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**UNIT 1 : AN OVERVIEW OF INTERNATIONAL MARKETING**

**1.1 LEARNING OBJECTIVES**

By the end of this unit you should be able to:

* Define international marketing
* Describe the scope of international marketing
* Explain the evolution of international marketing
* Discuss the challenges of international marketing

**1.2 WHAT IS INTERNATIONAL MARKETING?**

The word ‘International Marketing’ is defined as the exchange of goods and services across national borders to meet the requirements of the customers. It includes customer analysis in foreign countries and identifying the target market.

**International marketing,** may also be defined as 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.

**1.3 (A) THE SCOPE OF INTERNATIONAL MARKETING(WHAT IS MARKETED)**

This deals with the question of what must be marketed internationally. Under this category, the following is what constitutes the scope of international marketing.

**a) Goods**

Physical goods constitutes the major part of every ccountry’s production and marketing effort. Companies market many different physical products internationally, e.g. food products, cars, machines, regfrigirators, televisions, shoes, etc.

**b) Service**

A large proportion of international business activities is focused on the production of services. Examples of services include the work of airlines, hotels, software progormmers, management consltants, and many more.

**c) Events**

International marketers may market or promote events. Events can be International Trade Shows, Global Sporting Events, Entertainment Award Shows, Festivals, etc.

**d) Places**

International marketing may also revolve around the marketing of places. Tourist centres, Cities, States, Regions and countries compete to attract tourists from other countries, or to market themselves.

**e) Properties**

Both real properties and financial properties can be marketed internationally. Properties are bought and sold through marketing.

**f) Organizations**

An Organization can be marked by a way of promoting its image abroad. Thus, the Public Relatons department plays an important role in marketing an organization’s image internationally. The department works to build the corporate image, trust and relability in the minds of its target international public.

**g) Information**

Information can be produced and marketed internationally as a product. Educational institutions, Newspapers, Specialized magazines, non-fiction books, all market information.

**h) Ideas**

Every marketing offering include a basic idea. Products and services are used as platforms for delivering some ideas or benefits. Social marketrs widely promote ideas.

**i)Persons**

Each person can become a brand with the help of actors, celebrities**,** musicians, etc. Due to a rise in testimonial advertising, celebrity marketing has become a big business. All popular personalities such as film stars, Television artists, and sports persons have agents and personal managers. They tie up with public relation agencies for better marketing of persons.

**j) Experiences**

International marketers create experinces by offering a mix of both goods and services. The product is promoted not only by communicating features but also by giving unique and interesting experinces to customers. Thus a combination of goods and services can create an outstanding experience, for instance, by visiting an international pleasure resort, a visitor may be treated to a cultural dance, good meal, cash bar, etc.

**1.3 (B) THE SCOPE OF INTERNATIONAL MARKETING (MAJOR TYPES OF BUSINESSES)**  
The scope of international marketing may also be understood as being the major types of business covered by international marketing. Under this category, the scope of International Marketing covers the following areas of business:

**a) Imports**

This form of international marketing involves importing from one country and selling in the domestic market.

**b) Exports**

The scope of international marketing extends into international trade which essentially involves the exporting and importing of goods and services in foreign markets.

Exports involves companies exporting theirdomestically producedproducts to international markets. Exporting may be done in two ways, namely, direct and indirect exporting.

In direct exporting, the company sells its products abroad without involving middlemen. In case of indirect exporting, a firm sells its products abroad through middlemen

**c) Contractual Agreements**

This involves the company getting into contractual agreements with several other partners abroad. For instance, this maybe in form of contract manufacturing where a firm enters into a contract with another firm in a foreign country to manufacture or assemble the products and retains product marketing with itself.

Contract manufacturing has important advantages such as low risk, low cost and easy exit.

**d) Joint Ventures**

An international joint venture is an enterprise formed abroad by the international business company sharing ownership and control with a local company in that foreign country. A joint venture comes into existence when a foreign investor acquires interest in a local company and vice versa or when overseas and local firms jointly form a new firm.

In countries where fully owned firms are not allowed to operate, a joint venture is the alternative.

**e) Fully Owned Manufacturing**

Companies can establish and own manufacturing plants in a foreign country. The company can use this facility to sell products within that country or export to other countries.

Factors that may necessitate the setting up of fully-owned manufacturing facilities in foreign markets include the presence of trade barriers, cost differences, government policies etc.

Manufacturing abroad provides the firm with total control over quality and production.

**f) Mergers and Acquisitions:** Mergers and Acquisitions is where a company may acquire or merge with a foreign company.

Under merge, an international business firm merges with a foreign company or absorbs one or more enterprises abroad by purchasing the assets and taking over liabilities of those enterprises on payment of an agreed amount.

Under acquisition, an international business enterprise takes over the management of an existing company abroad by taking the controlling stake in the equity of that company at a predetermined pricce.

Mergers and Acquisitions provide access to markets, distribution network, new technology and patent rights. It also reduces the level of competition for firms which either merge or acquires.

**g) Licensing:** Under licensing an international business firm (licensor) allows a foreign company (licensee) to manufacture its product for sale in the licensee’s country and sometimes in other specified markets.

The foreign firm is granted the right to use the exporting company’s know- how, patents, processes, brand names, trade secretes or trademarks according to the terms of agreement.

In other words, licensing may include a number of contractual agreements.

**h) Contract Manufacturing:** Under contract manufacturing, an international marketing company enters into contract with a local enterprise abroad to manufacture its product and undertakes the marketing responsibility on its own.

**i) Assembly:** Under assembly an international business firm produces most of the components or ingredients in one or more countries and carries out the labor intensive assembling in the foreign country where labor is cheap and abundant.

**j) Strategic Alliance:** Under strategic alliance, two or more competing firms pool their resources in a collaboration to leverage their critical capabilities for common gain.

A firm is able to improve the long term competitive advantage by forming a strategic alliance with its competitors

The objective of a strategic alliance is to leverage critical capabilities, increase the flow of innovation and increase flexibility in responding to market and technological changes. Strategic alliance differs according to purpose and structure.

**1.4THE EVOLUTION OF INTERNATIONAL MARKETING**

Marketing abroad is not a recent phenomenon. In fact, well-established trade routes existed three to four thousand years before the birth of Christ.

Modern international marketing, however, can arguably be traced to the 1920s, when liberal international trading was halted by worldwide isolationism and increased barriers to trade.

## Stages in the Evolution of International Marketing

### One way to look at the evolution of international marketing is by outlining them through the following stages:

### Stage 1 : No Direct Foreign Marketing

### Products reach foreign markets indirectly through:

### Trading companies.

### Foreign customers who contact the firm.

### Wholesalers.

### Distributers.

### Websites.

### Foreign orders pique (arouse) a company’s interest to seek additional international sales.

### Stage 2 : Infrequent Foreign Marketing

### Caused by temporary surpluses resulting from:

### Variations in production levels.

### Increases in demand.

### Firm has little or no intention of maintaining continuous market representation.

### Foreign sales decline when demand or surplus decreases.

### May withdraw from international markets.

### Little or no change in company organization or product lines.

### Stage 3 : Regular Foreign Marketing.

### Firm has production capacity devoted to foreign markets.

### Firm employes domestic or foreign intermediaries.

### Uses its own sales force.

### Has sales subsidiaries in important markets.

### Products allocated or adapted to foreign markets as demand grows.

### Firm depends on profits from foreign markets.

### Stage 4 : International Marketing.

### Companies are fully committed to and involved in international marketing activities.

### The company seeks markets all over the world.

### Planning entails not only marketing but also the production of goods outside the home market.

### Stage 5 : Global Marketing.

### The company treats the world, including home market, as one market.

### Market segmentation devisions no longer focused on national borders. They are instead defined by income levels, usage patterns, or other factors.

### More than half of revenue come from abroad.

### Organization take on global perspective.

### The other way of looking at the evolution of international marketing is by separating it according to the following stages:

### ****Stage 1 : Domestic Marketing****

### Domestic marketing comprises of the marketing strategies used by a company to attract customers and compel them to purchase a [product](https://www.termscompared.com/difference-between-brand-and-product/) or service within a local market. Companies would manufacture products and sell them within the country itself.

In domestic marketing, the company is involved in the production, promotion, distribution and sale of products and services within its own country.

Thus the marketing activities in domestic marketing are restricted to the local boundaries, and a limited number of customers are served.

Domestic marketing has several advantages. It is more convenient to carry out. No communication barriers are faced as the local customers can easily comprehend the message of the company. In addition, the company can easily acquire and understand data regarding the trends of the local market and the requirements, tastes and preferences of consumers. This allows companies to take decisions and formulate marketing strategies in a more effective manner. There are also lower risks in domestic marketing and limited investments are required.

However, the scope of local markets is quite narrow and growth is limited. Hence, many companies aim to expand their operations to the international market.

### ****Stage 2 : Export Marketing****

Export marketing is the first stage of foreign trade. This is the first stage when the firm steps out of the domestic market and explores market opportunities outside the country. In export marketing, the main aim of the firm is to expand the market size for its products. A Firm produces all its goods in the home country and exports the surplus production to other countries.

### The approach of the company at this stage is said to be ‘ethnocentric’ because although it is selling goods to foreign countries, product development is still totally based upon the taste of local customers in the home country. The focus is therefore, still on the domestic market.

Thus, the company makes some marketing efforts in the domestic country. Thus, in export marketing the emphasis is laid on expanding the market size by exporting goods to other countries, but not making full-fledged marketing efforts in foreign countries.

In many instances, companies typically start with indirect exporting through international agents, in which they do not require salesmen in foreign countries. However, when the firm exports directly, it has to appoint international sales personnel either in the foreign country or in the domestic country.

Thus specifically, a firm can export its products in one of the three ways, namely, indirect exporting, semi-direct exporting, and direct exporting.

Indirect exporting is a common practice among firms that are just beginning their exporting. Sales, whether foreign or domestic, are treated as domestic sales. All sales are made through the firm’s domestic sales department, as there is no export department.

Indirect exporting involves very little investment, as no overseas sales force or other types of contacts need to be developed. Indirect exporting also involves little risk, as international marketing intermediaries have knowledge of markets and will make fewer mistakes than sellers.

In semi-direct exporting, an exporter usually initiates the contact through agents, merchant middlemen, or other manufacturers. Such semi-direct exporting can be handled in a variety of ways:

(a) A combination export manager, a domestic agent intermediary that acts as an exporting department for several non-competing firms;

(b) The manufacturer’s export agent,

(c) Piggyback exporting, in which one manufacturer (carrier) that has export facilities and overseas channels of distribution handles the exporting of another firm (rider) non-competing but complementary products.

When direct exporting is the means of entry into a foreign market, the manufacturer establishes an export department to sell directly to a foreign film. The exporting manufacturer conducts market research, establishes physical distribution, and obtains all necessary export documentation. Direct exporting requires greater investment and also carries a greater risk. However, it also provides greater potential return and greater control of its marketing program

### ****Stage 3 : International Marketing****

### International marketing refers to the company's penetration into the prospective markets of different countries by directly engaging in the local marketing environment.

### In other words, 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.

### At this stage, the company starts selling products to various countries and the approach is ‘Polycentric’ Thus it starts making different products for different countries.

### Thus, international marketing can also be understood as going international by establishing subsidiaries in the prospective local market of different countries, to execute suitable marketing strategies. It is thekind of marketing that focuses on a wider customer base. Its activities extend beyond the boundaries of the company’s own country to offer goods and services to customers and consumers in various countries.

This kind of marketing is quite complicated and requires significant financial investments.

There are different laws and regulations pertaining to business in each country, and it is important for a country seeking to gain entry into a foreign market to first become aware of these rules. The requirements and preference of customers may also be different; hence, the marketing strategies should be developed according to these different needs and requirements.

Companies need to put in more time and effort to carry out international marketing. In addition, it is also much more risky than domestic marketing. The international market is quite uncertain and companies should always be prepared to handle any changes that take place suddenly.

Additionally, in International marketing, the following things are observed**:**

* Product or service Offerings**:** Offers customized product or service.
* Customer Engagement**:** Customer engagement is quite high due to the local presence and multiple communication channels.
* Social Media Marketing**:** Company has multiple social media pages, on Twitter, Instagram or Facebook segregated according to the country.
* Advertising**:** Advertisements in the international market are tailored exclusively for the local market and vary drastically from country to country.
* Promotion Strategy**:** The promotional strategies are designed individually for every local market.
* Marketing Autonomy**:** Spread across the subsidiaries located in different countries.

### ****Stage 4 : Multinational Marketing****

### In this stage, the number of countries in which the company is doing business begins to get bigger than those in the international marketing stage.

### At this stage,the company realizes that instead of producing different goods for different countries, the company tries to identify different regions for which it can deliver the same product. So, same product for countries lying in one region but different from product offered in countries of another region. e.g. a company may decide to offer same product to West African countries, if it thinks the taste of people of these countries is same but at the same time offering different product for Southern African countries. This approach is called ‘Regiocentric approach’.

The firm realises that market environment in various countries differ. The differences in markets necessitate modification of the marketing mix according to the environment in each country. Therefore, marketing mix should be unique for each country. This is themultinational marketing approach.

Thus multinational marketing is the adaptation of the domestic marketing mix suitable to the differences in market environment in each country.

Thus the markets and ways of doing business around the world are so unique that the only way to succeed internationally is to adapt to the different aspects of each national market. Subsidiaries are formed in each country or group of countries to handle marketing operations.

Each foreign subsidiary is managed as if it is an independent unit. The role of headquarters in such concerns is that of coordination among the subsidiaries.

### ****Stage 5 : Global Marketing****

Global marketing is the application of a single marketing strategy in the worldwide market, for a product or service**.**

Marketing operations are carried out from the company’s headquarter while selling products or services worldwide in different countries.

### This is the final stage of evolution. In this stage company operates in a very large number of countries and for the purpose of achieving cost efficiencies it analyses the requirement and taste of customers of all the countries and come out with a single product which can satisfy the needs of all. This approach is called ‘Geocentric approach’.

Thus at the Global stage, the firm realises that although the world is not a homogeneous market, there are possibilities to identify the groups of consumers (segments) across the globe with similar values, needs and behaviour patterns who can be satisfied with a single standardised product and marketing mix.

This is global marketing strategy. Under this strategy, the world as a whole is viewed as the market and the firm attempts to standardise as much of the company efforts as is practical on a worldwide basis.

Thus, the global marketing views an entire set of country markets as a unit, identifying groups of prospective buyers with similar needs as a global market segment. The company strives to develop a marketing plan that strives for standardization.

In global marketing, the following things are observed:

* Product or service Offerings: Offers Standard product or service
* Marketing Research and development: Requires intense market research.
* Customer Engagement : Less customer engagement due to the distant presence and low customer ineractions.
* Social Media Marketing: Company has a unanimous social media page for its global operations
* Advertising: A single commercial runs throughout the world in various regional Languages of different countries.
* Promotion Strategy: Promotion tacticts are adopted keeping in mind the global audience perspective.
* Marketing Autonomy : Limited to the company’s headquarters

**1.5 THE CHALLENGES OF INTERNATIONAL MARKETING**

#### Tariff Barriers:

Tariff barriers indicate taxes and duties imposed on imports. Marketers of guest countries find it difficult to earn adequate profits while selling products in the host countries. Sometimes, to prevent foreign products and/or promote domestic products, strategically tariff policies are formulated that restricts international marketing activities. Frequent change in tariff rates and variable tariff rates for various categories of products create uncertainty for traders to trade internationally. Duties levied on imports create difficulties for exporters.

#### Foreign Government entry requirements and bureaucracy

Bureaucratic rules or administrative procedures – both in guest countries and host countries – make international (export and/or import) marketing harder. Some countries have too lengthy formalities that exporters and importers have to clear. Unjust dealings to get the formalities/ matters cleared create many problems to some international players. International marketers have to aquaint themselves with legal formalities of several courtiers where they want to operate.

#### Considerable Diversities:

Different countries have their own unique civilization and culture. These pose special problems for international marketers.

Global customers exhibit considerable cultural and social diversities in term of needs, preferences, habits, languages, expectations, buying capacities, buying and consumption patterns, and so forth. Social and personal characteristics of customers of different nationalities are real challenges to understand and incorporate. Compared to local and domestic markets, it is more difficult to understand behaviour of customers of other countries.

Furthermore, to design and modify marketing mix over time for international markets seem more difficult. Market segmentation, product design, pricing, and distribution need more information and efforts.

Promoting products in international markets is a formidable task. Message preparation and execution in suitable media in international markets is not easy game to play.

Language and religious diversities are the real challenge for international business players. There are 6000 languages in the world. Chinese (20%) is the largest in term of native speakers, followed by English (6%), and followed by Hindi (5%). Yet English is recognized as global business language. English speaking countries contributes the largest share (40%) in global business.

