

International Marketing



Introduction

International marketing is the application of marketing principles by industries in one or more than one country. It is possible for companies to conduct business in almost any country around the world, thanks to the advances in international marketing.

In simple words, international marketing is trading of goods and services among different countries. The procedure of planning and executing the rates, promotion and distribution of products and services is the same worldwide.

In recent times, companies are not restricted to their national borders, but are open for international marketing. With the increasing change in customers' demands, choices, preferences and tastes, the economies are expanding and giving way to more competitive marketing. Thus, organizations need to respond rapidly to the demands of the customers with well-defined marketing strategies.



International Marketing – Overview

The word 'International Marketing' is defined as the exchange of goods and services across national borders to meet the requirements of the customers. It includes customer analysis in foreign countries and identifying the target market.

The **major participants** in international marketing are as follows –

- **Multinational Corporations (MNCs)** – A multinational corporation (MNC) is an organization that ensures the production of goods and services in one or more countries other than its home country. Such organizations have their offices, help desks or industrial set-up across nations and usually have a centralized head office where they co-ordinate global management.
- **Exporters** – They are the overseas sellers who sell products, and provide services across their home country by following the necessary jurisdiction.

- **Importers** – They are the overseas buyers who buy products and services from exporters by complying with the jurisdiction. An import by one nation is an export from the other nation.
- **Service companies** – A service company generates revenue by trading on services and not on physical commodities. A public accounting company is the best example of a service company. Revenue here is generated by preparing returns of income tax, performing audit services, and by maintaining financial records.

Many companies believe that their targets are limited if they only concentrate on a single market like the U.S. Market and Global marketplace is competitive. Thus, to enrich their market presence such companies are always on a lookout for better opportunities worldwide.

International Marketing - Objectives

International marketing simply means the sale and purchase of products and services in a market that acts as a platform for several other markets. Companies from different countries attempt to draw customers by advertising their products and services on the same platform.



The **major objectives** of international marketing are outlined as follows –

- To enhance free trade at global level and attempt to bring all the countries together for the purpose of trading.

- To increase globalization by integrating the economies of different countries.
- To achieve world peace by building trade relations among different nations.
- To promote social and cultural exchange among the nations.
- To assist developing countries in their economic and industrial growth by inviting them to the international market thus eliminating the gap between the developed and the developing countries.
- To assure sustainable management of resources globally.
- To propel export and import of goods globally and distribute the profit among all participating countries.
- To maintain free and fair trade.

International marketing aims to achieve all the objectives and establish a connection among the nations that participate in global trade. Establishing a business in one's home country has limited restrictions and demands but when it comes to marketing at international level, one has to consider every minute detail and the complexities involved therein. In such instances, the demand grows as the market expands, preferences change and the company has to abide by the rules and regulations of two or more countries.

Some basic modes are followed to enter into the global market and the organizations planning to expand their business globally need to know some basic terms. These have been discussed in the next chapter.

Int Marketing - Basic Modes of Entry

The mode of entry is the path or the channel set by a company to enter into the international market. Many alternative modes of entry are available for an organization to choose from and expand its business.

Some of the basic modes or paths companies use to enter into the global market are as follows –

Internet

For some companies, internet is a new mode of marketing while for some it is the only source of marketing. With the change in recent trends, a large number of innovative enterprises promote their goods and services on the internet through E-marketing.

For example, online shopping websites like Amazon provide a wide range of products for all age groups. A customer only needs an active internet connection to browse through the website and order any product of his choice. The product gets delivered at your doorstep and shopping is made simple and easy with E-marketing.

Licensing

Licensing is a process of creating and managing a contract between the owner of a brand and a company which wants to use the brand in association with its product. It refers to that permission as well which is given to an organization to trade in a particular territory. Licensing further has different channels namely.

Franchising

It is that form of business where the owner of a firm or the franchiser distributes his products and services through affiliated dealers or the franchisees. Franchising comes with its own benefits. The franchiser here provides brand name, right to use a developed business concept, expertise, and also the equipment and material required for the business.

For example, Domino's Pizza, Pizza Hut, and McDonald's are a few fast food chains we can't do without. They have a significant presence around the world. However, they have standard recipes and follow the same techniques across all the branches. Such aspects are governed and monitored by the main branch or the franchiser.

Turnkey Contracts

It is a type of project which is constructed and sold to buyer as a complete product. Once the project is established and handed over to the buyer, the contractor no more holds any ownership over it.

For example, the local government has published an invitation for contractors to make proposals or put in their tenders for the construction of a highway. Many contractors put forth their proposals and the best out of all is chosen. The contractor is assigned the task of constructing the highway. A certain amount is paid in cash to the contractor after negotiation. The government promises to pay the remaining amount after the completion of the project. After the work is finished, the contractor hands over the project to the concerned government. This is an example of turnkey contracts.

International Agents and Distributors

The companies or individuals who handle the business or market representing their home country in some foreign country are called international agents and distributors. These agents may work with more than one enterprise at a time. So,

their level of commitment and dedication towards achieving their goals should be high.

International distributors are like international agents; the only thing that makes them different is that the distributors claim ownership over the products and services whereas agents don't.

For example, travel agents who book tickets and deal with the passport and visa issues of their clients are international agents. **Amway** with its large variety of products being distributed in more than one country is an example of international distributor.

Strategic Alliances

A large number of companies share the international market ground collaboratively. These companies collaborate while remaining apart and distinct based on non-equity strategic alliance. The companies may or may not belong to the same countries.

For example, Maruti Suzuki's is a strategic alliance between the Government of India, under the United Front (India) coalition and Suzuki Motor Corporation, Japan.

Joint ventures

When two parties having distinct identities come together to establish a new company it is known as a joint venture. The profit gained and also the loss incurred by the company is shared or borne by both the parties.

For Example, Hulu is a profitable joint venture extremely popular as a video streaming website. It is a joint venture of NBC Universal Television Group (Comcast), Fox Broadcasting Company (21st Century Fox), and Disney-ABC Television Group (The Walt Disney Company).

Overseas Manufacture or International Sales Subsidiary

When a company invests in a new project, plant or machinery overseas, i.e., at the global level, it is said to be undertaking overseas manufacturing. The major advantage is that the business suits the existing local standards, and the products match with the demands of the customers of that particular area.

International Sales Subsidiary is to a certain extent like overseas manufacturing. However, it is less risk prone when compared to overseas manufacturing. It comes with its own set of benefits too. It possesses the characteristics of a distributor authorized by a local company. A project or plant established in some foreign

country but governed by a different company in the home country is international sales subsidiary. This is also referred to as Foreign Direct Investment (FDI).

We have learnt about the different modes of entry into the international market and we can summarize it by marking the stages of internationalization. Some companies do not aim to expand their business overseas and thus need not worry about single stage but enterprises who tend to expand their business globally need to consider the stages represented above through various modes.

International Marketing - Characteristics

International marketing can be described as the various activities designed in the planning process. Activities such as fixing pricing structures to suit local needs, formulating promotional offers and assuring that the products and services are available to customers residing in the home country as well as the foreign country. Identifying and satisfying the consumer needs globally are the major functions to be taken care of.

