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## UNIT 2 CONCEPTUAL FRAMEWORK

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### Objectives

After going through this unit you should be able to:

- Distinguish between export, international, multinational and global marketing
- Distinguish between global and domestic marketing
- Define and use concepts related to the management of the international marketing function.

### Structure

- 2.1 Introduction
- 2.2 Global and Domestic Marketing
- 2.3 Global Marketing: A Conceptual Framework
- 2.4 Some Concepts
- 2.5 Summary
- 2.6 Self-assessment Questions
- 2.7 Further Readings

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### 2.1 INTRODUCTION

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A company executive has been invited to give a talk on international marketing to a group of MBA students.

In order to maximize the thrust of his lecture he looks at company's foreign operations, since its inception, with a view to identify the subtle differences underlying the activities of export marketing, international marketing, multinational marketing and global marketing. This is what he finds about the history of his company's foreign operations.

The company started its export operations in the year 1968, exporting to three specific markets-the U.S.A, Britain and some countries around India. The operation was mostly order based. With the induction of new CEO in 1970 these operations acquired a major change. The market needs were identified and production was oriented to meet their needs. The company had appointed some agents to handle the marketing of their product. By 1980 the operations had grown large enough to account as a separate business entity. By 1982 this entity had been created and a new CEO had been appointed. He made two major changes-he created subsidiaries in the foreign markets which would handle all the business functions. He, however, made it a policy to appoint nationals at key positions in each of the subsidiaries. By the time he retired in 1994 each of these subsidiaries was running as an independent business unit. They no longer required direction from the headquarters and were quite capable of making their own decisions.

In fact today these subsidiaries are not only operating independently but also help each other by re-directing their production to the subsidiaries that have need for such production. Although the company now has a universal brand name each subsidiary still proudly retains its own nationality.

The current CEO was appointed in 2001 in Asia and had aimed at making the following major changes:

- Changing the policy of recruitment
- Changing the location of production facilities from subsidiaries in home countries to centralize in Asian countries.<sup>31</sup>



The executive although knows these facts but cannot decide when company adopted multinational stature.

**Activity-1**

Can you help the executive in making this decision through a clear classification?

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When a firm decides to exploit the world as a market it is hoping to be a global marketer. Four types of activities emerge in the arena of global marketing and they involve:

- Export marketing
- International marketing
- Multinational marketing Global marketing

These activities may be undertaken sequentially or the second or third or fourth may override the first. These activities normally develop as a firm grows in its life cycle and saturate its domestic markets, indulging first in export marketing before proceeding to international marketing.

**Export Marketing**

Export marketing is nothing but marketing in foreign environment. (This concept assumes foreignness of the new environment because of its constant reference to the domestic market and environment). In this stage of marketing the concern merely expands the market size. It applies the same marketing mix even in the foreign environment. It makes no effort to adapt its marketing mix or product to the market needs and requirement. The emphasis in this stage of marketing is on expanding the market size and not the marketing mix. The company follows a binary orientation when marketing the home country and foreign country orientation.

**International Marketing**

The second phase that company enters with reference to global orientation is international marketing. In this stage the firm retains its binary orientation but adapts its marketing mix to the requirement of the new environment. Thus while it thinks of profitability vis-à-vis the parent company it makes sure that the product is marketed with the best mix that it can design. (In its activities the company changes its stature).

**Multinational Marketing**

When the company orientation changes from binary to unitary then it becomes truly multinational. The approach is product/market and satisfying the market is the prime thrust of such a marketing concern. It might even open subsidiaries in the foreign market. These subsidiaries may be working either through direction from the headquarters or independently. It makes no distinctions in its personnel policy between national and non-national. The role of headquarters in such concerns is that of co-ordination among the subsidiaries. The marketing mix is designed to earn maximum profits through customer satisfaction.

**Global Marketing**

In "global marketing" the organisations begin to develop and run operations in the targeted country or countries outside of the domestic one. This involves recognising that markets around the world consist of similarities and differences and that it is possible to develop a global strategy based on similarities to obtain scale economies, but global organization also recognises and responds to cost effective differences. Its strategies are a combination of extension, adaptation and creation. It is always alert to opportunities.