Religious diversities seem difficult to cope with as they determine needs and wants of people. At present Christianity is the largest in the world (1.7 billion), followed by Islam (1.0 billion), followed by Hinduism (750 millions), and followed by Buddhism (350 millions).

#### Political Instability or Environment:

Different political systems (democracy or dictatorship), different economics systems (market economy, command economy, and mixed economy), and political instability are some of real challenges that international markers have to face. Political atmosphere in different courtiers offer opportunities or pose challenges to international marketers.

Governments in different nations have their priorities, philosophies, and approaches to the international trades. They may adopt restrictive (protectionist approach) or liberal approach to international business operations. Political approaches of dominant nations have more influence in international marketing activities.

Long-term trend of global political environment is unpredictable and uncertain. Economic policies of different nations (industrial policies, fiscal policies, agricultural policies, export-import policies, etc.,) do have direct impact on international trade. Drastic change in these policies creates endless difficulties to international traders. While dealing with international markets, international political and legal environment needs a special attention.

#### Place Constraints (Diverse Geography):

Trade in foreign countries that are far,in terms of distance,is itself practically difficult. In case of perishable products, it is a real challenge. Exporting and importing products via sea route and making arrangements for effective selling involves more time as well as risks. Segmenting and selecting international markets require the marketers to be more careful.

#### Variations in Exchange Rates:

Every nation has its currency that is to be exchanged with currencies of other nations. Currencies are traded every day and rates are subject to change. Zambian Kwacha, Indian Rupee, British Pound, US Dollar, Japanese Yen, etc., are appreciated or discounted at national and international markets against other currencies. In case of extraordinary and unexpected moves (ups and downs) in currency/exchange rates between two courtiers can create serious settlement problems. Dealing with volatile exchange rates can cause problems for an international company.

#### Norms and Ethics Challenges:

Ethics refers to moral principles, standards, and norms of conduct governing individual and firm’s behaviour. They are deeply reflected in formal laws and regulations. In different parts of the world, different codes of conduct are specified that every international business player has to observe. Corruption is another issue relating to business ethics that international marketers may encounter.

**1.6 ACTIVITY**

Discuss the challenges of international marketing.

**UNIT 2 : THE DYNAMIC ENVIRONMENT OF INTERNATIONAL TRDAE**

**2.1 LEARNING OBJECTIVES**

By the end of this unit, you should be able to:

* Discuss the global economic environment.
* Discuss the social and cultural environment of international business.
* Describe the political, legal and regulatory envronments of international business.

**2.2THE GLOBAL ECONOMIC ENVIRONMENT**

The economic environment may be very different from one country to the next. The economies of countries may be industrialized (developed), emerging (newly industrializing), or less developed.

The global economic environment comprises of more complex economic factors compared to the national economic environment. Some of the main global economicfactors that managers must monitor include the following**:**

**Average income levels of the population:**Income levels need to be taken into account as they provide an indication of the purchasing power of the market and allow companies to adapt their marketing concepts accordingly. If the average income for the population is very low, no matter how desperately this population needs a product or service, there is simply no market for it. Income levels in a country determines the viability of a market.  A high per capita Gross Domestic Product or household income implies that the market is characterized by people with a high purchasing power. Income trends influence pricing decisions and investment decisions.

**Tax structures:** In some countries, foreign firms pay much higher tax rates than domestic firms. These tax differences may be very obvious or subtle, as in hidden registration fees. Countries implement tariff**s** to regulate trade with other countries. Tariffs impede international trade as they prevent companies from exploiting international markets without restrictions. The level of taxation varies across countries, and this influences location selection. Some countries charge a higher corporate tax to foreign companies while others treat foreign and local investors equally.

**Inflation rates:** Another important economic element isinflation as it strongly affects consumers’ buying habits and ability to buy.Inflation results in a general rise in the level of prices, and impacts business in many ways.

Inflation is a persistent tendency for the general level of prices to rise. A modest rate of inflation is often regarded as ‘favourable’ by business..

Excessive rates of inflation can result in instability and rapid increase in costs, often followed by deflationary macroeconomics measures by government resulting in sharp decreases in consumer demand.

In many developed countries, inflation rates have been quite low and relatively stable for several years. On ther other hand, in many developing countries, the inflation rates of 30, 40, or even 100 percent per year are common.

**Fluctuating exchange rates:**International business must clearly take into account actual and prospective changes in relative exchange rates when evaluating the economic environment in which they are doing business.

The *exchange rate,* or the value of one country's currency in terms of another country's currency, is determined primarily by supply and demand for each country's goods and services. The government of a country can, however, cause this exchange rate to change dramatically by causing high inflation—by printing too much currency or by changing the value of the currency through devaluation. A foreign investor may sustain large losses if the value of the currency drops substantially.

When doing business abroad, businesspeople need to recognize that they cannot take for granted that other countries offer the same things as are found in their home nations.

**Infrustructure:** A country's level of development is often determined in part by its infrastructure. Infrastructureis the physical facilities that support a country's economic activities, such as railroads, highways, ports, utilities and power plants, schools, hospitals, communication systems, and commercial distribution systems. When doing business in less developed countries, a business may need to compensate for rudimentary distribution and communication systems.

Thus, marketers need to consider the availability and quality of **local infrastructure**. This is so because transportation, communication, and energy networks have an important effect on the company’s functions. They also provide an indication for the demand of industrial products and services. The fact that two billion people live without electricity and that the access to a telephone is very limited in Asia, for example, informs industrial products and services companies that there are important marketing opportunities for them there.

**Financial systems:** These play a crucial role in international business environment. The Globalization of the financial sector has made it easy for multinational companies to raise capital. Many multinational companies raise capital from diverse sources, and this ensures capital availability

**Economic Structure :** A nation’s economic structure as a free market, centrally planned market, or mixed market also plays a distinct role in the ease at which international business efforts can take place. For example, free market economies allow international business activities to take place with little interference. On the opposite end of the spectrum, centrally planned economies are government-controlled. Although most countries now function as free-market economies, China—the world’s most populous country—remains a centrally planned economy. Others are Cuba, North Korea, Vietnam, etc.

**Population figures:** Population figures provide a basic indication of the attractiveness of the market in terms of size and potential growth by looking at life expectancy, age distribution and population growth. They allow marketers to identify the segments and the geographic areas they should target. Low population growth rates, for example, usually characterise highly economically developed countries with good disposal income.

**Consumption patterns:**  Besides, marketers need to consider consumption pattern which allow them to identify the proportion of income that consumers spend on necessities, including food and rent, and consequently the proportion that is left to spend on less important areas of consumption, such as household goods and leisure. Given that purchases in these areas can be cancelled or postponed unexpectedly, companies can determine the level of confidence in the market.

**Regional economic integration:** Furthermore, companies need to consider regional economic integrations as they can create both opportunities and benefits, and threats and problems for them. The European Union, for example, provides many benefits to companies operating within Europe, such as economies of scale thanks to the large single market. For non-EU companies, however, this integration may create problems. With the aim of protecting European farmers, for example, the EU has now and again imposed restrictions on the inflow of certain agricultural goods from other countries.

A thorough understanding of these factors allows companies to obtain a good assessment of the market and reduces the possibility of implementing marketing concepts that could have disastrous results.

**2.3THE SOCIO-CULTURAL ENVIRONMENT**

The social environment and the cultural environment in which a firm operates can be a major factor in the success or failure of the firm. The social environment comprises of many dynamic factors such as social traditions, cultural influences, values and beliefs prevailing in the society, social stratification, etc.

International companies must always study the cultural and social environment of a country before entering the foreign [market](https://www.toppr.com/guides/business-economics/meaning-and-types-of-markets/market-meaning-and-classification/). It is important that your goods and services are in tandem with the social environment of the country. Otherwise, the company could face a backlash and run into losses.

## Social-cultural Factors

The socio-cultural environment of a foreign nation remains a critical component of the international business environment. The cultural environment of a foreign nation involves commonly shared beliefs and values, formed by factors such as language, religion, geographic location, government, history, and education.

An organization that wishes to enter the international marketplace, on virtually any level, must make learning the foreign country's socio-cultural taboos and proper cultural practices a high priority. If a business fails to understand the cultural methods of doing business, grave misunderstandings and a complete lack of trust may occur.

It is common for many international firms to conduct a socio-cultural analysis of a foreign nation as to better understand these factors and how they affect international business efforts.

Social-cultural factors can impact the operations of international and multinational companies in many ways.  Social-cultural factors that are relevant to multinational companies include demographic factors, language, religion and beliefs, tastes and preference, social institutions, and value systems. These elements have direct impacts on marketing and production operations.

For instance, demographic factors such as the level of education can influence marketing since marketing communication must reflect the ability of the target market to understand the marketing message.

Language differences are particularly important, and international managers must remember that not all words translate clearly into other languages. Many global companies have had difficulty crossing the language barrier, with results ranging from mild embarrassment to outright failure. For example, in regard to marketing, some brand names and advertising phrases can take on unintended or hidden meanings when translated into other languages. Advertising themes often lose or gain something in translations.

Language also influences marketing strategies. Samsung and other multinational companies design their marketing communication and product packaging in different languages to ensure the target market interacts with the company effectively.

In addition, the importance of work in employees' lives varies from country to country. For example, the Japanese feel that work is an important part of their lives. This belief in work, coupled with a strong group orientation, may explain the Japanese willingness to put up with things that workers in other countries would find intolerable.

Likewise, culture may impact what employees find motivating, as well as how they respond to rewards and punishments. For example, Americans tend to emphasize personal growth, accomplishment, and “getting what you deserve” for performance as the most important motivators. However, in Asian cultures, maintaining group solidarity and promoting group needs may be more important than rewarding individual achievements.

Some important factors that affect the cultural and social environment in a country are as follows:

* Social concerns that plague society, such as pollution levels, corruption amongst government officials, excessive consumerism, ill effects of mass media consumption, etc.
* The social values and social attitudes of the businesses and the citizens. This includes the rituals and practices of the people and can also include religious beliefs.
* Changing lifestyle patterns also affects the expectations consumers have for the businesses.
* Family values, family structure and the role that family occupies in society has a great impact on the social environment
* The position and state of women and children in society. Even the role that women play in society will be a factor.

Religion is another important element that should be seriuoly considered. The cost of ignoring certain religious aspects could be very high, and sometimes fatal, in international business.

In conclsion, the Social and cultural environments are an important factor that should be analysed while formulating business strategies. The cost of ignoring the customs, traditions, taboos, tastes and preferences, etc., of people could be very high and disastrous for a company.

Even when people of different cultures use the same basic product, the mode of consumption, conditions of use, purpose of use or the perceptions of the product attributes may differ so much so that the product attributes method of presentation, positioning, or method of promoting the product may have to be varied to suit the characteristics of different markets

**2.4THE POLITICAL, LEGAL AND REGULATORY ENVIRONMENT**

## 2.4.1The Political Environment of International Business?

The political environment in international business consists of a set of political factors and government activities in a foreign market that can either facilitate or hinder a company’s ability to conduct business activities in the foreign market.

International Marketing is strongly affected by the political environment of the country. For instance,

If the government is stable, it may lead to stable policies relating to the business. On the other hand, if frequent changes are there in the government, it may lead to frequent changes in the policies of the government relating to the business operations.

There is often a high degree of uncertainty when conducting business in a foreign country, and this risk is often referred to as political risk or sovereign risk.

Thus a business organization has to study and analyse the political environment of a particular country, if it has decided to carry out its business operations.

## 2.4.2Common Political Factors

## Stability of Government Policies

## One of the major concerns of international and multinational companies is the need for continuation of good rules and codes of behavior by foreign governments regardless of which political party is in power.

## Companies want governments to continue with good policies all the time. A change of government should not bring to an end the good policies towards business. International companiesalways want long run predictability and stability of government policies.

## Political environments however, change. This change is often brought about by changes in political philosophy or by a surge in nationalistic pride. The change may be good or bad for foreign businesses as it may affect them positively or negatively, depending on what is contained in that change. Thus, change may bring to an end the good government policies towards business or it may improve on the good policies further.

## Government controls and restricts companies’ activities by encouraging and offering support or by discouraging and banning the company’s activities depending on a country’s overall goals for its economic, political and social systems.

* **Functioning of Political Parties**

The political parties in power influence the business environment to a great extent, irrespective of the political system. The influence can be pro-business or anti-business. A pro business political party in power can vest the business community an environment of growth, competition and concern. Anti-business party in power would wield a threat of intimidation. The integrity of the political leaders and their kith and kin is a great factor to reckon with.

A political party in power may encourage foreign investments and protect foreign companies.

The most important reasons for encouraging a foreign company to operate is when the government wants to accelerate economic development and growth, and when the international company can help to create employment, transfer technology, generate export sales, stimulate growth and development of local industries,or conserve forein exchange as a requirement for market concessions.

## Nationalism

## This is characterized by intese feeling of national pride and unity among the citizens of a country.

## Public opinion tends to be against foreign business and investment.

## Nationalism may manifest itself in form of economic nationalism. This is when the government tries to preserve the national economic autonomy and pride in order to maintain the nation’s soverenignty. Government may put restrictions on imports, it may also introduce restrictive tarrifs, scruitiny and control of foreign investment.

## Economic Systems

One of the ommon political factors that influence the international business landscape is the economic system. The type of **economic system** a country builds is a political choice. Foreign countries often will have different economic systems from your domestic market, and adjustments often need to be made to take these differences into account.

For example, a country may operate in a **market economy** where private individuals own most of the property and operate most of the businesses. A market economy is usually the best economic environment for a foreign business because of the protection of private property and contract rights.

Some countries lean more towards a **socialist economy** where many industries and businesses are owned by the state. Operating businesses in this environment will be more difficult, but products can still be produced and sold as people still pick their jobs and earn money.

A few countries operate under a **communistic economic system** where the state pretty much controls all aspects of the economy. Conducting business in this environment ranges from difficult to impossible.

We also have mixed economies. M**ixed economies** are so called because they take parts from two or more of the above mentioned economic systems. For example, you can conduct business in communist China in Hong Kong and other special areas where a market economy is allowed to operate.

Businesses also must often contend with different **governmental systems**. Examples include democracies, authoritarian governments, and monarchies. Some governments are easier to work with than others. **Democracies**, for example, are answerable to their citizens and the rule of law.

**Authoritarian regimes** are usually answerable to no one, including the law. It is less risky to conduct business in democracies and **constitutional monarchies**, a monarchy with a constitution that protects the public and subjects the monarch to the rule of law, than in countries with authoritarian regimes.

The next major factor is **trade agreements**. Countries often enter into trade agreements to help facilitate trade between them. If your country has entered into a trade agreement with another country, conducting business in that country will usually be easier and less risky because the trade agreement will provide some predictability and protection. One great advantage, for example, is that your products will be subjected to fewer trade barriers that serve as obstacles to exporting your products into the country.

### A trade barrier is simply anything that makes it harder for a company to export products to a foreign country. Formal trade barriers are enacted by governments for the purpose of restricting imports to protect a country's domestic industries. Formal trade barriers include tariffs, which are taxes on imports that help make domestic products more competitive, and product quotas that limit the number of products imported into the country.

**2.4.3 Political Risk**

Political risk refers to the “threat that social, political or economic factors in a foreign country may affect the feasibility and profitability of an organization’s global operations”. Political risks can be classified into two broad categories, ‘macro political’ and ‘micro political’risk.

Therefore, political risk can be considered to arise at the macro or micro level.

**(i) Macro Political Risk**

Macro-political risks will affect all foreign firms in the same general way.

* For example, expropriation, the seizure of private businesses, or nationalization with little or no compensation to the owners. Transfer of ownership in part or totally to nationals.
* Indigenisation laws which require that national citizens hold a majority share in all enterprises.
* Transfer of ownership in part or totally to nationals.
* Promotion of a large number of nationals to higher level management of the international company.
* Greater decision making powers of the international company resting with nationals, (for example in joint venrures).

**(ii) Micro Political Risk**

Micro-political risk tends to affect selected sectors of the economy or specific foreign companies and is often driven by the dominance of those firms. These risks often take the form of industry regulation, taxes on specific types of businessactivity and local content laws.

