Lecture 1

What this module is about?

- *Analyse* the factors that are influential in internationalization of businesses.
- *Apply* international marketing theories and internationalization strategies in business cases.
- *Evaluate* the attractiveness of international markets and decide on appropriate market to enter in a given business scenario .
- *Design* a marketing strategy document to export a product to a foreign market.
- *Reflect* on the experience of entering foreign markets by managing a company using a web-based simulation

Assessments

Assessment One

Country Manager Group Presentation

(40% of total marks)

Week Commencing 6 Dec

Online Presentation or in-person

Assessment Two

Marketing Strategy Document

(60% of total marks)

31 January 2022 is the deadline.

Key Textbook

The five-stage decision model in global marketing

Resources for this module

Market Research resources:

- Euromonitor
- Statista
- Newspaper articles
- Market Research Companies
- WTO
- IMF

Macro Economic Research:

- Government website
- WTO
- IMF
- CIA World Factbook

Academic resources:

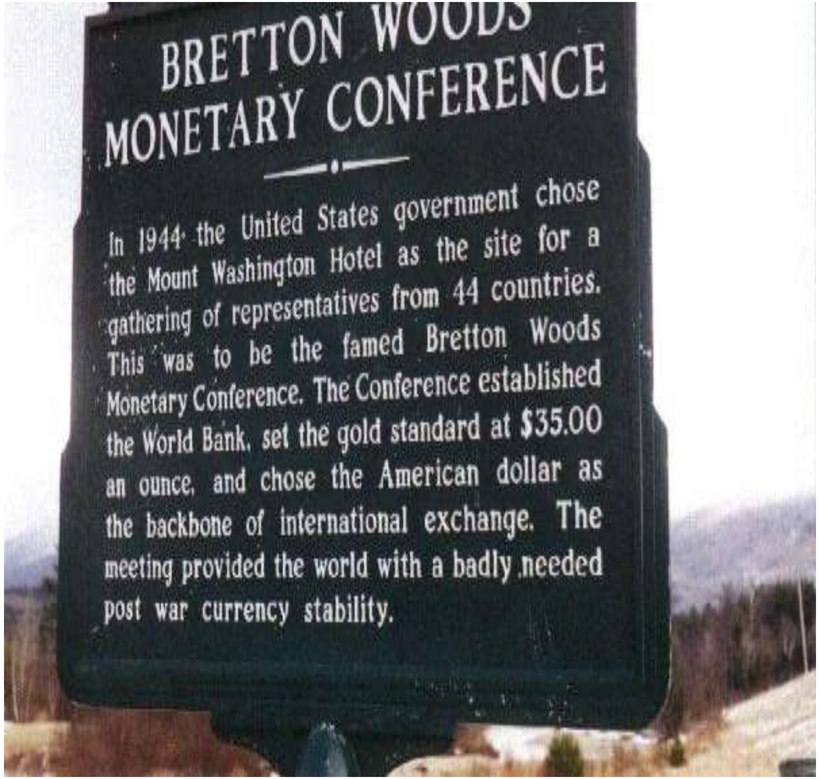
- Any International Marketing Textbook
- Academic Journal Articles.

Today’s Lecture

The International Market Place : Key concepts we should know as global marketers

Outline

- A brief review of trade history, the evolution of international institutions, and their role in international trade.
- Key differences between domestic marketing and international marketing.
- Key concepts that we should know in international trade and marketing.



Encourage Open Markets .

Formation of International Monetary Fund.

Restructuring the world economy.

Trade under liberalism.

US Dollar as the backbone of international exchange.

