

International Marketing

Block

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BLOCK 4: OTHER ISSUES IN INTERNATIONAL MARKETING

International businesses are often in the cusp of opportunities and uncertainties. Identifying the true market need in a cross-cultural environment and meeting those needs quickly and efficiently with the help of technology relies on leadership ability and finesse. Block 4, of the course on *International Marketing*, deals with the issues associated with International Marketing. Unit 15 discusses the role of leadership, organization structure and coordination and control systems in international business. Unit 16 focuses on marketing in the internet environment. Practicing ethics and being socially responsible, are the core values to be followed by business units which is also focused in the unit. With suitable examples, Unit 17 discusses the growing importance for ethics and social responsibility in the international business environment. Unit 18 deals with future trends in international marketing.

A leader is a catalyst, performing a wide range of functions. From taking strategic decisions to maintaining inter-relationships in the organization through proper communication, the success of an organization rests on the shoulders of the leader. Unit 15, *Leading, Organizing, and Controlling*, discusses the aspects of leadership and organization regarding the international marketing scenario. It also discusses the patterns of international organization that have evolved to cope with the complex, dynamic and highly challenging international environment. The unit ends with a discussion on international marketing management and control.

Technology has brought a fundamental shift in marketing. Knitting boundaries closer, it assures customer-centric delivery of goods and services, at real time. Unit 16, *Marketing in the Internet Environment*, points out how Internet has become an effective marketing tool, and how it helps in creating loyal customers. It discusses the ways to build brands on the Internet. The unit also explains how international marketing is done through online communities to build brand equity. Online platforms help them in creating strong brand associations with customers. The unit ends with a discussion on new forms of Internet advertising.

Marketing in a globalized world has both benefits and risks. While attributing value to cross-cultural nature of business, an international organization has to commit to appropriate ethical standards in the foreign market. It should maintain its own core values while deciding on the level of compromise on ethics and its responsibility to the society while operating for revenues and profits. Unit 17, *Ethics and Social Responsibility*, discusses the importance of various ethical principles and practices that must be adhered to by firms operating in international markets, and their responsibility to the stake-holders. It deliberates on how firms operating in international markets face the issues of corruption and bribery, and the steps they take to tackle such problems. The importance of observing non-violation of human rights is indicated in the subsequent contents of this unit. The unit concludes by underlining the need for a corporate governance structure. Corporate governance specifies the distribution of rights and responsibilities to which the different stake-holders in the organization, namely the Board, Managers, shareholders etc., are entitled to.

Driven by data, marketers should always be vigilant for any big trend that may affect the retail landscape. Opportunities are abundant, so are the challenges from competitors. Sustaining global markets depends on the readiness of the business to cope up with rapid transition taking place in the retail industry, with technology being the key player. Unit 18, *Future Trends in International Marketing*, discusses the trends which are likely to dominate the international marketing scenario in coming years. The unit highlights the factors that led to global explosion of markets. It further underlines the importance of developing skill-set of the country. It proceeds with discussion on e-commerce and e-business, and the trends that show their likely dominance in ushering business in the near future. The role of emerging economies which are capable of turning the world business towards their stride, the gradual shifting of production location from low-wage countries to high-skilled countries and the focus that has to be placed on global branding policy through ‘glocal marketing’ is elucidated in the rest of the unit.

Unit 15

Leading, Organizing, and Controlling

Structure

- 15.1 Introduction
- 15.2 Objectives
- 15.3. Leadership
- 15.4 Organization
- 15.5 Patterns of International Organization Development
- 15.6 International Marketing Management Control
- 15.7 Summary
- 15.8 Glossary
- 15.9 Self-Assessment Test
- 15.10 Suggested Readings/Reference Material
- 15.11 Answers to Check Your Progress Questions

“Learn to hear and connect and celebrate.”

- Angela Ahrendts, Senior V.P. of Retail for Apple

15.1 Introduction

The information shows a significant quality of leadership i.e. a leader should learn to hear from internal and external stakeholders and accordingly connect and celebrate values with them.

In the previous unit, we discussed promotional decisions. In this unit, we shall discuss the aspects of leading, organizing, and controlling in international marketing.

An organization's success largely depends on its people and the inter-relationships between them. How effectively can employees work together as a team? How well can they perform individually? Do they have a common mission? Do they share values? Answers to these questions define the work atmosphere in an organization. Further, the type of organizational structure, and the degree of formality or informality within the organization also play a crucial role in defining its internal environment. Amongst all these variables, the most important is the role played by the leader. The organization head is primarily responsible for its functioning. A good leader can motivate and guide even the least productive employee to do a good job, while a top executive who is not passionate about his work may not be able to get even the best of teams to perform well. As has been said, “management” means “managing-men-tactfully”.

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For a company with international market presence, a well-formed organization structure and effective leadership becomes even more important. The company must be able to respond to changes in local environment without losing its global outlook. In the competitive global environment, the company must be flexible and change easily and have the agility to act fast. Therefore, its top management must be easily approachable, courageous to take tough decisions and have the vision to assess opportunities and threats lying in the future.

This unit will first discuss the aspects of leadership and organization regarding the international marketing scenario. We shall then move on to discuss the patterns of international organization development. Finally, we shall discuss international marketing management control.

15.2 Objectives

After reading through this unit, you should be able to:

- Describe the concept of leadership and its role in gaining competence and first-mover advantage
- Explain the importance organizational structure in allocating the functional roles of a firm
- Differentiate the various types of organizational structure to deploy while expanding globally
- Employ marketing management control system for channelizing the firm's objectives and goals

15.3 Leadership

International business involves diverse operational strategies with different partnerships and alliances. To steer the business in a volatile global economy a firm requires a leader who has skills to perform across national and international borders. In simple terms, Leadership has been defined as “the ability to influence a group towards the achievement of goals”. In a global marketing company, this is particularly difficult because the company operates in complex multiple environments and deals with a variety of people, coming from different environments. A leader of such a company must be able to influence and motivate his or her team to achieve goals in the face of adversities. The leader should also be able to visualize situations that may arise soon, form policies and strategies to handle them, be able to motivate the team to work on such strategies and utilize all available organizational resources optimally towards goal achievement.

A leader should also take care that policies formulated for a region fit into the company's overall global perspective, so that the firm does not appear as small regional and sub-regional branches, but as a single, complete entity.

15.3.1 Core Competence

The concept of ‘core competency’ stemmed from an article written by Prahalad and Gary Hamel in 1990. The authors had defined core competencies as “as the collective learning of the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology.”¹ In other words, a company’s core competence is defined as “the choice of capabilities that permits the firm to make the best response to market opportunities.” An organization’s core competency is unique to it and cannot be imitated by competitors. It helps an organization to have access to different markets. The idea of core competency in a product is to add value to a consumer’s perceived benefits for that product.

Most companies have core competencies in just one or two areas, but it has been seen that to be competitive in a global market, competencies must be developed in multiple fields. This will ensure that an organization is successful in the long-run. Many companies have the technical ability to build core competency in several fields, but sometimes their top management may not have the required vision.

A new trend in many global organizations is that they concentrate only on their core competency and outsource all other associated functions. In fact, organizations nowadays continuously evaluate what functions they should perform in-house and what functions should be outsourced. Generally, companies manage their core businesses in-house.

Example: Core Competency at Apple Inc.

Apple Inc. was an American multinational technology company that specializes in consumer electronics, software and online services headquartered in Cupertino, California, United States.

Apple Inc. was committed to constant innovation in all its products. One of the examples of continuous innovation was iPhone camera, which always brought a revolution in photography itself. Not to limit with Dual –lens camera launched in 2016 with portrait mode and the night mode as the latest.

Apple had the core competency of “Innovation”, it being the first to launch with Mac Computer, iPod, iPhone and Apple watch. Apple innovates with unique technology to make it the trend in the industry.

Sources: <https://hbr.org/2020/11/how-apple-is-organized-for-innovation>, (November-December 2020)

<https://www.liveabout.com/core-competency-in-business-2948314>, (accessed on 7/09/22)

¹ Prahalad C.K. and Gary Hamel, “The Core Competence of the Corporation”, Harvard Business Review, 1990.

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15.3.2 Teams

A team is defined as: “a small number of people with complementary skills who are committed to a common purpose, a set of performance goals and an approach for which they hold themselves mutually accountable.”²

To stay competitive in the global arena, companies need to cut costs. They do so by forming self-directed work- teams that are assigned to an assignment or project. According to J.R. Katzenbach and Douglas K. Smith (1993), “teams will become the primary unit of performance in high-performance organizations.” Different teams may have different strengths and weaknesses, but generally, the organizational culture forms the basis of their attitude and behavior. For example, team members tend to trust each other more, if a general environment of trust and helpfulness prevails in the organization. A team’s performance will depend on how well its members work together and how motivated they are about the project assigned to them.

15.4 Organization

An organization forms the central element of a firm’s strategy formulation and execution. It provides clarity on the firm’s functioning and its hierarchical decisions. Unless a firm is well organized, especially when a marketer goes global, any marketing planning may not yield the desired results. An Organization is defined as the command, control and feedback relationships among employees in an agency, and their information. The data flow structure for the performance management system generally follows the organizational structure.

Within an organization structure, data and information can flow from top to bottom, bottom to top or laterally, across many functions.

An organizational structure is an important management aspect because structure determines the performance of all organizational functions and the achievement of organizational goals.

The organization structure plays two important roles:

- It helps implement strategies effectively, to coordinate and control employee activities so that organizational goals are achieved.
- It also motivates employees to perform better, more efficiently and in the spirit of the organization.

When a company decides to expand operations to other countries, it needs to redesign its organization structure for optimum management and control, so that it can effectively pursue its strategies. At the same time, the structure should be

² J.R. Katzenbach and Douglas K. Smith, “The Discipline of teams,” Harvard Business Review, March-April 1993, p119.

flexible, to respond to different situations in different international markets. It should also be able to tap the best talent from within the company and attract talented and experienced people from outside the company too.

A key issue is the degree of centralization that should be maintained in the structure. Should a subsidiary in a country be treated as an individual cost centre or should it function only as an extension of the headquarters' marketing division? How frequently should an area office report to headquarters? Who should coordinate activities between a regional office and headquarters? How much autonomy should be given to a country head office? Such questions and their answers form the basis of organization structure.

However, there are no tailor-made answers. Different companies must design different structures, keeping their unique strategies in mind- the single goal must be effective strategy implementation. Different countries will also have different working conditions and an organization must take these differences into consideration. A company that plans to go global must acquire knowledge of social, political, economic, and institutional factors and requirements existing in different international markets.

Example: Organization Restructuring by Stellantis

In 2021, Stellantis India, a newly formed organization post-merger of Groupe PSA and Fiat Chrysler Automobile, restructured its organization's leadership team. Saurav Vasta was appointed as head for Citroen brand and Nipun Mahajan appointed as Jeep brand. Roland Bouchara was appointed as CEO and MD for complete operations of both Citroen and Jeep in India. Apart from these changes, there were many functional changes made by Stellantis India to accelerate its growth and market share of both brands Jeep and Citroen in India.

The information shows how Stellantis India made strategic changes in its organization's leadership team.

For more details, check out [https://auto.economictimes.indiatimes.com/news/passenger-vehicle/cars/stellantis-restructures-its-brands-leadership-nipun-mahajan-saurabh-vatsa-to-head-jeep-and-citroen-brands-respectively/83640453?utm_source=Mailer&utm_medium=ET_batch&utm_campaign=etauto_news_2021-06-19&dt=2021-06-19&em=bXVhYXNzaXJhZWVmYWl1bml2ZXJzaXR5Lmlu, ET Auto \(18.06.2021\). Stellantis restructures its brands' leadership; Nipun Mahajan, Saurabh Vatsa to head Jeep and Citroen brands respectively. Accessed on 27/10/2022](https://auto.economictimes.indiatimes.com/news/passenger-vehicle/cars/stellantis-restructures-its-brands-leadership-nipun-mahajan-saurabh-vatsa-to-head-jeep-and-citroen-brands-respectively/83640453?utm_source=Mailer&utm_medium=ET_batch&utm_campaign=etauto_news_2021-06-19&dt=2021-06-19&em=bXVhYXNzaXJhZWVmYWl1bml2ZXJzaXR5Lmlu, ET Auto (18.06.2021). Stellantis restructures its brands' leadership; Nipun Mahajan, Saurabh Vatsa to head Jeep and Citroen brands respectively. Accessed on 27/10/2022)

15.5 Patterns of International Organization Development

“The way a company organizes itself – how it allocates responsibilities, how it organizes support services, and how it groups products, brands or services – can have a substantial impact on its effectiveness” – McKinsey.

In today's competitive environment, an organization has to compulsorily maintain flexibility, efficiency, and responsiveness in its structure. The aim is to deliver quality to customers cost effectively. Most organizations, therefore, like

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to maintain simple and flat structures, without too many layers. This ensures free flow of ideas and processes and makes control and monitoring easier.

Organizations follow different structures. The structure followed varies as the organization grows and expands. In many cases, an organization may predefine its structure when it is deciding on expansion. Most companies, during initial international expansion, set up foreign subsidiaries in different countries. A subsidiary head may directly report to the company head or report to a corporate staff member, who then reports to the company head. This is the simplest method of overseas expansion.

Some other variations in organization structure have been discussed below.

15.5.1 International Division Structure

An organization can opt to establish an International Division if its international transactions have increased to a point where a foreign subsidiary cannot handle them efficiently. Also, the parent company may feel the need to use the services of experts to deal with the complexities of international business. The International Division can take care of all functions related to the organization's activities in the international market. Generally, it does not handle production. Products may still be made in the company's home country and transferred to the International Division in the foreign country. In some cases, an International Division may perform all associated functions independently while in others, it may still depend on the parent company for some functions. For example, if an American pharmaceutical company wants to sell its products in India, it can set up an International division in this country that takes care of functions such as accounting, legal documentation, sales, and marketing, staffing etc. But, drugs and medicines will be procured from the parent company in America and there will be no local production. Also, it may not invest in any R&D, which will remain the parent company's responsibility.

The international division head generally reports directly to the head of the parent company. In such a structure, the advantage is that the international division is close to the parent company and the latter can maintain consistency in product strategy and control functioning. Also, since the division head will focus on his own division's performance, efficient management and good performance will be ensured. The weakness in such an arrangement is that the international division is dependent on the parent company for performing certain functions.

Example: Organizational Divisional Structure of the Good Glamm Group

The Good Glamm Group, a D2C company based in India, divided its business into three divisions – Good Media Co., Good Brands Co., (personal and beauty care brands) and Good Creators Co.

Contd....

All these divisions worked independently for profit generation. Each division had a Chief Business Officer (CBO), which horizontally works with the founders. It also had an international division business unit that deals with the selling of its D2C brands in the international markets.

The information shows the pattern of organizational structure of The Good Glamm Group.

For more details, check out [https://retail.economictimes.indiatimes.com/news/health-and-beauty/d2c-beauty-firm-the-good-glamm-restructures-business-into-three-divisions/92725134?action=profile_completion&utm_source=Mailer&utm_medium=ET_batch&utm_campaign=etretail_news_2022-07-08&dt=2022-07-08&em=bXVkyXNZaXJAaWNmYWl1bml2ZXJzaXR5Lmlu, ET tech \(07.07.2022\). D2C beauty firm The Good Glamm restructures business into three divisions. Accessed on 27/10/2022](https://retail.economictimes.indiatimes.com/news/health-and-beauty/d2c-beauty-firm-the-good-glamm-restructures-business-into-three-divisions/92725134?action=profile_completion&utm_source=Mailer&utm_medium=ET_batch&utm_campaign=etretail_news_2022-07-08&dt=2022-07-08&em=bXVkyXNZaXJAaWNmYWl1bml2ZXJzaXR5Lmlu, ET tech (07.07.2022). D2C beauty firm The Good Glamm restructures business into three divisions. Accessed on 27/10/2022)

Activity 15.1

‘Fashions Technique’ is a Polish garment company with operations in more than eight countries. So far, the company was relying on exports to operate in international markets. With increase in sales, it is planning to open an international division for its operations in foreign markets. Comment on the company’s plan.

Answer:

15.5.2 Regional Management Centers

A company may choose to establish a regional management center if its international activities for a region grow beyond the scope that an international division can manage. The regional management center is placed at a level between the country office and the international division at headquarters. A regional management center is beneficial under two conditions-- the operational size of a company in a region must be substantially large, at least large enough to justify the cost of establishing and maintaining a regional management center; second, the countries in the region where a regional management center is to be set up must have similarities. Specifically, there must be economic, political, and social cooperation in the region. Basic infrastructure requirements like transportation and communication means within the countries of the region must be well developed.

There should also be some tariff reduction benefits shared by these countries. For example, the European Union, the Middle East, SAARC countries and Latin America are all regions which have countries bound by cooperative trade agreements. Setting up regional management centers that can oversee the operations of all countries in one region is beneficial for a company. The center

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should coordinate so that the company's resources are used optimally. Decisions common to the countries of a region can be taken at a regional level rather than at individual country level. This method offers better control and management of a region. The disadvantage is that the increased costs of maintaining a regional office must be borne. Overhead costs of maintaining a regional office, commuting costs of company staff from the regional office to the country office and from the regional office to headquarters can be large. Therefore, setting up a regional management center must be justified by the volume of business the company expects in the region.

Activity 15.2

CBC Inc., has widespread international operations and several international divisions. Of late, the company has realized that it is unable to control its international operations. Therefore, the firm wants to establish regional management centers to monitor and co-ordinate the activities of its international divisions. Explain the structure of the regional management centers and their advantages and disadvantages.

Answer:

15.5.3 Geographical Structures

As a company's scope in a country goes beyond management by an international division, the company must modify and adapt its structure to tap maximum benefits from its capabilities.

When a company has a single product or a closely related product line to offer, an organizational structure based on geographic location of its world-wide operations is suitable.

Within a geographical structure, a country executive is made responsible for performing all functions in the country. For uniformity in product strategy across the region, all planning and controlling is done at headquarters. Another feature of this system is that all regional markets, including the company's home market, are treated equally. That is, the home market too falls under the corresponding regional management. The advantage is that since one country executive is responsible for performance, accountability can be fixed easily. Another plus point is that country managers develop a deep understanding of the market and customers in that country. The disadvantage is that there will be inevitable duplication of functions within a country. For example, if individual country

offices in France, Germany, Italy, and U.K. are carrying on independent production activities, the company cannot take advantage of economies of scale.

15.5.4 Product Division Structure

A company structures its organization based on products when it has multiple product lines and when each product requires a relatively high level of technological ability. It is beneficial for the company to have a centralized production facility for a product line. Within each product division, the traditional organizational functions such as accounting and budgeting, human resource management, marketing, operations etc., are performed.

Besides, within such a division, a company can either maintain an international division, dividing the market into domestic and foreign markets, or opt for regional divisions based on geographic locations. Often, a company converts its international division structure into a product division structure in two stages. In the first, the international operations' responsibility for a product is shifted from the common international division to the individual product international division, slowly dissolving the former. In the second stage, the product international division is absorbed and regional divisions for different regions are created.

In this system, the entire focus within a division is on the product being dealt with, so that product knowledge is enhanced. It also enables the companies to capitalize on economies of scale. One disadvantage is that there is duplication of functions in each product division, leading to increased costs. The other is that it encourages product division heads to concentrate solely on development of their product without having an organizational perspective.

15.5.5 Strategic Business Units

A Strategic Business Unit is an independent business unit with a coherent set of products, strategies, objectives, and competitors. It may not necessarily fit into an organizational structure but may have been designed as an independent unit to serve an identified market and to compete with identified competitors. Or, it may have been designed to develop a business strategy. Such a strategy may be implemented in other functional units of the organization. The disadvantage of an SBU is that it does not have much interaction with other structural units or other SBUs.

Activity 15.3

South Africa-based Sasol Ltd. (Sasol), is a global player in chemicals and liquid fuels. Sasol is a corporate holding company for the group's business activities. The group has operations in six key areas like mining, chemicals, liquid fuels, gas, etc. It has operations in 20 countries across six continents. The group's business is carried out by various Strategic Business Units situated

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across the world. These units are organized to meet customer requirements around the world. What are Strategic Business Units? How have they helped Sasol emerge a global leader? Justify your answer.

Answer:

15.5.6 Matrix Structure

Let us now look at a matrix structure. A matrix structure in an organization is like two different organizational structures, based on different variables, superimposed on each other. For example, a product division interacting with a functional department or interacting with a regional division, to form a product-function is a product-region matrix.

The choice of the two variables depends on their importance. Such a structure brings together different skills to achieve organizational goals. For example, a structure based on division of functions allows similar resources to be grouped together, so that all marketing skills are under one head and say, all accounting skills, are managed under another group.

While this is the advantage, the disadvantage is that for the manufacturing and sales of any product all functions need to be coordinated properly and on time. On the other hand, in a product-based structure, although the product is the focus, there is duplication of all related functions. In a matrix based on function and product structures, the disadvantages of both individual systems are removed while their advantages are preserved. So, all functions are spread over all products and all products can coordinate with all functions. Both functions and products divisions are jointly responsible for profitability.

The major hazard of a matrix structure is that it removes the concept of unity of command and promotes dual reporting, thereby increasing conflict. A worker not only reports to the product manager but also to the marketing, finance, or sales managers. This can lead to a power struggle and ambiguity in reporting. Therefore, a matrix structure should be adopted in an organization only when the organizational culture is mature enough to responsibly handle the possibility of conflict.

15.5.7 Matrix Variations

In some organizations, the matrix structure may not be adopted as clearly as shown above. Some operations may be shared between different divisions, while some may remain specific for individual divisions. For example, an organization that has based its structure on product categorization has the disadvantage that

the same functions are duplicated for each product in many countries. There will be multiple division organizational units operating simultaneously and independently in many countries. To avoid duplication, a matrix variation can be adopted. The organization can create umbrella companies in each country that will be responsible for activities such as cash management, office management, image building, transportation and so on, that are common to all products. On the other hand, the product division will be responsible for country strategies and programs and would have profit and loss accountability. The umbrella organization will be an individual cost centre and its costs will be divided between all product divisions based on a ratio. There can be three variations of this structure. It could either be a matrix with emphasis on product division responsibility or the stress may be on profit and loss management for a specific country. Third, it could divide responsibility equally between product and national organization.

Check Your Progress - 1

1. Which of the following may be defined as the ability to influence a group towards the achievement of a goal?
 - a. Mentoring
 - b. Guidance
 - c. Management
 - d. Direction
 - e. Leadership
2. Which of the following may be defined as the choice of capabilities that permits the firm to make the best response to market opportunities?
 - a. Calibre
 - b. Abilities
 - c. Core competency
 - d. Efficiency
 - e. Capability
3. Which of the following a company may choose to set up, if its international activities for a region grow beyond the scope that an international division can manage?
 - a. Product division structure
 - b. Geographical structure
 - c. International division structure
 - d. Horizontal structure
 - e. Regional management centre

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4. Which of the following structures may be adopted by an organization if it has multiple product lines and each product requires a relatively high level of technological ability?
 - a. Geographical structure
 - b. International division structure
 - c. Product division structure
 - d. Regional division structure
 - e. Global structure
 5. Which of the following organization structures removes the concept of unity of command and promotes dual reporting, thereby increasing conflict?
 - a. Horizontal structure
 - b. Geographical structure
 - c. Product division structure
 - d. Regional management center
 - e. Matrix structure
-

15.6 International Marketing Management Control

Controlling is an important management function in any organization. Evaluation and control are necessary for a management to know whether marketing goals and objectives of the company are being achieved and whether any corrective action is needed. Controlling is also done to manage an organization's resources optimally. As an organization grows, the number of layers in its structure also increases, making control more difficult.

Global organizations are more difficult to control because of the geographical area they cover. Each unit of a global organization is in a different market and faces a different set of conditions. Thus, plans and strategies must be designed separately for each market. Market environment is subject to many changing, interacting factors, causing an alteration in the overall environment.

