

MARKETING AND RESEARCH

Lecture Title: Marketing Mix
analyses for entering global market

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Lecture summary

- Foreign market analyses and identify the changing business environment
- Critical factors in assessing new market opportunities
- Different modes of entry to global market.
- Marketing mix and issues related to it while entering global market
- Porter's Generic strategy
- Risks related to market pricing policy
- Case studies – group activity



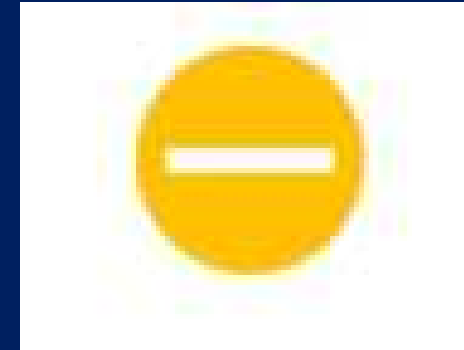
Foreign Market Analysis



Assess alternative markets
the



Evaluate the respective
costs, benefits, and risks of
entering each



Select those that hold
most potential for entry or
expansion

Critical Factors in Assessing New Market Opportunities

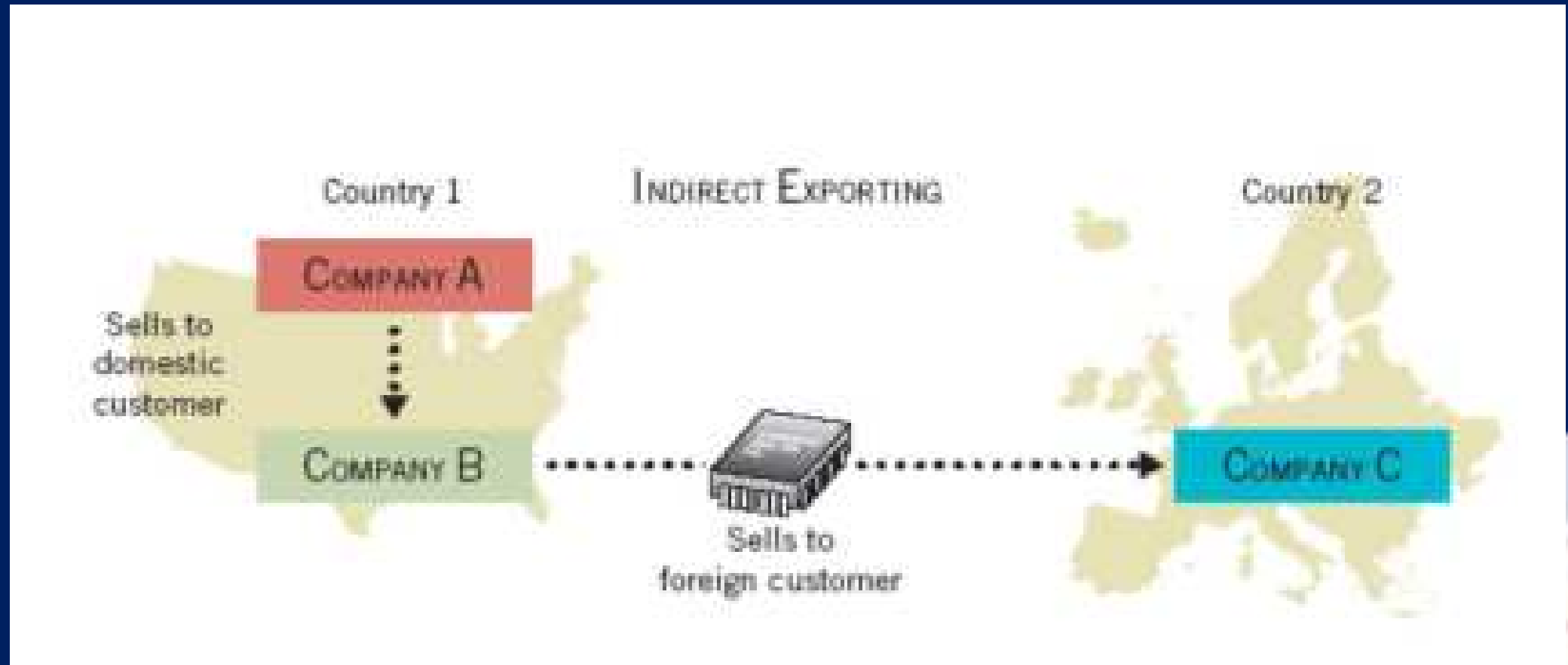
- Product-market dimensions
- Major product-market differences
- Structural characteristics of national market
- Competitor analysis

