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HANDOUT

MKT730

International Marketing

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MKT730

International Marketing

Marketing Across Borders — Study Handout

This handout covers MKT730 International Marketing: why firms go global, how to assess foreign markets, entry modes, and how the marketing mix is adapted across cultures, economies and legal systems. Frameworks (PESTLE, CAGE, entry-mode matrix) are exam favorites — learn each as a list you can reproduce and apply to a case.

Work through each unit's case with the framework named in it; international marketing exams reward structured application, not generic statements.

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Unit 1: Introduction: Why International Marketing

Lectures 1–4

Learning Objectives

- Define international marketing and distinguish it from domestic marketing
- Explain the drivers of globalization
- Describe the EPRG orientations toward foreign markets
- List the benefits and risks of going international

International vs Domestic Marketing

International marketing is marketing across national borders — same marketing principles, but executed in environments that differ in **culture, language, income, law, currency and politics**. Domestic marketing optimizes one mix for one environment; international marketing must decide, for every market, what to **standardize** (one global mix — cheaper, consistent brand) and what to **adapt** (local fit — more effective). This standardization-vs-adaptation tension runs through the whole course.

Drivers of Globalization

- **Market drivers:** converging consumer tastes, global media, growing middle classes in emerging markets.
- **Cost drivers:** scale economies, cheaper production locations, global sourcing.
- **Government drivers:** trade liberalization, blocs (EU, ASEAN), privatization.
- **Competitive drivers:** rivals going global; follow-the-leader; global brands as entry tickets.

EPRG Orientations

Ethnocentric — home-country ways are best; foreign markets served as extensions (early exporters).

Polycentric — each market is unique; local subsidiaries decide (adaptation extreme).

Regiocentric — regions managed as units (e.g., one Middle East strategy).

Geocentric — the world as one market; best people and ideas regardless of origin (global standardization).

A Pakistani textile firm first exports through agents (ethnocentric), then lets its UAE office design its own campaigns (polycentric), and finally runs one brand platform worldwide with local tweaks (geocentric). Firms typically evolve through these stages — a standard exam narrative.

Unit Summary

- International marketing = same principles, multiple differing environments; the core tension is standardize vs adapt.
- Globalization driven by markets, costs, governments and competition.
- EPRG: ethnocentric → polycentric → regiocentric → geocentric as firms mature.

Exam Pointers

- ★ Distinguish international from domestic marketing (4 points).
- ★ Explain the standardization–adaptation debate with one example each.
- ★ Describe the four EPRG orientations and the typical evolution.

Unit 2: The International Environment: Culture

Lectures 5–8

Learning Objectives

- Explain culture's elements and their marketing impact
- Apply Hofstede's dimensions to marketing decisions
- Distinguish high-context from low-context cultures
- Analyze cultural blunders and how to avoid them

Elements of Culture

- **Language:** translation blunders (a brand name meaning something rude), plus non-verbal meaning.
- **Religion:** shapes consumption (halal, fasting months, holidays) and promotion calendars.
- **Values and attitudes:** toward time, family, authority, materialism.
- **Customs and rituals:** gift-giving norms, negotiation styles, business etiquette.
- **Aesthetics:** colors, symbols, design tastes (white = mourning in parts of Asia).

Hofstede's Dimensions (marketing use)

Power distance — high: status brands, authority endorsements work.

Individualism vs collectivism — collectivist: family packs, group appeals, word-of-mouth.

Uncertainty avoidance — high: warranties, guarantees, trusted brands matter more.

Masculinity vs femininity — achievement vs care appeals in advertising.

Long-term orientation — thrift and perseverance vs quick results.

High vs Low Context

Low-context cultures (Germany, US): meaning in explicit words — contracts detailed, ads direct. **High-context** cultures (Japan, Arab world, Pakistan): meaning in relationships, setting and non-verbals — trust before business, indirect communication. Mismatches cause failed negotiations and misunderstood ads.

Classic blunders: an American laundry ad showing clothes on the left dirty and on the right clean failed in markets reading right-to-left. Lesson: adapt visuals, symbols and copy — never just translate.

Unit Summary

- Culture = language, religion, values, customs, aesthetics — each hits product, price, promotion or place.
- Hofstede dimensions predict which appeals and assurances each market needs.
- High-context vs low-context explains communication and negotiation failures.

Exam Pointers

- ★ Apply two Hofstede dimensions to an ad campaign choice.
- ★ Contrast high- and low-context cultures for negotiations.
- ★ Analyze a cultural blunder case: what went wrong and the fix.

