UNIT 14 INTERNATIONAL MARKETING: BASIC CONCEPTS

Structure

14.0 OBJECTIVES

After studying this unit, you should be able to:

- define marketing and differentiate it from selling
- explain how the modern concept of marketing has evolved
- define marketing mix and describe the elements of marketing mix
- explain the term international marketing
- state the importance of international marketing
- narrate the reasons for the firms to enter international markets,

14.1 INTRODUCTION

With the establishment of GATT and WTO, as you know, the reality of global markets and global competition is pervasive. Now the business enterprises can think that the whole globe is a market for their products, and focus resources on global marketing opportunities. Companies that fail to pursue global opportunities will eventually even lose their domestic markets because they will be pushed aside by stronger and more competitive global enterprises. This introductory unit on international marketing presents the conceptual framework for applying the universal discipline of marketing to the global opportunities of world markets. In this unit you will study the meaning and importance of marketing, the evolution of marketing philosophy, how marketing differs from selling, the concept and components of marketing mix, the concept of international marketing, importance of international marketing and reasons for entering international markets.

14.2 MARKETING CONCEPT

To understand the concepts of international marketing management, you must first know the concept of marketing. Now let us study the meaning and scope of marketing.

14.2.1 Meaning and Importance of Marketing

In USA, 300 college administrators were asked about the meaning of marketing, as many as 90 per cent said that marketing was selling, advertising and/or public relations. Even in our country when managers are asked this question, the majority of them give a similar reply. It is important to understand **that marketing is muck more than selling or advertising, although these do form part of the marketing functions.**

According to the American Marketing Association *"marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives."* This definition is undoubtedly an improvement on the description of marketing as selling. According to this definition, marketing also encompasses other activities along with selling. If you are an entrepreneur who wants to start a new business, you do not have a product. In fact you will have to decide what product you should manufacture and sell. How do you decide this? This you can do only when you identify the needs which require satisfaction among human beings. Once you identify the need, of a group of human beings, you can determine the product which can satisfy that need. This is a part of the modern philosophy of marketing.

Philip Kotler, a well known author in the area of marketing, defines marketing as *"a human activity directed at satisfying needs and wants through exchange processes"*. Thus, the most fundamental concept which must be realised as being the basis of all marketing activities is the existence of human needs. A marketer man may devise a product or service aimed at satisfying a certain need, and thus provide satisfaction to the user. People may have unlimited wants but the ability to buy may be restricted on account of their economic background. They will, therefore, select from among those products which give more. Satisfaction or are needed more. Thus, when they are backed by ability to buy, the wants are converted into demand for your product. Therefore, when people decide to satisfy their needs and wants, in terms of marketing activities; exchange takes place. This explains in detail the definition given by Kotler.

Based on the above discussion we can develop a process-oriented definition of marketing, as *"the process of ascertaining consumer needs, converting them into products or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants of specific consumer segment or segments with emphasis on profitability, ensuring the optimum use of the resources available to the organisation"*.

Now let us also define marketing management. Philip Kotler and Gary Armstrong defined marketing management as, *'the analysis, planning, implementation and control of programmes designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objective'*. Thus, marketing management involves managing demand, which in turn involves managing customer relationships,

In practice, often, the business functions such as production, finance and marketing are performed by separate departments with their own ways of thinking. Production is often considered the more important function as compared to marketing. The practice is gradually losing ground and it is being recognised that unless you can sell a product, you should not manufacture it. Production-orientation evolved because often products were designed and developed by inventors who hoped that they would sell. However, if these products fail to satisfy some needs, they would never sell in the market place. Therefore, consumer oriented thinking becomes necessary for any business to survive and grow.

Marketing is considered to be the most important activity of the present day business. Without it, business will be meaningless. Quite often the success of a business is considered synonymous with the success of its marketing, Apart from becoming so crucial to a business; it is also helpful to the consumer and the development of the economy as well as the society. Over a period of time, businesses have realised various dimensions and significance of this function and a more comprehensive view is being adopted. Specialised branches of marketing like the marketing of consumer goods, industrial goods and services, have developed with their own unique features.

Marketing is a concept applicable not only to goods but also to services such as health service, investment counselling, bank deposits and loans, etc., Marketing is important to the business, consumer and the society. For the business, marketing brings in revenue, for the consumer it provides the goods and services of utility, for the society it enables redistribution of income and generation of employment, and improving the standard of living of people. Major advantages of marketing are briefly discussed below:

- Marketing is important to the business organisation since it is the activity that sells the product and brings revenue to the company, and it is also the key to its success. Research and development and production become meaningless if the product is not marketed successfully. Scanning the environment, finding marketing opportunities, formulating product policies, evolving distribution and pricing strategies are some of the problem areas which pose challenges to the success of business. Marketing takes care of all these challenges.

- Marketing enables the consumers to exercise choice and to improve their levels of consumption. In a sense, marketing is defined as the delivery of a standard of living. The easy availability of goods and services of good quality at competitive prices is made possible only by an efficient marketing system. In such a system the consumer is the king.

- Marketing creates time, place and possession utilities to products and services. Products are useful only when they are available at the required time and place as well as to the person who needs them. Marketing creates these utilities.

- Marketing contributes to the economic development of the country. It symbolises the economic development of a country. This is because on the one hand marketing activities generate employment and income, and on the other hand the development of a country is reflected in the variety and volume of goods available and consumed by the people of that country. The per capita availability of essential consumer goods is an indicator of the level of poverty or affluence in a country.

- Marketing offers career opportunities to a large number of people, marketing related occupations account for a significant portion of the employment generated in a country.

14.2.2 Marketing Philosophies

There are five different marketing philosophies under which business enterprises conduct their marketing activity:

1. Production concept
2. Product concept
3. Selling concept
4. Marketing concept
5. Societal concept

Production Concept: This is probably the oldest concept. Some businessmen believe that the consumers are interested only in low priced, easily and extensively available goods and finer points of the product are not very important to them. So the producers believe they must concentrate only on efficient (economical) and extensive (large scale) production. A company which believes in this approach concentrates on achieving high production efficiency and wide distribution coverage. Organisations may adopt this concept in two typed of situations.

i) When the demand for the product is higher than the supply, you can sell more if you increase production. Here the main concern of the management is to find ways to increase production to fill the demand and supply gap.

ii) When the cost of the product is high and increase in production is going to bring down the cost due to economies of scale.

The organisations which adopt this concept are typically production oriented concerns. Production and engineering departments play an important role in this situation. Such organisations have only sales departments to sell the product at a price set by production and finance departments.

Product Concept: As against the production concept, some organisations believe in product concept. The product concept implies that consumers favour those products that offer the most quality, performance and features. They also believe that consumers appreciate quality features and will be willing to pay 'higher' price for the 'extra' quality in the product or service made available. Hence, those companies which believe in this concept concentrate on product and its improvement. But, while improving the product they rarely take into consideration the consumers' satisfaction and their multifarious needs. Even when new products are planned, the producer is concerned more with the product and less with its uses or the consumer needs. For example, a biscuit manufacturer produced a new brand of biscuits with good ingredients, colour, packaging, etc., without taking into account consumer tastes and preferences. This may fail in the market if the biscuit does not taste good to the ultimate consumer.