Given below are some points that describe the basic characteristics of international marketing –

Broader market is available

A wide platform is available for marketing and advertising products and services. The market is not limited to some precise local market or for people residing in a particular place, region or country but is free for all. People from different nations sharing different cultures and traditions can actively participate in it.

Involves at least two set of uncontrollable variables

By uncontrollable variables, we mean the geographical factors, political factors prevailing in different countries. At the global level, all the companies have to face uncontrollable variables from different countries. While establishing business globally, a company has to learn to deal with these variables.

Requires broader competence

International market requires more expertise and special management skills and wider competence to deal with various circumstances and handle different situations like changes in the strategies of the government, the mindset of the people and many other such factors.

Competition is intense

Competition is very tough in international market, as the organizations at the global level have to compete with both competitors in their home countries and also in the foreign lands. Competition is high because the clash is between developed & developing countries and both have different standards and are unequal partners.

Involves high risk and challenges

International marketing with its own advantages is also prone to different and tangible risks and challenges. These challenges come in the form of political factors, regional and cultural differences, changing fashion trends, sudden war situation, revision in government rules and regulations and communication barriers

The nature of international marketing is dependent on various factors and conditions and above all, it is dependent on the policies framed by different countries which are active participants in international marketing. International marketing tends to ensure balanced import and export to all countries big or small, rich or poor, developed or developing.

Management of international market is tough and requires thorough market research. It is a predefined process which is directed towards designing and delivering products based on the demands from the overseas customers. Proper management also helps the company attain its objectives.

Large-scale operation

Large-scale operations involve relative amount of labor and capital to cater to the needs such as transportation, and warehousing.

Domination of multinationals and developed countries

International marketing is highly dominated by multinational corporations due to their worldwide reach. These organizations apply efficient and effective business practices to all their business operations. They have a stable position and with their global approach find themselves fitting into the arena of international marketing.

International restrictions

The international market needs to abide by different tariff and non-tariff constraints. These constraints are regulated because different countries follow different regulations. All nations tend to rationally abide by tariff barriers. All the imports and exports between the nations participating in international marketing follow some restrictions in foreign exchange.

Sensitive character

International marketing is highly sensitive and flexible. The demand for a product in a market is highly influenced by political and economic factors. These factors can create as well as decrease the demand for a product. In fact, use of advanced technology by a competitor or the launch of a new product by another competitor may affect the sale of a particular firm's product worldwide.

Importance of Advanced Technology

International market is dominated by developed countries like the USA, Japan, and Germany as they use highly advanced technology in production, marketing, advertising and establishing a brand name. They provide admirable quality of products at reasonable prices. Presently, Japanese products have got substantial existence in markets around the world. The Japanese could achieve this only because of automation and effective use of advanced computer technology.

Need for specialized institutions

Marketing at global level is highly prone to risks & is very complex and knotty. It undergoes lengthy and time taking procedures & formalities. Competent expertise is required for handling various sections of international marketing.

Need for long term planning

International marketing calls for long term planning. Marketing practices differ from nation to nation influenced by social, economic & political factors.

Lengthy & Time Consuming

The activities in international marketing are very time-consuming and knotty or complex. The main cause of these difficulties are the local laws and policies enforced on different nations, issues in payment as different countries use different currencies, distance between the participating nations and time taking formalities involved therein.

The current trend of globalization does not limit companies to their national borders and invites them for marketing on a higher platform, i.e., international platform. Every nation is free to trade with any nation. New markets are indicating signs of growth and are marking signs of development in economies like China, Indonesia, India, Korea, Mexico, Chile, Brazil, Argentina, and many other economies all over the world.

International Marketing - Scope

The use of internet, social media, advertisements has propelled the growth of global marketing. Globalization is witnessing a tremendous change and giving way to the

scope of international marketing. International marketing has broadened its capacity due to some major factors.

Factors that have influenced the growth of international marketing are as follows –

- **Export** – Trading of goods and services from one country to another by promoting the same on social media, and abiding by the rules and regulation of both the home country and the foreign country with respect to the rules and regulations is known as export. In short, exporting means shipping the products and services from one nation to another.
- **Import** – Buying of products and services from an external source across national borders is known as import.
- **Re-export** – Re-export refers to the export of foreign goods in the same state as previously imported, from the free circulation area, premises for inward processing or industrial free zones, directly to the rest of the world and from premises for customs warehousing or commercial free zones, to the rest of the world.
- **Regulation on marketing activities** – Re-export refers to the export of foreign goods in the same state as previously imported, from the free circulation area, premises for inward processing or industrial free zones, directly to the rest of the world and from premises for customs warehousing or commercial free zones, to the rest of the world.
- **Formalities and procedures of marketing** – There are a number of laws and policies framed by different countries and these make international marketing more complex, and a time consuming process. The exporters & importers are compelled to abide by all the formalities & procedure related to licensing, foreign exchange, customs duties & goods clearance. These policies, rules and regulations are not static for all participating countries. So, it is important to be well aware of the procedure and formalities and plunge into the vast expanse of international marketing.
- **Trade block and their impact** – Active participation of several nations in marketing activities builds trade block. These blocks involve EU, LAFTA, ASEAN, EFTA & CACM. Measures should be taken to reduce trade blocks as they are harmful to the growth of free world trade.
- **Commercial policies and their impact** – The countries participating in the international marketing design their own commercial policies that suit their requirements. Different policies of different nations invoke the commercial environment of international market.
- **International marketing research** – International market is important, as it deals with marketing on a larger scale and also paves way for productive research. Research requires complete knowledge of the in and out of target market, customers' needs and requirement, buying behavior, prevailing market competition and many more. Market

research at international level provides base for product planning & development, introduction of sales promotion techniques.

International Marketing - Advantages

The attainment of business exercises monitoring, directing and controlling the channel of a company's products and services to its customers at the global level to earn profit and satisfy the demands internationally is the motto of international marketing.

The main advantages of international marketing are discussed below –

Provides higher standard of living

International marketing ensures high standard life style & wealth to citizens of nations participating in international marketing. Goods that cannot be produced in home country due to certain geographical restrictions prevailing in the country are produced by countries which have abundance of raw material required for the production and also have no restrictions imposed towards production.

Ensures rational & optimum utilization of resources

Logical allocation of resource & ensuring their best use at the international level is one of the major advantages of international marketing. It invites all the nations to export whatever is available as surplus. For example, raw material, crude oil, consumer goods & even machinery & services.

Rapid industrial growth

Demand for new goods is created through international market. This leads to growth in industrial economy. Industrial development of a nation is guided by international marketing. For example, new job opportunities, complete utilization of natural resources, etc.

Benefits of comparative cost

International marketing ensures comparative cost benefits to all the participating countries. These countries avail the benefits of division of labor & specialization at the international level through international marketing.

International cooperation and world peace

Trade relations established through international marketing brings all the nations closer to one another and gives them the chance to sort out their differences through mutual understanding. This also encourages countries to work collaboratively with one another. This thereby designs a cycle wherein developed countries help

developing countries in their developmental activities and this removes economic disparities and technological gap between the countries.