- Potential target markets
- Relevant trends
- Explanation of change
- Success factors
- Strategic options



Export entry mode

Indirect exporting



Export entry mode

Direct exporting



Export entry mode

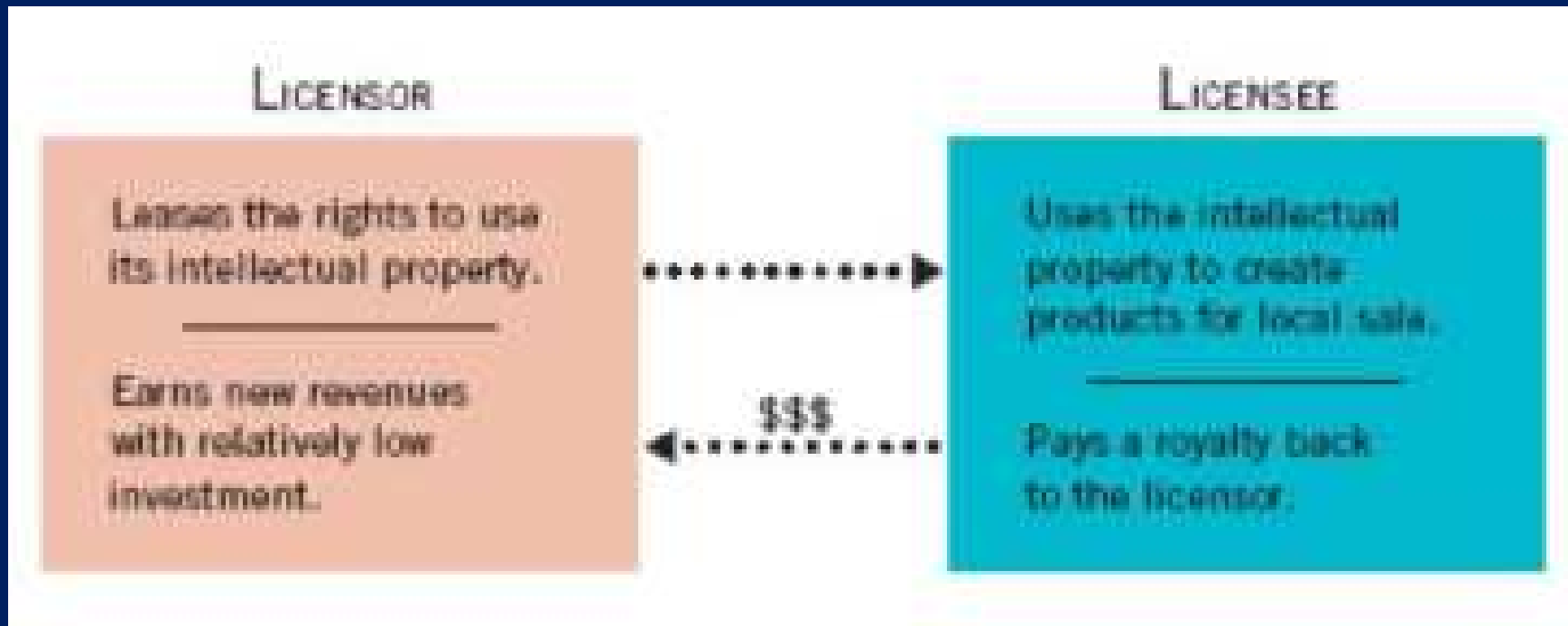
Intracorporate/Cooperative transfers



Contractual entry mode

International Licensing

Licensing is when a firm, called the licensor, leases the right to use its intellectual property—technology, work methods, patents, copyrights, brand names, or trademarks—to another firm, called the licensee, in return for a fee.