Selling Concept: Sometimes the main problem of the enterprise is not more production, but to sell the output. Similarly, a better product may not assure success in the market. Hence selling assumes greater importance. So some producers believe that aggressive persuasion and selling is the crux of their business success, and without such aggressive methods they cannot sell and survive. Therefore, attention is paid to find ways and means to sell. They also believe that consumers left to themselves, will not buy enough of organisation's products and services, and hence considerable promotional effort is justified. Thus, the selling concept assumes that consumers on their own will not buy enough of organisation's products, unless the organisation undertakes aggressive sales and promotional efforts. Many insurance agents, sales persons of certain electrical gadgets, health drinks, soft drinks, and fund raisers for social or religious causes come under this category.

Sale is the index of success of marketing as well as the production efforts. The marketers who believe in sales concept often forget that the consumers buy goods to fulfil certain needs. After the sale, what happens or how the consumer feels is not their concern. They may not expect the customer to come again to buy the product. They may go to new target consumers, rather than building up a network of satisfied customers, Some firms facing with excess production also adopt selling concept. There are fair as well as unfair persuasive means adopted in this process. But the purpose behind all such actions is selling more, Sales executives or sales department assumes greater importance in sales concept compared with production concept and product concept.

Marketing Concept: In an evolutionary process, many organisations have come to change their focus and to see their marketing tasks in a broader perspective. Marketing concept is considered a business philosophy wider in its implications. Under the marketing concept, the organisation considers the needs and wants of consumers as the guiding spirit and the delivery of such goods and services which can satisfy the consumer needs more efficiently and effectively than the competitors. It is also said that the marketing concept is consumer orientation with the objective of achieving long run profits. It is a modern marketing philosophy for dynamic business growth. In other words, under this concept the task of marketing begins with finding what the consumer wants, and produce a product which will meet that want and provide maximum satisfaction. Implicitly, the consumer is the boss or king-who dictates. The focus which moved from the product to selling now rests with the consumer.

When organisations practice the marketing concept, all their activities (manufacturing, finance, research and development, quality control, distribution, selling, etc.) are directed to satisfy the consumer. Consumer satisfaction becomes a single value which becomes the core of corporate culture in such organisations. Companies produce what consumers want and, thus, satisfy consumers and make profits.

Those companies which have attained a certain maturity and which could see far beyond the immediate future adopt this concept. Some companies may not adopt this concept because they feel that this may result in the decline of sales or profits in the short run and the long run profits in any case are unpredictable or uncertain. The companies which want to make 'quick-bucks' also do not adopt this •concept. Even the departments within the organisation may not fully cooperate since they are not 'convinced' about the advantages of following the marketing concept. In spite of these hurdles, it is now a world-wide experience. Companies which are successful, enjoy goodwill and grow in the long run are companies which have adopted the marketing concept as their business philosophy. These companies realised that a satisfied consumer is the best advertiser for their product. Their profits are generated from the satisfaction of the customer and not from the product or their selling efforts. In an economy like India with shortages in many goods as well as lack of resistance from the consumers, the firms which practice the first three concepts also survive.

Societal Concept: With the growing awareness of the social relevance of business, there is an attempt to make marketing also relevant to the society. In a sense, marketing is not a business activity alone but must take into account the social needs, Excessive exploitation of resources, environmental deterioration and the customer movements in particular have necessitated the recognition of the relevance of marketing to the society. Marketing then must be a socially responsible or accountable activity. The societal concept holds that the business organisation must take into account the needs and wants of the consumers and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as the society's well being. The societal concept is an extension of the marketing concept to cover the society in addition to the consumers.

In effect, a company which adopts the societal concept has to balance the company profit, consumer satisfaction and society interests. The problem is almost the same as that of social responsibility of business. What is good for the society is a question to be decided. A voluntary acceptance of this concept is desirable for the long run survival of private business. An effective implementation of the societal concept will certainly enhance the goodwill of the business house, the business enterprises which believe in this concept will produce and market those goods and services which are beneficial to the society, those that do not pollute the environment, and give full value for the money spent.

Check Your Progress A

1. Distinguish between production concept and product concept.

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2. Distinguish between selling concept and marketing concept.

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3. Distinguish between marketing concept and societal concept.
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4. Match the organisational objectives given in Column 1 with the marketing concepts in Column 2.

Organisational Objectives	Marketing Concept
i) Effective distribution	a) Product concept
ii) Large scale selling and promotion effort	b) Societal concept
iii) Produce what consumers need	c) Selling concept
iv) Product improvement	d) Production concept.
v) Improve society's well being	e) Marketing concept

5. State whether the following statements are **True** or **False**.

   i) In an organisation which adopts the production concept, marketing department assumes greater importance.
   ii) Producing a cheaper product is the focus of product concept of marketing.
   iii) Selling concept of marketing assumes that left to themselves consumers will not buy enough of organisation's products.
   iv) "Make what you can sell instead of trying to sell what you can make", is the approach in marketing concept.
   v) Marketing creates time and place utilities to products and services.

14.2.3 Difference between Selling and Marketing

Many people use the terms marketing and selling as synonyms. In fact, these two terms have different meanings in marketing management. An understanding of the differences between them is necessary for you to be a successful marketing manager.

Selling is an action which converts the product into cash but marketing is the whole process of meeting and satisfying the needs of the consumer. Marketing consists of all those activities that are associated with product planning, pricing, promoting and distributing the product or service. Selling focuses on the needs of the seller whereas marketing concentrates on the needs of the buyer.

Selling is the modern version of the exchange under barter system. When the focus is on selling, the businessman thinks that after production has been completed the task of the sales force starts. It is also the, task of the sales department to sell whatever the production department has manufactured. Aggressive sales methods are justified to meet this goal and customer's actual needs and satisfaction are taken for granted.

But marketing is a wider and all pervasive activity to a business firm. The task commences with identifying consumer needs and does not end till feedback on consumer satisfaction from the consumption of the product is received. It is a long chain of activities which comprises production, packaging, promotion, pricing, distribution and then the selling. Consumer needs become the guiding force behind all these activities. Profits are not ignored but they are built up on a long run basis. Distinction between selling and marketing are summarised in the following Table:

Table14.1 Distinction between Selling and Marketing

Sr.	Selling	Marketing
1	Emphasis is on the product	Emphasis is on customers wants
2	Company first makes the product and then figures out how to sell it customers	Company first determines customers wants and then figures out how to make and deliver a product to satisfy these wants.
3	Management in sales volume oriented	Management is profit oriented
4	Planning is short-run-oriented, in terms of today's products and markets	Planning is long-run oriented in terms of new products, tomorrow's markets and future growth
5	Stresses needs of seller	Stresses wants of buyers

14.2.4 The Strategic Concept of Marketing

Warren J. Keegan (Global Marketing Management, Prentice Hall, New Delhi) discusses the strategic concept .of marketing. According to him, a major evolution in the history of marketing thought shifted the focus of marketing from the customer or the product to the customer in the context of the broader external environment. Knowing about the customer is not enough. To succeed, marketers must know the customer in a context including the competition, government policy and regulation, and the broader economic, social and political macro forces that shape the evolution of markets.