Number of terminologies related to international marketing have been explained above, which are used in current literature. Further, differences between domestic, international and global marketing have been identified in the next section i.e.2.2. A logical question which may come to your mind at this stage could be about the scope of this course. Please note that in this course the term international marketing is used as per the definition given in section 1.2 of Unit 1 and at times the terms international marketing and global marketing have been used interchangeably.

### The Marketing Concept

In early sixties the concept followed was the selling concept where the focus was upon product/service and end was profit via sales. This meant that the emphasis was on hard sell and not on the consumer's requirement or needs. What the producer perceived as a good product, he manufactured and sold.

However, today the marketing concept followed has undergone a marked change, the focus is now on consumers/competition. The emphasis is therefore on what is being demanded by the consumers and what is being supplied to him by the competitors. The end as perceived by a good marketer is profit via consumer satisfaction.

Marketing can now be defined as "the process of focusing the resources and objectives of an organization upon the opportunities and needs that exist in the environment".

Global marketing as already expressed is nothing but directing the efforts in other countries. The marketer looks upon world as a market. Global marketing may thus be defined as "the process of focusing the resources and objectives of a organization upon the opportunities and need that exist globally".

## 2.2 GLOBAL AND DOMESTIC MARKETING

If the distinction between the two definitions is the word global then is the task of global marketing very similar to that of domestic marketing? The answer to the above statement is a Yes but new dimensions have emerged. They include the increase in the number of markets and difference in the orientation that arises because of entering new country or a new environment.

Thus the differences between domestic and global marketing arise entirely from the differences that exist in the national environment within which the marketing effort is directed and the differences that arise in the organization and programme because of operations being conducted simultaneously in different markets. Because this statement does not bring out the magnitude of differences, it becomes necessary to analyse the impact on marketing variables. For this a checklist has been prepared.

### Exhibit 2.1

#### A Checklist for Differentiating Domestic and International Marketing

Decision Variable	Domestic Marketing	International Marketing
Market Segment	Single Market & Sub-markets	Multiple Markets Multiple Sub-markets
Market Control	Easier as only a single market and sub-market is served	More difficult as new variables like culture ,religion, govt. policy enter the gamut of
Market Research	Awareness of the market in domestic market is high, therefore one can over do without market research	Imperative



Decision Variable	Domestic Marketing	International Marketing
Administration	Since the control is over a single set up, administration is relatively easier	Multiple markets, multiple mix of marketing variables demand a new set up of administrative machinery
Product Mix	The decision is taken solely on the grounds of providing better service to increase revenue-stages of PLC may be ignored	Although the decision grounds, are identical, market adaptability and acceptability becomes a question
Product Quality	Product quality may be placed anywhere on the BCG Matrix of product and price	With the production function, Product quality is normally high even if the technology is old
Product Design	Since the product is designed for the market question of adapting does not arise	Product has to be adapted to every market segment.
Product Development	Product developed to meet domestic market needs When the product reaches end of its life cycle, it is withdrawn	Products developed to meet International market needs. May move to new markets where it may be in growth or introduction stages
Advertising	Single market-Single message, question of adaptation. Limited to sub-segments, media choice known with certainty	Multiple market-multiple message depending on the emphasis demanded by each market-message may be adapted to new markets or could be universal-complex media Availability
Sales Promotion	Nationality may be used to promote sales Option known with certainty therefore choice is often taken in advance	Options may not be known, choice therefore depends upon market research.

**Activity-2**

- i) List some exporters and examine their activities with reference to the definitions of export, international, multinational, and global marketing.

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- ii) "Hard sell strategy is being used by exporters in India." Examine the statement critically with reference to an example.

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## 2.3 GLOBAL MARKETING: A CONCEPTUAL FRAMEWORK

Global marketing has two major dimensions which arise because of the distinction between domestic marketing and global marketing. They may be enumerated as under:

- Problems and dynamics of a new market that a firm chooses to enter.
- The impact on organizations structures and programmes created by entering **new** markets.

