Advantages of domestic marketing

In the past two decades, world trade has expanded. Nations are much more affected by international business than in the past. The volume of international trade is an indicator of the economic interdependence of nations. The share of international trade in world economic activity has more than doubled since 1945 and that nations are more interdependent than ever before. For firm that means growing access to the markets of the world and growing competition at home.

International marketing refers to exchanges across national boundaries for the satisfaction of human needs and want. The extent of a firm’s involvement abroad is a function of its commitment to the pursuit of foreign market. International marketing is really all about the application of marketing skills and techniques to markets beyond the domestic market.

Before entry into international markets, many companies focus solely on their domestic market. Their marketing strategy is developed based on information about domestic customer needs and wants, industry trends, economic, technological, and political environment at home.

Political: some countries internal firms and industries can get the support from government. Such as high technology industries in China, government gives favourable policy for developing high technology. In domestic market, companies are familiar with legal system, easy to understand some laws about business; and know polity and economy situation at home.

Economic:

Social: in domestic market, people have common language that means easy to communicate between firm and consumer. Company easy to get some useful information about what customer needs and wants. They are no language and behaviour’s handicap. In a country, maybe there have some different culture, religion; doing business these aspects cannot avoid, and sometimes these factors will influence business. In domestic market, firms are familiar with the culture, so they will avoid happening some mistakes. Such as in Tibet, there cannot do business about cattle, because cattle are their god, Mc Donald’s no beef burgers in Tibet restaurant.

In brief, international marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organisations. International marketing has forms ranging from export – import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations, and management contracts. (Czinkota and Ronkainen. 2001)

There are three dimensions of international marketing:

(1) The international marketing dimension involves marketing across national borders. This is different from domestic marketing, because the mere fact of crossing the border confronts the marketer with new political, economic, and legal straints.

(2) The foreign marketing dimension involves marketing within foreign countries, and activities within a particular country. Such marketing is unlike domestic marketing, because that company faces different kinds of competition, consumer behaviour, distribution channels and so on.

(3) The multinational marketing dimension emphasizes the coordination and integration of the company's marketing in many diverse foreign environments.(Terpstra, 1993)

In fact, international marketing is different from domestic marketing; this is a sufficient reason that the firm has need to market internationally. There are other three reasons to indicate the need to think international. One reason is world interdependence. Today more than over, no country can isolate itself from the rest of the world. Second reason for firm need to think international is competition and markets. The competition facing them domestically is increasingly from foreign firms. The other reason for firms to think international is to find market opportunities and growth. Markets mean people; there are lots of the world's population lives outside one country. It means that for many products and services, the potential markets are abroad.

So many reasons indicate that marketing abroad are very important. There are some reasons for advantages of trading in overseas markets.

Less competition: competition in as chosen target market may be less intense than at home or there may be the promise of tariff barriers to exclude potential competitors in return for a substantial foreign investment. For example, production in the highly labour-intensive industries moving to the low-labour-cost countries with freeport advantages.

Market diversification: if a company sees only limited growth opportunities in the home market for a proven product it may well seek market diversification as a means of expansion. This could mean new market segments within a domestic market, but it may well mean geographic expansion in foreign markets. Thus companies are trying to spread risks and to reduce their dependence on any one market. (Phillips, Doole and Lowe. 1995)

Excess capacity: when the domestic market experiences a downturn or reaches saturation, firms may turn to export markets to make good the shortfall. For firms in industries requiring long production runs to ensure commercial viability, foreign orders may make the crucial difference between profit and loss. On the other hand, low prices are often quoted to ensure sales success in order to secure long production runs or to sell of high inventory level.

Comparative advantage: most nations cannot supply all of their needs from domestic resources. They find it to their advantage to specialize in the things they are relatively efficient at producing, and to trade for things that other nations are relatively efficient in supplying.

Geographic diversification: firms find it preferable to remain with the product line which they know and are successful with rather than diversifying into new product lines or product technologies.