Facilitates cultural exchange

International marketing makes social & cultural exchange possible between different countries of the world. Along with the goods, the current trends and fashion followed in one nation pass to another, thereby developing cultural relation among nations. Thus, cultural integration is achieved at global level.

Better utilization of surplus production

Goods produced in surplus in one country are shipped to other countries that have the need for the goods in international marketing. Thus, foreign exchange of products between exporting country & importing countries meets the needs of each other. This is only possible if all the participating countries effectively use surplus goods, service, raw material, etc. In short, the major advantages of international marketing include effective utilization of surplus domestic production, introduction of new varieties of goods, improvement in the quality of production & promotion of mutual co-operation among countries.

Availability of foreign exchange

International marketing eases the availability of foreign exchange required for importing capital goods, modern technology & many more. Essential imports of items can be sponsored by the foreign exchange earned due to exports.

Expansion of tertiary sector

International marketing promotes exports of goods from one country to another encouraging industrial development. Infrastructure facilities are expanded through international marketing. It indirectly facilitates the use of transport, banking, and insurance in a country ensuring additional benefits to the national economy.

Special benefits at times of emergency

Whenever a country faces natural calamities like floods & famines, it is supported by other countries in the international market. The international market provides emergency supply of goods and services to meet urgent requirements of the country facing the calamity. This distribution can only be facilitated by a country which has surplus imports.

A company exporting goods to other foreign countries earns substantial profit through export operation as domestic marketing is less profitable than international marketing. The loss a company suffers in domestic marketing can be compensated

from the profit earned through exports in international marketing. Foreign exchange can be earned by exporting goods to foreign countries. Thus, the profit earned can be used for the import of essential goods, new machinery, technology, etc. This would further facilitate large-scale export in future.

International Marketing - Tasks

The activities that take place on a marketing platform that has recently been established outside the home country or parent country are known as **international marketing tasks**.

These tasks include the following operations –

- Observing and acknowledging customers' buying behavior.
- Adapting to the changes in market trends.
- Identifying competitors and acquiring the required information about them.
- Acquiring knowledge about products.
- Conducting a Political, Economic, Social and Technological analysis, that is, **PEST analysis**.
- Practicing SWOT analysis
- Selecting the right promotional mixture: Pricing, Promotion, Advertising, etc.

Outcome of a Marketing Plan

The outcome of a marketing plan is affected by certain uncontrollable elements. These elements include competition, culture, legal, and government controls over the business.

OUTCOME

1.

2.

3.



These elements cannot be controlled by the marketers, so they must adapt to them and also learn to manage them. The only way to manage the uncontrollable elements is to design an efficient framework to mold the controllable elements – price, product, promotion and place (distribution).

The basic marketing concepts are the same for both the domestic and the international markets. The marketing environment is extremely important, as the environment changes from country to country.

International Marketing - World Trade

World trade is defined as an agreement between two or more nations that may operate their business in different parts of the world. This business is done by importing and exporting goods and services. In short, buying and selling of products and services irrespective of national boundaries.

Given below are five elements that make international trades possible–

- The agreement over sale of items.
- The agreement over carriage of items.
- The agreement over insurance of the items.
- The consent from the exports and imports authorities to fulfill legal formalities.
- The mode of payment as agreed by the buyer and the seller.

- To cooperate, as appropriate, with the international Monetary Fund (IMF) and with the International Bank for Reconstruction and Development (IBRD) and its affiliated agencies with an aim to achieve greater coherence in global economic policy making.

The WTO helps maintain peaceful trans-boundary trades and also resolves the conflicts among the participating countries. It is not possible to imagine international trade in the absence of WTO. All the participating nations are bound to abide by the protocols set by WTO.

Int Marketing - India's Foreign Trade

We know India is a developing country and its participation in world trade has highly influenced its economy. Decades back, India did not have a clear trade policy but after independence there has been a gradual development in formulation of trade policies.

The **salient features** of foreign trade in India are –

- **Negative or Unfavorable Trade** – India imports heavy machinery, agricultural implements, mineral resources, oils and metals on a large scale to keep pace with the economic development. But the widened disparity between the imports and the exports leads to negative or unfavorable trade.
- **Diversity in Exports** – In the initial years, India used to export traditional products like tea, jute, cotton textile, leather, etc. But the last few years have witnessed a great diversity in the range of products that India exports. Currently, India exports more than 7,500 products.
- **Worldwide Trade** – India established marketing and trade relations with Britain and a few selected countries before Independence. But in this present scenario, India is maintaining trade relations with almost all the countries of the world. India exports its goods and items to around 190 countries and imports items from around 140 countries.
- **Change in Imports** – There has been a tremendous increase in imports and exports of pearls and precious stones. India also imports iron and steel, fertilizers, edible oils and paper among other commodities.
- **Maritime Trade** – An estimated 95 per cent of India's foreign trade is done via sea routes. Trade via land routes is possible with neighboring countries only. But unfortunately, all neighboring countries like China, Nepal, and Myanmar are separated from India by lofty mountain ranges making trade by land routes risky and impossible. Comfortable trade via land routes is only possible with Pakistan but the trade suffered and is still suffering heavily due to political differences between the two countries.

- **Trade through selected ports only** – Nearly 90% of India's foreign trade passes through 12 major ports along the coast of India. There are other medium and small ports that also manage to contribute to the foreign trade.
- **Insignificant Place of India in the World Overseas Trade** – India shelters 16 per cent of the world's population, but contributes less than one per cent to the trade overseas. This highlights the inappropriate position of India in world trade overseas. The large amount of internal trade and vast geographical dimensions of the country could be cited as the main reasons for India's drawback.

Int Marketing - MNCS Characteristics

Multinational corporations function on a large scale and own or control production of goods or services in one or more countries other than their home country. These companies produce large amount of wealth. Their operations are so huge that sometimes their sales turnover exceeds the GROSS NATIONAL PRODUCT of some developing nations. For example, the physical assets of IBM crosses 8 billion dollars.



Some distinct characteristics of MNC's are as follows –

- **Centralized Control** – MNCs have their branches in different countries. These branches are monitored, controlled and managed by centralized offices or the headquarters usually located in the home countries.

- **Professional management** – MNCs hire qualified, professional, and skilled people. They make all possible efforts to keep their employees updated by ensuring proper training on a regular basis.
- **International operation** – MNCs establish their branches, plants, and offices in more than one country. They operate through a network of branches, subsidiaries and affiliates in host countries. For example, Coca Cola, Apple, etc.
- **Sophisticated Technology** – MNCs adapt to the latest trends and follow advanced technology to supply world class products. They use capital-intensive technology and innovative techniques of production.

The presence of MNCs is very important for countries to lead in the economic front.

International & Domestic Marketing

The efficient and effective management and utilization of a company's resources to satisfy the consumers' demands and meet the company's goals and objectives is known as marketing.

Marketing involves a wide range of activities like planning and executing the conception, pricing, promotion, and distribution of goods, services, and ideas to create exchanges with target groups that aim to satisfy customer and organizational objectives.