Plans also must be modified to suit changing market conditions. Therefore, within the planning structure, provisions must be made to assess the results of plans and their implementation. Control becomes a necessary element of planning.

Another important factor is the heterogeneity of different people involved in an organization. Executives in a global organization will belong to diverse backgrounds. There will be multiplicity of cultures, social norms, languages, and practices. Different managers are likely to have different parameters to evaluate the success or failure of a plan. So, it is important that controlling in a global organization is strictly enforced.

15.6.1 Global Marketing Performance Evaluation

Evaluating organizational performance periodically is the key to successful implementation of plans and strategies. Success must be measured against a standard or budgeted performance. In any organization, a budget is generally based on the company's past performance and on the past performance of the industry. Expected growth rates for the industry and for individual organization are also taken into view. This ensures that while the budget is based on realistic data, it has provisions for growth. Market conditions for different markets keep changing frequently and most companies do not like to vary their budgetary allowance during one financial period. Hence, a company should closely monitor its performance and understand how to use allocated resources for that financial period in the best way.

Example: Amazon Closed Selected Physical Stores across US and UK

In 2022, Amazon called for the closure of its all physical bookstores, toys and home goods stores, and pop-ups stores in the US and UK. These physical stores were generating revenue of mere just 3% of the company's total revenue. The information shows global marketing performance evaluation.

For more details, check out Reuters (03.03.2022). Amazon to shut its bookstores and other shops as its grocery chain expands. Accessed on 27/10/2022, <https://retail.economictimes.indiatimes.com/news/industry/amazon-to-shut-its-bookstores-and-other-shops-as-its-grocery-chain-expands/89959389>

To evaluate performance, an organization can carry out systematic and periodic auditing. Global marketing audit is defined as, "a comprehensive, systematic, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, programs, policies and activities, which is conducted with the objective of identifying existing and potential problems and opportunities and recommending a plan of action to improve a company's marketing performance." Let us look at the different aspects of auditing.

Auditing has two key features:

- It is systematic in approach, that is, it is a planned sequence of steps followed to correctly evaluate an organization's performance.
- An audit is carried out periodically. This is done to identify a problem in the initial stages so that corrective measures can be taken as soon as possible.

These features of auditing make it a valuable tool for controlling an organization's performance.

Auditing can be carried out by the members of the organization itself. This is referred to as internal or self-audit. An auditor from within the organization, who knows the industry environment and is familiar with opportunities and threats,

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carries out the audit. Such an auditor will base his or her judgments keeping environmental conditions in mind.

An audit can also be independent. The auditor is not under the influence of the organization for which he is auditing. Such audit ensures that the evaluation process is more objective and without prejudice. Reliable evaluation of the organization's performance is done.

Such frequent performance evaluations help an organization charter its future course of action.

15.6.2 Formal Control Methods

As organizations grow into large global companies, they find it difficult to manage their widespread operations. In many companies, the headquarters may not be able to understand local conditions and a lot of autonomy is given to subsidiaries in planning operations within that market.³ However, even then, it is important for headquarters to monitor performance of subsidiaries or regional centers. Companies adopt formal control methods for evaluation. A formal control method is one based on specific plans and targets that are to be achieved. The customary formal control technique is planning and budgeting. As has been discussed earlier, a budget for a certain period is set keeping in mind the organization's and the industry's past performance and their future growth patterns. The headquarters of a global company would formulate a budget for its subsidiaries and periodically measure the subsidiary's performance against the budget. For example, the head office may compare actual expense incurred in marketing a product against allocated expenditure. If there is an unfavorable variance, the head office may investigate the subsidiaries' performance to look for reasons. Subsequently, the head office may take steps to improve the subsidiary's functioning. This is a way of formal control.

15.6.3 Informal Control Methods

Informal control methods do not use objective methods such as budgeting or planning. Informal controlling requires face-to-face communication between headquarters staff and subsidiaries staff. This gives headquarters an understanding of the day-to-day working of the subsidiary and problems it may be facing, which may not become apparent in formal control methods. For example, an Indian subsidiary of an American company may have a team of 50 marketing personnel and may have met its sales target for the current financial year. The problem it may be facing is that 20 of its marketing personnel are resigning and joining a competitor the next month. As the sales targets have been met, formal control methods will give a favorable evaluation of the subsidiary's performance. This method will not disclose the manpower problem the subsidiary

³ G.E. Fryxell, R.S. Dooley, M. Vryza, "After the Ink Dries: The Interaction of Trust and Control in Us-Based International Joint Ventures," *Journal of Management Studies*, Sep. 2002, Vol. 39, Issue 6, pp.865.

will soon face. An informal interaction between the American office and the Indian staff will reveal this problem to the former, so that it can make provisions for appointing and training a new team of 20 marketing personnel. It can also be studied why the company's marketing personnel are leaving the organization.

Another informal control method that global companies use is to transfer staff from one regional office or one market to the other. When people are transferred, they carry their experience of the previous market to the new market. An experienced person can identify problems and solutions for the subsidiary.

15.6.4 Variables Influencing Controls

Control is the key to effective management. It is easy to control the operations of a company, which operates in a limited geographical area, but difficult to control a global company, which may have operations in numerous countries. It has to deal with different cultures, problems, threats, and kinds of people too. Some factors that affect control are:

- Domestic practices and the value of standardization
- Communication systems
- Adequacy of data
- Diversity of environments
- Management philosophy
- Distance
- The product
- Environmental stability
- Subsidiary performance
- Size of international operations

Let us now discuss each of these aspects:

Domestic practices and value of standardizing

If an organization is using a successful control method to manage its domestic business, it can adopt the same system for its foreign operations too with suitable modifications for various markets. A standard controlling method for all markets is advantageous for a company. For one thing, its management will be familiar with the same control practices and people and ideas can be transferred easily from one market to the other. Also, adopting a standard system will make it easier to compare performances of various subsidiaries. For example, a global company can use the same financial and accounting software for all its subsidiaries. Reports from subsidiaries will have the same format and the same formulae for calculations. This will make it simple for the head office to compare results.

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Communication systems

A well-developed communication system is essential for effective control. In today's dynamic world, competitive situations keep changing. In a global company, it is vital to maintain constant communication between subsidiaries and the head office and amongst the subsidiaries themselves. At the same time, reports must be collected from subsidiaries and any problems should be communicated to the head office. All this requires fast, effective, and economical communication tools. Recent telecommunication developments use new technology such as video conferencing, e-mail and the Internet, satellites, and mobile phones. Simultaneously, better postal, courier and cargo services help information exchange.

Adequacy of data

Inaccurate and insufficient data about the market where the subsidiary operates will adversely affect the control process. Accurate sales forecasting, budgeting, stock requirements etc., can be correctly assessed only with proper data. While budgeting, a global company has to consider many factors such as a country's inflation rate, the GDP, spending power, disposable income etc. Therefore, complete and accurate data is necessary for a company.

Diversity of environments

Controlling becomes more difficult for a parent company if there are too many differences in the environment of the domestic market and the foreign market. The parent company has to give more autonomy to a subsidiary operating in a drastically different environment.

In such cases, Regional Management centers are very useful as they manage a group of countries culturally similar. For example, for an American company, controlling a subsidiary in nearby Canada will be easier than controlling a Chinese, Japanese, or Korean subsidiary. Instead of coordinating with each individually, the American company can coordinate with a Far East Regional Management Centre, set up for the purpose. This centre will in turn coordinate with subsidiaries.

Management philosophy

An organization's management philosophy also defines the control system it will adopt. If centralized decision making is selected, it is most likely that subsidiaries will not be given autonomy. Therefore, formal control methods will be adopted, which will require reports from subsidiaries for assessment. There will also be frequent contact with subsidiaries to monitor progress. On the other hand, if decentralized decision-making is chosen, subsidiaries will get more autonomy and will only occasionally have to furnish formal reports. It may broadly define the subsidiary's working but will not monitor day-to-day operations.

Distance

The distance between a subsidiary and head office also affects control methods that the latter will use. If the subsidiary is in a country close to the parent country, then there will be frequent exchange of personnel between the two and recurrent visits from head office staff. In this situation, informal control methods are likely and there will be more face-to-face interactions between subsidiary staff and head office staff. When geographical distance between the subsidiary and head office is more, there will be less direct interaction. This is because distance is directly proportional to travelling; communication costs and time too will increase. Therefore, there is every likelihood that more authority will be delegated to the subsidiary head for decision making. There will be less head office control.

The product

The type of product a company is dealing in will also affect the extent of control. A company making products that are standard around the world, such as technical equipment, computers or sophisticated electronic goods can exert stricter control over subsidiaries, than a company that produces environmentally sensitive products. There will be little autonomy to subsidiaries in marketing standard products as the same policies will be applicable everywhere.

Some products, such as food products and medicines are sensitive to environmental differences. The same standards cannot be used globally and individual subsidiaries will have varying marketing strategies. The product may also have to be adapted to meet local needs. In such cases, the parent company will allow more decision-making at local levels.

Environmental stability

The stability of the environment in which the subsidiary is situated also decides the extent of control. If political environment is unstable and government policies change frequently, a subsidiary will have to modify its actions frequently to adapt to changes. The parent company cannot exert strict control or pre-plan strategies. It cannot monitor or criticize deviations from formal control methods.

Subsidiary performance

A subsidiary's own performance will also affect the extent of control that headquarters will exert. If its past performance has been satisfactory and it achieved marketing targets within its budgeted expenses, the headquarters may not be rigid in exerting control. On the contrary, if the subsidiary has failed to meet set targets then the head office will be compelled to study and evaluate the subsidiary's operations to find out the causes of the problem. The head office may even enforce strategies to correct the situation and keep a close watch on strategy implementation and outcome.

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Size of international operations

The size of a company's international operations also affects the degree of control over subsidiaries. If a subsidiary contributes a significant amount of revenue to overall operations of the global company, it is likely that the subsidiary will also have a greater share in decision-making. A subsidiary making only a marginal contribution to overall operations of the global company will have more decisions imposed on it by the head office.

Check Your Progress - 2

6. Which of the following statements define controlling as an important management function?
 - i. To know whether marketing goals and objectives are being achieved.
 - ii. To manage an organization's resources optimally.
 - iii. To know whether any corrective action to meet the goals and objectives is needed.
 - a. Only i and ii
 - b. Only i and iii
 - c. Only ii and iii
 - d. i, ii, and iii
 - e. Only i
7. It is difficult to ensure control in global organizations due to which of the following?
 - i. The heterogeneity of different people.
 - ii. The multiplicity of cultures, social norms, languages, and practices.
 - iii. The changing market environment.
 - iv. The evaluation of a plan's success or failure on the same parameters.
 - a. Only i, ii, and iii
 - b. Only i, ii, and iv
 - c. Only i, iii, and iv
 - d. Only ii, iii, and iv
 - e. Only i & iii
8. Which of the following can be defined as a comprehensive, systematic, and periodic examination of a company's marketing environment, which is conducted with the objective of identifying existing and potential problems and opportunities and recommending a plan of action to improve performance?
 - a. Marketing control
 - b. Global marketing audit

- c. International strategy
 - d. Strategic control
 - e. Business control
9. Which of the following are the features of auditing?
- i. It is systematic in approach.
 - ii. It is carried out periodically.
 - iii. It is done to identify a problem in the initial stages so that corrective measures can be taken as soon as possible.
 - iv. It is a planned sequence of steps followed to correctly evaluate an organization's performance.
- a. Only i, ii, and iii
 - b. Only i, iii, and iv
 - c. Only ii, iii, and iv
 - d. i, ii, iii, and iv
 - e. Only i & ii
10. What do you call the audit that will be carried out, when the auditor is not under the influence of the organization for which he/she is auditing?
- a. Self-audit
 - b. Internal audit
 - c. Corporate audit
 - d. Personal audit
 - e. Independent audit
-

15.7 Summary

- Management of a global marketing organization is a complex task. It requires detailed planning, organizing, and controlling.
- Global organizations must organize their structures in such a way, that they can maintain some flexibility.
- As environmental conditions vary from country to country, a standard set of policies or strategies cannot be used by all subsidiaries.
- It is also important for global marketing organizations to plan their structures so that all resources are fully utilized.
- A global company must closely monitor the performance of its subsidiaries. This is called controlling.
- The degree to which a parent company controls a subsidiary depends on several factors such as the size and performance of the subsidiary, the nature of the product, the stability and diversity of the environment in which it is functioning, and the parent company's management philosophy.

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- The global company can use either formal control methods or informal control methods or a combination to effectively manage its global operations.
- A global company must evaluate the performance of all regional centres or subsidiaries and suggest improvements so that they remain competitive at all times.

15.8 Glossary

Core Competence: The choice of capabilities that permits the firm to make the best response to market opportunities.

Global Marketing Audit: A comprehensive, systematic, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, programs, policies and activities, which is conducted with the objective of identifying existing and potential problems and opportunities and recommending a plan of action to improve a company's marketing performance.

International Division: Division responsible for firms' international activities.

Leadership: The ability to influence a group towards the achievement of goals.

Organization Design: Overall pattern of structural components and configurations used to manage the total organization; also called organization structure.

Organization: It can be defined as the command, control, and feedback relationships among employees in an agency, and their information. The data flow structure for the performance management system generally follows the organizational structure.

Product Division Structure: Organizational structure based on product divisions that have worldwide responsibility.

Strategic Business Unit: An independent business unit with a coherent set of products, strategies, objectives, and competitors. It may not necessarily fit into an organizational structure but may have been designed as an independent unit to serve an identified market and to compete with identified competitors.

Team: A small number of people with complementary skills who are committed to a common purpose, a set of performance goals and an approach for which they hold themselves mutually accountable.

15.9 Self-Assessment Test

1. How can effective leadership and a well-formed organization structure help a company with international market presence? Explain.
2. What are the different ways in which global marketing organizations plan their organizational structures? Discuss the different patterns of organizational structures.

3. How can organizations control their marketing operations internationally? Discuss the modes of controlling, and explain briefly the variables that influence the controlling function.

15.10 Suggested Readings /Reference Material

1. J. Daniels, L. Radebaugh, and D. Sullivan, “*International Business: Environment and Operations*”, 17th Edition, Pearson, 2021.
2. Masaaki (Mike) Kotabe, Kristiaan Helsen and Prateek Maheshwari, “*International Marketing 8e (An Indian Adaptation)*”, Wiley India Pvt Ltd, 2021.
3. Cateora, P.R., Money, R. B., Gilly, M.C. and Graham, J.L., “*International Marketing*”, McGraw-Hill, 18th Edition, 2019.
4. Keegan, W.J., “*Global Marketing Management*”, Pearson Education; Eighth edition, 2017.

15.11 Answers to Check Your Progress Questions

1. (e) Leadership

Leadership has been defined as “the ability to influence a group towards the achievement of goals.” Leading a global company is difficult as the company operates in complex multiple environments and deals with a variety of people coming from different environments.

2. (c) Core competency

A company’s core competence can be defined as “the choice of capabilities that permits the firm to make the best response to market opportunities.” An organization’s core competency is unique to it and cannot be imitated by competitors. It helps an organization to have access to different markets.

3. (e) Regional management centre

The regional management centre is placed at a level between the country office and the international division at headquarters. A company may choose to establish a regional management centre if its international activities for a region grow beyond the scope that an international division can manage.

4. (c) Product division structure

According to this organization structure, a company structures its organization based on products when it has multiple product lines and when each product requires a relatively high level of technological ability. It is beneficial for the company to have a centralized production facility for a product line.

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5. (e) Matrix structure

A matrix structure in an organization is like two different organizational structures, based on different variables, superimposed on each other. The major hazard of a matrix structure is that it removes the concept of unity of command and promotes dual reporting, thereby increasing conflict. That is, a worker not only reports to the product manager but also to the marketing, finance, or sales managers. This can lead to a power struggle and ambiguity in reporting.

6. (d) i, ii, and iii

Controlling is an important management function. Evaluation and control are necessary for managements to know whether marketing goals and objectives are being achieved and whether any corrective action is needed. Controlling is also done to manage an organization's resources optimally.

7. (a) Only i, ii, and iii

All the options are true regarding the reasons for difficulty in controlling in global organizations, except option (iv). Executives in a global organization will belong to diverse backgrounds. There will be multiplicity of cultures, social norms, languages, and practices. Thus, different managers are likely to have different parameters to evaluate the success or failure of a plan.

8. (b) Global marketing audit

To evaluate performance, an organization can carry out systematic and periodic auditing. Global marketing audit is defined as, "a comprehensive, systematic, and periodic examination of a company's or business unit's marketing environment, objectives, strategies, programs, policies and activities, which is conducted with the objective of identifying existing and potential problems and opportunities and recommending a plan of action to improve a company's marketing performance."

9. (d) i, ii, iii, and iv

Auditing has two key features. (a) It is systematic in approach, that is, it is a planned sequence of steps followed to correctly evaluate an organization's performance; and (b) An audit is carried out periodically. This is done to identify a problem in the initial stages so that corrective measures can be taken as soon as possible.

10. (e) Independent audit

Independent audit is when the auditor is not under the influence of the organization for which he/she is auditing. Such audit ensures that the evaluation process is more objective and without prejudice.

Unit 16

Marketing in the Internet Environment

Structure

- 16.1 Introduction
- 16.2 Objectives
- 16.3 Internet as an Effective Marketing Tool
- 16.4 Internet as a Creator of Loyalty
- 16.5 Brand Building on the Internet
- 16.6 Online Communities – The Virtual Marketplaces of the Future
- 16.7 New Forms of Internet Advertising
- 16.8 Summary
- 16.9 Glossary
- 16.10 Self-Assessment Test
- 16.11 Suggested Readings/Reference Material
- 16.12 Answers to Check Your Progress Questions

“If your Business is not on the Internet, then your Business will be out of the Business”

- Bill Gates

16.1 Introduction

Bill Gates emphasizes on the presence of Business on Internet.

In the previous unit, we discussed the aspects of leading, organizing, and controlling in international marketing. In this unit, we shall discuss the various ways of marketing products and/or services in the Internet environment.

The Internet is a global network of many networks connecting millions and millions of computers together. Today, the Internet is an integral part of business of our environment, and even of our personal lives. It has become a fundamental tool used to interface with others. Virtually, every aspect of our daily lives can be organized using the Internet, be it arranging for a home loan from Bank of America, finding the status of your bank account in ICICI Bank, finding a compatible blood donor through the Red Cross site, buying groceries through Net grocer, watching a movie supported by AOL or Disney, or booking hotel reservations at the Taj group of hotels.

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The Internet holds unlimited potential; it is a fast, economical, and a reliable method to reach out to thousands of potential customers. It's most beneficial aspect is that it transcends all geographical barriers. It has truly helped to transform the world from being "multi-national" to being "global". To an internet user and an internet marketer, the whole world appears as a single global entity, no longer fragmented into multiple nations.

Internet marketing is defined as "the use of the Internet to advertise and sell merchandise or services". It involves the use of websites and e-mails to reach customers and inform them about the availability of a product, entertain their queries, and receive orders and payments through the electronic medium.

This unit will first discuss how internet is an effective marketing tool, and how it helps in creating loyal customers. We shall then move on to discuss the ways to build brand on the Internet. We shall also discuss about the online communities that are growing to become the virtual marketplaces in the future. Finally, we shall discuss the new forms of Internet advertising.

16.2 Objectives

After reading through this unit, you should be able to:

- Appraise how Internet acts as an effective marketing tool for bridging barriers of international transactions
- Explain how brand building on the Internet can establish brand loyalty
- Recognize the importance of online communities in connecting with the virtual customers
- Identify new forms of Internet advertising for increasing customer base and revenue

16.3 Internet as an Effective Marketing Tool

The Internet has emerged as a powerful marketing tool. "It provides enormous opportunity for international trade and marketing, because networks are great levelers, easy to enter into countries without violating the traditional territorial barriers like air, sea or land" (Justin Paul, 2012). In fact, it has almost completely revolutionized the way traditional companies are doing business. Until a few years ago, many companies viewed the Internet as only another advertising medium; they could not visualize its potential as a marketing channel. Some companies even felt that developing the Internet as a marketing tool would interfere in their relations with their distributors and retailers and with other conventional forms of marketing.

Role of Internet to Marketers: Some important aspects of the Internet and its development are given below.

1. The global digital ad spend (including mobile ad) would be \$753 billion by 2026.⁴
2. Companies are more data-driven now and are investing heavily in building impressive knowledge bases. They apply technology to their extensive customer databases to harness the advantages of a strong database. The Internet serves as a major source of information on customers.
3. The Internet can make direct marketing all the more effective and can help eliminate some of the limitations of advertising. It can help marketers by precisely targeting the interested audience so as to have maximum Return on Investment (ROI).⁵
4. Currently, long-term advertising on the Internet, though has the highest CPM,⁶ it is considered beneficial because of the recall effect it has on the viewers.
5. The Internet is poised to become one of the most important advertising media. But it will not remain an advertising medium alone; it will also serve as a means to decide on the best pricing, positioning and messaging strategy for other media as well. This will happen because the Internet will bring the consumer into direct contact with the marketer and will help the marketer gather authentic feedback about his customers.
6. In Internet advertising, it has been predicted that there will be an immense growth in the use of multimedia, animations, etc., which will help deliver more creative commercials. This will lead to higher budget allocations for Internet advertising.

Future of Internet Marketing: Internet marketing has taken rapid strides. According to Forbes Agency Council (2018), the following strategies are going to dominate internet marketing in future. Some important ones are:

1. Creating 'mobile strategy' – capitalizing the vast mobile usage to reach out to existing and potential customers
2. Using media like livestream Facebook video, blog, podcast etc. and deliver content that is focused and authentic
3. Launching chatbots for customer engagement and customer service
4. Generating a system for getting reviews or asking reviews about the firm

⁴ https://www.business-standard.com/article/technology/despite-privacy-changes-digital-ad-spend-to-hit-753-bn-in-2026-122020700661_1.html#:~:text=still%20major%20opportunities.,The%20mobile%20in%20Dapp%20revenue%20will%20account%20for%2056%20per,strike%20to%20sec,ure%20consumer%20trust.,Feb%207%202022 (accessed on Dec, 12, 2022).

⁵ ROI or "Return on Investment," is trying to find out what the end result of the advertising campaign expenditure is. A lot depends on the goal of the campaign, building brand awareness, increasing sales, etc. In Internet advertising, ROI relies heavily on the click-rate of an ad.

⁶ CPM is the cost per thousand sightings or impressions for a particular site. A Web site that charges \$15,000 per banner and guarantees 600,000 impressions has a CPM of \$25 (\$15,000 divided by 600).

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5. Delivering value and projecting socially responsible acts undertaken by the firm through events that will make it stand apart
6. Implementing native language in digital advertisements to get involved with target market.

Benefits of Internet Marketing: Even companies that were fully dependent on conventional marketing systems admit that Internet marketing, if properly exploited, can be immensely beneficial. Companies are now incorporating internet marketing strategies in their overall marketing plan to be able to take advantage of the opportunities that e-business has to offer. While designing a strategy, a company must consider that:⁷

1. The Internet can be used to reduce marketing costs. It should not be viewed as just another advertising medium. It can help business by streamlining operations, reducing costs, forging customer relations, and generating revenues. E-business can create value for organizations if they continuously use technology to improve upon their marketing system⁸. They should meet customer expectations at any given point of time. The Internet can be used to build long-term relationships with customers.
2. The Internet can be integrated into an organization's marketing and communication plan. It can be used to build brands. If used in combination with other distribution and media channels, it can contribute significantly in brand building.
3. Conventional marketing channel partners, which include wholesalers, retailers, agents, must not be discarded. With the Internet, a producer can directly reach the consumer. But he should not isolate his other channel partners. He must try to use the Internet to build business for himself and for his distributors.
4. With the evolution of the Internet, the customer has become more knowledgeable. Companies must recognize the fact that most consumers can compare prices of products from various companies within minutes on the Internet. Therefore, the companies can either compete on price or convince the user of superior quality, but under all circumstances, they must aim to deliver what they promise.
5. To use the internet potential to the optimum, organizational heads must understand and believe in its capability and the uses to which it can be put. Only then will they be able to creatively tap its potential. It is also important for them to identify the products and services and the facets of the organization that they want highlighted on the Internet.

