Course Learning Outcomes for Unit VI

Upon completion of this unit, students should be able to:

8. Examine the major marketing considerations applicable to international business.

Reading Assignment

In order to access the following resource(s), click the link(s) below:

Dev, C. S., & Schultz, D. E. (2015). From the four Ps to the four 'why's'. *Marketing News*, *49*(9), 40–47. Retrieved from https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=109289010&site=ehost-live&scope=site

Seeds, D., & Khade, A. S. (2008). Transforming a multi-national corporation from a centralized organization to a decentralized organization. *Journal of International Business Strategy*, *8*(3), 99–104. Retrieved from https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=35637667&site=ehost-live&scope=site

Van Meir, C. (2016). Branding benefits: Apply the four Ps of marketing to make benefits more engaging. *Benefits Magazine*, *53*(3), 34–39. Retrieved from https://libraryresources.columbiasouthern.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=113183936&site=ehost-live&scope=site

Unit Lesson

There are two ways to look at global marketing strategies. One way is to look at a company's marketing orientation. Marketing orientation refers to the philosophy that guides a company's marketing strategies. In the United States, marketing orientation started with the production concept (1920s) and evolved to the present day holistic marketing concept. Along the way, several distinct variations emerged that seem to work well in the foreign markets. These orientations depend on the types of products produced and the types of buyers purchasing the goods. The second way to study global marketing strategies is to analyze the marketing mix of the product. The marketing mix is the 4 Ps: product, place, price, and promotion.

Marketing Orientations

There seem to be five types of marketing philosophies that have managed to stay significant. Typically, a company's marketing strategy will depend on whether the company is production oriented, sales oriented, or customer oriented. A combined strategy of all three yields a strategic marketing concept. Last and still emerging is the force of social marketing, sometimes referred to as nonmarket strategies.

Production orientation: The production concept focuses on products that are mass produced, have a low price relative to disposable income, come with a standard design, have low risk of product failure, and a short window from purchase to consumption. These types of products require advertising and sales promotion to pull them through the distribution channel. Consequently, manufacturers achieve high production efficiency, low costs, and mass distribution. This type of product could be a low value-added commodity, such as copper or wheat, or a high value-added product, like a candy bar or a standard automobile. This type of concept works well in a country that has low labor manufacturing costs, such as in China or Vietnam.

Sales orientation: The sales concept focuses on products that are custom made. The consequences of failure might be high, the expense is so high only large organizations like governments can afford them, and the product takes years to build. This type of product might be a dam, a nuclear reactor, a turnkey factory, large airplanes, or ships. The manufacturer usually provides a sales team to work out the details, and the buyer usually reciprocates with a purchasing team to ask all of the appropriate questions.

Customer orientation: Sometimes referred to as the marketing concept, this philosophy is a customer-centric concept. The job here is to find, develop, and produce the products that the customer wants. One version of this takes a basic product like a computer and allows the customer to add on or take off features they want and are willing to pay for. This approach works well with products customized with little effort. A good example is Burger King, a worldwide restaurant chain. Its slogan—up until recently—"Have it your way" implied a hamburger made with your choices of condiments and sides ("Burger King ditches," 2014).

Strategic marketing orientation: In the traditional view, you first make the product (design, procure, and manufacture) and then sell the product (price, sell, advertise, distribute, and service). In the strategic marketing concept, marketing is at the beginning of the planning process. Instead of stressing production and selling, firms decide on the product/service they are going to provide based on their ability to create the most value. According to this view, the firm first segments the market, selects the target market, and conducts value positioning. Then, the company develops the product, prices it, manufactures it, distributes it, and services it. The company also communicates the value to the target market through sales, sales promotion, and advertising.

Social marketing orientation: Companies, now more than ever, are cognizant of the public's attention to environmental and public health issues that affect them. Consumers tend to seek out products and services that are environmentally friendly, healthy, and socially responsible. In the United States, such programs are not required. However, customers are more sophisticated and gravitate to companies that show social responsibility. Corporate social responsibility has become a competitive advantage like branding or advertising. In the 1970s, Nestlé pushed its infant formula into African communities with disastrous results. Consequently, while the consumer may not have the sophistication to know better, most governments have wised up, and many now require programs that consider not only how a product is purchased but also how it is made and disposed of, as well as how it might be changed to be made more socially acceptable. This philosophy is sometimes referred to as a nonmarket orientation because it plays mostly to foreign governments and activist groups.

