

Module 1

Introduction to International Marketing

This module covers the following themes:

- The process of internationalisation and internationalisation theories
- Importance of global marketing
- What is different about international marketing?
- Challenges and opportunities of international marketing
- Framework of international marketing
- The dynamics of international competition

Upon completion of this module you will be able to:



Outcomes

- *explain* the basic foundation of international marketing.
- *distinguish* between global marketing and international marketing.
- *discuss* the process of internationalisation as the first step to international marketing and internationalisation theories.
- *explain* the need for international marketing and how it differs from domestic marketing.
- *differentiate between* various kinds of management orientation for international marketing.
- *describe* the factors that affect the process of global integration and the global marketing.



Terminology

Domestic marketing:	Marketing practices within the firm's home country.
Comparative Advantage:	The ability of a firm to produce a certain product at a lower opportunity cost compared to another.
Competitive Advantage:	A condition in which a company is able to operate in a more efficient manner compared to companies it competes with.



Lesson notes²

Markets around the world have disintegrated and reintegrated again. The United States of America President Barack Obama talks of a likely dialogue with Cuba, a nation which until yesterday was a sworn enemy of the United States, EU (European Union) enlargement and its implications, or the rising power of China and India as global consumers. All this has implications in the global business environment and significantly in the way international marketing is done. However, before the context of international marketing is discussed, it is important to understand the reasons why firms go global. Sometimes it is for better price realisation outside the country; decline in domestic market opportunities and sometimes for better market opportunities outside the home market. Brands like Nokia have very small and limited markets in their home country. It is the desire to venture beyond the geographic boundaries of their home country that helps them get a larger share of the world market.

Another important factor, which has more of an international economics imperative, is the comparative and competitive advantages that nations have. China's growth as a manufacturing hub and India's strength as a knowledge economy are now well-known. Low cost is another advantage. Nations with lesser competency in related areas therefore take advantage of such efficiency. The United States and Europe's depleting and ageing populations will mean that such initiatives will be further wrested by India and China.

However, the connectivity between nations has also gone up. It is a saying that "if the United States catches a cold then the whole world sneezes." Case in point is the current global slowdown and the impact of recession which is being faced across the world. Chapter 1 provides the rationale and basis to international marketing.

The foundation of this discussion however, remains the international theories and the process of internationalisation. How have firms managed to initiate the process of internationalisation even before their first exports start? What is the import process? How do firms outsource parts or components or even services for the manufacturing or the delivery process? How a domestic bank may acquire smart card technology from any company located outside the country is an example of how firms initiate the process of internationalisation.

² Students are encouraged to read the article, *Globalisation of Markets* by Theodore Levitt, Harvard Business Review, May-June 1983.

Reading: Chapter 1



Reading

Keegan Chapter 1

You should now read Chapter 1 of the Keegan text (Global Marketing, 4th edition).



Note it!

In applying your understanding of this material, you should take note of the following:

- The concept of **international marketing** and its foundation is laid through the concept of domestic marketing. The issues of marketing mix, consumer behaviour and segmentation, targeting and positioning will be as relevant in international marketing as in domestic marketing. However, the aspects of the business environment, the operational issues and differential consumer markets make the context of international marketing more dynamic. Today, as the context of globalisation and integration has become more pronounced, the process of international marketing has become more integrative.
- Another aspect which is loosely and interchangeably used with international marketing is the term **Global Marketing**. Are they different? Global Marketing has a larger scope compared to international marketing. Global Marketing means widening business horizons to encompass the world in scanning for opportunity and threat. As participants to the programme, you must also understand the importance of Global Marketing today both in the context of large multinational enterprises and the MSME (Micro, Small and Medium Enterprises). The role and scope of Global Marketing for each of these enterprises is different, based on the nature of markets and the products they produce. The last part will be the concept of standardisation and localisation in the framework of international marketing.
- The third aspect to be understood is the **management orientation process**. The concept of EPRG (Ethnocentric, Polycentric, Regiocentric and Geocentric) framework explained the different approaches to international marketing and affects the way marketers deploy differential strategies. The McDonalds versus Gillette strategy of entering markets may be different. The form and substance of a company's response to global market opportunities depend greatly on management's assumption or beliefs - both conscious and unconscious - about the nature of the world.
- The last part in this module that you need to be aware is the **forces that affect the global integration and Global Marketing process**. You should understand the driving forces and the restraining forces.



The driving forces act as a catalyst for process integration and the restraining forces act as a roadblock to the integration process.

Activity 1.1



Activity

1. When Louis V. Gertsner, Jr was Vice-Chairman of American Express, he stated: “The split between international and domestic is very artificial – and at times dangerous.” Do you agree with the statement? Offer your rationale.
2. Do you feel that marketing is relevant to and should be used locally as well as internationally by:
 - a) International agencies (e.g., the United nations)
 - b) National, state, and/or city governments
 - c) Socially/communist countries
 - d) Developing countries, and
 - e) Priests, monks, churches, and/or evangelists?

Summary



Summary

In this module, you learned:

- The concept of international marketing and difference between global and international marketing.
- The process of internationalisation and internationalisation theories.
- The various management orientations for marketing internationally.
- The factors that affect the process of global integration and Global Marketing.

Assignment



Assignment

Case Study: McDonald's Expands Globally While Adjusting Its Local Recipe

Read through the case study entitled, *McDonald's Expands Globally While Adjusting Its Local Recipe* on pages 31-35 of the Keegan text and respond to the following questions:

1. Identify the key elements in McDonald's Global Marketing strategy. In particular, how does McDonald's approach the issue of standardisation?
2. Do you think government officials in developing countries such as Russia, China and India welcome McDonald's? Do consumers in these countries welcome McDonald's? Why or why not?
3. At the end of 2003, McDonald's announced it was selling the Donatos Pizza unit. In light of this decision discuss McDonald's prospects for success beyond the burger and fries model.
4. Is it realistic to expect that McDonald's or any well-known company can expand globally without occasionally making mistakes or generating controversy? Why do anti-globalisation protestors around the world frequently target McDonald's?

Submit your responses to the case study questions to your instructor or tutor for evaluation.



Assessment



Assessment

1. Distinguish between:
 - a) Domestic marketing
 - b) Foreign marketing
 - c) Comparative marketing
 - d) International marketing
 - e) Multinational marketing
 - f) Global Marketing and
 - g) World marketing.
2. Are domestic and international marketing different only in scope and not in nature?
3. Distinguish between ethnocentrism, geocentrism and polycentricism.
4. Identify and briefly describe some of the forces that have resulted in increased global integration and the growing importance of Global Marketing.