

International Marketing

UNIT 4.6

International marketing is marketing which takes place between different countries.

If successful, international marketing should result in international trade which is the buying and selling of goods from and to foreign countries.

It is impossible for any country to be totally self-sufficient and to be able to meet all its own needs. This is particularly true in the case of a small country such as Northern Ireland, and is the reason why international marketing is actively encouraged by the Government.



Benefits and Drawbacks of Marketing Abroad

Benefits

- **Increased market and profits**

By marketing abroad, a business can sell its goods in increased quantities. This situation leads to increased profits for the business.

- **More employment**

Increased sales lead to higher levels of production in the business. This situation gives employment to a greater number of people

- **Economies of scale**

Increased production creates opportunities for economies of scale. This ultimately results in higher profits for the business.

- **Greater variety**

Marketing abroad increases the variety of goods available for consumers. This generally creates a better standard of living in the country.

For example, the climate in Northern Ireland is unsuitable for the cultivation of citrus fruits, tea and coffee and, without foreign trade, these goods would not be available in Northern Ireland.

Martin Luther King had this in mind when he once said, 'Before you've finished your breakfast this morning, you'll have relied on half the world.'

- **Political reasons**

The Government encourages international marketing and trade because it establishes and develops good relations with other countries.

Still to come

Figure 4.26

Drawbacks (or difficulties)

- **Competition**

When a business enters the international market, it will meet stiff competition because there are so many more producers trying to sell their goods.

To succeed, a business's marketing and product have to be better than those of its competitors.

- **Production**

Increased markets and increased production may require capital investment and recruitment of additional staff. Accommodation and financial arrangements would have to be made available to undertake this.

The business has to be aware of its capacity for production. If this capacity is exceeded, it will have to make sure that the increased investment would be economical and viable (see Unit 3.1).

- **Distribution**

Distribution on an international scale is much more difficult than for a business which is marketing and selling to the domestic market only.

Secure packaging and efficient transport systems all have to be in place. The business would need to employ agents in the foreign country or else set up a base in the foreign country.

- **Documentation**

Businesses marketing internationally have to be familiar with the documentation required for sending goods abroad. Within the European Union, documentation has been simplified, but the problem remains in trade with other countries outside the European Union such as America or the Far East.

- **Language**

Businesses which market internationally must have at least some members of staff who are capable of speaking, writing and translating the language of the country in which the marketing is taking place.

- **Currency**

Businesses need to be familiar with the currency of the foreign country and be able to market their products in that currency. Within Europe, this problem has been eased somewhat recently, since many European countries have adopted the Euro as its currency.

- **Promotional activity**

Increased promotional activity may be required abroad and the promotional material must also be modified to suit the foreign country.

- **Cultural differences**

Exporters have to be conscious of the values and traditions of the country to which they are selling. It is vital that those values and traditions are respected.

(You should refer to the final section of this unit for further consideration of the cultural dimension.)



Figure 4.27

You have already been introduced to the firm Balcas in Unit 1.5 when you studied its story of growth. We now return to the company to find out its marketing experience abroad.



The products of the fibreboard plant owned by Balcas are fibreboard pre-primed internal components for the architectural and housebuilding sectors. These consist of architectural mouldings – wall panels, skirting boards, architraves, window boards and dado rails – and are marketed under the name ‘Fable’.

The company produces approximately 50,000 linear metres per day – enough for 200 houses. Of this total, 86% is exported while 14% is sold within Ireland. International business is obviously of great importance to the company.

Balcas has experienced many benefits as a consequence of international marketing. The fibreboard plant has increased its workforce by 500% over the past 10 years while its production level has risen due to the installation of a second production line at a cost of £1.2 million. Increased use of automation has resulted in better, and more economical, use of equipment and the plant is now organised on a two-shift system. This increased production has led to economies of scale which are reflected in the company’s profits.



The business has also experienced difficulties as a result of international marketing. When Balcas first entered the European market it had no local competition, but very soon two manufacturers – one in Holland and one in Denmark – started to produce similar lines. As a result, Balcas’ market share has fallen.

A second problem is that many European customers see Ireland as remote and communication can become a difficulty. To overcome this, Balcas set up Freephone lines by which customers, at any location, could access the company easily and at no expense. In addition, Balcas is careful to maintain direct and personal contact with its customers by regular visits from the Managing Director and the Sales Manager. In this way, agents are no longer required abroad yet a personal service, and a high level of customer care, are maintained.

Since all Balcas trade is within the European Union, documentation is not a problem, and, in order to remove a potential barrier, the company supplies quotations and invoices in the customer’s own currency. While this makes trade easier for the customer, it does expose the business to some risk due to variations in the exchange rate.

English is used by Balcas in all transactions since it is spoken as a second language throughout Europe. However, the company has explored the possibility of trade with the Middle and Far East and acknowledges that the idea would not be feasible without the relevant language skills.

Some interesting regional differences in tastes have become apparent. For example, Balcas has found that wall panelling is very popular in Holland while, in Germany, the style of panels produced by Balcas is not popular. Distinct building traditions have also emerged, and the company has found that window boards must be wider for the southern English market than for the northern English market as a result of traditional differences in building techniques.