⁷ Andrew J Rohm, Fareena Sultan, "The Evolution of E-Business," Marketing Management, Vol. 13 Issue 1, p32, 6p, American Marketing Management, Jan/Feb 2004

⁸ Business Dictionary defines the term thus: The market system is where market players bid and ask. Auctions, rationing, black market and free market, real estate market, stock market and others are types of market systems. In other words, marketing system is the social network that permits interaction between buyers and sellers

16.3.1 Internet is about Communication and Not Technology

The Internet is primarily a tool for communication. It has various technical aspects associated with it, but from a marketer's point of view, its importance lies in the fact that it can serve as a powerful global communication tool. According to Sergio Zyman, "Customers don't care if your Web has the coolest technology - they want to know how it can do something for them that they need or want and how it can do it differently than any other site."

For a user, the Internet acts as a comprehensive source of information. Through it, he/she can get information on virtually every subject - sports, weather, news, education, law, cooking, shopping, or astrology.

Many organizations are unable to fully tap the advantages of the Internet because their advertising agencies and marketing departments still view it as only an extension of their current communication strategy. So, they fail to define a clear strategy for their websites and their online advertising. Their Internet budgets are also merely a part of their traditional marketing budgets.

But in the past five years, the Internet has grown into an independent communication medium and its biggest advantage is that it permits a one-to-one dialogue with each and every individual customer

Example: NETFLIX's Communication Strategy is Personalisation – Personalised e-Mails

Netflix, Inc. was an American subscription streaming service and production company based in Los Gatos, California.

Netflix was always way ahead in marketing strategy. The key strategy was to keep the customers engaged and interested by getting personal.

Targeted emails was the strategy exploited by Netflix, its customer gets the messages which was based on one's own preferences of films.

Source: <https://www.expertmarket.co.uk/digital-marketing/brands-with-the-best-digital-marketing-strategies>, Updated on 18th March, 2022, accessed on 27/09/22

16.3.2 Away from Mass Communication to Customization

Companies that use conventional marketing strategies target a broad segment of customers, hoping to capture as many of them as possible. In contrast to this, the Internet can be used to reach out to each individual targeted customer. This is the uniqueness of this medium. It helps to identify prospective consumers with remarkable accuracy and then involves them in an interactive dialogue.

According to Howard Reingold, author of *The Virtual Community*, "The Internet community doesn't consist of one segment of 50 million citizens, but of 50 million segments of one person!"

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The Internet can help a marketer trace a potential customer by the use of cookies,⁹ click stream tracking¹⁰, by domain name recognition, by recognizing website pages that have been bookmarked by a user, and other similar means. This information helps a company build a database of potential consumers each of whom can then be individually reached by e-mails.

Once a marketer knows his potential customers, he/she must:

1. Provide an incentive that will encourage a user to respond. Incentives could be in the form of instant-win games, prize drawing, points based rewards programs, quizzes, etc. But to participate in these activities, a user must generally register himself on the website.
2. Build on a user's responses to learn more about him. The next time the same user visits the site, an additional incentive must be provided to gather more information about him - his interests, his purchase plans, etc. Each time a person interacts on the site, the communication must be more personal and more insightful.
3. Create individualized communication strategies to reach out to the user in a focused and personal manner. Eventually, a customer will return to the site more frequently and a long lasting loyal customer relationship can be built up with him. However, it has been seen that most consumers are not loyal to more than 20 sites at a time; so, a company must aim to be among the top 20 favorite sites of a customer.

Activity 16.1

Chennai-based Rajan & Co., is in the software business. The company develops and sells video games. It opted for retail stores to ensure the availability of its products to the ultimate consumers. However, over the years, the firm found it difficult to control its intermediaries. Also, it did not find the channel beneficial. The company, therefore, thought of selling its products via the Internet apart from selling the products through retail stores. How does the Internet act as a marketing tool and help Rajan & Co., to increase the sales?

Answer:

⁹ A cookie is a small text file that is placed on the hard drive by a Web Page server. It is essentially an identification card that can be read by the server that created it and it is used to inform the server when a user returns to that web page.

¹⁰ The three major actions performed online – research, browsing, and purchasing – all leave behind electronic trails of sites visited by a user. This makes tracking a user's interest easy for the marketer.

16.4 Internet as a Creator of Loyalty

‘In the faceless online market, customers yearn for trustworthiness more than ever’ (National Business Research Institute). It is highly important to gain customer loyalty while opting for online marketing because it will aid a firm’s organic growth through customers. Using social media, customers spread word about the firm’s services. Satisfied customers act as catalysts to the firm’s growth.

Customer loyalty on the Internet is a complex notion. This is because at the click of a mouse, a consumer may find a more appealing site or a better bargain and may shift loyalties to the new site. In fact, according to Fred Reichheld¹¹ of Boston-based Bain & Co., most Internet users are like “butterflies” – they keep flitting from site to site and offer to offer. Such customers generally do not create much value for the company. He suggests that a company must aim to look for “barnacles” -- customers who are likely to stick with a company for a considerable time period.

It is very important for any company engaged in online business to have loyal supportive customers.

In order to keep people coming back to their site, companies must ensure that they provide visitors with a good satisfying experience, coupled with adequate customer support.

Generally, customers are driven to a site because of the convenience of shopping through it, the level of concern shown, the quality and availability of the products, and the efficiency of the order confirmation process. So, online marketers must try to enhance a customer’s shopping experience by targeted product suggestions, helpful e-mail responses, prompt delivery, and by removing any other barriers to communication that may exist.

In fact, it has been seen that many marketers spend a lot of money in acquiring customers but do not invest as heavily in retaining customers. Companies have to aggressively work towards ensuring customer loyalty and retention while seeing to it that the consumer’s privacy is respected. They must not annoy customers by flooding them with mails and phone calls. All communication must be targeted at that select group of customers who appear to be truly interested in the marketer’s products.

Example: Nike Chatbots

Nike, Inc. was an American multinational corporation that was engaged in the design, development, manufacturing, and worldwide marketing and sales of footwear, apparel, equipment, accessories, and services.

Contd....

¹¹ Edward Prewitt, “How to build Customer Loyalty in an Internet world” www.cio.com, Jan.1, 2002.

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Nike had always produced brilliant advertisements. The AI bot is above all of them which became favourite of all.

To promote Nike's brand, Jordan, Nike partnered with Facebook Messenger's chatbot platform.

Nike Users can chat with the bot and get information about Nike's product. The bot became a big success with a claim of open rates of 87% which was earlier 21.33%.

Source: <https://www.expertmarket.co.uk/digital-marketing/brands-with-the-best-digital-marketing-strategies>, Date of Updation – 18th March, 2022, accessed on 27/09/22

16.4.1 Consumers' Expectations in the Future

Sergio Zyman, CEO, Z Marketing, in his book, "Building Brand Width: Closing the Sale Online" says, "The e-marketing dialogue is a rich selling environment: You sell, listen, adjust, sell better, listen, adjust, sell more intuitively what the customers need (based on what they've told you and how they've behaved in the past), listen, adjust, sell better, and sell more."

It is clear from this that the most important things that a marketer who wants to sell better has to do are to listen and adjust. Consumers want to be heard and to be understood. A consumer now is much more aware of the options he has. The Internet and e-commerce have empowered him with knowledge. A customer is also willing to come into direct contact with a company via the Internet or on the phone, in order to be properly understood. And he is willing to be loyal to those marketers who can understand him and can deliver what he demands. Companies must attune themselves to this fact and aim to deliver what the customer expects. The Internet's approach to selling is similar to that of direct marketing. A direct marketer always focuses on the needs of a customer and tries to guide him through the various stages of marketing without losing him on the way. In the same way, a marketer on the Internet must establish an interactive communication with the customer, understand what he wants and is looking for, and then deliver the promised goods.

16.4.2 The Internet and New Intimacy

Companies use the Internet to establish communication with their customers. Internet communication occurs at a totally new level of intimacy. It is neither as formal as a company brochure nor as informal as an interaction with a family member. Yet, the company seeks to establish intimate contact with the user, in order to understand him better. For survival in the Internet era, it is vital for a company to pursue a dialogue with the consumer. So most companies now train people in this aspect. It is important that such a conversation is relevant as far as the content is concerned, so that the company benefits by getting real information about the user. At the same time, it is also important that the conversation is

interesting enough to keep the consumer engaged. Apart from e-mails, customized letters, and targeted information on product availability, companies also use Internet portals to include real-time events and discussion boards or chat rooms to engage the consumer. In modern world, apart from Forums, video conferencing through Skype, Snail mail, Slack (Searchable Log of All Conversation and Knowledge) Social Media (Facebook, LinkedIn, Twitter etc.), Chats etc. are oft used interactive communication modes adopted by businesses to communicate with their clients.

16.4.3 New Obligations in Internet Era

The development of the Internet is the most important revolution in the field of marketing in recent times. No company can afford to ignore or be indifferent to the power of e-commerce. Also, companies must realize that a website is not a mere advertisement any more. In many cases, a website is as important as an expert salesman; it is after all meant to serve as a connection between the seller and the buyer.

Another important feature of the Internet is that it can be harnessed to encourage a customer to return to the website. In fact, if the website is good, informative, and entertaining and offers a new experience every time a user logs on, then a repeat sale is surprisingly easy. Therefore, companies must pay attention to frequently adding new features to their websites.

As customers become more and more net savvy, the frequency of their online purchases is bound to increase.

But as purchasing through the Internet increases, customers will also get more demanding. Communication on the Internet will have to be on the consumer's terms -- at a time that is convenient to him and in the form and manner that appeal to him. Most importantly, companies will be obliged to communicate with the consumer in informal terms that he will easily understand and appreciate. Also, consumers will expect prompt replies to queries. Speed will be of critical importance – in fact, the success of a website will depend largely on the speed and efficiency with which it can deliver.

Check Your Progress - 1

1. Which of the following aspects need to be considered by organizations while designing an Internet marketing strategy?
 - i. The Internet is just similar to any other advertising media, and increases marketing costs.
 - ii. The Internet can be integrated into an organization's marketing and communication plan and can be used for brand building.
 - iii. The Internet has enabled consumers to compare prices of products from various companies within minutes.

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- iv. Conventional marketing channel partners need not be required any more with the advent of the Internet.
 - a. Only i and ii
 - b. Only i and iv
 - c. Only i and iii
 - d. Only iii and iv
 - e. Only ii and iii
 - 2. Cookies, click stream tracking, domain name recognition, etc., are the various tools of the internet that help an organization to which of the following?
 - a. Trace a potential customer
 - b. Identify a proper advertising medium
 - c. Build a database of potential customers
 - d. Trace a potential customer and build a database of potential customers
 - e. Trace a potential customer, identify a proper advertising medium and build a database of potential customers
 - 3. The internet's approach to selling is similar to that of which of the following?
 - a. Direct marketing
 - b. Guerilla marketing
 - c. Word-of-mouth marketing
 - d. Relationship marketing
 - e. Both b and c
 - 4. What do you call the customers who are likely to stick with a company for a considerable period of time?
 - a. Loyals
 - b. Barnacles
 - c. Butterflies
 - d. Cookies
 - e. Stickers
 - 5. What do you call a consumer who has used the internet for less than eight weeks and accesses it two to four times per week?
 - a. Loyal
 - b. Barnacle
 - c. Internet starter
 - d. Internet expert
 - e. Internet starter and Internet expert
-

16.5 Brand Building on the Internet

“If you make customers unhappy in the physical world, they might each tell 6 friends. If you make customers unhappy on the Internet, they can each tell 6,000 friends.” – Jeff Bezos. CEO, Amazon.

A brand is a “part of an intangible asset and is the personification of the organization, its products and services.” It may even be defined as a relationship that a customer has with a product; or as a set of all the perceived benefits that the customer associates with a product.

Brand value is regarded as a measure of loyalty that a customer has towards a specific product. So the higher the brand value of a product, the more difficult it will be for the user to substitute the product with a competitor’s product. Therefore, having a strong brand value gives the marketer a competitive edge over his competitors.

According to Duane E. Knapp, a strong brand has three distinctive features.

- **Distinctiveness:** The brand possesses some unique characteristics
- **Perception:** Customers perceive it as being distinct from the products of all other competitors
- **Benefits:** It conveys all functional and emotional benefits that are associated with it.

For decades, marketers have worked hard to build strong offline brands. Now, the Internet with its unique ability to reach out to millions of people individually and be connected to them at all times has offered marketers a great opportunity to build big online brands. In fact, the Internet can help build “power brands”-- brands that are so strong that a customer will not even consider using an alternative brand.

To build strong online brands, companies need to integrate their brick and mortar stores, catalogues, websites, offline advertising, and other marketing strategies into a single strong strategy, so that all of them will uniformly reflect the brand. According to experts, even though companies must integrate offline and online environments into a single seamless shopping experience, online brands need to serve the customer in a much wider and a more personalized manner. A customer expects much more than just the product from online interaction with the company. He wants to feel that the company is taking special care of his needs and is totally devoted to satisfying them. So, online marketers need to make sure that the online web experience of a customer is rich. They must manage the customer’s entire website experience right from the first interaction with the brand, through delivery, and beyond. The company must also value the customer’s feedback on his experience -- whether it is good, bad or indifferent -- because that will influence his perception about the brand.

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16.5.1 Value of a Strong Brand to the Producer

For a company, a brand is an intangible asset that has to be nurtured and built up over time. Many consumer purchase decisions cannot be rationalized and are based on consumer instincts or are influenced by a brand's perceived value. Consumers may buy a product repeatedly because they form a certain "emotional attachment" to a brand. It is precisely this attachment that companies want to strengthen with their brand names.

Building a strong brand name may be a time-consuming process but it is of immense value to the producer. A strong brand name commands more loyalty from consumers and so provides a larger market share for the producer. Branding also allows marketers to sell their other products better.

Brand value is now considered so important that in countries such as US, public companies are required to assess and record the value of their brands on their balance sheets. For example, Apple had its status as the world's most valuable brand in the 2022 by Kantar BrandZ global ranking. For the year 2022, Apple was voted as the most valuable brand in the world with a brand value of \$947, 062 million (a growth in the brand value by 55% from the previous year. Hence, a strong brand is of immense value to a company.

16.5.2 Value of a strong Brand to the Customer

For a customer, a brand represents a set of values or a set of benefits that he associates with the product. There is a certain level of satisfaction that a customer expects a brand to deliver. And to avail of that satisfaction, he is even willing to pay a higher price.

Today, marketing has reached a stage where each marketer is fighting with the other to win over customers. All marketers are promising that their products will deliver exotic benefits. But consumers associate different brand values with different products based on the brand's actual performance.

For many users, brand names act as a purchase guide that helps them in their purchase decisions. It becomes easy for a consumer to choose a product within a product category, because he associates different brand values with each product.

For example, a consumer who wants to buy a burger can do so either at the local restaurant or at McDonald's. Even though McDonald's charges a higher price for its burger than the local restaurant, the consumer willingly pays for it. He does so because he associates a set of benefits such as hygienic atmosphere, superior quality ingredients, sophisticated cooking methods, clean cutlery, and good taste with McDonald's burgers. At the same time, he also shares an emotional bonding with the McDonald's brand name such as pleasant memories of past experiences at McDonald's and a sense of satisfaction and fulfillment on eating the McDonald's burger.

16.5.3 Global Brands and Global Medium

The Internet is the first truly global media that the world has seen. Though its usage and technology still remain more localized to the US and the developed world, it has transcended all national and international borders. It has also evened out the discrepancy of time around the world and is available to marketers and users 24 hours a day, seven days a week, all the year through. Another advantage with the Internet is that it is available in the same format everywhere around the world, and so due to its uniformity; it is easier to convert an online brand into a global brand.

The development of such a global medium is helping to build the concept of global brands as well. A global brand is one that is viewed in the same manner all around the world, with different users attaching the same value to it. According to David A. Aaker, global brands are “brands whose positioning, advertising strategy, personality, look, and feel are in most respects the same from one country to another”¹². More and more companies are trying to build strong global brands, but before doing so, companies must study their products and the differences in the environments in which they sell.

To build a global brand, a company must:

- Encourage sharing of ideas and information between its country offices, so that everyone understands each country market equally well
- Practice global brand management by using ideas and strategies that are uniform across markets and products
- Communicate the brand’s identity to employees and company partners. Without clarity within the organization, building a strong brand is difficult. Managerial responsibility for brand building for different markets must also be specified
- Plan brand-building strategies. A well planned out global brand building strategy is required – one that will slowly even out the differences in various regions by using media that are uniform across regions.

Example: Disney’s Digital Transformation

The Walt Disney Company, commonly known as Disney, was an American multinational mass media and entertainment conglomerate headquartered at the Walt Disney Studios complex in Burbank, California.

Contd....

¹² David A. Aaker, Erich Joachimsthaler, “The Lure of Global Branding,” Harvard Business Review, Vol.77, Issue 6, Nov/Dec 1999.

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Disney was known for its entertainment content and parks particularly targeted at kids. Being a leader as well as a cult in its segment, Disney kept abreast with the digitalization by undertaking the streaming platform. Disney started with Netflix to stream its content, ending up in Disney plus, its own streaming platform. Disney plus became a huge success with 103.6 million subscribers within seventeen months of its launch in November 2019 (to April 2021).

Sources: i) <https://brainhub.eu/library/digital-transformation-examples>(March 18, 2021, ii)<https://www.cnet.com/tech/services-and-software/disney-plus-hits-103-6-million-subscribers/> visited on 3-11-22

Activity 16.2

Google is one of the most powerful brands on the internet. Google has consistently evolved both on product and on customer interface. While its mail services provide the best experience, the browser, Chrome helps connect faster. The other products such as Google Play Store, Scholar and Cloud helped it to reach to its diverse and large customers, making the brand the fourth most valuable, (\$251, 751 million) in 2022 (InterBrand's Best Global Brands 2022). What aspects did Google consider while building its brand on the Internet?

Answer:

16.6 Online Communities - The Virtual Marketplaces of the Future

E-marketing or online marketing is the new buzz word for conducting business. Online communities are groups of people who come together on the Internet to share a common interest. They interact with each other to share views on a wide variety of issues such as religion, hobbies, politics, environment, some illness, or social activities. Interaction or communication forms the basis of these communities. Companies, by organizing clubs for their customers can obtain information on the efficacy of their existing products. They can also seek the opinions of consumers worldwide before launching their product. Within an online community, there are generally smaller groups and smaller networks of participants. A group is generally composed of fewer participants who regularly interact with each other and get to know each other better over time. A network, on the other hand, is composed of several loosely connected participants who do not necessarily interact with each other regularly.

In technical terms, an online community is a portal that offers various services such as a directory of websites, search facility, news, e-mail, phones, and a community forum. Initially, the idea of communities was restricted to entertainment but now online business communities are rapidly emerging.

For a business organization, a portal brings buyers and sellers together by providing information, advice, customer services, or other benefits regarding the organization's products and services.

For example, vertical.net manages an online business-to-business (B2B) community that focuses on bringing buyers and sellers of a particular industry together. It maintains different sites for different industries, where people of a particular industry can interact with each other. It contains the latest industry news, online directories, personalized advertisements, and targeted e-mail newsletters of products and services within that industry.

An online community provides an organization with the opportunity to send out personalized communication to its large consumer base. It also gives customers an opportunity to interact with a company in a more personalized manner. A consumer learns more about the company via the online community and it becomes easier for him to express his satisfaction or dissatisfaction with its products. This customer feedback strengthens the bond between the company and its customers. For a customer, who is interacting with a company through the Internet, the company is no longer a faceless entity. And when a satisfied customer shares his positive experiences regarding the company's products on the company sites, he helps it by generating effective word-of-mouth publicity, which is far more powerful than any company sponsored advertising.

Although businesses of any size can benefit from maintaining an online community, businesses that require more customer interaction such as the service industry, shopping malls, retail businesses, etc., seem to benefit more from maintaining an online community.

16.6.1 Characteristics of a Good Community

A U.K.-based content marketing agency, Newsroom, stated the following to be the characteristics of a successful online brand community. Their conclusions were based on the research done by famous social psychologists, McMillan and David Chavis. Some important features are:

Membership criteria: It has certain key attributes, namely, boundaries (who the community is created for), emotional safety and sense of belonging (eg. LinkedIn allows members to send welcome mail to new members), a common symbol system (eg. Twitter – retweet, using hashtags etc.) and personal investment (encouraging to contribute to the shared interest). Participants in a community will vary – there may be some members who act as simple onlookers until they become more interested in the subject being discussed; others may contribute actively to the content on the site; more experienced members may lay down the

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discussion rules and act as moderators for the group. Memberships to communities may be free and open for everyone or they may be restricted to a certain group such as owners of a particular brand of car or subscribers of a certain magazine. Some communities also have paid membership. In some online communities, to become a member, a new participant needs to be introduced by an existing member. This is done to ensure that only like-minded people become members of the community.

Influence: This is two-way: influence of the community on the members and influence of the members on the community. For eg. an upvote or downvote in Reddit. It has a great potential on influencing sales figures.

Maintaining interactions and relationships in online communities in an integrated way: Encouraging online discussion of products and services by identifying key drivers of the theme and listening to the audience is a great way of boosting sales.

Shared emotional connection: Firms should remember that members are not just consumers of their product but brand carriers too. A business entity must know to personalize its community communications. This will help in posting positive reviews and recommendations for the product.

16.6.2 Different Kinds of Online Communities

Vision Critical, a cloud-based customer intelligence platform, analyzed the types of online communities (also called internet communities). They are:

1. **Social Communities:** Businesses use social networks like Instagram, Facebook, Twitter for (a) marketing purposes and reach to greater audience (b) building brand awareness and (c) tracking customer trends
2. **Support Communities:** They help the firms to reduce customer support costs because members of this community offer tips to other customers. This helps firm track product and service related dialogues between the members. It helps the firms gain innovative ideas and improve their services.
3. **Advocate Communities:** Firms have this kind of community to spread positive word-of-mouth about their products and services from customers. It rewards members for writing testimonial about the brand in social media and for similar such activities.
4. **Insight Communities:** This community is made from select group of stakeholders who maintain a long-term relationship with the firm. They give high-quality feedback, enabling firms to innovate and/or enhance customer experience.

Based on the firm's business goals and depth of feedback required from stakeholders, a mix of communities that complement each other should be maintained. In other words, businesses need to map their needs to the community maintained to engage different stakeholders in two-way conversation.

16.6.3 Benefits of Communities for Companies

An online community must serve the customer as well as the company. A customer is happy to be a part of an online business community because of the added value it creates for him. His queries get answered quickly, his problems regarding a product's performance are solved by the company, and he can share his positive and negative experiences with the company and with other customers as well.

Companies too derive some benefits by building online communities.

It helps build intimacy with customers: Companies use communities to learn more about their users. So a community increases the interaction time with the user. And the more the interaction with the user, the more information a company can gather about him.

Online communities are a viable option: First, online communities are a viable investment for the company. Compared to a website, a community attracts more people. It may even attract advertisements of other companies and this reduces the community maintenance costs. For example, if a company hosts a guest lecture on its website, there will be few participants and the company will have to bear all the expenses itself. However, if it hosts the lecture in an online community, there will be many more participants and some other companies may also agree to sponsor or co-host the lecture.

Second, immense efforts go into making a company website interesting. Every time a user logs on to a company's website, he is looking for a new and improved experience. So companies have to regularly update their websites and use new strategies to keep their customers engaged.

A community on the other hand, refreshes itself naturally. Since visitors in a community keep changing frequently, new ideas and new plans develop on their own and a company has to use little effort to sustain the community. The interactivity of a community enhances a user's web experience and makes it more satisfying and fulfilling.