Important Institutions in World Trade

World Trade Organisation

International Monetary Fund

European Union

MERCESOUR

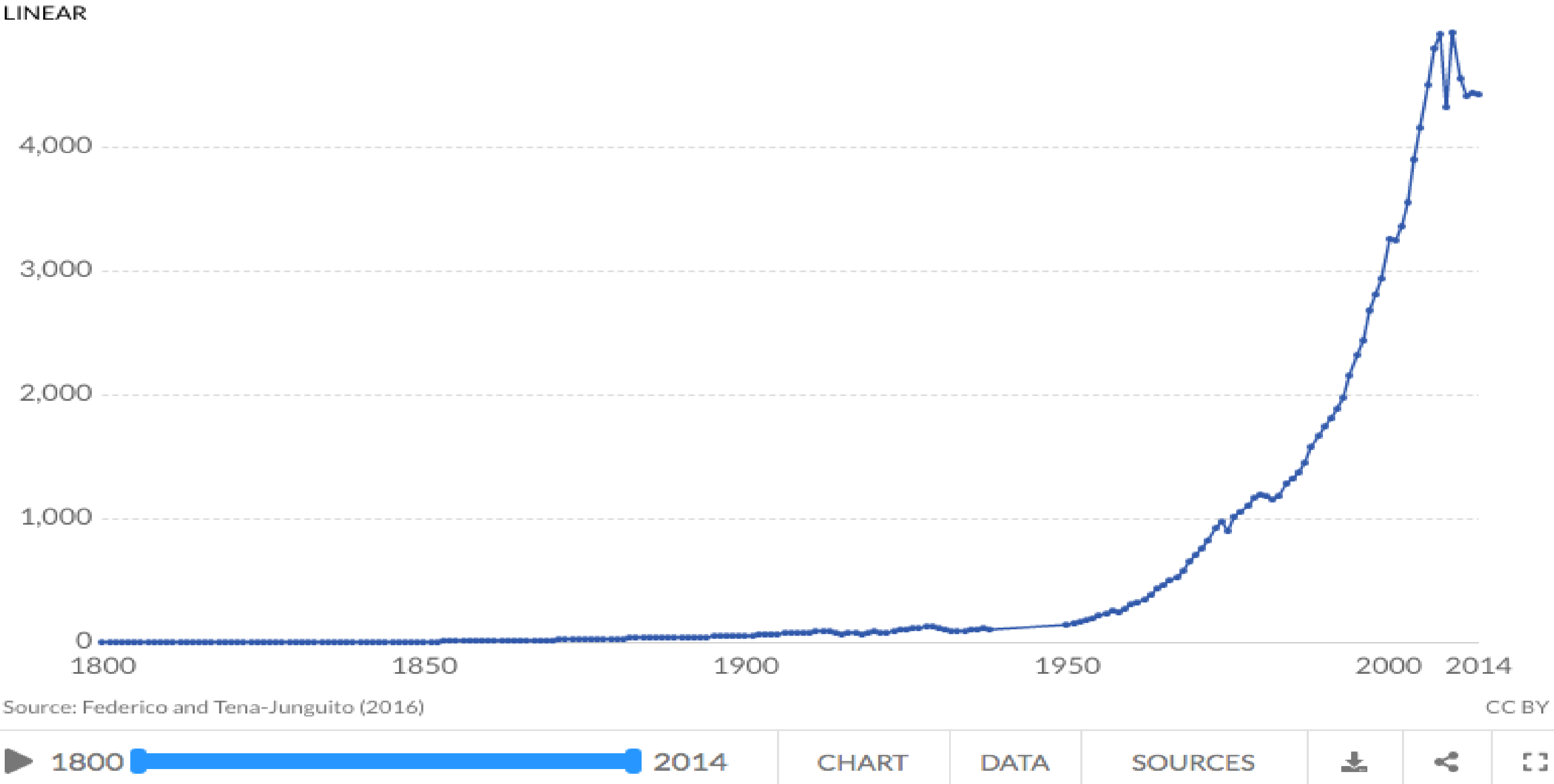
ASEAN

NAFTA

What is a Trade Tariff?