Financial reason: International Monetary Fund (IMF) is an organization to promote international financial cooperation and supply international liquidity by loans to member countries. (Terpstra, 1993).

The IMF uses pool of reserves to lend to members facing deficits in their international payments. That allows the countries to continue trading until they can correct their payments problem. That also means more open world markets for international marketers.

Product life cycle differences: a product on the home market enters a mature phase; the firm concerned may then be able to find new export markets abroad where product markets have not reached the same stage of development. Competition today, being international rather than domestic for all goods and services, has reduced the time lag between product research, development and production, leading to the simultaneous appearance of a standardized product in all major world markets. Such as with Microsoft and the launch of their Windows XP operating system.

International marketing differs from domestic marketing in that when the firm is dealing with its own domestic market, there are some key variables can be taken as known, such as, political and legal risk, economic risk, commercial risk, and social and cultural risk. To marketers in their own country, these are background factors which influence the business, but in the international marketing they become unknown factors.

Political and legal risk: a negative political environment can have several results for the firm in a foreign market. It may encounter restrictions on its marketing program or product line. It may have difficulty getting permits to operate or to remit profits. It may encounter boycotts or kidnapping of local managers. A quite different form of government intervention is through a countervailing duty. A government increases the selling price of the cheapest domestic competitor by means of a specific tax. And the other concern is the fact that the firm is often identified by its national origin. For example, Because of the Unite States' large and frequently controversial role in the world economy, this country has about as many enemies as friends abroad. Countries that dislike the US are not particularly appreciative of US goods either.

In that sense, the political and legal systems of a country are closely related. As a product of its culture, each country's legal system differs somewhat from that of every other country.

Legal systems can be classified, however, into four major categories according to their major emphasis: civil or code law systems, common law systems, Muslim law systems, and communist law countries. Relatively few countries have pure systems. They are usually somewhat of a mixture. (Terpstra, 1993).

For example, in some counties, radio and TV commercials are not allowed. No less than 24 countries have mandatory preclearance of advertisements for pharmaceuticals. A number of developing nations (Egypt, India, Kenya, etc.) have mandatory screening for commercials shown in cinemas.

Economic risk: due to host government exchange controls, high taxation or a rapidly devaluing currency is economic risk for international marketing. However, this maybe conquered by resorting to devices, such as management fees, royalties, and repayments on loans or interest or intra-corporate transfers, as transfer pricing. As it is entirely the responsibility of the individual company to price final goods, intermediate goods, such as assemblies and components. Transfer pricing will become a political issue when foreign subsidiaries are seen to be exporting.

Commercial risk: producers have sought every opportunity to standardize their products and make them available to an ever-larger number of markets. For example, the British Standards Institution scheme THE (Technical Help for Exporters) was created to provide British manufacturers with information on national product standards world-wide. However, even if manufactured to acceptable national standards, there is still the risk that the goods, maybe yet be found to be unacceptable to consumers in the target market, perhaps because of price, design, technology, brand name and so on. (Baker, 1999).

Cultural risk: in international marketing, each foreign market will have a culture and behaviour different from the company's home market, and therefore, the marketing situation and task will be different.

Language: language differences are important to many communications decisions in marketing, such as ranging from the choice of a brand name or the text on a label, to promotional messages in advertising or personal selling. Sometimes, a word in different country has different means. For example, table, in the UK it means put "` on, but in the USA it means put "`off.

Religion, values, and attitudes: religion is a mainspring of behaviour and the basis for most of our values and attitudes. The international marketer needs some knowledge of the religious of a country to understand the behaviour or consumers there. For example: Hong Kong, Korea, Singapore, and Taiwan are called post-Confucian societies. Although most of the people in these countries toward achievement and work, family and country, that are considered the major explanation of these countries' rapid climb toward mass production and mass consumption.

Self Reference Criteria (SRC): "…. the unconscious reference to ones own cultural values is the root cause of most business problems abroad" (James A Lee). Marketers always use their culture is a correct criteria, so they have some problem in international market. For example, in the UK, people drive at the right, but in France, people drive at the left, so French always think they are right, you are false. In fact, both of them are all right, just cultural difference.