It encourages a user to buy: In a community, a user feels more comfortable discussing the advantages and disadvantages of a product. He is also easily influenced by the positive experiences of other customers. He also feels in direct touch with the company. Most importantly, he feels confident about his purchase decision when he realizes that there are many others who are equally interested in the company's products.

Mass customization becomes easy: Online communities make mass customization easy for companies. Since companies know more about their customers and their likes and dislikes, it becomes easy for them to design and sell products that will fulfill individual needs more effectively.

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It eliminates the middlemen: Online communities help companies sell their products directly to the user. This eliminates the necessity of all middlemen in the sales process. For example, visitors to www.indiatimes.com can compare prices of various airline tickets; participate in airline ticket auctions, and avail of them at lower prices directly from the airlines. Visitors do not need to go to any travel agency for their air tickets.

It helps in advertising and promotions-Online communities provide advanced methods of communicating with prospective users. Companies can use 2-dimensional and 3-dimensional interactive techniques to make attractive, real life representations of their products on the Net. They can also use animation and sound effects to display their products in a more attractive manner. Some companies have even used interactive games based on their products and services to familiarize the customer with their offerings. No other advertising media offers such an immense advertising opportunity to its marketers.

Internal development: Companies can also use communities to build internal communication systems and to increase interaction among employees. Most global companies have operations that are spread out in many countries. They can use internal communities for communication between various offices. Internal meetings can be held in online boardrooms; problems between two offices can be discussed in an interactive manner; and even online conferences can be arranged. This saves the company time and resources and helps to speed up the decision making process.

Example: Lego Ideas – Lego’s Online Community

Lego (The Lego Group) was a Danish toy production company based in Billund, Denmark. It was founded in 1932. It manufactured Lego-brand toys, consisting mostly of interlocking plastic bricks. The Lego Group also built several amusement parks around the world, each known as Legoland, and operated numerous retail stores.

LEGO Ideas was a successful brand community. It had over 1.8 million members.

Source: <https://chaordix.com/resources/ultimate-examples-of-brand-communities>, <https://ideas.lego.com/blogs>, dated January 17, 2021 (event of 90th anniversary happened in 2022- accessed on 2/10/22)

Activity 16.3

Mercury Interactives (Mercury) supplies products that help organizations to uninterruptedly execute critical business processes. The company relies on its website to communicate with its customers and partners — IT professionals with high levels of technical knowledge — about its products. So Mercury

wanted to make use of this valuable group (IT professionals) and create an online community where they can interact and share technical information with the customers of the company. Discuss the benefits that Mercury can obtain by creating an online community.

Answer:

16.7 New Forms of Internet Advertising

Advertising on the Internet is also developing by leaps and bounds. It is one of the ways adopted by firms to expand their reach and connect with their customers. It also helps the firm find new customers and diversify their revenue streams. In the initial days of Internet advertising, banner ads were considered the best possible advertising media. But gradually, the click through rate¹³ of banner ads dropped and very soon, users began ignoring them. Then came the age of bright, animated ads coupled with sound effects. However, pop-ups too are losing their attention grabbing ability. Over the years, most users have made themselves immune to online advertisements. They simply ignore the advertisement and go on with their work. But Internet technology developers are also continuously innovating to find new ways of attracting users. Some new forms of Internet advertising are discussed below.

16.7.1 Sponsorship

A sponsorship on the Internet is very similar to offline sponsorship, where an advertiser agrees to sponsor a part of or a whole event or a television / radio program in exchange for his advertisements being allowed to appear during the event. Similarly in Internet sponsorships, the advertiser can agree to sponsor a part of a site or the whole site in exchange for being allowed to advertise on the site. Gillette sponsors a competition to pick the best goal of the week on www.espnstar.com. The winner of the competition is entitled to win Gillette products. In exchange for the sponsorship, Gillette gets a small space on the ESPN website and when a user clicks on the advertisement to participate in the competition, he is linked to the game site where all Gillette products are attractively displayed.

¹³ Click through rate refers to the number of times users click on an advertisers ad. A click through rate of 2% means that out of 100 times the ad appeared, only twice did a user click on it.

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16.7.2 Microsites

Microsites are a small area on a popular website that may be given out to advertisers to advertise their products. These advertisements are usually designed for a very limited time period and they generally promote a single product or service. They are normally used to inform the user about the availability of a product rather than build brand awareness for the product. Products that are advertised on the microsite should not compete directly with the main website, although they may bear some relation to the main website. This form of advertising is particularly useful for low involvement products, which users tend to, buy on impulse without being loyal to any brand in particular.

16.7.3 Interstitials and Affiliate Programs

Interstitials are more commonly known as “pop-up” advertisements. These advertisements are shown during the short time gap between the changing of one web page to another. They appear in a new window on the user’s screen. Banks like Citibank and ICICI run pop-up advertisements on www.indiatimes.com. Every time a user tries to log on to any of the India times pages, these pop-up advertisements appear on the user’s screen

Another form of online advertising is the affiliate program. Under an affiliate program, sites that are selling complementary products link themselves together to offer a range of products that are related in context to the main site. The biggest advantage of affiliation is that it popularizes a new or less known site, which is affiliated with a highly popular site.

For example, a bookstore’s cookery section may enter into an affiliation with a highly popular cookery site. So, a user connecting to the cookery site also comes to know of cookery books that are available at the bookstore. Under the terms of affiliation, the bookstore will offer the cookery site a part of the sale proceeds earned through this affiliation.

The advantage of an affiliation is that the affiliated site pays the main website only for actual purchases; it does not have to pay if a user simply visits the affiliated site but does not place an order at that site. Another advantage is that once a buyer recognizes the affiliated site, it is most likely that the next time he wants to purchase a similar product; he will directly link on to this site rather than go to the main website. So, the affiliated site won’t have to pay the main website for the same customer twice.

16.7.4 Guerilla Marketing

Guerilla marketing refers to unconventional and creative attention grabbing direct advertising techniques. Offline Guerilla Marketing has become highly popular with advertisers trying new and often shocking methods to grab the viewer’s

attention. Many online advertisers use guerilla tactics to generate traffic on their websites or to make their brand names popular. Such tactics are especially useful when a product is being launched because they bring immediate recognition.

16.7.5 Push Advertisements

Under this form of advertising, a user registers with a database and selects the areas of interest. The database then directs only those advertisements that are related to the user's field of interest. In this way, the user himself chooses the kind of advertisements that he would like to see and is not bombarded with unrelated information. Googles' e-mail service – Gmail offers this form of advertising, where Google will direct only those advertisements that fall within the users' interest areas onto the user's e-mail pages.

16.7.6 Agent-Based Forms of Advertising

Agent-based advertising is still in the development stage. In this kind of advertising, it is proposed that there will be online agents in the form of animated characters. They will be similar to insurance agents or brokers who exist offline. These animated agents will be able to move freely around the screen and a user can even enter into a conversation with them. They will be aware of the user's preferences and will direct the user to relevant sites and their advertisements. An agent, also called an infomediary, will act as an interface between the user and the vast resources of the Internet.

16.7.7 Direct e-Marketing

Direct e-marketing is similar to the direct mail form of advertising, except that instead of a letter, a user will receive an e-mail. e-marketing is a highly popular form of advertising. A user can register himself for newsletters or services that he wants to use and can get regular, updated information via e-mail. This system has become popular because it is very cost effective. It is much cheaper and faster for a marketer to send thousands of e-mails rather than an equal number of letters. This method is also highly targeted; only those users who have expressed their interest in a particular product or service receive information about it and so, a user who receives such information is also more likely to read and act on it.

16.7.8 Opt In

Most companies maintain extensive databases on their users. All information about the user behavior, such as the products he buys, the colors he likes, where he works, the sport he enjoys etc., is available on this database. By integrating the information available in the database with e-mail messages, highly personalized e-mails can be created. These messages will contain the right combination of offers and products that can attract the customer.

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Activity 16.4

“BUKZ” is a retail chain of stores. It deals with stationery items. It is established across all the major cities in India. Recently, the company decided to increase the total sales of the company by around 30 percent within one year. To achieve the target, apart from off-line advertising and other sales promotion techniques, the company opted for on-line advertising. What are the various forms of on-line advertising? Suggest some suitable forms for “BUKZ”.

Answer:

Check Your Progress - 2

6. Which of the following can be defined as a relationship that a customer has with a product; or as a set of all the perceived benefits that the customer associates with a product?
 - a. Brand
 - b. Customer relationship
 - c. Service
 - d. Marketing
 - e. Branding
7. Which of the following is regarded as a measure of loyalty that a customer has toward a specific product?
 - a. Brand mark
 - b. Brand value
 - c. Brand franchise
 - d. Brand awareness
 - e. Brand recognition
8. Groups of people who come together on the Internet to share a common interest are called as which of the following?
 - a. Blog
 - b. Forum
 - c. Online communities
 - d. Network
 - e. Netgroup

9. Which of the following refers to unconventional and creative attention grabbing direct advertising techniques?
 - a. Interstitials
 - b. Affiliate program
 - c. Guerilla marketing
 - d. Push advertisements
 - e. Outdoor advertisement
 10. In this form of advertising, a user registers with a database and selects the areas of interest. The database then directs only those advertisements that are related to the user's field of interest. Choose the right option.
 - a. Direct marketing
 - b. Guerilla marketing
 - c. Pull advertisement
 - d. Agent based advertising
 - e. Push advertisements
-

16.8 Summary

- Online marketing and advertising has changed the way conventional marketing was being done. It has equipped marketers with the powerful tool of personalized communication.
- For the first time, marketers can reach out to individual customers and sell them just the products that they are looking for. Mass customization is the order of the day.
- Customers too are enjoying their newfound power and are keen to exploit it to the fullest. They are becoming more and more demanding with each passing day and are actively communicating their expectations to the companies via the Internet.
- Most customers are willing to spend time browsing through company websites and searching the Net for the products they want, in joining online communities and chat rooms, etc. They are also willing to enter into a dialogue or a one to one communication with the company. This is a unique opportunity for marketers. Never before have they had this opportunity for personal communication with the customer.
- A company's success will now be determined by its ability to understand the information that its marketers are giving it and to utilize that information to reach out to potential customers.

16.9 Glossary

Affiliate Program: Under an affiliate program, sites that are selling complementary products link themselves together to offer a range of products that are related in context to the main site.

Agent based Advertising: In this kind of advertising which is still in the development stage, it is proposed that there will be online agents in the form of animated characters. These animated agents will be able to move freely around the screen and a user can even enter into a conversation with them. They will be aware of the user's preferences and will direct the user to relevant sites and their advertisements.

Brand: A part of an intangible asset and is the personification of the organization, its products and services. It may even be defined as a relationship that a customer has with a product; or as a set of all the perceived benefits that the customer associates with a product.

Brand Value: A measure of loyalty that a customer has towards a specific product. So, the higher the brand value of a product, the more difficult it will be for the user to substitute the product with a competitor's product.

Direct e-marketing: It is similar to the direct mail form of advertising, except that instead of a letter, a user will receive an e-mail. A user can register himself for newsletters or services that he wants to use and can get regular, updated information via e-mail.

Guerilla Marketing: It refers to unconventional and creative attention grabbing direct advertising techniques.

Interstitials (or Pop-Up Advertisements): These advertisements are shown during the short time gap between the changing of one web page to another. They appear in a new window on the user's screen.

Microsites: A small area on a popular website that may be given out to advertisers to advertise their products. These advertisements are usually designed for a very limited time period and they generally promote a single product or service.

Online Community: A portal that offers various services such as a directory of websites, search facility, news, e-mail, phones, and a community forum.

Push Advertisements: Under this form of advertising, a user registers with a database and selects the areas of interest. The database then directs only those advertisements that are related to the user's field of interest.

Sponsorship: A sponsorship on the Internet is very similar to offline sponsorship, where an advertiser agrees to sponsor a part of or a whole event or a television / radio program in exchange for his advertisements being allowed to appear during the event.

16.10 Self-Assessment Test

1. Explain how Internet is an effective marketing tool. How does it help in creating a loyal customer base?
2. How can an organization build its brand on the Internet? Discuss how online communities can become the marketplaces of the future.
3. What are the various new forms of Internet advertising? Explain.

16.11 Suggested Readings/Reference Material

1. J. Daniels, L. Radebaugh, and D. Sullivan, “*International Business: Environment and Operations*”, 17th Edition, Pearson, 2021.
2. Masaaki (Mike) Kotabe, Kristiaan Helsen and Prateek Maheshwari, “*International Marketing 8e (An Indian Adaptation)*”, Wiley India Pvt Ltd, 2021.
3. Cateora, P.R., Money, R. B., Gilly, M.C. and Graham, J.L., “*International Marketing*”, McGraw-Hill, 18th Edition, 2019.
4. Keegan, W.J., “*Global Marketing Management*”, Pearson Education; Eighth edition, 2017.

16.12 Answers to Check Your Progress Questions

1. (e) Only ii and iii

Options ii and iii are true regarding the aspects that need to be considered by organizations while designing an Internet marketing strategy. Options i and iv are false. The Internet can be used to reduce marketing costs. It should not be viewed as just another advertising medium. It can help business by streamlining operations, reducing costs, forging customer relations, and generating revenues. Conventional marketing channel partners must be appreciated. With the Internet, a producer can directly reach the consumer. But he should not isolate his other channel partners. He must try to use the Internet to build business for himself and for his distributors.

2. (d) Both (a) and (c)

The Internet can help a marketer trace a potential customer by the use of cookies, by click stream tracking: by domain name recognition, by recognizing website pages that have been bookmarked by a user, and other similar means. This information helps a company build a database of potential consumers each of whom can then be individually reached by e-mails.

3. (a) Direct marketing

Internet marketing is akin to direct marketing.

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4. (b) Barnacles

According to Fred Reichheld, a company must aim to look for “barnacles”. Barnacles are customers who are likely to stick with a company for a considerable time period.

5. (c) Internet starter

An Internet starter is a consumer who has used the Internet for less than eight weeks and accesses it two to four times per week. An Internet expert is a consumer who has used the Internet for one and a half to two years and accesses it seven to eight times per week.

6. (a) Brand

A brand is a part of an intangible asset and is the personification of the organization, its products and services. It may even be defined as a relationship that a customer has with a product; or as a set of all the perceived benefits that the customer associates with a product.

7. (b) Brand value

Brand value is regarded as a measure of loyalty that a customer has towards a specific product. Having a strong brand value gives the marketer a competitive edge over its competitors. The higher the brand value of a product, the more difficult it will be for the user to substitute the product with a competitor’s product.

8. (c) Online communities

Online communities are groups of people who come together on the Internet to share a common interest. They interact with each other to share views on a wide variety of issues such as religion, hobbies, politics, environment, some illness, or social activities. Interaction or communication forms the basis of these communities.

9. (c) Guerilla marketing

Guerilla marketing refers to unconventional and creative attention grabbing direct advertising techniques. Offline Guerilla Marketing has become highly popular with advertisers trying new and often shocking methods to grab the viewer’s attention.

10. (e) Push advertisements

Under push advertising, a user can register himself with a database and selects his own areas of interest. The database then directs only those advertisements that are related to the users field of interest. In this way, the user himself chooses the kind of advertisements that he would like to see and is not bombarded with unrelated information.

Unit 17

Ethics and Social Responsibility

Structure

- 17.1 Introduction
- 17.2 Objectives
- 17.3 Stakeholders' Expectations
- 17.4 Environmental Management and International Business
- 17.5 Dealing with Corruption and Bribery in International Business
- 17.6 Ethical Issues in International Marketing
- 17.7 Human Rights Violations in International Business
- 17.8 Internal Governance and International Business
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- 17.11 Self-Assessment Test
- 17.12 Suggested Readings/Reference Material
- 17.13 Answers to Check Your Progress Questions

*"Business need to go beyond the interest of their companies to
the communities they serve."*

- Ratan Naval Tata

17.1 Introduction

One of the most significant things for a business is that it consciously needs to have a framework of ethics and social responsibility, keeping in view the interests of different stakeholders and the environment in which they operate all the time.

In the previous unit, we have discussed the various ways of marketing products and/or services in the Internet environment. In this unit, we shall discuss the importance of ethics and social responsibility while operating internationally.

Ethical issues raise a number of concerns when businesses are operating internationally. With different cultures, values, and ethical standards existing in different nations, it becomes all the more difficult to adhere to the rules and regulations of various countries. Since there are no universally accepted ethical principles, it is important for managers to keep in view the interests of different stakeholders, the community and the environment in which they are operating.

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This unit discusses the importance of various ethical principles and practices that have to be adhered to by firms operating in international markets and their responsibility to the stake-holders. The unit also discusses how firms operating in international markets face the issues of corruption and bribery, and the steps they take to tackle such problems.

17.2 Objectives

After reading through this unit, you should be able to:

- Identify the role of a firm's stakeholders in ensuring ethical business practices
- Plan his international business operations to meet the standards of environment protection
- Formulate business operations in such a way to avoid indulging in unethical practices
- Value human rights while operating globally to dispense away with human rights abuses
- Recognize the significance of internal governance in international operation for monitoring a firm's performance

17.3 Stakeholders' Expectations

Traditionally, companies considered themselves accountable only to shareholders, who owned company stock. Businesses have now realized that their goal should not be only to make profits but also to take into consideration the effect of their actions on the environmental, social, and human aspects. These goals are not satisfied with mere donations and philanthropic activities. Neither should they be the concern of individual employees or managers. The company as a whole should take the responsibility for being a corporate moral agent and citizen. Good business ethics is reflected in corporate culture, rather than in isolated actors or practices.

So, present-day businesses are accountable to a wider range of stakeholders – employees, shareholders, suppliers, customers and the community at large. The impact of stakeholders' expectations on businesses is ubiquitous. They have the ability to 'build or hinder business activities'. Managing relationships with all these stakeholders in an ethical manner is very important for a business operating internationally. A firm operating internationally cannot succeed unless it is accountable to all its stakeholders throughout the world. A company's stakeholders are all those who are influenced by its decisions and actions, either locally or internationally.

17.3.1 Employees

The employees of an organization expect the organization to treat them equally, without discrimination on the basis of gender, race, religion, language, etc. They

want the company to empathize with their problems at work and address those problems. They expect the firm to encourage and support unions. Any discrimination at the workplace can frustrate the employee, leading to his losing interest in the place of work. He may join another organization, which does not discriminate between employees. In the same way, the organization should provide ethics education and training for young people, as this is essential for the future of business integrity. It is also the responsibility of the management to have clear governance and transparency in performance. The various ethical issues that businesses have to consider when operating in an international business arena are issues relating to employee privacy, health and safety of the workers, and compensation packages. How these were not followed by Nike in its factories across various locations stands as testimony to emphasize the importance of ethics by employers.

If any unethical practices take place in an organization, the employer is held responsible, not the employees who were actually involved in unethical practices.

There is an increasing need to monitor employees' emails to avoid any misuse of communication technology. Employers now buy special software to screen e-mails for undesirable words and phrases. The software may be fed with names of competitors or project names, or other confidential matters. When the software identifies such words in the mails, it alerts the system and temporarily blocks the transmission of the messages. These e-mails may be examined by an administrator, who checks them and determines whether they should be released or are serious enough to be referred to the management. Such software prevents employees of MNCs from sending e-mails containing information to undesirable destinations like trade unions, competitors, etc.

However, employees may regard such monitoring as an invasion of privacy. But they may accept such monitoring if they are informed about its nature and extent.

Compensation

Employees working for firms operating in international markets expect equal pay for equal work, without any discrimination on the basis of non-job related factors like gender, national origin, race, color, etc. It is the employer's responsibility to strike a balance between equal opportunity, concern for women and minorities, and recognition of good performers.

Talented people who possess knowledge, skills and ideas, are among the scarce and intangible assets of the company. Such people expect their employers to respect their attitudes, values, and ideals. They are well informed and remain skeptical of the organization till they are convinced that the organization's values and beliefs match their own. Talented employees want authority, independence, and active participation in decision-making. They believe that work is a two-way contract, and expect a win-win relationship with their employer.

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To retain such employees, firms operating in international markets have to offer:

- Minimum levels of hierarchy
- An explicit two-way contract specifying the responsibilities of employee and employer
- Incentives like profit sharing or ESOPs
- A supportive corporate culture with strong shared values
- Organizational policies that show concern for the environment
- A system for measurement of employee satisfaction

17.3.2 Shareholders

Shareholders expect returns on their investment in the form of dividends or capital growth. They want to be regarded as members of the organization and expect periodical updates about the company's financial status. They also want transparency in decision-making. It is the responsibility of the top management to:

- Manage the company efficiently to secure competitive returns for the investors
- Honor share-holders' requests, suggestions, complaints, and formal resolutions

17.3.3 Suppliers

Suppliers expect a long-term relationship with the company and consistent growth in the company's orders for their products or components. They may also depend on the firm for technological and information support. For firms operating in international markets, the management of suppliers is a complex matter, because they source their material from different countries.

Suppliers generally expect organizations to behave in a reasonable manner:

- The firm should be fair and honest in its transactions: For example, the firm should not reject the lots sent by suppliers on false pretexts. Also, the firm should not alter product specifications abruptly.
- Suppliers who exclusively manufacture components for a particular firm are dependent on it for revenues. The firm should not take advantage of their dependence. For example, the firm should not pressure the supplier to reduce the prices to unacceptable and uneconomical levels by threatening to switch to other suppliers.
- The firm should pay suppliers on time and in accordance with pre-agreed terms of trade. Payments should not be postponed for a long period without the suppliers being informed of the reasons for the delay. The firm should not attempt to end transactions without prior information and without presenting valid reasons.

17.3.4 Customers

Customers want quality, variety, and a wide range of products at the lowest cost possible. Educated customers do not take purchase decisions merely on the basis of quality or price. They want the ingredients to be specifically mentioned on the product and expect all risks involved in consuming the product to be clearly stated. Consumer laws support the concern of such customers, and any failure on the part of the company to meet the specifications is penalized. Nowadays, many consumers favor only those companies that behave in a socially responsible manner and are sensitive to environment, health, and safety concerns.

Example: Tata International - Effective Management of Stakeholder Expectations

Tata International Limited (TIL), has offices and subsidiaries in over 27 countries in Africa, Europe, the Middle East, and Asia. The Company's fundamental values—Pioneering, Integrity, Excellence, Unity, and Responsibility—are central to its policies to manage stakeholders' expectations.

Employees

TIL has employees from 30+ nationalities working across the globe. Learning & Development (L&D) strategy is made through inputs from various stakeholders. Tata International ran continuous training programs to upskill employees on various topics, including customer centricity, channel sales, leadership behaviors, constructive feedback, technology tools, and best practices.

Communities

TIL is steadfast in its adherence to the "give back to society many times over" principle. Principal initiatives implemented are Scholarships worth USD 150,000 given to 32 graduate students in South Africa. TIL donated USD 7500 to Operation Smile South Africa (OSSA), a program that works to fix cleft lips and palates, eye check-up camps, Blood donation drives, distributing essential groceries in South Africa, and tree plantation drive in the USA (17,000 trees planted during the year).

Governance

TIL works with stakeholders to enhance performance and benchmark business processes based on enacted policies like the Tata Code of Conduct, Remuneration Policy, Whistle-blower Policy, POSH Policy, Safety Health and Environment Policy, Quality Policy, Anti-Corruption Policy, and Gifting policy.

Source: https://tatainternational.com/wp-content/uploads/pdf/investor/TIL_Reg53-Annual%20Report_FY2021-22_sd.pdf The Annual Report of the Company for the Financial Year 2021-22 Dated - July 12, 2022 / Accessed on 15th October, 2022

17.4 Environmental Management and International Business

In developing countries, improvement in the means of communication and transportation has helped increase the literacy rate. In addition, awareness of human rights and environmental pollution has increased considerably. As a result, people expect foreign companies operating in their country to participate in community development activities like adult education, setting up of community healthcare centers, etc. Such companies are also expected to take all possible measures to safeguard the surrounding environment.