Another aspect of strategic marketing is the shift from profit to stakeholder benefits. Stakeholders are individuals or groups who have an interest in the activity of a company. They include the employees, management, customers, society and government, to mention only the most prominent. In this competitive world, marketing must focus on the customer in context and deliver value by creating stakeholder benefits for both customers and employees. However, profitability is not forgotten in the strategic concept. Profit is still a critical objective and measure of marketing success, but it is not an end in itself. The aim of marketing is to create value for stakeholders, and the key stakeholder is the customer. If your customer can get greater value from your competitor because your competitor is willing to accept a lower level of profit reward for investors and management, the customer will choose your competitor, and you will be out of business.

The essence of strategic marketing can be summarized in the form of the following three principles:

- **Customer Value and the Value Equation**: Creating customer value that is greater than the value created by competitors is the essence of marketing. Customer value can be increased by expanding or improving the product and or service benefits or by reducing the price or by a combination of 4 Ps (you will study 4 Ps in this unit later in Section 14.2.5 Marketing Mix) compared with competitors' products, if the benefits are strong enough and valued by customers, a company can win customers easily.

- **Competitive or Differential Advantage**: This is the second great principle of marketing. A competitive advantage is a total offer, vis4-vis relevant competition that is more attractive to customers. The advantage could exist in any element of the company's offer — the product, the price, the advertising and point-of-sale promotion, and the distribution of the product. The total offer must be more attractive than that of the competitor in order to create a competitive advantage. If the company is in a local industry, these competitors will be local. In a national industry, they will be national, and in a global industry, they will be global.

- **Focus**: Focus or the concentration of attention is required to succeed in the task of creating customer value at a competitive advantage. All great enterprises, large and small, are successful because they have understood and applied this great principle. A clear focus on customer needs and wants and on the competitive offer is needed to mobilize the effort needed to maintain a differential advantage. This can be accomplished only by focusing or concentrating resources and efforts on customer needs and wants, and on how to deliver a product that will meet those needs and . wants.

14.2.5 Marketing Mix

Marketing requires several activities to be done, To begin with, a Company may choose to enter one or more segments of a market — since it may not be possible to cover the entire market. The manufacturer of a bathing soap, for example, may aim at the working class in the middle or lower income groups as his target consumers. Once the target market is decided, the product is positioned in that market by providing the appropriate product qualities, price, and distribution and advertising efforts. These and other relevant marketing functions are to be combined or mixed in an effective proportion so as to achieve the marketing goal. In order to appreciate this process, it is easier to divide the marketing activities into four basic elements which are together referred to as the marketing mix.

These four .basic elements are: (i) product, (ii) price, (iii) promotion, and (iv) physical distribution. As all these four start with the letter ‘I’', they are referred to as the four Ps of the marketing mix or the four Ps in marketing. Thus, marketing mix may be defined as the set of controllable marketing variables/activities that the firm blends to produce the response it wants in the target markets. Let us study the four Ps in detail.

The word **Product** stands for the goods or services offered by the organisation. Once the needs are identified, it is necessary to plan the product and after that keep on analysing whether the product still satisfies the needs which were originally planned for and if not.
to determine the necessary changes, You will learn this in greater detail in Block 2 of this course when we talk about how new products are introduced, how they have to be modified in due course to continue to be successful in sales and why marginal or non-profitable products should be removed, unless they are contributing in some way to the overall benefit of the organisation.

Price is the money that the consumer has to pay. Price must be considered as worthy the value of the product to become an effective marketing tool. The product has to be appropriately priced. The manufacturer has to take into account cost factors, profit margin, the possibility of sales at different price levels and the concept of the right price. You will study pricing in detail in Block 3 of this course.

Promotion is the aspect of selling and advertising or communicating the benefits of the product or service to the target customers in order to persuade them to purchase such products or services. It includes selling through advertising as well as the sales force. Besides, a certain amount of promotion is also done through special seasonal discounts, competitions, special price reductions, etc. You will study about promotion in detail in Block 5 of this course.

Place (Distribution) refers to the aspect of the channels of distribution through which the product has to move before it reaches the consumer. It also includes the logistic aspects of distribution such as warehousing, transportation, etc., needed for geographical distribution of products. It is also concerned with the selection of distribution channels. The organisation must decide whether it should sell through wholesalers and then to retailers, or whether directly to the consumers, There are many ways in which a product can be moved from the producer to the consumer. The optimum method has to be determined in terms of both consumer satisfaction and profitability to the organisation, or optimum use. of the organisation's resources. You will study about physical distribution in detail in Block 4 of this course.

The manufacturer must design the most effective combination of these four basic factors as well the expenditure he would like to incur on them. The variables that are relevant in the marketing mix vary from company to company. These variables are not independent in their effect on the marketing effort. One variable may influence the other. Apart from the expenditure involved, these decisions are influenced by the company's market positioning decision. Look at Figure 14.2 carefully. It summarises all the components of marketing mix.

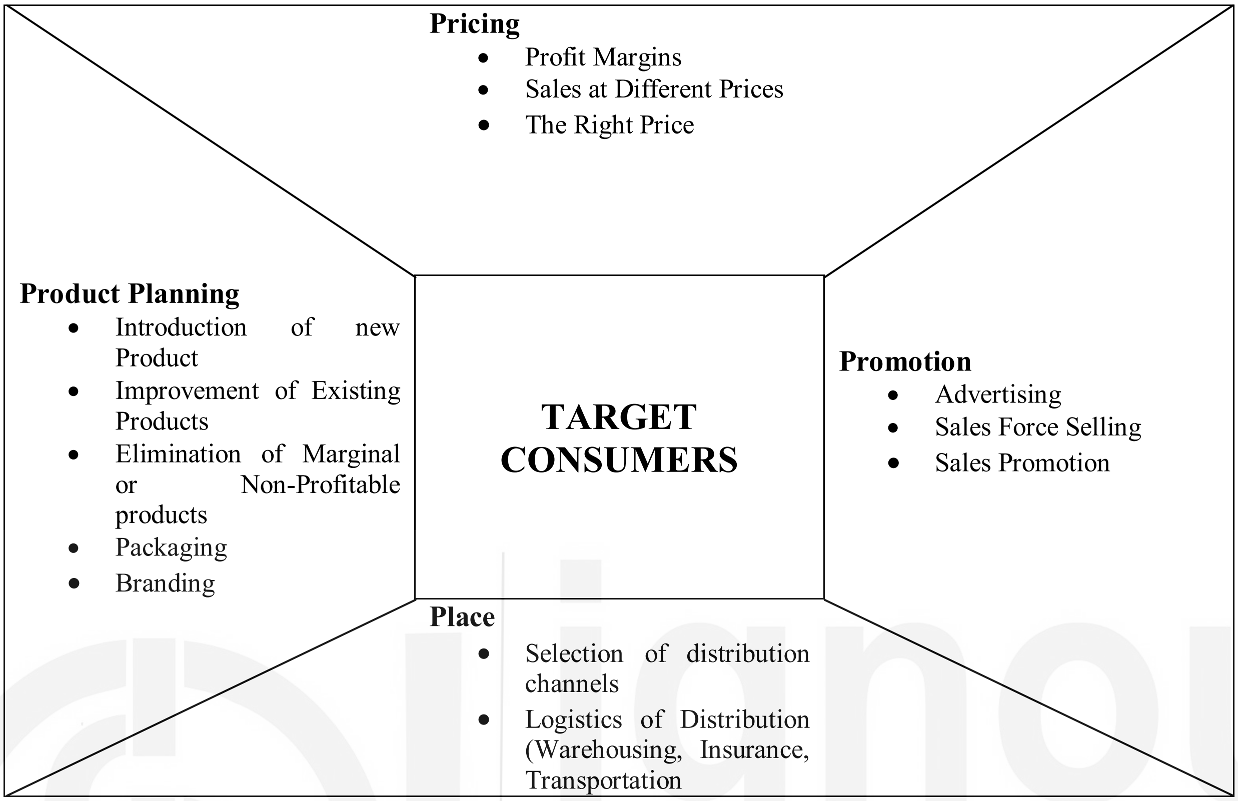

Figure-1.2 Marketing Mix

Check Your Progress B

1. What are the four Ps of marketing?

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2. State the three principle of strategic marketing.