Given below are some of the different features of domestic marketing and international marketing –

Domestic Marketing

Domestic marketing is the supply and demand of goods and services within a single country. In domestic trading, a firm faces only one set of competitive, economic, and market issues and essentially must deal with only one set of customers, although the company may have several segments in a market.

There are no language barriers in domestic marketing and obtaining and interpreting data on local marketing trends and consumer demands is easier and faster.

Marketing within the native country helps the company in making decisions and develop effective and efficient marketing strategies. The companies require less financial resources and the risk factors are also less comparatively. In terms of geographical boundaries and available market platform, local markets are smaller

than international market, even though most companies are targeting at global business.

International Marketing

International marketing is the promotion of company's market by providing auction of company's products to consumers in different countries. It is very complicated and demands huge capital and financial resources. Every nation follows its own laws in business and a company that targets entering into business in another country must first learn about these laws, rules and regulations. Customer tastes, choices and preferences are different in different nations. New marketing strategies must be adopted to match with the requirements of different consumers.

International marketing is time consuming and requires more effort. It is highly prone to risks. Any company in the international market must always be prepared to deal with sudden changes in the marketing environment.

International Marketing - Product Lifecycle

The international product lifecycle (IPL) is an abstract model briefing how a company evolves over time and across national borders. This theory shows the development of a company's marketing program on both domestic and foreign platforms. International product lifecycle includes economic principles and standards like market development and economies of scale, with product lifecycle marketing and other standard business models.

The four key elements of the international product lifecycle theory are –

- The layout of the demand for the product
- Manufacturing the product
- Competitions in international market
- Marketing strategy

The marketing strategy of a company is responsible for inventing or innovating any new product or idea. These elements are classified based on the product's stage in the traditional product lifecycle. These stages are introduction, growth, maturity, saturation, and decline.

PRODUCT LIFECYCLE

IPL Stages

The lifecycle of a product is based on sales volume, introduction and growth. These remain constant for marketing internationally and involves the effects of outsourcing and foreign production. The different stages of the lifecycle of a product in the international market are given below –

Stage one (Introduction)

In this stage, a new product is launched in a target market where the intended consumers are not well aware of its presence. Customers who acknowledge the presence of the product may be willing to pay a higher price in the greed to acquire high quality goods or services. With this consistent change in manufacturing methods, production completely relies on skilled laborers.

Competition at international level is absent during the introduction stage of the international product lifecycle. Competition comes into picture during the growth stage, when developed markets start copying the product and sell it in the domestic market. These competitors may also transform from being importers to exporters to the same country that once introduced the product.

Stage two (Growth)

An effectively marketed product meets the requirements in its target market. The exporter of the product conducts market surveys, analyze and identify the market size and composition. In this stage, the competition is still low. Sales volume grows rapidly in the growth stage. This stage of the product lifecycle is marked by fluctuating increase in prices, high profits and promotion of the product on a huge scale.

Stage three (Maturity)

In this level of the product lifecycle, the level of product demand and sales volumes increase slowly. Duplicate products are reported in foreign markets marking a decline

in export sales. In order to maintain market share and accompany sales, the original exporter reduces prices. There is a decrease in profit margins, but the business remains tempting as sales volumes soar high.

Stage four (Saturation)

In this level, the sales of the product reach the peak and there is no further possibility for further increase. This stage is characterized by Saturation of sales. (at the early part of this stage sales remain stable then it starts falling). The sales continue until substitutes enter into the market. Marketer must try to develop new and alternative uses of product.

Stage five (Decline)

This is the final stage of the product lifecycle. In this stage sales volumes decrease and many such products are removed or their usage is discontinued. The economies of other countries that have developed similar and better products than the original one export their products to the original exporter's home market. This has a negative impact on the sales and price structure of the original product. The original exporter can play a safe game by selling the remaining products at discontinued items prices.

International Marketing - EPRG Framework

Different attitudes towards company's involvement in international marketing process are called international marketing orientations. EPRG framework was introduced by Wind, Douglas and Perlmutter. This framework addresses the way strategic decisions are made and how the relationship between headquarters and its subsidiaries is shaped.

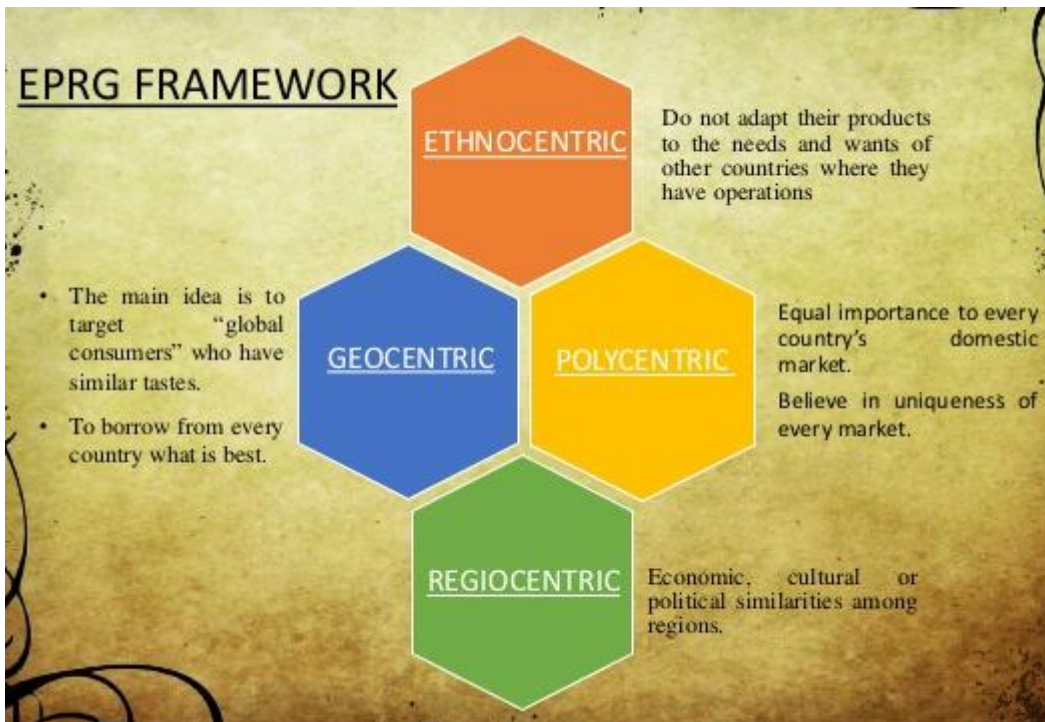
Perlmutter's EPRG framework consists of four stages in the international operations evolution. These stages are discussed below.

Ethnocentric Orientation

The practices and policies of headquarters and of the operating company in the home country become the default standard to which all subsidiaries need to comply. Such companies do not adapt their products to the needs and wants of other countries where they have operations. There are no changes in product specification, price and promotion measures between native market and overseas markets.

The general attitude of a company's senior management team is that nationals from the company's native country are more capable to drive international activities forward as compared to non-native employees working at its subsidiaries. The exercises, activities and policies of the functioning company in the native country becomes the default standard to which all subsidiaries need to abide by.