The value of global exports

Time series of value of world exports at constant prices, relative to 1913 (i.e. values correspond to world export volumes indexed at 1913=100)



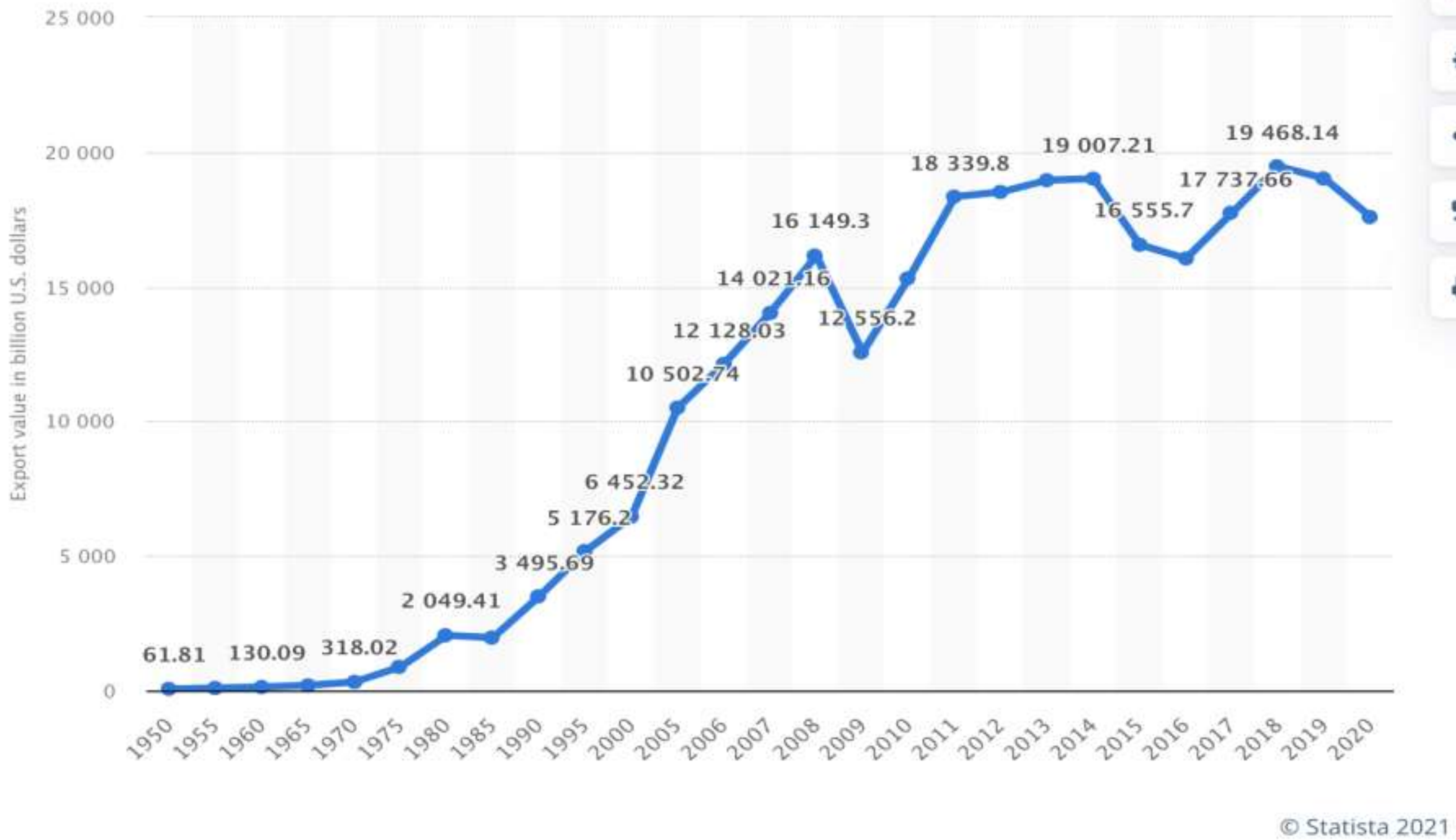
Source: Federico and Tena-Junguito (2016)

In 2018, the global trade value of goods exported throughout the world amounted to approximately 19.5 trillion U.S. dollars.

19.5 trillion USD

In comparison, this figure stood at around 6.45 trillion U.S. dollars in 2000

Source: https://www.statista.com/statistics/264682/worldwide-export-volume-in-the-trade-since-1950/#:~:text=Trade%3A%20export%20volume%20worldwide%201950%2D2018&text=In%202018%2C%20the%20global%20trade,trillion%20U.S.%20dollars%20in%202000.