Licensing

Basic Issues in International Licensing

- Set the boundaries of the agreement
- Establish compensation rates
- Agree on the rights, privileges, and constraints conveyed in the agreement
- Specify the duration of the agreement



Licensing

Advantages

- Low financial risks
- Low-cost way to assess market potential
- Avoid tariffs, NTBs, restrictions on foreign investment
- Licensee provides knowledge of local markets

Disadvantages

- Limited market opportunities/profits
- Dependence on licensee
- Potential conflicts with licensee
- Possibility of creating future competitor





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Franchising

A **franchising** agreement allows an independent entrepreneur or organization, called the franchisee, to operate a business under the name of another, called the franchisor, in return for a fee.

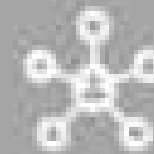
If buying a franchise is something you are thinking about, one of the critical considerations is the cost:

- Professional Fees
- Startup Costs
- Franchise Fee
- Royalty Fee
- Operating Capital

Basic issues in International Franchising



Does a differential advantage exist in the domestic market?



Are these success factors transferable to foreign locations?



Has franchising been a successful domestic strategy?

Franchising

Advantages

- Low financial risks
- Low-cost way to assess market potential
- Avoid tariffs, NTBs, restrictions on foreign investment
- Maintain more control than with licensing
- Franchisee provides knowledge of local market

Disadvantages

- Limited market opportunities/profits
- Dependence on franchisee
- Potential conflicts with franchisee
- Possibility of creating future competitor

Investment entry mode

Foreign Direct Investment

- Building new facilities (the greenfield strategy)
- Buying existing assets in a foreign country (acquisition strategy)
- Participating in a joint venture



Foreign Direct Investment

Advantages

- High profit potential
- Maintain control over operations
- Acquire knowledge of local market
- Avoid tariffs and NTBs

Disadvantages

- High financial and managerial investments
- Higher exposure to political risk
- Vulnerability to restrictions on foreign investment
- Greater managerial complexity



Changing business environment

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- **Digital Transformation:** The rapid advancement of technology is leading to digital transformation across various industries. The proliferation of the internet and mobile devices has changed the way businesses operate, making it easier to communicate with customers and employees, automate processes, and access information.
- **Remote work:** The COVID-19 pandemic has accelerated the trend towards remote work, with many businesses now offering employees the option to work from home. This has led to a shift in the way businesses operate, with more reliance on digital tools and remote communication.
- **E-commerce:** The rise of e-commerce has changed the way people shop, and businesses need to adapt to this changing landscape. Many traditional brick-and-mortar stores have shifted to online platforms to reach a wider customer base.



Changing business environment

Sustainability: Consumers are increasingly concerned about the impact businesses have on the environment. Companies that prioritize sustainability in their operations and supply chain are more likely to attract customers and investors.

Data Privacy: With the increasing amount of personal data being collected by businesses, there is growing concern about data privacy. Companies need to ensure they are compliant with regulations and protect customer data to maintain trust and avoid legal repercussions.

Overall, businesses need to be agile and adaptable to keep up with the changing business environment and remain competitive.



Changing business environment

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Global Marketing has transitioned from a strategy only large corporations could engage in; to a necessity for any company on the internet.

Companies see several gains from selling their products in international markets.

Global Marketing strategy allows your company to access three distinct advantages.



Changing business environment

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Product Advantages — The more customers you have using your product, the faster you'll grow and the more you'll learn. The additional insight you get from a varied spectrum of customers will help you build a better product/service.



Cost Advantages — By expanding into more markets, you can reduce costs using economies of scale. Foraying into new markets also gives you access new technology and raw materials.



Brand Advantages — Tapping into international markets increases global brand awareness of your company. By increasing your customer base, you increase the following your brand commands.



