International Marketing

Specification requirement— The opportunities and difficulties that face firms operating in the global marketplace.

International Marketing is all about selling a firms goods or services overseas, i.e. Exporting.

When firms are considering moving into overseas markets there are number of possible advantages. These include;

- Higher earnings - margins in overseas markets may exceed those found at home.
- Spreading of risks - this especially related to fluctuations in demand in the home market caused by the Trade Cycle.
- Saturation of home market - the firm may have the finance to expand, but be unable to do so because of competition, or because of lack of new customers in existing market.
- Cashing in on the Brand - new markets means greater return on investment in establishment of a brand identity.
- Benefits of Economies of Scale - producing larger production runs helps to cut costs.

Problems in Dealing with External Markets.

Successful exporting and trading with overseas countries, depends upon an understanding that people all over the world have different needs, priorities, incomes and tastes. Businesses must acknowledge that most products will have to be adapted in some way to suit local cultures, currencies etc. A simple example of this can be seen with pricing, there are excepted price barriers for most products e.g. the £99.95 colour portable TV, just below the psychologically important £100 barrier. What if a business was exporting the TV's to the USA? Should there be a straight price conversion based on exchange rate, so the price in the US was say $180? But what if the psychological barrier in the US was $150 for a portable TV? Sales would suffer.

Cultural differences can have a huge impact on how goods are marketed and sold. Marketing history is littered with examples of firms who have ignored cultural differences at their cost. Examples include the Ford Fiesta, was to be launched with the name Ford Caprino (goats poo in Italian), the leading Scandinavian soft drink Pschitt, which failed in the UK (the name had a silent P), but perhaps the worst case was the America firm Gerber's attempts to sell baby food in Africa, where the label (showing a white baby), was interpreted as meaning that the jar was full of food made from (not for) babies!

There are a number of other factors external to the firm and customer, that must also be considered. These include;

- Exchange Rate Factors - fluctuations can cause lost orders or pressure on pricing and therefore profits.
- Different technological and Health and Safety Standards - these can create extra costs, and prevent access to markets.
- Administrative difficulties - such as customs paperwork.
- Distribution problems - who is to wholesale or retail the goods?

Factors	Home Market	Overseas Market
Economic	• no currency factor • secure financial environment	• currency constantly changing value affecting pricing decisions costs and profitability. • There can exist a highly uncertain environment, with demand patterns changing much quicker than in home markets
Cultural	• no language problem. • known social structure • purchasing habits known	• language barriers. • different social structure • unknown purchasing habits
Technological	• familiar standards • no need to adapt	• different standards • adaptation required.
Legal	• known regulations and requirements. • few political factors	• different regulations. • many political requirements. • lack of rule of law • different expectations of bureaucracy and officials
Demographic	• size and density of population known • known distribution contacts • known climate	• size and density of pop. unknown. • unused distribution contacts. • climate impact on goods
Competitive	• availability of data • known competitors	• unreliable data • unknown competitors

- Competition—do they behave in a different way from existing competition?
- Tariffs and quotas—barriers to trade.

All of these factors mean that firms must be aware of the increased risk that occurs when trading abroad.
The table on the next page summaries differences between home and overseas markets.

Notes.