(The emphasis is on the number of markets open to the company).

When a company leaves its home country and enters a foreign country it immediately comes into contact with the rules and regulations of the foreign country it chooses to operate in. This has widespread implications on each and every element of marketing mix and its organization. The duties the company pays are ultimately passed on to the consumer through price. The company might choose to enter a region through a country of low duties and tariff regulations which means the place variable is affected. Similarly, the product and promotion variables also gets affected by the culture, the medium of communication available, religion and other similar variables.

These variables not only affect the integration of the marketing mix but also have an impact on the organizational structure. The basic questions of global marketing what, who, when, where, how, regarding the opportunities that exist in the global market influence the structure of the company that wishes to exploit these opportunities: Who is to take the decision? Which markets have to be penetrated? How are they to be penetrated? All other similar questions reflect in the organizational structure.

### Exhibit 2.2

#### Strategy Formulation

#### A Conceptual Framework

<b>Phase I</b>	<p><b>Scanning the Dimensions</b></p> <p><b>The Environment</b></p> <ul style="list-style-type: none"> <li>• Government, political, socio-cultural, technological, market competitors, customers cost</li> </ul> <p><b>Organisation of Resources &amp; Capabilities</b></p> <ul style="list-style-type: none"> <li>• Marketing, finance, human resources, manufacturing, engineering, R &amp; D, risk taking capabilities</li> </ul> <p><b>Values and Aspirations</b></p> <ul style="list-style-type: none"> <li>• Aesthetics, styles, ethics, size, profitability growth, social responsibility, ecology, geography</li> </ul>
<b>Phase II</b>	<p><b>Generating Alternatives</b></p> <ul style="list-style-type: none"> <li>• Analyse the environment for opportunities and threats</li> <li>• Analyse the organisation's strengths and weaknesses</li> <li>• Match and develop alternatives</li> <li>• State the underlying assumptions</li> </ul>
<b>Phase III</b>	<p><b>Determining Objectives</b></p> <ul style="list-style-type: none"> <li>• What is desired? Where? By whom? With reference to:</li> </ul> <p><b>Organisation</b></p> <ul style="list-style-type: none"> <li>• Profitability, growth, sales earnings, stockholders, social environment</li> </ul>



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#### Phase IV

#### Phase V

#### Phase VI

#### Phase VII

#### Product

- Product functions, quality, adaptation, aesthetics,

#### Markets

- Customer benefits, competitive position, technological position, market share, geographic coverage

#### Develop Plans & Programmes

- Marketing, finance, manufacturing, human resources, control, social accountability, R&D, engineering

#### Committing Resources

- Obtain and allocate resources to plans and programmes on the basis of hierarchy

#### Monitoring and Control

- Monitor performance, assess with respect to objectives
- Control the deviations to achieve planned objectives
- Review the entire process before undertaking major changes.

#### Time Scaling

According to Keegan's framework the strategy for entering the foreign markets involves seven distinct phases. These phases may be outlined as below:

**Phase I** identifies the three basic strategic dimensions—the environment, the organization and the value and aspirations. This involves scanning the environment for opportunities and needs and at the same time identifying the threats that exist in the environment.

**Phase II** is closely interlinked with phase I and indulges the company to enter into a SWOT analysis with reference to its resources, strengths and structure.

**Phase III** is a result of the matching process of phase I and phase II to identify markets and product with which to enter that suit both the opportunities that exist in the environment and the strength of the company to handle them. Basically it is the stage of developing feasible alternatives. This is a result of defining the product/market objectives and broad organizational objectives.

**Phase IV** is the phase in which these objectives are converted into plans and programmes necessary for achieving these objectives, having identified specific plans and programmes.

**Phase V** results in process of committing resources (this is the point of no return) to the plans and programmes identified as per their hierarchy of importance.

