

The essential nature of international marketing



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“ International marketing is the performance of business activities designed to plan price, promote and directs the flow of the company’s goods and services to consumer or user in more then one nation for profit.”

– **Cateora & Graham**

International marketing is a broader concept and includes export marketing. Export marketing is concerned with the production of good in one country and marketing them in different countries of the world while international marketing is a boarder concept and includes globalization.

International Marketing is essential for all countries-small & big; developed & developing and rich & poor. This is because no country in the world is self sufficient as regard all the requirements and no country can live in complete economic and political isolation. Every country has to import something from other country and has to export whatever surplus available.

The natural resources are not divided equally among the countries of the world. There is disparity among countries as regards geographical area, population, climate condition, availability of natural resources, economic growth, technology development, production activities and so on. Such disparity leads to inter dependent of countries. It is this situation which serves as base for the conduct of large scale international marketing activities.

OBJECTIVES

To bring countries closer for trading purpose and to encourage large scale free trade among the countries of the world.

To bring integration of economies of different countries and thereby to facilitate the process of globalization of trade.

To establish trade relations among the nations and thereby to maintain cordial relations among nations for maintaining world peace.

To facilitates and encourage social and cultural exchange among different countries of the world.

To provide assistance to developing countries in their economic and industrial growth and thereby to remove gap between the developed and developing countries.

To ensure optimum utilization of resources at global level.

To encourage world export trade and to provide benefits of the same to all participating countries.

To offer the benefits of comparative cost advantage to all countries participating in international marketing.

To keep international trade free and fair to all countries by avoiding trade barriers

FEATURES

Large Scale operation

International marketing transaction is always conducted in large quantity. This is necessary for securing the advantages of large scale operation as regards transportation, handling and warehousing.

Domination of multinationals and developed countries

Multinational Corporation dominates the international marketing scene. It has world wide contacts. They conduct business operation more efficiently and economically. They are in a better position to adopt global approach which is necessary in international marketing.

International restrictions

International marketing imposes various trade restriction (tariff & non-tariff) because of productive policies followed by differences countries. Tariff barriers are adopted practically by all countries. Foreign exchange also imposes various restrictions on imports & exports. The growth of international marketing is adversely affected due to such trade restrictions.

Sensitive character

International marketing is highly sensitive flexible in the character. A product may suddenly become unpopular or market may come down quickly due to political and economic reasons. Even the use of advanced technology by the competitors or the introduction of new product by the competitor may affect the sale at the global level.

Need of international marketing research

International marketing requires marketing research in the form of marketing surveys, product surveys and product testing as it is highly competitive. Government policies change, new substitutes enter in to the market and new restriction is imposed because of political, economic, social and cultural factors. Such challenges are common in international marketing and for this continues watch on international marketing environment is

required. Marketing research, sale forecasting, etc. are useful techniques for this purpose. They bring adoptability in international marketing activities

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Importance of Advance Technology

Countries like the USA, Japan & Germany have a dominating position in international marketing because of the use of advanced technology in production & marketing of goods. They are able to promote export & capture world market due to their ability to sell superior quality goods at competitive prices. At present, world markets are flooded with Japanese goods. This is the result of intensive use of automation & advanced computer technology in Japan.

Keen & Acute Competition

International marketing is highly competitive. Moreover, this competition is between developed & developing countries which are unequal partners. Such competition is made severe due to special facilities & incentives provided by the government to the exporter for export promotion.

Need for specialized Institutions

International marketing is risky & complicated. It requires lengthy procedures & formalities. Professional exports are necessary for dealing with various aspects of international marketing. Similarly, financial institutions like indent houses, exchange bank & export houses are established world over for effective participation in international marketing.

Need for long term planning

International marketing requires long term marketing planning. The marketing situation in different countries changes because of social, economic & political factors. This stresses the need for long term planning in international marketing. A comprehensive & dynamic marketing programmed can be prepared through such long term planning.

Lengthy & Time Consuming

International marketing activity is lengthy, time-consuming & complicated. This is due to long distances, restrictions imposed by different countries, payment difficulties due to the use of different currencies & lengthy procedural formalities which need to be completed in an orderly manner.

NEED FOR INTERNATIONAL MARKETING

International interdependence of countries

No countries in the world are self-sufficient in all respect. No countries can produce all its requirements due to geographical & other factors. There is international inter-dependence because of which every country has to imports. This awareness of mutual dependence creates favorable situation for the growth of international marketing. International inter-dependence & growing world population are two basic factors which suggest the need of large scale international marketing.

Absence of uniform geographic & climate conditions

Geographic condition & climatic factors are not uniform in all countries. No country is able to produce all goods required by it. A country can import the goods which it is not n a position to produce due to natural & other economic

factors. This suggests the need of international marketing in the case of all countries.

Availability of comparative cost benefits

International marketing is necessary as the cost of production is not uniform in all countries. Every countries can produce certain favorable factors. Exchange of commodities on the basis of comparative cost is always beneficial to all countries.