Unit 3: Economic, Political and Legal Environments

Lectures 9–12

Learning Objectives

- Assess market attractiveness from economic indicators
- Identify political risks and mitigation strategies
- Describe legal differences affecting marketing
- Apply PESTLE to a market-entry case

Economic Environment

- **Indicators:** GDP and growth, per-capita income, income distribution (averages hide dual economies), inflation, exchange-rate stability, infrastructure.
- **Market types:** subsistence, raw-material exporting, industrializing, industrial — each needs different product/price tiers.
- **Bottom-of-the-pyramid:** huge low-income markets need radically cheaper, smaller-pack offerings (sachets, single-serve).

Political Risk

Expropriation/confiscation — government seizes assets (rare today; creeping expropriation via taxes/regulation is the modern form).

Political instability — regime change, civil unrest disrupting operations.

Sanctions and trade barriers — sudden market closure.

- **Mitigation:** joint ventures with local partners, political-risk insurance, phased investment, local sourcing and employment (host-government goodwill).

Legal Environment

- **Legal systems:** common law, civil law, Islamic law, socialist — contract enforcement and IP protection vary hugely.
- **Marketing law:** advertising restrictions (e.g., tobacco, comparative ads), labeling rules, consumer protection.
- **IP risk:** counterfeiting in weak-enforcement markets — adapt via legal action, holograms, price tiers.

PESTLE application skeleton: Political (stability, trade policy), Economic (income, growth, FX), Social (culture, demographics), Technological (infrastructure, digital adoption), Legal (IP, ad law), Environmental (regulations, climate). Run every market-entry case through all six — examiners award marks per factor applied.

Unit Summary

- Economic: income levels and distribution decide product/price tiers; don't ignore the bottom of the pyramid.

- Political risks: expropriation, instability, sanctions — mitigate via JV, insurance, phasing, localization.
- Legal: systems differ; watch ad law, labeling and IP enforcement.

Exam Pointers

- ★ Run a PESTLE on entering a named emerging market.
- ★ Name three political risks and one mitigation each.
- ★ How does weak IP enforcement change a brand's strategy?

Unit 4: International Market Research

Lectures 13–16

Learning Objectives

- Explain why international research is harder than domestic
- Describe secondary and primary research sources/methods
- Handle comparability and translation issues
- Assess market potential: demand estimation methods

Why It's Harder Abroad

- Secondary data missing, outdated or defined differently across countries.
- Respondents unreachable or unwilling (phone penetration, suspicion of surveys).
- Cultural response biases (yea-saying, reluctance to criticize).
- Research infrastructure thin outside major cities.

Methods and Sources

- **Secondary:** UN/World Bank statistics, government censuses, trade associations, competitors' reports, embassy commercial sections.
- **Primary:** surveys (adapted, back-translated questionnaires), focus groups (local moderators), observation, in-depth interviews with distributors and experts.
- **Back-translation:** translate to local language, then independently back to English — mismatches reveal meaning loss.

Estimating Market Potential

Analogy method — use a similar market's per-capita consumption × target population.

Chain ratio — start from total population and filter down (urban × income-qualified × aware × likely buyers).

Trade audit — imports + local production – exports = apparent consumption.

Worked chain ratio: Country population 50m → urban 40% (20m) → middle-income+ 30% (6m) → category buyers 20% (1.2m) → our attainable share 10% = 120,000 customers × Rs. 2,000/year = Rs. 240m potential. Show every filter — method marks are generous.

Unit Summary

- International research battles missing data, access problems and cultural bias.
- Back-translation protects meaning; local moderators protect validity.
- Size markets by analogy, chain ratio or trade audit — show the filters.

Exam Pointers

- ★ Why is primary research harder in emerging markets? (4 reasons)
- ★ Explain back-translation with an example.

- ★ Compute market potential by chain ratio from given data.

Unit 5: Market Entry Modes

Lectures 17–21

Learning Objectives

- Compare exporting, licensing, franchising, JV and wholly-owned subsidiary
- Explain the control–risk–return trade-off
- Choose entry modes using a criteria matrix
- Describe strategic alliances and their pitfalls

The Entry Menu

Indirect exporting — via home-country intermediaries. Lowest risk/commitment; least control and learning.

Direct exporting — own agents/distributors abroad. More control; still no local presence.

Licensing — grant IP rights for royalties. Fast, cheap; risk of creating a competitor; quality-control problems.

Franchising — license the whole business format (product, brand, systems). Good for services; needs tight control systems.

Joint venture — shared ownership with a local partner. Local knowledge + shared risk; partner conflict is the classic failure.

Wholly-owned subsidiary — full control; maximum risk, capital and commitment (greenfield build or acquisition).

Choosing: Control–Risk–Return

Modes trade off **control** against **resource commitment and risk**. Decision factors: market size and growth (big → invest more), country risk (high → limit exposure), need for local knowledge (high → JV), IP sensitivity (high → avoid licensing), cultural distance, and government requirements (some markets mandate local partnership).

