Lecture Notes

On

International Marketing

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UNIT-1

Nature, Importance and Scope of International Marketing

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

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

According to Cateora and Graham, "International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit."

According to Terpstra and Sorathy, "international marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international and of coordinating marketing activities within the constraints of the global environment."

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

Nature of International Marketing

1. **Broader market is available:** Unlike domestic marketing the market is not restricted to national population. Population of other countries can also be targeted in international marketing.

2. **Involves at least two set of uncontrollable variables:** In domestic marketing the marketers have to interact with only one set of uncontrollable variables. In international marketing at least two set of uncontrollable variables are involved or more if the marketing organization deals in more countries.

3. **Requires broader competence:** Special management skills and broader competence is required in international marketing/business.

4. **Competition is intense:** An international marketing organization has to compete with both the domestic competitors and the international competitors. Hence, the competition is intense in international marketing.

5. **Involve high risk and challenges:** International marketing is prove to various kinds of risk and challenge like – political risk, cultural differences, changes in fashion and style of foreign customers, sudden war, changes in government rules and regulations, communication challenges due to language and cultural barriers, etc.

Importance of International Marketing

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

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

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

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

Scope of International Marketing

1. **Export:** It is a function of international business whereby goods produced in one country are shipped to another country for further sale or trade.

2. **Import:** Goods or services brought into one country from another for use or sale.

3. **Re-export:** Import of semi-finished goods, further processing, and export of finished goods.

4. **Management of international operations**

- Operating marketing and sales facilities abroad,

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

Domestic Marketing vs. International Marketing

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

On the other hand, International marketing, as the name suggests, is the type of marketing which is stretched across several countries in the world, i.e. the marketing of products and services is done globally.

Comparison Chart

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

Domestic Marketing: Domestic marketing is the selling of a company's products within a local financial market. It deals with only one set of competition and economic issues which make it more convenient to do.

There are no language barriers in domestic marketing and obtaining and interpreting data on local marketing trends and consumer demands is easier and faster to do. It helps the company make decisions and develop marketing strategies that are more effective and efficient. The risks are also lesser with domestic marketing and it needs lesser financial resources.

Local markets are not as broad as the international market though and most companies are aiming at doing business globally.

International Marketing: International marketing is the promotion and sale of a company's products to consumers in different countries. It is very complex and requires a huge amount of financial resources.

Every country has its own laws on business and a company that aims at entering into business in another country must first know about them. Consumer tastes and preferences may also differ so marketing strategies must be formulated to cater to the needs of different consumers.

International marketing requires more time and effort, not to mention its being very risky too. The international market is very uncertain and a company must always be ready for changes that may suddenly occur. It requires a higher level of commitment to succeed in an international market.

1. Domestic marketing is the production, promotion, distribution, and sale of goods and services in a local market while international market is the production, promotion, distribution, and sale of goods and services in a global market.
2. Domestic marketing is less risky and easier to conduct while international marketing is more risky and more complex.
3. Domestic marketing requires lesser financial resources while international marketing requires huge financial resources.
4. Domestic marketing deals with only a single market while international marketing deals with several different countries and markets.
5. Although both use all the basic marketing principles, international marketing is more challenging and requires more commitment from the company because of the uncertainty and differences in laws and regulations in the global market while domestic marketing deals only with the laws and regulations of one country.
6. Domestic marketing deals only with one set of consumers while international marketing deals with different types of consumers with different tastes.
7. In domestic marketing, the company can have the same policies and strategies while international marketing requires different strategies in the promotion of their products.

After digging the differences in the two subjects, we came to the conclusion that the world itself is a market, and that is why the guiding principles are versatile. It does not make any change that where the principles are applied i.e. in a local or a global market. The basic cause of the difference between domestic and international marketing is the area of its implication and the market conditions.

International Marketing Management Process:

Steps of International Marketing Management Process:

1. **Using Domestic Market to your Advantage:** Promoting your brand at global level takes a lot of effort and budget. Those who become successful in making their brand reputed in local markets find it a lot easier to promote their brand outside that localization since they know the full potential of their brand. Furthermore, you can use your local market to build up sales and boost up your resources which will prove to be a lot helpful for your international campaigns promotions and to go further deep down to the end of that international marketing process.

2. **Getting Familiar to Target Market:** Knowing your target audience is as important as getting a know-how of your potential since it is the targeted audience that determines your overall planning for the promotion of your brand. Furthermore, as an exporter, it is important to understand that an active strategy is a lot better than chasing for orders around the world. That's why before setting up their steps in an unfamiliar market, companies analyze the whole global market and by keeping the strengths and weaknesses of their brand, they narrow down their targets to just three to four markets.

   It is a common observation that whenever a new company starts a global level business, it often tries to target a country with an almost similar working environment, legal structures and most importantly, economic factors like Canadian companies preferring US markets.

3. **Testing the Market:** According to the third step of the international marketing process, it is always a wise strategy to start out small if you don't know how to make a big thing work. Instead of jumping right into the market and spending all of your resources at once, it is better to proceed step by step, starting out from smaller investments and a lesser number of exports. This will help you in getting a better view of that market. If successful, then you can increase the exports promptly. By the time, chances of failure are diminished, and it is easier to make changes to strategy on the go to improve it. Furthermore, favorable results from these timed exports also increase the exporters confidence in dealing with exporting mechanics and as well as costumer's familiarity with the brand.

4. **Expanding the Exports:** Successful initial sales lead to a lot of expansion chances. And that's the actual result of that intense market research planning that you did while staying awake at nights and missing your meals. At this point and even earlier, your major focus should be on integrating your networks in stronger forms and spreading them. Participate aggressively in major international trade shows to gain more experience and create good relationships with other marketers while increasing the exports you make. Well! It's just like every other reputed brand. You make negotiations with other potential partners to create a strong win-win relationship to strengthen your brand. As time passes, your experience also grows and at the present stage, you will be confident enough to take tougher decisions for the advantage of the brand in accordance with international marketing process.

5. **Increasing the Investments in Foreign Markets:** Once the brand grows its roots deep down in overseas markets, the profits become encouraging which lead to even more compelling opportunities. And that's where a company has to choose whether to expand its effect in the target market or not?

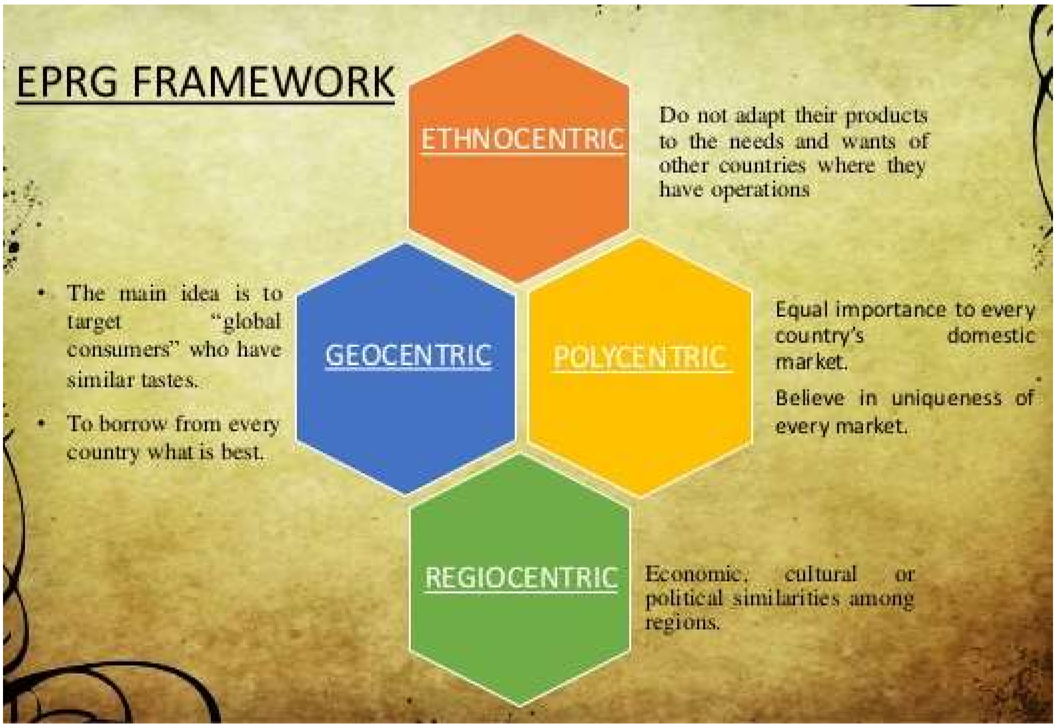
The final step of international marketing process deals with the clarification of that foggy image; the customer has in his mind about your brand. So, for the purpose at hand, companies buy an existing company in that locality, open a local office to deal with their customers and to help them and tighten their relations to the partners. Well! You can say that the target market now serves the purpose of stepping stones for venturing further into other target markets.

International Marketing Orientation: EPRG Approach: Different attitudes towards company's involvement in international marketing process are called international marketing orientations. EPRG framework was introduced by Wind, Douglas and Perlmutter. This framework addresses the way strategic decisions are made and how the relationship between headquarters and its subsidiaries is shaped. Perlmutter's EPRG framework consists of four stages in the international operations evolution. These stages are discussed below.

Ethnocentric Orientation: The practices and policies of headquarters and of the operating company in the home country become the default standard to which all subsidiaries need to comply. Such companies do not adapt their products to the needs and wants of other countries where they have operations. There are no changes in product specification, price and promotion measures between native market and overseas markets.

The general attitude of a company's senior management team is that nationals from the company's native country are more capable to drive international activities forward as compared to non-native employees working at its subsidiaries. The exercises, activities and policies of the functioning company in the native country becomes the default standard to which all subsidiaries need to abide by.

The benefit of this mind set is that it overcomes the shortage of qualified managers in the anchoring nations by migrating them from home countries. This develops an affiliated corporate culture and aids transfer core competences more easily. The major drawback of this mind set is that it results in cultural short-sightedness and does not promote the best and brightest in a firm.



Regiocentric Orientation: In this approach a company finds economic, cultural or political similarities among regions in order to satisfy the similar needs of potential consumers. For example, countries like Pakistan, India and Bangladesh are very similar. They possess a strong regional identity.

Geocentric Orientation: Geocentric approach encourages global marketing. This does not equate superiority with nationality. Irrespective of the nationality, the company tries to seek the best men and the problems are solved globally within the legal and political limits. Thus, ensuring efficient use of human resources by building strong culture and informal management channels.

The main disadvantages are that national immigration policies may put limits to its implementation and it ends up expensive compared to polycentrism. Finally, it tries to balance both global integration and local responsiveness.

Polycentric Orientation: In this approach, a company gives equal importance to every country's domestic market. Every participating country is treated solely and individual strategies are carried out. This approach is especially suitable for countries with certain financial, political and cultural constraints.

This perception mitigates the chance of cultural myopia and is often less expensive to execute when compared to ethnocentricity. This is because it does not need to send skilled managers out to maintain centralized policies. The major disadvantage of this nature is it can restrict career mobility for both local as well as foreign nationals, neglect headquarters of foreign subsidiaries and it can also bring down the chances of achieving synergy.

Influence of Physical, economic, Socio-Cultural on International Marketing

Influence of physical environment on International Marketing

Although the physical environment is not considered one of the core components of the SLEPT factors, it is an environment that can impact upon your success in exports and consequently needs to be considered.

A country's territorial size, geographical location, natural resources, climate, rivers, lakes and forests constitute its physical environment. The physical environment influences political and economic activities, shapes cultural characteristics such as language and religion, and determines land usage, transportation, and commercial flows.

When planning international marketing activities, the possible impact of the physical environment should take into account. For example:

- Population distribution will be affected by topography (i.e. a country's rivers, mountains, deserts, etc.) and climate – people tend to settle where the climate is temperate, and there is an adequate supply of water.
- Certain climatic conditions may dictate adaptations to the product – some glues and oils, for example, will not function in very cold climates.
- Climate should also influence the arrangements made in respect of packaging (in the marketing context) and protective packing for the purposes of safeguarding the product while it is in transit or in storage. Products which are particularly vulnerable to climatic conditions, are those that are adversely affected by extremes in temperature or excessive humidity changes (fruits being transported to hot climates or across the equator, for example).
- Abnormal weather conditions (e.g. typhoon season in Asia) can disrupt the transportation of export products while unforeseen changes in the weather can threaten companies which produce seasonal goods.
- Topography will influence the routing of goods and the choice of transport mode, which in turn will affect cost and thus impact on the price offered to the buyer.

The Impact of Economics on International Marketing: The economic situation of your market impacts what you offer and how you present it to your target customers. For international marketing, the economics of the target market as well as the international economy affect your marketing strategy. The local economy influences how you approach consumers, while the international economic framework limits your ability to produce, ship and distribute your products through cost and regulatory constraints. An effective international marketing strategy takes both local and international economic conditions into account.

(i) Product: Your international marketing of goods may be successful in western economies that have a similar economic structure to the United States, but it will fail in developing markets unless you make adjustments. You have to adapt your products to the local economies. A product you market as environmentally-friendly may not be relevant in a subsistence economy. A product that saves energy will not sell if energy is subsidized and inexpensive in the foreign market. You may offer the same products internationally as you do in the United States, but your global marketing has to change for your products to make economic sense in foreign economies.

(ii) Price: Whether an international market is accessible to your company depends on whether you can offer your products at a competitive local price. International economic factors such as currency exchange rates, tariffs and shipping impact your costs and the prices of your goods. If the cost of offering your products in international markets is higher than that of locally-produced products, you may have to target luxury goods market segments. Sometimes mass-produced goods cost less than locally-made custom products, and your marketing strategy can price your products to achieve wide acceptance.

(iii) Production: Carrying out production locally is one way to reduce costs and limit the influence of international economic factors on your operations. Instead of incurring costs through duties and transportation, you may be able to take advantage of lower production costs in the local economy with lower labor and facility expenses. Local production can impact your marketing by affecting both price and local acceptance. Marketing your products as locally-produced competitively-priced options can be an effective marketing strategy.

(iv) Channel : The international and local economic environments influence your channel marketing. If establishing a local presence is costly, you may opt for partnering with a local or international distributor who already has experience in the target market. For some markets, it makes economic sense to market your products via direct sales, either through local representatives or via online sales. Alternatively, a low-cost, open local economy may make it feasible to create your own local distribution network. The channel you choose for your marketing initiatives depends on the economics of delivering the goods to market and the local economic situation.

Socio-cultural influences on international marketing: According to Doole and Lowe (2004), the socio-cultural influences on international marketing are great. Social-cultural factors concern about demographics changes which organizations should be aware of. It involves age structure of the population, changing nature of occupations, improvement in education, and family size, and so on, which can have a great impact on demand of the products and services. Differences in social conditions, religion and culture can all affect consumers' perceptions and patterns of buying behavior. In some countries, environment of the religion might be a source of opportunities or threats to companies doing the business in that particular location. Development and movement in populations around the world are crucial factors heralding social changes. It will affect the supply and demand of products and services within an economy. Cultural differences, especially language differences can have a significant impact on the way a product may be used in a market, its brand name and the advertising campaign. For example, there are culture gaps between Western and Asian countries where some companies simply do not find their way into a market or where their performance is less than successful.

Political and Legal Environments on International Marketing Information

The political and legal environment of the company's home country, its host country and the general international environment also has important effects on the marketing activities of international companies.

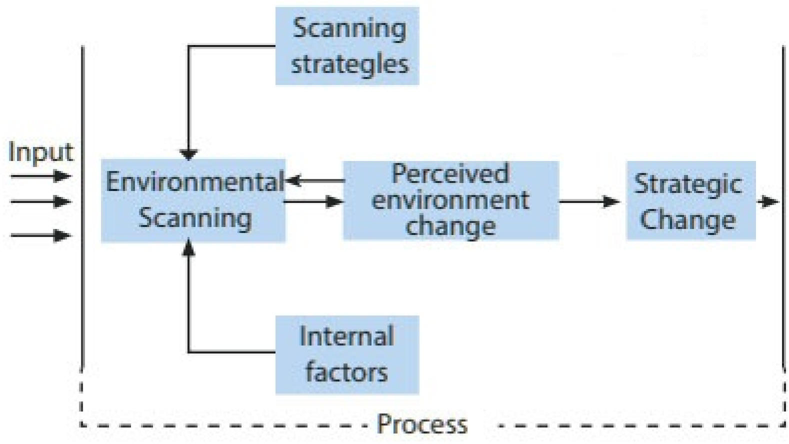
The politics and regulations of the company's home country can determine its opportunities outside national borders. One of the main types of regulation that international marketers need to be aware of are embargoes and sanctions which are used to distort the free flow of trade. They need to know where they are applicable and take them into account when planning marketing activities so that they do not breach them and face subsequent sanctions. Governments also employ export and import control systems. Export controls prevent or delay companies from selling their products in certain countries whilst import controls are used to protect and stimulate the domestic market. Marketers need to take them into account so they know where the company can do business and where it can obtain its supply from. Finally, governments may induct special measures to ensure that their companies behave in a correct manner in the international business environment. One of the major areas concerned is boycott, which is when companies reject to conduct business with someone. The government's control in this area can force companies to decide whether to stop transactions and lose profit or to continue trading and pay charges. The Arab nations, for example, have blacklisted a number of companies who conduct business with Israel. In response, the United States imposed several laws to prevent U.S. companies from complying with the Arab boycott as it has political ties with Israel. Companies may lose out to firms whose home country does not employ such measures. Nonetheless, according to Czinkota and Ronkainen (2007), it is best to avoid adopting inappropriate behaviour as it may lead to damages to the company's reputation, boycotts by consumers and cancellation of transactions. This might cost the company more money than it gained through adopting such behavior.

Companies are also affected by the legal and political environment of the host country. Marketers firstly need to determine the level of political risk, i.e. the likelihood of political changes that could adversely affect the company, by looking at the host country's government, its political actions and its stability. U.S. companies, for example, who are a major target for terrorist attacks because of their home country's actions and capitalistic image, need to particularly take into account the stability of the host country. Marketers also need to be aware of the actions of the host country's government. Price controls, for example, which are used by the government to respond to inflation, can put international companies into a difficult situation where it has to decide whether to stop their operations or to carry on in the hope that the controls will be changed and they can regain the sacrificed profits. Companies also need to be familiar with the laws of the host country and the restraints they place on their operations. In France, Canada, Brazil, and Indonesia, for example, there are laws that restrict imports of U.S. entertainment to protect and preserve their cultural industries. However there are also laws that are aimed at assisting companies with their international operations, e.g. subsidies. Shortages of regulations can also create problems for companies, e.g. the lack of intellectual property rights in China. Therefore, companies need to attain a good understanding of how the country's legal and political systems work to reduce the impact of the problems they cause. By undertaking in-depth research on the country's history, culture and political setting before entering it allows companies to avoid making investments that could have disastrous outcomes. An in-depth knowledge of the country would also allow the company to anticipate, plan and adapt into the local community. Hiring locally, undertaking local charity work and joint ventures with local businesses show the government that the company cares about the local community and does not just see it as an object it can exploit. This reduces the amount of interference by the government giving the company more freedom in its operations.

Marketers must also consider the overall international business environment. Relations between countries and governments have important effects on the operations of international companies. The U.S. government's differences with South Africa, for example, forced U.S. companies to leave their operations in the country. Relations between home and host countries are governed by bilateral agreements, as well as by multilateral ones between sets of countries. Marketers need to continuously monitor the international political environment keeping up to date with political affairs so that they can anticipate changes and plan and modify their marketing strategy accordingly. In terms of the legal environment, managers need to be aware of certain laws and treaties which because of the respect they receive from many countries have a strong influence on the way companies operate. The World Trade Organization, for example, gives an outline on the behaviour that it finds acceptable from its member states (WTO, 2010).

Scanning and Monitoring Global Marketing Environment

Environmental Scanning: The purpose of the scan is the identification of opportunities and threats affecting the global business for making strategic business decisions. As a part of the environmental scanning process, the organization collects information regarding its environment and analyzes it to forecast the impact of changes in the environment. This eventually helps the management team to make informed decision globally.



As seen from the figure above, environmental scanning should primarily identify opportunities and threats in the organization’s environment. Once these are identified, the organization can create a strategy which helps in maximizing the opportunities and minimizing the threats.

Important Factors for Environmental Scanning: Before scanning the environment, an International organization must take the following actors into consideration:

(i) Events: These are specific occurrences which take place in different environmental sectors of a business. These are important for the functioning and/or success of the business. Events can occur either in the internal or the external environment. Organizations can observe and track them.

(ii) Trends: As the name suggests, trends are general courses of action or tendencies along which the events occur. They are groups of similar or related events which tend to move in a specific direction. Further, trends can be positive or negative. By observing trends, an organization can identify any change in the strength or frequency of the events suggesting a change in the respective area.

(iii) Issues: In wake of the events and trends, some concerns can arise. These are Issues. Organizations try to identify emerging issues so that they can take corrective measures to nip them in the bud. However, identifying emerging issues is a difficult task. Usually, emerging issues start with a shift in values or change in which the concern is viewed.

(iv) Expectations: Some interested groups have demands based on their concern for issues. These demands are Expectations.

Monitoring Global Marketing Environment: The Global market environment is dynamic it is always changing. Whether the forces of the Global market environment fluctuate slowly or rapidly, they create uncertainty, obstacles, and opportunities. International Marketers must constantly monitor the marketing environment to be prepared to capitalize on opportunities and minimize adverse conditions. To monitor changes in the marketing environment effectively, marketing managers must engage in environmental scanning and analysis.

Environmental Analysis: Environmental analysis is the process of assessing and interpreting the information gathered through environmental scanning. A manager reviews the information for accuracy, ties to reconcile inconsistencies in the data, and interprets the findings. Analysis allows a marketing manager to discern changes in the environment and, if possible, or predict future changes. By evaluating these changes, a marketing manager should be able to determine possible threats and opportunities associated with environmental fluctuations. Knowledge of current and predicted environmental changes aids a marketing manager in assessing the performance of current marketing efforts and in developing marketing strategies for the future.

Approaches for Responding to Environmental Forces: In responding to environmental forces, International marketers use one of two general approaches. In the first approach, International marketing managers view the forces of the marketing environment as uncontrollable. According to this traditional approach, an organization can do little to alter the influence of the taking this reactive approach tries to prepare itself to respond quickly to changes in the environment. For example, although an organization has little power to alter economic conditions new regulations, or the actions of competitors, it can monitor the environment closely and adjust its marketing strategy to counter the effects of inflation, a new product safety law, or product improvements by competitors.

A second response to the International marketing environment is to take a proactive, or aggressive, stance toward environmental forces. A growing number of marketing professionals argue that the forces of the marketing environment can be controlled, at least to some extent. They believe that marketing itself represents a significant force that can be used to create change and extend its influence over the environment. Through lobbying, legal action, advertising of key issues, and public relations, organizations can alter some environmental forces. For instance, a firm can control its competitive environment by using aggressive pricing or competitive advertising strategies to influence the decisions of rival firms. It can lobby political officials to repeal legislation that it believes will restrict its business. Likewise, a firm can use political skills and public relations activities to open foreign marketer to domestic business. Neither response to environmental forces is superior.

For some organizations, the reactive approach is more appropriate; for other firms, the proactive approach leads to better performance. The selection of a particular approach is determined by an International organizations managerial philosophies, objectives, financial resources, markets and human skills, and by the composition of the set of environmental forces within which the International organization operates.

UNIT-2

International Marketing Research: One of the most striking developments of recent decades has been the globalization of business. The growth of world trade requires more information about foreign markets and companies which expand into new and unknown markets must possess the information about the demand and conditions of these markets. Companies invade not only into such developed markets as Europe, US and Japan, but also into the unstable but growing markets of Latin America, the politically uncertain markets of the Middle East and Russia, and the rapidly changing markets of South East Asia and the emerging African market.

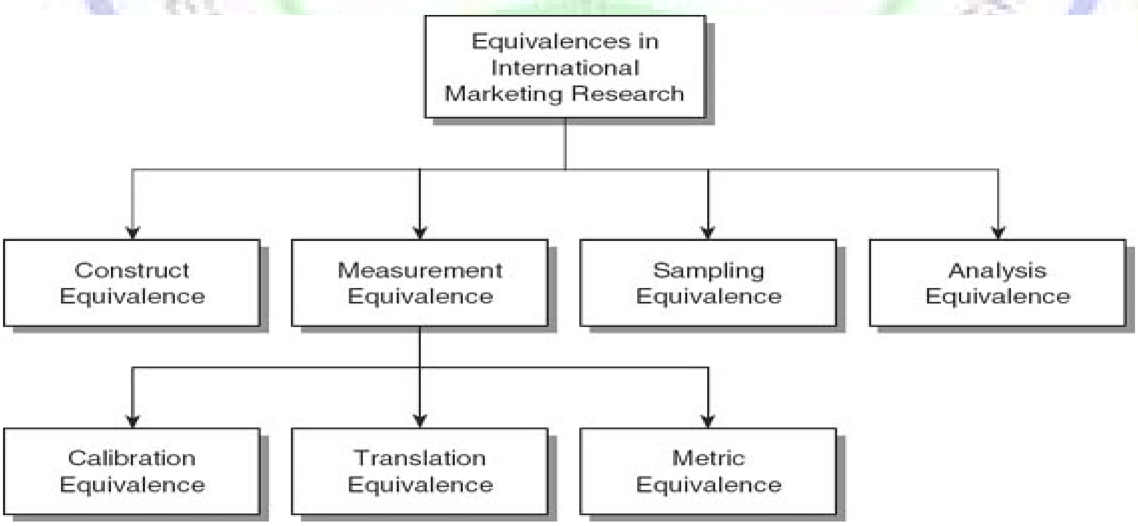
The development of new communication and information technologies change the lifestyle, consumption behavior and purchasing patterns of different nations. All this indicates that the marketing research in global environment has become essential.

The purpose of this paper is to give definition of the international marketing research and describe the factors which influence the marketing research in different countries. The paper also deals with the steps of international marketing research process and its main categories. The advantages and disadvantages of collecting secondary and primary data and survey methods of international marketing research are presented in the paper. Finally, the problems which may occur in the international marketing research are summed up.

Definition of International Marketing Research: International marketing research is the systematic design, collection, recording, analysis, interpretation, and reporting of information pertinent to a particular marketing decision facing a company operating internationally.

International Market Research is a particular discipline of Market Research, focusing on certain geographical areas.

International Market Research is concerned with consumer goods, but also with any resource or service within a value chain which will be commercially utilized or further processed – which is the area of industrial goods and B2B-Marketing.



Marketing Research in a Global Environment: Marketing research practices and techniques have become truly global. For example, the world's largest research firm, Nielsen, is headquartered in the U.S. but derives almost two-thirds of its revenue from outside the U.S. It is standardizing much of the data it routinely collects in 27 different countries.