Growing need of countries

International marketing is necessary in order to meet the growing need of different countries & also for providing better standard of living to people. This is the reason due to which countries following different political philosophies & system maintain trade relation & make the life of their citizens richer & happier.

Need of closer economic & cultural cooperation

International marketing is also needed for developing closer economic & cultural relations between countries. This is the way by which the available global, natural & other resources will be utilized fully at the international level. International marketing is needed for economic integration among the nation of the world.

Problem of surplus/shortage of production in countries

International marketing is needed due to surplus production in some countries supplemented by shortage of production in some other countries. It is also needed as some countries have huge unused production capacity while other have no capacity to meet even their domestic need. This

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situation can be corrected only through international marketing which facilitates exchange of goods as per the need of different countries.

Bridging gap between developed and developing countries

International marketing is need in order to bridge the gap between the advance countries & the developing countries. Such marketing not only brings exchange of goods & services but also facilitates transfer of technical know-how & skills. Such transfers are necessary for rapid growth of developing countries.

Economic growth of developing countries & world peace:

International marketing is needed for rapid growth & development in all countries-develop & developing. It bring transfer of technologies & facilitates rapid industrialization in developing countries. It provides a mechanism through which developed countries provides assistance to developing countries in there efforts towards economic growth. International marketing efforts benefits to all participating countries & also develops co-operation among countries. In short, international marketing is needed as it is a key to world peace & prosperity.

PROBLEMS/DIFFICULTIES IN INTERNATIONAL MARKETING

Payment difficulty:

Payment is an important difficulty in international marketing because of different currency systems followed by different countries of the world. The buyer will like to make payment in one currency, while the seller desires to have payments in his home currency. In addition, strict foreign exchange is

necessary. All these factors create complication in the payments for the goods sold or the services rendered. Such difficulties are absent in the case of domestic marketing due to the existence of uniform currency system

Risk and Uncertainties in transportation:

International marketing involves the transportation of goods over long distance covering thousand of kilometers. There is a risk of loss or damage of goods as exposed to uncertainties in transportation. High cost of transportation is one more problem in international marketing as this cost raises the market price considerably and affects sales.

Government restrictions:

International marketing is not free like domestic marketing. Export & imports are restricted by the Govt in all countries. Due to such restriction, various problems are created before the exporters. Even the restriction in foreign countries create problem before the exporting community. Such trade restrictions are in the form of heavy tariffs, quotas, exchange control & so on.

Difficulties in communication:

The operation of international marketing is between people of different language groups, traditions, customs, nationality, socio-system & national laws. More over, direct contact between the parties is not possible. Hence, a special procedure in the form of letter of credit, bank guarantee, insurance, etc., is necessary for safety & security of payments.

Time difficulty:

There is a wide gap between the time when the group are dispatched & the time when the goods are received & paid for. There is delay in receiving the delivery of goods due to complicated procedures & long distance. Such delay is always troublesome to exporter as well as importer.

Difficulty in the preparation of documents:

A large number of documents are required to be prepared in international marketing transaction. The exporters, for example, have to prepare various documents for the benefit of the importers. This work is lengthy, complicated & time-consuming.

Severe competition in global market:

International marketing is risky due to competition in global markets. This competition may be related to price, quality & sales promotion techniques used. The competition is between countries with varied economy, social & technological background. Such competition is always troublesome to poor & developing countries. Exporters from such countries have to face various problems while dealing with severe market competition.

Miscellaneous difficulties:

These difficulties in international marketing include (a) difference in weights & measures in different countries, (b) political affiliations of countries, (c) trade barriers & trade blocs, (d) differences in the marketing practices followed in different countries and (e) war or international tensions.

SCOPE OF INTERNATIONAL MARKETING

Regulation on marketing activities:

International marketing is not free like domestic marketing. Various countries impose tariff & non-tariff restrictions on trading activities. Such restriction affects the volume of international trade. The study of such regulation & their effects on trading activities is one aspect of study concerned with international marketing. Every country has to study such regulation imposed by other countries & take suitable remedial measures.

Formalities and procedures of marketing:

International marketing is a complicated & time-consuming activity due to different commercial laws & practices followed in different countries. Exporter & importer have to follow various formalities & procedure relating to licensing, foreign exchange, customs duties & clearing of goods. Such procedure & formalities are not uniform in all countries & hence the study of procedure & formalities comes within the scope of international marketing. Exporter & importer have to study such formalities & procedure for orderly conduct of international marketing activities.

Trade block and their impact:

Trade block are established by different countries participating in international marketing activities. Such block includes EU, LAFTA, ASEAN, EFTA & CACM. However, such trade blocks are harmful to the growth of free world trade.

Commercial policies and their impact:

Every country prepares its own commercial policies to suit its specific needs.

The policies of different countries create international commercial environment under which all countries have to operate. Naturally, the study of commercial policies of different & their impact on world trade needs special attention. Such study comes within the scope of international marketing.

International marketing research:

Marketing research is essential for large scale marketing in global markets.

Information about marketing environment, needs of consumers, buying behavior, extend of market competition, etc. will be available through such research activities. Product planning & development, introduction of scales promotion techniques, etc are possible only through such research of foreign markets.