Market Strategy Must Support Business Strategy

Differentiation

Cost Leadership

Focus



Porter's Generic Strategy

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Marketing Mix Issues

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How to develop the firm's
product(s)



Marketing Mix Issues



How to develop the firm's
product(s)



How to price those products



Marketing Mix Issues



How to develop the firm's
product(s)



How to price those products



How to sell those products



Marketing Mix Issues



How to develop the firm's product(s)



How to price those products



How to sell those products



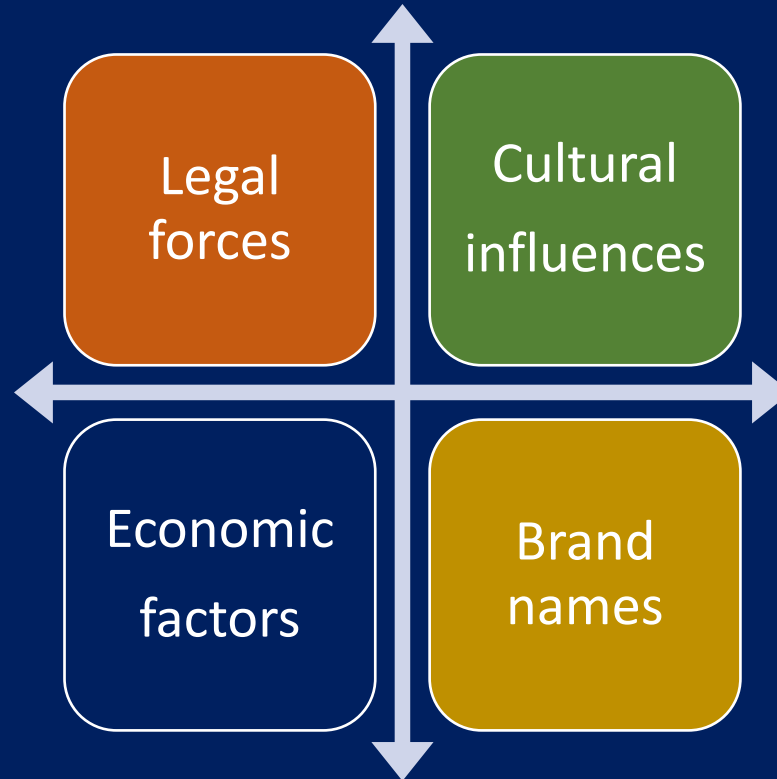
How to distribute those products to the firm's customers



Risks and factors affecting Marketing Mix components

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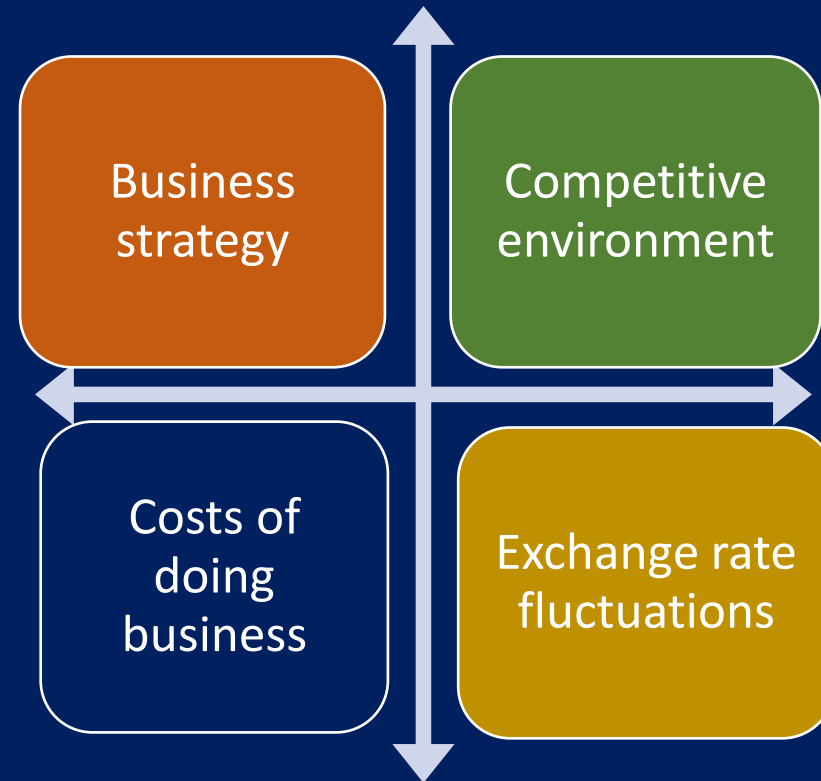
Factors Affecting the Standardization of Products