The benefit of this mind set is that it overcomes the shortage of qualified managers in the anchoring nations by migrating them from home countries. This develops an affiliated corporate culture and aids transfer core competences more easily. The major drawback of this mind set is that it results in cultural short-sightedness and does not promote the best and brightest in a firm.



Regiocentric Orientation

In this approach a company finds economic, cultural or political similarities among regions in order to satisfy the similar needs of potential consumers. For example, countries like Pakistan, India and Bangladesh are very similar. They possess a strong regional identity.

Geocentric Orientation

Geocentric approach encourages global marketing. This does not equate superiority with nationality. Irrespective of the nationality, the company tries to seek the best men and the problems are solved globally within the legal and political limits. Thus, ensuring efficient use of human resources by building strong culture and informal management channels.

The main disadvantages are that national immigration policies may put limits to its implementation and it ends up expensive compared to polycentrism. Finally, it tries to balance both global integration and local responsiveness.

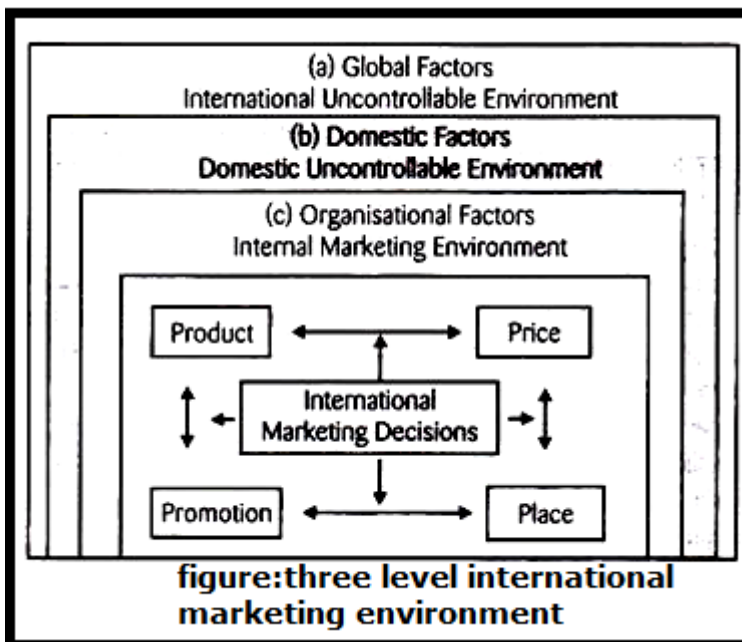
Polycentric Orientation

In this approach, a company gives equal importance to every country's domestic market. Every participating country is treated solely and individual strategies are carried out. This approach is especially suitable for countries with certain financial, political and cultural constraints.

This perception mitigates the chance of cultural myopia and is often less expensive to execute when compared to ethnocentricity. This is because it does not need to send skilled managers out to maintain centralized policies. The major disadvantage of this nature is it can restrict career mobility for both local as well as foreign nationals, neglect headquarters of foreign subsidiaries and it can also bring down the chances of achieving synergy.

International Marketing - Major Factors

Factors involved in international marketing environment are broadly classified into three categories as stated in the figure given below. This environment regulates organizational activities in such a way that it becomes favorable for the entrepreneurs to identify the threats and opportunities lying ahead.



The three factors that have a major impact in the marketing environment are given below –

Global factors

The global factors that are outside of the control of individual organizations, but that can affect the way that businesses operate can be considered as the global factors affecting the international marketing environment. These factors include cultural and social influences, legal issues, demographics, and political conditions, as well as changes in the natural environment and technology.

Some major organizations involved in this level of international marketing are the UNO, World Bank, and the WTO.

Domestic factors

Factors related to the personal affairs or internal affairs of a country that affect the economy of the country participating in the international marketing are considered as domestic factors. These include the political scenario and the approach by the government and its attitude towards international trade, business ethics, availability and quality of infrastructure, raw-materials, and other technological and ecological factors.

The level of participation by governmental bodies at the central and state level in a country is one of the major factors that the fate of marketing environment.

Organizational factors

The internal factors that influence the decision-making process in a company are considered as organizational factors.

These include the events, factors, people, systems, structures and conditions inside the organization that are generally under the control of the company. The internal environment influences the organizational activities, and also the attitudes and behavior of employees. Changes in the leadership style inside the organization can also have a profound impact on the organization.

Marketing environment is changing rapidly. Every factor, right from the domestic level, organizational level, to the global level is interrelated.

Geographic Description of Market

Geographical analysis is when a business divides its market on the basis of geography. There are several ways that a market can be geographically divided. Here, an organization decides the marketing strategies or approaches that would make international marketing possible in a specific geographic market on the basis of the climate, lifestyle, location, and language of that region. Geographic markets differ in size depending on location.

There are three major ways to divide a market on the basis of Geography –

- Population density
- Climate
- Language

Each of these components can further be sub divided. **For example**, a regional geographic market can be subdivided as nations, metropolitan areas, rural areas,

suburban areas, urban areas, or on regional basis with respect to size, population density, etc.

International Marketing - Political Risk

The liability caused by the financial or personnel losses because of wrong political decisions or conflicts are known as political risks. Apart from the market based causes, business is highly influenced by political decisions taken by the governments in different countries. For example, political decisions by a ruling party regarding taxes currency, trade tariffs, investment, labor laws, environmental regulations and development priorities have a major impact on the business conditions and profitability which thereby may affect the national economy.

Similarly, non-economic factors can also alter the status of a business. For example, political conflicts at times give rise to terrorism, civil wars, international wars, and even political elections that may replace a ruling political party with another political party, can also affect international market.



In order to balance the political environment, we should consider the points discussed below –

- **Ideology** – A country undergoes change when the ideology of the ruling party changes. The past years saw changes formulated in a nation due to change in the ideology of the ruling power. For example, many African nations are abandoning their centrist leanings in favor of market led economies like Zimbabwe and Tanzania.
- **Nationalism** – It is primarily a peculiarity of the developing nations. For example,, Yugoslavia does not counter all features of nationalism as they are deprived of holding foreign assets.
- **Stability** – The environment of a country may change due to violence and cultural divisions based on language or other factors causing unstable situations. For example, the violence of Somalia and Yugoslavia increase the exposure and decrease the confidence of doing business in these countries.
- **International relations** – The relationship between countries have improved over the last twenty years. This is mainly due to the development of GATT, NATO and the EU as they have gone a long way to minimize the component of "foreignness".

International Marketing - Import Quotas

Quota is the limit drawn on how much of a particular product can be imported by a country. Whereas, a tariff refers to the tax imposed on the imports coming into a country. Tariffs and quotas can be used for many reasons.