Many firms operating in international markets have actively contributed to maintaining a healthy environment. They often apply a single environmental standard to their worldwide operations, regardless of the lower standards prevalent in some countries. This may be primarily attributed to three factors:

- i. The firm does not want its reputation to be tarnished by charges of environmental exploitation in one country.
- ii. It is economical to implement a standard global production process rather than develop “tailor-made” production lines, based on varying levels of environmental standards.
- iii. Some financial institutions insist on certain minimum environment criteria being met for financial assistance to be given. For example, the US Exim Bank requires all US companies to meet certain minimum environmental criteria to take advantage of its export financing assistance.

17.4.1 Pollution

When any raw material (even a natural resource), is processed to form a usable product, the final product, and/or by-products, may not be biodegradable. The non-biodegradable waste pollutes the environment. As the scale of operations increases, pollution increases. Firms with a presence in international markets generally select a low cost location and conduct industrial operations on a large scale to serve several national markets. As a result, such firms cause considerable environmental pollution.

In industries like resource extraction, processing, chemicals, metallurgy, logging, and pulp and paper, pollution control costs constitute a significant proportion of the firm’s total costs. Firms in these industries are more likely to invest in countries where environmental standards are relatively low. Developing countries tend to compete for FDI flows by lowering standards. The direct environmental and social impact of these exemptions can be considerable. In Indonesia, the mining activities of MNCs resulted in massive destruction of forests and river ecology. MNCs should consider minimizing exploitation of non-renewable resources and recycling of products for reducing pollution.

17.4.2 Exploitation of Non-renewable Energy

Most firms which have a presence in international markets and are involved in the exploration of petroleum and mineral resources are accused of violating environmental standards. Though petroleum and mining industries have contributed to world economic development and improved standards of living, the process of exploration, extraction, and processing of crude petroleum and mineral resources is harmful to the environment.

17.4.3 Environmental Degradation

As industrial operations increase worldwide, so does environmental pollution. Air, water and soil are polluted throughout the world, albeit at different levels. Pollution levels are alarmingly high in developing countries, where environment laws are neither properly formulated nor enforced. In the absence of a strong governing body for formulating and implementing an environmental policy and adequate technology and resources for prospecting the environment, environmental degradation goes unchecked.

West European countries were the first to frame environmental policies for controlling pollution. Many other countries followed suit. In the UK, the National Rivers Authority fines firms (after issue of a formal caution notice) that damage the environment. The Government of India (GOI) has adopted a comprehensive policy for protecting public health, forests, and wildlife. In many developing countries, environmental policies are not legally enforceable. As a result, they have become popular destinations for MNCs.

17.4.4 Waste Disposal

All manufacturing processes produce some waste. Domestic and multinational firms often dispose off industrial waste in the air and in nearby rivers or lakes. Newsprint mills, jute, sugar, and other food processing plants, chemical, rubber, automobile, leather, pharmaceutical firms, etc., generate waste that disturbs the ecological balance. The chemicals they release into the water kill fish, water plants and useful microbiological bacteria and reduce soil fertility. When released into the atmosphere, they pollute the environment, deplete oxygen levels, harm plant and animal life, and cause various respiratory diseases.

17.4.5 Recycling

Instead of disposing of products used by customers or byproducts obtained through the manufacturing process, they can recycle them to produce reusable material. Reduce, Reuse and Recycle are the watchwords of the day.

Automobiles, tires, plastic containers, copper wires, aluminum drums and many other such products are being recycled. Recycling saves energy, natural resources, and landfill space and reduces pollution. Educated consumers are also interested in buying products from companies that recycle their products. In some developed countries, customers are encouraged to submit their used products to

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nearby retailers. These products are then collected by certain companies and recycled to produce new products. Sometimes the community takes up the responsibility of collecting used products. The community sets up a collecting point where consumers submit their used products made of glass, metal, plastic, etc. Some members of the community sort out these products while others take them to the appropriate recycling plants. Local governments may also arrange for pick-up and drop-off of recyclable waste.

However, consumers have to guard themselves against companies which may take undue advantage of their concern for recycling. Claims on products and packaging about recyclability and recycled content can be misleading. Consumers should know the following facts to protect themselves from deceptive and unsubstantiated advertising:

- A product or package can be marketed as “recyclable”, if it can be separated and collected from household and commercial trash for reuse, or to make another product or package, through an established recycling program.
- Product labels that say “Please Recycle” are relevant only in such cities or countries that have recycling facilities.
- If a label says “recycled,” it must indicate the percentage of recycled content—unless it is 100 percent.

Example: Novelis Inc. - To Reduce Carbon Emissions by more than One Million Tonnes a Year

The metals flagship firm of the Mumbai-based Aditya Birla Group, Novelis Inc., is a division of aluminium and copper powerhouse Hindalco Industries Limited. The Company has customers in North America, Europe, Asia, and South America and serves the aerospace, automotive, beverage can, and specialties sectors. The company’s mission is to become the most trusted global source of sustainable aluminium solutions that help businesses, industries, and communities reap the rewards of a circular economy.

To better serve automotive clients and to help cut annual carbon emissions by more than a million metric tonnes, Novelis plans to construct a \$365 million recycling center at an Auto recycling plant in Kentucky and invest \$2.5 billion to build new recycling in an aluminium rolling mill in Alabama. In addition, the company is investing \$375 million cold mill in Zhenjiang, China, and \$50 million in UAL recycling, Ulsan, South Korea. That takes capex plans committed by The Novelis Inc. at \$3.4 billion. The state-of-the-art shredding and sorting equipment and other energy-efficient improvements will be available at the new recycling center, helping the corporation achieve its sustainability objective of reducing energy intensity by 10% by 2026. Early in 2022, construction began, and by 2024, the building should be ready for use.

Contd....

The firm recovers the remaining aluminium after stamping car parts from sheets and repurposes it to construct new vehicles using closed-loop recycling. The facility will also have the capacity to recycle aluminium from decommissioned automobiles. Using recycled aluminium as an input material needs just 5% of the energy required to produce the original aluminium, eliminating 95% of the carbon emissions involved with the production. The new investments will help Novelis Inc. achieve its sustainability goals and support the carbon-reduction targets of automotive customers.

Sources: i) [https://www.adityabirla.com/media/media-releases/novelis-to-build-\\$365-million-recycling-center-to-support-north-american-automotive-customers](https://www.adityabirla.com/media/media-releases/novelis-to-build-$365-million-recycling-center-to-support-north-american-automotive-customers) Dated - 11th January, 2022 / Accessed on 14th October, 2022

ii) <https://www.livemint.com/companies/news/novelis-to-invest-2-5-bn-in-us-plant-11652295704751.html> Dated - 12th May 2022 / Accessed on 15th October, 2022

17.5 Dealing with Corruption and Bribery in International Business

According to Transparency International¹⁴, corruption is the misuse of public power for private gain. In countries where corruption is prevalent, the percentage of GDP that goes into investment and the economic growth rate is low. Such countries do not attract much FDI. To attract FDI, these countries have to offer tax holidays, relax environmental regulations, and have flexible labor laws. Corruption may be divided into two categories--grand corruption and petty corruption.

17.5.1 Grand Corruption

This refers to the distortion of decision making in matters of economic significance. Senior officials, government ministers, and heads of state are involved in such corrupt activities. It often takes place at the international level, thus falling into the jurisdiction of more than one country. In some countries, it is a common practice for the decision-making authority to seek contribution to government funds.

17.5.2 Petty Corruption

This generally involves customs clerks, immigration officers and other lower level officers. Petty corruption is often domestic in nature and falls within local jurisdiction. For example, a policeman may demand that a driver who has crossed the speed limit pay him ₹ 100 right then or face paying ₹ 1000 later in court.

The problem of corruption must be addressed immediately because it has an extremely negative impact on society. Because of petty corruption, poor people

¹⁴ Transparency International is a Berlin based coalition against corruption. It now has more than 75 national chapters in developed, developing, and transitional countries (www.transparency.org).

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are forced to pay for free drugs and free education. Grand corruption has both an economic and moral impact on society. The payer (usually a firm operating in a foreign country) enriches a small group of people at the cost of their countrymen, thus damaging the framework of the concerned society, degrading the business environment, and damaging its own reputation.

17.5.3 Anti-corruption Measures

The governments of different countries are framing anti-corruption laws. In the US, it is a crime for an American citizen to bribe a foreign official. OECD countries have formed a convention against Bribery of Foreign Public Officials in International Business Transactions. Over 30 countries have signed the agreement and declared the bribery of foreign public officials illegal. The British government has agreed to change one of its laws that legitimized offshore bribes as tax-deductible business expenses. The World Bank has made it clear that it will not hesitate to debar, temporarily or permanently, any company it believes to have used corrupt means to win a contract in which the Bank is involved. At times, because of corrupt practices, businesses move out of a country.

Example: The Costs of Corruption

The Foreign Corrupt Practices Act (FCPA), a United States federal law enacted in 1977, makes it illegal to pay bribes of any kind to public officials in other countries to secure or maintain a business. The Foreign Corrupt Practices Act (FCPA) applies to publicly traded organizations and their executives, directors, employees, investors, and agents. However, it can also apply to illegal behavior in any world. U.S. regulators have brought numerous FCPA enforcement actions based on business activities in India. These actions have been brought against various companies, including Anheuser-Busch InBev, Mondelez/Cadbury, Oracle, Tyco International, Dow Chemical Company, Pride International, Textron, and Diageo, among others.

One such Company, Oracle, a company that makes software in the United States, has agreed to pay the Securities and Exchange Commission \$23 million to resolve claims that it violated -the Foreign Corrupt Practices Act, often known as the FCPA, between 2014 and 2019. During that period, its subsidiaries in India, the United Arab Emirates, and Turkey established and utilized slush money to bribe authorities. Oracle has already been accused of breaking the law against bribery in the United States with payments made in India for illegally amassing millions of dollars between 2005 and 2007, and the Company had settled the Securities and Exchange Commission (SEC) accusations against it in 2012.

Contd....

Currently, Oracle was accused by an American markets regulator of making improper payments to Indian government officials working for a transportation firm that Indian Railways owned. However, Oracle did not acknowledge or deny any wrongdoing in reaching this agreement to settle.

Sources: i) https://www.business-standard.com/podcast/companies/is-oracle-corporation-in-trouble-in-india-122092900132_1.html

Dated - September 29th, 2022 / Accessed on 14th October, 2022

A Resource Guide to the U.S. Foreign Corrupt Practices Act Second Edition By the Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission.

ii) <https://www.justice.gov/criminal-fraud/file/1292051/download>

Dated – July, 2020 / Accessed on 15th October, 2022

Activity 17.1

There are many incidents in which companies and governments involved in bribery and corruption incidents throughout the world. Considering the above situation, who do you think is at fault – the government or companies? Also, discuss the role of national and international organizations and the measures taken by these organizations to fight and curb corruption in international markets.

Answer:

Check Your Progress - 1

1. The employees of an organization expect the organization to do which of the following?
 - i. Treat them equally, without discrimination on the basis of gender, race, religion, language, etc.
 - bii Empathize with their problems at work and address those problems
 - iii. Encourage and support unions
- a. Only i
- b. Only i, and ii
- c. Only ii and iii
- d. Only ii
- e. Only i, ii, and iii

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2. To retain talented employees, what should the firms operating in international markets do among the following?
 - i. Offer several hierarchical levels
 - ii. Offer an explicit two-way contract specifying the responsibilities of employee and employer
 - iii. Offer a supportive corporate culture with strong shared values
 - iv. Offer a system for measurement of employee satisfaction
 - a. Only i, ii, and iii
 - b. Only i, ii, and iv
 - c. Only i, iii, and iv
 - d. Only ii, iii, and iv
 - e. Only i & iv
3. Which of the following statements clearly state the expectations of the suppliers from the firms operating in international markets?
 - i. The firm should not reject the lots sent by suppliers on false pretexts.
 - ii. The firm should not alter product specifications abruptly.
 - iii. The firm should not pressure the supplier to reduce the prices to unacceptable and uneconomical levels by threatening to switch to other suppliers.
 - iv. The firm should pay suppliers on time and in accordance with pre-agreed terms of trade.
 - a. Only i, ii, and iii
 - b. Only i, iii, and iv
 - c. Only ii, iii, and iv
 - d. i, ii, iii, and iv
 - e. Only i and iii
4. Which of the following factors have made organizations operating in international markets focus on maintaining a healthy environment?
 - i. They do not want their reputation to be tarnished by charges of environmental exploitation in the country they are operating in.
 - ii. It is economical to implement a standard global production process rather than develop “tailor-made” production lines, based on varying levels of environmental standards.
 - iii. Some financial institutions insist on certain minimum environment criteria being met for financial assistance to be given.
 - a. Only i and ii
 - b. Only i and iii
 - c. Only ii and iii

- d. i, ii, and iii
 - e. Only i
5. Which of the following can be defined as the misuse of public power for private gain?
- a. Corruption
 - b. Bribery
 - c. Scandal
 - d. None of the above
 - e. Immoral
-

17.6 Ethical Issues in International Marketing

“The moral question of what is right and appropriate is complex in the international marketplace because value judgments differ widely among culturally diverse groups” – Philip R. Cateora, (2014).

In such a situation, each of the elements of the marketing mix poses challenges for marketing and business personnel.

17.6.1 Product

Firms take decisions regarding the range of products produced, the number of features and the availability of spare parts, not only to meet customer demand but also to influence and stimulate consumer demand. To stimulate sales, companies often add new features to an older product. This is commonly done in the consumer electronics industry and even in the FMCG industry. Companies claim that these features meet some latent customer desire for aesthetic stimulation and change. However, some critics believe that companies make only nominal changes and attempt to manipulate the buying behavior of customers, especially those who make impulse purchases.

Some companies stop manufacturing existing products and their components, due to the considerable investment required for introducing changes in the products. As a result, customers who had bought the product earlier are not able to find spare parts and are compelled to purchase the new version.

The presence of environment-conscious customers has forced many companies to alter their product or process of manufacturing. For example, concerns about the depletion of the ozone layer have affected the market acceptability of many products. Chlorofluorocarbons (CFC), known to damage the ozone layer, were earlier widely used in refrigerators and aerosol sprays. After 1990s, the substitution of CFC with non-harmful chemicals became the priority of chemical companies. Companies that responded quickly with harmless substitutes made huge profits.

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17.6.2 Price

Firms take pricing decisions after considering the costs involved, the market situation, and consumer preferences. When launching new products or entering new markets, it is not unusual for firms to use pricing strategies like market skimming and market penetration. In the market skimming strategy, products are initially priced high. After the product's perceived status and quality have been established, the price is reduced to increase sales volume. In the market penetration strategy, products are priced low to gain a market share quickly. Both these strategies may be successful in appropriate markets. Since these strategies are generally used for familiar products, and customers are unlikely to depend exclusively on these products, they do not constitute unethical behavior. However, when pricing is used to exploit consumers' beliefs, attitudes or concerns, it can be regarded as unethical. For example, some food manufacturers take advantage of consumers' concern for healthy, low-fat food.

Several competitors of similar size may form a cartel to keep prices artificially high. This is clearly an unethical pricing practice. When there is rivalry between companies of unequal power (a small domestic company and an MNC), the larger company may initiate price wars. The smaller company may seek help from another big company or be taken over by a hostile company. The customers may benefit for a short time due to reduced prices. But in the long run, market consolidation minimizes the choice for customers and increases the power of the MNC.

17.6.3 Place

Firms operating in international markets generally choose profitable distribution channels and avoid less profitable ones. Initially, such firms depend on established local distributors for marketing their products. However, once they get familiar with the market and are confident of managing distribution on their own, they may attempt to buy the distribution rights. A deal can be finalized easily if the firm offers a reasonable price and the other party is willing to sell at that price. However, if the other party offers resistance and the firm insists on buying by any means, the issue assumes ethical dimensions.

17.6.4 Promotion

Companies should not make incorrect statements to promote their products.

It is common for companies to declare that their products are fresh, and superior to the competitor's products. However, they should know where to draw the line.

Some countries have framed laws and regulations to counter misleading product promotion by companies. In UK, there is a regulatory body called Advertising Standards Authority (ASA) which tests the honesty, legality, and fairness of the

content and context of the advertising message. The ASA responds to complaints from the public, and after adjudication may require advertisers to withdraw material it believes to be offensive, misleading, or in violation of the law.

Some sales techniques employed by firms operating in international markets are also criticized by buyers. Hard selling is one such technique. In hard selling, salespeople pressure customers to sign a sales agreement on the spot, using a positive inducement like a limited time discount offer.

17.6.5 Market Research

Given the complexity of the global marketplace, research is essential for making global marketing decisions. So, firms conduct marketing research before taking any international marketing decision. During the research process, some companies try to get personal data to determine buying behavior patterns. Consumers may view this as unethical and as an intrusion of privacy.

For improving products or adding new features, a group of employees may be sent by an MNC to observe how consumers use the product. This is called "in-situ" research. P&G pioneered in-situ research.

Unethical testing of products

Firms that have a presence in international markets, especially those in the cosmetics and pharmaceuticals business, use animals to test products. The stressful laboratory conditions and often-sloppy handling methods can impair the immune function and alter the heart and pulse rates of animals in laboratories.

Animal tests are not accurate and data from these tests cannot be extrapolated to humans because of the enormous differences in metabolism and physiology of animals and human beings. The doctrines of animals activists spread across many countries. At the same time, countries like India, Israel and European Union implemented policies on banning testing of cosmetics and household products on animals. Though hailed a huge victory to injustice to animals, some countries like the US still practice the same.

Example: Indian Pharma Marketing Regulation Code

According to the Alliance of Doctors for Ethical Health Care, prescription prices increased, and unethical practices were promoted since pharmaceutical corporations were not following the Uniform Code for Pharmaceutical Marketing Practices (UCPMP). Pharma businesses invest money in physicians' expensive conferences and gifting. Medical professionals and their families are prohibited from receiving hospitality from corporations or associations/representatives under the UCPMP code. Pharmaceutical firms are brazenly Violating UCPMP for pharma marketing.

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Reply to the RTI in 2019 revealed MNCs like Eris Lifesciences Pvt. Ltd., Merck Ltd., Bayer Healthcare, Abbot Healthcare Pvt. Ltd., Bristol-Mayer's Squibb India Pvt. Ltd., and Boehringer Ingelheim were charged with "bribing doctors, medical shopkeepers and unauthorized medical practitioners to sell their pharmaceutical products. Since 2015, the government has enforced a Uniform Code for Pharmaceutical Marketing Tactics (UCPMP) for pharmaceutical businesses to prohibit unethical practices. After the recent Central Board of Direct Taxes' raids on a pharmaceutical firm in Bengaluru, reportedly, the company was engaging in unscrupulous tactics to boost the visibility of its products. These raids and public debates revived calls for a mandatory formal framework governing the marketing of medicines. All India Drug Action Network (AIDAN) and The FMRAI (Federation of Medical and Sales Representatives' Associations of India) has lobbied for the pharma marketing code to become statutory and mandatory.

Sources: i) <https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/government-forms-committee-to-regulate-marketing-practices-of-pharma-companies/articleshow/94350671.cms>

Dated – September 21st, 2022 / Accessed on 16th October, 2022

ii) <https://pib.gov.in/PressReleasePage.aspx?PRID=1848757>

Dated – August 5th, 2022 / Accessed on 16th October, 2022

Activity 17.2

International organizations are expected to be ethical in all their activities to ensure that their reputation remains intact. Suggest certain ethical marketing practices that companies can follow.

Answer:

17.7 Human Rights Violations in International Business

Many firms have invested in closed or repressive countries, claiming that their investment will help develop the local economy and thereby improve the human rights situation. However, there have been instances where such firms have been, either directly or indirectly, involved in human rights abuses. Instead of making things better, they have worsened the situation.

17.7.1 Child Labor

Child labor is prevalent in many developing countries. Companies employ child labor because children can be made to work for a long time at very low wages, sometimes for one-third of the wages paid to an adult worker. While the firms may not directly employ child labor, they may procure goods from suppliers who

employ them in their firms. An ethical firm should condemn such practices openly and refrain from procuring goods from such suppliers.

17.7.2 Extended Hours of Work

Extended hours of work reduce performance, and result in fatigue. This leads to injuries and accidents at work. Overwork causes stress, increases blood pressure, and may lead to cardiovascular diseases.

The World Health Organization recommends the rationalization of employment hours, except in the case of professionals like doctors, lawyers, marketing personnel, engineers, architects, and police officers. Many MNCs provide recreational facilities to help their employees relax.

17.7.3 Poor Safety Standards and Enforcement

In developing countries, governments generally fail to strictly enforce Health and Safety laws. This is one of the main reasons for the high rate of industrial accidents in these countries.

The standards and guidelines recently established by Environment Health and Safety (EH&S) are putting increasing pressure on firms to demonstrate and document compliance with these standards. Faced with increasing scrutiny, 55 leading US multi-nationals have pooled their resources to form the International Audit Protocol Consortium – North America (IAPC-NA). The Consortium aims to develop a cost-effective and efficient way for these companies to evaluate compliance with EH&S requirements.

In 1998, a new European Consortium (IAPC-Europe) was established, comprising 13 multi-national companies. These companies share the cost of developing country-specific environmental, health, and safety audit protocols.

In developing countries, information regarding regulations is not available at one place. As a result, firms have to do the rounds of various government departments to learn about these regulations. These countries need to take steps to develop adequate standards and regulations as well as to make them available at one place.

Example: Violations of Rights to Freedom of Association and Collective Bargaining

According to a recent BHRRC (Business & Human Rights Resource Centre) study, the rights to freedom of association and collective bargaining are now being violated in several of Asia's main garment-producing countries. In order to compile the report titled "Unpicked - Fashion and Freedom of Association," researchers conducted interviews with 24 prominent leaders of trade unions. In addition, they polled 124 union activists and labor advocates in the countries of Bangladesh, Cambodia, India, Indonesia, and Sri Lanka.

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61% felt the freedom of association and collective bargaining had "worsened" since the Covid outbreak. In addition, 48% of trade union members reported increased discrimination, intimidation, threats, and harassment. In Bangladesh, due to order cancellations and payment delays during the Covid pandemic, suppliers' financial pressure generated an environment of insecurity, making workers fearful for their employment and less inclined to unionize or complain about safety or wages. As a result, union officials and organizers were barred from interacting with plant workers, and collective bargaining discussions were halted. In addition, many of the fashion label manufacturers in issue were using Covid-19 to discourage any organized efforts by Unions. Strategies of intimidation, such as discriminatory firing, were commonly used, even though some well-known companies have adopted policies that recognize and encourage employees' rights to join labor unions but were not adopted on the ground.

The investigation accused 13 factories that supplied at least 15 worldwide fashion labels, including Adidas, Bestseller, C&A, H&M, Hugo Boss, J. Crew, Mango, Next, Primark, and Under Armour.

Sources: i) <https://www.voguebusiness.com/sustainability/with-covid-providing-cover-fashions-trade-unions-are-under-attack> Dated - October 11, 2022 / Accessed on 16th October, 2022

ii) <https://apparelresources.com/business-news/manufacturing/bhhrc-highlights-worsening-human-rights-among-garment-workers-report/> Dated - 12th October, 2022 / Accessed on 16th October, 2022

Activity 17.3

Nike has been accused of using children for manufacturing soccer balls in Pakistan and other Asian countries. In fact, many international bodies have accused Nike of illegal labor practices and described its shoe manufacturing units as sweatshops. Comment on the child labor prevalent in Nike's manufacturing units and how companies like Nike can be prevented from exploiting child labor.

Answer:

17.8 Internal Governance and International Business

Corporate governance is the system by which organizations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organization, such as the

board, managers, share-holders, and other stake-holders, and spells out the rules and procedures for taking decisions on corporate affairs. By doing this, it also provides the structure through which company objectives are set, and the means of attaining those objectives and monitoring performance are established.

There has been a significant shift in the way business success is assessed and achieved. The most crucial attribute of business success is Corporate Social Responsibility (CSR). This refers to factors like good employment practices, concern for the environment, and active participation in community welfare activities. The second important determinant of business success is increase in bottom-line profits.