There have lots of benefits of trading in domestic markets, such as easy get information about customer needs and wants, and have aspects of economy, technology, political and other advantages. When those firms consider competition, they essentially look at domestic competition. Such as Haier Corporation, in domestic market, its brand already famous, and customer likes their goods; although it has some competition, but Haier still ha inveterately position in domestic markets.

Why firm wants to choose " go" international. Because of Market saturation, more competition, excess capacity and other reasons in domestic market; and have lots of advantage of trading in overseas markets, such as less competition, comparative advantage, international product life cycle, geographic diversification, financial reason and so on.

But not every product introduced abroad by international marketers is a success; they will meet some risk, such as political, economic, social and commercial risk. Because international business entails difficulties and risk not found domestically, the firm should carefully consider its prospects before venturing abroad. So “ go international or remain domestic markets, which markets to enter, and how to enter” are three important decisions for a firm.

Each firm has a marketing strategy that is designed to help identify opportunities and to take advantage of them. This plan of action typically involves consideration of four areas: the product to be sold, the way in which the output will be promoted, the pricing of the good, and the distribution strategy to be used in getting the output to the customer.

Product: the product is the heart of the marketing mix. If the product fails to satisfy the consumer needs, no additional efforts on any of the other ingredients of the marketing mix will improve the product performance in the marketplace. Some products can be manufactured and sold successfully both in the home and host countries. Other products must be modified or adapted and sold according to a specially designed strategy to satisfy different foreign customers.

When a company decides to go international, it must decide whether its products and can be kept unchanged, or if they must be changed. For example, Heinz decided to set up a branch in China to produce special foods for the 20 million children born there each year. Heinz began with market research; the results showed that, in general, Chinese children lacked calcium, iron, and zinc to different degrees. Heinz developed a variety of foods to meet these needs, which have been fortified to alleviate the problems found. (Terpstra, 1993).

Promotion is that part of the marketing mix wherein the firm most directly communicates with its customers. International companies the most widely used promotional tools are advertising and personal selling.

Advertising is a nonpersonal form of promotion in which a firm attempts to persuade consumers to particular point of view. Many organisations use a universal message to reduce costs, but sometimes the advertising must be adapted to the local market. For example, in Malaysia, where Islam is the official religion, beer companies try to avoid direct contact with Muslims by not advertising on billboards or in Malay-language print media. (Kotabe and Helsen, 2001).

Personal selling is a direct form of promotion used to persuade customers to a particular point of view. Some goods that require explanation or description rely heavily on personal selling. But company must attention; some countries are against door-to-door selling, such as France.

Pricing is the variable in the marketing mix that most directly affects the firm's revenue. Too high a price may mean no business, while a lower price may lead to an unprofitable operation. In more case, the firm's discussion of export prices will begin with its domestic prices, so it is worth our while to consider the relation between the two. So export pricing requires careful accounting to determine which costs are attributable to exports.

Distribution is the course that goods take between production and the final consumer. This course often differs on a country-by-country basis; there are three main distribution systems: the firm sells directly to customers through its own field sales force or through electronic commerce; the company operates through independent intermediaries, usually at the local level; the business depends on an outside distribution system that may have regional or global coverage. (Czinkota and Ronkainen. 2001)

So, companies need to think over whether go international or continue remain in domestic market. Go to overseas markets or remain at home, both of them have advantages and risks. Different countries and industries have different situations.

If has potential market, and still has lots of market at home, maybe stay at home is a good idea. Such as, China is a big market; lots of overseas companies go to China, because there have lots of chances in Chinese market. So, some Chinese firm choose remain at home doing business. Whatever a company go international or remain at home, domestic market still is the most important part.

If there is a small market in domestic market, maybe go international is a good idea. Such as Korea, going international market maybe has more chances. Because, no potential market or chance at home, and more competition from overseas firm; going international market can hope for future, and the risk of going maybe smaller than remain.