Given below are some reasons highlighting the importance of tariffs and quotas –

- **Protecting Domestic Employment** – The probability of increased competition from imported goods may threaten the local companies. As a result, these local companies may remove workers or shift production of goods offshore. This may eventually lead to unemployment among the masses.
- **Protecting Consumers** – A government may impose a tax on goods that could be harmful for the people. For example, India imposed a tariff on cigarettes as it is injurious to health.
- **Infant Industries** – The Import Substitution Industrialization (ISI) is an approach hired by many developing nations to allow domestic infant industries to prosper.
- **National Security** – The defense industries of a nation are considered pillars of state interests. Many developed countries promote and ensure security of the defense industries which will thereby support national security. For example, Western Europe and the United States of America, both the countries are industrialized and developed, and both are very protective of defense-oriented companies.

- **Retaliation** – When a particular country feels that a trading partner has not abided by the rules or hasn't followed policies, then tariffs can be imposed on trading partner as retaliation technique. For example, if France imports wine, cheese, and wheat from the USA, and France places optimal tariffs on imports of these products, then the USA could retaliate by imposing optimal tariffs on its imports of, say, lumber, televisions, and machine tools from France.

Types of Tariffs and Trade Barriers

We have seen the importance and necessity of tariffs in international marketing. It is important to maintain balance between companies within the home country and companies set up in the foreign countries. A government employs several types of tariffs in favor of its economy. These tariffs come along with their own barriers.

The different types of tariffs hired by nations are –

- **Specific Tariffs** – Fixed price levied on per unit of an imported product is considered special tariff. This tariff alters on the basis of the product imported. For example, India may levy a tariff of Rs. 1500 as tax on each pair of shoes imported, and may demand a tariff of Rs. 3000 on each computer imported.
- **Ad Valorem Tariffs** – The word Ad Valorem refers to the proportionate value to the estimated value of the goods or transaction concerned. This type of tax is levied on a product according to the estimated value of the product. For example, Japan levies 15% on automobiles imported from the USA. So, the value of the automobiles increases by 15% on the actual value of the automobile. So, the price of a vehicle which costs \$15,000 is now valued at \$16,500 to the Japanese consumers. This cost increase protects domestic producers from being undercut, but also keeps costs artificially high for Japanese car shoppers.

Non-Tariff Barriers

The different non-tariff barriers are –

- **Licenses** – Government grants license to a business and permits it to import a certain type of product from another nation. For example, there could be a limitation on the cheese to be imported, and licenses would only be granted to certain enterprises that may import cheese from foreign markets.
- **Import Quotas** – An import quota is a trade restriction on the quantity of a particular product that can be imported. For example, a country may impose an import quota on the volume of the material of cloth that is to be imported.
- **Voluntary Export Restraints (VER)** – This type of trade obstruction is deliberately created by the country that is exporting on the country that is importing. A voluntary

export constraint is usually imposed on the importing country, and could be followed by a reciprocal VER. For example, France could place a VER on the export of wine to the USA. And, the USA could then place a VER on the export of computer to France. This increases the cost of both computer and wine, but secures the domestic industries.

- **Local Content Requirement** – Local content requirements (LCRs) are policy measures that typically require a certain percentage of intermediate goods used in the production processes to be sourced from domestic manufacturers. The limitation can be a proportion of the product itself, or a proportion of the estimated value of the product. For example, an LCR on the import of car might call for 15% of the pieces used to make the car to be manufactured domestically, or can also call for 5% of the estimated value of the product must come from domestically produced components.

Tariffs come with their own advantages and disadvantages. In simple words, tariff is a form of tax that the government charges to increase revenue on imports made by the domestic market. This eventually also helps the domestic enterprises to flourish.

Adversely, for both individual customers and enterprises the higher the import rates, the higher the price of products. If the cost of iron is exaggerated due to tariffs, individual customers pay more for goods that need iron for manufacturing.

In simple words, tariffs and trade obstructions tend to be pro-producer and anti-consumer.

International Marketing - Gatt

The **General Agreement on Tariffs and Trade** (GATT) was a multilateral agreement regulating international trade. Its purpose was the reduction of tariffs and other trade barriers and also elimination of preferences. It's main commitment was to ensure international economic cooperation.

In 1993, the GATT was updated (*GATT 1994*) to include new obligations upon its signatories. One of the most significant changes was the creation of the World Trade Organization (WTO).

International trade liberalization is considered the biggest leap which came into existence with to the signing of multilateral trade agreements.

WTO

World Trade Organization was established in 1995 after the distress of General Agreement on Tariff and Trade (GATT). The main objective of WTO is to assist and support trade flow smoothly, freely, fairly and predictably.

These objectives are achieved by –

- Monitoring trade agreements
- Acting as a forum for trade agreements
- Settling trade conflicts
- Auditing national trade policies
- Collaborating with other international organizations
- Supporting developing countries in trade policy issues, through technical assistance and training programs

The WTO has 162 countries as member states reckoning for over 97% of world trade. All the members play an active role in decision-making. And, a consensus is finally drawn. A majority franchise is possible in WTO but it has never been used. The WTO's settlements have by far been considered by all the parliaments of the member states.

The top most level in WTO is the decision-making body. It is the Ministerial Conference which meets at regular intervals once in every two years. The next level is the **General Council**. The general council meets every year at the Geneva headquarters. The General Council also meets as the Trade Policy Review Body and the Dispute Settlement Body. **Goods Council, Services Council and Intellectual Property (TRIPS) Council** is the next level and all these level report to the General Council.

Various **specialized committees, working groups and working parties** handle the individual settlements and other regions like the surrounding, development, membership applications and regional trade settlements.

The WTO Secretariat, established in Geneva, has a head count of 600 and is led by a director general. Its annual budget is close to 160 million Swiss francs. There are no branch offices outside Geneva. As decisions are made by the members themselves, the Secretariat has no role in the decision-making process that other international bureaucracies are given with.

The WTO is governed by its member government. The members i.e. the ministers who meet at least once every two years or ambassadors or delegates who frequently meet in Geneva make all the major decisions.

International Marketing - Policy Framework

A policy framework is a rational architecture built to synchronize policy documentation into groupings and categories that help employees to search and

understand the contents of various policy documents easily. They assist in the planning and development of the policies for an enterprise.

The changes taking place in the world has a major impact on the global market and economy of many countries across the world. There is a huge competition among business enterprises with the advancement and implementation of technology.

India's EXIM Policy

The different policy related decision taken by the government in foreign trade is known as Indian EXIM Policy. In simple words, imports and exports from and to the country. Precisely, export promotion scopes policies and procedures regarding the trade Policy is declared by the Central Government. Exim policy is called Foreign Trade Policy. It focuses on improving export potential, developing export performance, motivating foreign trade.

The main objectives of EXIM policy are as follows –

- To enhance economic growth by facilitating access to important raw materials, intermediaries, and other items required for production
- To make the Indian agriculture, industry and services more efficient and thus, develop their competitiveness
- To create new employment opportunities
- To supply quality products at reasonable prices

The main objectives of the Export Import Policy 1997 -2002 are as under –

- To boost the economy by increasing economic exercises and making it a universally familiar economy and to also create channels and obtain profits with improved global existence
- To enhance economic growth by facilitating access to important raw materials, intermediaries, and other items required for production
- To bring in technological reforms and make the Indian agriculture, industries, and services more efficient thus, developing their competitiveness.
- To create new employment opportunities
- To provide quality products at reasonable prices

The main objectives of the Export Import Policy 2002-2007 are as follows –

- To enhance economic growth by facilitating access to important raw materials, intermediaries, and other items required for production
- To bring in technological reforms and make the Indian agriculture, industries, and services more efficient thus, developing their competitiveness while creating new employment opportunities
- To supply customers with good quality products and services at globally competitive rates while at the same time building a level playing field for the domestic producers.