International marketing managers make the same basic types of decisions as do those who operate in only one country. Of course, they make these decisions in a more complicated environment. As with marketing decisions, the basic function of marketing research and the research process does not differ between domestic and multinational research. However, the process is complicated almost exponentially as more and more countries are involved in the same decision.

The main factors which influence the marketing research in different countries are:

1. **Cultural differences:** Culture refers to widely shared norms or patterns of behavior of a large group of people. It is the values, attitudes, beliefs, artifacts and other meaningful symbols represented in the pattern of life adopted by people that help them interpret, evaluate and communicate as members of society. A company which works on the international market is in need of cross cultural awareness. Cross cultural differences (language, non-verbal communication, different norms and values) may cause cross cultural blunders. There are examples of cultural blunders in the marketing mix.

   (i) Product: When a soft drink was launched in Arab countries, it has a label with six-pointed stars. The sales were very low as the stars were associated with Israel.

   (ii) Price: An American firm was willing to set a reasonable price for the product they intended to sell to the Japanese. A detailed presentation was made to the Japanese businessmen, but it was followed by a deep silence. The Americans thought that the Japanese were going to reject the price and offered a lower price. The Japanese kept silence again. After that the Americans lowered the price again saying that it was the lowest they could sell at. After a brief silence the offer was accepted. Later the Japanese confessed that the first offered price was quite acceptable, but they had a tradition to think over the offer silently. An American company suffered great losses in this case.

   (iii) Place: A company wanted to enter the Spanish market with two-liter drinks bottles and failed. Soon they found out that Spaniards prefer small door fridges and they could not put large bottles into them.

   (iv) Promotion: Pepsico came to Taiwan with the ad 'Come Alive with Pepsi'. They could not imagine that is it translated 'Pepsi will bring your relatives back from the dead' into Chinese.

2. **Racial Differences:** This refers to the differences in physical features of people in different countries. For example, types of haircut and cosmetic products differ greatly in various countries.

3. **Climatic Differences:** These are the meteorological conditions such as temperature range or degree of rain. For example, Bosch-Siemens adapted their washing machines to the markets they sell. In Scandinavia, where there are very few sunny days, they sell washing machines with a minimum spin cycle of 1,000 rpm and a maximum of 1,600 rpm, whereas in Italy and Spain a spin cycle of 500 rpm is enough.

4. **Economic Differences:** Economic development of various countries is different and when a company introduces a new product it adapts it to that new market. There are factors which show the level of economic development

   (i) Buying power and revenue of the market: In developed countries with higher income of revenue people prefer complicated product with advanced functions, while in poor countries simple product are preferable.

   (ii) The infrastructure of the market: Such elements of the infrastructure of the country as transport, communication system and others influence the product. When Suzuki entering the Indian market the suspension was reinforced as the state of roads in India is very poor.

5. **Religious Differences:** Religion affects the product greatly and makes companies adapt their product to religious norms. If a company exports grocery products to Islamic countries it must have a special certificate indicating that the animal was slaughtered according to 'Halal' methods.

6. **Historical Differences:** Historical differences affect the consumer behavior. For instance, Scotch whiskey is considered fashionable in Italy and not very trendy in Scotland.

7. **Language Differences:** The correct translation and language adaptation is very important. For example, when Proctor & Gamble entered the Polish markets it translated properly its labels but failed. Later they found out that imperfect language must have been used in order to show that the company fits in.

Concept of Marketing Research

The marketing concept states that the character of the marketing orientated organization, whether product or service based, profit or non-profit based, is the identification and true delivery of consumers' needs and wants, more effectively and efficiently than the competition.

Hence, in a broad sense, marketing management needs to understand the minds of their target markets, their attitudes, feelings, beliefs and value systems. They require a formalised, managerial approach to this most important job. And this entire job is the basic role and purpose of formal marketing research. Marketing research is the systematic, objective and exhaustive search for study of the facts relating to any problem in the field of marketing. It is systematic problem analysis, model building and fact-finding for the purpose of decision-making and control in the marketing of goods and services.

According to American Marketing Association "marketing research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services." According to Green and Tull, "marketing research is the systematic and objective search for and analysis of information relevant to the identification and solution of any problem in the field of marketing". Professor Philip Kotler defines marketing research as "Systematic problem analysis, model-building and fact-finding for the purpose of improved decision making and control in the marketing of goods and services."

Features of marketing research

1. **Search for data:** It is a search for data which are relevant to marketing problems – problems in different functional areas of marketing consumer behaviour, product, sales, distribution channel, pricing, ad and physical distribution.

2. **It is systematic:** It has to be carried out in a systematic manner rather than haphazard way. The whole process should be planned with a clear objective.

3. **It should be objective:** Objectivity is more important in any result. It means that the research is neither carried on to establish an opinion nor is intentionally slanted towards pre-determined results.

4. **It is a process:** It involves various steps for gathering, recording and analysing of data.

Objectives of Marketing Research

Marketing research may be conducted for different purposes. The main objectives or purposes of marketing research are:

(i) To estimate the potential market for a new product to be introduced in the market.

(ii) To know the reactions of the consumers to a product already existing in the market.

(iii) To find out the general market conditions and tendencies.

(iv) To know the reasons for failure of a product already in the market.

(v) To find out the better methods of distributing the products to consumers.

(vi) To know the types of consumers buying a product and their buying motives to know their opinions about the product and to get their suggestion improvement of a product.

(vii) To assess the strength and weakness of the competitors.

(viii) To know the dimensions of the marketing problems.

(ix) To ascertain the distribution methods suited to the product.

(x) To estimate the market share of a firm.

(xi) To assess the probable sales volume of a firm.

(xii) To assess the reaction of the consumers to the packaging of the firm and to make packaging as attractive as possible.

Advantages of Marketing Research

(i) Marketing research helps the management of a firm in planning by providing accurate and up- to-date information about the demands, their changing tastes, attitudes, preferences, buying.

(ii) It helps the manufacturer to adjust his production according to the conditions of demand.

(iii) It helps to establish correlative relationship between the product brand and consumers' needs and preferences.

(iv) It helps the manufacturer to secure economies in the distribution o his products.

(v) It makes the marketing of goods efficient and economical by eliminating all type of wastage.

(vi) It helps the manufacturer and dealers to find out the best way of approaching the potential.

(vii) It helps the manufacturer to find out the defects in the existing product and take the required corrective steps to improve the product.

(viii) It helps the manufacturer in finding out the effectiveness of the existing channels of distribution and in finding out the best way of distributing the goods to the ultimate consumers.

(ix) It guides the manufacturer in planning his advertising and sales promotion efforts.

(x) It is helpful in assessing the effectiveness of advertising programmes.

(xi) It is helpful in evaluating the relative efficiency of the different advertising media.

(xii) It is helpful in evaluating selling methods.

(xiii) It reveals the causes of consumer resistance.

(xiv) It minimizes the risks of uncertainties and helps in taking sound decisions.

(xv) It reveals the nature of demand for the firm's product. That is, it indicates whether the demand for the product is constant or seasonal.

(xvi) It is helpful in ascertaining the reputation of the firm and its products.

(xvii) It helps the firm in determining the range within which its products are to be offered to the consumers. That is, it is helpful in determining the sizes, colours, designs, prices, etc., of the products of the firm.

(xviii) It would help the management to know how patents, licensing agreements and other legal restrictions affect the manufacture and sale of the firm's products.

(xix) It is helpful to the management in determining the actual prices and the price ranges.

(xx) It is helpful to the management in determining the discount rates.

Limitations of Marketing Research

1. **It is not a Panacea:** Marketing Research is not the ultimate solution to all marketing problems. Rather it offers accurate information, which can arrive at suitable decisions to solve problem.

2. **Not an exact science:** It deals with human behaviour and as such cannot be examined in a controlled environment. There are various and uncontrollable factors which influence marketing forces. This gives scope for wrong conclusions. Hence this leads to marketing research as not being an exact science.

3. **Limitation of time:** Its process is lengthy and needs long time to complete it. During the period between starting the research and implementation of decisions, the situation and assumptions may have changed drastically which reduces the utility of research report. Decisions based on such report prove to be obsolete and result in false conclusions.

4. **Erroneous findings:** The complicated problems may not be comprehensively studied and their impact properly analysed by the researcher on account of insufficient fund, time and technique. This leads to erroneous findings, which disappoint the management.

5. **Not an exact tool of forecasting:** It cannot be used as a foolproof tool of forecasting because there are number of intervening factors between the findings of the research and marketing complex. The forces act and react and interact to give a complex state, which is difficult to be studied.

6. **In experienced research staff:** It needs great expertise and well-trained and experienced researcher, interviewer and investigator.

7. **Narrow Conception:** Marketing research is a fact-finding exercise. It is not problem oriented. It is of low and questionable validity.

8. **Involves high cost:** It is considered as a luxury for the management as it involves high cost.

9. **Limitations of tools and techniques:** The validity of marketing research is also limited by the limitation of tools and techniques involved.

10. **It is passive:** Its use and effectiveness largely depends upon the ability of executives to get the most value of it.

Need for Marketing Research: The most important task of a marketer is to get the right product at the right place with the right price to the right person. Besides, it was also necessary to go back and find whether consumer is getting optimum satisfaction, so that consumer remains loyal. These aspects made it imperative for the marketers to conduct marketing research.

The following points explain the need of marketing research:

1. **Identifying problem and opportunities in the market:** It helps in identifying new market opportunities for existing and new products. It provides information on market share, nature of competition, customer satisfaction levels, sales performances and channel of distribution. This helps the firms is solving problems.

2. **Formulating market strategies:** Today, markets are no more local. They have become global. Manufactures find it difficult to contact customers and control distribution channels. Competition is equally severe. The consumer needs are difficult to predict. Market segmentation is a complicated task in such wide markets. The marketing intelligence provided through marketing research not only helps in framing but also in implementing the market strategies.

3. **Determining consumer needs and wants:** Marketing has become customer-centric. However, large-scale production needs intermediaries for mass distribution. Due to prevalence of multi channels of distribution, there is an information gap. Marketing research helps in collecting information on consumers from structured distribution research and helps in making marketing customer oriented.

4. **For effective communication mix:** In an era of micro- rather than mass-marketing, communication plays a vital role. Marketing research uses promotional research to study media mix, advertising effectiveness and integrated communication tools. Research on such aspects will help in promoting effectively a company's product in the market.

5. **Improving selling activities:** Marketing research is used to analyse and evaluate performances of a company within a market. It also studies effectiveness of a sales force. It helps in identifying sales territories. Such information helps the companies in identifying areas of shortcoming in sales. It also examines alternative methods for distribution of goods.

6. **For sales forecasting:** The most challenging task for any production manager is to keep optimum levels of inventory. However, production is undertaken in anticipation of demand. Therefore, scientific forecast of sales is required. Marketing research helps in sales forecasting by using market share method, sales force estimate method and jury method. This can also help in fixing sales quotas and marketing plans.

7. **To revitalize brands:** Marketing research is used to study and find out the existing brand position. It finds out the recall value of brands. It explores the possibilities of brand extension or prospects of changing existing brand names. The main purpose of marketing is to create brand loyalty. Marketing research helps in developing techniques to popularize and retain brand loyalty.

8. **To facilitate smooth introduction of new products:** Marketing research helps in testing the new products in one or two markets on a small scale. This helps in finding out consumer response to new product and develop a suitable marketing mix. It reveals the problems of the customers regarding new products. Thus, it controls the risk involved in introducing a new product.

9. **Determine export potentials:** The development in transport and communication has helped in globalization and digitalization of world trade. This has helped in boosting the growth of international markets. Marketing research helps in conducting market survey for export. It. collects information on marketing environment prevailing in a country. By collecting data on consumers from different countries, it indicates export potentials.

10. **Managerial decision-making:** Marketing research plays a vital role in the decision-making processes by supplying relevant, up-to-date and accurate data to the decision-makers. Managers need up-to-date information to access customer needs and wants, market situation, technological change and extent of competition.

    Approach to Marketing Research: The study of marketing has been approached in more than one way. To some it has meant to sell something at a shop or market place; to some it has meant the study of individual product and its movement in the market; to some it has meant the study of persons-wholesalers, retailers, agents etc., who move the products and to some it has meant the study of behaviour of commodity movement and the way the persons involved to move them. The approach to the study of marketing has passed through several stages before reaching the present stage. There is a process of evolution in the development of these approaches.

1. **Product or Commodity Approach:** Under the commodity approach the focus is placed on the product or it is an approach on the marketing on commodity wise basis. In other words,

the study relates to the flow of a certain commodity and its movement from the original producer right up to the ultimate customer. The subject-matter, under this study, is commodity.

When one studies the marketing on this basis—commodity approach, one must begin to study and analyses the problems relating to a commodity i.e., sources and conditions of supply, nature and extent of demand, mode of transporting, storage, standardization, packing etc. Again, take an example of a commodity, say rice.

One has to study the sources of rice, location, people involved in buying and selling, means of transport, problems of selling the product, financing, storage, packing etc. Thus, we get a full picture of the marketing from the original producer to the ultimate consumer. The method of study is repeated for each item.

2. **Institutional Approach:** In the institutional approach, the focus is on the study of institutions- middlemen, wholesalers, retailers, importers, exporters, agencies, warehousing etc., engaged in the marketing during the movement of goods. The approach is also known as middlemen approach. Here, emphasis is given to understand and analyses the functions of institutions, who are discharging their marketing functions.

3. **Functional Approach:** The functional approach gives importance on the various functions of marketing. In other words, one concentrates attention on the specialized services or functions performed by marketers. In this approach, marketing splits into many functions-buying, selling, pricing, standardization, storage, transportation, advertising, packing etc. This may be studied one after another. Here each function is studied in detail in order to understand it and analyses the nature, need and importance of each function.

   In this approach, marketing is regarded as "business of buying and selling and as including those business activities involved in the flow of goods and services between producers and customers." This system gives too much importance to various marketing functions and fails to explain how such functions are applied to the specific business operations.

4. **Management Approach:** This approach is the latest and scientific. It concentrates upon the activities or marketing functions and focuses on the role of decision-making at the level of firm. This approach is mainly concerned with how managers handle specific problems and situations. It aims through evaluation of current market practices to achieve specific marketing objectives.

5. **System Approach:** The system approach can be defined as "a set of objects together with the relationships among them and their attributes." Systems focus on interrelations and interconnections among the functions of marketing. The system examines marketing connections (linkage) inside as well as outside the firm. Inside the firm there is a co-ordination of business activities-engineering, production, marketing, price etc.

6. **Societal Approach:** This approach has been originated recently. The marketing process is regarded as a means by which society meets its own consumption needs. This system gives no importance as to how the business meets the consumer's needs. Therefore, attention is paid to ecological factors (sociological, cultural, legal etc.) and marketing decisions and their impact on the society's well-being.

7. **Legal Approach:** This approach emphasizes only one aspect i.e., transfer of ownership to buyer: It explains the regulatory aspect of marketing. In India, the marketing activities are largely controlled by Sales of Goods Act, Carrier Act etc. The study is concentrated only on legal aspects, leaving other important aspects. This does not give an idea of marketing.

8. **Economic Approach:** This approach deals with only the problems of supply, demand and price. These are important from the economic point of view, but fail to give a clear idea of marketing.

Scope of International Marketing Research:

Global marketing research is meant to provide adequate data and cogent analysis for effective decision making on a global scale. The analytic research techniques practiced by domestic businesses can be applied to international marketing projects. The key difference is in the complexity of assignments because of the additional variables that international researchers must take into account. Global marketers have to judge the comparability of their data across a number of markets and are frequently faced with making decisions based on the basis of limited data. Because of this, the researcher must approach the research task with flexibility, resourcefulness, and ingenuity.

In today's changing society, companies need to be competitive under many challenging environments. There are many reasons to adopt International marketing. One of them is off course, profit. Although profit is the most common, government policies (as in Germany, due to the new legislation, solar panels manufacturing companies were restricted from increasing their profits in the local market, thereby finding themselves in the need to consider international marketing in order to remain competitive), monopoly power (as TANESCO in Tanzania), domestic market constraints, spin of benefits and competition or market saturation.

Therefore, these companies need to look into new possibilities of maintaining and increasing their market share as well as their profits. In order to do that, most of the companies take an international marketing approach.

The concept of international marketing represents the performance of business activities designed to plan, price and promote as well as to direct the flow of a company's goods or services to consumers or users in more than one nation, for profit. – Philip R cateora

In international marketing, marketers generally have to deal with at least two uncontrollable elements as domestic and international environments. The major forces from the international markets are represented by political, legal, economic, social/cultural, technological and environmental factors. All these factors can be analyzed through the PESTLE analysis.

Besides these main factors we can also include infrastructure, competition structure of distribution and geography. The major restraining forces in international marketing are represented by management myopia, organizational culture, national controls, international world order as well as fight against international terrorism.

If we were to look at some relevant examples, let's start with the current situation of Russia, which based on their latest decisions the country got an interdiction of imports of European products. This measure not only affected Russia but also a lot of European companies which were exporting into Russia, therefore minimizing their profits. We can take this reference to understand the importance of political situations in a country and stability in international marketing.

Firms must adapt to an uncontrollable environment while doing business in international markets by adjusting the marketing mix represented by price, promotion, product and placement or distribution.

One very important factor which can be considered a challenge while operating in international environment is known as the Self-Reference Criterion as well as ethnocentrism. The Self-Reference Criterion happens when unconsciously you take decisions as if it was your company and your culture you were operating in, instead of a culture based in a completely different environment.

Ethnocentrism on the other hand, happens when you know the culture of the other country, but still think that your way of doing things is right and that you will like to carry on with the way things are at home. These two factors have the potential of impeding the ability to assess a foreign market in its true meaning and purpose. Not taking into consideration these factors, can lead to unsuccessful international marketing campaign and what it is more important: international marketing strategies.

By having defined the business problem or goal in home-country cultural habits together with the business problem or goal in foreign country cultural ones, without any value judgements, managers are given the chance to isolate the Self Reference Criterion in the problem and examine to see how it complicates the problem. Through these steps, by redefining the problem without the Self-Reference criterion , managers can identify the optimum business goal situation.

The general driving forces in international marketing include: regional economic agreements, markets supplies and demands, technology, transportation and communication, product development costs, product quality as well as world economic trend in general.

International Marketing Research Process:

1. **Conduct Preliminary Research:** Carry out some preliminary research by going online and searching for existing survey reports on your topic of interest. There might not be much especially if you are looking for very specific information, but you might find something close either for a different country or a report that gives you some ideas on how to go about your primary research.

2. **Develop Research in Brief:** To get the most out of your marketing research project, put together a brief with the objectives of your data collection. What exactly do you want to understand better? Be as specific as possible, for example: "What percentage of adult working females aged between 25 and above living in urban areas use my product brand?"

Which aspects of the 4 Ps of marketing (Product, Price, Place, and Promotion) do you want to best understand? The more detail you can provide the better. This helps later when designing the project.

A brief document should contain the following information: Company background, the business objectives, the research objectives, your target market, your competition, the geographical focus and your research project budget.

3. **Identify the Right Marketing Research Agency:** Research agencies come in all shapes and sizes. It often helps to understand an agency's main data collection method which, more often than not, tells you what their strengths are. What you will note is that many of the international marketing research agencies have wide-ranging capabilities in data collection and use multiple data collection modes. However, often the cost for these agencies is higher than for agencies that only specialize in one data collection method. For you as the consumer, the scope of your project will determine which agency you will work with.

   When talking to various research agencies, counter check their website and social media pages to look for any published reports online, which will give you an idea of the quality of their research and topic areas they focus in. Another crucial due diligence aspect of deciding on what agency to work with is their capabilities and country coverage – too many companies claim to be in markets that they are not in, and they end up sub-contracting. This practice means you are further removed from the data collection process and can also result in a higher cost.

4. **Determine Your Data Collection Mode:** Once you have listed your objectives, deciding on which of the following research methodologies to utilize becomes easier. Deciding on which type of research to run also helps further narrow down the agency best suited based on their capabilities. The data collection mode you use will impact both the type of data you collect and how it is collected.

   Data is generally grouped into two categories, qualitative and quantitative. Simply put, qualitative data is unstructured and is often exploratory by nature. When analyzed, responses may be grouped into similar categories but they cannot be ranked in the same way quantitative data can. Quantitative research is the mathematical approach to collecting data, which can more clearly be measured and structured. Quantitative data includes survey data where respondents have a clear choice of answers, and quantitative questions often appear with radio buttons, check boxes and Likert scales which are easy to measure and compare. The two data collection methods are often referred to as simply quant and qual. It is important to note that qualitative research tends to be more expensive than quantitative research, as it requires more manual data analysis. Different research modes will often lend themselves more easily to quantitative or qualitative data collection. Focus groups, unstructured interviews, and open-ended questions are typically collecting qualitative data, while surveys with answer choices collect quantitative data. Understanding the different modes and what type of data they can collect is important: Text message surveys can collect some qualitative data, but perform better with quantitative questions that are easily answered from a list of choices.

   You also need to consider how robust and agile the different modes of data collection are. Can your selected mode work across multiple countries and languages? How much data are you looking to collect and in what time-frame? The level of scalability of the mode is important, especially if your project will entail a multi-country survey. In addition, some modes will collect data more slowly than others.

Some examples of different modes of data collection include:

- Face-to-face
- Text message (SMS) survey
- Online survey
- Mobile web survey
- Mobile application survey or passive data collection
- CATI (Computer Assisted Telephone Interviews)
- CAPI (Computer Assisted Personal Interview)
- Focus groups

5. **Conduct Data Analysis:** The most important aspect of market research is being able to analyze the data once it has been collected. A thorough analysis should guide you on how to act on the insights you have gathered. It is therefore crucial that the research agency, through their insights report, address the questions you had set out at the start of your survey. For example: What is my product's current position in the market, who are my actual customers, and which aspects of my 4 Ps do I need to work on? Analysis capabilities of the agency and the tools being used by the analysts and if they meet your needs

6. **Complete a Post Project Review:** Having a session with the research team after completion of your project to share feedback and discuss the project execution is sometimes overlooked. Such an undertaking involves various departments but is important to understand why a project did or did not go as smoothly as planned. A post-project review session helps in both parties knowing what areas worked and which ones the agency or the client will need to improve for their next project.

Conducting international marketing research is often a large undertaking and there are various details you need to consider before embarking on your project. Language, infrastructure, internet penetration, and the type of data you are looking to collect all have an impact on your project and how easily data will be collected from your target population. To be successful, you must engage the right company: One that has a wide range of experience in the area you are researching can utilize multiple modes with ease and can give you advice on questionnaire design, regional nuances, and more.

Market Surveys:

Market survey is the survey research and analysis of the market for a particular product/service which includes the investigation into customer inclinations. A study of various customer capabilities such as investment attributes and buying potential. Market surveys are tools to directly collect feedback from the target audience to understand their characteristics, expectations, and requirements.

Marketers develop new and exciting strategies for upcoming products/services but there can be no assurance about the success of these strategies. For these to be successful, marketers should determine the category and features of products/services that the target audiences will readily accept. By doing so, the success of a new avenue can be assured. Most marketing managers depend on market surveys to collect information that would catalyze the market research process. Also, the feedback received from these surveys can be contributory in product marketing and feature enhancement.

Market surveys collect data about a target market such as pricing trends, customer requirements, competitor analysis, and other such details.

Purpose of Market Survey

1. **Gain critical customer feedback:** The main purpose of the market survey is to offer marketing and business managers a platform to obtain critical information about their consumers so that existing customers can be retained and new ones can be got onboard.

2. **Understand customer inclination towards purchasing products:** Details such as whether the customers will spend a certain amount of money for their products/services, inclination levels among customers about upcoming features or products, what are their thoughts about the competitor products etc.

3. **Enhance existing products and services:** A market survey can also be implemented with the purpose of improving existing products, analyze customer satisfaction levels along with getting data about their perception of the market and build a buyer persona using information from existing clientele database.

4. **Make well-informed business decisions:** Data gathered using market surveys is instrumental in making major changes in the business which reduces the degree of risks involved in taking important business decisions.

Importance of Market Survey

1. **Understanding the demand and supply chain of the target market:** A product is most likely to be successful if it is developed by keeping in mind the demand and supply of the target market. This way, marketers can obtain insights about market capabilities to absorb new products and concepts to develop customer-centric products and features.

2. **Developing well-thought marketing plans:** The World is a target market for an organization, especially a well-established one. Getting data from the target market through thorough market research using market surveys and segmentation can be a source of creating concrete and long-term marketing plans.

3. **Figure out customer expectations and needs:** All marketing activities revolve around customer acquisition. All small and large organizations require market surveys to gather feedback from their target audience regularly, using customer satisfaction tools such as Net Promoter Score, Customer Effort Score, Customer Satisfaction Score (CSAT) etc. Organizations can analyze customer feedback to measure customer experience, satisfaction, expectations etc.

4. **Accurate launch of new products:** Market surveys are influential in understanding where to test new products or services. Market surveys provide marketers a platform to analyze the

scope of success of upcoming products and make changes in strategizing the product according to the feedback they receive.

5. **Obtain information about customer demographics:** Customer demographics form the core of any business and market surveys can be used to obtain intricate and sensitive details about customer demographics such as race, ethnicity or family income.

Types of Market Survey with Examples: Multiple types of market surveys are used by enterprises to collect data depending on the objective of their market research. The information collected can be used to study various aspects of the market to address topics such as the right time to launch the product/service, to understand the trends in the market, to measure customer loyalty, to study their competitors and many more.

There are various types of market surveys out of which we will talk to get information from customers about their demands, expectations and what they opine about the competitors. Each one of these market surveys has a different approach and has a marking impact on the various aspects of a business.

In order to conduct various types of market surveys, successful enterprises in today's world, use powerful market research survey software to get actionable market insights through real-time data collection and robust analytics. Following are the top 10 types of market surveys that are conducted by successful enterprises.

1. **Market Surveys for segmentation:** An organization can spot existing and prospective customers and understand why the customers have chosen their products/services and the prospects have not yet made a purchase. This can lead to a structured market segmentation and analysis.

2. **Market Surveys for exploring various aspects of the target market:** Get information about factors such as market size, demographic information such as age, gender, family income etc. to lay out a roadmap by considering growth rate of the market, positioning, and average market share.

3. **Market Surveys to probe into purchase procedure:** How does a customer deciding on making a purchase? What are the factors that convert product awareness into sales? This type of market survey will unveil awareness, information, free trial, purchase, and repeat.

4. **Market Surveys to establish buyer persona:** These surveys are to build a buyer persona by knowing about customer preferences, inclination, and capabilities of purchasing a product.

5. **Market Surveys to measure customer loyalty:** What is the degree of loyalty that the customers have towards and organization? The answer to this question can be obtained by conducting a market survey.

6. **Market Surveys to analyze a new feature or concept:** It is essential for an organization to include market-compliant features and concepts. By carrying out a market survey to understand which features to launch, will help all the teams involved in the feature development process to do that with proper research.