* For example, a government may state that a greater number of component products must be locally produced.This was the case inMalaysia, in 2005,when the government implemented a law stating that 80% of the components used in manufacturing cars must be from Malaysian suppliers.
* In Maldives, 2007, change the foreign labour regulation indicating that all foreign labours such as drivers, waiters, divers must be replaced by local Maldivians by the end of 2007

**(iii) Analysing Political Risk**

To analyse political risks we consider three things, namely sources, groups and types of political risks**.**

**a) Sources of Political Risk**

•Political philosophies that are changing or are in competition with each other,

•Changing economic conditions,

•Social unrest,

•Armed conflict or terrorism,

•Rising nationalism,

•Impending or recent political independence,

•Vested interests of local business people,

•Competing religious groups,

•Newly created international alliances

**b) Groups that can generate Political Risk**

•Current government and its various departments and agencies;

•Opposition groups in the government that are not in power but have political influence;

•Organised interest groups such as teachers, students, workers, retired persons, etc;

•Terrorist or anarchist groups operating in the country;

•International organisations such as the World Bank or United Nations;

•Foreign governments that have entered into international alliances with the country or that are supporting the opposition within the country.

**iv) Types of political risks and their Impact**

|  |  |  |
| --- | --- | --- |
|  | TYPE OF POLITICAL RISK | IMPACT ON INTERNATIONAL BUSINESS |
| 1 | Expropriation or confiscation of forein owned businesses, assets, property, etc. | * Loss of sales * Loss of assets * Loss of future profits |
| 2 | Campaign against foreign goods | * Loss of sales * Increased costs of public relations campaigns to improve public image |
| 3 | Mandatory labour benefit legislation | * Increased operating costs |
| 4 | Kidnappings, terrorist threats and other forms of violence | * Disrupted production * Increased security costs * Increased managerial costs * Lower productivity |
| 5 | Civil Wars | * Destruction of property * Lost sales * Disruption of production * Increased security costs * Lower productivity |
| 6 | Currency Devaluation | * Reduced value of repatriated earnings |
| 7 | Currency Revaluation | * Less competitive in overseas markets and in competing against imports in home market |
| 8 | Increased Taxations | * Lower after-tax profits |

**(v) Responses to political risks**

Once the risk has been analysed and assessed, organisation must decide if there are ways in which such risks can be managed. There are two common responses:

* .Improve relative bargaining power
* Adopt integrative, protective and defensive techniques

**Integrative, protective or defensive technique**

A second approach is to use of techniques to prevent the host government interfering with the operations of an international or multinational company

.

**Integrative techniques** helps toensure that the subsidiary is as fully integrated as possible with the local economy, so that it becomes part of the host country’s infrastructure. Techniques may here include:

* **Developing a good relations** with the host government and other local political groups
* Producing as much of the product locally as is possible.
* **Creating joint-ventures** and hiring local people to manage and run the operations
* Carrying out **extensive local research** and development
* **Developing good employee relations** with local labour force. These techniques raise the ‘costs’ to the host country economy of unwelcome interference in MNE activities.
* **Expanding the investment Base:** Include investors and banks in an investment. This has an advantage of engaging the power of banks whenever any takeover or harassment occurs, especially if the bank had given loans to the company.
* **Planned domestication:** is a gradual process of participating with nations in all phases of the company’s activities. In this approach, the company sells off a significant interest of the investment to the nationals. It may also involve incorporating national economic needs and managerial economic talent into business as quickly as possible. In this way, the company’s political vulnerability would significantly be lessened.
* **Good corporate responsibility:** Attempt to become more closely identified with the ideals and desires of the host country. Plough back into the community by supporting important causes such as education, health, sports, etc. Make donations, sporsershpis, and material support to government and the community.

**Proactive and defensive techniques** seek to limit, in advance, the ‘costs’ to theMNE should the host government interfere in its activities. Such techniques may include doing as little local manufacturing as possible, locating all research and development outside the country, hiring only those local personnel who are essential, manufacturing the same product in many other different countries, etc.

**Relative bargaining power:** In an attempt to overcome political risk, some International companies and Multinational Enterprises (MNEs) may seek to develop a stronger bargaining position than that of the host country itself. For example, the MNE might attempt to create a situation in which the host country loses more than it gains by taking actions against the company. This could be the case when the MNE has proprietary technology that will be lost to the host country if the company is forced to meet certain governmental regulations or where the MNE can credibly threaten to move elsewhere (with significant job losses) to avoid such regulations

**2.4.4 Economic Risks**

Restraints on foreign business activity may be imposed with the aim of protecting an infant industry, or to conserve scarce foreign exchange, or to raise revenue, or to retariate against unfair trade practices. The following are the most prevelant economic risks:

* **Exchange Controls:** This stems from shortages of foreign exchange in a country. As such the country may impose control over movements of capital or may only allow expenditure only on essential uses. For the investor, the problem is how to take the profits from the foreign market back to the home country.
* **Local-content Laws:** Foreign governments may put in place a law that states that a product must contain a certain percentage of local produce or material. This is usually the case for the assembly of foreign-made products.
* **Import Restrictions:** Foreign governments may impose selective restrictions on the import of raw materials, machinery and spare parts. This may lead to lack of supply and interruptions on the activities of established industries.
* **Tax Controls:** Governments in foreign markets may raise taxes without warning and in violation of formal agreements. This may lead to squeezing of the company’s profits. Less profits will be generated by the compnies due to higher taxation.
* **Price Controls:** Foreign governments may impose price controls on various products. During inflation, this can be used to control the cost of living. However, price controls may be used as a measure to force foreign companies to sell equity to local interests. The disadvantages of price controls is that it may slow or completely stop the flow of capital investment into a country.
* **Labour Problems:** In many countries, labour unions have strong government support. Layoffs may be forbidden, profits may have to be shared, and extraordinary number of services may have to be shared, and extraordinary number of services may have to be provided.

## 2.5 THE LEGAL AND REGULATORY ENVIRONMENT

The legal and regulatory environment is simply, the laws, rules, and regulations put into place by the state or government to control the behavior and actions of business activities.

For the international companies, of more importance is the international business law system representing the law and rules of any nation that affect the types of business decisions made in that country

Firms operating internationally face major challenges in conforming to different laws, regulations, and legal systems in different countries.

One of the difficult aspects of doing business globally is dealing with vast differences in legal and regulatory environments. Because there is no global legal system, key areas of business law—for example, contract provisions and copyright protection—can be treated in different ways in different countries.

Companies doing international business often face many inconsistent laws and regulations.

International managers need to develop basic understanding of the types of legal systems followed in the countries of their operations before entering into legal contracts.

**2.5.1 Types of legal systems**

The major types of legal systems can be divided into the following categories:

#### ****(i) Common Law:****

The common law system is based on judicial interpretation of the law as well as on customs or usages existing within the nation. Under common law, decisions made by the court are based on preceding judicial judgments rendered by prior courts.

Common Law is mainly practiced in Great Britain and its former colonies incuding the USA.

(ii) **Statutory law:** Common law countries also use statutory law (legislation). This is the law passed by the government. This can also be a source of legal variation between countries.

#### iii) Civil Law:

Also known as code law, it is based on a comprehensive set of written statutes. It is derived from the Roman law and is followed in most of continental Europe, Japan, and Latin America. The elaborate legislative codes embody the main rules of the law, spelling out every circumstance.

Civil law is explicit codificationin written terms of what is and what is not permissible. Such laws can be written down in criminal, civil and commercial codes, which are then used to determine the outcome of all legal matters.

#### Laws of most countries have elements of both common and civil law..

Although there is significant overlapping in practice under the two systems, laws are much more rigid in the countries with civil-law system compared to common-law systems.

In ‘civil law’ countries, judges have to strictly follow the ‘letter of the law’, giving them low flexibility in judicial decisions whereas in common-law countries, greater reliance is placed on the previous rulings and interpretations by other judges in similar cases.

Business contracts tend to be detailed and specific with all contingencies elaborated in civil-law countries whereas contracts tend to be shorter and less specific in common-law countries. The judiciary tends to be less adversarial in civil-law countries where little significance is accorded to legal precedence and traditions compared to common-law countries

#### (iv) Theocratic Law:

Theocratic law is the legal system based on religious doctrine, precepts, and beliefs. For instance, the Hebrew law and the Islamic law are derived from religious doctrines and their scholarly interpretations. Unlike the countries dominated by Christianity, Hinduism, and Buddhism where either common or civil law is followed, a large number of Islamic countries integrate their legal system based on the Sharia.

The legal system in a number of Islamic countries, including Saudi Arabia, and Iran is integrated with Sharia.

Religious laws can create problems for firms. Consider the teaching of the Muslim holy book,the Koran,which denounces charging interest on loans as an unfair exploitation of the poor.Muslim firms and financial institutions have had to develop alternative financing arrangements to acquire and finance capital. Muslim businesses often rely on leasing arrangements,rather than borrowing money,to obtain long-term assets.

#### (iii) Socialistic Law:

This law is derived from the Marxist socialist system and continues to influence legal framework in former communist countries, such as the Russia, Kazhakistan, Turkmenstan, Armenia, Belarus, etc and in current communist contries such as, China, North Korea, Vietnam, and Cuba. Socialist law traditionally advocates ownership of most property by the state or state-owned public enterprises, prohibiting free entry to foreign firms.

Multi-Naional Enterprises operating in such countries have often found itdifficult to manage their affairs as there tend to be a lack of consistency, predictability and appeals procedure.

**2.5.2 Examples of the Legal and Regulatory Environment.**

Now let us look at some key areas most business managers should be aware of.

**Environmental Law**

Many countries haveEnvironmental Protection Agencies that oversees, the regulations that businesses must adhere to. These agencies have enacted laws such as the Clean Water Act and Clean Air Act that restrict polluting activities largely committed by manufacturing industries.

International Business managers must be diligent in monitoring activities that could adversely affect the environment. Companies must immediately notify the community if public health is compromised. Violations of most laws result in heavy fines and can close operations if the issues are not resolved.

**Contract Law**  
When a sale is made, a contract is born. Depending on the transaction, a number of laws could impact the result of that sale. At the heart of business is the contract. Therefore, contract law governs nearly every commercial endeavor. The days of the handshake agreement are long gone, and international business managers must now execute written agreements reviewed by attorneys.

Not all transactions require a written contract. For instance, selling goods valued at very little amount of moneymay not require a written contract.

**Consumer Protection Law**

Product liability laws hold manufacturers, wholesalers, distributors, and vendors accountable for damages caused by the goods they deliver to consumers. Causes can occur because of a design flaw, a manufacturing defect, or a failure to warn consumers about a dangerous or unhealthy condition.

Consumers also have a right to privacy. Laws protecting personal information are in existence in varous countries.

**Antitrust Law**

Fair competition is a cornerstone of the free market economy.,The**antitrust** law is enacted in order to prohibit unfair development of **monopolies** that restrict competition. It also gives those injured because of unfair competition practices the ability to sue the offending party. This legislation prohibits price fixing and conditional sales that limit fair competition and makes controlling competing businesses illegal.

As you can see, international business management requires knowledge about a broad spectrum of legal and regulatory requirements.

Thus, being familiar with legal implications pertinent to your business will help make you an effective manager in the international market..

**Intellectual Property Rghts Laws**

Intellectual property rights include, patents, trademarks, and copyrights.

* **Patents:** Patents are rights granted by governments to the inventors of products or processes for exclusive manufacturing, production, sale, and use of those products or processes.

Patents protect the subject from infringement of rights only in the country in which they are registered.

Consequently, a multinational firm marketing its products or processes in a number of countries must make sure that its patents are protected in all existing as well as potential market areas.

* **Trademarks:** Trademarks and trade names are designs, logos, and names used by manufacturers to differentiate and identify their goods with customers.

Trademarks are considered an integral part of the total product, which is the entire image and package surrounding the product being marketed.

Goods that use false trademarks are counterfeit products, and producers and sellers of such goods are subject to prosecution under trademark laws of individual countries.

* **Copyrights:** Copyrightlaws give exclusive rights to authors, composers, singers, musicians, and artists to publish, dispose of, or release their work as they see fit.

The people in the music business face problems with the illegal use of their material—piracy, which is the unlawful duplication of copyrighted material including sound recordings.

Copyright protection is divided into two categories: that which protects the right of a creator to economic benefits or returns from his or her work and that which protects the creator’s moral right to claim title to the work and to prevent its being altered without consent or published without permission.

### 2.5.3 Judicial Independence And Efficiency

The independence of a country’s judicial system from political influences of the members of governments, citizens, or firms is crucial for the fair treatment a firm receives in its overseas operations. A fair judicial system also reduces political risks in overseas markets. The level of judicial independence and efficiency differs widely among countries.

The efficiency of legal framework for private businesses to settle dispute and challenge the legality of government actions or regulations also varies widely.

The extent of separation of judicial powers between the judiciary and the public authorities varies considerably across nations.

**2.6. ACTIVITY**

Discuss political and economic risks

**UNIT 3 : CULTURAL DYNAMICS IN ASSESSING GLOBAL MARKETS**

**3.1 LEARNING OBJECTIVES**

By the end of this unit, you should be able to:

* Define culture**.**
* Discribe the elements of culture.
* Describe cross-cultural comparisons.
* Explain how to adapt to other cultures
* Discuss culture and the marketing mix

**3.2 WHAT IS CULTURE**

The term “culture” is complex and multidimensional. According to sociologists, culture consists of the values, beliefs, systems of language, communication, and practices that people share in common and that can be used to define them as a collective. Culture also includes the material objects that are common to that group or society.

Culture may also be looked at as an umbrella term which encompasses the [social behavior](https://en.wikipedia.org/wiki/Social_behavior) and [norms](https://en.wikipedia.org/wiki/Norm_(social)) found in [human](https://en.wikipedia.org/wiki/Human)[societies](https://en.wikipedia.org/wiki/Society), as well as the knowledge, beliefs, arts, laws, customs, capabilities, and habits of the individuals in these groups.

Humans acquire culture through the [learning](https://en.wikipedia.org/wiki/Learning) processes of [enculturation](https://en.wikipedia.org/wiki/Enculturation) and [socialization](https://en.wikipedia.org/wiki/Socialization), which is shown by the diversity of cultures across societies.

Whichever way we look at it, culture is about what we believe in, our norms and values, and our customs or traditions.

**3.3ELEMENTS OF CULTURE**

The elements of culture are the characteristics that differentiate one culture from the other. From a marketing perspective, these elements are very important for managing cultural differences. This is so because cuture affects both the marketing decisions and how companies adjust their marketing strategies to suit a particular country.

To understand the cultural differences in global markets, several components of culture which form a convenient framework for examining a culture from a marketing perspective are describe bellow:

a) **Language**

Language is one of the key elements of culture. Without a proper knowledge of a country’s culture and Language, international companies may find it very difficult to do business.

Language serves four important roles in international business. First it is an essential tool in obtaining information and in communicationg about a particular market. Secondly, Language provides easy access to the local society. It is also becoming relevant in company communications. And finally, language acts as a tool for negotiations. Thus, the most important role of language in marketing is in business’s negotiations.

The language of country needs to be understood perfectly for any business negotiation to be successful. This has a significant impact on the international marketing strategy of multinationals and international companies.who want to enter a foreign market.

Markets need to take into account the element of language which consists of a verbal (the words used and how they are spoken) and a non-verbal part (e.g. gestures and eye contact). The challenge for them is to attain both a thorough understanding of the language in terms of its technicality and the context in which it is used.

However difficulties could arise when a language is not interpreted correctly which results in translation blunders.

Furthermore, with language, one has to consider whether national culture falls under the high context culture or low context culture. In the high context culture, verbal communication tend not carry a direct message. Which means that what is said might not be what is meant.

Countries like Nigeria, Japan, and Arabic countries exhibit the High context culture. Low context culture on the other hand, emphasizes on what is said. This means your word is our bond. Countries like USA, Australia and Sweden are low context cultures.

In high context cultures, such as the Japanese one, the context is equally as important as the words used. On the other hand, in low context cultures, such as the North American one, communication is often solely conveyed in words. Companies need to be aware of and adapt their marketing concepts to these differences in order to avoid misinterpretations in communication.

**b) Religion**

Religion is another important aspect of culture that has a huge impact on International marketing. The religious beliefs of a country must be taken into consideration when operating in an international market.

In Islamic countries like Pakistan, Saudi Arabia, Oman etc, religious holidays and festivals for example Ramadan are strictly adhered to. Hence all foreign companies must abide by the Islamic religious laws. Religion is important to Managers because it influences lifestyles, beliefs, values and attitudes. It also affects work and societal customs as well as politics and business in general. Marketers need to be aware of the differences between the main types of religion as well as the variations within them.

Religion is a major cultural variable and has significant if not always apparent effects on marketing strategy. For example, the identification of scared objects and philosophical systems, beliefs and norms as well as taboos, holidays and rituals is critical for an understanding of a foreign market.

The impact of religion on the worth systems of a society and the effect of value systems on marketing must not be undervalued. Religion affects people’s behaviour, their attitude on life, the products they buy, the way they buy them, and even the newspapers they read. The attractiveness of certain type of foods, clothing, and behaviour is often affected by religion, and this can extend to the acceptance or negative reply of promotional messages.