**Phase VI** develops the control system necessary for achieving the objectives. It identifies the criteria on which corrections are based. It must evaluate and monitor both, organization performance and impact performance.

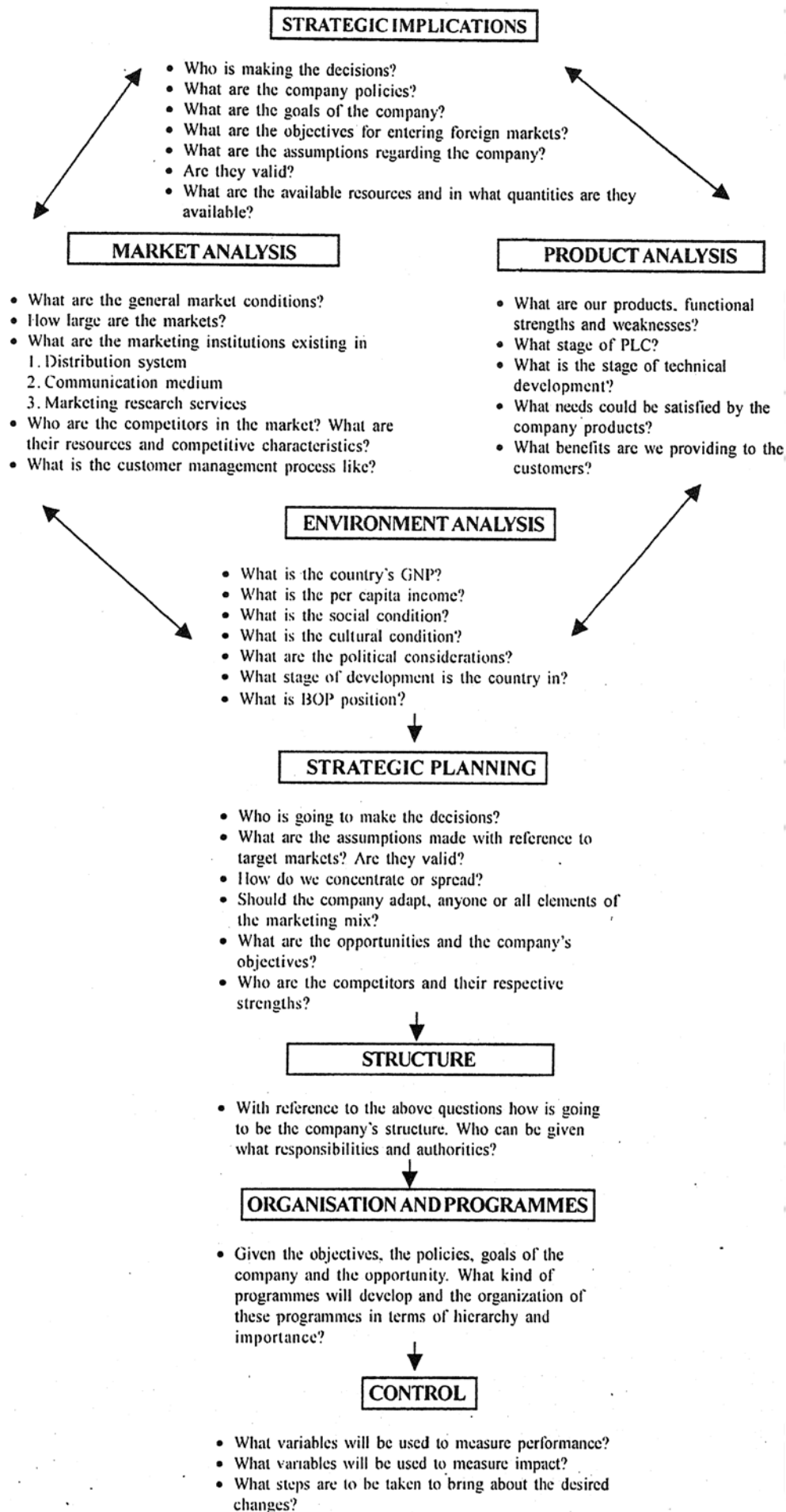
**Phase VII** applies a time frame within which the activities are to be executed. For this short-term, medium-term and long-term objectives have to be defined. Short-term objectives may not be meaningful in the medium-term or in the long-term. But at the same time the firm must keep in mind the future dimensions. i.e., it has to identify its objectives in the long run.