7. **Market Surveys for competitor analysis:** Healthy competition is always good for an organization's progress. Market surveys done with the motive of competitor analysis will produce results about how does the target market weigh the organization's products/services in comparison to the others in the market.

8. **Market Surveys to understand the impact of sales activities:** Sales activities are the backbone of an organization and it becomes crucial to keep track of these activities. Market surveys for sales activities will produce a report of the impact of sales activities, whether their frequency needs to increase or any changes the audiences think should be inculcated in the sales process.

9. **Market Surveys to assess prices for new products/services:** Affordability of products also is an aspect that drives the market for organizations. Price ranges, product variants to cater multiple price ranges, target customers for each of the products etc.

10. **Market Surveys for evaluation of customer service:** Good customer service can lead to enhanced satisfaction levels among customers. Factors such as time taken to resolve issues, the scope of improvement, best practices of customer service etc.

Marketing Information System

The Marketing Information System refers to the systematic collection, analysis, interpretation, storage and dissemination of the market information, from both the internal and external sources, to the marketers on a regular, continuous basis.

The marketing information system distributes the relevant information to the marketers who can make the efficient decisions related to the marketing operations viz. Pricing, packaging, new product development, distribution, media, promotion, etc.

Every marketing operation works in unison with the conditions prevailing both inside and outside the organization, and, therefore, there are several sources (viz. Internal, Marketing Intelligence, Marketing Research) through which the relevant information about the market can be obtained.

Components of Marketing Information System

1. **Internal Records:** The Company can collect information through its internal records comprising of sales data, customer database, product database, financial data, operations data, etc. The detailed explanation of the internal sources of data is given below:

- The information can be collected from the documents such as invoices, transmit copies, billing documents prepared by the firms once they receive the order for the goods and services from the customers, dealers or the sales representatives.
- The current sales data should be maintained on a regular basis that serves as an aide to a the Marketing Information System. The reports on current sales and the inventory levels help the management to decide on its objectives, and the marketers can make use of this information to design their future sales strategy.
- The Companies maintain several databases such as*Customer Database- wherein the complete information about the customer's name, address, phone number, the frequency of purchase, financial position, etc. is saved.
- The companies store their data in the data warehouse from where the data can be retrieved anytime the need arises. Once the data is stored, the statistical experts mine it by applying several computer software and techniques to convert it into meaningful information that gives facts and figures.

2. **Marketing Intelligence System:** The marketing intelligence system provides the data about the happenings in the market, i.e. data related to the marketing environment which is external to the organization. It includes the information about the changing market trends, competitor's pricing strategy, change in the customer's tastes and preferences, new products launched in the market, promotion strategy of the competitor, etc.

   In order to have an efficient marketing Information System, the companies should work aggressively to improve the marketing intelligence system by taking the following steps:

- Providing the proper training and motivating the sales force to keep a check on the market trends, i.e. the change in the tastes and preferences of customers and give suggestions on the improvements, if any.
- Motivating the channel partners viz. Dealer, distributors, retailers who are in the actual market to provide the relevant and necessary information about the customers and the competitors.
- The companies can also improve their marketing intelligence system by getting more and more information about the competitors. This can be done either by purchasing the competitor's product, attending the trade shows, reading the competitor's published articles in magazines, journals, financial reports.
- The companies can have an efficient marketing information system by involving the loyal customers in the customer advisory panel who can share their experiences and give advice to the new potential customers.
- The companies can make use of the government data to improve its marketing Information system. The data can be related to the population trends, demographic characteristics, agricultural production, etc. that help an organization to plan its marketing operations accordingly.
- Also, the companies can purchase the information about the marketing environment from the research companies who carry out the researches on all the players in the market.

- The Marketing Intelligence system can be further improved by asking the customers directly about their experience with the product or service via feedback forms that can be filled online.

3. **Marketing Research:** The Marketing Research is the systematic collection, organization, analysis and interpretation of the primary or the secondary data to find out the solutions to the marketing problems. Several Companies conduct marketing research to analyze the marketing environment comprising of changes in the customer's tastes and preferences, competitor's strategies, the scope of new product launch, etc. by applying several statistical tools. In order to conduct the market research, the data is to be collected that can be either primary data (the first-hand data) or the secondary data (second-hand data, available in books, magazines, research reports, journals, etc.)

   The secondary data are publicly available, but the primary data is to be collected by the researcher through certain methods such as questionnaires, personal interviews, surveys, seminars, etc.

   A marketing research contributes a lot in the marketing information system as it provides the factual data that has been tested several times by the researchers.

4. **Marketing Decision Support System:** It includes several software programs that can be used by the marketers to analyze the data, collected so far, to take better marketing decisions. With the use of computers, the marking managers can save the huge data in a tabular form and can apply statistical programs to analyze the data and make the decisions in line with the findings.

   Thus, the marketers need to keep a check on the marketing environment, i.e. both the internal (within the organization) and the external (outside the organization, so that marketing policies, procedures, strategies can be designed accordingly.

International Market Segmentation

International Market segmentation is a marketing strategy which involves separating a wide target market into subsets of customers, enterprises, or nations who have, or are perceived to have, common requirements, choices, and priorities, and then designing and executing approaches to target them.

International Market segmentation approaches are basically used to identify the target clients, and provide assisting data for marketing plan components like positioning to get certain marketing plan objectives.

Businesses may discover product differentiation approaches, or an undifferentiated approach, including specific goods or product lines relying on the precise demand and attributes of the target segment.

The most common forms of market segmentation practices are as follows:

1. **Geographic Segmentation:** Dealers can segment market according to geographic criterion that is nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-

cluster strategy blends demographic information with geographic data to discover a more precise or specific profile. For example, in rainy areas dealers can easily sell raincoats, umbrellas and gumboots. In winter regions, one can sell warm clothing.

A small business product store focuses on customers from the local neighborhood, while a larger departmental store focuses its marketing towards different localities in a larger city or region. They neglect customers in other continents. This segmentation is very essential and is marked as the initial step to international marketing, followed by demographic and psychographic segmentation.

2. **Demographic Segmentation:** Segmentation on the basis of demography relies on variables like age, gender, occupation and education level or according to perceived advantages which an item or service may provide.

   An alternative of this strategy is called firmographic or character based segmentation. This segmentation is widely used in business to business market. It's estimated that 81% of business to business dealers use this segmentation.

   According to firmographic or character based segmentation, the target market is segmented based on characteristics like size of the firm in terms of revenue or number of employees, sector of business or location like place, country and region.

3. **Behavioral Segmentation:** This divides the market into groups based on their knowledge, attitudes, uses and responses to the product.

   Many merchants assume that behavior variables are the best beginning point for building market segments.

4. **Psychographic Segmentation:** Psychographic segmentation calls for the division of market into segments based upon different personality traits, values, attitudes, interests, and lifestyles of consumers.

   Psychographics uses people's lifestyle, their activities, interests as well as opinions to define a market segment.

   Mass media has a dominating impact and effect on psychographic segmentation. To the products promoted through mass media can be high engagement items or an item of high-end luxury and thus, influences purchase decisions.

5. **Occasional Segmentation:** Occasion segmentation is dividing the market into segments on the basis of the different occasions when the buyers plan to buy the product or actually buy the product or use the product. Some products are specifically meant for a particular time or day or event. Thus, occasion segmentation helps identify the customers' various reasons to buy a particular product for a particular and thus boosts the sale of the product.

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

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

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

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

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

iii) Products that Demonstrate Well: Products that "speak for themselves" in advertising of features and benefits can also travel well.

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

The three categories of high-touch products are:

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

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

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

International Marketing Strategies:

The International market is entirely different from the local market where you just have to take care of a few things like price and quality. But the moment when you get your product out in front of the whole world, it does not only need to be quality perfect, but it also has got to look great, too. Although, the number of factors affecting the business are very high in the international business, but the basic concepts of marketing your brand internationally are same as that of domestic ones.

Types of International Marketing Strategies

1. **Individualized Marketing Strategy:** Individualized marketing, as its name suggests, focuses each and every targeted market in detail which requires the company to gather an extensive amount of research data. Therefore, to maintain the balance between the profit and the costs involved in that research, the focus is kept to, just, two or three countries. Furthermore, a revised version of the product is created to match the needs of all the individual markets by keeping economic, political and social factors in the notice.

2. **Global Marketing Strategy:** Promoting a brand globally enables it to create a unified version of the product by ignoring most or nearly all of the differences between different countries is known as global marketing. Application of such international marketing strategies takes place just because of the reason that the world is now acting like a global village where customers are having a standardized taste and their ideas of assessing a product are getting more and more similar. This strategy cuts the costs of research significantly, but promotion needs enormous efforts to get the word for your product deep down in the markets.

These international marketing strategies are also known as Global Marketing Strategies and almost used in all over the world as marketing product or brand globally.

Tools for International Marketing Strategies: Even though the market gets bigger and bigger as the number of targeted countries increases, but the tools used for promotion are same. One of the most powerful marketing tools that can help you achieve your dream of converting your product to sales is advertising it through different means. Put the word for your product in international newspapers, radio channels, anything that can get a poster on it and most importantly, the Internet because it houses hundreds of other means of marketing your brands like emails, websites, and many others. Furthermore, you can also run a contest for which entrants will have to share the news about your brand to their friends and family.

1. **Price Promotions:** The best way to get a buzz of the product is by putting up some promotions. Either you can give your product sales a huge boost through discounts or by giving your customers some timed trial or you can couple up your product with a freebie for every purchase.

2. **Make use of tradeshows:** There are many types of products that customers do not buy until they have tested by themselves especially cars. Actually, they are looking for the experience

of the product to be purchased and that's where tradeshows come into play. The company invites its customers to the trade show and let them experience the full potential of the brand.

3. **B2B Marketing:** B2B is an unusual tactic often used by bigger enterprises is to spread the word among individuals and organizations alike which allow them to sell their product to other commercial businesses, institutions, and other agencies, which can then either use this product or resell it.

4. **Inbound Marketing:** Making use of the requests, for the new products, often made by the customers can undoubtedly lead to additional sales of services that you currently have. For example, when a customer contacts the bank to check the account balance, the bank's contact center takes advantage of the chance and offers its customers to apply for any other service.

5. **Outbound Marketing:** Reaching out to individual target groups is a lot more fruitful than addressing the whole world, since it lets the potential customers know that a particular business exists and can be a lot more advantageous to our cause. For this purpose, a list of prospects is developed that can provide a starting point for the brand and this list is, then, further refined to concentrate the search for new customers. The same was the case of Microsoft when it spread the word of its accounting software.

Limitations of International Marketing Strategies: Although, marketing your product internationally exposes your brand to a wider audience, but there are many constraints that can quickly neutralize your market efforts.

1. **Language and cultural differences:** The difference of the language is what keeps most of the business from entering a market with an alien language. That's why, most of the advertisements, product guides, and even products themselves (if possible) are converted to the language according to the market. Let's say you want to release your product in Portugal; then you will have to convert everything from that product's parent language to the target market's language (e.g. Portuguese) and not just generic ones, but the refined ones too (like Brazilian Portuguese).

   Keeping an eye on the cultural differences is also important and in some cases, it becomes the strongest constraint to the business success. Since, advertising symbolism may mean similar, but due to differences in culture and values, the same thing may appear to be aggressive.

2. **Media Structure:** A newspaper in Latin America, usually, has a deeper and wider reach than television and radio or any other mean of communications. Similarly, cable TV are either not well developed or are entirely absent in some countries. Furthermore, some cable operators also refuse to put advertisements in their connections. That's how international marketing strategies differ from country to country and so, do the costs involved.

3. **Rules and Regulations:** Each target market has some rules to follow implied by the respective country. The same applies to advertisements and their means. For example, some countries have rules that any advertisement that is to advertise needs to be created in the country, while it is also a fact that comparative marketing is banned almost in every country except USA.

International Market Entry Strategies: Different Entry Modes and Market Entry Strategies: There are a number ways businesses can sell their products in international markets. The most appropriate method will depend on the business, its products, the outcome of its Marketing Environment analysis and its Marketing Plan.

1. **Direct Export:** The organization produces their product in their home market and then sells them to customers overseas.

2. **Indirect Export:** The organizations sell their product to a third party who then sells it on within the foreign market.

3. **Licensing:** Another less risky market entry method is licensing. Here the Licensor will grant an organization in the foreign market a license to produce the product, use the brand name etc. in return that they will receive a royalty payment.

4. **Franchising:** Franchising is another form of licensing. Here the organisation puts together a package of the 'successful' ingredients that made them a success in their home market and then franchise this package to overseas investors. The Franchise holder may help out by providing training and marketing the services or product. McDonalds is a popular example of a Franchising option for expanding in international markets.

5. **Contracting:** Another of form on market entry in an overseas market which involves the exchange of ideas is contracting. The manufacturer of the product will contract out the production of the product to another organisation to produce the product on their behalf. Clearly contracting out saves the organisation exporting to the foreign market.

6. **Direct Investment:** Multinational organizations may choose to engage in full-scale production and marketing abroad by directly investing in wholly-owned subsidiaries. As opposed to the previously mentioned methods of entry, this type of entry results in a company directly owning manufacturing or marketing subsidiaries overseas. This enables firms to

compete more aggressively abroad, because they are literally “in” the marketplace. However, because the subsidiary is responsible for all the marketing activities in a foreign country, this method requires a much larger investment. It’s also a risky strategy because it requires a complete understanding of business conditions and customs in a foreign country.

7. **Joint Venture:** A joint venture is a partnership between a domestic and foreign firm. Both partners invest money, share ownership, and share control of the venture. Typically the foreign partner provides expertise about the new market, business connections and networks, and access to other in-country elements of business like real-estate and regulatory compliance. Joint ventures require a greater commitment from firms than other methods, because they are riskier and less flexible. Joint ventures may afford tax advantages in many countries, particularly where foreign-owned businesses are taxed at higher rates than locally owned businesses. Some countries require all business ventures to be at least partially owned by domestic business partners. Joint ventures may also span multiple countries. This is most common when business partners team up to conduct business in a world region.

   Example: Toyota’s Progression into Global Business: Toyota Motors started out as a domestic marketer in Japan. Eventually it began exporting its cars to a few regional markets. As it saw greater success, Toyota became adept as a multinational marketer, and today is a true global marketer. Today Toyota operates manufacturing plants in foreign countries with local labor, using local ad agencies, and pursing marketing strategies that appeal to each country’s market segments and consumer needs. As Toyota progressed through each stage of global expansion, it revised its attitudes and approach to marketing and its underlying philosophy of business

   International Joint Ventures: Joint Venture can be described as a business arrangement, wherein two or more independent firms come together to form a legally independent undertaking, for a stipulated period, to fulfil a specific purpose such as accomplishing a task, activity or project. In other words, it is a **temporary partnership, established for a definite purpose**, which may or may not uses a specific firm name.

   For example, Maruti Ltd. of India and Suzuki Ltd. of Japan come together to set up Maruti Suzuki India Ltd.

   The firms joining hands in a joint venture are called **Co-venturers**, which can be a private company, government company or foreign company. The co-venturers come to a contractual agreement for carrying out an economic activity, which has **shared ownership and control**. They contribute capital, pooling the financial, physical, intellectual and managerial resources, participating in the operations and sharing the risks and returns in the predetermined ratio.

   Salient Features of Joint Venture

1. **Agreement**: Two or more firms come to an agreement, to undertake a business, for a definite purpose and are bound by it.
2. **Joint Control**: There exist a joint control of the co-venturers over business assets, operations, administration and even the venture.
3. **Pooling of resources and expertise**: Firms pool their resources like capital, manpower, technical know-how, and expertise, which helps in large-scale production.

4. **Sharing of profit and loss**: The co-venturers agree to share the profits and losses of the business in an agreed ratio. The computation of the profit and loss is usually done at the end of the venture, however, when it continues for the long duration, the profit and loss is calculated annually.
5. **Access to advanced technology**: By entering into joint venture firms get access to various techniques of production, marketing and doing business, which decreases the overall cost and also improves quality.
6. **Dissolution**: Once the term or purpose of the joint venture is complete, the agreement comes to an end, and the accounts of the coventurers, are settled, as and when it is dissolved.

The co-venturers are free to carry on their own business, unless otherwise provided in the joint venture agreement, during the life of the venture.

Objectives of Joint Venture

- To enter foreign market and even new or emerging market.
- To reduce the risk factor for heavy investment.
- To make optimum utilisation of resources.
- To gain economies of scale.
- To achieve synergy.

Joint ventures are primarily formed for construction of dams and roads, film production, buying and selling of goods etc.

The type of joint venture is based on the various factors like, the purpose for which it is formed, number of firms involved and the term for which it is formed.

Strategic Alliances: Strategic alliance, two companies will decide to share resources to accomplish a specific, mutually beneficial project. This type of agreement is less involved and less binding than a joint venture, where the two businesses pool resources in the creation of a separate business entity. Each of the two companies will maintain their autonomy in a strategic alliance while gaining a new opportunity.

A strategic alliance can help a firm offer a more effective process, grow into a new market, or develop an edge over a competitor. The arrangement allows the two businesses to work toward a common goal that will be of benefit to both. The gained advantage may provide a short- or long-term benefit and may be formal or informal between the two partners.

- A strategic alliance is an arrangement between two companies that have decided to share resources to undertake a specific, mutually beneficial project.
- A strategic alliance agreement could help a company develop a more effective process.
- Strategic alliances allow two organizations, individuals or other entities to work toward common or correlating goals.

The Purpose of Strategic Alliances: While the strategic alliance can be an informal alliance, the responsibilities of each member are clearly defined. The needs and benefits gained by the partnered businesses will dictate how long the coalition is in effect.

The results of forming a strategic alliance can include allowing each of the businesses to achieve organic growth at a quicker pace than would happen if they acted alone. The partnership could provide access to resources and knowledge that one company owns but the other does not. As an example, if a small printing company allied with another that could provide access to high-speed presses, the small business could reduce their cost of production and capture more of the local printing business. Strategic alliances are flexible because they avoid some of the hindrances that a joint venture would include. The two firms do not need to merge capital and can remain independent of one another. The alliance should not replace the goal of the mission of either business.

The results of forming a strategic alliance can include allowing each of the businesses to grow at a quicker pace than would happen if they acted alone. The partnership could provide access to resources and knowledge that one company owns but the other does not. As an example, if a small printing company allied with another company that could provide access to high-speed presses, the small business could reduce their cost of production and capture more of the local printing business. The best functioning of the deal happens when the two business practices are quite varied.

The Risks of Strategic Alliances: A strategic alliance can bring risks. While the agreement is usually clear for both companies, there may be variations in how each firm goes about business. This difference can create conflict. Further, if the alliance requires one party to give proprietary information to the partnered business, there must be trust between the two allies. With a long-term strategic alliance, both parties may also become dependent on one another. If one firm is more dependent than the other, it could cause additional friction as one side gains an advantage over the other.

Real World Example: An oil and natural gas company might form a strategic alliance with a research laboratory to develop more commercially viable recovery processes. A clothing retailer might form a strategic alliance with a single clothing manufacturer to ensure consistent quality and sizing. A major website could form a strategic alliance with an analytics company to improve its marketing efforts.

Direct Investment: Direct investment, more commonly referred to as foreign direct investment (FDI), refers to an investment in a foreign business enterprise designed to acquire a controlling interest in this enterprise. Direct investment provides capital funding in exchange for an equity interest without the purchase of regular shares of a company's stock.

The purpose of foreign direct investment (FDI) is to gain an equity interest sufficient to provide control of a company. In some instances, it involves a company in one country opening its own business operations in another country, while in other cases it involves acquiring control of existing assets of a business already operating in the foreign country. A direct investment can involve gaining a majority interest in a company or a minority interest large enough to provide the investor with effective control of the company.

Direct investment is primarily distinguished from portfolio investment, the purchase of common or preferred stock shares of a foreign company, and by the element of control, that is sought. Control can come from sources other than an investment of capital, though the control of such things as technology is merely critical inputs. In fact, foreign direct investment is frequently not a simple monetary transfer of ownership or controlling interest but also involves complementary factors, such as organizational and management systems or technology.

Foreign direct investments can be made by individuals but are more commonly made by companies wishing to establish a business presence in a foreign country.

Examples of Foreign Direct Investment: Foreign direct investment takes many forms in actual practice but is generally classified as either a vertical, horizontal, or conglomerate investment.

A vertical direct investment is one where the investor adds foreign activities to an existing business, such as in the case of an American auto manufacturer establishing dealerships or acquiring a parts supply business in a foreign country.

Horizontal direct investment is perhaps the most common form. In horizontal investments, a business already existing in one country merely establishes the same business operations in a foreign country, such as in the case of a fast food franchise based in the United States opening restaurant locations in China. Horizontal direct investment is also referred to as greenfield entry into a foreign market.

The conglomerate type of direct investment, the least common form, is where an existing company in one country adds an unrelated business operation in a foreign country. This is a particularly challenging form of direct investment since it requires simultaneously establishing a new business and establishing it in a foreign country. An example of conglomerate direct investment might be an insurance firm opening a resort park in a foreign country.

Manufacturing & Franchising

Manufacturing: Manufacturing is the processing of raw materials into finished goods through the use of tools and processes. Manufacturing is a value-adding process allowing businesses to sell finished products at a premium over the value of the raw materials used.

Humans have historically sought ways to turn raw materials, such as ore, wood, and foodstuffs, into finished products, such as metal goods furniture and processed foods. By refining and processing this raw material into something more useful, individuals and businesses have added value. This added value increased the price of finished products, rendering manufacturing a profitable endeavor. People began to specialize in the skills required to manufacture goods while others provided funds to businesses to purchase tools and materials.

How products are manufactured has changed over time. The amount and type of labor required in manufacturing vary according to the type of product being produced. On one end of the spectrum, products are manufactured by hand or through the use of basic tools using more traditional processes. This type of manufacturing is associated with decorative art, textile or leather work, carpentry, and some metal work. At the other end of the spectrum, mechanization is used to produce items on a more industrial scale. This type of manufacturing does not require as much manual manipulation of materials and is often associated with mass production.

The industrial process used to turn raw materials into products in high volumes emerged during the Industrial Revolution of the 19th century. Before this period, handmade products dominated the market. The development of steam engines and related technologies allowed companies to use machines in the manufacturing process reducing the number of personnel required to produce goods while also increasing the volume of goods that could be produced.

Mass production and assembly line manufacturing allowed companies to create parts that could be used interchangeably and allowing finished products to be made more readily by reducing the need for part customization. The use of mass production techniques in manufacturing was popularized by the Ford Motor Company in the early 20th century. Computers and precision electronic equipment have since allowed companies to pioneer high-tech manufacturing methods. Products made using these methods typically carry a higher price but also require more specialized labor and more expensive capital inputs.

The skills required to operate machines and develop the processes used in manufacturing have changed drastically over time. Many low skill manufacturing jobs have shifted from developed countries to developing countries because labor in developing countries tends to be less expensive. More skilled manufacturing, particularly of precision and high-end products, tend to be undertaken in developed economies. Technology has made manufacturing more efficient and employees more productive; therefore, although the volume and number of goods manufactured have increased, the number of workers required has declined.

Economists and government statisticians use various ratios when evaluating the role manufacturing plays in the economy. Manufacturing value added (MVA), for example, is an indicator that compares manufacturing output to the size of the overall economy. It is expressed as a percentage of GDP – gross domestic product. The ISM Manufacturing Index uses surveys of manufacturing firms to estimate employment, inventories and new orders and is an indicator of the health of the manufacturing sector.

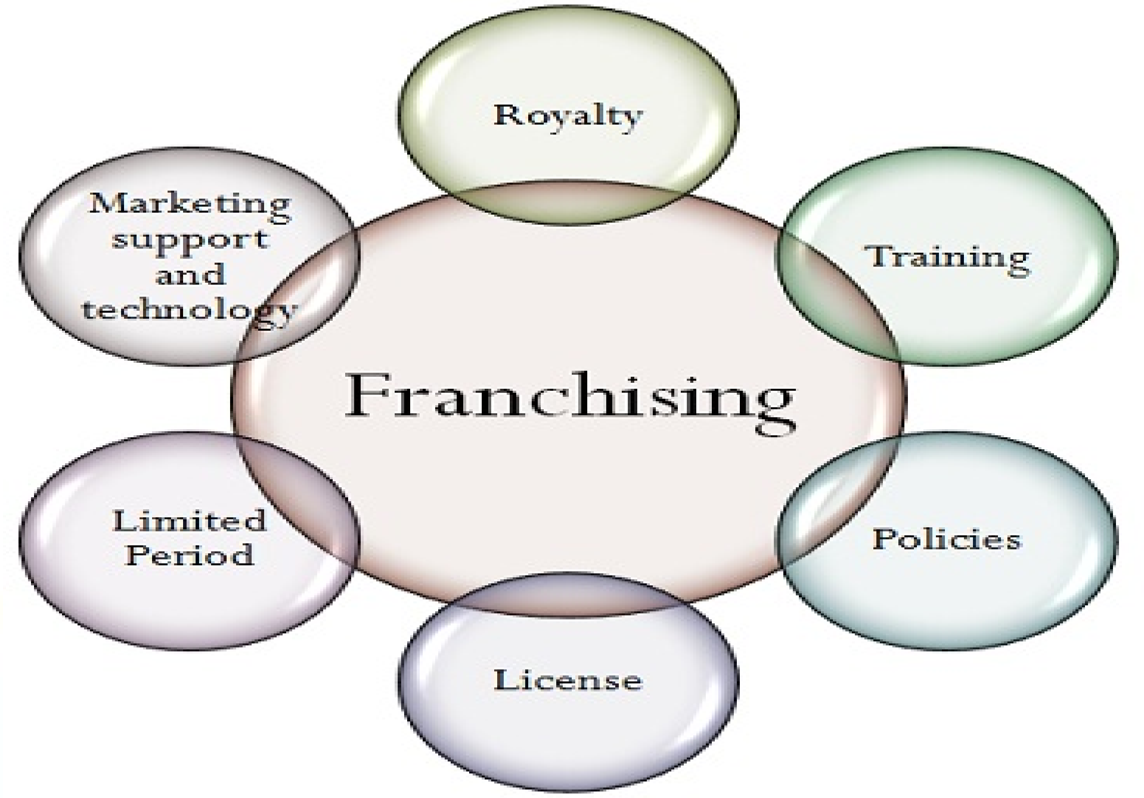
Franchising: The term 'franchise' is understood as an exclusive right conferred by the parent organization to an individual or enterprise to use the former's successful business model, in stipulated areas. Franchising is a business relationship; wherein the owner authorises another party to use their brand, product, business system and process in return for adequate consideration.