25 000
20 000
15 000
10 000
5 000
0
Export value in billion U.S. dollars
61.81
130.09
318.02
2 049.41
3 495.69
5 176.2
6 452.32
10 502.74
12 128.03
14 021.16
16 149.3
12 556.2
18 339.8
19 007.21
16 555.7
17 737.66
19 468.14
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100 = trade volumes in 2015

How will COVID-19 affect global trade?

https://iea.org.uk/how-will-covid-19-affect-global-trade/
https://www.wto.org/english/news_e/pres21_e/pr876_e.htm

Question Time !

What factors would affect the future of global trade?

World Trade in the future

Confidence

Supply chains

Trade tensions

Concerns over the Chinese government

Technology

Environmental measures

Domestic vs International Marketing

Domestic	International
Research data is available in a single language and is usually easily accessed	Research data is generally in foreign languages and may be extremely difficult to obtain and interpret
Business is transacted in a single currency	Many currencies are involved, with wide exchange rate fluctuations
Head office employees will normally possess detailed knowledge of the home market	Head office employees might only possess and outline knowledge of the characteristic foreign markets
Promotional messages need to consider just a single national culture	Numerous cultural differences must be taken into account
Market segmentation occurs within a single country	Market segments might be defined across the same type of consumer in many different countries.

Domestic vs International Marketing

Domestic	International
Communication and control are immediate and direct	International communication and control might be difficult
Business laws and regulations are clearly understood	Foreign laws and regulations might not be clear
Business is conducted in a single language	Multilingual communication is requires
Business risks can usually identified and assessed	Environments may be so unstable that it is extremely difficult to identify and assess risks
Planning and organizational control systems can be simple and direct	The complexity of international trade often necessitates the adoption of complex and sophisticated planning, organization and control systems

Key terms/concepts(You will hear frequently throughout this module)

- Internationalisation
- Localisation
- Glocalisation
- Standardisation
- Tariffs
- COGS (Costs of Goods Sold)
- Market Entry Modes
- National Culture
- Risk Index
- Incoterms
- Assessment of attractiveness
- Brand Equity Index
- Economies of Scale
- Value Chain Model
- Competitive Advantage

STOP and Think

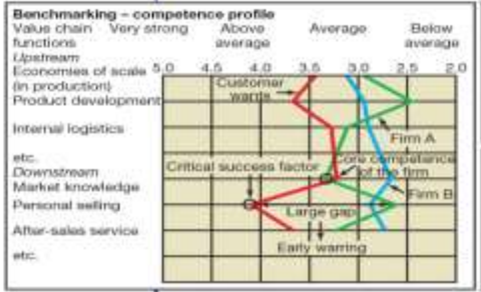
Check the next three slides. It summarises the entire module ! ☺

Tools used in different stages (references to the book)	Process stages	Description

PART I: THE DECISION TO INTERNATIONALIZE

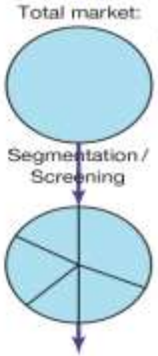
The 'nine strategic windows' model:

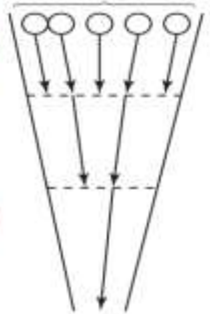
Chapter 1



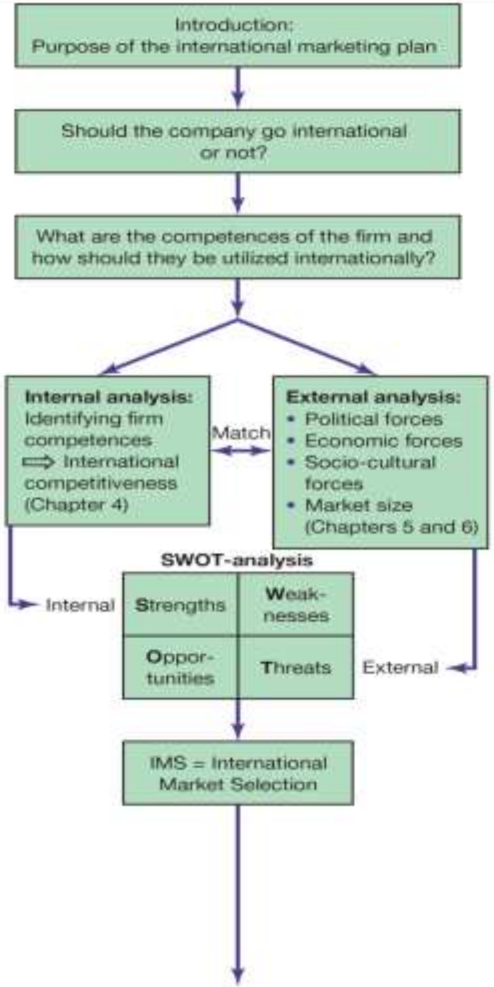
Chapter 4

PART II: DECIDING WHICH MARKETS TO ENTER





See Screening process in Chapter 8



Introduction:
The international marketing plan is based on a firm's mission (purpose of the business) and vision (where do we want to go). Developing an international marketing plan is the systematic process involving the assessment of market opportunities combined with the internal resources, the determination of marketing objectives, and the plan for implementation of the international marketing mix. The plan describes all the marketing activities that the firm should perform during a specified time period (usually one to three years).

The 'nine strategic windows' model:
This model uses industry globalism and the firm's preparedness as criteria for deciding if the firm should go abroad or rather stay at home.

Benchmarking – competence profile:
The customer-perceived value of the different competitor offerings along the value chain provides the necessary input for determining where the firm has got its core competence and where further capabilities should be developed.

SWOT-analysis:
Strengths and Weaknesses (inside your company)
Identify internal strengths and weaknesses of your company. For example education-level, international experience and reputation in your area of expertise are most likely strengths.

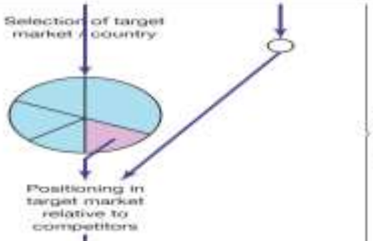
Opportunities and Threats (from outside)
Identify, and rank by order of importance, any threats or opportunities your business may face from outside influences.

The whole issue is to find the right match between the internal and external analysis, i.e. where in the global market can we use our special firm competences?

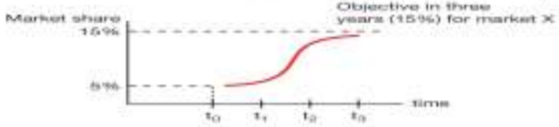
Estimation of total market: Numbers of buyers x average consumption per year.

Segmentation: Relevant segmentation/screening criteria
B2C markets: Demographic: age, income, occupation
Psychographic: lifestyle, preferences, etc.
Geographic: Countries, regions
Behavioural: heavy, medium, light users

B2B markets: Demographic: size of firm, type of industry
Economic: Buying power of customers



See Screening process in Chapter 8



PART III: MARKET ENTRY STRATEGIES

Entry mode strategy:

Increasing internalization ↑	Hierarchical modes
	Intermediate modes
	Export modes

See Chapters 9–12

PART IV: DESIGNING THE GLOBAL MARKETING PROGRAMME

Marketing mix plan (per country and overall)

Marketing mix (activities)	Year 1 (t_1)	Year 2 (t_2)	Year 3 (t_3)
Product Features, quality, name, guarantees, packaging, support services	New variant	New product line and services	Develop new technology / product
Price List price, additional services prices, credit facilities, terms/conditions, allowances	Keep skimming price	Lower price	Stabilize price
Place Distributors, wholesalers, retailers, locations, logistics, e-commerce	Selective dist.	Expand distr. with new partners	New int. markets
Promotion Advertising, direct mail, email, publicity, sales promotion, personal selling, PR, social media	Keep current advertising media	Development of social media campaign	Personal selling

See Chapters 14–17

PART V: IMPLEMENTING AND COORDINATING THE GLOBAL MARKETING PROGRAMME

Implementation of marketing activities	Year 1				Year 2				Year 3				Responsible
(Q – Quarter)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Advertising													XX
Emails													XY
Demonstrations													YX
Personal selling													YY
...													