17.8.1 Director's Role

In the British corporate governance model, directors are required to act in the best interests of the company. Directors have no statutory duties towards stakeholders (e.g. employees, customers, suppliers and the community). In Germany, the duty of directors to the company, its employees and other stake-holders is explicitly stated, while in France, employee participation in board meetings is encouraged.

Directors have to quickly adapt to changes in the business environment and take them into consideration while making decisions. They must ensure that the company complies with regulations regarding environment, child labor, and health and safety. For directors in firms that have a presence in international markets, the concern has to extend across several countries and cultures.

Some companies may employ non-executive, independent directors because of their knowledge and experience. They can help the company strike a balance between ethical issues and stake-holder interests. For example, Shell and Rio Tinto have Corporate Social Responsibility (CSR) committees that are composed of non-executive directors. Alternatively, a company can assign each independent director a specific responsibility for monitoring CSR issues both internally and externally.

Usually, CSR issues are unique and company specific. Directors should therefore be allowed to act in ways they think are appropriate for the situation. Since the directors of a company are familiar with the nature of the company's share-holder and stake-holder relationships, they are in a position to make appropriate judgments on ethical issues and practices. Companies should therefore avoid establishing rigid rules or requirements that hamper effective decision-making by the directors. Companies should take the responsibility of inculcating ethical practices among the employees.

17.8.2 Shareholders' Role

Shareholders play an active role in influencing company policy. Institutional share-holders, in particular, pressurize companies to develop social and environment friendly company policies. They try to spread the message of

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Socially Responsible Investing (SRI) to the global investors. SRI has gone through three phases. At first, investors shied away from companies that were involved in businesses like gambling and weapons, and tobacco manufacture. Gradually, the emphasis shifted to environmental factors. Investors favored companies that took on the responsibility of conserving forests and wildlife. Nowadays, investors favor MNCs that engage in sustainable activities such as recycling and replacing of non-renewable fossil fuels with renewable fuels.

17.8.3 Training Directors

As a result of increasing pressure from the government, share-holders and other stake-holders, the responsibilities of directors in MNCs are becoming complex. Directors are responsible for understanding and implementing appropriate ethical standards and practices in each country and also for dealing with the competing demands of share-holder and stake-holder groups. They have to encourage their boards to manage relationships with stake-holders, particularly in times of a crisis. Directors are accountable for company actions and help the board come up with a positive action statement. Thus, the need arises for directors to develop their professional standards to meet the challenges. Directors may be encouraged to attend professional training institutes to acquire professional skills and good boardroom standards.

Example: Amazon Vs Future Retail – Governance Issue

Future Retail Limited (FRL) and Future Coupon Private Ltd. (FCPL) signed a Shareholder Agreement in August 2019. The Agreement required FRL to get FCPL's consent before selling firm assets. Amazon.com NV Investment Holdings LLC (Amazon) and FCPL signed a Share Subscription Agreement and Shareholders Agreement later that month, giving Amazon 49% of FCPL. These agreements required FCPL to get Amazon's approval before making any decision on FRL. As a result, Amazon controlled FRL through these agreements. However, COVID-19 nearly bankrupted FRL, and in August 2020, FRL sold its retail businesses and assets to Reliance for 25,000 crores due to its 22,000 crores debt.

Amazon sent a stern letter to Future Retail's independent directors objecting to the Future Group's alleged plan to transfer its logistics and storage activities to Reliance in violation of court orders. Future Retail transferred operating divisions and 835 retail stores to Reliance through a misleading and convoluted plan when the initial agreement was being reviewed in the Supreme Court, Delhi High Court, CCI, and NCLT. Amazon claimed that FRL's Independent Directors did not fulfill their legal obligations. They also assisted FRL and the MDA group (Reliance) in perpetrating fraud and did not protect shareholders.

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Meanwhile, Commission of India's verdict (CCI) suspended Amazon and Future Group Inc.'s 2019 investment contract (with Future Coupons). Amazon had appealed against the CCI order before National Company Law Appellate Tribunal (NCLAT). The case is now listed with the Supreme Court of India for final judgment.

Source: i) <https://www.scoobserver.in/cases/amazon-future-reliance-dispute-amazon-com-nv-investment-holdings-v-future-retail-ltd/> Dated - August 10, 2022/ Accessed on 16th October, 2022
ii) <https://www.thehindu.com/business/amazon-flags-future-retails-independent-directors-conduct-as-corporate-governance-lapse/article65609256.ece> Dated - July 6, 2022 / Accessed on 16th October, 2022

Check Your Progress - 2

6. Identify the statements that hold true regarding grand corruption.
 - i. It refers to the distortion of decision-making in matters of economic significance.
 - ii. It often takes place at the international level, thus falling into the jurisdiction of more than one country.
 - iii. This generally involves customs clerks, immigration officers and other lower level officers.
 - a. Only i and ii
 - b. Only i and iii
 - c. Only ii and iii
 - d. i, ii, and iii
 - e. Only i
7. When the corruption is often domestic in nature and falls within local jurisdiction, then it is called as which of the following?
 - a. Head corruption
 - b. Domestic corruption
 - c. Base corruption
 - d. Grand corruption
 - e. Petty corruption
8. Which of the following can be referred to as good employment practices, concern for the environment, and active participation in community welfare activities?
 - a. Corporate culture
 - b. Company strategies
 - c. Corporate governance
 - d. Corporate climate
 - e. Corporate social responsibility

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9. In the purview of international business, in which of the following areas, violations of human rights can be found?
 - a. Child labor
 - b. Poor safety standards and child labor
 - c. Extended hours of work
 - d. Poor safety standards and Extended hours of work
 - e. All the above
 10. Which of the following specifies the distribution of rights and responsibilities among different participants in the organization, such as the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for taking decisions on corporate affairs?
 - a. Corporate culture
 - b. Corporate stakeholders
 - c. Corporate social responsibility
 - d. Corporate governance structure
 - e. Corporate climate
-

17.9 Summary

- Business organizations face many ethical dilemmas because they have to deal with the conflicting demands of various stake-holders, like share-holders, employees, consumers, and society.
- Firms with a presence across several countries are frequently confronted with such dilemmas. They not only have to earn profits, but also ensure that their processes do not degrade the environment and that their subsidiaries do not violate the human rights of their employees. In addition, they have to run a successful business without resorting to bribery or coercive promotion efforts.
- Corporate governance is the system by which business corporations are directed and controlled.
- Directors of MNCs are encouraged to attend training institutes to learn how to help MNCs conduct their business in an ethical and profitable manner.

17.10 Glossary

Grand Corruption: This refers to the distortion of decision-making in matters of economic significance. Senior officials, government ministers, and heads of state are involved in such corrupt activities. It often takes place at the international level, thus falling into the jurisdiction of more than one country.

Market Penetration Strategy: In this pricing strategy, products are priced low to gain a market share quickly.

Market Skimming Strategy: In this pricing strategy, products are initially priced high. After the product's perceived status and quality have been established, the price is reduced to increase sales volume.

Petty Corruption: This, generally involves customs clerks, immigration officers and other lower level officers. Petty corruption is often domestic in nature and falls within local jurisdiction.

17.11 Self-Assessment Test

1. Who are the stake-holders in an organization? What are the ethical issues concerning the stake-holders that organizations should consider while operating in international business? Explain.
2. How can firms operating in international markets contribute towards maintaining a healthy environment? Elucidate.
3. What are the different types of corruption? In what ways can firms operating internationally deal with corruption and bribery? Explain.
4. In what ways do the elements in the marketing mix pose challenge for firms operating in international markets? Explain.
5. "There have been instances where firms operating internationally have been alleged of human rights violations." Explain.
6. How can organizations conducting international business ensure good corporate governance? Explain the role of the directors and the share-holders in this regard.

17.12 Suggested Readings/Reference Material

1. J. Daniels, L. Radebaugh, and D. Sullivan, "*International Business: Environment and Operations*", 17th Edition, Pearson, 2021.
2. Masaaki (Mike) Kotabe, Kristiaan Helsen and Prateek Maheshwari, "International Marketing 8e (An Indian Adaptation)", Wiley India Pvt Ltd, 2021.
3. Cateora, P.R., Money, R. B., Gilly, M.C. and Graham, J.L., "International Marketing", McGraw-Hill, 18th Edition, 2019.
4. Keegan, W.J., "Global Marketing Management", Pearson Education; Eighth edition, 2017.

17.13 Answers to Check Your Progress Questions

1. (d) All of the above

The employees of an organization expect the organization to treat them equally, without discrimination on the basis of gender, race, religion, language, etc. They want the company to empathize with their problems at work and address those problems. They expect the firm to encourage and support unions.

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2. (d) Only ii, iii, and iv

To retain talented employees, firms operating in international markets should offer minimum levels of hierarchy; an explicit two-way contract specifying the responsibilities of employee and employer; incentives like profit sharing or ESOPs; a supportive corporate culture with strong shared values; organizational policies that show concern for the environment; and a system for measurement of employee satisfaction.

3. (d) i, ii, iii, and iv

Suppliers expect a long-term relationship with the company and consistent growth in the company's orders for their products or components. They expect the firm to be fair and honest in its transactions. All the options given are true regarding the expectations of the suppliers from the firms operating in international markets.

4. (d) i, ii, and iii

Many firms operating in international markets have actively contributed to maintaining a healthy environment. They often apply a single environmental standard to their worldwide operations, regardless of the lower standards prevalent in some countries. This may be primarily attributed to three factors – (a) The firm does not want its reputation to be tarnished by charges of environmental exploitation in one country; (b) It is economical to implement a standard global production process rather than develop “tailor-made” production lines, based on varying levels of environmental standards; and (c) Some financial institutions insist on certain minimum environment criteria being met for financial assistance to be given.

5. (a) Corruption

According to Transparency International, corruption is the misuse of public power for private gain. In countries where corruption is prevalent, the percentage of GDP that goes into investment and the economic growth rate is low. Such countries do not attract much FDI.

6. (a) Only i and ii

Grand corruption refers to the distortion of decision-making in matters of economic significance. Senior officials, government ministers, and heads of state are involved in such corrupt activities. It often takes place at the international level, thus falling into the jurisdiction of more than one country. Option iii refers to petty corruption.

7. (e) Petty corruption

Petty corruption generally involves customs clerks, immigration officers, and other lower level officers. It is often domestic in nature and falls within local jurisdiction.

8. (e) Corporate social responsibility

Corporate Social Responsibility (CSR) refers to factors like good employment practices, concern for the environment, and active participation in community welfare activities. CSR is considered to be the most crucial attribute of business success.

9. (d) All of the above

There have been instances where firms operating internationally have been, either directly or indirectly, involved in human rights abuses. Some of the areas where violations of human rights were found were pertaining to child labor, poor safety standards, and extended hours of work.

10. (d) Corporate governance structure

Corporate governance is the system by which organizations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organization, such as the board, managers, share-holders, and other stake-holders, and spells out the rules and procedures for taking decisions on corporate affairs.

Unit 18

Future Trends in International Marketing

Structure

- 18.1 Introduction
- 18.2 Objectives
- 18.3 Important Future Trends in International Marketing
- 18.4 Major Economic Indicators - Future Market Trends
- 18.5 Challenges faced by Global Marketers
- 18.6 Explosion of Global Markets
- 18.7 E-Business as a Business Driver
- 18.8 Global Economy and the New Economic Order
- 18.9 Location of Production vs. Low Wage Structure Locations
- 18.10 Establishing a Global Branding Policy
- 18.11 Summary
- 18.12 Glossary
- 18.13 Self-Assessment Test
- 18.14 Suggested Readings/Reference Material
- 18.15 Answers to Check Your Progress Questions

“There's no locality on the web - every market is a global market.”

- Ethan Zuckerman, Professor at the
University of Massachusetts at Amherst

18.1 Introduction

Communication is now faster than anybody could have ever anticipated, which has resulted in reducing distances, the networking of markets, and the facilitation of marketing activities worldwide, all of which have accelerated the global competitiveness.

Today every company has to delight each and every customer who comes in contact with their brand. They have to provide superior quality product and services to the guest. In this 21st century, there are dynamic efforts that are revolutionizing the ways business is being done and markets are being molded.

Customers, businesses and products are travelling from one part of the world to another. This has led to evolution of global integrated market. Communication is

faster than one could have ever imagined which has led to dwindling distances and networking of markets. These trends are facilitating the marketing operations on a global scale and accelerating the global competition. Hence, today, marketers need to modify and re-evaluate their marketing game plan for future surge in emerging markets and competitor dynamics.

Today firms have to focus at the very antecedent stage when they enter into international markets. Companies need to focus on entry choice, and acclimatize with numerous elements of the marketing mix to suit various marketing conditions. Competitive risk and country risk should be evaluated by the entry firm apart from taking into account the economic, socio-political and cultural environments while entering a new market. Sometimes, well established firms may delay investments. Their delayed approach might create 'interstitial opportunities'¹⁵ for new firms to capture the market. Netflix ousting Blockbuster (providers of home movie and video game rental services), Nokia giving way to Samsung and Apple (smartphone) eBay overtaking Sotheby (online firms) are some examples of interstitial opportunities created by invading firms.

Times have changed and so is international business. Nowadays, markets are becoming intensely unified, companies need to plan a road map for success.

In the coming days, international marketing will witness an increase in product and service portfolio expansion strategy (acquisition is a classic example of such a strategy). Future trends in marketing strategy will be influenced by the total range of the products, their pricing strategy, production capacity, technological usage and competitor analysis. The strategy will have to be customized as per the customer need. A good marketing strategy is based on regular review & enrichment of business, and marketing designs. It is important to identify the best customers, overcome strong competitors, and understand the needs of the market that would drive the organization to be successful.

18.2 Objectives

After reading through this unit, you should be able to:

- Discuss the trends that will dominate the international marketing scenario in the coming years
- Identify the factors that lead to global explosion of markets.
- Appreciate the importance of developing the skill set of the country
- Recognize the prominence of e-commerce and e-business, and explain how they will dominate business.
- Explain the importance of 'Global Economy' and 'Global Branding'

¹⁵ An interstice means a space that intervenes between things or a short space of time between events – Webster's Ninth New Collegiate Dictionary.

18.3 Important Future Trends of International Marketing

“Marketers are constantly looking into the future, trying to predict the next big trend, be it for their brands or their clients. Naturally, marketers are preoccupied with questions like: What is the next big campaign? How can we turn our client into the “next big thing”? What is the next hot trend going to be in retail? etc.”

Leading marketing agencies, international advertisers and top consultants have different perspectives on the future of international marketing. Here, we are capturing the perspective of the CEO of WPP, the world’s largest advertising and marketing service company based in Britain.

Sir Martin Sorrell, CEO, WPP has identified the following trends in International Marketing:

(i) The momentum towards East and South

Apart from China in the East and India in South-East of Asia, Germany-Poland-Russian cluster in Eastern Europe are central to most of the marketing opportunities. Similarly, Latin America and Brazil would be the southern axis, Middle East and Africa, particularly, South Africa will be the other cluster where most of the action will be seen.

(ii) Technology replacing intermediaries

Internet will continue to create new business models, and an attractive destination for consumers. Human resources as intermediaries, will be replaced by technology.

(iii) Increased Retail power

As global retailers such as Walmart, Tesco, and Carrefour continue to face a competitive environment, they will force manufacturers, who in turn will apply more pressure on their suppliers to cut cost and improve efficiency. Hence, the power of retailer will be felt more in future.

(iv) Focus on internal communication

The key challenge in future will be on how to maintain internal communication so that people understand and live the brand they represent aligning themselves to the vision and strategy of the organization.

(v) Centralization of operations

With the advent of technology, companies are trying to centralize their operations. Sir Martin foresees greater centralization with the increase of local influence. With technology, the regional structures in the organization are likely to be intermediated.

(vi) Rise of Financial Sector

The financial crisis impacted corporate behavior more than the consumer behavior. Sorrell predicts that companies will be more cautious in their

financial stance in future, and shall be giving more importance to finance and procurement than to marketing

(vii) Government Control

There will be increased oversight and regulatory pressure from the government. This trend is likely to continue in the future.

(viii) Business must be Sustainable

In future, the buzz word will be sustainability. No CEO can imagine overlooking this issue as it impacts the entire ecosystem of the operations. Hence, sustainability will be at the heart of the strategic planning in an organization.

(ix) Client-Agency Relations

As per Martin Sorrell, the future will see consolidation of agencies due to compensation pressure. The compensation pressure is likely to impact advertising industry structure and its relationship with their clients.

(x) Mergers may flop but they will not stop others

The market will witness intense activity on consolidation and restructuring of business across the world. Efficiency, profitability, and performance consideration will be the prime reasons for mergers and acquisitions. The global economy will demand dynamism and flexibility in operations. Businesses across the world will respond to changes and even if a high profile merger does not work out, others will continue to explore this route.

Example: The Future of Sales and Marketing is here.

Amid a worldwide pandemic and extensive societal upheaval, businesses have entirely rethought their Global marketing strategies to cater to their customers' ever-evolving requirements. As per "BCG Executive Perspectives - The Future of Sales and Marketing, 2022,"

The companies are focusing on hyper-personalization, ultra-convenience business practices through technological innovation Like AI, AR/VR, the Metaverse, NFTs, and crypto. Also eighty percent of consumers say they are more likely to do business with a company if it offers personalized experiences. For example, IKEA in Jakarta, Indonesia, developed hyper-personalized mobile advertisements using AI-based geo- and time-based targeting to provide customers with information. IKEA targeted viewers at places matching predicted trip times using real-time traffic data. Based on consumer behavior patterns, the ads recommended products of interest to customers and showed how long it would take them to get to IKEA at that moment.

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After clicking on the advertising, Google Maps provided buyers with the shortest path to the retailer. The IKEA marketing team used drive-time maps to develop location-specific ads.

Sources: i) <https://media-publications.bcg.com/BCG-Executive-Perspectives-2022-Future-of-Marketing-and-Sales.pdf>

Dated – February 2022 / Accessed on October 18, 2022

ii) <https://www.moneycontrol.com/news/business/companies/premiumisation-digitisation-are-core-themes-in-huls-game-plan-for-next-decade-7461231.html>

Dated – September 13, 2022 / Accessed on October 18, 2022

iii) <https://www.geospatialworld.net/prime/case-study/location-and-business-intelligence/ikea-uses-geo-location-technology-to-drive-footfalls-to-its-stores/>

Dated – March 4, 2022 / Accessed on October 18, 2022

iv) <https://www.marketingdive.com/news/gucci-town-roblox-metaverse/624537/>

Dated – May 31, 2022 / Accessed on October 18, 2022

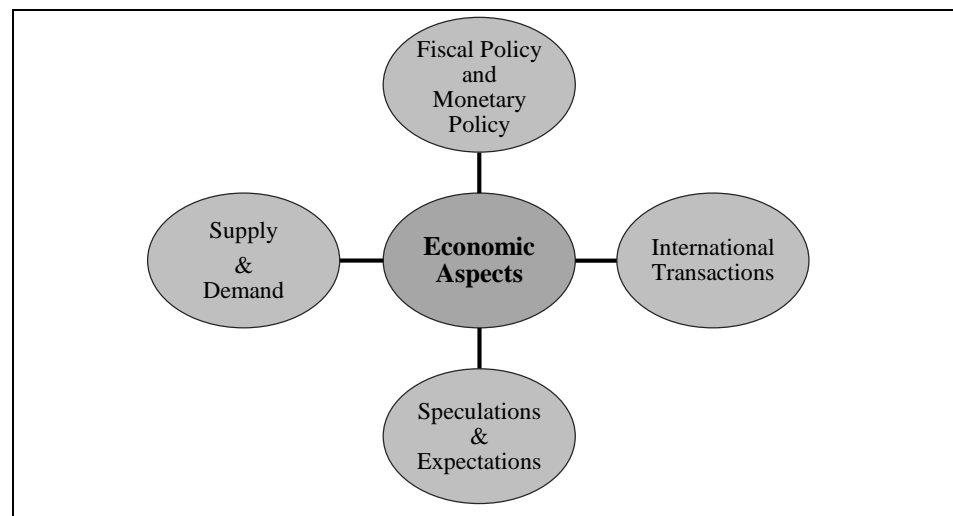
18.4 Major Economic Indicators - Future Market Trends

A country's wealth is a huge economic factor for a marketer to determine his potential market. There are few economic indicators like the demographic dividend, workforce structure that determine the demand and supply of a product, banking and financial facilities, policies of the government etc. that play a vital role in determining the future market trend.

Followings are the four major economic aspects that are shaping the future market trends across the industry:

- a. Government's Fiscal and Monetary Policies
- b. International Transactions
- c. Speculations and Expectations
- d. Supply and Demand

Figure 18.1: Four Major Economic Aspects Shaping Future Market Trends



Source: The ICFAI Research Center

Government's Fiscal and Monetary Policies

Fiscal and monetary policy of any country controls the manner in which the financial marketplace behaves. The various regulations and oversight mechanism by Government have great influences on the financial market.

International Transactions

Exports and Imports are two sides of trade for any country. An Exporting country brings foreign currency into the country, which can in turn be utilized for the development of the home country. While imports of certain products that are used for increasing productivity (say for e.g. raw materials) within the country is essential, they drain the money out of the country and weakens the country's economy if its value exceeds that of exports.

Speculations and Expectations

Current actions taken by the government shapes the expectations of the customers. This expectation usually leads to speculation of the investors. Customers, investors and businesses believe, that the future of any economy is dependent on the current trends of that economy.

Supply and Demand

The basic rule of demand and supply follows in International Marketing as well. Increase in demand increases the price of the product whereas increase in supply lowers the prices of the product.

When we talk about the future trends of International Marketing, we need to assess:

1. **Who** – are the customer groups needed to be served (B2B, B2C, Retail, Industrial etc.)?
2. **How** – to serve the technologies that are required - product, service, price, promotional strategies, suppliers, infrastructure, employee etc.?
3. **What** – Applications are required to serve the customers?
4. **Where** – Place to meet the customer demand.

Example: MNCs optimistic about India's growth prospects – CII – EY report 2022

According to a survey conducted by the industry chamber CII and the global consultancy company EY, the focus on reforms and economic growth in India would generate an opportunity for Foreign Direct Investment (FDI) in the next five years of \$475 billion. Despite global economic uncertainties, multinational corporations with operations in India are confident about the country's prospects, according to a CII-EY poll. Approximately 71% of multinational corporations (MNC) in India view the country as a key market for worldwide expansion.

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Block 4: Other Issues in International Marketing

The report titled Vision—Developed India: Opportunities and Expectations of MNCs found that while 96% of respondents are optimistic about India's growth prospects and expect it to perform even better in short to medium term (3 to 5 years), 43% of respondents said it would perform significantly better. The report also states that India's appeal as a global investment destination will be enhanced by the continuation of reforms to improve the ease of doing business, the faster implementation of infrastructure projects, the early conclusion of FTAs, the strengthening of the National Single Window for clearance, the improvement of tax certainty, the expeditious enforcement of contracts, and the decriminalization of economic laws.

Source: <https://www.cii.in/PressreleasesDetail.aspx?enc=J4Nkp2PMBsQg+L2ta3gOuBw9QvjhkelvL0CGCmt+t6usWQ1cWERIMlcZLDodtSwgOiCa+fXwQVShg9NlxdQafr4G3DBFxaK+RDt00EeIX7el2C+hYxwFDN/gImJK8wCMSjWoB9cJ7uScblynWRPqf46EgVe/Ivz+IYEO8mpty3c=>

MNCs optimistic about India's growth prospects India's FDI could touch US\$475 bln in next 5 years: CII-EY report

Dated - October 15, 2022 / Accessed on 18th October, 2022

18.5 Challenges Faced by Global Marketers

“Many companies find it increasingly difficult to be locally flexible and adaptable as they broaden their global footprint. In particular, processes for developing strategy and allocating resources struggle to cope with the increasing diversity of markets, customers, and channels” – McKinsey & Company .

