

International Business Strategy

Lecture Nine

Global Marketing Strategie

Introduction to Lecture Nine

In our lecture eight we looked at internationalization with a focus on SMEs, where we saw the possible models that they can use to expand into international markets. In this lecture we will focus on marketing strategies that firms can use in their global markets venture.

Learning Outcomes

1. Appreciate the different approaches to global marketing
2. Propose the application of different marketing mix strategies by multinationals
3. Point out missteps by firms in application of various marketing mix

Introduction to Global Marketing Strategies

This is the process through which a firm craft marketing strategies that transcend beyond the national boundaries that will enable it to engage with wider spectrum of consumers around the globe. This process requires the firm to have a deeper understanding of different cultures, legal frameworks, and economic conditions of the world. Marketing strategies, whether global or domestic, cut across the following components: product, pricing, distribution, location, promotion and advertising.

When crafting global marketing strategies, a firm has two main options, to either standardize its strategies in all the markets it will venture into or adapt its strategies to fit the uniqueness of the markets it ventures into. In the next section we look at these two approaches, what they entail and their application.

Adaptation Approach

In this approach, the business wants to face each market with marketing strategies that speak to the unique aspects of the market. It entails customizing your strategies to the cultural, economic and regulatory requirements of each market you serve. McDonald has successfully managed to use this approach, through adapting its menu in different markets such as India (see figure 1). In India given the culture and the religion of the market, McDonald had to offer different type of burger as seen in the menu. The approach is characterized by the following;

Flexibility: The firm must adopt its 4Ps (product, Pricing, place, promotion) to suit the local market needs and consumer behaviors.

Localization: A firm must be able to tailor make their products to the needs of the local markets, that may be determined by their culture.

Figure 1: Sample of McDonald Menu in India



Source: <http://flickr.com/photos/xclockwise/2950181700>

Although the approach helps the firm to be close to the consumers in different markets, it is heavy on cost and complex to manage, especially in maintaining brand equity across the different markets.

Standardization Approach

In this second approach, the firm is keen on using the same marketing strategy across the markets it ventures irrespective of the cultural or other differences that might exist. A firm pursuing this approach will try to capitalize on universal themes, emotions and trends. One firm that has been successful in using this approach is Coca-Cola. Coca-Cola has maintained uniform brand identity and messaging across different countries, the iconic logo, their packaging and advertising slogans are usually the same across different markets it operates in. For instance, the slogan “open happiness” and “taste the feeling” have been used all over the world. This strategy is more applicable when nations share the same level of economic development. The approach is characterized by the following:

- *Consistency*: The marketing mix (4ps) remain the same or unchanged across different markets
- *Cost saving*: Since there is no adaptation or localization the firm can reduce its costs
- *Uniform brand image*: Across different markets the message is the same and this help maintain uniformity at all times

destapa la felicidad
open happiness



Source: <http://luisamontalvo.blogspot.com/2013/03/cuando-la-marca-conecta-con-la-emocion.html>

In as much as this approach is cost effective, it is true that what may work well in one market may not necessarily work in another market. It may therefore result in backlash from some markets who may feel that their interests are not catered for.

1. Developing Product Strategies

Recall when it comes to marketing mix, we focus so much on the 4 Ps, that is Product, Price, place and Promotion. In this section we briefly focus on how a firm can develop strategies

related to its product when serving the international market. When it comes to the product a business still has two options to either standardize or adapt in many alternative ways when they venture into foreign markets. Let us now look at the factors that influence whether to standardize or adapt as given by Wild, Wild and Han (2010);

Laws and regulations: Companies must always comply with the game rules in the target market. Different countries have different requirements in terms of labeling and content that must be used or not exceeded in a product.

Cultural differences: Firms also adapt their product to suit local market preferences that are culturally rooted. The case of McDonald adapting their menu to fit in India is a good example here.

Brand and product names: When a firm has a strong brand name that sets it apart from the competitors and acts as a sign of quality, changing the product may result in inconsistency that may hurt the brand. You may therefore see companies that want to maintain the same product brand across different markets based on this argument.

National Image: The country of origin for a product could be its selling point. There are customers keen on buying an item based on the location where it was designed, manufactured or assembled. It is therefore important for a firm to determine where it will produce from based on the weight consumer places on country of manufacturing. For a long time, Italy was known for quality shoes and suits, Germany was known for good engineering especially in luxury cars. In as much this may not necessarily be the case today that notion still lingers.

Shortened product life cycles: Due to advances in telecommunications, consumers far away from home markets are aware of a new product and are demanding such as is the case with domestic market. Firms can no longer be able to delay product dispersion in the hope of extending the product life cycle as was the case in yester days.