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3. State the distinction between selling and marketing.

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State whether the following statements are **True** or **False**.

i) Warehousing is a part of physical distribution.

ii) Promotion is communication of the benefits of the product to the target customers in order to persuade them to purchase such product.
iii) Strategic marketing concept stresses more on profits.
iv) Selling primarily refers to exchange function.
v) Marketing starts with the product.

14.3 INTERNATIONAL MARKETING

As stated earlier, understanding of marketing concept is necessary to understand International marketing. We have already discussed what is marketing, how marketing concept evolved over a period of time, how it is different from selling, and the concepts of marketing mix. Now let us discuss about international marketing.

14.3.1 What is International Marketing?

Understanding international marketing is easier if you have good knowledge of the concept of marketing. As you know, as per the definition by the American Marketing Association, "marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives". This definition can be extended to define **"international marketing too. Thus, "international marketing is the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives".** If you examine this definition of international marketing carefully, you realise that only the world 'multinational' has been added to the AMA definition of marketing given above, By adding the word multinational, it implies that marketing activities are undertaken in several countries and such activities should be coordinated across nations. Thus, international marketing is the coordinated marketing process undertaken in several countries.

This definition does offer several advantages. **Firstly**, by placing individual objectives at one end of the definition and organisational objectives at the other, the definition stresses a relationship between a consumer and an organisation. **Secondly**, it makes clear that what is to be exchanged is not restricted to tangible products (goods) but can include concepts and services as well, When the UN promotes worldwide such concepts as birth control and breast feeding, this should be viewed as international marketing. Likewise, services or intangible products such as airlines, financial services, advertising services, management consulting, marketing research, etc., are also included, **Thirdly**, the definition recognises that it is improper for a firm to create a product first and then look for a place to sell it, Rather than seeking consumers for a firm's existing product, it is often more logical to determine consumer needs before creating a product, For overseas markets, the process may call for a modified product. In some cases, following this approach may result in foreign needs being satisfied in a new way i.e., a brand new product is created specifically for overseas markets, **Fourthly**, the definition acknowledges 'place' (distribution) is just a part of the marketing mix, and that the distance between markets makes it neither more nor less important than the other parts of the mix, Thus, it is improper for any firm to regard their international function as simply to export (i.e., move) available products from one country to another, **Finally**, the "multinational process" implies that the international marketing process is not a mere repetition of using identical strategies abroad. The four Ps of marketing (product, place, promotion and price) must be integrated and coordinated.

We have defined international marketing by just adding the term ‘multinational’ to the definition of marketing, Due to this fact, one may get the impression that international marketing is nothing but expansion of domestic marketing mix on a large scale. However, that impression is not true, because international marketing is not a simple extension of the domestic marketing mix to various countries. The answer lies not with different concepts of marketing but with the environment within which marketing plans must be implemented. Competition, legal restraints, government controls, weather, fickle consumers, and any number of other uncontrollable elements do affect the profitable outcome of sound marketing plans. What makes marketing interesting is the challenge of molding the controllable elements of marketing decisions (product, price, promotion, and place) within the framework of the uncontrollable elements of the market place (competition, politics, laws, consumer behaviour, level of technology, and so forth) in such a way that marketing objectives are achieved. Even though marketing principles and concepts, are universally applicable, the environment within which the marketer must implement marketing plans can change dramatically from country to country. The difficulties created by different environments are the international marketer's primary concern. Domestic marketing involves one set of uncontrollable derived from the domestic market environment. International marketing is much more complex because a marketer faces more sets of uncontrollable variables because market environment differs from country to country. Thus, each country may pose a different set of uncontrollable. The marketer must cope with different cultural, legal, political and monetary systems in international markets. A firm's marketing mix is determined by the uncontrollable factors within each country's environment. For optimum results the firm may have to modify the marketing mix in each country to conform to respective environments, though wholesale modification may not often be necessary. Thus, in any case, the varying environments within which the marketing plan is implemented may often rule out uniform marketing strategies across countries in international marketing. McDonald's, although world renowned for its American symbols and standardisation has actually been flexible overseas. Recognising the importance of foreign markets and local customs, the company customises its menu by region. In fact, it has even excluded beef from its menu in India in deference to India’s Hindu tradition.

Thus the differences between domestic marketing and international marketing arise entirely from the differences that exist in the national and multinational environment within which the marketing effort is directed and the differences that arise in the organisation and programme because of operations being conducted simultaneously' in different markets.

14.3.2 International Marketing Concepts

We have just now discussed in detail the meaning and scope of international marketing,
In the context of international marketing, you come across several terms such as domestic marketing, export marketing, multinational marketing, global marketing etc, Before we proceed further, it is necessary for you to understand these concepts, their inter linkage and differentiation, Now let us study these concepts in .detail, one by one.

Domestic Marketing: Marketing that is targeted exclusively at the home-country market is called domestic marketing. A purely domestic company operates only domestically. When it reaches growth limits, it diversifies into new markets, products and technologies within the country instead of entering foreign markets.

Export Marketing: This is the first stage when the firm steps out of the domestic market and explore market opportunities outside the country. In export marketing, the main aim of the firm is to expand the market size. Firm produces all its goods in the home country and exports the surplus production to other countries. It makes full marketing efforts in the domestic country, but do not undertake any marketing activity in the foreign countries. It makes no effort to plan and executes marketing mix to the needs and requirements of the foreign markets; thus, in export marketing the emphasis is on expanding the market size by exporting to other countries, but not making full-fledged marketing efforts in foreign countries. In many instances, companies typically start with indirect exporting through international agents. Indirect exporting involves least investment because the firm does not require an overseas sales force, Hoy/Aver, when the firm exports directly, it has to appoint international sales personnel stationed 'either in the foreign country or in the domestic country, but visit foreign markets regularly. Thus, when a domestic marketing firm starts export marketing, you find the presence of a department with international sales force in the organisational structure.

International Marketing: You have studied that in export marketing, the firm do not undertake marketing effort in the foreign country. It exports the surplus products produced in the domestic country through agents and there are no direct marketing efforts in the foreign market, now the firm realises the difficulties in selling the products in foreign markets without full-fledged marketing efforts in those countries. In international marketing focus changes from just exporting to marketing in foreign countries. Company establishes subsidiaries in the foreign countries to undertake marketing operations. These subsidiaries may be working either through direction from the headquarters in the domestic country or independently, but the key positions in such concerns are manned by nationals of domestic country.

