Section 29 - International Marketing

Learning objectives: By the end of this unit you will be able to:

- Understand the various international market entry modes available to businesses.
- Describe the factors that influence which entry mode will best be selected.
- Differentiate between pan-global and global localization international marketing strategies.

Globalization has affected many areas of business and the phenomenon has become a leading concept over the last few decades. Globalization has altered many areas of business: the economy, business life, society and environment and in a number of different ways. These changes are mostly related to increasing competition and the rapid changes of technology and information transfer. As a result, globalization has impacted greatly on marketing activities as businesses rally to successfully adjust to this dramatic shift.

In the past, selling goods in foreign markets was costly and the risks were high. As a result, only large businesses were able to compete abroad. This has changed as communications and technologies improve, transportation networks increase and free trade agreements become more available. This has enabled smaller businesses to now compete on the global stage and offer their goods and services to the world.

29.1 - Entry Modes

Businesses looking to market their products internationally will have to decide on the most effective way to enter the new market. There are a number of different options available:

- Exporting
- International Franchising
- Joint Ventures
- Licensing
- Direct Investment (subsidiaries)

Businesses will select the most appropriate entry modes based on multiple factors that align with the business strategy. There are a number of important factors that must be considered before businesses attempt to enter foreign markets. The most fundamental include:

- Political differences and risks
- Economic and social differences
- Legal differences
- Cultural differences

29.2 - International Marketing Strategies

Generally, there are two broad approaches that businesses can adopt in order to sell their goods and services internationally: pan-global marketing and global localization.

Pan-global marketing involves a business offering a standardized product across the globe. It views the world as a single market place and sells the same product, in the same way, everywhere. A good example of a pan-global product is Coca-Cola. The product is universal and there are no differences in the ingredients, flavor or taste from region to region.

A pan-global strategy will utilize common products, brand messages and promotional campaigns across the whole globe. There are also limited versions of the pan-global strategy that may be utilized, for example: a pan-European or pan-Asian strategy. These strategies are limited to specific geographical regions where consumers share similar characteristics and cultures.

29.3 - Advantages and Disadvantages

Advantages of a pan-global strategy include:

- A common identity for the product.
- Substantial cost reductions and savings.
- Alignment with a more flat, global market.

There are however some disadvantages to a pan-global strategy that include:

- Sometimes different products are needed to suit cultural or religious variations.
- Legal restrictions in different countries may affect marketing activities.
- Brand names do not always translate effectively in other languages.

Global localization marketing differs from pan-global marketing in as far as products are differentiated to more suit national tastes and cultures. For example, McDonalds vary their menu from country to country. Different ingredients are used to create tastes more suited to different nations and cultures. A term often used for this type of international marketing strategy is ‘think global, act local’.

Businesses often attempt to expand their operations into other countries as mass markets present opportunities for growth and are appealing. However, it is important to understand that without due diligence and appropriate planning, international expansion can fail. A good example of this was seen when the coffee giant Starbucks attempted to enter the Australian coffee market. The company did not fully understand the Australian coffee market and as a result the expansion was a huge failure. Businesses that look to enter foreign markets must conduct extensive market research before committing to international expansion.