The EXIM policy plays a very essential role in the import and export of goods from and to India. It was designed to ease the transactions and improve the economic conditions of India.

Export-Import Documentation

Export and import documentation forms a vital part of all the international trade transactions. It supplies importers and exporters with the records related to cost and accounting, and banks with directions and accounting tools for collecting payments.

- **Purchase order** – International transactions rely on the client's purchase order. Basically they engage a large commercial client, the purchase product is the main agreement form and it constitutes the first offer.
- **Commercial invoice** – This includes all the data related to international sale. The product or quantity or cost or delivery and payment conditions as well as the taxes involved also go into the invoice.
- **Packing list** – It is an elaborate version of the commercial invoice but does not include cost information. This includes invoice number, capacity, number of packages, shipping marks, and a copy of packing list is affixed with the shipment itself.
- **Irrevocable letter of credit L/C** – Here the exporter gets paid if records prove that quality products have been delivered. He needs to produce the corresponding documents for the letter of credit to be issued to him. This letter of credit cannot be cancelled once it is issued.
- **CMR document** – It is an international project note used by drivers, operators and forwarders. The document monitors the activities involved in the carriage of products by road universally as mentioned in the agreement.
- **Bill of lading B/L** – It is a document produced by the agent of a carrier to a shipper, signed by the captain, agent or the exporter. It contains the terms and conditions on which transportation is made and also the products shipped.

In short, export and import documentation is a onetime licensing procedure followed by almost all the countries interested to participate in international marketing. In India, IEC number is used as the unique identification code for documenting import and export.

GDP

GDP is one of the primary indicators used to measure the strength of a nation's economy. It reflects the aggregate value of products and services (in dollars) manufactured within the given timeframe. It represents the size of the economy. Generally, GDP is presented to compare the economy of the current quarter or year with that of the previous quarter or year. For example, if the year-to-year GDP is up 6%, this means that the economy has grown by 6% over the previous years.



Calculating GDP is not an easy task. It is complicated and calls for expertise from the economists. The basic concept for calculating GDP can be understood in two ways –

- Summing up total money made or earned in a year. This is known as **income approach**.
- Summing up total money spent in a year. This is known as **expenditure approach**.

Practically, both measures should approximately give the same total. The income approach, also known as GDP(I). It is computed by summing up total compensation to employees, gross profits for integrated and non-integrated enterprises, and taxes less any subsidies. The expenditure method is the more common approach and is

computed by summing up total consumption, investment, government spending and net exports.

Int Marketing - Market Segmentation

Market segmentation is a marketing strategy which involves separating a wide target market into subsets of customers, enterprises, or nations who have, or are perceived to have, common requirements, choices, and priorities, and then designing and executing approaches to target them.

Market segmentation approaches are basically used to identify the target clients, and provide assisting data for marketing plan components like positioning to get certain marketing plan objectives.

Businesses may discover product differentiation approaches, or an undifferentiated approach, including specific goods or product lines relying on the precise demand and attributes of the target segment.



The most common forms of market segmentation practices are as follows –

Geographic Segmentation

Dealers can segment market according to geographic criterion that is nations, states, regions, countries, cities, neighborhoods, or postal codes. The geo-cluster strategy blends demographic information with geographic data to discover a more precise or

specific profile. For example, in rainy areas dealers can easily sell raincoats, umbrellas and gumboots. In winter regions, one can sell warm clothing.

A small business product store focuses on customers from the local neighborhood, while a larger departmental store focuses its marketing towards different localities in a larger city or region. They neglect customers in other continents. This segmentation is very essential and is marked as the initial step to international marketing, followed by demographic and psychographic segmentation.

Demographic Segmentation

Segmentation on the basis of demography relies on variables like age, gender, occupation and education level or according to perceived advantages which an item or service may provide.

An alternative of this strategy is called firmographic or character based segmentation. This segmentation is widely used in business to business market. It's estimated that 81% of business to business dealers use this segmentation.

According to firmographic or character based segmentation, the target market is segmented based on characteristics like size of the firm in terms of revenue or number of employees, sector of business or location like place, country and region.

Behavioral Segmentation

This divides the market into groups based on their knowledge, attitudes, uses and responses to the product.

Many merchants assume that behavior variables are the best beginning point for building market segments.

Psychographic Segmentation

Psychographic segmentation calls for the division of market into segments based upon different personality traits, values, attitudes, interests, and lifestyles of consumers.

Psychographics uses people's lifestyle, their activities, interests as well as opinions to define a market segment.

Mass media has a dominating impact and effect on psychographic segmentation. To the products promoted through mass media can be high engagement items or an item of high-end luxury and thus, influences purchase decisions.

Occasional Segmentation

Occasion segmentation is dividing the market into segments on the basis of the different occasions when the buyers plan to buy the product or actually buy the product or use the product. Some products are specifically meant for a particular time or day or event. Thus, occasion segmentation helps identify the customers' various reasons to buy a particular product for a particular and thus boosts the sale of the product.

International Marketing Planning

Any company on the marketing platform is expected to have a detailed analysis of the choices and preferences of the customers in the target market. That is where the company will be selling the products. This will help the company produce the products according to the demands of the customers and this will eventually lead to a win-win situation between the buyer and the seller.

The plan that leads to the analysis is a step by step approach wherein the analysis is done on cultural, economic, and political situation prevailing in the target market or the country.

The different steps in the planning process are as follows –

- **Phase 1** – Identifies the target market and builds relative priorities for resource allocation.
- **Phase 2** – Fixes the positioning approach for each target market. The aim is to match the requirements with the needs based on the analysis.
- **Phase 3** – Includes the preparation of the marketing plan. It consists of examining the situation, aim, objectives, approach and tactics, budgets and forecasts, and action programs.
- **Phase 4** – The plan is executed and managed. Results are checked and strategies adjusted when required to improve results.

Even though the international marketing planning process is very much similar to planning domestic marketing strategies but the environment is far more complicated, knotty and uncertain in international markets.

International Marketing - Market Selection

After the decision has been made to expand the business internally, a preliminary examination and analysis of the firm is done. The first question to be answered is how to select the market or markets in which to begin the transactions or functions and where should an entrepreneur's marketing efforts be focused on.

Proper selection of the markets after completely examining the platform where we want to export our product and services is one of the most important aspects towards the achievement of the internationalization process and in some cases one can choose the future viability of the expansion strategy.

This is a basic but major decision because of the impact on resources and effort included, mainly in the case of small and medium-sized enterprises.

For a company to expand its business into every country in the world, it is suggested that the global market should be analyzed properly. The initial selection for analyzing the global market can be conducted with the help of the following criteria –

Environment and market analysis

It is an essential step in understanding the external, local, national or international forces that might affect your small business. This also ensures concentration on the target countries.

