International Products.
9	Outline the methods of Advertisement Budgets and strategies available for International Marketers.
10	Evaluate the Grey Market goods as a challenge in International Market.

Assignment

Global Advertising Analysis

select **one international advertisement** of a global brand.

Analyze:

1. Target market
2. Cultural elements in the advertisement
3. Promotional message
4. Pricing strategy used in different countries
5. Effectiveness of advertisement

Submission: Advertisement analysis report (2–3 pages).

Exercise

Create a Global Advertisement

Design a **simple advertisement for an Indian product in another country**.

Example:

Product → Amul Chocolate

Target Market → USA

Decide:

- Tagline
- Target audience
- Promotion channel (TV, social media, sponsorship)

***“The world is becoming a common marketplace in which people everywhere want the same products and lifestyles.”
— Philip Kotler***