Miscellaneous aspects:

Export financing.

Exim policy and implication.

Export pricing and export risk management.

Product innovation, standardization and sales promotion.

Study of special facilities, concession and incentives.

BENEFITS OF INTERNATIONAL MARKETING TO A COUNTRY/NATION

Provides higher standard of living:

International marketing provides better life & welfare to people in different countries. It provides goods which cannot be produced in the home country due to geographical limitations. This raises the standard of living of the people & social welfare. International marketing facilitates large scale production & create employment opportunities in different countries. This provides purchasing power to the people & ensures higher living standard to them.

Ensures rational & optimum utilization of resources:

Rational allocation of resource & the best use of the resources available at the international level is one major advantages of international marketing. It enables every country to export whatever is available as surplus. This may be raw material, oils, consumer goods & even machinery & services.

Rapid industrial growth:

International marketing creates new demand for goods. This facilitates industrial activities & brings industrial development. International marketing leads to industrial development of the country, provides massive employment opportunities to the people & full utilization of natural resources available.

Benefits of comparative cost

International marketing provides to participating countries, the benefits of comparative costs. The benefits of division of labour & specialization at the

international level are available to participating countries through international marketing.

International cooperation and world peace:

International marketing bring countries closer due to trade relation. This leads to cooperation among the countries. Developed countries help developing countries in their development activities. This remove economic & technological gap between the countries.

Facilitates cultural exchange:

Social & cultural exchanges between different countries of the world are possible due to international marketing. This is possible as fashions move along with goods. Trade also develops social & cultural relation among nations. This lead to cultural integration at global level.

Better utilization of surplus production:

Due to international marketing, surplus production of goods can be exported to other countries. This provides foreign exchange to exporting country & also meets the needs of other countries. Effective use of surplus goods, service, raw material, etc. is possible due to international marketing. Thus effective utilization of surplus domestic production, introduction of new varieties of goods, improvement in the quality of production & promotion of mutual co-operation among countries are the benefits of international marketing.

Availability of foreign exchange:

Easy availability of foreign exchange for import of capital goods, modern technology & other essential requirements is possible due to international

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marketing. A country earn foreign exchange due to export & can use it for essential imports.

Expansion of tertiary sector:

International marketing promotes exports. This lead to industrial development. Along with this, expansion takes place in the infrastructure facilities. International marketing indirectly promotes transport, banking, insurance & shipping activities. This provides additional benefits to the national economy.

Special benefits during emergency situation:

International marketing offers special benefits during natural calamities such as floods & famines. Emergency supply of goods is required to meet urgent needs. This is possible because of large scale imports. Even other country offers cooperation to county facing difficulties through supply of essential goods & services.

BENEFITS OF INTERNATIONAL MARKETING TO A COMPANY

A company exporting abroad earns substantial profit out of its export operation. This is because export marketing is normally more profitable then domestic marketing. Even the loss in domestic marketing can be compensated from the profit earned out of export.

A company exporting abroad earn foreign exchange out of its operation and the same can be used for the import of essential goods, new machinery, technology, etc. this facilitates large scale export in future.

A company exporting goods abroad is in position to utilise its production capacity fully as it has capacity to use the entire production for domestic and export marketing.

A company exporting goods abroad is normally a sound company with financial stability and good earning capacity. It can face problems of domestic marketing because of the support marketing.

LIMITATIONS OF INTERNATIONAL MARKETING

Unequal sharing of benefits:

The benefits of international marketing are not shared in a fair manner among the participating countries. Rich and developed countries get more benefits at the cost of poor and developing countries.

Restrictions on International Marketing:

International marketing will offer all benefits only when free trade is allowed by all countries. However, the actual position is all together different. Trade restrictions (tariff and non-tariff) are imposed by all countries (developed and developing) on free movement of goods. This restricts the growth of international trade and actual benefits available to participating countries are limited. Efforts to remove various restrictions by WTO and other international trade organizations are not effective.

Adverse effects of trade blocs on International Marketing:

Along with trade barriers, trade blocs exist among the countries of the world. EU, LAFTA, ASEAN are some active trade blocs. They encourage trade among the members of the group but put artificial restrictions on the trading activities with non-members. As a result, the growth of international

marketing is restricted. Similarly, free trade among nations is not allowed. In addition, countries which have not joined such trade blocs suffer in regards to their exports and imports.

Domination of MNCs and developed countries on International Marketing:

MNCs from rich and developed countries dominate international trade since long. Their operations are for profit maximizations. Poor and developing countries suffer due to virtual monopolistic position of MNCs in international marketing. These corporations sell their products in many developing countries as per the terms and condition which are profitable to them. This leads to exploitation of poor and developing countries also dominate international marketing.

Existence of severe competition in international marketing:

One limitation of present day international marketing is the existence of stiff competition among participating countries and companies. Unfortunately, this competition is between unequal competitors. It is between rich and poor or developed and developing countries. Developing countries lack advance technology, skilled labour, infrastructure facilities and so on. As a result, they have to sell their raw materials and other resources at a low price to rich countries.