ACTIVITY

Read the case study on Balcas and answer the following questions:

- a Why is international marketing very important to Balcas?
- b Name two advantages which Balcas has gained through international marketing
- c Why did Balcas' market share fall in Europe?
- d Why is it so important for Balcas to maintain a high level of personal service and customer care?
- e Why is documentation not a problem for the company at present? How might this situation change?
- f Name two cultural differences which Balcas has met.
- g Explain how Balcas may be at risk by trading in the customer's own currency.



EXAMINATION QUESTION

CC Computers produce computer games. It is thinking about marketing its new game abroad.

- a Explain how this might affect the business. **(6 marks)**

- b Give two reasons why it should market its products abroad. **(4 marks)**

(CCEA Business Studies, GCSE, Paper 2 Higher and Foundation Tiers, 2001)

Tips for answering this question:

- a In this 6-mark question you should name and give details of three effects on the business. Those effects may be either advantages or disadvantages to the business.
- b In Part B you are really being asked for two advantages or positive reasons, and they must be seen from CC Computers' point of view.

Implications of the Global Market for Businesses in Northern Ireland

The 'global market' simply refers to trading on a world-wide scale (around the globe).

Every business, no matter how small, can now think of the whole world as being its marketplace if its product is the type of product which is demanded in other countries. The present situation has been thought of as a second industrial revolution.

Many of Northern Ireland's businesses are small. Previously those smallest businesses had a narrow market base and would not have considered exporting to be a viable option. The global market now presents that opportunity.

Globalisation has been made possible partly by:

- the lifting of import controls between countries
- the advances of modern technology in general but especially due to the continuing development of the Internet.

It is estimated, that the Internet population has doubled each year since 1988, and in February 2002, there were thought to be 544 million people on-line throughout the world.

Other components of modern technology which have also played a part are e-mail, electronic data exchange, CD-ROM, video conferencing, mobile communications, networked computers and digital television.

Northern Ireland is a small country and, as part of an island on the extreme western side of Europe, it is geographically remote. These facts present difficulties for businesses in Northern Ireland which do not have to be considered by businesses in other, more central locations. Technology succeeds in reducing the effects of that remoteness and

The global market provides many challenges for businesses in Northern Ireland, but it also presents definite opportunities. The questions now are 'How can those opportunities be grasped?' and 'How can the difficulties be overcome?'

offers connection with potential customers in over 100 different countries.

The implications of the global market for Northern Ireland as a country are:

- the need for the cultivation of a wide vision

The Report by the Economic Development Strategy Review Group 'Strategy 2010' recommends that students should have language skills in a variety of languages and should have opportunities to participate in international exchanges. The Report also stresses the value of town twinning arrangements which develop opportunities for exports and joint ventures as well as other inward investment projects and links. These are seen by the Review Group as being ways of widening the vision of Northern Ireland's population.

- businesses need training and practical experience

Training and practical experience of export marketing is required in order to be able to avail of marketing opportunities abroad.

- business in Northern Ireland needs to be able to use the available technology competently

In 2000, a Chamber of Commerce study concluded that few businesses in Northern Ireland were using modern technology fully. It was found that Northern Ireland was using technology at a lower level than any of the other 12 regions of the United Kingdom. The practical implications of this fact are capital investment in technology which would need to be accompanied by training.

- stiffer competition for businesses in Northern Ireland

This could result in the closure of some manufacturing companies and the redundancy of employees. On the other hand, stiffer competition could have beneficial results for businesses in Northern Ireland. It could be fought with the use of advanced technology and skills, and could result in increased trading and employment. The outcome of competition is largely determined by how globalisation is regarded and the degree to which it is welcomed.

- the opportunity for Northern Ireland to trade equally with all other countries

Using modern technology, communication is equally easy throughout the world. Trading opportunities are equally available everywhere.

If those trading opportunities are taken up, they will result in Northern Ireland having more



investment and employment which will lead to improved living standards and a growth in national wealth.

Opportunities and Competition in International Marketing Created by Technology

Modern technology has created both opportunities and competition for existing businesses. Whether traders are able to grasp the opportunities or succumb to the competition is largely due to their own circumstances.

The greatest opportunity which the business is presented with is that of expanding its market throughout the world. To be able to grasp that opportunity, the business has to be prepared in advance. This means it needs to:

- research the market abroad to discover if its product has to be modified
- decide on suitable forms of transport for the goods
- cater for the type of packaging required
- understand the documentation required for sending goods abroad
- ensure that its employees are properly trained to undertake extra commitments
- train some staff to speak the foreign language required
- research the political and legal system of the foreign country concerned
- make sure that its machinery and equipment are capable of coping with increased demands
- examine the culture of the foreign country concerned
- put in place a suitable pricing policy
- make provision for the return of goods.

Modern technology has also opened up opportunities for every other business as well, and this results in a situation of increased competition. Where there is competition, producers have to compete to persuade consumers to buy their products. The reality is that only the best survive.