In finer terms, franchising is an arrangement, in which the manufacturer, permits another firm, the right to use its diverse intellectual property rights such as trademark, brand name, technical know-how, designs, etc., in addition to the proven name, goodwill and marketing strategies, for a certain sum. E.g. Mc Donald's, Subway, & Eleven, Domino's, Dunkin' Donuts, etc.

In franchising, the firm that grants a license is called franchiser, and the individual or entity to whom the right is conferred is franchisee. The franchisee acquires franchise by paying initial startup and annual licensing fees to the franchiser, who in return provides training and assistance to the franchisee at regular intervals.

Franchising Agreement is a special agreement between both the parties, under which rights are given, and also the terms and conditions relating to franchising are stated clearly.

Characteristics of Franchising



1. **License:** The franchisee gets the right to use, franchiser's trademark under a license.

2. **Policies:** The franchisee must follow the policies concerning the mode of conducting business, as stated in the agreement.

3. **Marketing support and technology:** Franchisee is supplied with continuous market support and technology, by the franchiser, to undertake business, in the manner stated in the franchising agreement.

4. **Training:** Complete training and assistance are provided to the personnel working in the franchisee's enterprise.

5. **Royalty:** For making use of a well-known business model, the franchisee pays the royalty to the franchiser.

6. **Limited period:** Franchisee is allowed to use the business know-how and brand name for a specified period, as mentioned in the franchise agreement. Although, the agreement can be renewed further.

Franchising is a most common practice of expanding the business, through a licensing relationship, wherein the owner provides training, equipment, ingredients, and marketing support to the other entity.

Importance of Franchising

(i) It allows franchiser to augment his distribution chain in minimum time.

(ii) It provides feedback to the franchiser regarding the product popularity, needs and choices of customers, etc.

(iii) It expands the network of franchiser which helps in increasing goodwill.

(iv) As the business is already established, the franchisee need not make efforts in promoting the product.

(v) Franchisee get sole rights in providing the product or service

Franchising is a great alternative to developing chain stores, to provide goods and services to the customers and avoid investment. But there are certain demerits attached to it such as there is always a fear that franchisee may open the same business with a different name, after the expiry of the said term. The franchiser's brand name and reputation will suffer if the franchisee does not provide quality service to the target audience.

UNIT-3

International Product Policy

International Product Policy:

The Basic Product: Many German companies are actively selling their products into global markets, and they are successful in the globalization business. For many years, Germany has the largest trade volume of all countries worldwide.

Although the current climate in 2009 is not very favorable for the world markets (the World Trade Organization WTO is → estimating a decline of 9% in the world trade of 2009), the success of this country on the world markets is important for the country, the companies, and the inhabitants.

As international trade, and exports are important for participating countries, the question is what their companies need to do in order to be successful abroad.

Which products to export?

One of the most relevant questions for a firm (newly) approaching international markets, is, which products to sell abroad, and how these products should look like. The one side of the coin is thereby the market view („how successful can we be“), and the other view is the cost-oriented view („economies of scale“).

In particular each company with international ambitions needs to define, if these products should be standardized („one size fits it all“) or if they are to be adapted to local markets. Often the product management drives this very important question, or is at least part of the decision process.

Adaptation versus Product Standardization: The most easiest way of a small firm that is just beginning to approach international markets, is to sell the same products as they are designed for the home market, without any or few changes abroad (standardized product).

On the other hand of the spectrum would be a company, which designs products for each individual target market (adaptation to local needs). Both approaches have advantages and disadvantages over the other, which I will discuss here.

Factors in Favor of Standardization: Normally holds, the larger the quantities produced, the lower the costs per unit. Simply due to the quantity and the learning-curve-effect, standardized products can result in lower costs and larger economies of scale in the different activities from production to sales.

Further, the more equal the markets are, the easier the management of the internationalization process is, and the easier it is to use identical marketing in different countries. On the other hand, sales often depend on local tastes and needs (and sometimes there are legal requirements), and therefore the on-size-fits-it-all approach is not universally possible.

In practice the company needs to find the right point in the middle. A different option is a platform strategy that makes sure that as few parts of the product as possible are adapted to local needs.

Terpstra/ Sarathy (2002) name the following additional factors, which favor standardization:

- **High costs of adaptation:** High costs of production can make it difficult to sell the product at a reasonable price in low volume markets. In these cases standardization allows larger economies of scales, resulting in less costs per unit.
- **Industrial products:** Industrial goods tend to be more standardized than the more people centric consumer goods, as they normally adhere to technical principles, which are valid internationally.
- **Convergence and similar tastes:** Consumer patterns among countries with identical income levels tend to converge, and thus products for markets with differing income levels will more likely be different. The choice of target markets partially predefines which standardization level is possible.
- **Predominant use in urban environments:** Urban environments tend to be similar accross countries, and it is possible to standardize if the usage of the product can be limited to urban users.
- **Marketing to similar countries:** Depending on characteristics of the particular products, it is possible to identify markets with similar characteristics in terms of sales. It is possible to standardize, when it is possible to identify clusters of similar markets.
- **Centralized management and operating with exports:** If a firm operates internationally as an exporter is more likely that this firm favors to work with standardized products.
- **Country-of-origin effects:** Products might actively retain their home market focus. The firm might use these attributes strategically and it migh use these characteristics actively as a buying argument.
- **Economies of scale in production:** The firm can gain economies of scale in production when standardizing the products.
- **Economies of scale in research and development:** It the firm uses the same product design globally, it is possible to achieve economies of scale in R&D.
- **Economies in marketing:** Economies of scale are possible, if it is possible to use an identical marketing approach globally.

The Factors in Favor of Adaptation: If the adapted product meets the needs local market demands better, the customers abroad are often willing to pay a higher price. Thus, adapted products might in general yield a higher profit per unit sold.

As mentioned before, sometimes adaptations are not just marketing-driven, but simply they are legally needed, and are therefore the prerequisite to market entry. Terpstra/ Sarathy (2002) name the following additional factors, which favor adaptation:

- **Differences in technical standards** might make it necessary to adapt the product to local needs.
- **Needs of local customers:** Consumer and personal use products will more exactly meet the needs of the local market, when adapted.
- **Variation in consumer needs and differing use conditions:** Use conditions in the different markets may differ, so that it might be required to adapt the product to local needs.
- **Differing income levels:** The per capita income level vary greatly among the different countries worldwide. It might be required to adapt certain product specifics to local needs, and to allow customer segments to buy it, which are different to those at home.
- **Fragmented independent national subsidiaries:** Depending on the globalization strategy, companies might have largely independent national subsidiaries, which are active in their respective markets for a long time. These subsidiaries might produce adapted products, and

can, or will sometimes not follow new efforts to standardize the products globally. It is also possible that national subsidiaries demand from their headquarters local products that allow them to reach given profit targets.

- **Cultural differences:** Cultural differences might affect different buying criteria. It is thus often necessary to adapt a product to local tastes and habits.
- **Environmentally induced adaptation:** Governments might forbid or favor product characteristics, which are allowed in the home country. It is possible also, that they impose local content requirements (in these cases a certain portion of the product needs to be produced locally) to foreign companies.
- **Corporate strategy and competition:** The firms needs to consider examples of successful companies, and they need to understand, what these firms did, and how their success was related to the different strategic choices.

Principles for Product Adaptation: Assuming that you studied your target markets in sufficient depth, and is clarified how standardized or adapted the product can and should be. Also assuming that you evaluated if a platform strategy could help you, keep a least parts of the product standardized. Then the next question is, how and where you adapt the product.

Terpstra/ Sarathy (2002) summarize the variables that foster product adaptation as follows (in declining importance in the industry):

(i) The criteria variations in customer needs, conditions of use and ability to buy are among the most important reasons to choose an adaption strategy. These factors guide the adaptation of attributes and features of the basic product, or of areas, such as packaging.

(ii) In most cases different technical standards, and different user languages require that particular product characteristics are altered.

(iii) It is then often required to follow competitors, which already offer adapted products.

(iv) If adaptation costs are low, it is likely that adaptation takes place. Products with high R&D effort will thus often not be adapted to local needs.

(v) Local production parameters, and available material requires local production with changes in design or process.

(vi) In many cases government regulations force companies to make a localized product available.

(vii) Cultural preferences require certain adaptations.

Product Planning in International Markets

INTERNATIONAL PRODUCT PLANNING: A proper plan should be framed in respect of products to be exported. New products should be produced on a larger-scale to answer foreign demand. Supply of export goods must be uninterrupted. Goods having large domestic demand should be exported only if their supply is in excess of internal demand. Quality of export goods should be high and their prices competitive.

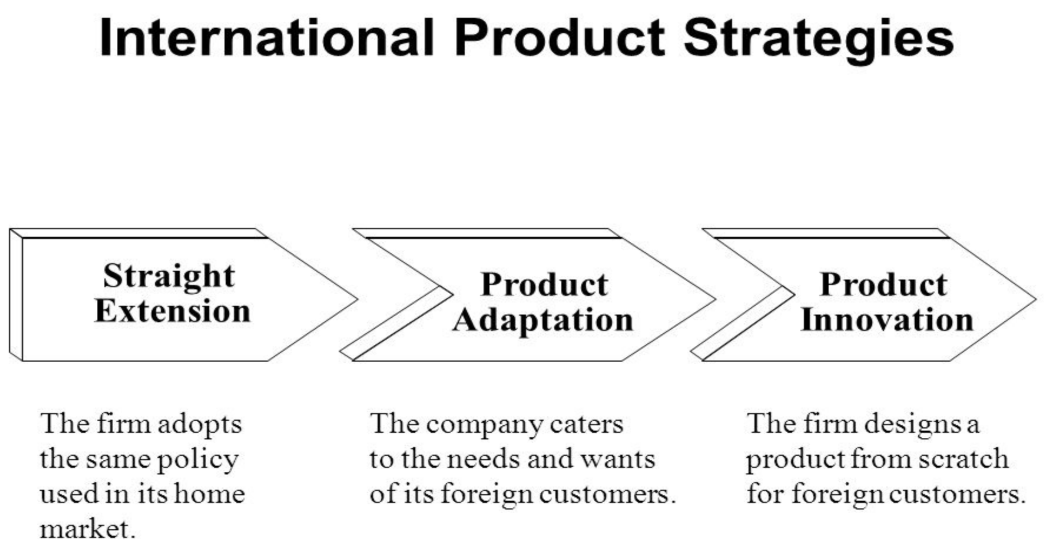
In exports, ‘product planning’ is a term which is used to describe the complete process of bringing a new product or service to a new market. There two parallel paths involved in the export product planning process – one involves the idea generation, product design, and detailed engineering and the other involves market research and marketing analysis.

Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management, used to maintain or grow the market share.

Export product planning involves determining which products to introduce into which countries; what modifications to make in the products; what new products to add; what brand names to use; what package designs to use: what guarantees and warranties to give, what after-sales services to offer, and finally, when to enter the market. All these are crucial decisions requiring a variety of informational inputs.

Although the basic functions of exporting and domestic selling are the same, international markets differ widely because of great variations in certain uncontrollable environmental forces. These include currency exchange controls/risks, taxation, tariffs, and inflation, which happen to originate outside the business enterprise. Such variations require managers who are aware of international threats and opportunities.

If a company already manufactures a product or service, it is reasonable to assume that its product or service is what will be exported. However, companies must first determine the export potential of a product or service before they invest their resources into the business of foreign trade.



Packaging and Labelling

Packaging: Packaging is the other side of the product identification. Traditionally, the function of packaging was to protect goods. However, it is a promotional tool and the major image builder contributing to the product success. It is a point of sale display that develops a favourable consumer appeal.

'Packing' is a process that speaks of company's ability to contain economically man made or natural products for shipment, storage, sale or final use. It comprises the activities of wrapping or creating the product for performing the marketing functions more easily and economically.

In simple words, packing is the act of housing the product in the packages or containers like tins, cans, bags, jars, bottles, boxes, kegs, casks, and the like. A 'package' is a wrapper or a container in which a product is enclosed, encased, housed or sealed.

'Packaging' on the other hand, deals with activities of planning and designing of different means of packing the products. What are clothes to human-beings, so are the packages for the products.

Definitions: "Packaging is the general group of activities in designing the containers or wrappers for the products". Professor William Stanton

"Package design is the unique combination of colours, graphics and symbols to distinguishing the products." John Bull

“Packaging is an activity which is concerned with the protection, economy, convenience and promotional considerations”. Professor Philip

Thus, it embraces the functions of package selection, manufacture, filling and handling. It is worth noting, here, that the word ‘packing’ is more comprehensive and, hence, covers ‘packaging’. Packing is concerned with product protection while packaging with product promotion.

Objectives of Packaging : Packaging is a market and marketing necessity, at-least five objectives can be identified so far as product packaging is concerned. These are product protection, product identification, product convenience, product profit generation and product promotion.
These points can be outlined as given below:

(i) Product protection: The primary objective of packaging is protection of products or contents. It is the package that keeps the contents fresh, clean and un-spoilt by using moisture proof, vermin-proof and damage resistant materials.

It is powerful weapon to avoid shop-lifting, stealing in shops. This protection is given to the products from their birth till their death. Thus, product is protected against the possible theft, pilferage, leakage, spilling, breakage, contamination, deterioration, evaporation and so on.

(ii) Product identification: The products available in a shop on shelves must be distinguishable for easy identification. One brand is to be compared and distinguished from another. Next to brand names, packaging is another easy and convenient method to identify the products of different producers or marketers.

It is obvious that the packaging of one product is very much different from another. Thus, it becomes a means of easy identification. The size, the colour combinations, the graphics used in each package are unique that can be easily remembered and recalled.

(iii) Product convenience: A packaging aims at providing maximum convenience to the purchasers, producers and distributors alike. A nicely designed product package facilitates product shipping, storage, stocking, handling and display on the part of producers and distributors. It is caused by product density.

Good packaging facilitates the ease of product use by consumers. The best examples of this kind are: tear-tape, poring spouts, squeeze bottles, aerosol cans, flip-tops pull- tubes, wrappers and the like. They increase consumer convenience to a great extent.

(iv) Product promotion: Product package is a powerful promotional tool. Packaging performs good many advertising functions.

At-least four are emphasized:

(a) Self advertising package design has supreme significance as it attracts consumers.

(b) Point of purchase display when we talk of display the two possibilities are 'window' and 'counter' where the first does the work of attracting the consumers or prospects to 'get in' and the second one gives the comparison of 'competitive products' for consumer choice.

(c) Media of advertising the general appearance and the selling features created by the packaging techniques decide the product success and

(d) Product publicity free advertising is done through package-insert or flap advertising.

(v) Product profit generation: Adequate and proper packaging can be the cause for generating increased profits to the producers and distributors. Because of product density created by good packaging, it reduces costs in storage, transportation and handling.

Further, the wastes that are common in marketing process can be minimized, if not eradicated. Further, sound packaging is an effective tool of sale-promotion. All these factors are bound to contribute towards profit maximization with reduced costs and improved efficiency.

Role/Functions of Packaging: In modern dynamic and competitive marketing conditions, the role of packaging cannot be underestimated. It has become a highly specialized activity building the fortunes of producers, extending the stay of middlemen and expanding the convenience to the consumers. The role of packaging is self evident from the specific functions it performs.

The functions of good packaging are summed up as under:

(i) It protects the contents: The basic function of packaging from the time is to protect the contents of it from damage, dust, dirt, leakage, pilferage, evaporation, watering, and contamination and so on. The intrinsic values or the properties or the quality standards are maintained intact. Thus, the contents are kept fresh, clean, un-spoilt and unaffected.

Seasonal fluctuations in demand may be smoothened out through packaging. The canning and deep freezing of some perishable products like straw berries, orange juice, and mango pulp enable all the year round consumption on the part of consumers.

(ii) It provides product density: It is packaging that increases the product density. Product density implies selecting such package materials, design and shape that it helps to use the limited space in the best way. Product density improves relations with common carriers, permits better use of space in storage and usage and increases the grace and poise of arrangement.

(iii) It acts as promotional tool: Good packaging can sell more easily and quickly as it works as a promotional tool. It is a 'silent' salesman. As a promotional tool, it does self advertising, displaying, publishing and acts as an advertising medium.

Attractive package enhances the opportunity of impulse buying. It is the package, size, design, colour combinations and graphics that decide its ability to attract the valuable attention of customers or the prospects.

(iv) It provides user convenience: Convenience in storage, transportation, handling and usage the product is another requirement. Good packaging does this in greater degree. As a result the marketing functions of the transportation, storage and handling are performed with ease and without wastage.

Consumers are greatly assisted so long as the product is in usage. In fact, neat packaging has brought home reduction in inventory costs, packing costs, space and time costs.

(v) It facilitates product identification: Product differentiation is the hall-mark of these days of keen competition. This process of product differentiation is furthered by effective product identifiers; one is branding and another is packaging.

The product package identifies the product no matter where you see it, under what circumstances you see it, or when you see it.

A package is product's personality, its reality. Product identification goes easy with distinguished packaging as it adds to its personality or image. Consumers' confusion over the large variety need not confound them and mislead them in consumer decision making because, they go by distinctive product packaging.

(vi) It allows easy product-mix: Product-mix relates to the product-lines and assortment of sizes, colours, measures, grades, and package types etc., offered by the selling house. Changes in product-mix can be possible as packaging is to influence weight, size and dimensions of the products.

Such a selected sales or product-mix will facilitate product pricing, shipping, storage, stocking, handling, display and so on, in diversified market segments.

(vii) It extends product life-cycle: The package of a product may be used in an effort to extend the product life- cycle. Updating design may help to give the pack a more contemporary image.

It is increasingly difficult to come up with totally new products, but any variety of packaging innovation can be introduced which offers features of a consumer wants and willingness to pay for a form of product innovation. This can be achieved through improved convenience to not only consumers but also to wholesalers and retailers by which packages are easy to stock, price, mark, display and identify.

Essentials of Good Packaging: The objectives and functions of packaging have clearly demonstrated the importance of packaging in modern marketing setting. To get all these benefits, the packaging must be certainly attractive, protective, economical, convenient and adjustable. Experts opine that the following points to be fulfilled by a packaging to be called as 'good' packaging.

Therefore, the requisites of good packaging are:

- It should protect the contents
- It should be attractive

- It should bestow convenience
- It should guarantee economy
- It should assure adjustability
- It should be pollution free
- It should be informative

Types of Packages: When one speaks of types of packaging, there can be three types namely primary, secondary and shipping. Let us know about each type.

1. **Primary Packaging:** Primary packaging is basically done for protecting the quality of the product and protection against possible effects caused by exposure. Much depends on the type of product its form namely, Solid or liquid, solids are packed in polyethylene paper bags, hard boards, bottles both glass and plastic.

   The basic idea is to protect or preserve the basic ingredients. Say, a shampoo can be packed in sachets, pouches, plastic bottles, so in the case with other liquids. Tetra-packing is done in case of soft-drinks, juice, and oil and so on.

2. **Secondary Packaging:** Secondary packaging serves for providing quantitative convenience of the buyers and sellers. Thus Shampoo Sachets may be in straps of 10, 20, 30, 40, and 50 and so on. The bottles may be 10, or 12, or 144 units put to together. This is done for additional protection plus meeting the consumer's dealers, convenient for exchange purpose. It also helps in storage.

3. **Shipping Packaging:** Shipping packaging is the final packaging mainly for transportation and stocking purposes on wholesale basis. Thus, fruit juice boxes (tetra pack) may be put in cartons of 50, 100, and 200 and so on.

   The care is taken to see that it helps in convenient handling of cartons in transportation and warehousing while loading and unloading to cause least damages. Here, the materials used are rugged and providing cushion in handling, storing and transportation.

   The materials used for primary, secondary and shipment packages differ very much. A continuous research is going on to do away with conventional materials.

   PRODUCT LABELLING: Labelling is another significant means of product identification like branding and packaging. Labelling the act of attaching or tagging labels. A label is anything may be a piece of paper, printed statement, imprinted metal, leather which is either a part of a package or attached to it, indicating value of contents of price of product name and place of producers.

   It carries verbal information about the product, producer or such useful information to be beneficial to the user. Thus, a label is an informative tag, wrapper or seal attached to a product or product's package.

   The Purposes of Labelling

1. **To bring home the product features:** A label goes on describing the product specialties which makes the product a quick-mover. It gives its correct use. Thus, bottle containing

poison, if not labelled, it fails to tell about its contents. Wrong labelling does more harm than no labelling at all.

2. **To facilitate the exchange process:** As good many competitive products are available in a given product range, label helps in avoiding the unwanted confusion. This is of special importance in case of drugs and chemicals where even spelling mistakes prove fatal to the users. That is why; druggists and chemists are having qualified pharmacists in the pharmacies.

3. **To encourage self-service:** A lable is a strong sales tool that encourages self-service operations. If the customers are supplied with necessary information of the contents of the package or the container, as its contents, weight, use, price, taxes, and instructions and so on, consumers can pick the package of their choice from shop shelves. Thus, labelling has a special role to play in self-selling units.

   A label may be descriptive, informative or grade designating or a combination of these. A 'descriptive' label describes the contents of the package or the ingredients of the product. Thus, a descriptive label on a cane of pineapple describes the contents by size, weight, number of slices, syrup cups and the number of servings.

   An 'informative' label includes detailed description with emphasis on how the product is made? How to use it? How to care for it? In order to drive maximum satisfaction. A 'grade' label designates customary or regulated standards. Thus, a pack of ghee or honey might have 'Ag-mark' grading, certificates as A, B, or C.

4. **Product related services:** Generally, a product is surrounded by various services that make it easier for the consumer to use, pay for and maintain the product, in addition to its branding, packing and labelling. These include the product support services, credit granted guarantees and warrantees given and after-sale services extended.

   International Product Life Cycle: The International Product Life Cycle Theory was authored by Raymond Vernon in the 1960s to explain the cycle that products go through when exposed to an international market. The cycle describes how a product matures and declines as a result of internationalization. There are three stages contained within the theory.

1. **New Product Introduction:** The cycle always begins with the introduction of a new product. In this stage a corporation in a developed country will innovate a new product. The market for this product will be small and sales will be relatively low as a result. Vernon deduced that innovative products are more likely to be created in a developed nation because the buoyant economy means that people have more disposable income to use on new products.

   To offset the impact of low sales, corporations will keep the manufacture of the product local, so that as process issues arise or a need to modify the product in its infancy stage presents itself, changes can be implemented without too much risk and without wasting time.

   As sales increase, corporations may start to export the product out to other developed nations to increase sales and revenue. It's a straightforward step towards the internationalization of a product because the appetites of people within developed nations tends to be quite similar.

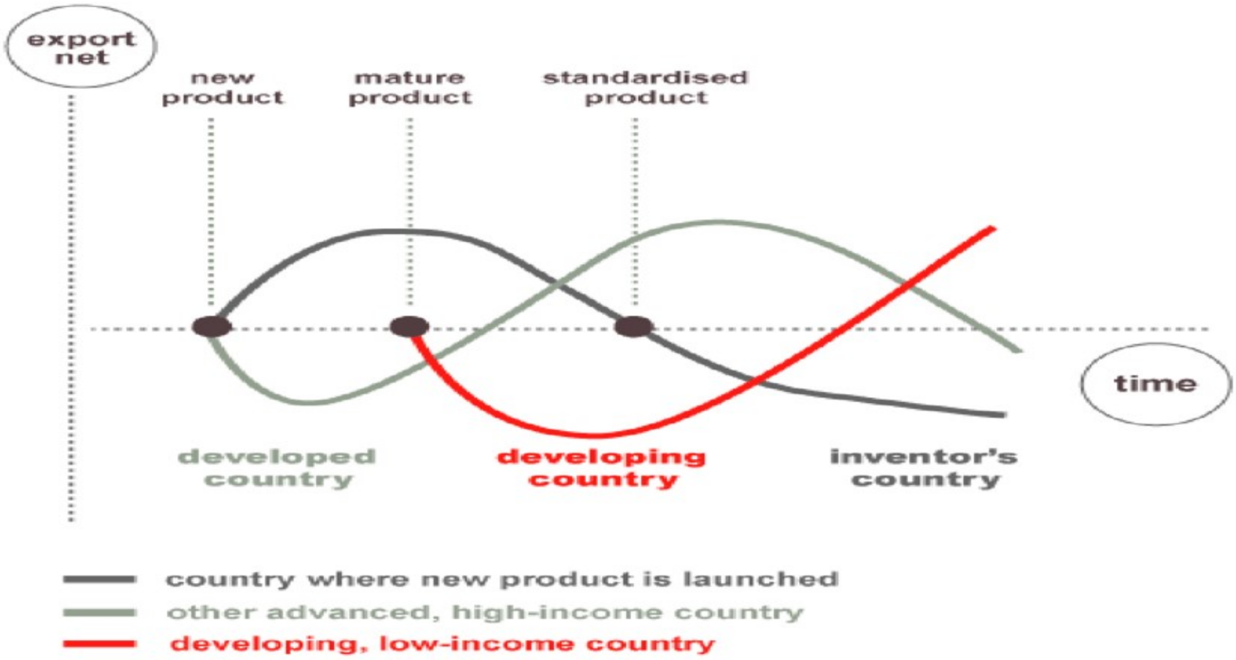
2. **The Maturity Stage:** At this point, when the product has firmly established demand in developed countries, the manufacturer of the product will need to consider opening up production plants locally in each developed country to meet the demand. As the product is being produced locally, labor costs and export and costs will decrease thereby reducing the unit cost and increasing revenue. Product development can still occur at this point as there is still room to adapt and modify the product if needed. Appetites for the product in developed nations will continue to increase in this stage.

   Although the unit costs have decreased due to the decision to produce the product locally, the manufacture of the product will still require a highly skilled labor force. Local competition to offer alternatives start to form. The increased product exposure begins to reach the countries that have a less developed economy, and demand from these nations start to grow.

3. **Product Standardization and Streamlining of Manufacturing:** Exports to nations with a less developed economy begin in earnest. Competitive product offers saturate the market which means that the original purveyor of the product loses their competitive edge on the basis of innovation. In response to this, rather than continuing to add new features to the product, the corporation focuses on driving down the cost of the process to manufacture the product. They do this by moving production to nations where the average income is much lower and standardizing and streamlining the manufacturing methods needed to make the product.

   The local workforce in lower income nations are then exposed to the technology and methods to make the product and competitors begin to rise as they did in developed nations previously. Meanwhile, demand in the original nation where the product came from begins to decline and eventually dwindles as a new product grabs the attention of the people. The market for the product is now completely saturated and the multinational corporation leaves the manufacture of the product in low income countries and instead, focuses its attention on new product development as it bows gracefully out of the market.