Risks and factors affecting Marketing Mix components

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Factors Affecting Pricing Policies



Conditions for Market Pricing

Pricing Policies

Standard Price
Policy

Market Pricing

Two – Tiered
Pricing

What are the conditions for Market Pricing???



Conditions for Market Pricing

Pricing Policies

Standard Price
Policy

Market Pricing

Two – Tiered
Pricing

Conditions for Market Pricing

Firm must face different demand and/or
cost conditions in the countries in which
it sells its products



Conditions for Market Pricing

Pricing Policies

Standard Price
Policy

Market Pricing

Two – Tiered
Pricing

Conditions for Market Pricing

Firm must face different demand
and/or cost conditions in the countries
in which it sells its products



Firm must be able to prevent arbitrage



Risks affecting Market Pricing Policy

Charges of dumping

Development of a gray
market

Consumer resentment

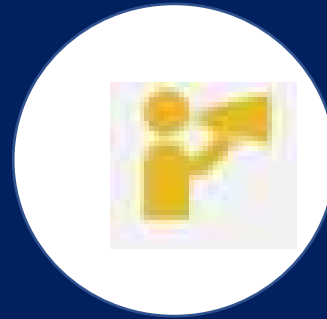
Damage to brand name

Promotion Mix – Advertising

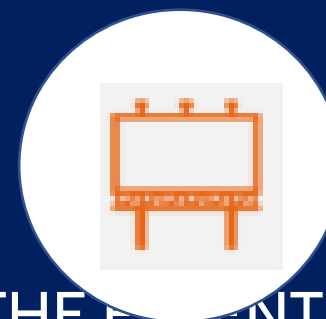
Factors Affecting Advertising Strategy



THE MESSAGE IT
WANTS TO CONVEY



THE MEDIA
AVAILABLE FOR
CONVEYING THE
MESSAGE



THE EXTENT TO
WHICH THE FIRM
WANTS TO
GLOBALIZE ITS
ADVERTISING
EFFORT

Promotion Mix - Advertising

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A customer entering market in Egypt encounters no language barriers in knowing that the establishment serves Coke. Same for Lipton tea brand.



Promotion Mix – Personal selling

Advantages of Personal Selling for International Firms



Local sales representatives understand local culture, norms, and customs



Personal selling promotes close, personal contact with customers



Personal selling makes it easier for firm to adopt valuable market information



Promotion Mix – Sales promotion & Public Relations

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Sales promotions – comprises specialized marketing efforts designed to offer an incentive for behavior such as coupons, in store promotions, sampling, direct mail campaigns, cooperative advertising, and trade fair attendance.

Public Relations – consists of efforts aimed at enhancing a firm's reputation and image with the general public, as opposed to touting the specific advantages of an individual product or service.