2. Creating Promotional Strategies

Promotion entails the effort a business makes to reach distribution channels and its target customers mostly through communications via avenues such as sales assistants, advertising, public relations and direct marketing. In an international context, it involves various elements tailored to effectively reach and communicate with diverse audiences from different countries and cultures. This therefore means it is more complex than in a domestic setting. There are two general promotional strategies that a firm must choose from” push or pull promotional strategies.

Push strategies- This is instances where pressure is put on channel members to carry a product and promote it to the final consumers. This is common to manufacturers who use retail and grocery stores. The idea is for the store to stock your product or to have it on their shelves and to give it visibility. The success of this strategy is dependent on the caliber of your sales force.

Pull strategy: Here the firm creates buyer demand that will in turn encourage channel members such as distributors to stock the firm's products. Direct marketing may help a firm to achieve this. Often you may see a promotional drive through the city where freebies and fliers are given, what the firm is doing is to create demand for its products and pull the very products through the intermediaries or the channels. When is each applicable?

The use of push or pull strategy is dependent on several factors.

1. The distribution system- Push strategy may not work where the distributor has power over the firm or where there are so many channels of distribution for the product, since convincing all members may be a costly affair. In such cases it might serve you to use pull strategy.
2. Access to media: If a firm has access to different media platforms, then it might be easier to reach its various customers and in an inexpensive way. In today's environment where there are varieties of ways you can engage with your customers such as through mass media but also via social media platforms, firms may be able to implement pull strategy.
3. Brand loyalty: The extent to which consumers are loyal to a brand can also determine which strategy to pursue. In instances where consumers are loyal to the brand, and they go shopping knowing very well what they want, the pull strategy would work well. However, in an industry where consumers can shift without much thinking, push strategy may be ideal.

Another main component of promotion that must be addressed is **international advertising**. For starters, it differs greatly from domestic advertising, as business environments and cultures are likely to be different. It is therefore critical for managers to determine if an ad is suitable for the firm's international promotional efforts or adaptation is required. We have witnessed multinational companies leverage on global events especially sports such as FIFA world cup, English premier league, World safari rally, and World cup rugby to reach their global audiences.

All in all, adapting promotional materials, messages, and campaigns to local languages, dialects, and cultural norms is crucial for effective communication and engagement in international markets. The world is not without examples of companies that have gotten this

right as well as those who have failed terribly in the assignment. Managers must learn from the mistakes of others and invest in market research to get it right. Examples of multinational that got it wrong include Pepsi in 1960s when they used “come alive with Pepsi” slogan in China, it was loosely translated to mean “Pepsi bring back the ancestors” a cultural mis step that costed them great deal. Another example, still in China was KFC, its slogan of “finger-lickin good” did not settle well, as it was translated as “eat your fingers off”. These highlight the importance of cultural sensitivity, language accuracy, and understanding local norms and customs when conducting international promotion.

3. Designing Distribution Strategies

When a firm is venturing into foreign markets, the question of distribution channels must be confronted. Distribution channels represent the route your product will take from point of production to the point of consumption. The companies along the channels are called channel members or intermediaries. A multinational will have to address two related decisions as far as distribution strategies are concerned; a) How to get the goods into a country, b) how to distribute the goods within the country.

Another decision that must be made in distribution relates to whether to pursue an **exclusive channel**, where only one or a limited number of resellers are given the right to distribute your products. This gives the firm control over the sale of its products and curtails distributors from selling competing brands. This approach is common in car dealerships. On the other hand, if the firm wants its products to be sold through many outlets or channel members it may result in **intensive channel**. The resellers may be free to stock competing brands, but the firm can achieve location advantage because of the large number of outlets the product is sold through. This later strategy is however a challenge to start-ups and SMEs as securing a shelf space in supermarkets is not an easy thing.

4. Developing Pricing Strategies

As was with promotional strategy, a firm must choose whether to pursue a uniform pricing strategy or what we call dual pricing. The former is called **worldwide pricing** whereby one selling price is established for all international markets. This is not easy given that production costs are not the same across regions or locations. Even when the production is done centrally, the shipment cost, local consumer purchasing power and fluctuating currency must be considered. The alternative to uniform pricing is **dual pricing**, where the firm has a different selling price in foreign markets than it has in the home market. Due to costs such as export and currency fluctuations, it may require the company to charge a higher price in the foreign market than in the home market, a scenario called price

escalation. The success of dual pricing is dependent on the firm being able to keep the two markets separate.

Topic Review Questions

Differentiate adaptation from standardization marketing approach with examples.

Enumerate key issues when considering international promotion strategies

What are issues of concern for managers when thinking about pricing strategies?

Topic Recap

In this topic we have looked at global marketing strategies using the approach of the 4 Ps i.e. product, promotional, distribution, and pricing strategies. A common thread in the discussion has been that the firm has an option of either using a standardized or adaptive strategy in approaching the foreign markets. In our next lecture we will talk about global supply chain management.

References

Wild, J., Wild, K., & Han, J. (2010). *International Business* (5th ed.). Pearson Education, Inc.