In order to combat the competition and keep ahead, the business has to:

- innovate by changing its product in a way which makes it unique and more desirable than other products in the same market
- make sure that the quality of the product is of the highest possible standard
- reduce its prices below the level of the competitors
- offer special inducements with the sale
- supply the goods in the shortest possible time.
- offer a personal service.

The business which can overcome the competition will survive and its market will continue to expand. This will result in increased employment and further opportunities.

The business which cannot overcome the competition will fail and result in redundancies for its employees.

However, it may be beyond the scope of small businesses to respond positively to the competition. For this reason, mergers of businesses into larger units may be the answer to the need for increased capital in order to take advantage of economies of scale.

ACTIVITY

In order to make their products recognisable all over the world, some large businesses adopted single names for their products. Do you know what these were originally called in this country?

Present Name	Former Name
Oil of Olay
Snickers
Starburst

Cultural Dimension of International Marketing

Any business which is trading internationally needs to have an appreciation of the traditions, culture and legislation of the countries with which it is dealing. It is important that those aspects of the foreign way of life are respected.

- **Language**

A knowledge of the foreign language is a basic requirement. This is needed for complete understanding of the transaction taking place, and also for the correct translation of instructions on the packaging of the product.

- **Traditions**

It is important that local traditions, beliefs and customs are not offended. For example, some Indians do not regard black clothes as being fashionable, as is the case in this country. Instead, they connect black with evil spirits and therefore would not wish to wear black. This fact has to be understood if successful trade is to be completed.

- **Religion**

The religious culture of a country needs also to be understood and respected. A practice in McDonald's illustrates how one company does this.

In McDonald's restaurants in Israel, Big Macs are served without cheese in order to separate meat and dairy products. This separation is required in kosher restaurants in order to fulfil the requirements of Jewish law.



Figure 4.28

- **Hours of trading**

Climatic conditions are very different abroad and this results in variations of trading hours. For example, it is too hot to work in the afternoon in Italy and shops are closed from 1.00 pm to 5.00 pm. Contact with Italian businesses has to be avoided during those times.

- **Commercial and technical requirements**

Technical specifications, particularly in electrical goods, differ throughout the world. Products may have to be modified for use abroad.

- **Local legislation**

Laws vary from country to country. It is important to understand these thoroughly so that they are not broken.

- **Local economy**

It would be impossible to set a price for a product and sell it at the same price in every country. What the local market would bear and what the local people could pay must be considered.

McDonald's are found throughout the world offering the same products for sale. However the price at which those products are sold varies according to what local people could spend, and also according to the price charged by their competitors in that particular country.

ACTIVITY

Copy the following table and match the parts of the sentences appropriately.

Knowledge of a foreign language is needed	must be respected in international trade
Prices vary throughout the world	differences in trading hours
Local traditions, beliefs and customs	particularly in electrical goods
Climatic conditions cause	to suit the religion of the other country
Products may have to be modified	to suit the local economies
Technical specifications differ throughout the world	to understand the transaction taking place

ACTIVITY

In the following wordsearch, find the words shown in the list. The words can be read in straight lines, horizontally, vertically or diagonally, either backwards or forwards. There is no overlap of words in the grid.

Marketing
Abroad
International
Culture
Global
Compete
Expand
World
Language
Local
Merger

W	M	H	G	I	N	T	E	R	N	A	T	I	O	N	A	L
G	U	Q	P	J	W	E	N	G	A	D	A	O	R	B	A	K
A	P	W	I	E	R	C	M	P	Z	A	T	K	M	C	U	T
S	W	A	L	I	U	A	A	S	B	R	O	C	H	S	K	G
A	L	Z	M	D	U	R	R	C	B	B	E	I	C	K	I	L
D	A	U	X	S	L	E	K	C	C	G	T	I	C	M	P	O
N	L	O	C	B	E	M	E	Z	X	I	E	B	Y	R	S	B
A	U	P	E	N	C	T	T	P	Q	I	P	Y	C	M	U	A
P	X	Y	E	P	T	M	I	L	A	Y	M	M	V	Y	U	L
X	O	D	E	D	R	Y	N	N	H	S	O	M	T	D	E	I
E	R	Y	L	B	U	O	G	Q	B	U	C	T	I	K	L	S
E	B	R	V	Y	T	I	O	I	U	Q	B	T	U	E	M	I
S	O	E	E	R	B	T	H	V	M	Y	I	L	G	R	P	L
W	E	I	X	A	I	P	R	T	U	E	M	A	U	T	U	
E	G	A	U	G	N	A	L	B	P	Q	Q	W	U	C	N	Y
P	X	C	V	B	E	U	F	H	H	K	J	L	I	O	O	B
C	U	L	T	U	R	E	F	I	R	E	G	R	E	M	U	L

REVISION

At this stage you should understand:

- benefits of marketing abroad
- drawbacks of marketing abroad
- what the global market means for businesses in Northern Ireland
- what makes the global market possible
- how modern technology creates opportunities
- how modern technology creates competition
- how culture and tradition affect international marketing.

You should also know the meaning of:

International marketing

Global market

As revision, look each one up in the Glossary at the end of the book.