Global marketing experts have expressed different opinions on challenges faced by global marketers. Though there is no consensus on the type and magnitude of the challenges, they broadly agree on the following area that will be particularly relevant for marketing professionals operating in a global market.

Challenges Being Faced by Global Marketers

Global Marketers face challenges of different kind. Every market has its own issues. Apart from that, the dynamic market scenario provides a continuous challenge on the part of global managers to be continuously aware of the unfolding scenario and respond accordingly.

Explosion of Global Markets

Markets across the world have opened up. Marketers need to be always on the lookout for opportunities to be competitive. Early-mover's advantage is what keeps the firm competitive. It is therefore important, that marketers remain alert to unfolding scenario and be ready with strategy, to meet the challenges.

E-Business as a Business Driver

The technology is shaping the economy and businesses across the world. The global decision-maker must be adoptable to the technological development, and be ready to take advantage of the same.

Economies Moving Towards Global Economy

Every nation is becoming empowered and the economic muscle is getting distributed. The concept of super-power has been waning, and global economy in the form of many strong economic powers in the world is taking shape. India, China, Japan, Russia, South Korea, Indonesia, and Malaysia are a few examples of economic powers coming up in the world.

Location of production shifts from low-wage countries to high-skilled countries

The world is witnessing a change of priority on production. Quality is taking precedence. Managers worldwide are looking for high skilled countries rather than low wage countries for outsourcing their production requirement.

Establishing a Global Branding Policy

The world has become a global market. Today, managers must take a global view of their brand and product. As markets across the world are opening up, global managers must make a global branding policy. He/she should aim to establish the brand on an international platform.

Activity 18.1

Visualize yourself as an aspiring borderless marketer of today. Take a sector of your choice and analyze the challenges that you may face in the industry in any three developing economies including India. Also present the strategies you may follow to overcome them.

18.5.1 Top Challenges for B2B vs B2C Marketing in International Market

Business to business (B2B) and business to Consumer (B2C) are the two approaches adopted by marketers in international marketing to reach to their market. While the objective of both the approaches is to meet customers' needs; the challenges offered by both are different. Every marketer faces different challenges. Although they all share similar goals, some marketers are stuck on lead generation, while others are having trouble converting leads into customers, and some just aren't generating enough traffic to their site they need to.

According to Godfrey (an exclusive B2B agency), the top 5 B2B challenges were:

1. Technology integration: If integration of various systems like SEO, SEM, content management system, social and online media, CRM, analytics platform etc., are not integrated, then communication cannot be integrated properly.

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2. Managing leadership expectations: To inter-connect marketing activities to sales needs will help in bridging investment gap. New digital marketing tools should be effectively used to close the sales loop, if any, present in the company.
3. Marketing and sales alignment: With online taking the forefront in buyer's decision, to win a sale without human contact will be possible only if marketing and sales are integrated and aligned. This way, the tech-savvy generation's needs can be taken care of.
4. Reaching the right people at the right time: Improving the sales funnel will be the channel to success for B2B organizations. For this, marketers should attract, reach and engage all stake-holders who are involved in buying decisions.
5. Globalization of content and marketing: Catering to the needs of diverse markets is a herculean task for B2B companies. Understanding the cultural background and the local markets is the need of the hour for such companies.

Similar situation will be faced by B2C organizations as well.

To meet these challenges, the companies have to:

- Be technologically ready
- Be globally connected to the customers
- Revisit localization amidst globalization
- Work with multi-channels at the same time

The key to having a win-win situation in International Marketing is the ability to adapt, manage, and coordinate a marketing plan, in an unfamiliar marketing environment and to succeed there.

Example: Challenges - Nike brand in China

In China, Nike has a hybrid retail presence that includes offline distribution through its chain of 7,000 stores and online distribution through major e-tailers such as Alibaba's Tmall. Nike attributed the sluggish growth in China to coronavirus-induced regional closures and fewer footfall traffic. Apart from operational issues, Nike is still dealing with the aftermath of a customer boycott that began earlier this year when the Company issued a statement distancing itself from materials manufactured in the western Xinjiang region owing to concerns over forced labor.

The subsequent market pushback, the regional manufacturers of sports apparel, such as Anta Sports and Li-Ning, posed a formidable challenge to the dominance of the Nike brand.

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International businesses like Nike are put under additional pressure due to China's competitive dynamic to adopt a more locally tailored and adaptable response. Experts claim that younger Chinese consumers increasingly prefer indigenous brands because they believe domestic businesses are more in line with their values. This phenomenon referred to as "Guochao" in the local dialect, reflects the rising interest among Chinese youth in traditional Chinese culture and style, which the Chinese government has recently supported.

Source: <https://www.modernretail.co/retailers/as-local-competition-grows-nike-faces-a-new-reality-in-china/>

Dated – October 1, 2022 / Accessed on October 20, 2022

Check Your Progress - 1

1. Which of the following is not a Major economic indicator for shaping future market trends?
 - a. Government Fiscal and Monetary Policy
 - b. International Transactions
 - c. Supply and Demand
 - d. Speculations and Expectations
 - e. Environmental Factors
2. Please match the following correctly with future trends of International Marketing.

<ol style="list-style-type: none">a. Whob. Howc. Whatd. Where	<ol style="list-style-type: none">1. To serve – the technologies that are required, product, service, price, promotional strategies, suppliers, infrastructure, employee etc.2. Place to meet the customer demand3. Are the customers groups need to be served (B2B, B2C, Retail, Industrial etc.)4. Applications are required to serve the customers
--	--
3. International Transactions do not include which of the following?
 - a. Export
 - b. Import
 - c. Foreign Currency
 - d. Traders
 - e. Fiscal Policy

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4. Which of the following is not a challenge faced by international marketers?
- a. Location of production shifts from low-wage countries to high-skilled countries
 - b. Countries shifting towards global economy
 - c. High demand patterns in multiple economies
 - d. Following global branding policy
 - e. The rise of e-commerce business
-

18.6 Explosion of Global Markets

Volume in global marketing is on the rise with some aberration during times of financial crisis.

The amalgamation of the massive Asian labor force into the world economy has significantly increased global returns on capital, while the cost of capital as measured by long-term real interest rates has not increased much.

It is not only that developed economies are booming, but simultaneously emerging or developing economies are also booming. Together, the entire global economy is passing through an explosion in a positive manner.

Emerging markets will not be the only source of significant revenue growth for companies, but also a source of talent, true innovation, and ground-breaking approaches to business, which they will leverage on a Global Scale.

As the businesses are moving out of their home land, with an urge to capture a large market share and increase their revenue exponentially, they are also facing competition at different levels. Still, for a company which has an innovative product, and satisfies the needs of customers in every part of the world, success may be easy to come. It is also clear that to have such a huge business, one needs huge capital as well. Strong financial backing makes expansion easy and smooth. For exponential growth, we need to have investors who have faith in the business model. Demand-changes in the market always influence the growth of the business, incomparably. Economic conditions can cause consumers to adjust their spending habits, at times business could see the benefit. For instance, if one owns a pawn shop and the national economy slows down, causing consumers to seek small loans and sell items, the pawn business will see substantial increase in revenue. This revenue increase can lead to exponential growth for the short- or long-term.

18.6.1 Reasons for the Growth of Global Markets

Global markets are growing at a faster pace. Following are some of the reasons, why global markets have grown in large volume during the last decade:

Technology and Innovation

World is coming closer as technology diffusion across the world is growing. Improved technology helps in communicating and sharing information, among people across the world.

Technology and Innovation have been a major driving force for global explosion in the past few years and two examples have been cited to prove the point:

Distribution of Economic Activities

The concept of super power or bipolar world became history, as economies around the world started looking inward to capitalize their resources and align the same with the world economy. Synergy and collaboration became the new business mantra. Outsourcing of activities to skilled manpower around the world and resultant joint ventures, strategic alliances, gave a massive boost to FDI in less developed economies. Investors have realized the potential of the emerging economies. As a result, many of the emerging economies around the world reported phenomenal growth and wealth creation.

Growth of multinational companies (MNC) in many different developing economies has contributed to expansion of world economy. Global trading blocs i.e. (e.g. SAARC, European Union, NAFTA, ASEAN), contributed to reducing national barriers. Reduced tariff barriers have further helped in facilitating global trade leading to global explosion of economy.

Globalization of Financial System and Economy

Financial system becoming global in nature and improved mobility of capital has contributed to global expansion of economy. There has been a general reduction in capital barriers making the capital flow easy between different economies. However, the traditional pattern of capital flows from developed to developing/emerging countries has seen a change, though with emerging markets gradually becoming dominant, the globe has started witnessing reverse trends as well. This has increased the ability for firms to receive finance. It has resulted in inter-connection of global financial markets, hence catering to the financial needs of the companies across the world. Firms who are able to exploit gains from economies of scale and increased specialization in activities have contributed to the growth of global economy.

18.6.2 Future Growth Projections

A wave of Nationalism across many countries has left industrial experts wondering whether the trend towards greater global connection and linking has begun to reverse. In the light of such changes it is important to take stock of future growth projections of the global economy. According to Global Economic Outlook, (2022), the following projections are made on the global economy:

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- Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth.
- Policies to fast-track the green energy transition will yield long-term payoffs for energy security and the costs of ongoing climate change.

Example: India – an Emerging D2C Market

The pandemic has accelerated the progression of technology, which shifted trade away from traditional storefronts and onto the internet and fuelled the growth of India's emerging Direct-to-Consumer (D2C) market. Nestle India, a subsidiary of Nestlé, a Swiss multinational company and a significant player in the fast-moving consumer goods industry, has entered the rapidly expanding Direct-to-Consumer (D2C) market by launching its D2C platform "MyNestle." "MyNestle" will make the shopping experience more enjoyable for the customer in every way possible by offering curated product bundles, personalized gifts, subscriptions, and discounts. In addition, consumers may also obtain free dietary advice and test out gourmet dishes on the "Mynstle" D2C platform. Several MNC firms specializing in FMCG have recently established, bought, or invested in their direct-to-consumer platforms and online-first brands. India's direct-to-consumer (D2C) business has seen phenomenal growth over the past several years, and analysts predict it will reach a size of \$100 billion by 2025. As of 2021, India was home to more than 800 direct-to-consumer business enterprises.

Sources: i) <https://retail.economictimes.indiatimes.com/blog/in-indias-d2c-segment-beauty-is-a-beast/94981292>

Dated - October 20, 2022 / Accessed on October 20, 2022

ii) https://www.business-standard.com/article/companies/fmcg-major-nestle-enters-into-d2c-space-launches-online-platform-122101900738_1.html

Dated - October 19, 2022 / Accessed on October 20, 2022

18.7 E-Business as a Business Driver

"The technological breakthrough, coupled with the nations' willingness to open their economy, have created a single global marketplace. The discerning customer of the emerging world today wants his products to be customized in the same manner, as is being done in the factories of the highly developed and technologically advanced countries of the west" (Justin Paul). E-Business or E-Commerce means that customers accept the technology enabled products and services of any company. Companies today need to understand the key drivers of

customer intention to adopt IT enabled products and services. Though both e-business and e-commerce are interchangeably used, yet both are not the same.

E-commerce

E-commerce can be defined as “business conducted through the use of computers, telephones, fax machines, barcode readers, credit cards, automated teller machines (ATM) or other electronic appliances (whether or not using the internet) without the exchange of paper-based documents. It includes activities such as procurement, order entry, transaction processing, payment, authentication and non-repudiation, inventory control, order fulfillment, and customer support”.

E-business

E-business is broader than e-commerce and it includes the transaction based e-commerce businesses, and those who run traditionally but cater to online activities as well. An e-business can run any portion of its internal processes online, including inventory management, risk management, finance, human resources. For a business to be e-commerce and e-business, it must both sell products online and handle other company activities or additional sales offline.

For the past 10-15 years, customers are using Internet, cell-phone, Wi-Fi, and other technologically innovative products. There are companies such as Amazon, Google whose entire business model is based on E-commerce.

There are key requirements for e-business to contribute and improve operational efficiency of an organization. The following points explain the e-business requirements:

- *System integration:* Every organ/Department of the organization must be integrated to achieve optimum results.
- *Customer orientation towards IT* (both informational and transactional): Customers must be trained and oriented to access information, and do the transactions using e-platform IT.
- *Supplier orientation towards IT:* Informational (quality, supply continuity, and relationship management) and transactional.

Supplier also should be trained and oriented towards the use of IT for all the transactions, and other business related activities in the organization.

- *Internal orientation of the business towards IT:* Employees and management of the organization should be convinced on the benefit of using IT. They should be trained and encouraged to adopt IT in the organizational activity.
- *Customer and supplier-related processes:* All the customer and supplier related processes should be integrated with IT in the organization. It helps in achieving desired results to the organization.
- *Customer and supplier e-business readiness:* Customer and supplier should be made e-business ready with networks, system and training in place.

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While setting up an E-business, we need to focus more on effort rather than on resources. A high level of integration is required between online and back office transactions, and informational and transactional capabilities of online system. By choosing the levels of appropriate e-business drivers, companies can achieve operational excellence in day-to-day operations. Operational excellence measures include the extent of business conducted online, the extent of MRO (Maintenance, Repair and Operations) and production goods procured online, the percentage of customer service requests resolved online, and order delivery-cycle time.

18.7.1 E-commerce: Worldwide Growth and Projections

The following paragraphs highlight the growth of e-commerce across the globe.

According to research completed by eMarketer and Statista, online retail sales will reach \$6.51 trillion by 2023, with ecommerce websites taking up 22.3% of total retail sales. Although retail has had it tough since 2020, every national market covered by eMarketer saw double-digit ecommerce growth. The trend continues:

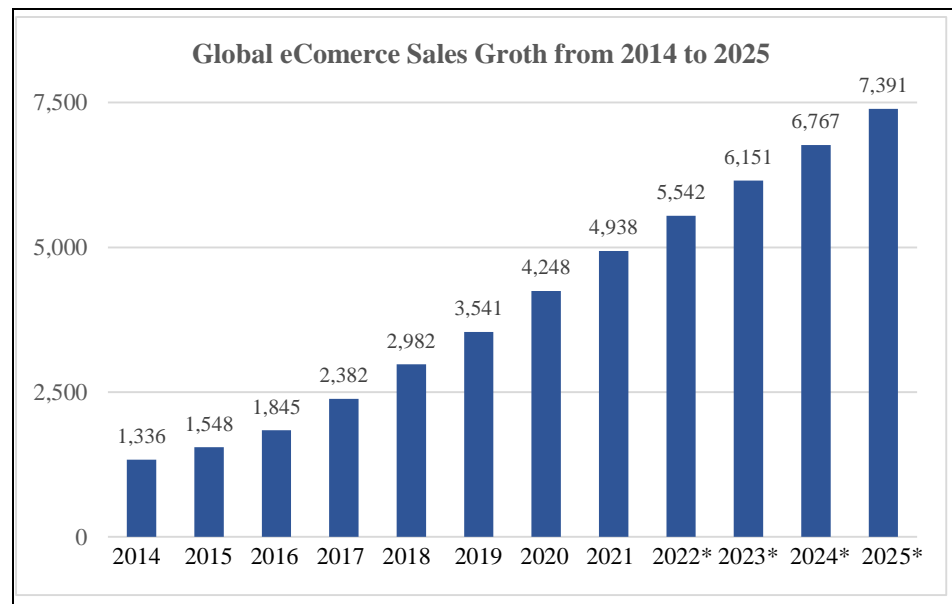
- Latin America (including Peru, Brazil, Argentina, Chile, Colombia, and Mexico) saw \$104 billion in ecommerce sales in 2022, up 22.4% from \$85 billion in 2021.
- The Indian ecommerce market is one of the top 5 fastest growing countries in the world, sitting at 25.5% growth in sales in 2022.
- The UK is forecast to continuously increase by \$85.7 billion (+42.88%) within the next years.
- China continues to lead the global ecommerce market, accounting for 46.3% of all retail ecommerce sales worldwide, with total online sales just over the \$2.8 trillion mark in 2022. It also has the world's most digital buyers, 842.1 million, representing 39.4% of the global total.

The ever growing middle class population, larger internet penetration, increasing competition in the e-commerce market space etc., has contributed to the spurt in the e-commerce market worldwide.

According to the US Commerce Department, the online sales accounted for more than a third of total retail sales growth of the US in 2015.

The estimation further specifies that the Cumulative Average Growth Rate (CAGR) 13.8% is expected over the period 2013 – 2018 in the e-commerce sales growth, which is inclusive of products and service ordered, and leisure and unmanaged business travels booked via internet.

Figure 18.2: E-Commerce Growth and Projections: 2014-2025
(in trillion dollars)



Note: *Estimates

Source: https://www.markinblog.com/e-commerce-statistics/?gclid=EAIaIQobChMIneirxJGV_AIViX4rCh2JdgbfEAAYASAAEgJtmvD_BwE, June 8, 2022 (accessed on 25th December 2022)

18.7.2 Key Components of E-Business

As far as E-Commerce is concerned, most of the communication and information available online, particularly in the websites, company blogs and social media sites, is marketing related. However, just a software application and a website alone cannot bring success in E-Business. Successful online stores offer great price deals, make personalized recommendations based on customer insights and deftly manage supply chain and logistics to deliver goods fast to customers. The key components on which online stores need to focus upon are listed below:

Supply Chain Management: Suppliers mean a lot to E-Business, because they supply the right merchandise at the right time at an affordable price. In E-Business, Suppliers can also take the burden of holding stock from the shoulders of online stores. Amazon for instance relies heavily on marketplace partners to increase the number of listed products.

Managing Warehouse Operations and Shipping and Returns: A reasonably big E-Business would have its own warehouse, where it stores thousands of products as inventory. The merchandise has to be packed and shipped for delivery. Modern E-Businesses either outsource these operations or use sophisticated warehouse management systems to improve efficiency.

Online Branding: Consistent brand messages and product and service differentiation are key to building a brand.

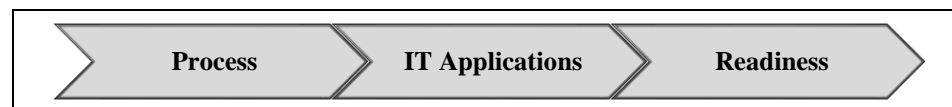
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Customer Relationship: Customer-centric marketing enables acquisition of customers and also ensures that customers are loyal and keep coming back. The online store catalogue which is the equivalent of product assortment is another key component. The store presence needs to be optimized to ensure that it prominently figures when customers use search engines to search for the products they need. Marketing and loyalty programs bring about customer satisfaction and enable long term association with customers.

18.7.3 Three Key Drivers for E-Business

The three key drivers for E-business are given in Figure 18.3 below.

Figure 18.3: Three Key Drivers for E-Business



Source: ICFAI Research Center

From Figure 18.3, we can understand that the key drivers for any E-Business are-

1. **Process of E-Business for Customers and Suppliers:** E-Com players have improved the processes of procurement and replenishment of stock, through electronic linking with suppliers. Further, by collaborating with suppliers, leading E-Com giants have managed to gain better control over quality of production.
2. **IT Applications for Customers:** E-Businesses have empowered customers to access the company at their convenience, through smart phones , tablets or laptops for information or commerce.
3. **E-business readiness for Customers and Suppliers:** Leading companies create a E-Commerce setting that is very conducive for customers to navigate, search for products, purchase products and payment online.

To sum up the readiness of companies for electronic commerce, deployment of ICT (Information and Communication Technologies) Applications and enhancement of processes of E-Business are the key drivers of E-Business.

Example: India Shops Online 2022

According to a recent analysis, "How India Shops Online 2022," that was issued by Bain & Company in partnership with Flipkart, as a result of the Covid-19 pandemic, India would overtake the United States and become the second largest in one to two years. The reason for the growing e-Retail market is due to space for smartphone penetration, affluence, rapid expansion in the seller base and efficient development in the logistics infrastructure, online Shopping festivals, and Low data price. E-retail growth has provided 40% of new sellers from tier-2/smaller cities access to a broader shopper base.

Contd....

The pandemic caused by Covid-19 pushed India's e-retail business into Phase 3.0 of its evolution. The Phase 3.0 of e-commerce evolution provides innovation to serve micro-segments, create new business models, and distinguish on customer experience. New business models, like Social-led commerce, Video/live commerce, Direct to Consumer (D2C) commerce, Quick-commerce (Instant delivery-"10-minute delivery service"), and Tech-led innovation (Immersive experiences - AR/VR on the rise; in addition to voice/ vernacular shopping, image-based search).

Source: <https://storiesflistgv2.blob.core.windows.net/stories/2022/10/How-India-Shops-Online-2022.pdf>

How India Shops Online 2022

Dated – October 11 2022 / accessed on October 18, 2022

18.8 Global Economy and the New Economic Order

In the last 10 years the main drivers of the global economy have been the growth markets or the emerging economies. It is said that in the same way that 19th century belonged to America, 21st century will belong to Asia, led by India and China. BRICS – (Brazil, Russia, India, China and South Africa) countries are some of the emerging economies which are expected to be the new Super Powers of the business environment. Their growing influence can be seen in the economic realm all over the world. The business around the world is changing. Businesses are now reaching out to these new emerging powers by developing bilateral ties and working together for future success. These “arriviste” (i.e. emerging economies of the new era) powers are now rendering the traditional concepts of distinction like North and South, East and West, Aligned and Non-Aligned, Developed and Developing, meaningless.

“The transfer of power from West to East is gathering pace and will soon dramatically change the context for dealing with international challenges, as well as the challenges themselves. Many in the West are already aware of Asia’s growing strength. This awareness, however, has not yet been translated into preparedness.”

Apart from the BRICS, many other emerging economies like Indonesia, Turkey, Mexico, Saudi Arabia, Nigeria and Philippines are also expected to grow at a fast rate by 2050. To sum up the emerging economies in world may evolve as rising powers and intensify global trade and investment.

18.8.1 Projected Size of the World's 10 Largest Economies in 2050

The United States, which had been dominating as the biggest economy may no longer be so. China and India are projected to take the top few slots. Apart from these two emerging markets, Vietnam, Philippines and Nigeria are other growing

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emerging markets that will fast pick up pace in terms of their contribution to the world GDP shares. Table 18.1 throws light on the projected rankings of top 10 economies based on GDP at PPPs.

Table 18.1: Projected Rankings for 2030 of Top 10 Economies
(in \$ trillion)

Rank	Country	Proj. GDP (2030, PPP)	GDP (2017, PPP)	% Change
#1	China	\$64.2 trillion	\$23.2 trillion	+177%
#2	India	\$46.3 trillion	\$9.5 trillion	+387%
#3	United States	\$31.0 trillion	\$19.4 trillion	+60%
#4	Indonesia	\$10.1 trillion	\$3.2 trillion	+216%
#5	Turkey	\$9.1 trillion	\$2.2 trillion	+314%
#6	Brazil	\$8.6 trillion	\$3.2 trillion	+169%
#7	Egypt	\$8.2 trillion	\$1.2 trillion	+583%
#8	Russia	\$7.9 trillion	\$4.0 trillion	+98%
#9	Japan	\$7.2 trillion	\$5.4 trillion	+33%
#10	Germany	\$6.9 trillion	\$4.2 trillion	+64%

Note: PPP refers to Purchasing Power Parity¹⁶.

Source: <https://www.visualcapitalist.com/worlds-largest-10-economies-2030/>, (accessed date: December 25th 2022).

To realize the above growth, the governments of the respective economies should implement certain structural reforms that would bring about macroeconomic stability.

18.8.2 Three criteria to become a Global Super Power

The following are considered as important criteria for any economy to become a super power.

1. The country's share to world GDP share must be large enough to significantly affect the world economy.
2. The country must be dynamic enough to contribute towards the global growth.
3. The country must be open to trade and capital inflow.

¹⁶ The expenditure incurred on a similar good by any two countries must be the same in terms of their respective currencies. In other words, the exchange rate between two countries' currencies must be equal to the ratio of the currencies' respective purchasing power.