When the firm decides to pursue market opportunities outside the home country, it extends marketing, manufacturing, and other activities outside the home country. The marketing strategy of the firm is an extension; that is, products, promotion, pricing, and business practices developed for the home-country market are 'extended' into markets around the world. The underlying philosophy is that given limited resources and experience, companies must focus on what they do best. When a company decides to go international, it makes sense at the beginning to extend as much of the business and marketing mix (product, price, promotion, and place or channels of distribution) as possible so that learning can focus on how to do business in foreign countries.

Multinational Marketing: As you know, in international marketing the firm extends the domestic marketing mix to all countries. The firm realises that the extension of domestic marketing mix is not effective as the business environment in other countries differ from domestic country. The differences in markets across the countries necessitate modification of the marketing mix suitably to the environment in each country. Therefore, marketing mix should be unique for respective country in which the firm conducts its business.

This is multinational marketing approach. Thus multinational marketing is the adaptation of the domestic marketing mix suitable to the market differences in market environment in each country of operation. The guiding philosophy of multinational marketing is that markets and ways of doing business around the world are so unique that the only way to succeed internationally is to adapt to the different aspects of each national market. Subsidiaries are formed in each country or group of countries to handle all marketing operations in that country/region. Each foreign subsidiary is managed as if it were an independent unit. The subsidiaries are part of an area structure in which each country is part of a regional organisation that reports to world headquarters in the domestic country. It makes no distinctions in its personnel policy between national and non-national. The role of headquarters in such 'concerns is that of coordination among the subsidiaries.

Global Marketing: In multinational marketing, as you have already studied, marketing mix is different from country to country as market environments differ, and the country subsidiaries operate just as independent units. As a result, the firm fails to realise the economies of scale possible through world scale operations. At this stage the firm realises, although the world is not a homogeneous market, the possibilities to identify the groups of consumers (segments) across the globe with similar values, needs and behaviour patterns who can be satisfied with a single standardised product and marketing mix. This is global marketing strategy. Under this strategy, the world as a whole is viewed as the -market and the firm attempts to standardise as much of the company effort as is practical on a worldwide basis. Some decisions of marketing mix are viewed as applicable worldwide, while others require consideration of local influence, Thus, the global marketing views an entire set of country markets as a unit, identifying groups of prospective buyers with similar needs as a global market segment and developing a marketing plan that strives for standardisation wherever it is cost and culturally effective. This might mean a company's global marketing plan has a standardised product but country specific advertising; or has a standardised theme in all countries with country/ culture-specific appeals to a unique market characteristic but adapted products to meet specific country needs, and so on. In other words, the marketing planning and marketing mix are approached from a global perspective, and where feasible efficiencies of standardisation are sought, We may conclude that *global marketing means operating as if all the country markets in a company's scope of operations (including the domestic market) are approachable as a single global market and standardising the marketing mix where culturally feasible and cost effective*.

You have studied the meaning of various terminologies above. A logical question which may come to your mind at this stage could be about the scope of this course on International Marketing. In this section we have given a very restricted explanation to the term 'International marketing'. In the context of this limited explanation, you may think that the scope of this course is also limited. You must note that we have offered explanation to international marketing in comparison with export marketing, multinational, and global marketing as explained by various books.

However, in this course the term international marketing is used as per the definition given in Section 14.3.1 and thus it is used in this course with a broader scope.

14.3.3 International Marketing Involvement

After studying the meaning of the various terms such as domestic marketing, international marketing, multinational marketing, and global marketing, a logical question that could be in your mind is what are the inter-relationship between these terminologies. Though each of the terms has distinctive meaning, there is strong inter-relationship too. The basic difference between these terms is in terms of the international marketing involvement and commitment the company is prepared to make. From international marketing view point, the company may not make any investment, meaning that its marketing involvement is limited. On the contrary, a company may become totally involved by investing a large sum of money and effort to capture and maintain international market share. If you carefully examine the terms we have discussed, you will realise that the firm's international marketing involvement is totally absent in domestic marketing and it gradually increases as we move from export marketing to international marketing to multinational marketing to global marketing. Let us examine this.

In domestic marketing, the marketing focus of the firm is only on domestic market and there is no involvement in international marketing activity, If the firm moves .from domestic marketing to export marketing, firm's involvement in international marketing Starts. Here the involvement and commitment Is the least. There are no subsidiaries outside the country, but there is a division of exports/international sales force at headquarters in domestic country. In the next phase when the firm moves to international marketing, involvement and commitment increases further as the subsidiaries are established in foreign countries, and they undertake marketing operations in their respective .countries/ territories. Here domestic marketing mix is extended in all foreign countries. In multinational marketing, the involvement and commitment further increases as all the subsidiaries operate independently and marketing mix is designed as per the local conditions. International marketing involvement would be the maximum in global marketing as the firm views the whole globe as a single market, certain aspects of marketing mix are standardised wherever it is cost effective and others are adopted to local environment in each country.

In general an international business firm can be placed in any one of these five distinctive but overlapping phases of international marketing. When a firm want to increase its involvement, it is not always necessary to go sequentially. It may, if desired so, skip some phases while moving forward. However, business usually move through the five phases of international marketing involvement one at a time, but it is not unusual for a company to skip one or more phases. As a firm moves from one phase to another, the complexity and sophistication of international marketing activity tends to increase and the degree of • internationalisation to which management is philosophically committed tends to change. Such commitment affects the specific international strategies and, decisions of the firm.

Check Your Progress C

1. Define international marketing.

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2. Differentiate between multinational marketing and global marketing.

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3. Differentiate between international and multinational marketing.

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4. State whether the following statements are **True** or **False**.

i) International marketing is nothing but domestic marketing on large scale.
ii) Subsidiaries enjoy maximum autonomy in multinational marketing phase.
iii) In export marketing there is no marketing effort in the foreign country.
iv) International marketing involvement is the lowest in multinational marketing phase.

14.4 GROWING IMPORTANCE OF INTERNATIONAL MARKETING

A global economic boom, unprecedented in modern economic history, is under, way. Powerful economic, technological, industrial; political and demographic forces are converging to build the foundation of a new global economic order on which the structure of a one-world economic and market system will be built.

Today most business activities are global in scope. Finance, technology, research, capital and investment flows,' production facilities, and marketing and distribution networks all have global dimensions, Every business must be prepared to compete in an increasingly Interdependent global economic environment and all business people must be aware of the effects of these trends on their business. Of all the trends affecting global business today, three stand out as the most dynamic, the ones that will influence the shape of ' international business in the future: (1) the rapid growth of regional economic groupings areas such as NAFTA, EU and AFTA; (2) the trend toward the acceptance of the free market system among developing countries in Latin America, Asia and Eastern Europe; and (3) from these two, the evolution of large emerging markets.

Today, global marketing is essential not only for the realisation of the full potential of a business, but even for the survival of the businesses, A company that fails to go global is in danger of losing 'its domestic business to international competitors with lower costs, greater experience, better products, and in a. nut shell, more value for the consumer.