While this process seems to be familiar and similar to the marketing management process, it raises different questions as result of the forces operating in the environments of the country(s) the company chooses to market in. These forces may be unifying or diversifying and must be carefully considered for their implications. Some of the questions raised can be expressed as under (Exhibit 2.3).

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**Exhibit 2.3**  
**International Marketing Inputs for Analysis**





The above framework gives us the basic process for management of marketing for international markets. However there is yet another dimension to the process and this refers to the 'Executive View Point' for marketing in international market(s).

### **An Executive's Viewpoint**

In the days of modern business culture it has been widely accepted that it is the Chief Executive Officer (CEO) who gives the shape and pace to the organization. His view point therefore becomes important from the point of international marketing.

Basically the CEO views the international marketing problem in five distinct phases. These phases can be expressed very clearly in the form of questions. These questions are as below:

- Does the company wish to enter foreign markets?
- What are the options if the answer is yes?
- What approach should be adopted for the process and how does he control the entire process?
- How does he get the product to the market?
- And last but not the least what is the liability/risk the firm is undertaking?

If the CEO raises the first question then he would most probably be examining the company's policies regarding profitability, structure, product, client base, resources and thrust.

From the policy angle he would probably be looking at ways and means to increase profitability without really affecting the risk profile of the company.

He would be asking questions on the product-its function, its life and services and also would it be possible for the product to find markets abroad. To make sure he would check his existing clientele to see if any one of them was exporting his product or other similar products. He would have to keep in mind the production capacity and product quality factor. He would also have to find out what quantity is the product normally exported in- (what is the size of the smallest order in the defined product class?) The other factors that would influence his decision are the availability of time and money resources. Since the thrust of his reasoning would be profitability, he would be also re-examining the cost-margin factors and possibilities of changing them.

After becoming reasonably sure of his premise for entering into foreign markets he would have to learn about the environment. Here the marketing tool of market research would come to his aid in identifying potential markets. He may base his decision solely on secondary data-on trade statistics, product statistics, economic and demographic statistics or he may also extend his research through primary research, displaying in trade fairs, talking to other exporters, and conducting surveys in the desired/identified markets. He would have to choose the method of entry that seems appropriate to him and market. The standard alternatives of direct exporting and indirect exporting would also be considered by him.

Having decided on the country and method of entry the CEO would be faced with the problem of organizing the marketing mix to suit the company's objectives and the country's needs. He would have to consider questions regarding cost modifications keeping in mind shipping and entry costs (entry costs refer to commissions, tariffs, custom duties to be paid etc.), price, the options for reaching the customers, product and the place.

If the process of marketing involves more than one country then the CEO would also have to identify and state company policies regarding objectives of export, the resource allocation, distribution methods, marketing approach and targets. This would involve a quick but thorough analysis into industry and competition in both domestic and world

Operationalisation of this plan would also have to be considered at the policy level for limiting options regarding financing, credit in foreign markets, mode of transportation, use of





freight forwarders and other agents and money payable to them for services rendered, insurance, and its level. By making choices at each level the CEO declares his thrust and pace in the process. At each level he tries to foresee the risk structure and type of risk his company is getting into. In his policy he makes an attempt to minimise the risk profile of the company.

**Activity-3**

- i) Examine the export policy of a company from the viewpoint of thrust, profitability and risk.

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- ii) What are the likely objectives of company that wishes to enter the export arena?

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**2.4 SOME CONCEPTS**

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Over the last few decades globalisation has grown because of a number of market factors which have been driving development forward, over and above those factors which have been attempting to restrain it. These include market and marketing related variables.