It is evident that the Emerging Economies and the BIRCS countries have all the above three criteria to become a Global Super Power.

Example: Growth markets and Emami Ltd.

Major skin and healthcare FMCG company in India, Emami Ltd's and international marketing division went beyond the traditional approach of "sourcing from India and supplying internationally," instead, it localized the supply chain by establishing a manufacturing plant in Bangladesh and engaged third parties in Germany, Sri Lanka, the United Arab Emirates, and Thailand. Emami believed that increasing presence in overseas markets would assist in mitigating the adverse effects of their excessive reliance on the Indian market. Emami's critical metrics for FY 2021-22 had been extending Emami's presence in 60+ countries, with 10+ notable brands in the international portfolio. Emami started third-party local manufacturing in UAE (under GAFTA Treaty) and Thailand; other third-party manufacturing units were in Sri Lanka and Germany. Despite post-pandemic challenges, the Company's international business grew by 5% in FY 2021-22; the performance of Emami's business in Bangladesh has been chiefly responsible for leading the Company's expansion into foreign markets. On the other hand, the business is now working on formulating a detailed and well-mapped strategy for the MENA (the Middle East and North Africa) market.

Source: <http://www.emamiltid.in/images/annualreportpdf/20220811132557small116.pdf>

Accelerating growth – Annual Report FY 2021-22

Dates – August 11, 2022 / Accessed on October 20, 2022

Check Your Progress - 2

5. Which of the following continents provides the largest workforce in the world?
 - a. Europe
 - b. Australia
 - c. North America
 - d. Africa
 - e. Asia
6. Which of the following are the three key drivers for E-business?
 - a. Process, IT Applications, Customers
 - b. Process, IT Applications, Readiness
 - c. Process, Online Sales, Investment
 - d. Capabilities, Process, IT Applications
 - e. IT Applications, Readiness, Process

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7. Operational Excellence in E-business can be achieved by which of the following?
 - a. Return on investment
 - b. Order – Delivery – Time
 - c. IT Application
 - d. E-business readiness
 - e. Gross profit margin
 8. As per HSBC Global Research, China will be world Number 1 economy in which year?
 - a. 2032
 - b. 2050
 - c. 2039
 - d. 2041
 - e. Never
 9. BRICS stands for which of the following?
 - a. Brazil, Russia, India, China, South Africa.
 - b. Brazil, Russia, India, China, Sri Lanka.
 - c. Burma, Russia, India, China, Sri Lanka.
 - d. Burma, Russia, India, China, South Africa.
 - e. Burma, Russia, Iran, China, South Africa.
-

18.9 Location of Production Vs. Low-Wage structure locations

Skilled labor at lower cost reduces the cost base (or increases cost savings) of a business without compromising on customer-service. Locating such low-wage economies is of paramount importance for manufacturing and operational facilities of a firm. Globalization has enabled firms to shift their production units to low-wage economies. What is meant by globalization? Globalization means integration of goods, technology, labor, and capital worldwide. Today, in any part of the world, we can see Japanese cars running on the street, Chinese goods selling at low cost, American BPO's giving jobs to millions of teenagers, and most of the European companies collaborating in service industry. For the past two decades, this cross border movement of technology, labor and capital has been colossal and alluring.

It is always urged that the creation of a high-skilled, high-waged economy can only be achieved by upgrading the education and skills of its workforce. The creation of world-class skills is assumed to be a route to economic prosperity,

reduced income inequalities and social cohesion. This rests on the idea of a knowledge economy where innovative ideas and technical expertise hold the key to success.

In the new global competitive challenge, workforce of any country can no longer rely on low skilled manufacturing jobs to provide a living wage.

The recent success of China and India in moving into the production of high value-added, high-technology products has caused political leaders of the world and their advisors to re-evaluate the global economic challenge.

This leads to a demand for high skilled workforce which is of course, costly in developed countries, and cheaper in emerging economic countries. Emerging countries have high-skilled workforce in every field, available for reasonable wages. We have seen thousands of Indian doctors and engineers working in US at a lower salary when compared with that of the US nationals.

So, we can say there are two types of countries:

1. Countries with semi-skilled laborers with high wages such as US, Europe, UK etc.
2. Countries with high skilled people with reasonable wages such as Asia, BRICS countries.

Hence, the companies are trying to shift their location of production to these countries where skilled labor is available. We have examples of many companies such as Nokia, Samsung, and car manufacturers who have set up their manufacturing plants in India and China.

18.9.1 Skills can be defined in terms of education, experience or job classification

It is very evident that basic jobs, work through process, has shifted to India and China not only due to low wage workers, but also due to high-skilled work force that is available at low wage, when compared to western and European countries. Another thing we need to keep in mind is that, it is not only cheap labor that a company is looking for, but also high-skill set, and low operational costs.

Professor Zheng Yusheng of the Cheung Kong Graduate School of Business argues that the right way to measure manufacturing competitiveness is not by comparing labor costs alone, but by comparing entire supply chains.

Example: India - Production of High Value-Added, High-Technology Products

Indian smartphone maker Lava International Ltd. and Chinese electronic component maker Huaqin Technology Co. to form an electronics manufacturing collaboration in India.

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Block 4: Other Issues in International Marketing

This joint partnership is one of the numerous electronic businesses that have created production capacity in India to expand beyond China in addition, cooperation with Lava would provide more access for Shanghai-based Huaqin to one of the leading electronic marketplaces that are developing the fastest in the world and has an availability of labor that is reasonable and less expensive than that in China.

Developing High skilled workforce

Walmart, Flipkart, and HCL inked four MoUs with Assam Government to share commercialization strategies. Under this initiative, Walmart Vriddhi is a supplier development program that helps 50,000 Indian MSMEs grow domestically and compete globally. The program provides On-Demand Learning & Personalized Mentoring for MSMEs, Market Access & Onboarding Support with Flipkart Marketplace, and Training MSMEs to be Export-Ready and would teach, certify, and create a pool of e-commerce supply chain talent for youth at supply chain operations academy.

Sources: i) <https://www.livemint.com/companies/news/lava-international-eyes-manufacturing-venture-in-india-with-china-s-huaqin-technology-11666006046341.html>

Dated – October 17, 2022 / Accessed on October 20, 2022

ii) <https://thenewsmill.com/2022/08/assam-govt-signs-mous-with-walmart-flipkart-and-hcl/>

Dated – August 5, 2022 / Accessed on October 20, 2022

18.10 Establishing a Global Branding Policy

Creating a global brand enables a firm to communicate consistent messages to customers in all export markets. When we enter into the world of competition, the question arises whether we market our product as Jaguar, the automobile, a subsidiary of TATA, as called in India or e TATA. It is for the company to decide its global branding policy. But once we enter into the global market to capture the local market share, we call it as ‘glocal market’. In glocal market, we need to decide on the brand name and brand policy.

Today, consumers live in an economy where they can move in between continents within hours. Internet and social media networking sites have made connections imperative. For example, a family coming from Europe to India for 2-3 months would like to buy same brand of grocery they have been buying in France. Thus Nestle, Kellogg’s, and Cadbury comes in handy. This enforces the companies to think about global branding and global promotion.

Activity 18.2

Imagine that you are a renowned manufacturer of high-end garments for women and children in many developed economies. Recently you have decided to launch reasonably priced menswear and the related products like: deo spray,

belts, wallets and ties. Decide and present your global promotional strategies for the new variant in the countries where you are known.

18.10.1 Key Approach required for a Global Branding Policy

Global branding requires a global approach on the part of brand managers. It cuts across national boundaries, and therefore, requires to meet social, cultural, and ethical values of societies across the world. Brand managers must not approach global market as domestic market while branding their product or services. International market consists of diverse people with different values, beliefs, and understanding about the use of certain worlds, colors, symbols etc. As more brands expand into global market, it is essential that managers consider the cultural ramification of brand's color, and designs to ensure relevant brand message to new customers. For example, white is the color of mourning in China, while it is associated with happiness in Europe and US. Purple is the color of mourning in Thailand, while the same is associated with royalty, luxury, wealth and comfort in Europe.

Following are the key elements required for a global branding policy:

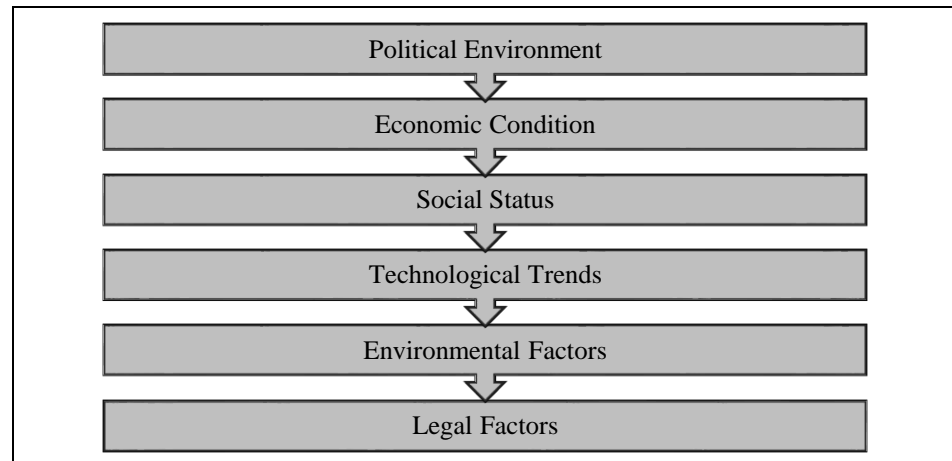
- a. Constituting a global marketing mix, recognizing regional and national differences. While considering a global march on branding, it is important that marketers and brand managers rejig their product marketing mix to suit and appeal to global customers. The change and alignment of marketing mix is essential for a brand to make its impact in the international market. For example, when McDonald entered India, it worked on its marketing mix by changing its menu to more Indian dishes, and emphasizing more on vegetarian food. Similarly, KFC worked on its mix by introducing vegetarian dishes and creating a separate section for its customers in Indian market.
- b. Creating global production and distribution systems, e.g. super factories: Global brands must have global operations. Its production and distribution system must meet the global standard. Marketers are expected to establish such operational elements as part of global branding exercise.
- c. Concentrating on power brands - the most successful brands and products: While branding its products in global market, it is possible that some of its brand will become iconic in due course. The brand will carry power in the market. Brand managers shall nurture such power brands as it will help carry other brands in the market, and will help in future brand extension. E.g. Samsung, Apple etc.

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18.10.2 Fundamentals of a Global Branding Policy

There are six key fundamentals to be considered before a company decides to enter into a new market country. They are described in Figure 18.4 below.

Figure 18.4: Fundamentals of Global Branding Policy



Source: ICFAI Research Center

For example, large airlines operate in a very competitive environment. They need to decide upon which countries they want to operate in and on which routes. The strategists need to design their strategies on the most lucrative routes. They then need to draft a branding policy for the same and build a strong brand image so that they can be recognized worldwide for the same. Ryanair, an Irish low-cost airline headquartered in Ireland, identified its potential markets in 32 countries in Europe, Africa, and the Middle East. Today, it competes with other low cost airlines like EasyJet, a British airliner, Wizz Air of Hungary, and AerArann, another airline also from Ireland. Ryanair claims to operate the newest, greenest, and quietest fleet of aircraft in Europe. Ryanair is also labeled as a ‘no frills airlines’.

18.10.3 Brand Policy Planning Cycle in International Markets

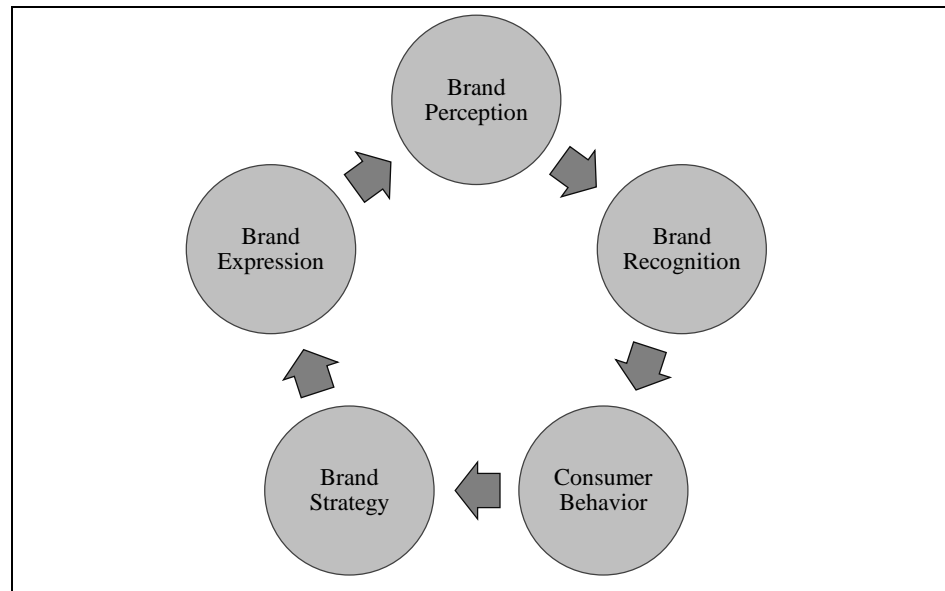
Brand policy planning cycle is dependent on 5 key elements.

- i. Brand perception
- ii. Brand recognition
- iii. Consumer behavior
- iv. Brand strategy
- v. Brand expression

Every stage of the life cycle indicates the marketing and the promotional strategies that have to be followed by the organizations. It also indicates the branding and the quality level that needs to be established for the product.

Companies also need to decide on the pricing and the distribution channels. Marketing communications should be developed in such a manner to educate the potential customers and create product awareness.

Figure 18.5: Brand Policy Planning Cycle



Source: ICFAI Research Center

Brands are designed to persuade customers to exhibit the behavior that fulfil their needs, and in turn, the company gets higher market share, increased returns, higher margins, and increased shareholder value .

Brand Expression

Branding policy converts the business strategy into ‘brand expression’. Brand expression is the message customers perceive about the brand. Brand managers should have complete information about the brand before they start speaking about their brand in public. They should know the points to be affirmed and the points to be ignored. They should understand that a brand policy does not only have advertising and promotional elements, but they beset the full experience the consumers have with the brand.

18.10.4 Global Branding Covers Three Major Areas: They are -

- a. **Global Strategies**– Companies recognize the globe as one market and develops the branding strategies accordingly. The competitive advantage for the branding strategy is one for all the companies. For example, luxury goods company *Gucci* sells essentially the same products in every country.
- b. **Multi-national Strategies** – Companies sell their products in many countries apart from their home country. So, they need to analyze consumer demands, and strategies of rival companies in every country.

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The competitive advantage for the branding strategy is developed for every country separately. For example, a car company might have one strategy for the USA – specialist cars, higher prices – with another for European markets – smaller cars, fuel efficient – and yet another for developing countries – simple, low priced cars.

- c. **International Strategies** – The primary market of the company is the home market, and the objective is to expand in overseas market. The competitive advantage for the branding strategy is developed on the lines of home market. For example, a dairy product company may like to market its dairy products in overseas market.

18.10.5 Essence of Top Global Brand

Top global brands have developed their branding strategies aligning their strategic vision with the brand they market. The top global brands reflect the following essence (Refer Figure 18.6 for a snapshot):

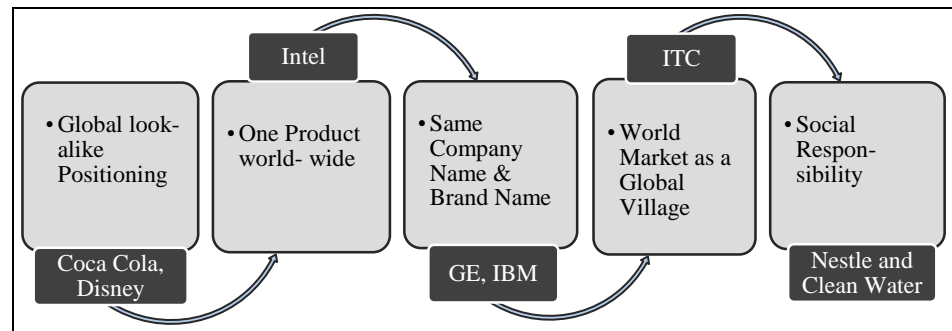
- a. **Global Look-Alike Positioning** (e.g. Coca Cola, Disney): Under this branding strategy, the company expands globally by leveraging on brand power. The company defines clearly the universal heart and soul of the brand and adapts to local requirements.
- b. **Ingredient Branding** (e.g. Intel): Intel, a company that makes microprocessors for desktops, laptops and other devices, successfully demonstrated the technique of ‘Ingredient Branding’. The company’s microprocessors faced the risk of being just another component in a finished product. To overcome this risk, Intel adopted a branding strategy that emphasized the importance of microprocessors in computers.
- c. **Same Company Name and Brand Name** (e.g. GE, IBM): GE is a great company that makes a range of products like microwave ovens, wind turbines, mining equipment, light bulbs and MRI machines. When GE advertises, they promote the entire company, uniting its entire product under one Corporate Brand, ‘GE’.

Innovation: Apple is well known for its spectacular innovation and all its products iPod, iPhone, MAC, etc. represent Apple’s focus on innovation.

- d. **World Market as a Global Village** (eg. Johnnie Walker): Waves of technological advancements, transport improvements and communication progression have created what many call a ‘global village’. Johnnie Walker’s famous campaign, ‘Keep Walking’ sustained flexibility across cultures. ‘I am a slow walker, but I never walk backwards’ and ‘You don’t learn to walk by following rules’ are some of its famous quotes that sustained the brand across countries over the years.

- e. **Social Responsibility** (e.g. NH Hotel Group): Firms are responsible to give not only 'good brands' favored by consumers but also brands originating from 'responsible firms' who follow ethics. NH Hotel Group, for example, works on Carbon Disclosure Project in all its outlets across the world.

Figure 18.6: Common Essence of Top Global Brand



Source: ICFAI Research Center

Global Branding Policy: Some examples are:

- PepsiCo, the world leader in potato chips, markets its products in the name of Walkers in US, and for the rest of the world it is Lays.
- In South Korea, international and global soft drinks strategy involves mixing both the global brands like Coke and Sprite with the local brands like Pocari Sweat.
- Apple iPod was essentially following the same strategy everywhere in the world: in this case, the advertising billboard was in North America, but it could have been anywhere.

Example: Glocalization as Brand Policy

Glocalization is critical for breaking into diverse global markets and satisfying local desires simultaneously. When Starbucks first opened its doors to customers in Italy; the locals were not happy. The first response was so cold that a few of the demonstrators in Milan set fire to the trees planted outside of Starbucks' first shop. Coffee is a beverage revered in Italy, and its preparation is subject to various local customs and ceremonies. In order to break the negative perception, Starbucks collaborated with an Italian brand manager. It partnered with local companies to properly integrate its brand into Italy's culture while respecting the country's traditions.

The first branch of Starbucks to open in Milan was a gigantic Roastery (a place where coffee beans are roasted and processed) that was 25,000 square feet in size.

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It was built using local materials and was staffed by local craftsmen from Italy so that it would seem less like an American Starbucks and more like an Italian coffee shop. Moreover, the menu at Starbucks was always intended to be a tribute to the tradition of coffee drinking in Italy. Starbucks has introduced one-of-a-kind menu items influenced by regional local cuisines and also tastes that are unavailable in the United States.

Source: <https://www.yahoo.com/lifestyle/starbucks-succeeds-where-domino-failed-160000862.html>

Dated October 20, 2022 / Accessed on October 20, 2022

18.11 Summary

- To meet the challenges of the 21st century, firms have to work on the path of accelerated globalization, highly competitive, and technological complex environment. In the coming times, these challenges will be more buoyant and volatile.
- Apart from the marketing activities, the companies also need to explore new channels such as e-commerce, e-business, social marketing and the like. Top management should try to understand the impact of these new elements of marketing, understand the operations, and plan to understand the challenges.
- Firms operating in Global market will have to broaden their marketing strategy from one country to many countries, and take the entire world as a whole - understand regional and global differences.
- Countries need to upgrade the skills of their countrymen, and try to increase their skills and capabilities. Firms should try to transfer the skills and capabilities to any part of the globe, wherever required.
- In the coming times, emerging economies will be the first among the Global Growth countries, and will be moving towards becoming Global Super powers. Apart from the BRICS countries, Japan is the other country which should be looked out for. There will be a paradigm shift in the Global Balance of power. Western countries will have to readjust their policies to accommodate the interests of the new rising powers.
- The essential aspect for a firm is to look for a Global Branding Policy that has a global visibility and stimulates the global market. The Brand policy needs to work as a tool to meet the market challenges, and build powerful relationships with the customers. Marketing Channels – such as manufactures, retailers, and re-sellers also need to develop strong connection with the brand.
- The 21st century will witness intense challenges. They will re-shape the marketing environment. The firms that adapt the changes and combat the challenges will excel in all fields, while others will lag behind.

18.12 Glossary

E-Business: E-business or electronic business is the business whose processes are done through Internet.

E-Commerce: E-commerce or electronic commerce or EC, is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet.

MRO: MRO means "Maintenance, Repair and Operations" or "Maintenance, Repair and Overhaul items" depending on the definition or company being served. These items are used in the manufacturing operation to keep the equipment operational, in the repair of items in the factory, or used to help with the repair of customer's items.

Pawn Shop: Pawn shop is a store which offers loans in exchange for personal property as equivalent collateral.

Venture Capitalist: An investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to public funding.

18.13 Self-Assessment Test

1. Explain Online shopping boom in India with examples.
2. Explain the challenges faced by marketers from emerging markets in international market.
3. Explain how global markets are expanding rapidly.
4. Is the economic power shifting towards developing countries? If yes, then what is expected to be the state of developed countries? Explain with examples.
5. How essential is skill management for a country? What is its role in the development of its economy?
6. Take any five global brands of your choice and compare the way they have spread their wings around the globe.

18.14 Suggested Readings/ Reference Material

1. J. Daniels, L. Radebaugh, and D. Sullivan, "*International Business: Environment and Operations*", 17th Edition, Pearson, 2021.
2. Masaaki (Mike) Kotabe, Kristiaan Helsen and Prateek Maheshwari, "*International Marketing 8e (An Indian Adaptation)*", Wiley India Pvt Ltd, 2021.
3. Cateora, P.R., Money, R. B., Gilly, M.C. and Graham, J.L., "*International Marketing*", McGraw-Hill, 18th Edition, 2019.
4. Keegan, W.J., "*Global Marketing Management*", Pearson Education; Eighth edition, 2017.

18.15 Answers to Check Your Progress Questions

1. (e) **Environmental Factors:** There are four major economic indicators that are shaping the future market trends. They are Fiscal and Monetary Policy of the Government, International Transactions, Speculations & Expectations, and Supply and Demand. Environmental Factors is the odd option.
2. a -3, b -1, c -4, d -2
3. (e) **Fiscal Policy**
Fiscal policy designed by the government controls the manner in which the financial market place behaves.
4. (c) **High Demand Patterns in Multiple Economies**
Increase in demand in multiple international economies is never a threat or challenge but a boon to an international marketer who tries to expand to various geographical locations across the planet
5. (e) **Asia**
With two most populated countries-- India and China, Asian subcontinent is the largest supplier of workforce to the world
6. (b) **Process, IT Applications, Readiness**
The three key drivers for any E-business are: setting up the process for IT Applications, adapt to IT enabled products and services and be ready to accept the new way of marketing.
7. (b) **Order-Delivery-Time**
There are four major points in achieving operational excellence for E-Business viz., Online Business, Online Procurement; Customer service provided online, Order-Delivery-Time.
8. (b) **2050**
In 2050, China will be the world number one economy pushing USA to the second place.
9. (a) **Brazil, Russia, India, China and South Africa**
BRICS stands for Brazil, Russia, India, China and South Africa, which are Emerging Market Countries of the world.

International Marketing

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