Foreign trade is regarded as an engine of growth and the consequent need for both public and private- sectors of business to understand the nature of-international marketing has occurred, for a number of reasons. The most influential and enabling factor has been the remarkable growth in communications and transportation. The transhipment of goods between nations has accelerated as a result of the availability of cheaper and speedier modes of transport across the seas and by air. As trade barriers have broken down and customs tariffs have been greatly reduced through the successive rounds of multilateral trade negotiations, more opportunities have come up for companies in previously inaccessible markets. Trading blocks have emerged. The European Union comprising of 15 countries across Europe with a combined population of 380'million has eliminated barriers to trade and 'allowed free movement of goods, people and capital, making it an integrated common market. Similarly, the North American Free Trade Area comprising USA, Canada and Mexico with a population of 390 Million allows free trade between. USA, and Canada, Mexico is integrating fast and in the next three/four years, will have free movement of goods, people and Capital. Already the trade between Mexico and USA has reached' new heights, The ASEAN, group comprises ten countries of South — East Asia- Thailand, Malaysia, Singapore, Indonesia, the Philippines, Brunei, Vietnam, Myanmar, Laos and Cambodia a market of 500 million population. The Mercasour comprising Brazil, Argentina, Uruguay and Paraguay is a Latin American block; Other blocks cover the Andean Common Market, the East African Community, the West Africa, SAARC comprising India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan and Maldives, the Gulf Cooperation Council. of six countries, the Indian Ocean Rim comprising countries in the Indian Ocean, East/South Africa, SE Asia, Western Australia have all come up in recent years. Financial flows of foreign direct and portfolio investments have reached hundreds of billions of dollars a year. A global shopping market is emerging and global competition is intensifying.

There are several characteristics that are unique to international marketing. When the business crosses the national borders, it becomes enormously more complex. A wide range of legal, cultural, economic, political and sociological dimensions come into the picture. These contribute to the complexity of international; marketing and the ones that contribute most to the complexity are the environmental and cultural dynamics of global markets which can only be studied in-depth covering the patterns of life, social interactions, sensibilities, faith and fancies of people.

Around 63,000 multinational companies with nearly half a million affiliates and subsidiaries have come up in last four decades and account for over a .third of global trade. The importance of international marketing has grown several fold in the context of the global changes. .Even the former centrally planned economies of China, former USSR, and East European countries are moving away from their earlier insular approach and transition economies to more market oriented. China now accounts for over 3 per cent of global trade.

Several factors tend to draw a company to the international markets. Global firms offering better products at lower prices might attack the company's domestic market. The company might discover that some foreign markets present higher profit opportunities than the domestic market. The company might need a larger customer base to achieve economies of scale and might want to reduce its dependence on any one market to reduce risk. The company may be saddled with over capacity and must find additional markets. India's share of global trade in 1999-2000 was a mere 0.6 per cent in merchandise trade and has dropped from 2.4 per cent that it had in 1948-50. There is a vast potential for India in the international markets not only in the traditional areas of textiles, garments, yarn, leather, marine products, gems and jewelry, agri-produce (rice, spices, tobacco, cashew, coir, tea, coffee), iron ore, engineering goods, chemicals, etc., but also in the fast growing software, pharma, services and value added products. • India has barely 1.5 per cent share in the software sector globally and with patents expiring there is emerging a vast global market in pharma products as a sourcing base, and in the research and development fields as it has a very large pool of educated skills at affordable prices.

It is less and less possible for business to avoid the influence, of the globalisation of the world's markets, and the growth of new emerging markets. As competition for world markets intensifies, the number of companies operating solely in, domestic markets will decrease. The challenge of international marketing is to develop strategic plans that are competitive in the intensifying global markets.' These and other issues affecting the world, economy, trade, markets, and competition will be discussed throughout this text.

In most industries it is clear that the companies that will survive and prosper in the 21" century will be global enterprises. Companies that do not face the challenges and opportunities of going to global will be absorbed by more dynamic enterprises; the others will simply disappear in the wake of the more dynamic competitors.

14.5 REASON FOR ENTERING INTERNATIONAL MARKETS

There are several reasons for a business firm to go international. Important reasons for going international are described below:

1. Domestic market constraints
2. Government policies and regulations
3. Growth of overseas markets
4. Increased productivity
5. Relative profitability
6. Diversification to reduce business risk
7. Control inflation and price rise
8. Counter competition
9. Strategic vision

Let us now study each of them in details.

Domestic Market Constraints: Domestic demand constraints drive many companies to expand the market beyond the national boundaries. The following are the main constraints in the domestic market:

- If the size of the domestic market is very small, companies look forward to foreign markets to achieve the economies of scale. For example, many Japanese companies in electronics and automobile sectors go global because the size of the domestic (Japan) market is small. Similarly, since most European nations are relatively small in size, without foreign markets, European firms would not have sufficient economies of scale to allow them to be competitive with US firms.

- Due to recession in the domestic market, companies may not be able to utilise the full production capacity. Sometimes there is excess production capacity in the country where companies are not able to utilise the full production capacity, and unable to sell in the domestic market whatever produced. Recession in the automobile industry in the early 1990s encouraged several Indian auto component .manufacturers to explore foreign markets. Similarly, due to excess production capacity in cement industry, cement companies were not able to utilise full production capacity in mid 1990s and several of them focussed on the export markets.

- The market for a number of products tend to saturate or decline in the advanced countries. This often happens when the market potential has been almost fully tapped, and when the population in some of the advanced economies would saturate or decline. Such demographic trends have very adverse effects on certain lines of business, For example, the fall in the birth. rate imply contraction of market for several baby products. To overcome such problems in the domestic market, companies look for foreign markets.

- Another type of domestic market constraint arises from the scale economies. The technological advances have increased the size of the optimum scale pf operation - substantially in many industries making it necessary to have foreign market, in addition to the domestic market, to take advantage of the scale economies. It is the thrust given to exports that enabled certain countries like South Korea to set up economic size plants. In the absence of foreign markets, domestic marker constraints come in the way of benefitting from the economies of scale in some industries.

- Growth in international markets causes the growth in demand for some products, attracting the manufacturers of these products to internationalise. Many Indian software companies entered international markets when the international demand for software products was first getting underway. Cipla, an Indian pharmaceutical company, entered Africa with its HIV treatment drugs as there exist a vast market. Cipla had price advantage compared with the US firms. In addition to growth in demand, knowing that other firms (particularly competitors) are internationalising becomes a strong compulsion to internationalise. Competitors are an important external factor which stimulates internationalisation. Coca Cola became international much earlier than Pepsi did, but there is no doubt whatsoever that Coca Cola's move into overseas markets influenced Pepsi to move in the same direction.

- Sometimes, excess production capacity arises because of changing demand in the domestic market. As domestic markets switch to new and substitute products, companies making older product versions develop excess capacity and look for overseas market opportunities. In some cases, the domestic market may be completely closed but the company may be producing for international markets. For Instance, whereas the old-fashioned manual washing machines are totally outdated in the US markets, they are very desirable in many less developed countries because they are better than manual washboards or rocks to clean the laundry.