See Chapter 18

Selection of target market

Positioning in chosen target market

Competitor analysis

Marketing objectives in target market

Entry mode strategy

Developing the international marketing mix (the 4 Ps)

Implementation and Cross-border negotiation

- Geographical market: region (Western Europe, Eastern Europe, Far East, North America etc.) country or area in a country
- Customer type: end-customer, middlemen, OEMs, Global Accounts (GAs)

Competitor analysis:
You'll discover your company's competitive advantage – the reason customers do business with you instead of your competition. By observing the actions of your competitors, you might learn more about your market. For example, does a successful competitor offer reduced prices in a specific market? If so, what might that tell you about the market's spending habits? If you find that your market is saturated with capable competitors ('red ocean'), you can avoid the costly mistake of selecting a target market without adequate demand for your offer. You can then redirect your efforts toward something that will generate more profit with the existing resources base in your company ('blue-ocean strategy').

Marketing objectives:

Meeting marketing objectives should lead to sales. (If not, you need to set different marketing objectives.) They should be clear, measurable, and have a stated time frame for achievement.

In other words the objectives should follow the SMART-concept: **S**pecific, **M**easurable, **A**chievable, **R**ealistic, **T**imeable

Setting your marketing objectives and finalizing the remaining components of your marketing plan may serve as a reality check: do you have the resources and competences necessary to accomplish your objectives?

Example: Increase market share in target market from now (t_0) 5% to 15% in three years (t_3) – is that realistic?

Entry mode strategy:
Once the firm has set its target objectives in target markets the next step is to choose the best way to enter the market. The chosen entry mode can be regarded as the first decision level in the vertical chain that will provide distribution to the next actors in the vertical chain at the national level.

The following characteristics are connected to the three types of entry modes (seen from the manufacturer's perspective):

- Export modes (agent, distributor): Low control, low risk, high flexibility
- Intermediate mode (joint venture, strategic alliance): shared control and risk, split ownership
- Hierarchical modes (Own subsidiary): High control, high risk, low flexibility

Development of the marketing mix:
The international marketing mix section of your plan (the 4 Ps or alternatively the 7 Ps) outlines your game plan to achieve your marketing objectives internationally. It is, essentially, the heart of the marketing plan. The marketing mix section should include information about:

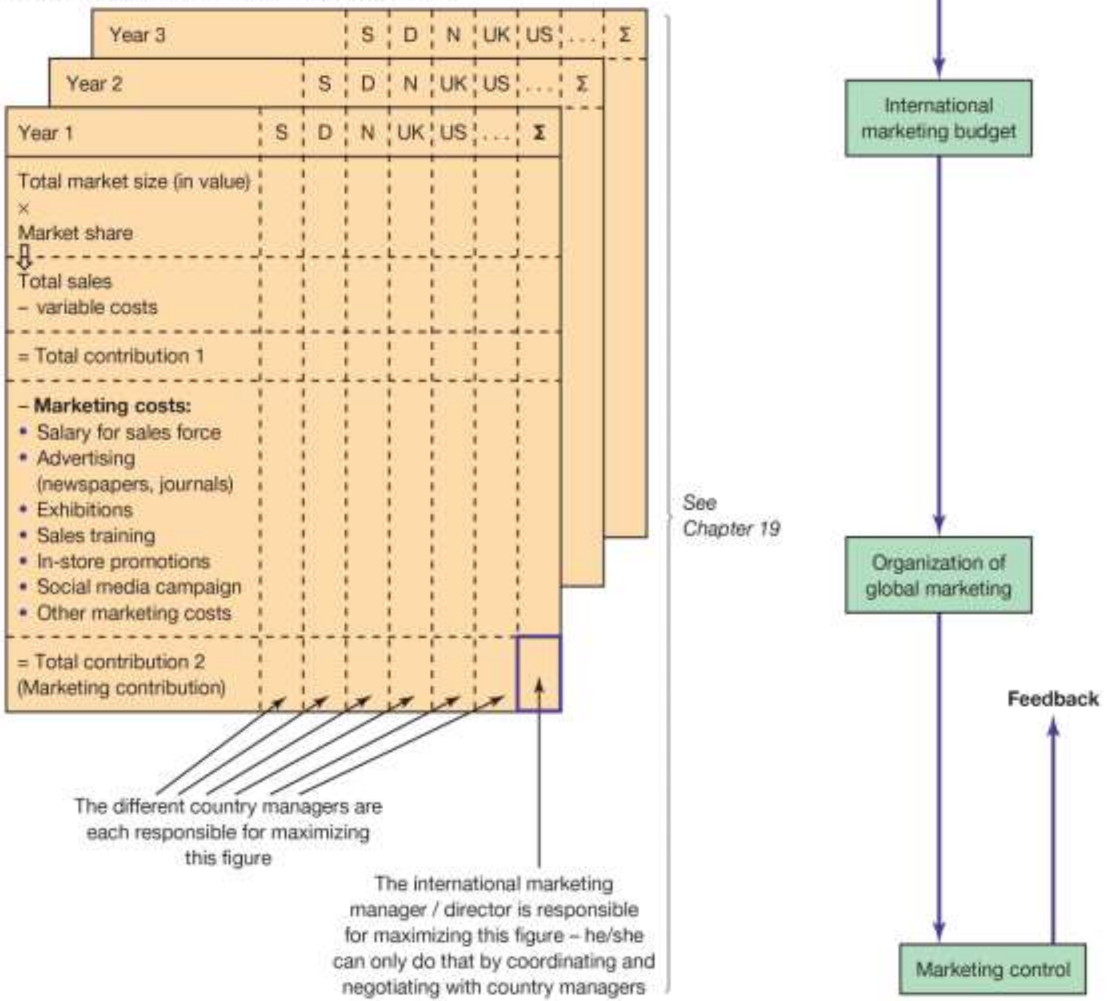
- Product – your offering: product(s) and services
- Price – what you'll charge customers for delivered products and services
- Promotion – how you will promote or create awareness and interest for your product in the marketplace
- Place (distribution) – how you will bring your product(s)/services together with your customers through different channels? How can you create extra value by developing relationships with your customer?

Implementation:
To translate the strategy into action (organizing):

- Assemble the 4P-mix for each product/service (SBU)
- Organize the marketing effort
- *Who* is responsible for the implementation of the activities?
- *When* will the activities take place?
- Internal marketing plan: Sell the the marketing plan inside the organization before going outside. Are there any internal barriers that should be considered?

Cross-border negotiation:
The most fundamental gap influencing the negotiation climate between buyer and seller is the *cultural distance*, represented by differences in communication and negotiation behaviour, the concepts of time, space and work patterns, and the nature of social norms. The cultural distance can be reduced by cultural training and market research.

International marketing budgeting (three years):



Marketing budget:
A marketing budget derived from a tactical marketing strategy must have adequate resources allocated to meet the performance objectives of the strategic market plan. An estimate of market and profit performance is made for each year of a 3 year strategic market planning horizon.

Concerning the figure at the left, the international marketing manager / director is responsible for maximizing the total 'Marketing contribution' for the whole world (Σ). In order to optimize this total marketing contribution (Σ), this person has the right to coordinate and transfer marketing resources across borders, by cooperation and negotiation with country managers, who are responsible for maximizing the 'Marketing contribution' for their single countries.

Organization of global marketing activities:
Different options for organizing these activities:

- Ad hoc exporting
- Functional structure
- International division structure
- Product structure
- Geographical (customer) structure
- Matrix structure
- Global Account Management (GAM)

Marketing control:
Planning and budgeting are the main formal control methods. The budget spells out the objectives and necessary marketing costs to achieve these objectives. Control consists of measuring actual figures against budget figures. If there is tolerable variance then no action is usually taken.

Performance is evaluated by measuring actual against planned performance. The problem is setting a performance standard. Usually it is based on historical performance with some kind of industry average.

Problems of international comparison inevitably occur, like how budgets in different countries are affected by currency fluctuations during the budget period.