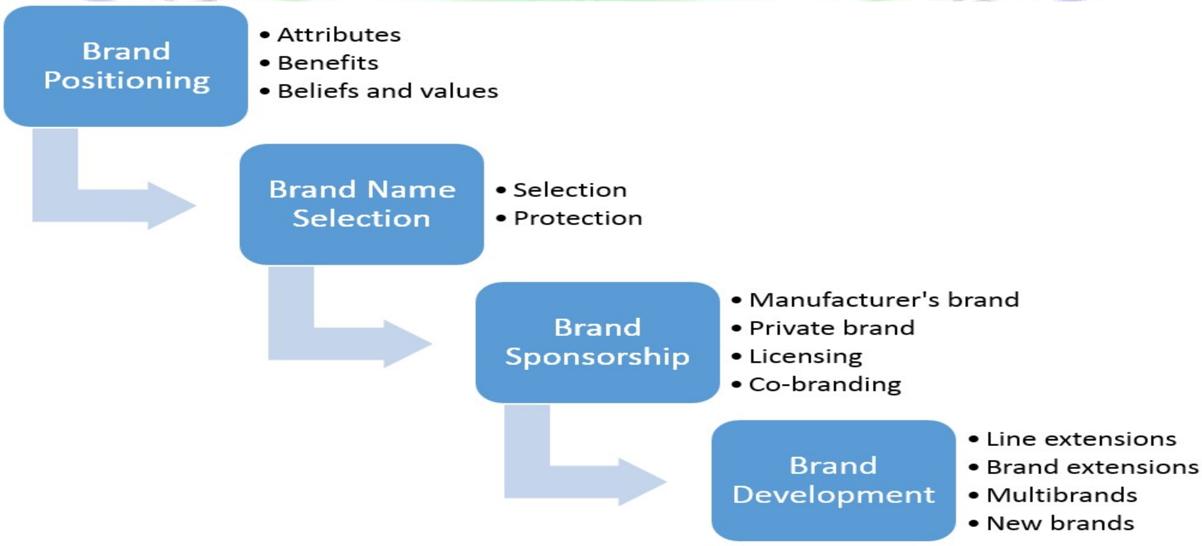
   What is left of the market share is divvied up between predominantly foreign competitors and people in the original country who want the product at this point, will most likely buy an imported version of the product from a nation where the incomes are lower. Then the cycle begins again.



Branding decisions in International Markets: Standardization vs. Adaptation

Branding consists of a set of complex branding decisions. Major brand strategy decisions involve brand positioning, brand name selection, brand sponsorship and brand development.

Before going into the four branding decisions, also called brand strategy decisions, we should clarify what a brand actually is. A brand is a company's promise to deliver a specific set of features, benefits, services and experiences consistently to buyers. However, a brand should rather be understood as a set of perceptions a consumer has about the products of a particular firm. Therefore, all branding decisions focus on the consumer.



1. **Brand Positioning:** A brand must be positioned clearly in target customers' minds. Brand positioning can be done at any of three levels:

- On product attributes
- On benefits
- On beliefs and values.

At the lowest level, marketers can position a brand on product attributes. Marketing for a car brand may focus on attributes such as large engines, fancy colours and sportive design. However, attributes are generally the least desirable level for brand positioning. The reason is that competitors can easily copy these attributes, taking away the uniqueness of the brand. Also, customers are not interested in attributes as such. Rather, they are interested in what these attributes will do for them. That leads us to the next level: Benefits.

A brand can be better positioned on basis of a desirable benefit. The car brand could go beyond the technical product attributes and promote the resulting benefits for the customer: quick transportation, lifestyle and so further.

Yet, the strongest brands go beyond product attributes and benefits. They are positioned on beliefs and values. Successful brands engage customers on a deep, emotional level. Examples include brands such as Mini and Aston Martin. These brands rely less on products' tangible attributes, but more on creating passion, surprise and excitement surrounding the brand. They have become "cool" brands.

Brand positioning lays the foundation for the three other branding decisions. Therefore, brand positioning should also involve establishing a mission for the brand and a vision of what the brand should be and do. The brand's promise must be simple and honest.

2. **Brand Name Selection:** When talking about branding decisions, the brand name decision may be the most obvious one. The name of the brand is maybe what you think of first when imagining a brand – it is the base of the brand. Therefore, the brand name selection belongs to the most important branding decisions. However, it is also quite a difficult task.

We have to start with a careful review of the product and its benefits, the target market and proposed marketing strategies. Having that in mind, we have to find a brand name matching these things. Naming a brand is part science, part art, and certainly a measure of instinct.

Although finding the right name for a brand can be a challenging task, there are some guidelines to make it easier. Desirable qualities for a brand name include:

It should suggest something about a product's benefits and qualities. Think of the wadding polish "Nevr Dull". The brand name indicates the benefit of using this product: the treated metal will never be dull.

It should be easy to pronounce, recognise, and remember. iPod and Nike are certainly better than "Troglodyte Homonculus" – a clothing brand.

The brand name should be distinctive, so that consumers don't confuse it with other brands. Rolex and Bugatti are good examples.

It should also be extendable. Think of Amazon.com, which began as an online bookseller but chose a name that would allow expansion into other categories. If Amazon.com had chosen a different name, such as books.com, it could not have extended its business that easily.

The brand name should translate easily into foreign languages. The Ford Pinto line had some struggles in Brazil, seeing as it translated into "tiny male genitals". Or the Mitsubishi Pajero, which means in Spanish "man who plays with himself and enjoys it a bit too much". More famous: Coca-Cola reads in Chinese as "female horse stuffed with wax".

It should be capable of registration and legal protection. In other words, it must not infringe on existing brand names.

Worthy of note is the fact that brand name preferences are changing continuously. After a decade of choosing quirky names (such as Yahoo!, Google) or fictional names, today's style is to build brands around names that carry real meaning. For instance, names such as Blackboard, a school software, make sense. However, with more and more brand names and trademark applications, available new names can be hard to find.

Choosing a brand name is not enough. It also needs to be protected. Many firms attempt to build a brand name that will eventually become identified with a product category. Examples for these names include Kleenex, Tip-ex and Jeep. However, their success can also quickly threaten the company's rights to the name. Once a trademark becomes part of the normal language (called "genericization"), it is not protected anymore. For that reason many originally protected brand names, such as aspirin, Walkman (by Sony) and many other names are not protected anymore.

3. **Brand Sponsorship:** Branding decisions go beyond deciding upon brand positioning and brand name. The third of our four branding decisions is the brand sponsorship. A manufacturer has four brand sponsorship options.

   A product may be launched as a manufacturer's brand. This is also called national brand. Examples include Kellogg selling its output under the own brand name (Kellog's Frosties, for instance) or Sony (Sony Bravia HDTV).

   The manufacturer could also sell to resellers who give the product a private brand. This is also called a store brand, a distributor brand or an own-label. Recent tougher economic times have created a real store-brand boom. As consumers become more price-conscious, they also become less brand-conscious, and are willing to choose private brands instead of established and often more expensive manufacturer's brands.

   Also, manufacturers can choose licensed brands. Instead of spending millions to create own brand names, some companies license names or symbols previously created by other manufacturers. This can also involve names of well-known celebrities or characters from popular movies and books. For a fee, they can provide an instant and proven brand name. For example, sellers of children's products often attach character names to clothing, toys and so on. These licensed character names include Disney, Star Wars, Hello Kitty and many more.

Finally, two companies can join forces and co-brand a product. Co-branding is the practice of using the established brand names of two different companies on the same product. This can offer many advantages, such as the fact that the combined brands create broader consumer appeal and larger brand equity. For instance, Nestlé uses co-branding for its Nespresso coffee machines, which carry the brand names of well-known kitchen equipment manufacturers such as Krups, DeLonghi and Siemens.

4. **Brand Development:** Branding decisions finally include brand development. For developing brands, a company has four choices: line extensions, brand extensions, multibrands or new brands.

   Line extension refers to extending an existing brand name to new forms, sizes, colours, ingredients or flavours of an existing product category. This is a low-cost, low-risk way to introduce new products. However, there are the risks that the brand name becomes overextended and loses its specific meaning. This may confuse consumers. An example for line extension is when Coca-Cola introduces a new flavour, such as diet cola with vanilla, under the existing brand name.

   Brand extension also assumes an existing brand name, but combines it with a new product category. Thus, an existing brand name is extended to a new product category. This gives the new product instant recognition and faster acceptance and can save substantial advertising costs for establishing a new brand. However, the risk that the extension may confuse the image of the main brand should be kept in mind. Also, if the extension fails, it may harm consumer attitudes toward other products carrying the same brand name. For this reason, a brand extension such as Heinz pet food cannot survive. But other brand extensions work well. For instance, Kellog's has extended its Special K healthy breakfast cereal brand into a complete line of cereals plus a line of biscuits, snacks and nutrition bars.

   Multibrands means marketing many different brands in a given product category. P&G (Procter & Gamble) and Unilever are the best examples for this. In the USA, P&G sells six brands of laundry detergent, five brands of shampoo and four brands of dishwashing detergent. Why? Multibranding offers a way to establish distinct features that appeal to different customer segments. Thereby, the company can capture a larger market share. However, each brand might obtain only a very small market share and none may be very profitable.

   New brands are needed when the power of existing brand names is waning. Also, a new brand name is appropriate when the company enters a new product category for which none of its current brand names are appropriate.

As you might have recognised, these four branding decisions are all interrelated. In order to build strong brands, brand positioning, brand name, brand sponsorship and brand development have to be in line with each other.

Standardization vs. Adaptation: You can't mention adaptation without mentioning standardization; they are two sides of the same coin. They both represent a way of selling products overseas. As pointed out, adaptation involves modifying a product so as to meet the local requirements and customs. An example is McDonald's vegetarian burgers in India. Adaptions also demand the use of different marketing and selling strategies in the foreign market.

With standardization, however, the products are neither modified nor are the marketing approach changed. A company assumes "one size fits all" strategy and tries to infiltrate foreign markets. Standardization is very cheap and efficient although it doesn't have as good a chance of penetrating the new market as adaptation does. It is vital to note that a certain degree of adaptation is inescapable due to local regulations.

Establishing Product Adaptation: In order to drive a successful product adaptation, there are steps to be followed. The first and obvious one is for companies to research the new market and determine how different it is from the current market. This involves learning the needs, attitudes, cultural believes, and desires of the consumers in the new market. It is also of great need that a company determines the marketing strategies that would work on the new crowd as strategies don't work the same for all markets.

A company is then faced with the task of determining the required type of product modification. There are a few that are available for such companies, and they include:

- **Tangible Adaptation:** This involves changing a product's physical aspects such as size and packaging
- **Intangible Adaptation:** Here, a company will modify intangible elements such as positioning and brand name
- **Promotional Adaptation:** This involves changing methods and types of advertising as well as the media of choice.
- **Price Adaptation:** A company adopting this type of adaptation has to change size or quantity of their product so as to account for the changed this is because a new market may not be willing or able to spend as much money on a certain product as others.

Protecting Brand Names: A well-defined, recognized and respected business brand is a substantial asset for any company. Business leaders should spare no expense or energy in aggressively defending their brand from infringement. This protection includes setting clear standards for how the brand is used and communicated from within, as well as from encroachment by others.

It also means that business leaders should actively watch for negative stories and comments about the company and find a way to make it right. For example, NASCAR has started fining drivers who speak negatively about the sport to protect the NASCAR image.

Several companies offer Internet monitoring of brand identity. There is scant evidence that these companies are truly effective at assessing and protecting a brand against all aspects of online infringement.

Trademarks are often some of the most valuable assets of a business – legend has it that Coke is the second most well known word in the world after "hello." The Google brand is estimated to be worth more than $20 billion. A trademark is a brand name, logo, or slogan that distinguishes your business' products or services from those of competitors. Regardless of how big or small the business, the value and protection of brands is critical, particularly in the online word of today where domain names and user names (such as Facebook and Twitter) can be key to connecting with customers.

To help protect your brand(s), here are five basic steps to strengthening your trademark protection:

1. **Choose Wisely:** The more creative your brand name is, the greater the odds that it is unique. A more distinctive and create name or slogan is generally more capable of standing out among the competition and becoming a brand with real value. Which sounds like a more exciting brand, a more valuable brand: "Jim's Gym" or "Vantage Fitness?

2. **Use it:** The more you use your trademarks – brand names, logos and slogans – the stronger and more distinctive they become and the more your likely customers are to remember your brand and to use it to tell others about it.

3. **Distinguish It:** Use ALL CAPS, bold or italics to emphasize your brand as often as you can. Then the customer knows exactly what your brand is.

4. **Apply to register it:** Registration with the U.S. Patent and Trademark Office, a federal agency and part of the Department of Commerce, enhances the protection and the value of your trademark assets. Registration allows use of the ® symbol, provides substantial benefits and savings if you ever have to go to court to stop an infringement, and may help stop cybersquatters from registering new domain names.

5. **Create Google Alerts:** An easy and free way to monitor for others copying your brand or commenting on it. If you find a possible infringement, contact the offender and if unresolved, contact an attorney.

UNIT-4

International Pricing Policy: **Price** may be defined as the exchange of goods or services in terms of money. Without price there is no marketing, in the society. To a manufacturer, price represents quantity of money (or goods and services in a barter trade) received by the firm or seller. To a customer, it represents sacrifice and hence his perception of the value of the product. Conceptually, it is:-

Price = Quantity of money received by the seller/Quantity of goods and services rendered received by the buyer

The term 'price' needs not be confused with the term 'pricing'. Pricing is the art of translating into quantitative terms (rupees and paise) the value of the product or a unit of a service to customers at a point in time.

According to Prof. K.C. Kite, "Pricing is a managerial task that involves establishing pricing objectives, identifying the factors governing the price, ascertaining their relevance and significance, determining the product value in monetary terms and formulation of price policies and the strategies, implementing them and controlling them for the best results".

Pricing refers to the value determination process for a good or service, and encompasses the determination of interest rates for loans, charges for rentals, fees for services, and prices for goods. Pricing decisions are difficult to make even when a company operates only in a domestic market, and the difficulty is still greater in international markets. Multiple currencies, trade barriers, additional cost considerations, and longer distribution channels make price determination more complex in international markets.

Globalization of business has put increased pressure on the pricing systems of companies which enter international markets. These companies have to adapt their pricing structures as they graduate from being purely domestic players to exporters, and then to overseas manufacturers.

The earlier pricing structures used by them may no longer be appropriate in the complex international environment characterized by high competition, more global players, rapid changes in the technology, and high-speed communication between markets.

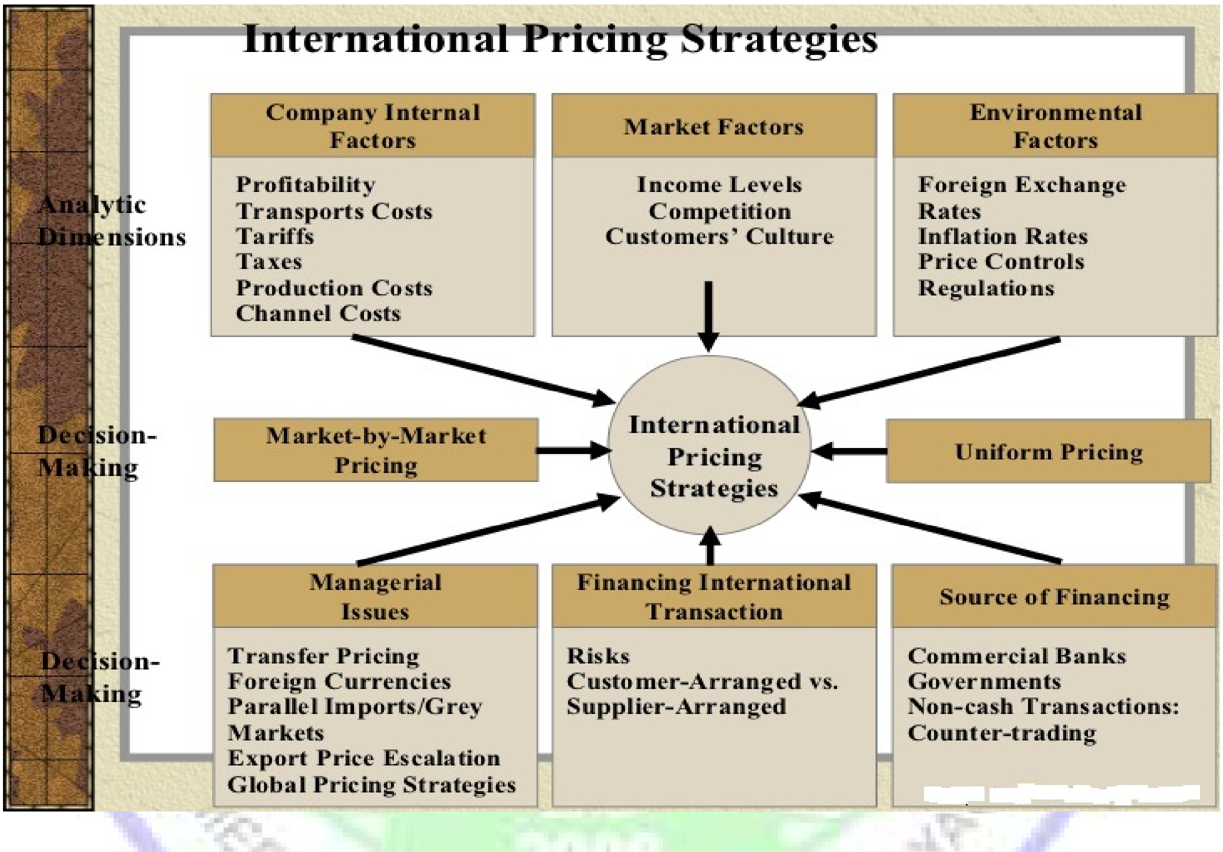
Companies operating in international markets have to identify:

1. The best approach for setting prices worldwide.
2. The variables those are important in determining prices in international markets.
3. The level of importance that needs to be given to each variable.
4. The variance in prices across markets.
5. The variance in prices across customer types.
6. The factors to be considered while determining transfer prices,

Pricing decisions cannot be made in isolation because pricing affects other marketing decision variables and determines:

1. The customer's perception of value.
2. The level of motivation of intermediaries.
3. Promotional spending and strategy.

Pricing, an important decision in any business, be it domestic or international, directly affects revenue and thus profitability. Further, appropriate pricing aids proper growth, as development of a mass market depends to a large extent on price. For businesses dependent on acquiring business contracts through competitive bidding, such as the construction and mining industries and drilling companies, a poor pricing decision threatens survival. Too high a price may mean no business, while a lower price may lead to a unprofitable operation. In many cases, the price indicates a product's quality. If the Mercedes car, e.g., were priced in the same range as the Oldsmobile, the Mercedes would lose some of its quality image. Finally, price affects the extent of promotional support to be allocated to a product.



Price and Non-Price Factors: Very often, importers in developed countries do not have adequate confidence in the quality of goods produced in India and developing countries. For example, Indians had to sell their storage batteries 10 per cent cheaper in Saudi Arabia than US and European batteries even though the quality was comparable. Lower price may become inevitable to make our products acceptable in foreign markets. However, in some cases Indians have established themselves well e.g. transmission line towers, sugar mill machinery, textile mill machinery etc.

If products are well differentiated and they have built up a brand image for themselves, manufacturers are in a position to charge comparatively higher process. Brand names like Dunlop, HMT, Bata, GKW, Lucas, L&T, Kirloskar etc., have already built up a good image and these products are able to realize much higher price. It may be pointed out here that 75 per cent of German imports and 75 per cent of US exports are attributable to some degree of product differentiation.

The price a purchaser is willing to pay often depends upon the frequency of purchase. In the case of durable consumer goods, products having a snob value and gift items is not the material factor. People may be willing to pay a very high price if the particular goods catch their fancy. This applies particularly to handicrafts manufactured by developing countries.

There appears to be close association in the consumer minds between price and quality; the higher priced goods carry a much greater conviction about quality than the low priced goods. In this respect, it may be useful to note that it may be easier to sell in developed countries with a higher price tag but in developing countries, lower price may help increase sales. In general, price constitutes a barrier to demand when it is too low just as much as when it is too high. Above a particular price, the article s regarded as too expensive, and below another price as constituting a risk of not giving adequate value. What is stressed here is that lower prices do not necessarily lead to higher sales. And in periods of inflationary price rise, a reduction in price may have an adverse reaction on the consumers and may, in fact, lead to reduction in demand rather than in increase in demand.

In the case of industrial goods, price is not likely to be an indicator of quality. A buyer of industrial goods in more keen to check what he gets for the price he pays than an average consumer. His knowledge of products and their quality is more exact, if not perfect. A technically sound product, steady availability at a reasonable price and comprehensive after sale service, are the more important factors in the case of industrial goods.

In the case of engineering products and equipment, both before and after sales service are very significant factors, and assurance of after sales service particularly is much more important than a lower price. Before sales service in the case of engineering goods include

1. Advising the purchaser about the relative suitability of competing products for his requirements and
2. Demonstrating the use of his products. For example, TELCO sent their mechanics to Zambia for maintenance of buses and training of the Zambian personnel. After sales service includes

(i) Rectification of genuine technical failures in the product.

(ii) Educating the users on the use of the product and providing training for its maintenance,

(iii) Free service during the warranty period, and

(iv) Ensuring supply of spare parts and components after the warranty period.

On the other hand, in the case of consumer goods, service before sales, as for example attractive packaging and good finish tend to be more important. MIGROS, a department store of Switzerland, requires the suppliers to pack the products in such a manner that they can be put immediately on the shelf without further packaging.

FACTOR	EXAMPLE
Price factors	Sales price, discount, financial arrangements for purchase, trade-in allowances, depreciation, running costs, servicing costs, parts costs.
Non-price 'Technical' factors (embodied in the product)	Specification and performance, build quality, appearance and image, innovativeness, technological sophistication, ease of use and maintenance, reliability and durability, compatibility with other products, flexibility and adaptability, ergonomics, portability, safety, comfort.
Non-price 'Service' factors (dependent on organisational arrangements of servicing, production and distribution)	Delivery time, after sales service, user training, packaging, distribution networks, availability of spare parts, technical back up, upgrades, user-friendly manuals, advertising.

Pricing Methods

The different pricing methods are discussed below;

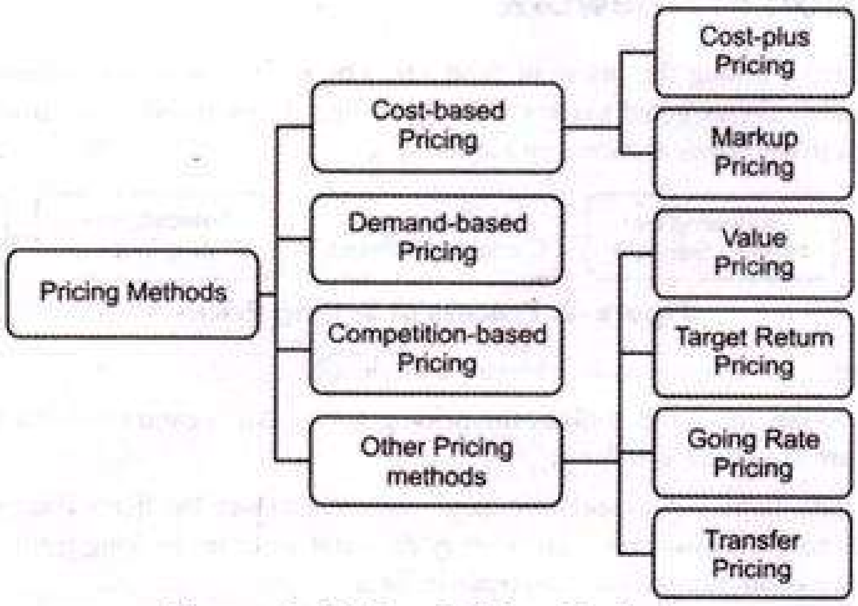


Figure-4: Various Pricing Methods

1. Cost-based Pricing: Cost-based pricing refers to a pricing method in which some percentage of desired profit margins is added to the cost of the product to obtain the final

price. In other words, cost-based pricing can be defined as a pricing method in which a certain percentage of the total cost of production is added to the cost of the product to determine its selling price. Cost-based pricing can be of two types, namely, cost-plus pricing and markup pricing.

These two types of cost-based pricing are as follows:

(i) Cost-plus Pricing: Refers to the simplest method of determining the price of a product. In cost-plus pricing method, a fixed percentage, also called mark-up percentage, of the total cost (as a profit) is added to the total cost to set the price. For example, XYZ organization bears the total cost of Rs. 100 per unit for producing a product. It adds Rs. 50 per unit to the price of product as' profit. In such a case, the final price of a product of the organization would be Rs. 150.

Cost-plus pricing is also known as average cost pricing. This is the most commonly used method in manufacturing organizations.

In economics, the general formula given for setting price in case of cost-plus pricing is as follows:

P = AVC + AVC (M)

AVC= Average Variable Cost

M = Mark-up percentage

AVC (m) = Gross profit margin

Mark-up percentage (M) is fixed in which AFC and net profit margin (NPM) are covered.

AVC (m) = AFC+ NPM

For determining average variable cost, the first step is to fix prices. This is done by estimating the volume of the output for a given period of time. The planned output or normal level of production is taken into account to estimate the output.

The second step is to calculate Total Variable Cost (TVC) of the output. TVC includes direct costs, such as cost incurred in labor, electricity, and transportation. Once TVC is calculated, AVC is obtained by dividing TVC by output, Q. [AVC= TVC/Q]. The price is then fixed by adding the mark-up of some percentage of AVC to the profit [P = AVC + AVC (m)].

The advantages of cost-plus pricing method are as follows:

- Requires minimum information
- Involves simplicity of calculation
- Insures sellers against the unexpected changes in costs

The disadvantages of cost-plus pricing method are as follows:

- Ignores price strategies of competitors
- Ignores the role of customers

(ii) Markup Pricing: Refers to a pricing method in which the fixed amount or the percentage of cost of the product is added to product's price to get the selling price of the product. Markup pricing is more common in retailing in which a retailer sells the product to earn profit. For example, if a retailer has taken a product from the wholesaler for Rs. 100, then he/she might add up a markup of Rs. 20 to gain profit.

It is mostly expressed by the following formula:

- Markup as the percentage of cost= (Markup/Cost) *100
- Markup as the percentage of selling price= (Markup/ Selling Price)*100
- For example, the product is sold for Rs. 500 whose cost was Rs. 400. The mark up as a percentage to cost is equal to (100/400)*100 =25. The mark up as a percentage of the selling price equals (100/500)*100= 20.

2. Demand-based Pricing: Demand-based pricing refers to a pricing method in which the price of a product is finalized according to its demand. If the demand of a product is more, an organization prefers to set high prices for products to gain profit; whereas, if the demand of a product is less, the low prices are charged to attract the customers.

The success of demand-based pricing depends on the ability of marketers to analyze the demand. This type of pricing can be seen in the hospitality and travel industries. For instance, airlines during the period of low demand charge less rates as compared to the period of high demand. Demand-based pricing helps the organization to earn more profit if the customers accept the product at the price more than its cost.