Analysis of the competition

It is very important to identify the main competitors and their description. How the competitors economically evolved over the past few years should also be analyzed. The price structure of their products, their networks, market maturity, financial position, plans and expansion strategies and development potential should also be analyzed.

Distribution channels

The entrepreneur should gain complete information regarding the supply chain of the product. From the beginning to the end, consumer should be clear about who the intermediate operators are and the rates they are charging.

Therefore, the existing sales structure in the country should be analyzed in order to select the type of distribution that best adapts to the characteristics of your product or service and the market. The choice of distribution channel will determine the expansion of the company in the market.

Demand analysis

The entrepreneur should perform an examination of the present and potential demand regarding the product and service would have in source markets. Its profile and its expected evolution, among other aspects should also be examined.

All this data should be utilized to assure that the pre-selection process was successful. The market or markets selected are suitable for launching the products and/or services of business.

International Marketing - Mix

When introducing a product into foreign markets, companies can utilize a standard marketing strategy. This strategy should be chosen, according to what suits the nation the best.



The marketing mix strategy is a combination of the elements given below –

Product

General marketing concept describes how to sell more of a product with an aim to meet the needs of our target market. In international markets this includes considering various factors like customer's cultural backgrounds, religion, buying habits and levels of personal disposable income.

In some circumstances a firm adapts their product and marketing mix strategy to satisfy the local requirements and demands that cannot be changed. For example, McDonalds is a global player anyways, their burgers are accustomed to local needs.

In India, where a cow is worshipped and is believed to be a sacred animal, their burgers include chicken or fish but not beef. In Mexico, McDonalds burgers is served with chili sauce. In some parts of the world, Coca-Cola tastes sweeter than in other places.

Promotion

Unlike international product decisions, an enterprise can either accustom or standardize their promotional strategy and message. Promotional messages in countries should be accustomed due to differences in language, political climate, cultural attitudes and religious practices in different region. A promotional strategy used in one country could be offensive when used in another. Every side of promotional brief needs to be analyzed followed by planning.

For example, people in China believe red to be a lucky color and this color is also worn by Indian brides. Similarly, white is worn by mourners in India whereas, brides in China and United Kingdom wear white. Some companies accustom organization promotion strategies to suit local markets as cultural backgrounds and activities affect what appeals to consumers.



The scale of media improvement and availability should also be analyzed and considered. Before framing promotional exercise for a foreign market, the company

should complete a PEST analysis. This would help the entrepreneur have a complete understanding of the factors functioning in the foreign market before entering it.

Pricing

Pricing on an international level is a very difficult task. It takes into account the traditional price i.e. the cost of the product in the local market including fixed and variable rates. It also determines the competition prevailing in the market between a particular company's products and similar products of other companies.



Apart from these factors, an enterprise should consider **additional factors** like –

- The cost of transport
- Tariffs or import duties
- Exchange rate fluctuations
- Personal disposal incomes of the target market
- The currency they want to be paid in and
- The general economic situation of the country and how this will influence pricing

The internet has created more difficulties for the sellers as customers can now compare the prices of the products they are buying with similar products existing in the market. This has increased the level of competition.

Place

This component of marketing mix is completely about product or service distribution to the consumer, at the right place and at the right time. Distribution of goods in a developed market like United States probably includes goods being shipped in a chain from the producer to wholesalers and onto retailers for consumers to buy from.

In an international market, number of countries offering same products with different varieties is more as compared to national market.

For example, in Japan there are probably five different types of wholesalers engaged in the distribution chain. Businesses will be required to examine the distribution chains for each nation they would like to work with. They will also need to analyze and verify who they would like to sell their products and services to - businesses, retailers, wholesaler or directly to customers.

Before designing an international marketing mix, an enterprise should conduct PEST analysis for every participating nation they would like to operate in. This assists them in identifying the major components of the marketing mix that can be standardized and which components will need adjustments to suit local needs.

International Marketing - Branding

Branding is a process of designing a distinct name and picture for an item in the minds of the customers, mainly through advertising campaigns. A brand is a name, signature, mark, term, symbol, design or mixture of these components used to determine an item, a family of goods, or all products of a company. Branding is a vital aspect or element of product planning process and proves to be a very essential and powerful tool for marketing and selling products.



The merging of the following components form a company's corporate symbol or name –

- **Brand Name** – It can be a single word, a combination of words, letters, or digits to highlight a product or service. For example, Pepsi, Lakme, Baggit, etc.
- **Trade Name** – It promotes and advertises an enterprise or a division or a specific corporation through a corporate brand name. For example, Dell, Nike, Google, and many more.
- **Brand Mark** – It is a distinct symbol, coloring, lettering, or other design component. Mostly, it is recognizable and need not be pronounced or spelled. For example, Apple's apple, or Coca-Cola's cursive typeface, Nike correct symbol.
- **Trade Mark** – It is a word, name, letter, digit, symbol, or merging of these components. Trade mark is legally secured and owned by the government. For example,, NBC owns colorful peacock as its trade mark, or McDonald's golden arches. No other enterprise can use these symbols.
- **Trade Characters** – These characters include animals, people, animated characters, cartoons, objects that are used to promote a product or service, that is related with that product or service. For example, Godrej almirah and lockers.

International Marketing - Pricing Strategies

With respect to marketing mix, price is the least attractive element to be considered. Marketing companies should really target on producing as high a margin as possible. The debate is that the merchant should change item, location or advertisement in some way before resorting to minimization of price. Anyhow, price is a flexible component element of the mix as we shall see.

Penetration Pricing

The rate issued for goods and services is set artificially low in order to earn market share. After achieving, the price is increased. This strategy was first used by France Telecom and Sky TV. Enterprises need to grab the opportunity to hold on to customers, so they offered free telephones or satellite dishes at minimal rates. And eventually, people signed up for their services.

After getting large number of subscribers, rates gradually go up. For example, Tata Sky or any cable or satellite company, when there is a premium movie or sporting event rates are at their highest. Thus, they shift from penetration strategy to more of a skimming or premium pricing strategy.

Economy Pricing

Here, the rates of marketing and advertising a product are kept as low as possible. Supermarkets often have economy brands for soups, spaghetti, biscuits, etc.

Budget airlines are popular for keeping their overheads as low as possible and then providing the customer a comparative lower rate to fill an aircraft. The first few seats are sold at a very low rate almost an advertisement rate price and the middle majority are economy seats, with the highest rate being sold for the last few seats on a flight i.e. in the premium pricing strategy. During times of recession, economy pricing records more purchase.

Price Skimming

Price skimming sees an enterprise charge a higher rate because it has a substantial competitive benefit. However, the benefit tends not to be sustainable and reasonable. The high cost tempts new competitors into the market, and the rate inevitably decreases due to increased supply.

Producers of smart phones used a skimming strategy. Once other producers penetrated into the market and the smart phones were manufactured at a lower unit price, other marketing approaches and pricing approaches were executed. New products were launched and the market for smart phones earned a reputation for innovation.