Religion is one of the most responsive fundamentals of a culture. When the marketer has modest or no understanding of a religion, it is easy to offend, albeit unintentionally.

The Islamic religion is a good example of the need for a basic understanding of all major religions. An obvious example of the effect of religious beliefs on international marketing is the prohibition of pork products and alcoholic drinks in the Middle East. When beef or any poultry is exported to Muslim countries, the animal must be slaughtered in Islamic way. Marketers need

**c ) Aesthetics**

This aspect of cultural has implications for international market strategy. Aesthetics refers to a branch of philosophy that deals with the nature of beauty, art, and [taste](https://www.merriam-webster.com/dictionary/taste#h2) and with the creation and appreciation of beauty. This beauty and taste could be in forms of, colours,music, design or packaging.

Aesthetics values vary depending on the country. International companies need to be aware of the different forms of beauty and taste in culture. This is because what is generally accepted in one country may be a taboo in another country.

Aesthetic values have an impact on the production and packaging designs of manufacturing industries that operate abroad.

International managers need to be aware of taste and beauty in colors and symbols when packaging and distributing their products. Their approach should enable them to captureparticular tastes for or that which is pleasing to the senses and especially the sense of sight.

**d) Education**

The level of Education a country has will have an impact on international marketing and on various business functions. The literacy level of a country determines how products and services can be advertised. In West African countries where the literacy rate is low, visual aids will be more appropriate during a marketing promotion. On the other hand, in Europe and North America which have high literacy rates, using printed materials will be a suitable method of marketing.

Furthermore, education affects all aspects of culture, from economic development to consumer behaviour. It includes the process of transmitting skills, ideas and attitudes, as well as training in particular disciplines. Moreover, the educational system of a country largely reflects its own culture and heritage. Education shapes people’s outlooks, desires and motivation. It also shapes potential staff for foreign companies and for the entire business.

Education, either formal or informal, plays a major role in the passing on and sharing of culture. Educational levels will have an impact on various business function

**e) Values and Attitudes**

Companies also need to take into account the values and attitudes of countries.Values are the things that society believes to be important. They help in determining our priorities or what is important to us. In other words, values denotes the degree of importance of something or action, with the aim of determining what actions are best to do or what way is best to live. Values may also be understood as shared beliefs or group norms that have been internalized by individuals.

An attitude, on the other hand, is a persistent tendency to feel and behave in a particular way towards an object. Values and attitudes vary between and within countries.In that case International markets need to adjust their promotion methods or brand messages. The more these shared beliefs or group norms are embedded into the culture the more care companies have to take when implementing marketing activities Societies that place a high value on tradition are more reluctant to change and may perceive foreign companies with skepticism.

The values that consumers from different countries place on things such as time, achievement, work, wealth and risk-taking will seriously affect not only products offered but also the packaging and communication activities. The methods used by a firm to motivate its personnel are also strongly influenced by the local culture and practices. Encouraging local sales forces to sell more by offering cars and more money, for example, may not work in all countries. Thus, understanding values is very important to the marketers.

**f) Customs and Manners**

A custom is a pattern of behavior that is followed by members of a particular culture, for example, shaking hands, bowing, and kissing as methods of greeting people.

Manners are the proper or polite way to behave in public.

Customs and manners have a significant impact on consumer behavior, consumption patterns and product packaging.

In countries where status quo is highly regarded, International compnies have to send a delegation of senior staff to carry out a business negotiation.

It is important that managers understand the different manners and customs of countries.

**g)Technology and Material Culture**

Technological advances have probably been the major cause of cultural change in many countries. Technology includes the techniques used in the creation of material goods, it is the educational and technical know-how possessed by the people of a society.

Material culture affects the level of demand, the quality and types of products demanded and their functional features, as well as the means of production of these goods and their distribution. This aspect relates not to materialism but to the local markets ability to handle and deal with modern technology.

The marketing implications of the material culture of a country are many. Electrical appliances may be sold in UK or France, but may find few buyers in a market where less than 1 percent of the homes have electricity.

Moreover, electrical toothbrushes and electrical knives, which are acceptable in the West, would be considered a waste of money in countries where income could be better spent on clothing or food.

**h)Laws and Politics**

The legal and political environments in a foreign market are usually regarded as consequences of the cultural traditions of that market. Legal and political systems are often a simple codification of the norms of behaviour deemed acceptable by the local culture. Cultural sensitivity to political issues in international markets is of the utmost importance.

**3.3.1 Overcoming the Cultural Obstacles.**

The best way for companies to overcome these cultural obstacles is to embrace the local culture. They need to take a localised approach by adjusting products to the markets, building relationships with locals and employing them. This allows marketers to gain information and experience at firsthand, attain an in-depth understanding of what influence consumer behaviour in the market, and cooperate efficiently with employees, the government, and other local partners.

**3.4CROSS CULTURAL COMPARISONS**

**a) Time Relationships:** Different cultures perceive time differently, which affects issues such as punctuality and schedules. Whereas Americans perceive tardiness to be a sign of disrespect, people in some Latin American cultures arrive late to show respect.

In South America, time does not seem to be a big issue as people are not really concerned about time

Americans think that getting right down to a business negotiation is the natural course of things. In other cultures, such as Japan’s, conversation and building relationships is part of the process. Conversation can go on for hours or even days.

**b) High-Context Cultures:** These are characterized by the following:

* Tendency to infer information from message context, rather than from content.
* Prefer indirectness, politeness & ambiguity.
* Convey little information explicitly.
* Rely heavily on nonverbal signs.
* Some of the examples of High-context cultures are Asians, Latin Americans, people from the Middle East, etc.

**c) Low-Context Cultures:** These culture are characterized by the following:

* Rely more on content rather than on context.
* Explicitly spell out information.
* Value directness.
* See indirectness as manipulative.
* Value written word more than oral statements.
* Examples of low context cultures are Europeans, Scandinavian, North Americans, etc

**Professor Geert Hofstede’s** research on national culture came up with the following observations:

**Individualism versus Collectivism (IDV)**: Individualism versus collectivism refers to whether a person functions primarily as an individual or within a group. Cultures that are highly individualistic encourage their members to adopt a self-serving mentality and strive for personal achievement. On the other hand, cultures that favour collectvism (or highly collectivistic) prefers tight-knit groups and emphasizes loyalty to a group or family before oneself.

American and Western European cultures stresses individualism. Thus, an individual’s self-interest leads to group affiliations. On the other hand Collectivist cultures put the group before self; in return, the group cares for each member.

An international company operating in a collectivist culture such as China, Japan and Mexico will have difficulties motivating employees through individual incentives and competition. Business owners should instruct overseas managers to operate with the group dynamic in mind and consider relying on teams to accomplish work.

**Power Distance Index (PDI)**: This dimension focuses on how a culture perceives and interacts with authority. A low power distance culture emphasizes the importance of equality, while a high power distance culture exhibits a strong hierarchical structure.

**Uncertainty Avoidance Index (UAI)**: This expresses the degree to which a society tolerates differences risk, and ambiguity. Cultures with high uncertainty avoidance tendnciess generally have rigid belief systems and low tolerance for unorthodox behavior or outsiders. Cultures with low uncertainty avoidance characteristics tend to be more relaxed when it comes to behavior, beliefs, and visitors. People in societies with high uncertainty avoidance create institutions that minimize risk and ensure financial security.

**Masculinity versus Femininity (MAS)**:Masculinity versus femininity refers to a society’s orientation, based on traditional male and female values. This dimension centers on achievement, assertiveness, and competition. Highly masculine cultures value success, heroism, and material reward. Thus, in other words, Masculine cultures tend to value competitiveness, assertiveness, ambition, and the accumulation of wealth. They are characterized by men and women who are assertive, focused on career and earning money, and may care little for others.

On the other hand, Low-masculine but highly feminine societies focus on collaboration, consensus, and modesty.

**Long-Term Orientation versus Short-term Normative Orientation (LTO)**: Centering on the dichotomy of the past and the future, this dimension establishes how cultures interact with time. Some cultures are Long-term oriented. Thus, cultures who are long-term oriented, value tradition above all else, view social change with a skeptical eye, and set standards based on past events. Cultures who have a high short-term normative orientation encourage new ways of thinking, innovation, and education and set their sights on the future.

**Indulgence versus Restraint (IND)**: This dimension focuses on quality of life, leisure time, and drive. A high indulgent society values leisure, gratification, and travel. A culture that is low on indulgence but high on restraint tends to limit this gratification in favor of stricter social norms like dress code or restricted travel

**3.5 ADAPTING TO CULTURES**

**3.5.1 Business-to- Business Cultural Adaptation**

The world is constantly moving towards globalization.People increasingly engage in interaction with people from other cultures, which requires making adjustments in their culture and way of doing things. This is especially evident in the business world where campanies are engaged in cross border transcations.

In international business, understanding the business culture of the partner could help the other partner to avoid cultural shock, misunderstandings and misinterpretation of the behaviour.

Culture is dynamic and its representation is constantly re-adapted depending on a given life situation

Adaptation may be defined as“behavioral or organizational modifications at the individual, group or corporate level, carried out by one organization, which are designed to meet the specific needs of one other organization”.

Cultural adaptation, can also be viewed as an attempt to accommodate the perceived foreignness of the other culture participant by altering communication style and adjusting to practices, behavioural norms, and differences in beliefs

Cultural adaptation within business relationships is considered as a process of adjusting to culturally dissimilar backgrounds and behaviours of partner firms resulting from their societal norms held by their individuals in order to maintain the relationship development between these partners.

Cultural adaptation occurs within business relationships.Business relationships can generally be considered as evolving gradually over time through certain phases from establishment to the end. There are five main phases as indicated below:

**a) The Awareness Phase:**The Awareness phase begins with parties recognising a feasible relationship partner. There is no actual interaction. The parties startsgathering knowledge on the partner and his culture.

The awareness phase of relationship development is based on information which is gained without interaction with the partner. Attitude towards trustworthiness is based on the cultural background of an individual.

Cultures that practice open communication, sharing of information,discussing issues openly will also encourage and reward trustworthy behaviour. The external assessment of partner’s business culture and its influence on trust can be seen on the initial stages of trust development.

However, the danger of basing trust on external assessment of culture, without interacting, is that it can lead to stereotypical assessment of the party. In other words, information on other’s culture obtained without interacting can lead to false expectations and images.

At the awareness phase of relationship between parties, when prior history of working together is non-existent, reputation may be the only thing that one may rely on. It becomes a very valuable factor and has a clear role in determining trust between these parties.

However, it is important to note that reputation is also a second-hand knowledge which transfers very easily among firms in an industry through words and actions.

When reputation that is based on third-party experience is the only source of knowledge about the potential partner, it is important that, the information acquired must be critically evaluated in order to avoid the problem of gathering false information.

Applying false information in the actual interaction process with the partnercan seriously harm the level of trust of both parties.

Thus it is decisive that knowledge on another party and its culture is learned through interaction.

Trust evolves through the process of a growth of knowledge and understanding of the people with whom we interact plus the actual experience of working with them.

First-hand knowledgeand understanding of the partner, as well as experience can be gained by interacting with him. Interaction with the partner or rather the business relationships development framework,starts within the exploration phase.

**b) The Exploration Phase:**This phase emphasizes learning through interaction. There is a bi-directional relationship between culture and interaction. A person brings his cultural background with him when starting to interact and applies different cultural elements todifferent interaction events, in this way interaction occurs in a cultural context.

On the other hand cultural learning, in the process of interaction, allows people to adapt their cultureand the way they use its elementstowards a specific partner, thus interaction influences culture.

Learning is prerequisite for understanding the business culture of a party and for cultural adaptation to it. On the exploration phase interaction with the partner begins and thus, the learning process is extensive.

It should be also noted that organizational learning and merely every other field of business studies is rooted in the concept of individual actor. It is how the individual interprets the information that forms the basis of organizational learning. Thus, symbolic vehicles of culture and symbolic meanings seem to be more appropriate to study.

On the phase of exploration trust is in its initiation-growth stage and cultural adaptation is still needed in order to improve trust and raise it to a maturity stage.

Learning represents itself as a basis for adaptation. Adaptations are integral to the development of buyer/seller relationships.

It is within the process of interaction that people influence each other and adaptations are made. Adaptation can be observed to a bigger extent on the phase of business relationships expansion, when sufficient, first-hand knowledge‟ has been obtained through interaction.

The exploration stage allows parties to begin to consider benefits, burdens and obligations related to the possible relationship

**c) The Expansion Phase**: This stage is noted for its increase in adaptation employing “first-hand” knowledge. This phase also eperiences some increase in benefits obtained by partners and their interdependence.

During long-term business relationships development in this stage, adaptation could lead to similarity of views, perceptions towards the aspects of the relationships, and positively influencetrustgrowth.

There is also a noted positive relationship between cultural similarity and trust in this stage. Moreover cultural similarity eases interpersonal contact and communication.

The reason for a positive relationship between cultural similarity and trust is that we are more “fluent‟ in reading the trust-relevant signals, symbols, and patterns of our own culture than others and as a result, actors trust others more freely if their cultural background is similar.

Nevertheless it is presumablethat even in long-term relationships the parties will not have an identical or highly similar cultural background. The crucial factor is that over-time the parties will be able to obtain relevant knowledge on each others‟ cultural background through the interaction process and „fluently‟ read it, which will ease their business relationships and interaction. By means of interaction the parties will be able to obtain reciprocity in the way of doing business with each other.

A final remark should be made that cultural adaptation should not be equaled to imitation. Retaining own culture is crucial for both parties.

There are three levels of adaptation, namely, moderate, substantial and no adaptation.

Moderate adaptationcan be described as partial adaptation to other’s business culture, which also considers retaining one‟s own culture.

Substantial adaptationcan be defined as integraladaptation, which could be equalled to imitation of other‟s culture.

It has been found thatonly moderate adaptation had a positive effect on negotiations, while substantial adaptation was seen byparties as a threat towardsgroup distinctiveness(Francis, 1991). Parties seek to preserve their cultural identity and attempts of imitating, insteadof adapting to other‟s culture could be assessed as violation of their „cultural space‟.

Thus, substantial adaptation can lower the trust level so much that a relationship may even be terminated due to inability or unwillingness to adjust to cultural differences.

**d). The Commitment Phase:** In this phase, the parties become committed to investing substantial resources in the relationship maintenance. Adaptation is fully adhered to.

**e). The Dissolution phase:** At this stage, one party or both parties feel they are not satisfied with the relationship. The pahse is characterized by evaluating of the dissatisfaction with the partner and concluding that the costs of partnership continuation outweigh the benefits. Trying to see if continuation outweigh benefits. If unsatified or no substantial benefits, the relationship may be dissolved.

# 3.5.2 Business-to-Consumer Cultural Adaptation

Culture contains different elements andas a result, each national culture has its own artifacts, norms, values, rituals, ceremonies, heroes and stories which form culture. These elements differ from one culture to another, creating intercultural differences.

The following recommendations may be instrumental in minimizing cultural differences in international business encounters:

**a) Cultural awareness.**If there is a chance, it would be always helpful acquiring upcoming counterparts’- or the trading partners’ cultural information. As cultural information inventory increases, cultural awareness in multicultural- or cross-cultural encounters also increases. This may help businesspeople to understand cultural differences quickly and thereby act appropriately.

In addition, cultural knowledge helps to do international business with confidence and provide customer service more efficiently. Furthermore, in the 21st century globalized world where multicultural group and international business are two crucial pillars for survival of an economy. Knowing other cultures gives a person a competitive advantage in doing business across national boundaries.

**b) Accept that cultural differences are as common as individual differences.** Usually, people from different cultures act differently. Those differences may be sometimes difficult to accept or recognize. However, in international business context, mutual understanding of each other’s culture is a must for business success.

In addition, if you are a seller, it is more likely that you have to be more active in accepting, recognizing and bridging the gap between those differences. Strong curiosity and effort to know and study a culture may develop an ability to cope easily with cultural differences in international business.

**c) Develop a sense of cultural heterogeneity.** Cultural heterogeneity means belief in cultural pluralism. The basic building block of cultural heterogeneity is that we are not all the same; groups within society differ. A national culture may differ based on regional disposition, ethnic groupings, religious membership and linguistic affiliation.

Globally, national cultures have been grouped by Hofstede in power distance; individualism versus collectivism; masculinity versus femininity and uncertainty avoidance dimensions (Hofstede and Hofstede, 2005).

Organizational culture typologies are paternalistic, bureaucratic and synergistic. A sense of cultural heterogeneity may be instrumental to maximizing pros and minimizing cons in cross-cultural business encounters.

**d) Be flexible but retain your own identity.**Preserving self-identity is an important issue in the globalized world. Be flexible and do not lose your self-identity. Flexibility is one of the most crucial qualities in international encounters. In order to develop a flexible personality, one has to view things from multiple directions rather than developing a tunnel vision.