3. Competition-based Pricing: Competition-based pricing refers to a method in which an organization considers the prices of competitors' products to set the prices of its own products. The organization may charge higher, lower, or equal prices as compared to the prices of its competitors.

The aviation industry is the best example of competition-based pricing where airlines charge the same or fewer prices for same routes as charged by their competitors. In addition, the introductory prices charged by publishing organizations for textbooks are determined according to the competitors' prices.

4. Other Pricing Methods

In addition to the pricing methods, there are other methods that are discussed as follows:

(i) Value Pricing: Implies a method in which an organization tries to win loyal customers by charging low prices for their high- quality products. The organization aims to become a low cost producer without sacrificing the quality. It can deliver high- quality products at low prices by improving its research and development process. Value pricing is also called value-optimized pricing.

(ii) Target Return Pricing: Helps in achieving the required rate of return on investment done for a product. In other words, the price of a product is fixed on the basis of expected profit.

(iii) Going Rate Pricing: Implies a method in which an organization sets the price of a product according to the prevailing price trends in the market. Thus, the pricing strategy adopted by the organization can be same or similar to other organizations. However, in this type of pricing, the prices set by the market leaders are followed by all the organizations in the industry.

(iv) Transfer Pricing: Involves selling of goods and services within the departments of the organization. It is done to manage the profit and loss ratios of different departments within the organization. One department of an organization can sell its products to other departments at low prices. Sometimes, transfer pricing is used to show higher profits in the organization by showing fake sales of products within departments.

International Pricing Strategies: International Pricing is often considered the most critical and complex issue in international marketing. When talking about the price of a product, it is important to notice that it is a sum of all monetary and non-monetary assets the customer has to spend in order to obtain the benefits it provides. The main pricing decisions in international marketing comprise the following:-

The overall international pricing strategy determines general rules for setting (basic) prices and using price reductions, the selection of terms of payment, and the potential use of countertrade.

- The price setting strategy determines the basic price of a product, the price structure of the product line, and the system of rebates, discounts or refunds the firm offers.
- The terms of payment are contractual statements fixing, for example, the point in time and the circumstances of payment for the products to be delivered.

There are several options in terms of general price determination. They represent different levels of adaptation to local requirements.

A standard pricing strategy is based on setting a uniform price for a product, irrespective of the country where it is sold. This strategy is very simple and guarantees a fixed return. However, no response is made to local conditions.

With standard formula pricing, the company standardises by using the same formula to calculate prices for the product in all country markets. There are different ways to establish such a formula. For example, full-cost pricing consists of taking all cost elements (e.g. production plus marketing, etc.) in the domestic market and adding additional costs from international transportation, taxes, tariffs, etc. A direct cost plus contribution margin formula implies that additional costs due to the non-domestic marketing process and a desired profit margin are added to the basic production cost. The most useful approach in standard formula pricing is the differential formula. It includes all incremental costs resulting from a non-domestic business opportunity that would not be incurred otherwise and adds these costs to the production cost.

While these strategies accentuate elements of international standardization in pricing, in price adaptation strategies prices are typically set in a decentralized way (e.g. by the local subsidiary or local partner). Prices can be established to match local conditions. While this ability to comply with local requirements constitutes a clear advantage, there can be difficulties in developing a global strategic position.

Additionally, the potential for price adaptation is limited by interconnections between the diverse international markets. Therefore it is necessary to coordinate the pricing strategy across different countries because otherwise reimports, parallel market or grey market situations can emerge. In these situations, products are sold outside of their authorized channels of distribution. As a specific form of arbitrage, grey markets develop when there are price differences between the different markets in which products are sold. If these differences emerge, products are shipped from low-price to high-price markets with the price differences between these markets allowing the goods to be resold in the high-price market with a profit. Parallel markets, while legal, are unofficial and unauthorized and can result in the cannibalization of sales in countries with relatively high prices, damaging relationships with authorized distributors.

To avoid these drawbacks in totally standardized or differentiated approaches, geocentric pricing approaches can be chosen. There is no single fixed price, but local subsidiaries are not given total freedom over setting prices. For example, firms can set price lines that set the company's prices relative to competitors' prices (i.e. standardised price positioning).

It is important to notice that international pricing decisions also depend on the degree of industry globalization. Global industries are dominated by a few, large competitors that dominate the world markets. Which international pricing strategy is appropriate depends on the firm's ability to respond to the diverse external, market-related complexities of international markets.

Dumping and Price Distortion

DUMPING: Dumping is an international price discrimination in which an exporter firm sells a portion of its output in a foreign market at a very low price and the remaining output at a high price in the home market Haberler defines dumping as: “The sale of goods abroad at a price which is lower than the selling price of the same goods at the same time and in the same circumstances at home, taking account of differences in transport costs” Viner’s definition is simple.

According to him, “Dumping is price discrimination between two markets in which the monopolist sells a portion of his produced product at a low price and the remaining part at a high price in the domestic market.” Besides, Viner explains two other types of dumping. One, reverse dumping in which the foreign price is higher than the domestic price.

This is done to turn out foreign competitors from the domestic market. When the product is sold at a price lower than the cost of production in the domestic market, it is called reverse dumping Two when there is no consumption of the commodity in the domestic market and it is sold in two different foreign market, out of which one market is charged a high price and the other market a low price. But in practice, dumping means selling of the product at a high price in the domestic market and a low price in the foreign market. We shall explain price determination under dumping in this sense.

Types of Dumping

1. **Sporadic or Intermittent Dumping:** It is adopted under exceptional or unforeseen circum-stances when the domestic production of the commodity is more than the target or there are unsold stocks of the commodity even after sales. In such a situation, the producer sells the unsold stocks at a low price in the foreign market without reducing the domestic price.

   This is possible only if the foreign demand for his commodity is elastic and the producer is a monopolist in the domestic market. His aim may be to identify his commodity in a new market or to establish himself in a foreign market to drive out a competitor from a foreign market. In this type of dumping, the producer sells his commodity in a foreign country at a price which covers his variable costs and some current fixed costs m order to reduce his loss.

2. **Persistent Dumping:** When a monopolist continuously sells a portion of his commodity at a high price in the domestic market and the remaining output at a low price in the foreign market, it is called persistent dumping. This is possible only if the domestic demand for that commodity is less elastic and the foreign demand is highly elastic. When costs fall continuously along with increasing production, the producer does not lower the price of the product more in the domestic market because the home demand is less elastic.

   However, he keeps a low price in the foreign market because the demand is highly elastic there. Thus, he earns more profit by selling more quantity of the commodity in the foreign market. As a result, the domestic consumers also benefit from it because the price they are required to pay is less than in the absence of dumping.

3. **Predatory Dumping:** The predatory dumping is one in which a monopolist firm sells its commodity at a very low price or at a loss in the foreign market in order to drive out some competitors. But when the competition ends, it raises the price of the commodity m the

foreign market. Thus, the firm covers loss and if the demand in the foreign market is less elastic, its profit may be more.

Objectives of Dumping

The main objectives of dumping are as follows:

(i) To Find a Place in the Foreign Market: A monopolist resorts to dumping in order to find a place or to continue himself in the foreign market. Due to perfect competition in the foreign market he lowers the price of his commodity in comparison to the other competitors so that the demand for his commonly may increase. For this, he often sells his commodity by incurring loss in the foreign market.

(ii) To Sell Surplus Commodity: When there is excessive production of a monopolist’s commodity and he is not able to sell in the domestic market, he wants to sell the surplus at a very low price in the foreign market. But it happens occasionally.

(iii) Expansion of Industry: A monopolist also resorts to dumping for the expansion of his industry. When he expands it, he receives both internal and external economies which lead to the application of the law of increasing returns. Consequently, the cost of production of his commodity is reduced and by selling more quantity of his commodity at a lower price in the foreign market, he earns larger profit.

(iv) New Trade Relations: The monopolist practices dumping in order to develop new trade relations abroad. For this, he sells his commodity at a low price in the foreign market, thereby establishing new market relations with those countries. As a result, the monopolist increases his production, lowers his costs and earns more profit.

PRICE DISTORTION: Price distortions are defined as deviations of quoted prices from a level that would clear the market if all participants were trading for conventional risk-return optimization. In short, they measure gaps between mark-to-market prices and a plausible range of economic values of a contract. The occurrence of distortions implies that market prices can deviate from fundamental value and evidently so.

Like information inefficiency, price distortions lead to a mispricing of financial contracts relative to their fundamental value. Unlike information inefficiency, this mispricing is not based on ignorance, but on ”inefficient flows”. These are transactions in financial markets that are motivated by objectives other than return optimization. In practice, one can observe many market flows and transactions that obstruct the alignment of price and value. Common causes or triggers for such “inefficient flows” include:

- Formal and rigid risk management rules across that apply to many institutions,
- Liquidity shocks, i.e. a sudden deterioration of the tradability of assets or the risk thereof,
- Mechanical allocation rules, for example of exchange-traded funds, indexed fund and related structured products, and
- Government intervention and regulation.

Detecting price distortions: Unlike information-based trading, price distortion-based strategies do not require information advantage in respect to the traded contract. They do not focus on in-depth research of its expected value. Instead, these strategies ascertain some apparent price-value gap and market inefficiency. They subsequently use advantages in market access or in pricing know-how to extract value. Sometimes, trading speed and financial leverage can be of the essence.

Detecting inefficient flows and related distortions is not trivial. Most of what is commonly called "market noise" is actually rational trading disguised by complexity. This makes it easy to underestimate markets. However, price distortions frequently do arise pursuant to major information or price shocks that create a state of confusion or even panic. Moreover, trading in times of turmoil often bears high transaction cost, which deters market participants from immediately taking advantage of price-value gaps. In order to detect price distortions systematically one can take three different angles:

- The first is to understand and identify the causes of distortions, such as institutional risk management constraints, market liquidity problems and so forth, which are explained in the sections below. If a market is being heavily influenced by any of these causes it is more probable that prices will be regularly distorted and that there will be payback subsequently.
- The second angle are metrics of misalignment between prices and fundamental value, such as in financial bubbles. Diagnosing price distortions this way is not the same as estimating price-value gaps, as the latter would require superior information efficiency. Price distortions can be detected by conventional valuation metrics but with a focus on extreme price value gaps that associated with obstacles to arbitrage or trading.
- The third approach is to investigate the time series pattern of asset prices. For example, higher-than-exponential asset price growth with apparent feedback loops is often an indication of an unsustainable asset price bubbles. Also, temporary mild explosiveness in asset prices or exchange rates in conjunction with relative stability in underlying fundamentals is usually indicative of short-term distortions. Generally, a self-reinforcing price dynamics that is not a reflection or cause of underlying value changes is prone to producing price distortions.

Counter Trade Legal and Ethical Issues in International Marketing

Countertrade is a reciprocal form of international trade in which goods or services are exchanged for other goods or services rather than for hard currency. This type of international trade is more common in lesser-developed countries with limited foreign exchange or credit facilities. **Countertrade** can be classified into three broad categories: barter, counter purchase, and offset.

In any form, countertrade provides a mechanism for countries with limited access to liquid funds to exchange goods and services with other nations. Countertrade is part of an overall import and export strategy that ensures a country with limited domestic resources has access to needed items and raw materials. Additionally, it provides the exporting nation with an opportunity to offer goods and services in a larger international market, promoting growth within its industries.

Barter: Bartering is the oldest countertrade arrangement. It is the direct exchange of goods and services with an equivalent value but with no cash settlement. The bartering transaction is referred to as a trade. For example, a bag of nuts might be exchanged for coffee beans or meat.

Counterpurchase: Under a counter purchase arrangement, the exporter sells goods or services to an importer and agrees to also purchase other goods from the importer within a specified period. Unlike bartering, exporters entering into a counterpurchase arrangement must use a trading firm to sell the goods they purchase and will not use the goods themselves.

Offset: In an offset arrangement, the seller assists in marketing products manufactured by the buying country or allows part of the exported product's assembly to be carried out by manufacturers in the buying country. This practice is common in aerospace, defense and certain infrastructure industries. Offsetting is also more common for larger, more expensive items. An offset arrangement may also be referred to as industrial participation or industrial cooperation.

Other Examples of Countertrades

- A counter purchase refers to the sale of goods and services to a company in a foreign country by a company that promises to make a future purchase of a specific product from the same company in that country.
- A buyback is a countertrade occurs when a firm builds a manufacturing facility in a country—or supplies technology, equipment, training, or other services to the country and agrees to take a certain percentage of the plant's output as partial payment for the contract.
- An offset is a countertrade agreement in which a company offsets a hard currency purchase of an unspecified product from that nation in the future.
- Compensation trade is a form of barter in which one of the flows is partly in goods and partly in hard currency.

Benefits and Drawbacks of Countertrades: A major benefit of countertrade is that it facilitates the conservation of foreign currency, which is a prime consideration for cash-strapped nations and provides an alternative to traditional financing that may not be available in developing nations. Other benefits include lower unemployment, higher sales, better capacity utilization, and ease of entry into challenging markets.

A major drawback of countertrade is that the value proposition may be uncertain, particularly in cases where the goods being exchanged have significant price volatility. Other disadvantages of countertrade include complex negotiations, potentially higher costs and logistical issues.

Additionally, how the activities interact with various trade policies can also be a point of concern for open-market operations. Opportunities for trade advancement, shifting terms, and conditions instituted by developing nations could lead to discrimination in the marketplace.

Ethical Issues in International Marketing: Companies are always looking for new ways to become more competitive by providing better quality products at lower prices to its customers. Outsourcing production jobs to countries with cheaper labor costs is one way to do that. However, doing business in other countries presents US companies with ethical issues to face before opening a foreign operation.

1. **Outsourcing Production Jobs:** Wages in the US are extremely high compared to labor rates in countries such as China, India, Phillippines and Mexico and major corporations are taking advantage of these wage differentials and moving jobs overseas. Rexnord, a Milwaukee-based manufacturer of machine parts, is an example of this trend.

   According to Time Inc., Rexnord announced that it was closing its Indianapolis plant and moving the operations to Mexico, where labor rates average $3 an hour compared to $25/hour for top union employees in Indiana. Three hundred workers will lose their jobs.

   This trend to move jobs to low-wage countries has been followed by other major U.S corporations such as IBM, General Electric, Carrier, AT&T, Verizon and Microsoft.

2. **Working Conditions and Standards:** While outsourcing production work may result in lower labor costs, it brings social and ethical issue for management to face.

   Generally, working conditions in foreign countries are worse than in the United States. Laborers often work longer hours in uncomfortable and hazardous environments with inadequate protection.

   The United States created the Occupational Safety and Health Administration in 1970 to set standards for safe and healthy working conditions. Since its inception, OSHA has reduced workplace injuries and fatalities and improved safety on job sites. The downside to OSHA is that it cost money to meet and comply with these government rules and regulations.

   Does an international company try to implement its home country OSHA standards or apply and accept the inferior work conditions of the host country? Compromises must often be made to have successful foreign operations.

3. **Bribery and Corruption:** Not all companies in the international marketplace play by the same rules. Take bribing public officials and foreign corporate managers. In several Latin American countries, for example, bribery and kickbacks are normal and expected as a normal part of doing business.

   In the United States, the Foreign Corrupt Practices Act prohibits US companies from paying bribes to foreign government officials to gain business favors and advantages. Other developed countries don’t have similar restrictive laws, and their companies are perfectly free to pay such bribes, putting US companies at a disadvantage. Germany, for example, recognizes bribes paid to foreign government officials and allows these payments as tax deductions.

   As a result, managers of US corporations, who are under pressure to produce profits, sometimes resort to other means, maybe unethical, to influence foreign government officials. They may not directly violate the Corrupt Practices Act, but they might come close to it. If they do pay bribes, they have to find ways to hide the payments in the financial statements.

   The pressure to produce profits strains the ethics codes of these managers to get results and keep their jobs.

4. **Gifts and Favors:** Most US corporations have standard written policies regarding the acceptance and amount allowable of gifts. Managers of foreign operations would like to have clear guidelines, but, unfortunately, no such standard can be created that crosses the culture and accepted practices of all foreign countries. Each nation is different.

   Gift-giving is acceptable in most cultures, but in others, it may be considered unethical. In most European countries and Canada, giving a gift gets attention because it isn't expected. A German colleague will be particularly appreciative of a small, well-selected gift.

   On the other hand, Asian counterparts do expect to receive a gift and will examine it closely for appropriateness. Certain colors of wrapping should be avoided, and, if a reciprocal gift is presented, it should never be opened in front of everyone. That's considered as greedy. A Japanese businessman expects to be impressed with a gift that reflects the level of his position. A $25,000 watch would not be unusual for a Japanese executive, whereas, in the US, a gift of this amount would likely be considered a bribe.

   Understanding the local customs of gift-giving is important to doing the right thing instead of being embarrassed with an inappropriate offer.

5. **Using Child Labor:** According to data from UNICEF, over 150 million underage children in the world are working long hours in hazardous conditions. Because they live in highly impoverished countries, these children are forced to work to provide income for their families. The worst offenders are Somalia, Pakistan, India, Nigeria and Bangladesh.

   Large garment manufacturers are some of the largest users of child labor because many of the tasks in the supply chain are better done by children rather than adults. Therefore, the large corporations have an economic incentive to use child labor, and they pretend they are unaware that the foreign suppliers and subcontractors are employing underage children.

   Garment retailers put pressure on suppliers to keep costs down and improve shipping dates. Suppliers respond by paying low wages to the children and making them work excessive overtime hours.

6. **Human Rights Issues:** Children are not the only ones working in deplorable conditions; adults are also affected.

   Unlike the United States, many foreign countries deny their citizens the right to assembly, collective bargaining, strike and even to negotiate for better wages and working conditions. Many of these countries have weak or no laws for enforcing employee rights, and workers have few avenues in which to address their grievances for unsafe work conditions.

   International businesses face the dilemma of complying with work standards of their home country versus the lack of such rights in the host countries. Does a corporation try to impose its own human rights policies on the host country or accept the deplorable conditions?

   In an attempt to establish global standards for human rights related to business activities, the United Nations created the Guiding Principles on Business and Human Rights.

7. **Work Standards and Conditions:** An absence of human rights policies can lead to difficulty in imposing work standards and creating acceptable work conditions.

   Performance and quality standards that are well-defined and expected in the US can be difficult to apply in foreign countries. Incentives for better performance may not exist in places where employees have little or no hope for receiving higher wages or achieving better living conditions.

8. **Workplace Diversity and Equal Opportunity:** Even though much progress has been made in the US in creating a more diverse workforce and equal opportunity, the same is not true in foreign countries.

   Attention has been paid in the United States to create workforces made up of different races, genders and backgrounds. Corporations work with local schools and colleges to educate and develop students with the skills needed to fill the jobs demanded in the workplace. Equal opportunity is a policy offered to anyone who wants to earn a raise or a promotion.

   Foreign countries are not as concerned with employee diversity and equal opportunity. Policies brought by US companies to overseas operations will not always be well-received.

9. **Social and Cultural Considerations:** Understanding the cultural differences can make the difference between success and failure in a global market. Each nation has its own distinct customs, history, traditions and code of ethics.

   One barrier is language. Businesses must often rely on translators when communicating with foreign contacts. Unfortunately, words don't always carry the same meanings through a translation, leading to a misunderstanding or misinterpretation of ideas, expressions and feelings.

   Gender is another issue. While the US has more women now in higher business positions, the same is not true in other countries. Women don't always receive the same degree of attention and respect. International companies need to pay attention to the gender hierarchy in other nations when arranging meetings or designating managers for foreign subsidiaries.REPORT THIS AD

Nature of International Business Disputes and Proposed Action

A lot of good came out of globalization in business and trade, giving rise to what is now known as the **"global marketplace"**. The globalization of markets and competition was brought about, in large part, by the high speed of technological advancements.

As transportation and communication vastly and quickly improved, so did the access of consumers to products and services, even if they happen to come from different parts of the globe. International divides and barriers that used to be seen as obstacles to trade have become manageable, so that even small businesses are now able to sell their products and services to consumers in other countries.

IMPACTS OF GLOBALIZATION OF TRADE AND BUSINESS: Many positive benefits gained from the globalization of business and trade. Right off the bat, we can say that the emergence of the global marketplace has resulted in economic growth all across the globe. Floundering economies have been injected with new life, and already flourishing economies find themselves prospering even more.

- Easier and faster access of end users and consumers to quality products and services from around the world. It is no longer impossible or difficult for someone from the United States, for example, to acquire goods manufactured and sold in Asia, and vice versa.
- Broader selection of products and services enjoyed by consumers. End users are no longer limited when it comes to choices, since they can look to other countries for the products and services that they are looking for.
- Increased awareness of business opportunities in different parts of the globe. International investments definitely get a big boost over this, aside from the fact that aspiring entrepreneurs who may find their own markets to be lacking in opportunities can look beyond their borders and shores to find better business opportunities.
- Increase in the quality of products and services. Competition in the global market place spurred businesses and industries to improve the quality of the products and services that they offer to the global consumer. They know that, if they do not focus on quality, they will be left behind by their competitors from other countries.
- Increase in job and income-generating opportunities. Jobs are created as businesses the world over increasingly become competitive. Earning power of workers are likewise increased while raising their income levels.

INTERNATIONAL BUSINESS DISPUTES: International disputes are, by definition, major disagreements between two or more countries on matters such as territory, maritime rights, and human rights, to name just a few. These disagreements may also be over business, considering how trade and business has joined the globalization bandwagon.
International disputes, however, are not limited to two or multiple parties disagreeing actively, because they may also arise from declarations made unilaterally by one country that are not acknowledged or accepted by other countries.

If these international disputes are not addressed and resolved, they could lead to bigger problems of global proportions, such as animosity and hostility between and among countries, tense international relations, or, worse, armed conflicts and wars.

RESOLVING INTERNATIONAL BUSINESS DISPUTES: International trade and business, just like your regular domestic business, faces a lot of risks. This is why local businesses establish their own sets of risk management strategies. It is no different in the case of businesses that are engaged in international trade. They are also at risk of being embroiled in disputes and so they should also come up with ways to manage this risk. One way to do that is to pay attention to their dispute resolution measures.
Before you can start resolving an international business dispute, however, it is important to first have a full understanding of what the dispute is all about. Several types of international business disputes have been identified.

Types of International Business Disputes

Dispute on the sale of goods or commodities

The dispute could arise from the issues on:

1. Product quality and quantity;
2. Pricing or costing issues;
3. Payment issues, such as the conditions and modes of payment, as well as the timing of these payments;
4. Transportation or logistics, including the conditions on delivery of commodities or products;
5. Other contractual provisions or stipulations, including how they were presented in a contract. Often, disputes arise due to vague stipulations and references on written contracts.

Clearly, this type of business dispute can be easily avoided if the contract was prepared properly and accurately, eliminating any vagueness or ambiguity. Everything should be set out clearly in order to avoid confusion.

Legal Concepts Relating to International Business: International Business is terms used to describe all commercial transactions (investments, sales, private and governmental transactions, transportation and logistics) that take place between two or more nations or two or more business that operate in different countries.

Typically in International Business, corporations or private companies will undertake deals or conduct transactions for profit, while governments undertake such business objectives for political purposes.

International Business is a broad term, which refers to all business activities that involve cross border transactions of services, goods, and resources between two or more nations.

The transaction of economic resources in International Business include the transfer of capital, skills, assets, people etc. for the international production of tangible goods and services. Typically these transactions are conducted for construction, finance, banking, or insurance purposes.

Companies that engage in International business are referred to international corporations or multinational enterprises. These companies engage in a worldwide approach to market and produce goods in multiple nations. Examples of such companies include McDonalds, Yum Foods, Toyota, the Ford Motor Company, and Samsung.

The International Legal Environment

- Public international law is the system of rules and principles governing the conduct of and relationships between states and international organizations as well some of their persons.
- Private international law governs relationships between persons and organizations engaged in international transactions and addresses which laws will apply when the parties are in a legal dispute.
- Foreign law is a law enacted by a foreign country.

International Business law is the scope and practice of law in the global business market. International Business law includes a direct focus on economics and the law in relation to international commercial transactions, licensing procedures, tariffs and taxes, and other intricacies which are used to regulate international transactions between government entities or multinational enterprises.

International law varies between jurisdictions; the premise elaborates basic business law concepts by expanding them to an international field.

International law is typically related to trade or commerce that takes place between two nations or two companies that operate in separate countries. The laws of different jurisdictions will come into play in each transaction; an analysis of such laws for each jurisdiction must be observed and understood by the engaging parties prior to the affirmation of the business deal.

The foundation of international business law is rooted in trade agreements and the laws which regulate such transactions. Two or more countries, who join together for a specific trade agreement, must meet the specific regulations instituted by each practicing nation's interpretation of international business law.

In addition to trade agreements, international business law will administer, regulate and subsequently deliver licenses. These licenses are needed to either conduct business in a foreign nation or are required to partake in a transaction for a specific good or service. Additionally, licensing requirements will also encompass various intellectual property or tangible property that is being exchanged between two parties.

For instance, a company operating in one country may develop a specific form of intellectual property; this company may then produce their product in another country, or may license other companies the right to produce the product. As each transaction or agreement is negotiated, the licensing rights and the exchange of property are the fundamental aspects of international business law and the primary focus of the commercial transaction.

Tariffs, taxes, and other mechanisms which surround a business transaction will vary by jurisdiction. Typically, there are basic provisions for a country that may be modified by trade agreements among different nations; these issues must be considered when a party negotiates each transaction.

UNIT-5

International Promotional Strategies: Companies develop marketing strategies to build a loyal customer base, to build relationships with those customers and to create value for the customer. Effective product and promotion strategies are essential in making sure your product is readily accessible in the global marketplace. Special considerations are necessary when marketing to global customers such as international issues of technology, transportation and regulation.

The globalization of business has caused multinational companies to spend considerable time assessing their global product and promotion strategies. A dilemma with both is whether to present a universal product offering or to customize the product or promotional efforts to each country of operations.

Extension: A straight product extension is presenting your product to a global marketplace without any changes. Some products are globally known and need no additional product or promotion changes. People want the product on a global basis, and once it is made available to them, it is purchased without having to create any additional marketing or promotion strategies.

Adaptation: Production and promotion adaptation strategies are used in a global market for a product that may be popular but needs to be adapted to meet local customs and demand. For example, customers of less affluent countries may need a product of similar quality that has been downscaled to be more affordable to purchase. Technology products must be altered to meet the specific language of the country being marketed to.

Invention: Another product and promotion strategy is inventing a new product to meet the needs of a particular country. For example, consumers in crowded commuting conditions might need a laptop product that better fits their travel situation, a more compact version of the typical laptop. This strategy also could take on the form of reinventing a popular product to meet the needs of a particular country or world region.

Pricing Considerations: Global product and promotion strategies must take into consideration the economic conditions of the country where products are introduced. For example, a price that might be discounted in the United States would be considered too high for poorer countries or perhaps not high enough in rich countries. To combat prices being too high in less affluent countries, a company could make a smaller or less complex version at a lower price.