Many global opportunities have arisen because of the clustering of market opportunities worldwide. Organisations have found that similar basic segments exist worldwide and, therefore, can be met with a global orientation. This standardised approach can be aided and abetted with technology. Technology has been one of the single most powerful driving forces to internationalism. Rarely is technology culturally bound.

Global volumes allow continuing investment in R & D, thus helping (inns to improve quality. Communications and transport are shrinking the global market place. In many cases this may mean an adaptation in advertising appeals or messages as well as packaging and instructions.

The management process in international marketing has been influenced by certain concept and frameworks that have emerged. They include the international product life cycle, the EPRG framework and continuum of environmental sensitivity.

**INTERNATIONAL PRODUCT LIFE CYCLE**

While the concept of international product life cycle been explained briefly in the previous unit the emphasis of the concept can be reiterated. This is an important concept and will be discussed in detail in the unit 'International Product Policy and Planning' (Unit 9, Block 4).

The product life cycle examines the phases of life of the product from introduction, to growth, to maturity, to decline. The emphasis is on the changes in the market place and subsequent changes in the marketing mix. In the case of international product life cycle, however, the approach remains the same but the emphasis shifts from changes in market place and marketing mix to changes in price and cost and the changes in the production process.



For formulating international product strategies this approach has opened new doors. This model realises the implications of these changes in focus and attributes international trade and foreign investment on the stage the product is in the domestic life cycle, i.e. a company not wishing to lose its asset investment may simply market the product in a market where the product is in its growth or introductory stages. Furthermore, the approach also emphasises on market related factors like innovation, imperfect information and knowledge of the market and oligopoly thereby influencing the dimension of strategy formulation.

### **EPRG FRAMEWORK**

Depending on the kind and degree of its involvement in foreign marketing, a firm has to re-orient and re-organise its activities to cope with the different levels of operational responsibilities inherent in such involvement. To throw some light on this issue, some guidelines are available from what is called the EPRG framework. The EPRG framework attempts to identify four broad types of orientation of a firm towards internationalization of its operations. These are: Ethnocentrism, Polycentrism, Regiocentrism and Geocentrism (EPRG).

#### **i) Ethnocentric Orientation**

The ethnocentric orientation of a firm considers that the product, marketing strategies and techniques applicable in the home market are equally applicable in the overseas markets as well. Foreign markets are looked upon merely as an extension of the home market. In such a firm all foreign marketing operations are planned and carried out from the home base, with little or no difference in product formulation and specifications, pricing strategy, distribution and promotional measures in the home and overseas markets. The firm generally depends on its foreign agents and export-import merchants for its export sales.

#### **ii) Polycentric Orientation**

When a firm adopts polycentric approach to overseas marketing it attempts to organize its international marketing activities on country-by-country basis. Each country is treated as a separate market entity and individual strategies are worked out accordingly. Local assembly or production facilities and marketing organizations are created or serving the market needs in each country.

Polycentrism could be most suitable for firms seriously committed to international marketing and have the resources for investing abroad for fuller long-term penetration into chosen overseas market.

#### **iii) Regiocentric Orientation**

In regiocentric approach, the firm adopts a regional marketing policy covering a group of countries which have comparable market characteristics. The operational strategies are formulated on the basis of the entire region rather than individual countries and production and distribution facilities are created to serve the whole region with effective economy of operations and closer control and coordination.

#### **iv) Geocentric Orientation**

In geocentric orientation, the firm adopts a worldwide approach to marketing and its operations become truly global in character. In a global enterprise, the management establishes manufacturing and processing activities at specific points around the world in order to serve the various national or regional markets through a complicated but well-coordinated system of productive and distributive network. There are close similarities between regiocentric and geocentric approaches to international marketing, except perhaps that the geocentric orientation calls for a much greater scale of operation, coordination and organizational set-up in order to cater to markets of heterogeneous characteristics which are usually more pronounced in geocentrism compared with regiocentrism. Car manufacturers, led by Ford, are adopting just such an approach on a worldwide basis. For example the name Ford is the same worldwide. The logo is the same. Ford's light blue colour is the same.