Interest, understanding, outlook, mindset and expectation collision are common issues in multicultural business perspective, and one has to go along with these flexibly.

**e) Believe in win-win game.** “Good business should contain something for both parties. Win-loss game ends up with retaliation by the loser. Therefore, businesspeople should stick to a win-win game in international business negotiation.

Bargaining takes place in a negotiation process, a mindset containing a sense of give and take leads to a win-win game.

Be empathic and try to understand your counterpart’s expectations as well. It is essential to consider other cultural aspects in negotiation, for example, identifying the decision maker, understanding the concept of time, knowing when the deals are done and whether there is the need for an after deal reminder before its implementation or not just to name a few.

**f) Task-and purpose related focus.** Once cultural diversity has been acknowledged, businesspeople should superordinate task and purpose of the business and subordinate their cultural differences. Avoidance of ethnocentrism may be instrumental for subordinating cultural differences.

Ethnocentric attitude put itself at the center of judging others around it. Apart from ethnocentrism, prejudice may also harm task- and purpose orientation in international operation because prejudice reflects a negative or neglecting attitude against other groups.

In the absence of ethnocentrism and prejudice, the result is a level playing field , where everyone may work equally for the task- and purpose of the business.

**g) Create cultural synergy**: Cultures of many countries of the world differ. Despite their differences, they do business successfully. The concept of cultural synergy is a unique organizational approach that considers cultural diversity as a resource. Each culture has some uniqueness and in a multicultural perspective those uniqueness may yield new solutions to existing problems. Therefore, steps may be undertaken to use the best parts of other cultures for solving business problems.

**3.6 CULTURE AND THE MARKETING MIX**

**a) Culture and the pricing decisions**

When framing pricing decisions for a foreign market, the company should consider and accommodate the following cultural related factors.

With regard to pricing, three dimensions of culture are at work. These are:

(a) The values which affect the propensity to bargain;

(b) The legal framework which determinesthe extent to which fixed resale prices are to be

allowed.

(c) Customs which commandmargins taken by trade intermediaries, and which, as a result,

affect the overall pricelevel.

The cultural factors that affect pricing are the politico-legalframework and norms of consumer and trade intermediaires. The marketer should take these into consideration when working out the marketing mix.

The politico- legalframework is responsible for the adoption of a system of state-controlled prices or alternatively, of a market-controlled price system. These should be taken into accout in a business’s marketing mix.

The marketer should also examine the foreign market norms.Norms impinge upon consumer attitudes in shaping quality/ price relationships and credit use.

Consumers of different cultures may use differentcues or use cues differently in evaluating product qualities. In other words, price as a cueof product quality may be interpreted differently across cultures. From a culturalperspective, it could be construed therefore that valuesinherent to specific culturesaffect the way consumers perceive price as an indicator of product quality.

All the above outlined factors must be considered when making pricing decisions for international markets.

**b) Culture andthe distribution (place) decisions**

When framing distribution decisions for a foreign market, the company should consider and accommodate the cultural factors discussed below:

The marketer shoukd take note of customs in relation to channel decisions. Thus, distribution and channel decisions may be affected by the customs that are expressed through consumer shopping patterns that affect both the type of channel structure available to international marketers, and to consumers’ needs to be addressed through that system.

It is also important to note that the specific nature of foreign distribution systems is affected by the overall cultural setting of specific countries

The differences in channel length, and on the type of function assumed by specific intermediaries is also determined by the values and social organization as key culturalvariables affecting distribution. The marketer should find a way of accommodating the values and other key cultural variables into his marketing mix decisions..

The quality of the business relationships between home based manufacturers and their respective distributors located abroad is a function of geographical, social as well as cultural distance.

Cultural distance refers mostly to values and customs as dimensions of culture affecting the quality of the relationship between manufacturers and their foreign-based distributors. A mixture of norms and values specific to foreign countries may reduce or increase the propensity for conflict in the international distribution channel. The marketer should consider and accommodate cultural distance as he makes his marketing mix decisions.

Cultural dimensions to be taken into consideration may be borrowed from Hofstede, namely individualism, power distance, uncertainty avoidance,and masculinity. For instance, Channel relationships in high masculinity cultures would evidence frequent conflicts and relatively low co-operation among channel members).

All the factors outlined above must be considered when making distribution (place) decisions as part of the marketing mix.

**d) Culture and the product decisions**

Marketers designing product mix decisions and strategies for international markets must take the impact ofculture into account.

As far as the specific elements of culture which affect these strategies, the symbolic representation of objects is the key factor. The marketer should therefore, take note of symbolic representation when making prodict mix decisions.

Symbolicrepresentation is presented, in turn, as an expression of habits and customs prevalent inany cultural setting. It is also include the symbolic value that consumers may attach to a product.

Cultural differences may lead to differingsymbolic interpretations, especially with regard to the physical aspect of products and totheir packaging. If a symbolic attribute of the product is perceived differently ornegatively in a foreign market, then appropriate product adaptations have to be made.

Symbolic codes are deeply ingrained in consumers, often unconsciously, andnurtured through habits and customs. A cross-cultural analysis of colour perception illustrates the variance in the symbolic value of colours fromone country to another.

The marketer must also pay attention to the several cultural dimensions. He or she should focus on factors that cause product changes to product dimensions like measurementunits, labelling, package and product features, product constituents and brand nameswith a view of estimating product adaptation rates as well as optimal product changessequence.

Factors causing product changes include environmental factors like legal factors,purchasing power differences and, sociocultural customs andtaboos. Other factors causing product changes include not only so-called marketingfactors such as competition, distribution and material availability, but also consumer preferences, and consumer purchasing habits.

In some circumstances a firm adapts their product and marketing mix strategy to satisfy the local requirements and demands that cannot be changed.

All the factors outlined above must be considered when making product decisions for international markets.

e) **Culture and the communication (promotional) decisions**

When framing communication (promotion) decisions for a foreign market, the company should consider and accommodate the cultural factors discussed in this section.

Culture will affect the type of roles depicted in adverts, and the choice of themes which relateto underlying values and norms.

An enterprise can either accustom or standardize their promotional strategy and message. Promotional messages in different countries should be accustomed due to differences in language, political climate, cultural attitudes and religious practices in different region. A promotional strategy used in one country could be offensive when used in another.

Advertising budget and structure will depend onbuyers' habits and consumption style, values and norms, and on mediaavailability which in turn depends on the state of the material culture.

One important set of factors are attitudes (values and norms). Thus, attitudes towards selling are the key cultural factoraffecting sales force decisions, while language, literacy, and symbolism are the major onesaffecting advertising and promotion decisions. A marketer should consider all these factors as he works through his marketing mix.

Advertising, in the international arena, is marked by variations from country to country (culture to culture) in attitudes (related to prevalent norms and values) towards thesocial role and acceptability of advertising, comparative advertising, and informationcontent of advertising.

Language, and roles affect advertising copy and slogans as wellas do mores, customs and religion. Advertising spending and media allocation are bothaffected by material culture.

There are also constraints imposed upon thechoice of sales promotion devices by the national legal framework.

All the factors outlined above must be considered when making communicaton (promotional) decisions for international markets.

**3.7 ACTIVITY**

Discuss the elements of culture.

**UNIT 4 : ORGANIZATIONAL CULTURES**

**4.1 LEARNING OBJECTIVES**

By the end of this unit, you shoulb be able to:

* Discuss management styles.
* Explain Business Systems.
* Discuss negotiation styles**.**

**4.2MANAGEMENT STYLES**

# 4.2.1 Management Styles Used in International Business

Management styles used in international businesses are strictly dependent on the culture and traditions. Different styles are used by different industries and companies but, not all styles of management will work well in every international setting.

A manager will have to adapt to its environment, culture and people to implement the best style of management, in order to achieve maximum results. Also, the type of business or organization will dictate the type of management style that is going to be implemented by the leadership.

## a) Authoritarian management styles

The authoritarian management style involves managing through clear direction and control. It is also sometimes referred to as the autocratic or directive management style. Authoritarian managers typically assert strong authority, have total decision-making power, and expect unquestioned obedience.

This type of management style requires clearly defined roles and strict hierarchies and reporting structures. Employees should not have to question who is responsible for what. To be an effective authoritarian leader, you need to be willing and able to consistently stay up-to-date on your teams’ work and to make any and all decisions.

### Its Merits

In the right environment, an authoritarian management style has been shown to [positively affect employee performance](https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5876282/).

The best environment for authoritarian management typically includes a traditional culture, such as that [commonly found in China](https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-839X.2004.00137.x) and some other Asian countries. These cultures have [a high power distance](https://hbr.org/2012/04/in-asia-power-gets-in-the-way), where employees expect higher-level people to have more power and tend to automatically defer to those in higher positions.

Authoritarian management style can also be effective if you have new or inexperienced employees who need a lot of guidance and instruction.

### Its Demerits

It’s important to note that if taken to the extreme, an authoritarian style can easily create a negative workspace.

For instance, if you try to hold on to control too tightly, it can lead to micromanagement, [which will drive away your best employees](https://www.inc.com/john-white/9-bad-manager-behaviors-that-drive-your-top-talent-to-competition.html).

Maintaining total control of all decision-making can also require a great deal of time and effort. If you’re overseeing large and/or complex projects, this can be incredibly difficult to manage.

## b) Visionary management styles

The visionary management style is also sometimes called inspirational, charismatic, strategic, transformational, or authoritative. Visionary managers focus on conveying the overall vision of the company, department, or project to their team.

Unlike authoritarian managers, visionary managers don’t involve themselves in the day-to-day details. Instead, they focus on motivation and alignment of the team, to keep everyone moving in the same direction, and entrust their team members to handle the details about how to get there.

If you are naturally a charismatic, outgoing, and personable leader, you may find this style easy to adopt. However, it can be more challenging for introverts or people who are uncomfortable in the limelight. It also requires a great deal of [emotional intelligence](https://www.psychologytoday.com/ca/basics/emotional-intelligence), a willingness to take risks, and the ability to lead and manage change.

A [well known visionary leader](https://futureofworking.com/8-visionary-leadership-examples/) is Nelson Mandela. Mandela was the face and leader of [the Anti-Apartheid movement](https://www.encyclopedia.com/social-sciences/encyclopedias-almanacs-transcripts-and-maps/anti-apartheid-movement). Through his determination and force of will, Mandela successfully led his country, South Africa to liberation. By relying on his charismatic nature and important vision, he motivated people to bring change without dictating their actions.

### Its Merits

One of the advantages of visionary management is that it helps motivate employees to work toward common goals and solutions.

If your team culture is currently divided, a visionary approach may be useful for getting everyone back on the same page. Visionary management is also often used when a company or team needs to change.

### Its Demerits

A disadvantage of visionary management style is that the lack of focus on the detail can lead to problems, especially if your team members are inexperienced or new.

For this reason, visionary management is typically better for experienced, professional teams. People who are already knowledgeable and capable enough to do their work with little or no supervision.

## c) Transactional management styles

Transactional management style focuses on using positive rewards such as incentives, bonuses, and stock options to motivate employees to improve their performance. For instance, transactional managers may rely on [piece-work pay](https://www.tutor2u.net/business/reference/piece-rate-pay) to incentivize their employees to produce more. Similarly, they may structure quarterly or annual bonuses around employee performance.

Transactional management style is founded on the belief that you can successfully manage and motivate employees through extrinsic rewards.

### Its Merits

Transactional management style tends to be effective for short periods, where you need to motivate your team to complete work they don’t want to do. For instance, if you need them to work overtime for a couple of weeks to finish a project on time, offering an extrinsic reward can be effective.

### Its Demerits

Studies show that [extrinsic rewards are less effective](https://www.princeton.edu/~rbenabou/papers/RES2003.pdf) than intrinsic ones, particularly in the long run. In fact, they can negatively impact employee motivation if used too heavily or for too long.

If you want to increase your team’s workload or hours indefinitely, transactional management will not be successful. It is also not suitable for promoting creativity or innovation, as rewards are tied directly to known results.

## d) Servant Leadership management styles

The phrase “servant leadership” was originally coined back in 1970 by Robert K. Greenleaf in an essay titled “[The Servant as Leader](https://www.amazon.com/Servant-as-Leader-Robert-Greenleaf/dp/0982201222/ref=sr_1_1?).” This management style is also sometimes called coaching, training, or mentoring.

A servant management style focuses on supporting your employees. Managers who embrace this style spend their time, coaching, mentoring, and supporting their team. They see their role as one of an adviser or coach rather than a dictator or rule enforcer.

In order to be an effective servant leader, you need to be highly experienced both in the jobs of your employees and in performing coaching. Strong interpersonal skills are needed in order to relate well with your team and build a mentoring relationship. For your team to trust you and open up to you, you will need to show them you are ethical and trustworthy.

Jack Ma, the Executive Chairman of [Alibaba Group](https://www.alibaba.com/), is [a well-known example](https://sites.psu.edu/leadership/2018/06/22/servant-leaders-among-us/) of someone with a servant-leadership management style. Ma is a champion of philanthropic efforts and is recognized as a leader who is highly supportive of his employees. Ma prizes emotional intelligence and fostering love and support among his employees in order to achieve greatness.

### Its Merits

The servant-leader management style is effective in helping your team develop and advance professionally. It also helps create a strong bond between employee and manager and can promote greater trust, bonding, and collaboration.

The focus of servant leadership is not to discipline but to help people learn from their mistakes and improve their own performance. If you have a team of highly-skilled professionals, this leadership style can help them reach new levels of performance and productivity.

### Its Demerits

One of the disadvantages of this management style is that it can be ineffective for some employees. For instance, if you have negative employees that are unmotivated, negative, and/or simply a bad fit for their role, trying to support and coach them may waste both of your time.

Also, by focusing on learning opportunities and improvement, you effectively communicate that output is not as high on your priority list, as long as people gave it a genuine attempt. While this can be successful for process improvement, innovation, and other cyclical initiatives, it can cause problems if your team is producing physical products or providing customer service.

This management style also typically requires more of your time, since you have to spend some time in one-on-one meetings with your employees in order to effectively coach and support them. If your time is limited or the quality of your output is more important than the happiness and well-being of your employees, then this style is not ideal.

## e) Pacesetting management styles

Pacesetting management style embodies leading from the front of the pack. As a manager, you provide instructions and set a work pace, and then expect your employees to follow in your footsteps.

Typically, pacesetting involves setting high or hard to reach standards in an effort to drive your team to achieve new bests and hit bigger goals.

For it to be successful, you will need to be capable of setting a pace that is challenging for your team. You will also need to ensure that they are motivated enough to try to match your pace.

### Its Merits

If your team is capable and motivated, this style can lead to greater productivity and a healthy sense of competition and accomplishment. It is most effective when you have a single big challenge to tackle or a short-term goal to reach.

In other words, if you have an effective team that you know is not living up to its potential, adopting a pacesetting management style can be an effective way to get them out of a comfortable rut.

### Its Demerits

If you’re consistently pushing your team to meet stretch goals, you can cause them to burn out. Plus, if your team is not capable of meeting your standards, you could end up setting them up for failure. And the inability to reach the goals and targets provided can result in a loss of motivation, and lower morale.

This management style also emphasizes personal accomplishments, so it can create divisions and resentment among the team. For instance, if only one or two members are able to keep up with your pace, the others could become bitter and resentful.

## f) Democratic management styles

A democratic management style is also sometimes referred to as consultative, consensus, participative, collaborative, or affiliative style. This style is **based on the philosophy that two heads are better than one** and that everyone deserves to have a say, no matter what their position or title.

Managers who adopt a democratic style **encourage idea sharing and regular employee participation**. The focus is on encouraging your team to share their thoughts, ideas, suggestions, and potential solutions in order to help each other, and the company grows.

In a democracy, you as the manager, retain the final decision-making authority, but you seek out and take into account the thoughts, ideas, and recommendations of your team before making any decision.

In this type of management, [an idea meritocracy](https://www.ted.com/talks/ray_dalio_how_to_build_a_company_where_the_best_ideas_win?language=en) exists. Here, the best idea wins, no matter whos idea it is. It values independent thinking and encourages every employee to put forward new ideas and suggestions.

### Its Merits

A democratic leadership style helps your employees feel valued and heard. It can also encourage them to solve their own problems and come up with innovative new ideas. By asking for their input, you’re effectively encouraging your team members to think for themselves and to take on more responsibility for team decisions and outcomes.

Also, by seeking out the ideas of others, you can arrive at better solutions and achieve greater results than if you’re making decisions in isolation.

### Its Demerits

The biggest downside of democratic management is that it takes time. If you’re often in a scenario where a decision needs to be made quickly, you won’t have time to seek out and consider the suggestions of the team.