Product Standardization: A standardized product strategy is when your business decides to produce and market the same basic product in all markets. This approach has economies of scale benefits, as it is much less expensive to design one product and mass produce it to meet global demand. Standardization works best when your product has the same uses and benefits in each country or culture. Inability to differentiate to meet different uses or preferences is a challenge with standardization, especially if your product has variable uses in each market.

Product Customization: Customization as a global product strategy means that you offer product variations or customized versions of your product in each country or market. A simple example of this is when movies are presented with subtitles or dubbed voice-overs in markets with different languages. In other cases, certain features or traits of a product are altered to match the needs or desires of customers in a given market.

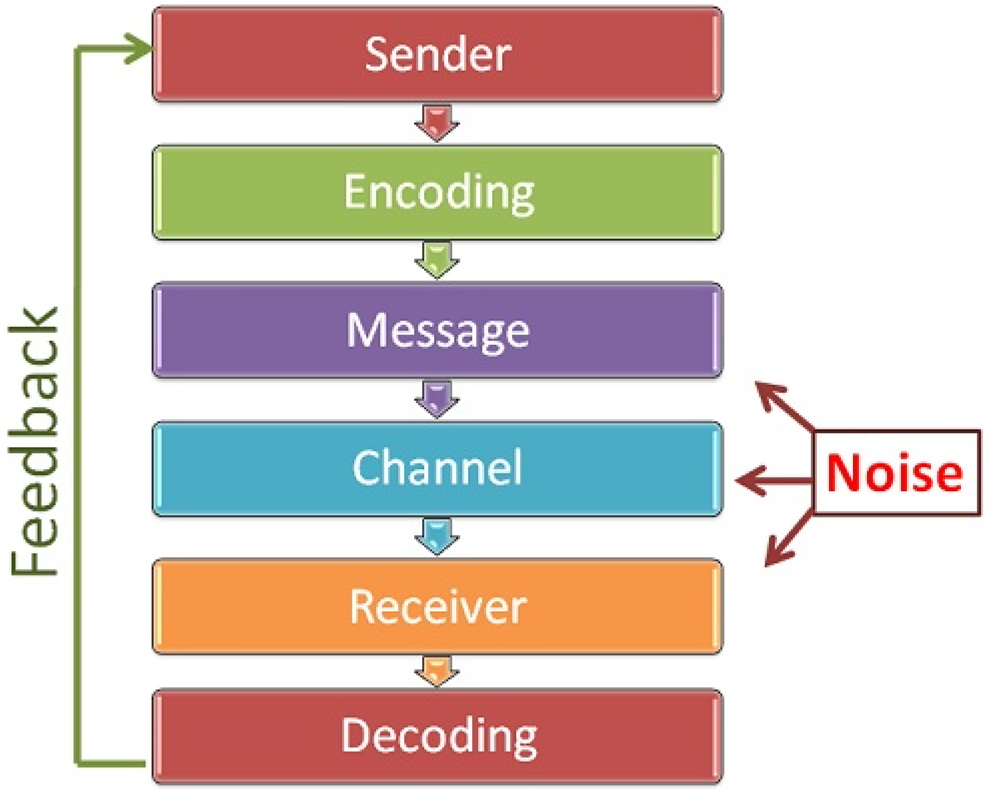
Global Promotion: A global promotion strategy is when your company presents the same basic message of brand or product value around the globe. This approach ties closely with the standardized product strategy. The general idea is to present a universal product with benefits that apply to customers in each targeted marketplace. An advantage of a globalized approach is consistency, in that customers in each market can identify with your brands as they travel the world. While the company tailors menus and messages in some instances, McDonald's has benefited from a consistent commitment to its global message of efficient, family-friendly fast food.

International Promotion: An international promotion strategy is when promotional messages vary from one country to the next or where campaigns are tailored to different regions. This strategy is used with either the standardized or customized product. With a standardized product that has different uses, variations in marketing project different benefits or value propositions based on the uses in each market. With the customized product strategy, promotions are tailored to emphasize the value of the customized offering in each market. This can generate stronger loyalty in markets where brands are perceived differently, though the costs are usually greater with customized promotion.

Communications Process: Marketing communications process consists of integrated activities in which the targeted audience is identified and a well coordinated promotional program is prepared to generate the desired response from the audience. Most problems of preferences, image and immediate awareness in the target customers is focused by the marketing communication. But there are certain limitations associated with the concept of communication. These limitations include high cost and short term duration that cannot generate the desired results from the targeted customers.

In recent years Marketing Communication is used by most of marketers as building customer relationship at the stages of pre-selling, selling, utilization, and post utilization. Due to differences in customers, different programs of communications are developed for specific segments & niches.

Element of Marketing Communication Process: For Effective Communication, the marketer should know how communication works? Following are the nine elements that are involved in the marketing communication process.



1. **Sender:** The party or person who is sending the message to the other party or person is the sender.

2. **Encoding:** The conversion of thought into the meaningful symbols is called encoding.

3. **Message:** The group of symbols transmitted by the sender is called a message.

4. **Media:** The channel of communication through which transfers the message from sender to receiver is called media.

5. **Decoding:** The conversion of symbols into meaning by the receiver is called decoding.

6. **Receiver:** The sent message received by another person or party is called the receiver.

7. **Response:** The reaction shown by the receiver before the message is called response.

8. **Feed Back:** The portion of the response of the receiver that is sent back to the sender is called feedback.

9. **Noise:** The unplanned distortion during the process of communication due to which the receiver understands the wrong meaning of the original message is called noise.

The effective message is that where the process of encoding is matched with the decoding of messages. The message sent should be consisted of words and symbols that are known to the receiver.

MARKETING COMMUNICATION PROCESS STEPS: There are certain steps that should be involved in the effective marketing communication process. The marketing and promotional activities should focus on these steps in order to attract a huge portion of long run customers. Following are the steps that make communication process effective**.**

1. **Identification of the Target Audience:** The first step in the effective marketing communication process is to identify the target audience. These audiences may be potential customers or other people that can influence the decisions of these customers. The audience may include the individuals, groups, general public or special public. The audience has a direct effect on the decisions of the communication, like what to say? How to say? And when to say? Etc.

2. **Determination of the Communication Objectives:** In this step the marketing communicator should clear the objectives of the communication process. In most of the situations, the purchase is required by the marketing communicator, but purchase is made after a prominent customer decision making process. The communicators should also understand the standing position of the customer. Generally there are six Stages of Customer Readiness through which a customer pass to make a purchase which are as follow.

- Awareness
- Knowledge
- Liking
- Preference
- Conviction
- Purchase

The target group of the marketing communicator is not much familiar with the new product or its silent features. So the marketing communicator should create the awareness and knowledge of its new product and features. But this is not the surety to the success; the new product should also provide superior customer value too.

3. **Designing of the Message:** In this step the marketing communication, communicator focuses upon the design of the message. Any message that can attract the attention, develop the interest, arousal of desire and stimulate the action is the effectively designed message. This procedure is best known as AIDA model that can make any message effective and potential. Besides this the marketing communicator also decides about the content and structure of the message.

4. **Message Content:** In this step of the marketing communication process the content of the message is decided. The theme or an appeal is suggested that can bring the desired response from the audience or receiver. Following are the three appeals that should be used in this regard.

- **Rational appeal:** The self interest of the audience is focused on the rational appeal in which the benefits availed by the usage of the products or services.

- **Emotional Appeal:** In this case positive or negative emotions are stimulated to encourage the purchase of the product.
- **Moral Appeal:** In this situation the morality is included in the message to influence the targeted customers.

5. **Message Structure & Format:** In this step the important issues of the message structure together with the message format is analyzed. In marketing communication of a product, it must be decided that the message must include the conclusion or may keep to the audience to get a conclusion from them. Or the massage presents either only the strengths of the product or both the strengths and weaknesses. Moreover the format of the message is also focused on which the size and shape use, eye-catching colors, and headlines etc are decided in the most effective manner.

6. **Choosing Media:** The channels of communication are decided in this step of a marketing communication process, which may take the following two forms.

- **Personal:** In this channel of communication two or more persons directly communicate with each other like face to face, through the mail, on the telephone, or through a chat on the internet. Personal Addressing and feedback is allowed in the personal communication.
- **Non Personal:** Non personal messages are spread through these channels which also excludes the option of feedback. Such channels include print media, display media, broadcast media, online media etc.

7. **Collecting Feedback:** This is the last step of the marketing communication process in which the feedback from the target customers. This can help the marker to alter the promotion program or other marketing activities. For this purpose the buying behavior of targeted customers is analyzed in the light of the new product. Questions may also be asked to the customers to collect their views about the positive and negative aspects of the new product.

Principles of Communication

7 Principles of Communication

Following principles of communication make it more effective:

1. **Principle of Clarity:** The idea or message to be communicated should be clearly spelt out. It should be worded in such a way that the receiver understands the same thing which the sender wants to convey. There should be no ambiguity in the message. It should be kept in mind that the words do not speak themselves but the speaker gives them the meaning. A clear message will evoke the same response from the other party. It is also essential that the receiver is conversant with the language, inherent assumptions, and the mechanics of communication.

2. **Principle of Attention:** In order to make communication effective, the receiver's attention should be drawn towards message. People are different in behaviour, attention, emotions etc. so they may respond differently to the message. Subordinates should act similarly as per the contents of the message. The acts of a superior also draw the attention of subordinates and they may follow what they observe. For example, if a superior is very punctual in coming to

the office then subordinates will also develop such habits. It is said that ‘actions speak louder than words.

3. **Principle of Feedback:** The principle of feedback is very important to make the communication effective. There should be a feedback information from the recipient to know whether he has understood the message in the same sense in which the sender has meant it.

4. **Principle of Informality:** Formal communication is generally used for transmitting messages and other information. Sometimes formal communication may not achieve the desired results, informal communication may prove effective in such situations. Management should use informal communication for assessing the reaction of employees towards various policies. Senior management may informally convey certain decisions to the employees for getting their feedback. So this principle states that informal communication is as important as formal communication.

5. **Principle of Consistency:** This principle states that communication should always be consistent with the policies, plans, programmes and objectives of the organization and not in conflict with them. If the messages and communications are in conflict with the policies and programmes then there will be confusion in the minds of subordinates and they may not implement them properly. Such a situation will be detrimental to the interests of the organization.

6. **Principle of Timeliness:** This principle states that communication should be done at proper time so that it helps in implementing plans. Any delay in communication may not serve any purpose rather decisions become of historical importance only.

7. **Principle of Adequacy:** The information communicated should be adequate and complete in all respects. Inadequate information may delay action and create confusion. Inadequate information also affects efficiency of the receiver. So adequate information is essential for taking proper decisions and making action plans.

Status of Promotion: Before a company decides to become global, it must consider a multitude of factors unique to the international marketing environment. These factors are social, cultural, political, legal, competitive, economic, and even technological in nature. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.), it is impossible to launch identical marketing plans worldwide. Thus, global companies must be nimble enough to adapt to changing local market trends, tastes, and needs.

For global advertisers, there are four potentially competing business objectives that must be balanced when developing worldwide advertising: building a brand while speaking with one voice, developing economies of scale in the creative process, maximizing local effectiveness of advertisements, and increasing the company’s speed of implementation. Global marketers can use the following approaches when executing global promotional programs: exporting executions, producing local executions, and importing ideas that travel.

Factors in Global Promotion: To successfully implement these approaches, brands must ensure their promotional campaigns take into how consumer behavior is shaped by internal conditions (e.g., demographics, knowledge, attitude, beliefs) and external influences (e.g., culture, ethnicity, family, lifestyle) in local markets.

1. **Language:** The importance of language differences is extremely crucial in global marketing, as there are almost 3,000 languages in the world. Language differences have caused many problems for marketers in designing advertising campaigns and product labels. Language becomes even more significant if a country's population speaks several languages.

2. **Colors:** Colors also have different meanings in different cultures. For example, in Egypt, the country's national color of green is considered unacceptable for packaging because religious leaders once wore it. In Japan, black and white are colors of mourning and should not be used on a product's package. Similarly, purple is unacceptable in Hispanic nations because it is associated with death.

3. **Values:** An individual's values arise from his or her moral or religious beliefs and are learned through experiences. For example, Americans place a very high value on material well-being and are much more likely to purchase status symbols than people in India. In India, the Hindu religion forbids the consumption of beef.

4. **Business norms:** The norms of conducting business also vary from one country to the next. For example, in France, wholesalers do not like to promote products. They are mainly interested in supplying retailers with the products they need.

5. **Religious beliefs:** A person's religious beliefs can affect shopping patterns and products purchased in addition to his or her values. In the United States and other Christian nations, Christmas time tends to be a major sales period. In other religions, significant religious holidays may or may not serve as popular times for purchasing products.

There are many other factors, including a country's political or legal environment, monetary circumstances, and technological environment that can impact a brand's promotional mix. Companies have to be ready to quickly respond and adapt to these challenges as they evolve and fluctuate in the market of each country.

Changing the Global Promotional Mix: When launching global advertising, public relations or sales campaigns, global companies test promotional ideas using marketing research systems that provide results comparable across countries. The ability to identify the elements or moments of an advertisement that contribute to the success of a product launch or expansion is how economies of scale are maximized in marketing communications. Market research measures such as flow of attention, flow of emotion, and branding moments provide insight into what is working in an advertisement in one or many countries. These measures can be particularly helpful for marketers since they are based on visual, not verbal, elements of the promotion.

Considering these measures along with conducting extensive market research is essential to determining the success of promotional tactics in any country or region. Once brands discover what works (and what does not) in their promotional mix, those ideas can be imported by any other market. Likewise, companies can use this intelligence to modify various elements in their promotional mix that are receiving minimal or unfavorable response from global audiences.

Promotion Appeals

Top Five Appeals That Advertisers Use to Sell a Product: Commercial, print and online ads use some form of appeal to reach potential customers. Advertisers use appeal to influence a customer to purchase a product or support a cause. Appeals speak to an individual's need, wants or interest and entice him to take the desired action.

Tip: The most common advertising appeals include use of fear, humor, rational, sex or bandwagon propaganda.

Fear as a Motivator: Fear appeals focus on the negative outcomes that can happen because of an action or inaction. Advertisers use fear appeals to promote an immediate behavior change such as eating healthier or not smoking. Another fear tactic involves isolation. People will purchase a product to avoid isolation from others because of bad hygiene. Deodorant and toothpaste ads often employ this tactic.

Government agencies appeal to an individual's fear of death or incarceration to prevent drinking and driving. Fear appeals work when the recommended action is specific, effective and plausible. For example, ads geared toward smokers can be ineffective if the person does not believe quitting is within reach.

Humor Creates Emotional Connections: Humor appeals make consumers laugh and create an emotional link with the product. A well-executed humor appeal enhances recollection, evaluation and the intent to purchase the product. Advertisers link the product with the humor. For example, a humorous insurance ad hits the mark when the humor shows the consumer why having insurance is beneficial.

Using humor at the expense of one group may lead to resentment. Senior citizens may resent a product that portrays them as grumpy, while women may refuse to purchase a product that portrays them as overbearing. Humorous ads work best with established and commonly purchased products such as cellphones, fast food and alcoholic beverages.

Rational Appeals to the Practical Side: Rational or logical appeals focus on the consumer's need for practicality and functionality in a product. Advertisers relay this message by focusing on product features and cost. These ads tell consumers the benefits associated with the purchase of a product. The advertiser then provides proof to back up the claims.

An automobile advertisement focuses on gas efficiency, mileage and prices to reach consumers who want a cost-efficient, reliable vehicle. Household appliance manufacturers may place emphasis on features that lower home utility costs and protect the environment. Printed and business-to-business advertisements are better suited for rational appeals.

Sex and Sensuality Sell: Sex appeals capture attention, but seldom promote product consumption. Effective sex appeal ads convey a specific message to the target demographic group. Beer advertisers often use sex appeal to promote their product to men. The typical scene involves several young, average-looking men in a bar. The men purchase the beer and gain the attention of an attractive young woman.

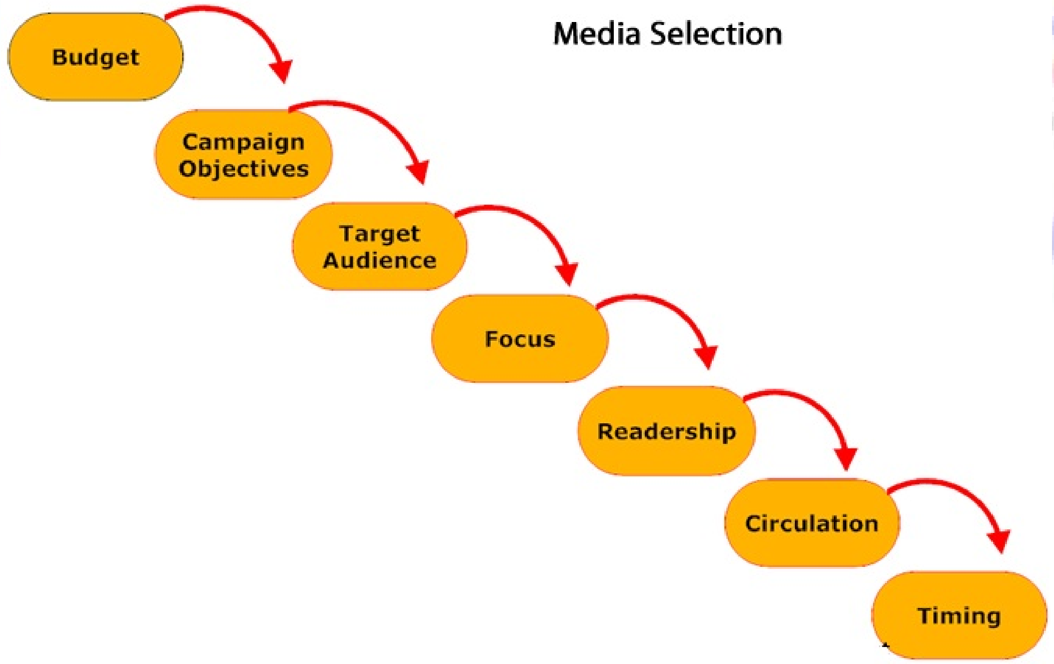
Fragrance products use sex appeal to convey romance to women by indicating the use of the product will help her find the man of her dreams. Generally done by showing the woman spraying the fragrance and then capturing the attention of an attractive male who passes her on the street. Overly overt images subtract from the overall message the advertiser wants to convey.

Fear of Missing Out: A bandwagon appeal makes consumers believe they are missing out by addressing the consumer's need to belong. Food and drink ads show hip young adults enjoying a product and ignoring the individual who chooses the less popular product. Medical products show consensus by indicating the number of medical professionals who support the product. For example, a cold medicine ad may say, "Eight out of 10 doctors recommend this product" to show product effectiveness.

Automobile dealers and cellphone providers give sales and user statistics to indicate why their product is the more preferred. This type of message says buy this product because everyone does. If done correctly, the consumer will purchase the product. Bandwagon appeals can backfire in that the consumer's desire to fit in can conflict with the ability to make a rational decision.

Media Selection

When deciding which media to select for promotional purposes, firms must consider a number of factors in order to maximize the effectiveness of their marketing campaigns.



Budget: What is your overall budget for advertising? Will your budget give you the coverage you want? A firm that has a limited budget for advertising will limit the amount of coverage certain media can provide. You will need to strike a balance between budget and coverage.

Campaign Objectives: One factor that will influence the budget and coverage question is the objective of the campaign. If the objective is to raise the brand awareness of the firm amongst the teenage market then this will influence any decisions you make above. You may need to spend a little more on certain publications in order to meet your objectives.

Target Audience: The media you selected is obviously influenced by the target audience. A firm must select media that the target audience is associated with e.g. the magazines or paper that they read, or the social networking site they use.

Focus: What is the message focus going to be? Will the message be emotional and work on guilt or will the message be clear cut and say why the firm is better than the leading player?

Readership of Media: What is the readership of the media you wish to select? Readership is the number times a publication has been read, so if I pick up newspaper on the train, read it and leave it on the train and that same newspaper has been read by 10 other commuters, the readership in total is 11.

Circulation of Media: A firm will need to find out what the overall circulation of the media chosen is. So how many publications are sold, and exactly who reads them.

Timing: When do you want the advertising campaign to start? Is it specific to a particular time of the year e.g. Easter or Christmas?

So when selecting your media for advertising you need to take into account all of the above factors into account to maximise the success of your advertising campaign. The importance of a particular factor will depend on the campaign in question so it will be important to prioritise the list in a manner that suits you and your campaign.

Personal Selling: Purpose, Types, Limitations

Personal selling happens when companies and business firms send out their salesmen to use the sale force and sell the products and services by meeting the consumer face – to – face. Here, the producers promote their products, the attitude of the product, appearance and specialist product knowledge with the help of their agents. They aim to inform and encourage the customer to buy, or at least trial the product.

For example, salesmen go to different societies to sell the products. Another example is found in department stores on the perfume and cosmetic counters. A customer can get advice on how to apply the product and can try different products. Products with relatively high prices, or with complex features, are often sold using personal selling. Great examples include cars, office equipment (e.g. photocopiers) and many products that are sold by businesses to other industrial customers.

Types of Personal Selling

Retail Selling: Retail selling the product the consumers through retail store or door to door visit .in door sales persons work at the store and they deal with the customers visiting the sorters and outdoor sales personal visit the potential costomers in their homes or offices and persuade them to buy the product.

Trade Selling: It involves selling the product to the retailers and wholesellers trade saales personal made regular contact to the wholeseller and retailers and receved bulk order from them, trade sales personal work either for wholeseller or manufactures.

Missionary Selling: In missionary selling missionary sales personal create demand for the product they do not directly sales the product .they visit retial staores and incourage them to place orders from the deailers and wholesellers they work for manufactures.

Industrial Selling: It involves selling the capital item like equipment ,machineres to the industrial users ,industrial sales personal are useually very well educated experience and train people they provides technical information and assitances.

Advantages of Personal Selling

- It is a two-way communication. So the selling agent can get instant feedback from the prospective buyer. If it is not according to plan he can even adjust his approach accordingly.
- Since it is an interactive form of selling, it helps build trust with the customer. When you are selling high-value products like cars, it is important that the customer trusts not only the product but the seller also. This is possible in personal selling.
- It also is a more persuasive form of marketing. Since the customer is face to face with the salesperson it is not easy to dismiss them. The customer at least makes an effort to listen.
- Finally, direct selling helps reach the audience that we cannot reach in any other form. There are sometimes customers that cannot be reached by any other method.

Disadvantages of Personal Selling

- It is a relatively expensive method of selling. High capital costs are required.
- Also, it is an extremely labour intensive method. A large sales force is required to carry out personal selling successfully.
- The training of the salesperson is also a very time consuming and costly.
- And the method can only reach a limited number of people. Unlike TV or Radio ads it does not cover s huge demographic.

Merits:

The strength of personal selling is measured in terms of the merits to its credit as a distinct form of promotion. These are:

1. Flexibility and adaptability: Personal selling by its very nature is capable of providing more flexibility, being adaptable. A salesman can adjust' himself to the varying needs, moods, motives, impulses, attitudes and other behavioural variables of the prospects with a view to communicate effectively and effect the sales for the unit.
2. Minimum waste:The efforts put in by the salesman are highly focused on a single customer or a small group of customers. The message is likely to reach them without distortion and diffusion. This is perhaps the greatest merit in contrast to advertising where the ad message is released en-masse resulting in message diffusion and distortion causing more wastage or promotional efforts.
3. Acts as a feed-back: The salesman is, in effect, a researcher. Being in direct contact with the consumers, he has the advantage of collecting and transmitting the relevant market information affecting his company.
Such timely, authentic and verifiable data is the basis of vital decisions, strategies, and tactical adjustments. Thus, he feels the pulse of the market that is ever changing.

4. Creates lasting impression: The personal selling process is so direct and penetrating that lasting business relation can be developed between the selling house and the clientele. In case of advertising, it acts like a flash of a thunder-bolt from the blue. The light though very powerful, lasts only for a few seconds. The light of salesmanship is like an electric current that lasts longer.
5. Pulls through logical sequence: The personal selling follows a logical selling process which matches to the reasoning of one and all. A salesman pulls through the customer in the step-by-step selling process starting with attention and ending with satisfaction with interest, desire, conviction and action juxtaposed between.
Further, he detects loss of consumer attention and interest and brings the consumer back to the track by repetitions and reinforcements.

Limitations:

However, all is not well with process of personal selling. There are certain limitations which one should take into account before giving the conclusion as to its real worth.

1. It is expensive:Personal selling as a method of promotion is quite expensive. Getting salesman is one thing and retaining him for long is another. Further, there are no definite correlations between his stay and cost of retaining and the contributions of his, in return, to the firm, for such costs.

2. Difficulty of getting right kind of salesmen: Though, theoretically certain guidelines are prescribed for getting right kind of salesmen from the potential candidates, it is really very difficult to get suitable salesmen from company's point of view. The potential salesmen so selected, trained and placed, do not guarantee loyal service to the company.
3. Stake in consumer loyalty: Personal selling is such a process-direct and close between the customer and salesman that the consumer loyalty depends on the presence of such a salesman. The firm's fortunes are tied to the loyalty of consumers which, in turn, depends on the very presence of salesman. The moment the salesman moves out, the clientele drops down to the detriment of the firm.
4. More administrative problems: Personal selling involves more of administrative problems than impersonal selling. Since, the firm is to deal with manpower a driving force behind sales the company has to meet the challenges in the areas of manpower-planning, organizing, directing, coordinating, motivating and controlling. The solutions to these problems, even if found out, are not everlasting because, human content in management is unique.

Publicity and Public Relations

Publicity: Publicity is defined as the way of disseminating information to the public at large, through media. It can be in the form of news, stories, event information or write-ups, that creates awareness and credibility in the people regarding a brand, product or the company offering them.

Publicity aims at spreading the information or news, to the maximum number of people, in minimum time. It is a non-paid form of communication, which is not under the control of the company. It can be a positive review regarding a product, i.e. mobile, television, refrigerator, etc. given by a satisfied customer, or information published in the newspaper regarding the quality-rich services provided by a company, or it can be a simple word of mouth, etc.

In a nutshell, publicity has nothing to do with the company's sales; it is all about creating awareness in general public through editorial or unbiased comments concerning a product.

Public Relations: Public Relations can be understood as the strategic management tool, which helps an organization to communicate with the public. Here, 'public' means the group of people that have an interest in or impact on a company's ability to achieve business objectives. It is not only concerned with getting public attention, but it also aims at reaching the goals of the organization, by communicating the message to the target audience. It includes press releases, crisis management, social media engagement, etc.