- **Strategic alliances:** looser cooperation (R&D, distribution pacts) — flexible but vague governance causes drift.

Decision case: A software firm with easily copied IP enters a high-growth but legally weak market. Analysis: licensing/franchising risks IP theft (weak enforcement); a wholly-owned subsidiary exposes capital to country risk; the balanced pick is often a JV with a trusted local partner plus tight IP compartmentalization — argue the trade-offs explicitly for full marks.

Unit Summary

- Six modes from indirect export (low control/risk) to wholly-owned subsidiary (full control/risk).
- Licensing/franchising leverage IP cheaply but risk imitation and quality drift.
- Choose by market size, country risk, local-knowledge need, IP sensitivity and regulation.

Exam Pointers

- ★ Compare JV and wholly-owned subsidiary on control, risk, return and learning.
- ★ A firm fears IP theft in a weak-law market. Recommend and justify an entry mode.
- ★ Why do JVs fail? (partner conflict, goal divergence, control battles)

Unit 6: International Product Policy

Lectures 22–25

Learning Objectives

- Decide standardize vs adapt for products
- Explain mandatory vs discretionary adaptation
- Manage global brands and private labels
- Plan new-product development for foreign markets

Standardize or Adapt?

- **Mandatory adaptation:** law and infrastructure force it (voltage, safety standards, halal certification, labeling language).
- **Discretionary adaptation:** culture and taste invite it (flavors, sizes, packaging colors, pack sizes for low incomes).
- **Standardize when:** global segment exists (luxury buyers, teens), scale economies dominate, brand consistency matters.

Product Components Model

Keegan's three layers: **core component** (the physical product — most standardizable), **packaging component** (often adapted: language, sizes, aesthetics), **support services component** (almost always localized: warranties, spare parts, service networks). Exam answers should classify each adaptation by layer.

Global Brands and Product Decisions

- **Global brands** (Coca-Cola, Samsung) leverage one identity worldwide; **local brands** may resonate deeper — many firms run a portfolio of both.
- **Country-of-origin effects:** 'Made in Germany' (engineering), 'Made in Japan' (quality) help; some origins hurt — manage via branding or production location.
- **Product line decisions:** which products to offer where (line filling for local tastes vs line pruning of losers); **diffusion** is slower where incomes and infrastructure lag.

Case: A biscuit maker enters the Gulf. Mandatory: halal certification, Arabic labeling. Discretionary: date-flavored variants, family packs for Ramadan gifting, smaller price points. Core (biscuit technology) standard; packaging and flavors adapted — classify each move by layer in your answer.

Unit Summary

- Adapt mandatorily for law/infrastructure; discretionarily for culture/taste; standardize for scale and global segments.
- Keegan's layers: core (standard) → packaging (adapted) → services (localized).
- Manage country-of-origin effects; tailor the product line per market.

Exam Pointers

- ★ Distinguish mandatory and discretionary adaptation with two examples each.
- ★ Apply Keegan's three components to a food product entering a new market.
- ★ How can a firm counter a negative country-of-origin effect?

Unit 7: International Pricing

Lectures 26–28

Learning Objectives

- Explain price escalation in export markets
- Compare pricing strategies: skimming, penetration, market pricing
- Handle currency, tariffs and transfer pricing
- Define dumping and gray markets

Price Escalation

An exported product accumulates costs: freight, insurance, tariffs/duties, distributor margins, taxes — the foreign retail price can be **2–3× the home price**. Firms fight escalation by: shipping unassembled (lower duty), producing locally/in-region, stripping features for a basic export model, or shortening the channel.

Pricing Strategies Abroad

Skimming — high initial price (innovative products, prestige segments).

Penetration — low price to build share fast (mass markets, network effects).

Market pricing — follow local competition (commodities).

- Local purchasing power often forces lower absolute prices even for premium brands — adapt price points, not just currency-convert them.

Currency, Dumping, Gray Markets

- **Currency:** quote in stable currencies or hedge; devaluations can wipe out margins — include FX clauses in contracts.
- **Transfer pricing:** prices on intra-company cross-border sales — tax authorities police profit-shifting; keep arm's-length documentation.
- **Dumping:** selling abroad below home price or cost — illegal under WTO rules if it injures local industry (anti-dumping duties follow).
- **Gray (parallel) markets:** genuine goods diverted to cheaper markets and re-imported — undercuts authorized dealers; fight with price harmonization and serial tracking.

Worked escalation: Factory price Rs. 1,000 + freight/insurance Rs. 150 + 20% duty on CIF (Rs. 230) + distributor 25% (Rs. 345) + retail 30% (Rs. 517) ≈ Rs. 2,240 retail — 2.24× home price. If the market won't bear it, the firm must localize production or redesign the channel.