Another issue is that employees can become frustrated or resentful if they feel like you’re not truly taking their ideas into consideration. For instance, if you never appear to go with Bobby’s suggestions, it could result in his feelings being hurt.

To avoid this, you will need to either promote anonymous suggestions, to remove the possibility of favoritism, or become adept at facilitating discussions and helping your team focus on valuable idea creation and sharing without emphasizing who came up with what.

## g) Laissez-Faire management styles

The laissez-faire management style emphasizes employee freedom. Laissez-faire originates from French and directly translates to “let do” in English. In other words, laissez-faire managers let their employees do what they will, with little to no interference.

Within the laissez-faire management style, there is no oversight provided during the creation or production process. Laissez-faire managers promote self-directed teams, and typically only get involved if something goes wrong or the team requests it.

In a smoothly operating team, a laissez-faire manager will only appear present at the beginning and the end of the work process. At the beginning, to provide guidelines, share information, and answer questions. And at the end to review the outcome(s) of the team and provide advice or recommendations about how the team can do even better next time.

Google uses laissez-faire management as a means of promoting employee creativity and innovation. Google Founders Larry Page and Sergey Brin opted for this management style. In essence, management allows employees a portion of their paid work hours to focus on whatever project they want, without any management oversight.

This freedom enables employees to focus on work they are passionate about and to experiment with creative new ideas.

### Its Merits

If you have a team of highly-skilled professionals, they may thrive with the freedom that a laissez-faire approach provides.

This management style can result in a high level of job satisfaction and high productivity for teams who enjoy the autonomy it provides. It can also help boost innovation and creativity throughout your organization.

### Its Demerits

If your team is not self-motivated, is not skilled enough to solve problems on their own, or struggles to manage their own time, laissez-faire can result in missed deadlines and poor quality work.

The lack of oversight inherent to this style is not appropriate for teams that cannot self-manage. It is also risky on large and/or critical projects, as you may not become aware of issues until it’s too late.

**4.3BUSINESS SYSTEMS**

# 4.3.1 What Is a Business System?

A business system is a combination of policies, personnel, equipment and facilities to co-ordinate the activities of a business organisation.

A business system may also be defined asa procedure, process, method, or course of action that is designed to achieve a specific result. Its component parts and interrelated steps work together for the good of the whole.

It is therefore, designed to connect all of an organization’s intricate parts and interrelated steps to work together for the achievement of the business strategy.

The system helps the business organisations to achieve their goals

Creating an effective business systems is the only way to attain results that are consistent, measurable, and ultimately tha can benefit customers**.**

### 4.3.2 Why Implement a Business System?

There are several reasons for implementing a business system. These are:

**Improving Top-Line Performance:** Part of function of the business system is to help in the development and implementation of strategy creation, business processes and strategic planning throughout an organization. It can thus, help management in carrying out their work effectively.

**Meeting Customer’s Expectations:** A systematic approach, will enable your organization to analyze, measure, compare and test all the possibilities of what your customers want and don’t want. It will help you to understand the unmet needs of your customers. A business system is key to improving the product brand of your organization.

**Consistent Results:** A business system is designed to give you effective, efficient and repeatable results.

**Employee Engagement:** One of the goals of the system is to provide proper education and opportunities to all employees so that they can complete their work more efficiently and effectively. It also helps to harness the employees’ ideas and creativity and, in the process, increase their personal engagement. In addition it makes it easy for new employees to see their role within the organization and bring forth new ideas.

**Reduce Cost and Increase Profits:** The implementation of a sound business system can help reduce costs and increase profitability without lowering quality expectations or service levels.

**Strategic Planning—**With the implementation of the business system there’s complete alignment of your organization to the future vision.

**Systematic Innovation—**Another part of the business system framework is creating a scalable and sustainable innovation ecosystem in order to create competitive advantage. The organization learns to address innovation issues quickly.

**Culture Change—**Along the way, the organization starts to see a shift in culture. While some change will happen naturally, other changes must be guided and steered to effect positive culture change.

# 4.3.3 Types of business systems

Business Systems are frequently identified by their departmental names, such as Procurement, Finance, etc.

The breadth and depth of each business system may vary by company, but the fundamental workflow, connectivity and relationships remain largely the same.

The most common enterprise Business Systems are briefly introduced below:

1. The **Enterprise Management System** delivers company strategy, establishes the company scorecard, executes M&A activities and monitors organization performance through structured management review.
2. The **Financial Management System** manages and monitors the flow of capital through the enterprise, including financial transactions, accounting and financial metrics.
3. The **Facilities Management System** acquires, develops, constructs and maintains enterprise facilities to provide a suitable working environment.
4. The **Equipment Management System** specifies, installs, calibrates and maintains equipment utilized to deliver the firm’s value proposition.
5. The **Employee Management System** qualifies, hires, monitors, develops and terminates employees to provide capable personnel that deliver their assigned organization responsibilities.
6. The **Information Management System** controls information, security and data related to the business requirements, including hardcopy, electronic and web.
7. The **Customer Development System** manages the customer experience, from first contact with the new prospect or lead through the first order for product or services, with ongoing account management and maintenance.
8. The **Product Development System** conceives, plans, develops, tests and delivers new products and services, as well as obsoleting previously active products and services.
9. The **Supplier Development System** manages and monitors suppliers of materials and services to the enterprise, covering the complete supplier life cycle, from qualifying, setup, contact, development, and management through disqualification.
10. The **Operations Management System** executes, delivers and manages the enterprise creation of customer value, including products and services quality, responsiveness, and economic value.
11. The **Service Management System** manages postproduction services, including installation, maintenance and service management, and customer follow-up, complaint handling and resolution.
12. The **Improvement Management System** organizes, manages, and monitors enterprise performance improvement, including products, services and processes, customer feedback and response, opportunity analysis, and corrective action.

**4.4 NEGOTIATION STYLES.**

# 4.4.1 What is Negotiation?

Negotiation is a method by which people settle differences. It is a process by which compromise or agreement is reached while avoiding argument and dispute.

In any disagreement, individuals understandably aim to achieve the best possible outcome for their position (or perhaps an organisation they represent). However, the principles of fairness, seeking mutual benefit and maintaining a relationship are the keys to a successful outcome.

Specific forms of negotiation are used in many situations: international affairs, the legal system, government, industrial disputes or domestic relationships as examples. However, general negotiation skills can be learned and applied in a wide range of activities. Negotiation skills can be of great benefit in resolving any differences that arise between you and others.

**4.4.2 What Is International Business Negotiation**

An international business negotiation is defined as the deliberate interaction of two or more social units (at least one of them a business entity), originating from different nations, that are attempting to define or redefine their interdependence in a business matter. This includes company-company, company-government, and solely interpersonal interactions over business matters

This Module sets out a negotiation strategy, which an organization may use to effectively enter into the international or export business and conclude an international agreement

## 4.4.3 Stages of Negotiation

In order to achieve a desirable outcome, it may be useful to follow a structured approach to negotiation. For example, in a work situation a meeting may need to be arranged in which all parties involved can come together.

Generally, the process of negotiation consists of three different negotiation stages, and these are the: pre-negotiation stage, actual negotiation stage, and post- negotiaton stage. However, this proces may also be divided into seven stages.

The process of international business negotiation presented in this module is divided into seven different stages.

The process of negotiation includes the following stages:

1. Preparation
2. Discussion
3. Clarification of goals
4. Negotiate towards a Win-Win outcome
5. Agreement
6. Put it in Writing
7. Implementation of a course of action

### a) Preparation

### Preparation is the key element in any negotiation.  Before any negotiation takes place, a decision needs to be taken as to when and where a meeting will take place and who will attend.  Setting a limited time-scale can also be helpful. Familiarize yourself with the other company you desire to do business with and the market place they operate in.  Look to the publicly available information about the company.

This stage involves ensuring all the pertinent facts of the situation are known in order to clarify your own position.  Your organisation may well have policies to which you can refer in preparation for the negotiation.

**Recognize Cultural differences**. A tremendous consideration in international business is the participants’ cultural acuities.  Culture strikingly affects the manner and method of negotiation.  Investment in learning about the other side’s culture plays a pivotal role in succeeding in negotiations.

Undertaking preparation before discussing the disagreement will help to avoid further conflict and unnecessarily wasting time during the meeting.

### b) Discussion

During this stage, individuals or members of each side put forward the case as they see it, i.e. their understanding of the situation.

Key skills during this stage include [**questioning**](https://www.skillsyouneed.com/ips/questioning.html), [**listening**](https://www.skillsyouneed.com/ips/listening-skills.html) and [**clarifying**](https://www.skillsyouneed.com/ips/clarification.html).

Sometimes it is helpful to take notes during the discussion stage to record all points put forward in case there is need for further clarification.  It is extremely important to listen, as when disagreement takes place it is easy to make the mistake of saying too much and listening too little.  Each side should have an equal opportunity to present their case.

### c) Clarifying Goals

From the discussion, the goals, interests and viewpoints of both sides of the disagreement need to be clarified.

It is helpful to list these factors in order of priority.  Through this clarification it is often possible to identify or establish some common ground. Clarification is an essential part of the negotiation process, without it misunderstandings are likely to occur which may cause problems and barriers to reaching a beneficial outcome.

### d) Negotiate Towards a Win-Win Outcome

This stage focuses on what is termed a 'win-win' outcome where both sides feel they have gained something positive through the process of negotiation and both sides feel their point of view has been taken into consideration.

A win-win outcome is usually the best result. Although this may not always be possible, through negotiation, it should be the ultimate goal.

Suggestions of alternative strategies and compromises need to be considered at this point.  Compromises are often positive alternatives which can often achieve greater benefit for all concerned compared to holding to the original positions.

### e) Agreement

Agreement can be achieved once understanding of both sides’ viewpoints and interests have been considered.

It is essential for everybody involved to keep an open mind in order to achieve an acceptable solution.  Any agreement needs to be made perfectly clear so that both sides know what has been decided.

**f) Putting it in Writing**

No matter how wonderfully you negotiated an agreement—get the agreement written down and signed by the other party; make sure the final agreement is signed by an authorized party or deal-maker. The written agreement may go through a couple of variations.  Throughout the redrafting process ensure that key negotiated items are not altered.  In other words, make sure the essence of your deal remains intact.

The best way to get an agreement written down is hire a lawyer.  Despite the cost of hiring counsel, it remains a good idea to have a lawyer to draft the agreement

### g)  Implementing a Course of Action

From the agreement, a course of action has to be implemented to carry through the decision.

## h) Failure to Agree

If the process of negotiation breaks down and agreement cannot be reached, then re-scheduling a further meeting is called for.  This avoids all parties becoming embroiled in heated discussion or argument, which not only wastes time but can also damage future relationships.

At the subsequent meeting, the stages of negotiation should be repeated.  Any new ideas or interests should be taken into account and the situation looked at afresh.  At this stage it may also be helpful to look at other alternative solutions and/or bring in another person to mediate.

**4.4.4 Negotiation Styles**

Before trying to negotiate in another country, it’s important to understand the basics of negotiation and how they are affected by psychology and personality.

There are five main negotiation styles (also called [conflict resolution styles](https://www.pon.harvard.edu/daily/negotiation-skills-daily/understanding-different-negotiation-styles/)). These styles vary based on the personality and background of the negotiator, their needs, and the urgency needed to find a solution.

Understanding how to interact with and adapt to different negotiation styles is imperative in coming to a satisfactory solution and maintaining good relationships with business partners.

When [conducting business](https://www.fundera.com/blog/international-business-etiquette) in foreign countries, take time to research your opponents and understand their perspective and needs before beginning negotiations.

1. **Competing**: Confident and assertive, these negotiators tend to pursue their own needs and focus on results. They may be perceived as aggressive and controlling.
   * **How to adapt to a competing negotiator**: Maintaining your ground is important when interacting with a competing negotiator. State your position firmly and do not back down from important self-interests.
2. **Avoiding**: These negotiators approach conflict with caution, preferring not to cause tension. They may not outwardly express their own interests and often sacrifice those interests if their opponent has a stronger voice.
   * **How to adapt to an avoiding negotiator**: Expressing deadlines and communicating details early is critical when negotiating with an avoider. If no solution is reached, consider escalating the issue with a higher authority.
3. **Accommodating**: Relationships are important to these negotiators; they prefer to smooth out conflict if it arises, focus on maintaining positive communication with negotiating partners and satisfy the needs of others before their own.
   * **How to adapt to an accommodating negotiator**: Do not accept unnecessary concessions from this negotiator. Allowing others to give up too much may be detrimental to both sides in a long-term relationship.
4. **Compromising**: These negotiators prefer to find a middle-ground solution quickly rather than debate back and forth for long periods. Coming to an agreement that pacifies both sides is the ultimate goal of this negotiator.
   * **How to adapt to a compromising negotiator**: Maintaining the importance of your interests is crucial in a negotiation with a compromising style. Communicate your needs clearly and take the time to explore multiple alternatives before agreeing on a solution.
5. **Collaborating**: The optimal solution is the goal for this negotiator. They tend to focus on finding results that satisfy all parties and express honest communication during debate. These negotiators would prefer to weigh many options before finding the best result.
   * **How to adapt to a collaborating negotiator**: While a collaborative negotiation partner is often interested in taking the time to find good solutions for both parties, it may not be in your best interest to invest significant time in the negotiation. Clearly define your needs and do not accept alternatives to hard requirements.

No matter what the negotiation involves, it is important to always:

* **Clearly state** your party’s interests and requirements.
* Approach every negotiation with a **willingness to communicate**.
* **Understand** your opponent’s negotiation style and perspective.
* **Blend** your negotiation style to best adapt to opponents .

**4.5 ACTIVITY**

**Discuss the various management styles that are an internatiomal business may opt for.**

**UNIT 5 : ASSESSING ORPPORTUNITIES**

**5.1 LEARNING OBJECIVES**

By the end of this unit, you should be able to:

* Develop a global vision through research.
* Segment international markets.
* Choose target markets.
* Discuss product postioniting in the international markets

**5.2 DEVELOPING GLOBAL VISION THROUGH MARKETING RESEARCH**

**5.2.1 Why Marketing Research**

Companies that wish to operate in international markets, conducting research is particulary important.

Outlined below are some of the factors that indicate why international marketing research is important and may help in developing a global view of the foreign market.

* International marketing research may help in identifying the ideal products for foreign markets
* International marketing research may help in assessing foreign market opportunities
* International marketing research may help the firm in understanding the attitudes of Foreign Governments towards international marketers, products and foreign investors.
* International marketing research may help to identify the cultural elements and general attitude of foreign consumers
* International marketing research may help the firm in understanding cultural empathy.Cultural empathy is an understanding of what is distinctive about the way of life of a particular group of people. Many differ­ences in behavior stem from social and religious, customs and Lan­guage.
* Information that is generated through research has proved to be a key component in developing successful marketing strategies**.**

**5.2.2 The Scope of International Marketing Research**

The scope of international marketing research covers three types of research based on the information that may be required. Theses are:

* General Information about the country, area, or market.
* Information necessary to forecast future marketing requirements by anticipating social, economic, and consumer trends within specific markets or countries.
* Specific market information used to decide on 4 Ps of the marketing mix. (These 4 Ps are Product, Price, Place, and Promotion decisions).

The wider scope of international marketing entails that the researcher must collect information on the following:

* Economic environment and trends for both the home and foreign countries.
* Sociological and poltical climate.
* Overview of market conditions and market segments.
* Technological environment.
* Competitors’ market shares, methods of segmentation and their apparent strategies on international scope.
* Cultural differences.

**5.3 THE MARKETING RESEARCH PROCESS**

Five major steps are involved in the marketing research process. Each step must be performed sequentially and systematically to arrive at a solution to a problem. The following are the steps in the marketing research process:

**Step 1: Problem Definition**

Defining the problem is one of the most important steps in marketing research. Problem definition occurs when you have identified the problem that your proposed program of research intends to address. A marketing researcher should clearly state the problem.

**Step 2: Design the Research**

**i)** State whether you will use a **qualitative** or **quantitative** research methodology.

**ii) Determine the data collection Method.**This may be either through any of the

following methods :

* Observation method.
* Survey method.
* Experimental method.

**iii) Determine the contact methods.** This may be done

through any of the following or a combination of them:

* Face to face contact or interviews.
* Telephone.
* Mail, or email.

**iv)Design the sampling plan**

* From which population will the sample of respondents be drawn from.
* What will be the sample size
* What will be the method of sampling

**Step 3: Obtaining Data**

Data must be obtained and examined in relation to the problem being studied. The word data means facts.

There are two types of data used in marketing research. These are primary data and secondary data.

Primary data are raw facts and figures obtained for the first time and used specifically for the particular problem under study.