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Distribution Issues

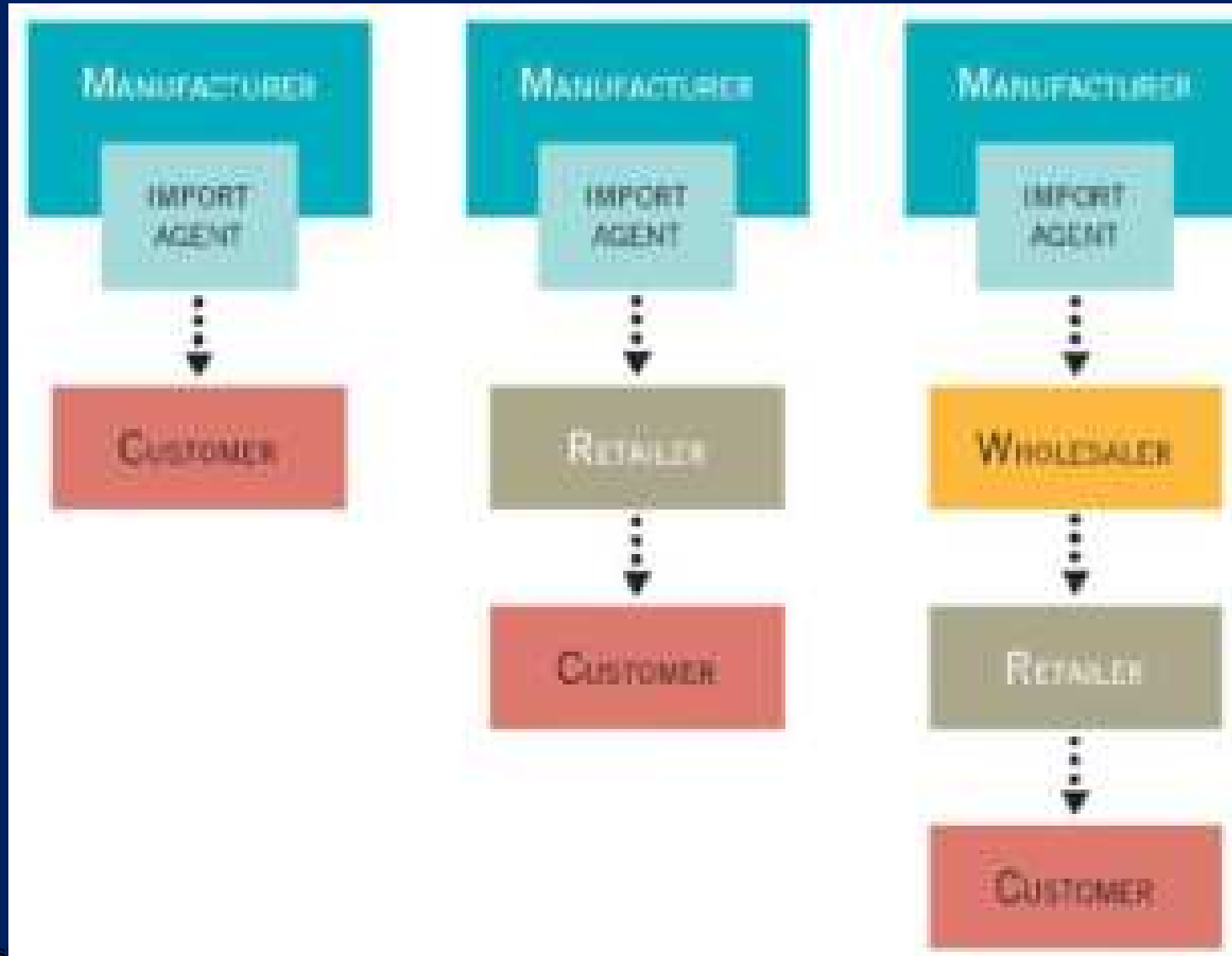
Physical transportation
mode

Merchandising mode

Advantages/Disadvantages of Transportation Modes

Mode	Advantages	Disadvantages	Sample Products
Train	Safe, reliable, inexpensive	Limited to rail routes, slow	Automobiles, grains
Airplane	Safe, reliable, fast	Expensive, limited access	Jewelry, medicine
Truck	Versatile, inexpensive	Small size	Consumer goods
Ship	Inexpensive, good for larger products	Slow, indirect	Automobiles, furniture
Electronic Media	Fast	Unusable for many products	Information

Distribution channel options



Supply Chain Management

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Group activity

Group 1. Walmart entry to Japan

Group 2. PepsiCo entry to India

Group 3. Molson Coor's Beer manufacturer in Spain

Group 4. Zara clothing store entry to China

- Selected marketing strategy entering global marketing
- What type of entry mode was selected?
- Risks and challenges did the business face?
- What distribution mode applied?