Unit Summary

- Export prices escalate via freight, duties, margins and taxes — counter by localizing or shortening channels.
- Skimming, penetration or market pricing — set to local purchasing power, not converted home prices.

- Manage FX risk, keep transfer pricing arm's-length, avoid dumping, police gray markets.

Exam Pointers

- ★ Compute an escalated export price from given cost layers.
- ★ When is penetration pricing the right international strategy?
- ★ Define dumping and gray markets and one remedy each.

Unit 8: International Promotion and Distribution

Lectures 29–33

Learning Objectives

- Adapt the promotion mix across cultures and media landscapes
- Plan global advertising: standardized vs localized campaigns
- Design international channels and manage distributors
- Explain e-commerce and digital's global role

Promotion Across Borders

- **Advertising:** standardize the brand idea, localize execution (language, models, humor, values) — 'pattern advertising'. Media availability differs (TV restrictions, outdoor bans, digital dominance).
- **Personal selling:** critical in relationship cultures; expatriate vs local salesforce trade-off (cost/control vs cultural fluency).
- **Sales promotion & PR:** sampling and sponsorships travel well; PR must respect local sensitivities and media systems.
- **Regulation:** comparative advertising banned in some markets; strict rules for pharma, food, children's ads.

International Distribution

Channel design choices: **length** (direct vs wholesalers/retailers — developing markets often need longer channels), **control** (own subsidiary vs independent distributors), **coverage** (intensive/selective/exclusive). Managing distributors: select carefully, align incentives, monitor performance, and plan for conflict (territory, pricing) and termination clauses.

Digital Goes Global

E-commerce and social platforms let even small firms reach foreign buyers directly (D2C), but localization still matters: language, payment methods (COD vs cards vs wallets), delivery logistics, and returns. Platform rules and data laws (GDPR-style) vary by market.

Case: A fashion brand's global Instagram campaign flops in a conservative market. Analysis: standardized creative violated local modesty norms (culture), media choice ignored local platform preferences, and no local influencer validation. Fix: pattern approach — keep the brand idea, reshoot with local codes, run through local creators.

Unit Summary

- Promotion: standardize the idea, localize execution; respect media and ad law differences.
- Channels: choose length, control and coverage for the market; manage distributors actively.
- Digital enables D2C globally but still needs localization of language, payments and logistics.

Exam Pointers

- ★ Explain 'pattern advertising' with an example.
- ★ Compare using local distributors vs an owned subsidiary (4 points).
- ★ What must be localized for cross-border e-commerce? (4 items)

Unit 9: Organizing and Controlling Global Marketing

Lectures 34–36

Learning Objectives

- Describe global organizational structures
- Explain control mechanisms for foreign operations
- Discuss ethics and CSR in international marketing
- Outline future trends: sustainability, digital, emerging markets

Organizing Globally

International division — early stage; all foreign activity in one unit.

Geographic/area structure — each region self-contained (good for high adaptation).

Global product divisions — worldwide responsibility per product line (good for standardization).

Matrix — product × geography dual reporting (flexible but conflict-prone).

Transnational — integrated network; 'think global, act local' with shared learning.

Control Mechanisms

- **Bureaucratic:** budgets, plans, performance reports, audits.
- **Cultural:** shared values, training, expatriate socialization.
- **Output:** judge subsidiaries on results (sales, share, profit), not methods — suits distant, diverse markets.

Ethics, CSR and the Future

- **Ethics:** bribery (FCPA/OECD conventions), labor standards in supply chains, truthful marketing everywhere — not just where law forces it.
- **CSR:** multinationals are judged on environmental and social footprints; greenwashing backfires globally and instantly.
- **Trends:** emerging-market middle classes, sustainable/green products, digital-first commerce, supply-chain resilience (near-shoring), and AI-driven personalization across languages.

Synthesis case approach: for any 'should the firm enter market X' question — 1) PESTLE the environment, 2) size it (chain ratio), 3) pick entry mode (control–risk matrix), 4) adapt the 4Ps (standardize/adapt per element), 5) note ethical/CSR implications. This five-step structure turns any case into full marks.

Unit Summary

- Structures evolve: international division → geographic/product → matrix → transnational.
- Control via bureaucracy, culture or outputs — match to distance and diversity.
- Ethics and CSR are global now; trends favor emerging markets, sustainability and digital.

Exam Pointers

- ★ Compare geographic and global-product structures (when is each best?).
- ★ Name three control mechanisms with an example each.
- ★ Apply the five-step synthesis to a market-entry case.

Key Terms Glossary

All key terms from this handout in one place — use for quick revision.

Ethnocentric — home-country ways are best; foreign markets served as extensions (early exporters).

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