Secondary data are facts that have already been collected, and are used for some other purpose than the current study.

Primary data may be obtained using the following methods:

**i).The survey method :** This is a research technique in which information is gathered from people directly through the use of questionnaires. This is a written list of questions pertinent to the identified problem. The survey method is the most frequently used method for collecting primary data.

**ii).The Observation Method:** The observation method is a research technique in which the actions of people are observedand recorded. This method is frequently used to get information about employee performance or customer behavior. The observation technique may either use natural or contrived observations.

With natural observation, customers or employee are observed by the researcher as they would naturally act in a given situation. For example the researcher may personally observe the customers as they shop, enter or leave a store. Sometimes, the researcher may choose to use hidden cameras to observe the customers or people under study.

Some observations are contrived (devised). For example, observers pose as customers to measure the effectiveness of the selling techniques used by sales people. The salespeople are observed with respect to approach, sales presentation, product knowledge, and suggestion selling.

For the observation technique to be successful, data from the observation must be recorded, actions must be identified and behaviours noted.

**iii). Experimental Methods:** this is a research technique in which one or more marketing variables are observed under controlled conditions.

For example, a business may want to compare the effectiveness of two different advertisements. To do so, the researcher will select two similar groups of consumers. One group is shown one advertisement, and another group is shown the other.

The adverts are the variables, while the two groups are the controlled condition.

If one advert gets a better response, the business may choose it for its advertising campaign.

The experimental method of marketing research is least used often. This is because of high costs of setting up the research situation.

**Step 4 : Data Analysis**

The third step in the marketing research process is data analysis. Data analysis is the compiling, analyzing and interpreting the results of primary and secondary data collection.

The accurate compiling of data allows marketing researchers to carefully analyze and interpret data in order to make recommendations to management regarding the problem being studied.

**Step 5 : Recommending solutions to the Problem**

Successful research usually results in the development of several alternatives or recommendations for solving a problem. Recommendations must be well written and well organized so that the appropriate business managers will understand them. This means the recommendations must be clear and well supported by the research data.

A typical research report outline includes:

* Title page.
* Acknowledgements to people who assisted in the research effort.
* Table of contents.
* Lists of tables, figures, charts, and graphs.
* Introduction (includes the problem under study, its importance, definitions, limitations of the study, and basic assumptions).
* Literature review (including the results of any secondary data reviewed for purposes of the research effort).
* Procedures used (research techniques used to obtain primary data).
* Findings
* Recommendations.
* Summary and conclusions.
* Appendices.
* Bibliography.

**Step 6 : Report the Results to the Decision Maker**

Report your findings in line with the objectives of your research. This is especially easier if at the beginning your marketing research started with clearly defined objectives.

**Step 7: Implementing the Findings**

After a research effort has been completed, the findings of the marketing research should be implemented.

Once the recommendations have been implemented, a business should carefully monitor the results. A Business needs to know whether the specific actions taken are successful and to what extent are they successful.

If for instance, the implemented recommendations lead to increased profits through better sales, increased efficiency, reduced expenses, or better opportunities, then the research effort has been worthwhile.

The results obtained through the marketing research effort should become part of the total information available to business for making future decisions.

# 5.4 SEGMENTING, TARGETING AND POSITIONING

# 5.4.1 INTERNATIONAL MARKET SEGMENTATION

**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.

Market Segmentation represents an effort to identify and categorize groups of customers and countries according to common characteristics7-2

International Market Segmentation may also be defined as the process of identifying specific segments—whether they be country groups or individual consumer groups—of potential customers with homogeneous attributes who are likely to exhibit similar responses to a company’s marketing mix7-5

Market segmentation approaches are basically used to identify the target clients.

Companies can segment international markets using one or a combination of several variables. The most common forms of market segmentation practices are as follows −

## Geographic Segmentation

Marketers may segment by **geographic location**. This may be by regions such as Western Europe, the Middle East, Africa or the Pacific Rim, or by nations, states, countries, cities, or neighborhoods.

Geographic segmentation assumes that nations close to one another will have many common traits and behaviors.

## 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.

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.

## 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.

## 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.

**Economic Factors**

World markets can also be segmented on the basis of **economic factors**. For example, countries might be grouped by their level of economic development and by population income levels. A country’s economic structure shapes its population’s product needs and therefore, the marketing opportunities it offers.

**Political and Legal Factors**

Countries can be segmented by **political and legal factors** such as the type and stability of government, its receptivity of foreign firms, monetary regulations, and the complexity of bureaucracy. Such factors play a crucial role in a company’s choice of which countries to enter and how.

**Cultural Factors**

**Cultural factors** can also be used i.e. grouping markets according to common language, religions, values and attitudes.

**Country Characteristics**

In international markets, on the other hand a further dimension has to be considered, namely that of country characteristics. International markets can therefore be segmented in a two-step process.

First the macro segment composed of individual or groups of countries can be identified based on national market characteristics. Then, within each macro-segment, the market can be further sub-divided based on customer characterization.

The operational distinction between country characteristics and customer characteristics is that country characteristics are common to all customers of the given country such as national character or dominant cultural patterns. Customer characteristics on the other hand are those characteristics which enable a distinction among various customers within a country such as social classes, age, sex, etc.

**Evaluating and selecting market segments**

In evaluating different segments, a firm must look at the segment’s current size and growth, overall attractiveness and the firm’s resources and objectives.

Some attractive segments may not mesh with the firm’s long-run objectives or the firm may lack one or more necessary competencies to offer superior value.

**5.4.2 Targeting**

TARGETING is the process of evaluating segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond. Focus on the segments that can be reached most effectively, efficiently, and profitably7-

## a) Selecting Target Markets

After you segment buyers and develop a measure of consumer insight about them, you can begin to see those that have more potential.

A market worth targeting or an attractive market should have the following characteristics:

* **It is sizeable (large) enough to be profitable given your operating cost.**
* **It is growing.** The number of people with fincial resources to spend on various products is increasing, the middle class is growing rapidly, etc. making it a very attractive market for the products of international companies.
* **It is not alreadyswamped by competitors, or you have found a way to stand out in a crowd.**
* **Either it is accessible or you can find a way to reach it.**
* **The company has the resources to compete in it.**
* **It “fits in” with your firm’s mission and objectives.**

## b) Target-Market Strategies

## Multisegment (Differentiated) MarketingStrategy

Most firms tailor their offerings in one way or another to meet the needs of different segments of customers. Under this type of targeting, a firm may focus on two or more distinct markets. It attempts to target a wider market coverage.

Under this strategy, a firm will target several market segments and designs separate offers for each.

By offering product and marketing variations to segments, companies hope for higher sales and a stronger position within each market segment. Developing a stronger position within several segments creates more total sales than undifferentiated marketing across all segments.

A multisegment marketing strategy can allow firms to respond to demographic changes and other trends in markets.

## Concentrated (Niche) Marketing Strategy

## Another market targeting strategy is the concentrated marketing. Concentrated or Niche marketing involves targeting a very select group of customers This strategy focus on going after a large share of one or a few segments or niches.

## Through concentrated marketing, the firm achieves a strong market position because of its greater knowledge of consumer needs in the niches it serves and the special reputation it achieves. It can market more effectively by fine tuning its products, prices, and programs to the needs of the defined segments.

## It can also market more efficiently, targeting its products or services, channels and communications programs toward only consumers that it can serve best and most profitably.

## This strategy is especially suitable to those companies whose resources are limited.

# Standardized(Mass) Marketing Strategy

# Under this strategy a firmmight decide to ignore market segment differences and target the whole market wth one offer. This mass marketing strategy focuses on what is common on the needs of consumers rather than on what is different. The company designs a product and marketing program that will appeal to the largest number of buyers.

# The challenge with this strategy is that difficulties may arise in developing a product that will satify all consumers. Mass marketers often have challenges competing with more focused firms that do a better job of satisfying the needs of specific segments and niches.

# The problem is that buyers are not all alike. If a competitor comes along and offers these groups a product (or products) that better meet their needs, you will lose business.

# Microtargeting (Micromarketing) Strategy

# Concentrated and differentiated marketers tailor their offers and marketing programs to meet the needs of various market segments and niches. At the same time, however, they do not customize their offers to each individual customer. Microtargeting is the practice of tailoring products and marketing programs to suit the test of specific individuals and locations. Micromartargeting includes local marketing and individual marketing,

# Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups, cities, neigbourhoods, and even specific stores.

# Indivisual marketing in the extreme, micromarketing becomes individual marketing as it requires tailoring products and marketing programs to the needs and preferences of individual customers.This kind of marketing is also known as one-to-one marketing,

**5.4.3 Positioning**

# Positioningis thelocating of a brand in the consumers’ minds over and against competitors in terms of attributesandbenefits that the brand does and does not offer.

# Beyond deciding which segments of the market it will target, the company must decide what positions it wants to occupy in those segments.

# A product’s position is the place the product occupies in consumers’ mind relative to competing brands. It is the way the product is defined by consumers on important attributes. Positioning involves implanting the brand’s unique benefits and differentiation in customers’ mind.

To simplify the buying process, customers organize products and companies into categories and position them in their mind. So, a product’s position is the complex set of perceptions, impression and feelings that customers have for the product compared with competing brands.

Customers position products with or without the help of marketers. But marketers do not want to leave their product’s position to chance. They must plan positions that will give the products the greatest advantage in selected target markets and they must design marketing mixes to create these planned positions.

# 5.4.4 Positioning Strategies

# Global consumer culture positioning

# Global consumer culture positioning identifies the brand as a symbol of a particular global culture or segment. This is ommon with high-tech products.

# Foreign consumer culture positioning

# Foreign consumer culture positioning associates the brand’s users, use occasions, or product origins with a foreign country or culture

# Local consumer culture positioning

# Local consumer culture positioning identifies with local cultural meanings. Consumed by local people. Locally produced for local people. Used frequently for food, personal, and household non-durables.

**5.4.5 Choosing Positioning Strategies**

The goal of positioning is to locate the brand in the minds of consumers to maximize the potential benefit to the firm. The result of positioning is the successful creation of a customer-focused value proposition.

Some firms find it easy to choose their positioning strategy. For example, a firm that will be known for quality in certain segments will go for this position in a new segment if there are enough buyers seeking quality. Each firm must differentiate its offer by building a unique bundle of benefits that appeal to a substantial group within the segment.

The **positioning** task consists of the following **steps:** identifying a set of possible competitive advantages upon which to build a position, choosing the right competitive advantages, selecting an overall positioning strategy and effectively communicate and deliver the chosen position to the market.

**a) Identifying Possible Competitive Advantages**

The key to win and keep the target customers is to understand their needs than competitors do and to deliver more value. If the company cab be ble to position itself as providing superior value, it can gain competitive advantage.

If the company positions its product as offering the best quality, it must then deliver the promised quality. Thus, positioning begins with actually differentiating the company’s marketing offer so that it will give consumers more value than competitors’ offers do.

A company’s marketing offer can be differentiated along the line of product, services, channel, people or image.

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

**Product differentiation** takes place along a continuum. At one extreme, we find products that allow little variation like steel, aspirin. On the other extreme, there are products that can be highly differentiated such as automobile, clothing, furniture. Such products can be differentiated on features, performance, or style and design. Companies can also differentiate their products on such attributes as consistency, durability, reliability or reparability.

Beyond differentiating its physical product, a firm can also differentiate the service that accompanies the product. Some companies gain **service differentiation** through speedy, convenient and careful delivery. Installation can also differentiate one company from another. Some companies differentiate their offers by providing customer training service or consulting service, information system that buyers need. Firms that employ channel differentiation (coverage, expertise and performance), gain competitive advantage through the way they design their channels coverage, expertise and performance.

Companies can gain a strong advantage through **people differentiation**-hiring and training better people than competitors.

Even when competing offers look the same, buyers may perceive a difference based on company or brand image differentiation. A company or brand image should convey the products’ distinctive benefits.

Developing a strong and distinctive image calls for creativity and hard work.

**Cultural symbol positioning** involves an item or brand achieving unique status within a culture or region. Cultural symbols reflect a characteristic of a nation or region and may evolve from popular culture, religion, or other factors that make an area distinct.

Consumers often buy a product when it is viewed as a cultural symbol.

**b) Choosing the right Competitive Advantages**

Suppose a company is fortunate enough to discover several potential competitive advantages. It now must choose the one on which it will build its positioning strategy. It must decide how many differences to promote and which ones.

* **How many points of difference to promote?**

Many marketers think that companies should aggressively promote only one benefit to the target market. Other marketers think that companies should position themselves on more than one points of difference. This may be necessary if two or more companies are claiming to be best on the same product attribute. Today, it is a time where mass market is fragmented into many small segments. Companies are trying to broaden their positioning strategies to appeal to more segments.

* **Which difference to promote?**

Not all differences are meaningful or worthwhile; not every difference makes a good differentiator. Each difference has the potential to create company costs as well as customer benefits. Therefore, the company must carefully select the ways in which it will distinguish itself from competitors. A difference is worth establishing to the extent that it satisfies the following criteria:

**Important:**It is important if the difference delivers a highly valued benefit to target buyers.

**Distinctive:**It is distinctive if competitors do not offer the difference, while your company can offer it in a more distinctive way.

**Superior:** The difference is superior when compored with the products and services offered by competitors.

**Communicable:** The difference is communicable and visible to buyers.

**Preemptive:** This when ompetitors cannot easily copy the difference.

**Affordable:**This when buyers can afford to pay for the difference.

**Profitable:** This when the company can introduce the difference profitably.

**Brand’s points of parity:**These are those elements that are considered mandatory for a brand to be considered a legitimate competitor in its specific category. It is what makes consumers consider your brand, along with competitors.

Thus, to create a competitive advantage and give the customers reasons to why they should buy the company’s products, it is essential that the brand is associated with unique and meaningful points of difference. Some associations do not need to be unique for the customer, they just need to be atleast as favourable as the competition, and those are called points of parity.

Points of parity are essential to have so that the customers do not rule out the brands or products just because they lack something that the competitor has.

In other words, points of parity are the features and benefits that your business must have for your brand to be considered a legitimate competitor in its specific category. Points of parity are the reasons consumers add your brand to their list of alternatives for consideration.

**c) Selecting an overall positioning strategy**

Consumers typically choose products that give them the greatest value. Thus, marketers need to position their brands on the key benefits that they offer relative to competing brands. The full positioning of the brand is called the brand’s value proposition-the full mix of benefits upon which the brand is positioned. It is the answer to the customers’ question “why should I buy your brand”. The following are some of winning value propositions upon which companies can position their products:

**More for more:** this positioning strategy involves providing the most upscale product and charging a higher price to cover the higher costs.

**More for the same:** companies can attack competitors’ having more for more positioning by introducing a brand offering comparable quality but at a lower price than the competitors..

**The same for less:** can be a powerful value proposition everyone likes. Companies following this positioning do not claim to offer different or better products; instead they offer many of the same brands at deep discounts based on superior purchasing power and low cost.

**Less for much less:** a market always exists for products that offer less and therefore costs less. Few people need, want or can afford “the very best” in everything they buy. In many cases, consumers will gladly settle for less than optimal performance.

**More for less:** of course, the winning value proposition would be to offer more for less.

**d) Communicating and delivering the chosen position**

Once it has chosen a position, the company must take strong steps to deliver and communicate the desired position to target customers. All the company’s marketing mix efforts must support the positioning strategy.

If the company decides to build a position on better quality and service, it must first deliver that position.

Once the company has built the desired position, it must closely monitor and adapt the position over time in order to match changes in customers’ needs and competitors’ strategies.

**5.5 ACTIVITY**

Discuss segmentation, targeting, and positioning in foreign markets.

**UNIT 6 : INTERNATIONAL MARKETING STRATEGY**

**6.1 LEARNING OBJECTIVES**

By the end of this unit, you should be able to**:**

* Discuss global business entry strategies.
* Discuss product strategy,
* Explain pricing strategy
* Describe distribution strategy.
* Discuss advertising strategy.

**6.2 GLOBAL ENTRY STRATEGIES**

A company that wants to go international has several ways of entering foreign markets. The following are the various modes of foreign market entry that a company may consider**:**

**(a) Indirect Export**

(i) Occasional exporting is a passive level of involvement in which the company exports from time to time either on its own initiative or as a response to unsolicited orders from abroad.

(ii) Active exporting takes place when the company makes a commitment to expand its exports to a particular market.

(iii) Indirect exporting i.e. they work through independent intermediaries to export their product.

**(b) Direct Export**

A copany may opt to enter a foreign market by exporting its products directly into that foreign market.

Outlined below are the the ways through which a company may carry out its direct exporting.

(i) Domestic based export department or division.

(ii) Overseas sales branch or subsidiary.