Exhibit 2.4 gives a summary of EPRG Framework.

**Exhibit 2.4  
EPRG Framework at a Glance**

	Orientation	Attitude	Product Planning	Marketing Mix Decisions
ETHNOCENTRIC	Home Country	Oversea Operation as viewed as secondary operation	Product development determined mainly by the needs of home country customers	Made at Headquarters
POLYCENTRIC	Host Country	Subsidiaries established Each subsidiary operates independently	Product development is local based in local needs	Made in each country
REGIOCENTRIC	Region	On the basis of similar markets which are clustered and region are treated as market	Standardized within region	Made regionally
GEOCENTRIC	World	World is treated as a market variations	Global product with local mutual consultation	Made jointly with mutual

**Activity-4**

- i) Look for examples of companies in the world following each of the above orientation.

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While the Exhibit 2.4 gives a broad outline of what the framework is, its implications on strategy formulation remain largely ignored because of their depth and the fact that they influence virtually every marketing variable and decision. To understand the implications let us take a variable (organization structure) and see how this framework modifies it.

**Exhibit 2.5  
Implications of EPRG Framework**

Organisation Structure	Ethnocentric	Polycentric	Regiocentric and Geocentric
Complexity of Design	Complex in home, simple in subsidiary	Independent and varied	Complex and interdependent
Decision making	Concentrated at headquarters	Each subsidiary making its own decisions (mutually exclusive)	The decisions are taken on common approach (mutually inclusive) i.e. integrative approach
Recruitment	Home country people considered superior and therefore allocated to all key posts in subsidiary	One or two key people are nationals, the remaining are from host country	Choice among the best



Evaluation and Control	The criteria remains same as at the home country	The criteria are determined locally and judged by the subsidiary needs	Universal and local criteria are created
Incentives	Concentrated at home i.e. headquarters	Wide variations	Both applicable for local and internationally yet standard
Communication	Heavy top-down from headquarters to subsidiaries	Low mutual sharing (no-or-low among subsidiaries)	Intensive communication between headquarters and subsidiaries
Identification	Home country	Host Country	Global

This gives an idea as to how the choice of an orientation can have an impact on the strategy formulation process.

### CONTINUUM OF ENVIRONMENTAL SENSITIVITY

This concept, again influences the strategy specifically relating to the product planning formulation process. The management is forced to answer questions pertaining to product functions, benefits and degree of adaptation required for being marketed in foreign markets. According to this concept there are two types of products-environmentally sensitive products and environmentally insensitive products. The environmentally sensitive products require major adaptation to the economic and social environment existing in the foreign country. The business has to spend a great deal of time learning about the way its products react specifically with the economic, social, physical and perspective environmental conditions that exist throughout the world. Food products are an example of environmentally sensitive product.

On the other hand of the continuum are the environmentally insensitive products. Such products require little or no adaptations for being marketed in the foreign countries. An example of the environmentally insensitive product is computers. This approach helps the business to realize, on the one hand, product options having chosen the market or product modification options and on the other hand market options, having chosen the product. These together represent some of the major concepts that have influenced the strategic formulation process for marketing in foreign countries. Other concepts like cluster analysis etc. play an equally important role in process of developing a conceptual framework.

## 2.5 SUMMARY

In this unit various terminologies related to International marketing have been discussed. Further, similarities and differences between domestic and international marketing have been highlighted. The process of strategy formulation for marketing in foreign lands has also been discussed.

Some concepts like, the EPRG framework, the continuum of environmental sensitivity have also been examined along with the implications they raise in the international marketing management process. All this is of course dependent on how one defines international marketing.

## 2.6 SELF-ASSESSMENT QUESTIONS

- 1) What are the different international marketing definitions applicable today? Explain them with the help of examples.
- 2) The EPRG framework has implications on the strategy formulation process. Explain with help of example in the India context.
- 3) Give characteristics of a global firm? Give any two examples of Indian firms which you consider global. Also give the reasons for considering so.



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## 2.7 FURTHER READINGS

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