Marketing Mix (The Four Ps)

Product strategies: The product is the item for sale. It can be tangible like a car or it can be intangible like the knowledge to build a nuclear reactor. According to the World Trade Organization, tangible products are "merchandise" and intangibles are "commercial services" (2015). In 2014, the United States exported $687 billion in commercial services and $1.621 trillion in merchandise (World Trade Organization, 2015).

Product characteristics include the product and/or service qualities (e.g., types of warranties, service contracts), labeling, packaging, and branding opportunities. By branding opportunities, the product line can extend the brand to similar products that may fit in, just as General Motors has several brands like the Chevy Malibu and the Chevrolet Impala. Companies strive to make their product(s) as unique as possible to make them stand out from other products. This is product differentiation.

When it comes to producing the merchandise, the emphasis is on product standardization. Companies can usually cut production and inventory costs this way. However, companies must adapt the products to meet the legal, cultural, and economic needs of the customer in different countries. While many countries have adopted universal standards on some products, such as mobile phones, other standards are lacking, such as those for railroad gauges and power supplies. In fact, three countries have yet to adopt the metric system for weights and measures: the United States, Liberia, and Myanmar.

Pricing strategies: There are numerous strategies and tactics to pricing. If the company is selling a premium product, the price should reflect a premium. If the company is building market share, then a low price that barely covers the cost would be plausible. If the product goes through a long distribution channel, then consider there will be markups at each juncture of the channel, making the price relatively high. A longer distribution channel suggests higher transportation costs as well.

One variable not encountered domestically is the foreign government's posture towards a given product. A foreign government may have quota limits, which restricts the number of products a company can send in or maybe a tariff that will cause the price of its product to go up. The foreign government can also apply penalties against products that are imported and sold below the sales price in its domestic country (World Trade Organizations, n.d.).

In Unit IV, hedging strategies were discussed. A company that can bring a product in from a country with a weak currency to a country with a stronger currency will have the hedging advantage. The possibility of the currency growing stronger will add to the profitability. However, if the product comes in from a country with a strong currency to a country with a declining currency, the profits will be less.

Promotion strategies: The integrated marketing strategy should address advertising, personal sales, events and experiences, public relations, sales promotion, branding, and direct marketing. This section includes all forms of communication from the producer to the consumer. The concept of push-pull originates in this area of marketing. Sales people are responsible for contacting buyers and pushing their product onto the buyer. This type of communication works well for expensive institutional size products like Boeing 767 airplanes. Promotion and advertising are responsible for communicating product attributes directly to the consumer through social media, mass advertising, and sales promotions. This is pull marketing because many consumers will ask the distributor to stock the product, in essence pulling the product through the distribution channel. This type of communication works well for mass produced products with lots of standardized features like fast food restaurants or laundry detergent.

Promotion strategies include branding. A brand is an identifying mark, picture, logo, sound, jingle, or word that makes you think of the product. Advertisers will promote the brand with all of the good and pleasant features that the product has. Consequently, when a consumer sees the brand, and they have a need, they buy the product. Repetitive and frequent advertising causes the consumer to link the need with the brand, and purchase becomes automatic. Proctor & Gamble (P&G), the world's largest advertiser, spends $5 billion just on repetitive and frequent advertising for consumer products (Young, 2015). While the languages are different, and the products are adapted to the cultural needs, repetitive and frequent advertising works in all cultural environments.

Place strategies: The word *place* in this context means distribution strategies. The distribution strategy should address the transportation of the product through the distribution channel. Before the Internet, the product had to be available in a physical location. The Internet has changed that way of thinking because people can order from social media or website intermediaries. The range of physical distribution locations ranges from discount stores to upscale department stores, dealerships, farmer's markets, convenience stores, shopping centers, warehouses, and the list goes on. The Internet has made it possible to order virtually anything from anywhere. The problem in that situation is product delivery and service after delivery.