(iii) Travelling export sales representatives.

(iv) Foreign based distributors or agents (who may havethe right to represent the company in that country).

**c) Licensing Arrangements**

Licensing is a method of entering a foreign market in which the company establishes licensing arrangements with a foreign firm whereby the foreign enterprise is granted the right to use the exporting company’s know- how, patents, processes or trademarks according to the terms of agreement.

In other words, licensing may include a number of contractual agreements whereby intangible assets such as patents, trade secrets, know – how, trade marks and brand names are made available to a foreign firm in return for a fee.

Thus, patent licensing, turn key operations, co – production, technical and managerial know – how and licensing agreements are all part and parcel of international marketing.

**d) Joint Ventures**

This involves entering foreign markets by joining with foreign companies to produce or market a product or service. A joint venture comes into existence when a foreign investor acquires interest in a local company and vice versa or when overseas and local firms jointly form a new firm.In countries where fully owned firms are not allowed to operate, joint venture is the alternative.

**e) Direct Investment (Wholly Owned Manufacturing)**

This involves entering a foreign market by developing foreign based assembly or manufacturing facilities. A company with long term interest in a foreign market may establish fully owned manufacturing facilities. Factors like trade barriers, cost differences, government policies etc. encourage the setting up of production facilities in foreign markets. Manufacturing abroad provides the firm with total control over quality and production.

**f) Contract manufacturing**

This is a joint venture in which a company enters into contracts with manufacturers in a foreign market to produce a product. Thus, when a firm enters into a contract with another firm in a foreign country to manufacture or assemble the products, it is known as contract manufacturing. Contract manufacturing has important advantages such as low risk, low cost and easy exit.

**g) Management contracting**

This is a joint venture in which the domestic firm supplies the market know-how to a foreign company that supplies the capital. The domestic firm exports management services rather than products. Thus, under a management contract the supplier brings a package of skills that will provide an integrated service to the client.

**h) Third country location**

When there is no commercial transactions between two countries due to various reasons, a firm which wants to enter into the market of another nation, will have to operate from a third country base. For instance, a Malawian company’s entry into Uganda through bases in Kenya.

**i) Mergers and Acquisitions**

Mergers and Acquisitions is where a company may acquire or merge with a foreign company. Mergers and Acquisitions provide access to markets, distribution network, new technology and patent rights. It also reduces the level of competition for firms which either merge or acquires.

**j) Strategic alliances**

A firm is able to improve the long term competitive advantage by forming a strategic alliance with its competitors. The objective of a strategic alliance is to leverage critical capabilities, increase the flow of innovation and increase flexibility in responding to market and technological changes. Strategic alliance differs according to purpose and structure.

## k) Internet

## With the change in recent trends, a large number of innovative enterprises promote their goods and services on the internet through E-marketing. For example, online shopping websites like Amazon provide a wide range of products for all age groups. A customer only needs an active internet connection to browse through the website and order any product of his choice.

**6.2 PRODUCT STRATEGY**

An international product strategy encompasses of all decisions that relate to the firm's product and services offerings in the international marketplace. It comprises decisions on which products will be offered in each country market, decisions on product standardisation or customisation and new product development.

The *international product strategy* is often regarded as the core of the international marketing mix strategy.

Several types of international product strategies can be distinguished. Broadly speaking there are **three** alternative product strategies as indicated below

**a) Standardization (Product Extension)**

This involves the extension of the home-grown product strategy to foreign markets and selling the same product abroad.

Companies here extend the same product marketed successfully in the home country to other parts of the world without modifications. Such a move is often adopted when enough loyalty has been earned by the product in the home markets and companies can depend on the similarities of tastes and product use conditions by a large segment of customers abroad. Generally, the food and beverages industry has been adopting this line of extension wherever the laws of the land do not insist on significant modifications to the products.

These firms are basically ethnocentric in their approach and adopt their own niches in foreign countries to sustain a large chunk of business.

**b) Product Adaptation (Product Modification)**

This involves modification of products for each foreign market according to local requirements

Marketing strategies in a country-by-country basis are tailored with the peculiarities of the local market. By this, product adaptations are considered as necessary strategy in order to cater to the different needs of customers in various countries.

An analysis should be made of any modifications required in the products, packaging changes needed, labeling requirements, brand name, and after-sales services expected.

Many products must undergo significant modifications if they are to satisfy consumer and market requirements abroad. Other products require changes at the discretion of the producer only to enhance their appeal on export markets. Products may be modified in respect of quality, size, shape, color, material etc. Product strategy includes packaging, branding and product service.

**c) Product Development (Invention Strategy)**

Many firms now develop new products with global markets in mind. These global products are based on cores and derivatives. The product core might be the same for all products in all regions. An extended core might apply for each region but differ across regions. Each region might launch product derivatives specific to the regional conditions. This core strategy allows for maximizing the appeal of different configurations, while maintaining a stable product base and thus reducing basic development costs.

The shift from local to global development requires that the company consider the unique or special concerns for major markets from the outset.

**6.3 PRICING STRATEGY**

 Price is the amount of money charged for a product or service. Price is sum of product, service, profit & brand. Price includes the cost of producing product, providing any needed services that may accompany the product, the amount of profit in order to stay in business.

Often firms or organisations will try to portray the best quality or the lowest price. Therefore, price can be a direct reflection of quality or even perceived quality. There are several basic pricing strategies, some of which are outlined below:

**a)Economy and PremiumPricing**

Premium pricing is adopted when there is a substantial competitive advantage, and the product or service is unique. On the other hand, economy pricing strategy is adopted when the cost of marketing and manufacturing is kept at a minimum. Thus, the cost of marketing a product is kept as low as possible. Supermarkets often have economy brands for soups, spaghetti, biscuits, etc.

Budget airlines are popular for keeping their overheads as low as possible and then providing the customer a comparative lower rate to fill an aircraft. The first few seats are sold at a very low rate almost an advertisement rate price and the middle majority are economy seats, with the highest rate being sold for the last few seats on a flight i.e. in the premium pricing strategy. During times of recession, economy pricing records more purchase.

**b) MarketPenetration Pricing**

Penetration pricing is the strategy that involves setting relatively low introductory prices for a new products. Thus, the initial price of a new product is set very low in order to enable the company earn a market share.

Thus, the purpose of penetration pricing is to encourage as many people as possible to buy the product and thus enable the firm penetrate the market.

Under this strategy, prices are set first low in order to attract new customers and to gain market share, and then the price is increased after the market share has been achieved.

**c) Market SkimmimgPricing**

This is a pricing strayegy that sets a very high price for a new product to capitalize on the high demand for the product during its introductory period. The high price is geared toward trendsetters, who are generally willing to pay higher prices in order to be the first to own the new product.

This strategy is often used when a new product is introduced into the market, and is in great demand.

The idea behind this pricing strategy is to gain high profits as well as to try and quickly cover the research and development costs of the new product.

**d) Competitive Pricing**

A company may decide to sell its products at a comparable price. Thus, it may be necessary to set the price not too high or too low, but just in line with other competitors. Prices are tagged to the competition and profits are acceptable.

Certain products and services always seem to be priced about the same at all selling locations in given geographical area, for example, gasoline, and basic groceries.

**e) Markup Pricing**

Many prices are based on the cost that the firm paid for an item plus an amount to cover the expenses and then add the profit.

A Markup is an amount added to the cost of a product to determine the selling price. The markup includes operating costs and a profit on the item.Markups are commonly stated in percentages. For example, a company may use a 40 percent markup on its products.

For an item that costs $50, a 40 percent mark up would result in a $70 selling price.

To determine the selling price, multi-ply the cost by the markup percentage; then add this result to the cost. For example, 0.4 multiplied by 50 (or 40 percent of $50) is equals to $20. You must add $20 to $50 to determine the selling price. In this case the answer will be $70.

**f) Psychological Pricing**

**Psychological Pricing refers to techiniques that are used to create an illusion for customers or that makes buying easier for them.**

The psychology of retail pricing is probably more important than the price itself. For example, the psychology of not using values ending in “0” or “1” in the price gives the customer the perception of saving. For example, $19.99 is viewed as a greater value over a product priced at an even $20. Logically, the customer knows the difference is not great. But there is still that sense of saving.

Even number such as K10, K50, K300 presents a quality image, while odd numbers such as K71, K69, K121 presents bargain image.

Value Bundling gives the customer the feeling of getting something. For example, buy one, and get second free.

Discounting also builds loyalty and encourages bulk purchases. Percentage off the normal retail price attracts customers and, the greater the discount, the happier the customer would be.

**6.4 DISTRIBUTION STRATEGY**

A distribution strategy is a method of disseminating goods or services to end-users. Implementing the most efficient distribution method for your business is key to obtaining revenue and retaining customer loyalty.

A distribution strategy may also be defined as a comprehensive process of making products and services available to businesses and target customers for their use.

A company should work out its distribution strategy very carefully so that its product reaches the consumer at the right place and right time with reasonable cost.

Implementing the most efficient distribution method for your business is key to obtaining revenue and retaining customer loyalty.

At its core, distribution strategy should be based on your ideal customer — how does the average client buy goods? How could you, as a producer, make the purchasing process easier?

In essence, a good distribution strategy should have the following objectives.

* Movements of Goods
* Availability of Goods
* Protection of Goods
* Cost Reduction
* Customer Satisfaction

The potential exporter or international marketer should consider the following distribution on options:

* Exporting through a domestic exporting firm that will take over full responsibility for finding sales outlets abroad.
* Setting up its own export organization.
* Selling through representatives abroad.
* Using warehouses abroad.
* Establishing a subsidiary.

The choice of distribution channel will depend on the firm’s export strategy and export market.

## 6.4.1 Types of ****Distribution Strategies****

The following are the major types of distribution strategies that are applied in the current market.

### ****a) Direct Distribution**** Strategy

Direct distribution involves the manufacturer directly selling to the consumer. It may include a selling platform such as an e-commerce store, but as long as the length of the distribution channel is minimal the process will be considered as a direct distribution process.

Modern [retail brands](https://www.marketingtutor.net/multi-channel-retailing/) are also examples of direct distribution channels. These brands prefer to have single channel manufacturers and set up their own shop to sell their products. Clothing brands, fast-food brands, etc. make use of the direct distribution strategy for quick access to their consumer base.

### ****b) Indirect Distribution**** Strategy

When the chain of distribution channel is long and includes various steps, the process is considered to be indirect distribution. If a brand creates a product, sends it over to specialists, who then send it to a distributor followed by the retailer where the customer finally buys it, the process will be termed as indirect distribution.

International Brands such as Pepsi or Nestle are great examples of indirect distribution. These brands use multiple distribution channels that include various distributors and retailers to make their products available across the entire world.

### ****c) Intensive Distribution**** Strategy

Sometimes the categorization of distribution strategies is not simply based on the size of the distribution channel, but also on its goals and capabilities. One such strategy is intensive distribution also known as Mass distribution.

When products are destined for a mass market, the marketer will seek out intermediaries that appeal to a broad market base. For example, snack foods and drinks are sold via a wide variety of outlets including supermarkets, [convenience stores](https://en.wikipedia.org/wiki/Convenience_store), [vending machines](https://en.wikipedia.org/wiki/Vending_machine), [cafeterias](https://en.wikipedia.org/wiki/Cafeteria) and others. The choice of distribution outlet is skewed towards those that can deliver mass markets in a cost efficient manner.

In other words, intensive distribution is when a brand tries to push its products to maximum market capabilities and cover as much ground as possible. Thus, with intensive distribution strategy, the producer's products are stocked in the majority of outlets.

This strategy is common for mass-produced products such as basic supplies, household goods, snack foods, automobile brands, magazines and soft drink beverages. They all use intensive distribution strategy to ensure that their [products](https://www.marketingtutor.net/product-meaning-definition/) are being catered to the most number of consumers possible. Such a strategy can include a long distribution channel or a short one, depending on the needs of the [target marke](https://www.marketingtutor.net/market-targeting/)t.

### ****d) Exclusive Distribution**** Strategy

In an exclusive distribution approach, a manufacturer chooses to deal with one intermediary or one type of intermediary. The producer selects only very few intermediaries.[[5]](https://en.wikipedia.org/wiki/Distribution_(marketing)#cite_note-kotler-5) Exclusive distribution occurs where the seller agrees to allow a single retailer the right to sell the manufacturer's products. This strategy is typical of luxury goods retailers such as Gucci.

The advantage of an exclusive approach is that the manufacturer retains greater control over the distribution process. In exclusive arrangements, the distributor is expected to work closely with the manufacturer and add value to the product through service level, after sales care or client support services.

**e) Selective Distribution Strategy**

In Selective distributiona manufacturer may choose to restrict the number of outlets handling a product. The producer relies on a few intermediaries to carry their product.[[5]](https://en.wikipedia.org/wiki/Distribution_(marketing)#cite_note-kotler-5) This strategy is commonly observed for more specialised goods that are carried through specialist dealers, for example, brands of craft tools, or large appliances.

With this strategy, products are distributed in more than one location, but not in as many as with an intensive distribution strategy. For example, a manufacturer of premium electrical goods may choose to deal with department stores and independent outlets that can provide added value service level required to support the product.

Dr Scholl orthopedic sandals, for example, only sell their product through pharmacies because this type of intermediary supports the desired therapeutic positioning of the product.

Some of the prestige brands of cosmetics and skincare, such as Estee Lauder, Jurlique and Clinique, insist that sales staff are trained to use the product range. The manufacturer will only allow trained clinicians to sell their products.

This can help craft an implicit high-end brand message while also increasing the opportunity for shoppers to purchase one of its products

### f) Push vs pull strategy

In consumer markets, another key strategic level decision is whether to use a push or pull strategy. In a *push strategy*, the marketer uses intensive advertising and incentives aimed at distributors, especially retailers and wholesalers, with the expectation that they will stock the product or brand, and that consumers will purchase it when they see it in stores.

In contrast, in a *pull strategy*, the marketer promotes the product directly to consumers hoping that they will pressure retailers to stock the product or brand, thereby pulling it through the distribution channel.[[7]](https://en.wikipedia.org/wiki/Distribution_(marketing)#cite_note-7)

**6.5 ADVERTISING STRATEGY**

There are three basic schools of thought regarding advertising strategies.These are as follows:

**(a)Standardization**:An international firm may use the standardization strategy to advertise its products. Standardization refers to using the same advertising message for every foreign market that one enters.

Proponents of the standardization school assumes that due to technology and faster communication there is a convergence of markets and that consumers are becoming increasingly similar. They assume that art, literature, tastes, thoughts, religious beliefs, culture, living conditions, language, and, advertising are all converging.

Furthermore, they believe that even though people are different their basic physiological and psychological needs are the same

**Advntages of Standardization.**

* Standardization of advertising can lead to cost reductions due to economies of scale and scope.
* Standardized advertisement themes can provide consistent brand images worldwide.
* Standardization can provide consistent positioning.
* Standardization can allow sharing of experience,
* Standardization can provide consistency of communication,
* It can lead to less duplication of effort and pre-selling of the company’s products

.

**Disadvantages of Standardization**

* It ignores the target group’s need for a meaningful message.
* Standardized advertising is based on homogenous segments and unless this holds in reality, the probability for a communications breakdown increases.
* Standardization may make the advertising unappealing to target segments and thereby decreasing sales resulting in less profits.

**(b**) **Adaptation** (**Individualization**)**:**An nternational business may choose to advertise it products using the adaptation strategy. Adaptation refers to the use of separate messages to reach buyers in different markets by fitting the message to each particular country.

Proponents of the adaptation school points to cultural differences and conclude that advertising must be adapted.

In other words, those who argue for adaptation generally points to differences among nations in terms of cultures, stages of economic development, political and legal system, customer values and lifestyles, taste, and media availabilit. Owing to these differences it is necessary to develop adapted advertising programmes.

**Advantages of Adaptation**

* The advantage of adaptation in advertisin**g** is that it allows responsiveness and adaptation to culture, infrastructure and competition.
* The visual and verbal parts of advertising are particularly sensitive to adaptation. Therefore, the use of local language, models and scenery increases the probability for the advertisement to be effective.
* Consequently, adaptation of creative presentations and decentralized implementations of campaigns can offer greater benefits than less culturally-tied functions.
* When national markets are more similar within than between countries, adaptation results in a more accurate positioning, leading to higher prices due to price discrimination.

**Disadvantages of Adaptation**

* Onedisadvantage of advertising adaptation is increased costs. It is costly.
* Adaptation may also lead to a loss of consistent brand image.

**(c) Compromise:**This strategy is described as a combnation of standardization and adaptation. It is yet another strategy that international marketers may use.

Proponents of this school recognize local differences but also that some degree of advertising standardization is possible.

**ACTIVITY**

Discuss the product strategies for foreign markets.