Government Policies and Regulations: Government policies and regulations also motivate the firms to internationalise. Government may impose certain restrictions on further growth and capacity expansion of some firms within the domestic market in order to achieve certain social objectives. But there may not be any such restrictions on making investments overseas or the restrictions may be relaxed even in the domestic market, provided the additional capacity envisaged by the company is utilised for exports. In such a situation, a firm may contemplate export operations, because it offers a way to achieve corporate growth which may otherwise not be possible. US producers of asbestos products found the domestic market legally closed to them. Since some overseas markets had more lenient consumer protection laws, US firms continued to produce asbestos for overseas markets. Here US banned the sale of' the product domestically, but production in the country is allowed. Take a contrasting example, where the product consumption is allowed in the domestic market, but production, is not permitted. Production of caustic soda and soda ash are banned in many developed countries as it was considered environmentally hazardous, but the use of these products is not banned. At the same time, developing countries like India have not imposed such ban on production. As a result, companies in the developing countries like India found attractive markets in developed countries.

Many governments give a number of incentives and other positive support to domestic companies to export and to invest in foreign countries. Similarly, several countries give a lot of incentives to attract foreign investment. For example, in India, units established in the Export Processing Zones (EPZs) and 100% Export Oriented Units (100% EOUs) get excise and other tax benefits and have to export their production compulsorily. Similarly, software companies get income tax concession on the export earnings.

Sometimes, as was the case in India, companies may be obliged to earn foreign exchange to finance their imports and to meet certain other foreign exchange requirements like payment of royalty, dividend, etc. Government policies which limit the scope of business in the home country also provoke companies to move to other countries. In the early seventies, due to MRTP restrictions, the only alternative left for the Indian industrial houses was to set up industries in other countries. During these years, one of the most important motivations behind foreign direct investment by Indian firms had been the desire to escape the constraining effects of Government of India's policy. However, the situation has changed now with the change of economic .policy of the Indian Government.

In nearly all countries, governments try to stimulate international business by providing international Marketing expertise. For example, to promote India Brand internationally, Government of India created Rs.500 crore fund.

Growth of Overseas Markets: The enormous growth potential of many foreign markets is a very strong attraction for companies to enter into foreign markets. In a number of developing countries, both the population and income are growing fast. It may be noted that several developing countries, the newly industrialising countries and the Peoples' Republic of China in particular, have been growing much faster than the developed countries. Growth rate of India has also been good and the liberalisation seems to have accelerated the growth. Even if the market for several goods in these countries is .not very substantial at present, many companies are eager to establish a foothold there, ' considering their future potential. Similarly, when the East European economies have been opened up, there have been array of MNCs to establish a base in these markets.

In 1970s economies of the Middle East countries started booming with the exploration of petroleum. It created huge demand for consumer goods, housing, infrastructure, health care, education, etc, Many Indians got employment and several Indian companies found export opportunities. Similarly, in 1990s Latin American economies experienced the strongest economic growth. Many US companies took advantage and extended their marketing operations in Latin America. Similar things happened when the Chinese economy was opened up in late 1980s, and after the disintegration of the erstwhile USSR.

Increased Productivity: Increased productivity is necessary for the ultimate survival of a firm. This itself may lead a company to increase production and then seek export markets. Moreover, in these days of technological developments, bigger companies have to spend a lot on research and development. To meet the cost of research and development, larger markets become necessary and exports become unavoidable.

Foreign markets constitute a large share of the 'total business of many firms that have wisely cultivated markets abroad. IBM and Compaq, for example, sell more computers abroad than at home. The case of Coca Cola also clearly emphasizes the importance of overseas markets. International sales account for more than 80 per cent .of the Coca Cola's operating profits.

Relative Profitability: One of the most important objectives of internationalisation. is the profit advantage. International business could be more profitable than the domestic. The price realised in export markets may be relatively higher than that realised in the home market. This is so, for example, in the case of readymade garments and jewellery. In many other cases, export incentives provided by the Government may make exporting relatively more profitable than selling in the domestic market. Even when international business is less profitable than the domestic, it could increase the total profit. This is possible because by exporting you can utilise the idle production capacity. Thus by optimum utilisation of production capacity, the overall profitability of domestic business can he improved.

One of the important motivations for international business is to reduce costs. Many international firms establish their production facilities in the countries where the manufacturing costs (labour, power, raw materials) are cheaper. For example, many US software majors have started their offices in India as the expertise is -available at lower salaries. For most of the US garment brands, designing is done in the US, cloth is sourced from another country, sticking is carried in a third world country and final product is shipped to the US. While in some cases, the whole manufacturing of a product may be carried out in foreign locations, in some cases only certain stages of it are done abroad. Almost 20 per cent of the merchandise imported into the US is manufactured by foreign branches of American companies. Several American companies ship parts and components to overseas locations where the labour intensive assembly operations are carried out and then the product is brought back home. The North American Free Trade Agreement comprising the US, Canada, and Mexico is encouraging large relocation of production to Mexico where the labour is substantially cheaper.

Diversification to Reduce Business Risks: A diversified export business may help in mitigating sharp fluctuations in the overall activity of a firm. When a firm is selling in a number of markets, the downward fluctuation in sales in one market (which may be the domestic market) may be fully or partially counterbalanced by a rise in the sales in other markets. Demand for most products is affected by such cyclical factors as recession and such seasonal factors as climate. The unfortunate consequence of these variables is sales fluctuations, which can frequently be substantial enough to cause losses. One way to overcome this risk is to consider foreign markets as a solution for variable demand. Such markets even out fluctuations by providing outlets for excess production capacity. For example, the US economy slowed down in 2001 while Chinese and Indian economies are doing well, If a business firm is operating in these three countries, the decline in sales in the US may be more than compensated by the increase in sales in China and India.

Control Inflation and Price Rise: On several occasions, Governments permit imports to increase the supply and control prices, thus control the inflationary' pressures on the economy. Whenever domestic prices increase, normally imports are allowed to increase the supply and control the prices. When imported products are available at lower price, domestic producers, also reduce their prices. Without imports, there is no pressure domestic producers to reduce their prices. The lack of intoned product alternatives forces consumers to pay more, resulting in inflation and excessive profits for local firms. This development usually acts as a prelude to workers demand for higher wages, further exaggerating the problem of inflation.

The short-term gain derived from artificial controls on the supply of imports can in the long run return to haunt domestic firms. Not only do trade restri6tions depress price competition in the short run, but they can also adversely affect deman4for years to come. In Europe, when prices of orange juice were driven upward, consumers switched to apple juice and other fruit drinks. Likewise, Florida orange growers found to their dismay that sharply higher prices turned consumers to other products.

Counter Competition: Many companies also take an offensive international competitive strategy by way, of counter-competition. The strategy of counter-competition is to penetrate the home market of the potential foreign competitor so as to diminish its competitive strength and to protect the domestic market share from foreign penetration. Effective counter-competition has a destabilizing impact on the foreign company's cash flows, product related competitiveness and decision making about integration. Direct market penetration can drain vital cash flows from the foreign company's domestic operations. . This drain can result in lost opportunities, reduced income, and limited production, impairing the competitor's ability to make overseas thrusts. IBM moved early to establish a position of strength in the Japanese main frame computer industry before two key competitors, Fujitsu and Hitachi, could gain dominance. Holding almost 25 per cent of the market, IBM denied its Japanese competitors vital cash flow and production experience needed to invade the US market. They lacked sufficient resources to develop the distribution and software capabilities essential to success in America. So the Japanese have finally entered into joint ventures with US companies having distribution and software skills (Fujitsu with TRW, Hitachi with National Semiconductor). In fact, in Fujitu’s case, it was an ironic reversal of the counter-competitive strategy by expanding abroad to' increase its economies of scale for the fight with IBM back home. The Texas Instruments established semiconductor production facilities in Japan to prevent Japanese manufacturers from their own markets. Even after much development work, the Japanese producers could muster neither the R&D resources nor the manufacturing capability to compete at home or overseas with acceptable product in sufficiently large quantities.