The marketing mix is a way to look at the different marketing techniques that affect any given product or service. Some academics have gone as far to add additional Ps. Other Ps could stand for people, processes, programs, performance, and politics. Traditionally, the original four Ps are inclusive, but if nothing else, marketing is a flexible science.

Organizational Structures

Most people recognize that an organizational structure is the arrangement of roles and positions of people in multinational enterprises (MNEs). This arrangement represents how assets, authority, and communication run throughout the organization to achieve certain objectives. Rapid changes in technology and economics demand that businesses structure themselves such that they bend with the stress and snap back to take advantage of opportunities. Organizations that cannot adapt quickly will not be competitive. Research shows that certain organizational structures work better in certain situations.

Centralization Versus Decentralization

The traditional structures of centralized and decentralized organizations still abound and are probably still in the majority of businesses. A quick review of what they do is important.

Centralized organizations: Decision-making authority is concentrated in the top executive levels. The premise of this scenario is that senior executives have more experience and have more information regarding access to capital, staffing, corporate needs, and strategy. Advantages would be avoiding duplicate activities in different subsidiaries, dealing with strong unions (General Motors & United Auto Workers Union) and strong vendors (P&G versus Walmart). The disadvantages of this structure are bureaucracy, loss of initiative, and mostly downward communication.

Decentralized organizations: Decision-making authority flows down to the managers at the local level. The premise of this scenario is that the local managers have knowledge of what the current business trends are through dealing with individual customers and vendors. The advantages of this situation are that it encourages entrepreneurial decisions, makes the organization more innovative and flexible, and encourages managers to become responsible for their decisions. The disadvantages are that local decisions might jeopardize global decisions, more risk is accepted, and duplicate activities may take place at different branches.

Some industries are prone to one type of organization over the other. For example, fast food restaurants work better with decentralized structures; however, companies with capital-intensive operations do better with centralized structures. In some cases, hybrids are evolving where anything over the subsidiary level is centralized, but anything below the subsidiary level is decentralized. In principle, decision-making should occur at the level of those who are most affected by the outcome and those who have the most knowledge of the situation (Daniel, Radebaugh, & Sullivan, 2015).

There are variations of these organizational structures that have emerged in corporations that have wide geographical coverage. The most common MNE organizational structures are listed below:

- *Functional structure*: This variation allows the concept of centralized decision-making to trump local responsiveness. Essentially, the company is broken down into functions such as production, marketing, and administration with each function having a foreign branch. All decisions are made at the functional level.
- *Divisional structure*: This is virtually the same as the functional structure except the company is broken down into product divisions. A company may have automotive and aerospace divisions, each with a foreign subsidiary. Again, all important decisions rise to the divisional level.
- *Geographic structure*: A hybrid of the previous two structures could be a geographic structure. Decisions would be more focused on area needs but still distant from the local branch. For example, there may be a North American Division and a Western European Division.

There are other variations such as the *matrix structure* and the *mixed structure*, but they are also composed of traditional command and control principles.

Non-traditional structures have emerged due to new Internet technology, allowing the workforce and the buyers and vendors to collaborate on the production and consumption of new products. Social media technology has improved to the point where people from different locations around the world can work on any given project. It is easier to acquire human talent, physical resources, and distribution networks. These virtual organizations are temporary: forming, disbanding, and reforming as each new project comes forward.

Organizational Culture

An important byproduct of the organizational structure is the organizational culture. From Unit I, we know how country culture influences the country’s political, legal, and economic decisions. Corporate culture has that same impact in a company. People inculcated with a set of beliefs have shared expectations of decisions and outcomes. Because of this, international companies recognize two problems. First, there are differences in values from one company to another. Second, there are differences in values from one country to another. Putting a manager from one country over the workers of another country can be disastrous if the manager is not properly trained. Companies recognize the strategic importance of culture, and many of the leading corporations are actively training their employees on how to make decisions based on company philosophy. For example, Toyota, with 27 overseas plants, has trained over 700 foreign executives in the “Toyota Way,” a collection of company values (Fackler, 2007).

References

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