Public Relations is all about maintaining the positive image of the company in the eyes of the public and developing strong relationships with them. It encompasses a range of programs organised by the company to promote its product and services. There are many companies, which have public relations department, which looks after the attitude of the appropriate public and also spread information to them, to increase the goodwill.

The functions performed by the public relations department include press relations, corporate communications, counselling, product publicity, etc.

Key Differences between Publicity and Public Relations

The difference between publicity and public relations can be drawn clearly on the following grounds:

1. Publicity can be described as public visibility, wherein news or information is communicated to the general public so as to build credibility or awareness in them, with the help of a channel, i.e. mass media. On the other extreme, the term public relations, as the name suggest, is a strategic management tool, that aims to create a company's positive image in the eyes of the public.
2. While publicity is not under the control of the company, public relations is fully under the company's control.
3. Publicity can be positive or negative, in the sense that it can be positive or negative feedback regarding the product or service concerning a product given by the customer or controversial news about the company. Conversely, public relations is always positive, because it is strategised and managed by the public relations department of the company.
4. Publicity is free of cost; as it is made by the third party. As against, in case of public relations, the company incurs money to organize events, sponsor programs, third-party endorsement, etc.
5. Publicity involves, gaining the attention of the media, that communicates any information or news, regarding a product, service, person, organization, etc. so as to create awareness in people. In contrast, public relations seek to attract the target audience, for the purpose of boosting the company's sales.

By and large, publicity and public relations are different from one another, as in publicity is when someone or something is being noticed by the media, and people are informed about it. Unlike, public relations, is all about taking such steps, to maintain a good relationship with the interested public, which includes customers, government, shareholders, creditors, suppliers, government, etc.

Sales Promotion: Sales Promotion is one of the elements of the promotional mix. (The primary elements in the promotional mix are advertising, personal selling, direct marketing and publicity/public relations). Sales promotion uses both media and non-media marketing communications for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include contests, coupons, freebies, and loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates.

Sales promotions can be directed at either the customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called consumer sales promotions. Sales promotions targeted at retailers and wholesale are called trade sales promotions.

Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.

Sales promotion is implemented to attract new customers, to hold present customers, to counteract competition, and to take advantage of opportunities that are revealed by market research. It is made up of activities, both outside and inside activities, to enhance company sales. Outside sales promotion activities include advertising, publicity, public relations activities, and special sales events. Inside sales promotion activities include window displays, product and promotional material display and promotional programs such as premium awards and contests.

Advantages of Sales Promotions: The main advantages in using sales promotional activity, either alone or to support mainstream marketing activity and communications, are:

(i) Very flexible and adaptable in terms of tackling specific problems or supporting mainstream marketing communications Bata national or local level

(ii) Capable of specific action through specific focus and structure

(iii) Relatively short lead times to design and implement (compared with media communications)

(iv) Often more easy to monitor the effect or tangible results

(v) Economical and cost saving, possibly with economies of scale

(vi) Can be adapted to large and small markets, major or minor products or brands.

11 Important Techniques of Sales Promotion

1. **Rebate:** Under it in order to clear the excess stock, products are offered at some reduced price. For example, giving a rebate by a car manufacturer to the tune of 12,000/- for a limited period of time.

2. **Discount:** Under this method, the customers are offered products on less than the listed price. For example, giving a discount of 30% on the sale of Liberty Shoes. Similarly giving a discount of 50% + 40% by the KOUTONS.

3. **Refunds:** Under this method, some part of the price of an article is refunded to the customer on showing proof of purchase. For example, refunding an amount of 5/- on showing the empty packet of the product priced 100/-.

4. **Product Combination:** Under this method, along with the main product some other product is offered to the customer as a gift. The following are some of the examples:

5. **Quantity Gift:** Under this method, some extra quantity of the main product is passed on as a gift to the customers. For example, 25% extra toothpaste in a packet of 200 gm tooth paste. Similarly, a free gift of one RICH LOOK shirt on the purchase of two shirts.

6. **Instant Draw and Assigned Gift:** Under this method, a customer is asked to scratch a card on the purchase of a product and the name of the product is inscribed thereupon which is immediately offered to the customer as a gift. For example, on buying a car when the card is scratched such gifts are offered – TV, Refrigerator, Computer, Mixer, Dinner Set, Wristwatch, T-shirt, Iron Press, etc.

7. **Lucky Draw:** Under this method, the customers of a particular product are offered gifts on a fixed date and the winners are decided by the draw of lots. While purchasing the product, the customers are given a coupon with a specific number printed on it.

   On the basis of this number alone the buyer claims to have won the gift. For example, 'Buy a bathing soap and get a gold coin' offer can be used under this method.

8. **Usable Benefits:** Under this method, coupons are distributed among the consumers on behalf of the producer. Coupon is a kind of certificate telling that the product mentioned therein can be obtained at special discount.

   It means that if a customer has a coupon of some product he will get the discount mentioned therein whenever he buys it. Possession of a coupon motivates the consumer to buy the product, even when he has no need of it.

   Such coupons are published in newspapers and magazines. Some companies distribute coupons among its shareholders. Sellers collect the coupons from the customers and get the payment from the company that issues the same.

9. **Full Finance @ 0%:** Under this method, the product is sold and money received in installment at 0% rate of interest. The seller determines the number of installments in which the price of the product will be recovered from the customer. No interest is charged on these installments.

10. **Samples or Sampling:** Under this method, the producer distributes free samples of his product among the consumers. Sales representatives distribute these samples from door-to-door.

    This method is used mostly in case of products of daily-use, e.g., Washing Powder, Tea, Toothpaste, etc. Thus, the consumers willy-nilly make use of free sample. If it satisfies them, they buy it and in this way sales are increased.

11. **Contests:** Some producers organize contests with a view to popularizing their products. Consumers taking part in the contest are asked to answer some very simple questions on a form and forward the same to the company. The blank form is made available to that consumer who buys the product first.

Sales Promotion + / -

Advantages	Disadvantages
Effective at achieving a quick boost to sales	Sales effect may only be short-term
Encourages customers to trial a product or switch brands	Customers may come to expect or anticipate further promotions
	May damage brand image

Advertising: Definition and Importance: Advertising is the best way to communicate to the customers. Advertising helps informs the customers about the brands available in the market and the variety of products useful to them. Advertising is for everybody including kids, young and old. It is done using various media types, with different techniques and methods most suited.

Objectives of Advertising

1. Trial
2. Continuity
3. Brand switch
4. Switching back

Let’s take a look on these various types of objectives.

1. **Trial: T**he companies which are in their introduction stage generally work for this objective. The trial objective is the one which involves convincing the customers to buy the new product introduced in the market. Here, the advertisers use flashy and attractive ads to make customers take a look on the products and purchase for trials.
2. **Continuity: T**his objective is concerned about keeping the existing customers to stick on to the product. The advertisers here generally keep on bringing something new in the product and the advertisement so that the existing customers keep buying their products.
3. **Brand switch: T**his objective is basically for those companies who want to attract the customers of the competitors. Here, the advertisers try to convince the customers to switch from the existing brand they are using to their product.
4. **Switching back: T**his objective is for the companies who want their previous customers back, who have switched to their competitors. The advertisers use different ways to attract the customers back like discount sale, new advertise, some reworking done on packaging, etc.

Basically, advertising is a very artistic way of communicating with the customers. The main characteristics one should have to get on their objectives are great communication skills and very good convincing power.

Importance of Advertising: Advertising plays a very important role in today's age of competition. Advertising is one thing which has become a necessity for everybody in today's day to day life, be it the producer, the traders, or the customer. Advertising is an important part. Lets have a look on how and where is advertising important:

1. **Advertising is important for the customers:** Just imagine television or a newspaper or a radio channel without an advertisement! No, no one can any day imagine this. Advertising plays a very important role in customer's life. Customers are the people who buy the product only after they are made aware of the products available in the market. If the product is not advertised, no customer will come to know what products are available and will not buy the product even if the product was for their benefit. One more thing is that advertising helps people find the best products for themselves, their kids, and their family. When they come to know about the range of products, they are able to compare the products and buy so that they get what they desire after spending their valuable money. Thus, advertising is important for the customers.

2. **Advertising is important for the seller and companies producing the products**

   Yes, advertising plays very important role for the producers and the sellers of the products, because

- Advertising helps increasing sales
- Advertising helps producers or the companies to know their competitors and plan accordingly to meet up the level of competition.
- If any company wants to introduce or launch a new product in the market, advertising will make a ground for the product. Advertising helps making people aware of the new product so that the consumers come and try the product.
- Advertising helps creating goodwill for the company and gains customer loyalty after reaching a mature age.
- The demand for the product keeps on coming with the help of advertising and demand and supply become a never ending process.

3. **Advertising is important for the society:** Advertising helps educating people. There are some social issues also which advertising deals with like child labor, liquor consumption, girl child killing, smoking, family planning education, etc. thus, advertising plays a very important role in society.

E- Marketing: Online marketing can be a powerful and cost effective means of promoting your products and services to an international target market.

There are several facets to setting up a successful international online presence and performing ongoing targeted campaigns. We can provide a full solution tailored to your needs, incorporating some or all of the following services, and can provide support on an ongoing basis.

International Web Landing Pages

The first step in marketing to an international audience is to create a landing page, and a different page will be created for each target country.

Creating an international landing page has many benefits:

- It will become the focus for the target country's marketing communications.
- Increased visibility in a country's search engine results.
- Cost effective method in starting the international marketing process.
- Providing a link back to your main website ensuring this too reaches a wider audience
- May form the precursor event before future investment is made in a specific market entry

There are many different options in developing a landing page, and we treat every case individually.

- Create a simple landing page based on a pre-designed template with the addition of a company logo
- Copy existing online design from a current UK website
- Design and develop a full bespoke website designed to appeal to the local market

We can also provide an option to translate the landing page text to the local language using experienced translators.

A top-level domain name for the target country is required for international Search Engine Optimisation (SEO) – such as .pl (Poland) and .in (India.) Ideally the website should be hosted in the target country too, partly for download speed and for a small SEO benefit.

SEO is the method of improving a website's visibility within search engines' natural listings. It is a proven method for driving visitors to a website, and will result in more conversions and completed calls to action.

Inbound International Marketing: Inbound marketing is the process of making a company easy to be found online, partly by creating interesting content and promoting it through social media channels. It combines SEO and Social Media Marketing to create a powerful marketing toolset.

Social Media Marketing is the method of promoting a brand through social media channels such as Facebook, Twitter, LinkedIn and many others. The benefits of Social Media Marketing are far reaching, as not only can the user learn about a business without visiting a website, it increases visitors to the site and boosts natural search engine rankings.

Video Production: A video can be very effective at quickly describing your brand and products / service, both on a website and for inbound marketing benefits through YouTube and other video channels. Google looks favourably at videos for its organic search results, and videos placed within a website holds attention and increases conversions.

A video can become an even more powerful tool in an international context as it can be more compelling than words alone.

We can produce videos from simple productions using still images and text, to full productions using local camera crews.

International Email Marketing: Sending branded emails to an opted-in list is an Outbound Marketing process, as it is a direct communication to an audience. It can be a very effective communication method if the recipients are expecting an email and the content is engaging.

Paid Advertising: Google and Facebook both provide targeted paid advertising, and are an instant way to reach an intended audience.

International E-tailing: Concept, Types & Benefits

The **Electronic Retailing** also called as e-tailing or internet retailing, is the process of selling the goods and services through electronic media, particularly the internet. Simply, the sale of retail goods and services online is called as electronic retailing.

It follows the B2C business model wherein the business interacts directly with the customers without the involvement of any intermediaries.

The e-retailers can be of two types:

- **Pure Play e-retailers** such as Amazon, that emerged as the online bookseller. It is present only online and do not have any physical outlet for the customers.
- **Brick and click e-retailers** such as Dell, that sells computers through the internet as well as has the physical store front for the customers.

Advantages of Electronic Retailing

1. Through electronic retailing, customers can save both the efforts and time.
2. The wide range of products is available online, so the comparison can be made easily before the purchase.
3. The customer can shop anytime and from anywhere, the facility is available 24*7
4. The huge discounts can be availed while shopping online.

5. The detailed information about the product is available online; that helps the customer to make the purchase decision.
6. The electronic retailing offers the easy payment terms such as payment on delivery that instigate the customer to shop online.

Disadvantages of Electronic Retailing

1. The customers may not be sure of the quality of the products offered online.
2. It is the tendency of every individual to bargain before making the final purchase, but this quotient is missing in electronic retailing.
3. Also, the customers may not trust on the payment gateways and fear the misuse of credit cards or any other mode of payment.
4. Every customer wants to see and feel the product that he purchases, but it is not possible in case of electronic retailing where the customer makes the decision just by looking at the image.
5. The product is not readily available; the customer has to wait for some time to get the product in his hands.
6. The customer misses the emotional attachment with the seller that leads to less faith on the offerings.

The electronic retailing is the subset of E-Commerce that means, E-commerce is the **principle domain** that includes the e-tailing operations.

International Market Segmentation: International Market segmentation is a marketing strategy which involves separating a wide target market into subsets of customers, enterprises, or nations who have, or are perceived to have, common requirements, choices, and priorities, and then designing and executing approaches to target them.

International Market segmentation approaches are basically used to identify the target clients, and provide assisting data for marketing plan components like positioning to get certain marketing plan objectives.

Businesses may discover product differentiation approaches, or an undifferentiated approach, including specific goods or product lines relying on the precise demand and attributes of the target segment.

The most common forms of market segmentation practices are as follows:

1. **Geographic Segmentation:** Dealers can segment market according to geographic criterion that is nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-cluster strategy blends demographic information with geographic data to discover a more precise or specific profile. For example, in rainy areas dealers can easily sell raincoats, umbrellas and gumboots. In winter regions, one can sell warm clothing.

A small business product store focuses on customers from the local neighborhood, while a larger departmental store focuses its marketing towards different localities in a larger city or region. They neglect customers in other continents. This segmentation is very essential and is marked as the initial step to international marketing, followed by demographic and psychographic segmentation.

2. **Demographic Segmentation:** Segmentation on the basis of demography relies on variables like age, gender, occupation and education level or according to perceived advantages which an item or service may provide.

   An alternative of this strategy is called firmographic or character based segmentation. This segmentation is widely used in business to business market. It's estimated that 81% of business to business dealers use this segmentation.

   According to firmographic or character based segmentation, the target market is segmented based on characteristics like size of the firm in terms of revenue or number of employees, sector of business or location like place, country and region.

3. **Behavioral Segmentation:** This divides the market into groups based on their knowledge, attitudes, uses and responses to the product.

   Many merchants assume that behavior variables are the best beginning point for building market segments.

4. **Psychographic Segmentation:** Psychographic segmentation calls for the division of market into segments based upon different personality traits, values, attitudes, interests, and lifestyles of consumers.

   Psychographics uses people's lifestyle, their activities, interests as well as opinions to define a market segment.

   Mass media has a dominating impact and effect on psychographic segmentation. To the products promoted through mass media can be high engagement items or an item of high-end luxury and thus, influences purchase decisions.

5. **Occasional Segmentation:** Occasion segmentation is dividing the market into segments on the basis of the different occasions when the buyers plan to buy the product or actually buy the product or use the product. Some products are specifically meant for a particular time or day or event. Thus, occasion segmentation helps identify the customers' various reasons to buy a particular product for a particular and thus boosts the sale of the product.

Pricing and Promotional Strategies in E-tailing

E-Commerce Pricing Strategies

Cost-Plus Pricing: This strategy entails the retailer placing a mark-up on top of the wholesale cost of the product that they paid for. This is also known as Keystone Pricing. If you are experiencing slow inventory turnover online, have substantial shipping and handling costs, and own products that are scarce, you may be able to provide a higher markup in price. Cost-Plus Pricing ensures that you are implementing an ample profit margin at all times. For example, McMaster-Carr is a supplier of industrial and commercial facilities worldwide, specializing in next day delivery of Maintenance, Repair and Operations materials and supplies.

Target Return Pricing: This price strategy includes a goal for a return on cost. You can determine a price that yields its target rate of return on investment. The product of desired rate of return and the capital invested provides the required total return, and hence the desired return on investment. A disadvantage of this strategy is that it does not take into account price elasticity and competitor pricing. The manufacturer would need to consider different pricing scenarios and estimate the probable impact on sales volume and profits. Grainger is a leading B2B E-Commerce site and the largest retailer of maintenance, repair and operations supply on the web. In addition to monitoring competitors on their pricing patterns, Grainger has a specific expectation on target return that they look to obtain from their products, particularly on products in which they can drive larger profit margins.

Value-Based Pricing: The pricing strategy entails pricing a product or service to appeal to customers over alternative products or competing prices. It takes into account a very deep understanding of customer value. Value-Based Pricing establishes prices for products and services largely on perceived value. This strategy works best for products that have a highly emotional component or that exist in a controlled environment. The cost of production of products, shipping, tariffs and other expenditures dictate how you price your product and how your competitors price their product. At a very basic level, this strategy depicts the intersection between supply and demand in the marketplace. The pricing should reflect the value that customers feel the whole product and service package is worth, and hence takes into consideration all products in the marketing mix. This model may be best suited for your brand if you:

- Have an existing cult-like follower base
- Are an established brand known for quality in the marketplace
- Sell your product in a controlled environment

For example, Under Armour is a consumer products use case in which the company leverages value-based pricing for their product lines. Under Armour is confident that its customers will pay for the value they perceive they are obtaining through the integrity of the product and brand, and not based on competitive influence or target return. Hence, they are able to price according to this value perceived by the customer:

Competitive Pricing: This pricing strategy is the practice of setting a price based on what your competition charges for similar goods or services. It results in a narrow gap between cost and profit. When a good or service is offered by many vendors at a relatively similar price, you can charge competitively. For instance, a computer retailer can decide to sell hardware at a loss if they can sell their software or services for a higher margin order to capture the sale and result in a projected positive lifetime customer value. For example, CDW Corporation is a B2B use case in which the company sells technology products with solutions and services for the business, government and education markets. They utilize competitive based pricing very well. Users can select from a variety of large screen monitors for example, which are also offered my competitors in the marketplace including some Apple, Dell and Insight Enterprises. Hence, CDW has to monitor competitor’s pricing strategies very closely in order to win business from it’s clientele.

Lead Generation Model: This strategy is the practice of engaging users to actively request additional information online. As pricing is contingent upon terms and conditions stipulated in pre-determined contracts, this strategy ensures that the visitor does take action and click to request information expecting to hear back from a sales representative in regards to product details and pricing terms. Users can adopt this strategy online if they require a portal login for their customized pricing needs.

For example, Neopost USA is a B2B use case powered by the Apttus E-Commerce solution in which the a leading provider of mailing, business communications management and shipping hardware and software solutions worldwide, engages visitors to request information and learn about their solutions further online. Neopost USA deploys lead generation as each of their clients has unique pricing depending on terms and conditions stipulated upfront in their contract. Hence, Neopost requires their users to login to their portal to view their negotiated pricing terms prior to purchasing:

INTERNATIONAL MARKETING CHANNELS:

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

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

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

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

1) Intermediaries can improve the efficiency of the process.

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

3) They help in the searching process.

4) They help in the sorting process.

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

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

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

Distribution structures:

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

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

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

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

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

6. Co-operative organizations the co-operative exporting organizations, which represents a cross between indirect and direct export, carries on exporting activities on behalf of several producers, and is partly under the administrative control of the manufacturers.1. Piggyback marketing2. Exporting combinations International Marketing Decision

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

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

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

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

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

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

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

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

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

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

1) Identify specific target markets within and across countries.

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

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

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

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

1) Factors Relating to Product Characteristics:

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

i) Industrial/Consumer Product:

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

ii) Perishability:

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

iii) Unit Value:

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

iv) Style Obsolescence:

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

v) Weight and Technicality:

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

vi) Standardized Products:

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

vii) Purchase Frequency:

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

viii) Newness and Market Acceptance:

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

ix) Seasonally:

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

x) Product Breadth:

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

2) Factors Relating to Company Characteristics:

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

i) Financial Strength:

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

ii) Marketing Policies:

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

iii) Size of the Company:

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

iv) Past Channel Experience:

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

v) Product Mix:

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

vi) Reputation:

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

3) Factors Relating to Market or Consumer Characteristics:

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

i) Consumer Buying Habits:

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

ii) Location of the Market:

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

iii) Number of Customers:

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

iv) Size of Orders:

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

4) Factors Relating to Middlemen Considerations:

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

i) Sales Volume Potential:

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

ii) Availability of Middlemen:

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

iii) Middlemen's Attitude:

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

iv) Services Provided by Middlemen:

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

v) Cost of Channel:

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

5) Factors Relating to Environmental Characteristics:

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

i) Economic Conditions:

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

ii) Legal Restrictions:

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

iii) Competitors' Channel:

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

iv) Fiscal Structure:

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

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

Challenges in managing an international distribution strategies:

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

The Right Market for Your Products

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

Other Logistical Concerns

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

Selling Online to International Markets

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

Supplying International Retailers

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

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

Managing Multiple Currencies

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

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

Management of physical distribution of goods:

(1) Order Processing:

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

Order processing mainly includes:

1. Receiving order

2. Recording order

3. Filing order

4. Executing order or assembling of products for dispatch

5. Credit and collection.

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

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

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

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

2. Execution must be as quick as possible.

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

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

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

(2) Warehousing:

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

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

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

Classification of Warehouses:

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

On the Basis of Commodity:

On the basis of commodity stored, there can be:

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

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

On the Basis of Ownership:

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

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

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

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

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

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

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

Benefits Offered by Warehouses:

Following are the important benefits offered by warehouses:

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

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

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

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

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

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

Key Issues/Decisions in Warehousing:

The manager should consider following aspects while utilizing warehouses:

1. Type of product

2. Time to store the product

3. Rent charged and facilities available

4. Location

5. Working capital requirement

6. Ownership

7. Risk, etc.

(3) Transportation:

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

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

The main regulatory bodies may include:

i. The Civil Aviation Department, for air carriers.

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

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

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

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

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

Key Issues in Transportation Decisions:

A marketer needs to consider on following issues:

1. Mode of Transportation:

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

2. Costs and Availability:

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

3. Suitability and Credibility:

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

4. Relations:

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

5. Legal Provisions and Restrictions:

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

6. Ownership:

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

(4) Organizational Responsibility for Physical Distribution:

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

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

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

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

Physical Distribution Committee:

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

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

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

Physical Distribution Department:

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

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

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

Marketing Manager:

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

Physical Distribution Manager:

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

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

1. Storage and warehousing officer

2. Inventory officer

3. Transportation officer

4. Order processing and dispatching officer

5. Communication officer, etc.

As per need, the required staff is appointed to assist each of these officers in performing their respective tasks. Sometimes, more officers are appointed for different types of works such asaccountant, packing officers, and so on. The entire department headed by distribution manager works as a team to deal with total distribution system.

(5) Inventory Management:

Inventory refers to stock of goods meant for the future sales. It can also be said as reservoir of goods held in anticipation of sales. Demand is fluctuating and exact prediction is not possible. So, the primary purpose of holding inventory is to meet market demand continuously.

The firm always maintains adequate stocks of products to meet customer orders immediately. It is considered as a link between ordering and production. Inventory management supports demand creation and consumer satisfaction.

Three types of costs are associated with inventory. The first is, holding costs (carrying costs), which include warehousing and storage costs, costs of capital tied up in inventory, costs of price decline, obsolescence, spoilage, pilferages, and taxes and insurance on inventory.

The Second is, costs of stock out or shortage, which include loss of sales, adverse impact on goodwill, losing customers permanently due to shortage of stocks, and administrative costs. And, the third is, replenishing or reordering costs (order processing costs), such as preparing and placing order; transportation, insurances and wastage during movement; and costs of receiving, inspecting, and handling materials. However, carrying costs and ordering costs are more important, and if they are balanced, the total costs can be effectively reduced.

A company has to decide on total annual need of inventory, ordering size, and level of inventory (called as ordering level) at which new order should be placed. It must determine maximum and minimum quantity that may be needed at any time. The main issues are ordering size – how much to order, and (reordering) ordering level – when to order.

Ordering and carrying costs are important considerations in inventory management. Ordering and carrying costs are adversely related. If more inventory/stock is maintained, carrying costs are high and ordering costs are low.

Quite opposite to it, when low level of inventory is maintained, carrying costs are low, and, due to more frequent order of smaller quantity, ordering costs go high. Therefore, the manager should decide on the optimum order size to reduce total cost of inventory. It is necessary to strike out balance between two types of costs to minimize total costs.

The most popular technique to determine optimum size of order is Economic Ordering Quantity, which can be determined by using following formula:

EOQ = $\sqrt{2}$ AO/C

Where,

A = Annual sales

O = Ordering costs

C = Carrying costs

Sometimes, ordering size or level is determined by trial and error or graphical method. The level of inventory at which costs are minimum, is taken as ordering size.

(6) Other Components:

In fact, physical distribution consists of a lot of decisions.

Some of minor decisions have been listed below:

i. Material Management

ii. Communication

iii. Sorting and packing

iv. Customer service, etc.

(7) Logistical Coordination or Market Logistics:

To distribute products from the point of production to the point of consumption (consumers) is traditionally called physical distribution. It starts from the factory and reaches the final destinations at the right time, in the right way and form, and at low costs.

Distribution is treated as a separate function of marketing, and the special independent arrangement is made for smooth distribution. Problem of physical distribution is thought of only after products are produced. Thus, physical distribution concerns with systematically distributing products to final users.

It involves all activities necessary (like warehousing, transportation, communicating, insurance, banking, ordering processing, inventory management, and services of channel members) to avail the products conveniently to ultimate users.

Market logistics (often called as supply chain management) is the modern form of physical distribution. Simple distribution is expanded into a broader concept of supply chain management.

Supply chain management starts before physical distribution. Logistics means a detailed organisation of large and complex exercise. Here, distribution is not treated as an independent activity but as an integral part of the total business system.

Market logistics or supply chain management is a detailed programme attempting to procure the right inputs (raw materials, components, and capital equipment's); covert them effectively into finished products; and distribute them to the final destinations.

It can help a company identify superior suppliers and help improve its productivity. It leads to low costs and better quality products that ultimately results into better customer satisfaction and/or strengthening the competitive position.

Market logistics system is prepared by considering target market's requirements. Thus, study of target market's requirements, preproduction (production planning), production process, and distribution are integrated to form market logistics system.

Market logistics involves:

(1) Estimating target markets requirements,

(2) Procuring necessary inputs for producing the right products,

(3) Converting inputs into finished products (production process), and

(4) Systematically distributing the products to ultimate users

Advertising:

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

2. Global Advertising and Culture

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

Three types of translation errors can occur in international marketing:

• Simple carelessness Multiple-meaning words Idioms

3. Setting the Global Advertising Budget

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

– Percentage of Sales

– Competitive Parity

– Objective-and-Task Method

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

4. Creative Strategy

• The "Standardization" versus "Adaptation Debate"

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

5. Creative Strategy

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