Strategic Vision: The systematic and growing internationalisation of many companies is essentially part of their business policy or strategic management. The stimulus for internationalisation come from the urge to grow, the need to become more competitive, the need to diversify' and to get strategic advantages 'of internationalisation, many companies in India, like several pharmaceutical firms, have realised that a major part of their future growth will be in the foreign markets. There are a number of corporations which are truly global. Planning of .manufacturing facilities, logistical systems, financial flows and marketing policies in such corporations is done considering the entire world as its single market. In short, it is a borderless world.

By exporting at a time when it is difficult to export, some firms build up their image in the domestic market. They also look at exporting to attain status and prestige.

Check Your Progress D

1. State the reasons for a firm to enter international markets.

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2. Identify an Indian software company which is involved in the international marketing. Try to find out the reason why it had entered in international marketing.

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3. State whether the following statements are **True** or **False**.

   i) The ASEAN group comprises ten countries of South East Asia.
   ii) As domestic markets switch to new and substitute products, companies making older product versions develop excess capacity.
   iii) A diversified business activity do not help in mitigating sharp fluctuations in the overall activity of a firm.
   iv) The objective of counter-competition strategy is to penetrate the home market of the potential foreign competitor so as to diminish its competitive strength and to protect the domestic market share from foreign penetration.

14.6 LET US SUM UP

The term marketing has been defined in different ways. This is because each author defines it with a particular approach or purpose. According to Philip Kotler, 'marketing is human activity directed at satisfying needs and wants through exchange process'. It is a process of ascertaining consumer needs, converting them into product or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants with emphasis on profitability and ensuring the optimum use of the resources available to the organisation

After the Industrial Revolution, marketing philosophy has undergone so Many changes. It has passed through four stages and a fifth stage is emerging. During these five stages of development, five marketing concepts emerged. They are: 1) production concept, 2) product concept, 3) selling concept, 4) marketing concept, and 5) .societal concept. However, even in the present day world many companies are still in the earlier stages.

Many people think that the terms selling and marketing are synonymous. In fact, selling is different from marketing. Selling is the action which converts the product into cash whereas marketing is the whole process of identifying, meeting and satisfying the needs of the consumers.

Under the strategic concept of marketing, the focus of marketing shift from the customer or the product to the customer in the context of the broader external environment. The essence of this concept is summarised in three principles viz., (1) customer value and value equation, (2) competitive or differential advantage, and (3) focus.

Marketing activities may be divided into four basic elements which are together referred to as the marketing mix. These four basic elements are: 1) product, 2) price, 3) promotion and 4) place. As all these elements start with the letter P, they are referred to as the `four Ps' of the marketing mix or the 'four Ps' in marketing. International marketing is the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives. Here one may get the impression that international marketing .is nothing but expansion of domestic marketing on a large scale. But it is not as simple as that. The difference between domestic marketing and international 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 organisation and programme because of operations being conducted simultaneously in different markets.

In the context of international marketing, there are certain terminologies like domestic marketing, export marketing, international marketing, multinational marketing and global marketing, which have specific meanings, These terms are, in fact, distinctive but overlapping phases of international marketing involvement. The marketing involvement and commitment of the firm is the least in export marketing and the highest in global marketing. Thus, these terminologies represent five phases of the international marketing involvement. However, though there is difference in meaning, in this course, we use the term International Marketing in a broader context. A global economic boom, unprecedented in modern economic history, is under way. Today most business activities are global in scope. Every business must be prepared to compete in an increasingly interdependent global economic environment and all business. people must be aware of the effects of those trends on their business, Today, international marketing is essential not only for the realisation of the full potential of' a business, but even for the survival of the business,

There are several reasons for a business to go international such as (1) domestic market constraints, (2) government policies and regulations, (3) growth of overseas markets, (4) increased productivity, (5) relative profitability, (6) diversification to reduce business risk, (7) control inflation and price rise, (8) counter competition, and (9) strategic vision.

14.7 KEY WORDS

Domestic Marketing: Marketing that is targeted exclusively on the home country market.

Global Marketing: Operating as if all the country markets in a company's scope of operations (including the domestic market) are approachable as a single global market and standardising the marketing mix where culturally feasible and cost effective.

International Marketing Management: the analysis, planning, implementation and control of programmes designed to create, build, and maintain beneficial exchanges with target buyers internationally for the purpose of achieving organisational objectives.

International Trade: Refers to the flow of goods across national borders. The focus of the analysis 'is on commercial and monetary conditions that affect balance of payment and resource transfers. It provides a macro view of the market at the national level, with no specific attention given to companies' market intervention.

Marketing: The process of ascertaining consumer needs, converting them into products or services, and moving the product or service to the final consumer or user to satisfy certain needs and wants with emphasis on profitability and ensuring optimum use of the resources available to the organisation.

Marketing Concept: A marketing philosophy which holds that achieving organisational goals depends on determining needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competition.

Marketing Management: The analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives.

Marketing Mix: The set of four Ps — product, price, promotion, and place that a firm blends to produce the response it wants in the target group.

Multinational Marketing: Adaptation of the domestic marketing mix suitable to the market differences in each country of operation.

Product Concept: A marketing philosophy which holds that consumers will favour the products that' offer the most quality, performance and features, and therefore the organisation should devote its energy to making continuous product improvement.

Production Concept: A marketing philosophy which holds that consumer will favour products that are available and highly affordable, and therefore management should focus on improving production and distribution efficiency.

Selling Concept: A marketing philosophy which holds that consumer will not buy enough of the organisation's products unless the organisation undertakes a large selling and production effort.

Societal Concept: A marketing philosophy which holds that the organisation must take into account the needs and wants of the consumers and deliver the goods and services efficiently so as to enhance consumer's satisfaction as well as the societal well being.

Strategic Marketing: It envisages that knowing customer is not enough. Marketers must know the customer in a context including the competition, government policy and regulation, and the broader economic, social and political macro forces that shape the evolution of markets.

14.8 ANSWERS TO CHECK YOUR PROGRESS

A.4	i) d	ii) c	iii) e	iv) a	v) b
A.5	i) False	ii) False	iii) True	iv) True	v) True
B.4	i) True	ii) True	iii) False	iv) True	v) False
C.4	i) False	ii) True	iii) True	iv) False	
D.3	i) True	ii) True	iii) False	iv) True	

14.9 TERMINAL QUESTIONS

1) Define marketing and explain its implications. Explain how marketing is different from selling.
2) What are the marketing concepts? Explain the process of evolution of these concepts.
3) What is the consumer's place in modern marketing?
4) What is marketing mix? Explain the components of marketing mix.
5) What do you understand by the strategic concept of marketing? How it is different from marketing concept? Explain the basic principles of strategic marketing.
6) Why do firms go international? Explain with the help of examples from Indian context.
7) Imagine that you are serving is a marketing manager in a domestic firm which is not very keen to go international despite good business opportunities overseas. Write a note to the president of the firm explaining the importance of international marketing and the involvement and commitment the company would be received to make for entering international markets.