Group 1 – case study

Walmart in Japan and Their Failure to Differentiate

In 2018, Walmart brought in more than \$500 billion in sales globally. Not surprisingly, 3/4 of those sales came from the U.S.

Walmart was looking to exit Japan nearly 17 years after its initial expansion into the Japanese market. This expansion involved purchasing a minority stake in Seiyu — a Japanese grocery store — in 2002, which then turned into a fully-owned subsidiary in 2008. Like Walmart, Seiyu uses the “Everyday Low Prices” mantra to market to their consumers.



Group 1- case study

That may not sound terrible, but to put it into perspective, let's compare it to another U.S. supermarket that has expanded into Japan with much more success — Costco.

Costco only has 26 stores in Japan, but in 2017 they brought in just over \$3 billion in revenue. Seiyu, on the other hand, has 331 locations and brought in \$7.1 billion in revenue.



So, what went wrong in fact?

The low price strategy that both Walmart and Seiyu abide by is not nearly as effective in Japan as it is in the United States.

While consumers in the U.S. appreciate the convenience of being able to find great deals at one central location, Japan consumers are not as concerned with this convenience, making it less of a differentiator in the Japanese market.

Japanese consumers “enjoy the treasure hunt of pricing” and will go to multiple stores while shopping in search of the best deals



Walmart in Japan

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Group 2 – case study

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PepsiCo entry to India

PepsiCo implements market penetration as its primary intensive growth strategy. This intensive strategy supports business growth through increased sales, such as from a bigger market share. For example, PepsiCo uses aggressive marketing to attract more consumers

Coca-Cola Company entered the Indian market by acquisition entry method by acquiring Local soft drinks brand like Thumsup, Limca from which gain knowledge about the country soft drink market.

To enter the highly regulated Indian economy, the company had to struggle hard to 'sell' itself to the Indian government. PepsiCo promised to work towards uplifting the rural economy of the terrorism affected north Indian state of Punjab by getting involved in agricultural activities.



Group 3 – case study

Coors is a very successful American beer manufacturer. But, they made an all-too-common mistake when it came to launching their “Turn it Loose” campaign in Spain — not double-checking a slogan’s translation before going to market.

When translated into Spanish, their tagline was interpreted as a common expression that means “suffer from diarrhea.”

While this isn’t as big failure as the previous case studies, and Coors maintains a strong presence in the Spanish market, it is a lesson in the importance of tailoring your marketing message to fit new consumers, and their language and cultural terms, when in an international market.





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The best examples worldwide

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Global marketing is no longer reserved for brands with immense capital, nor is it a huge hassle for marketing managers who handle all marketing efforts.

In fact, a global presence is possible for any business with a creative strategy and an understanding of world markets.



The best examples worldwide

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- 1.Red Bull
- 2.Airbnb
- 3.Dunkin Donuts
- 4.Domino's
- 5.Spotify
- 6.World Wildlife Foundation
- 7.Pearse Trust
- 8.Nike
- 9.McDonald's
- 10.Coca-Cola



Glocalization

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Risks related to market pricing

Market price risks consist of the risks to the value of positions due to changes in market parameters including interest rates, volatility and exchange rates among others.

- interest rate risk
- equity risk
- currency risk
- commodity risk





Market Risk



Group Task – case study

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Evaluate Starbucks entry to global market:

Provide information on one of the most successful campaigns in global market. (each group does its research)

Group 1 – Product : what type of products were introduced in the focused global market destination (in Brazil)- Analysis of product localization vs. standardization.

Group 2 – Place : Starbucks stores globally – research on how Starbucks positioned its stores globally. Strategy behind choosing store locations.

Group 3 – Promotion : first global market entry campaign in India – Initial cultural messaging/campaign tone and brand positioning.

Group 4 – Price: How does Starbucks price its products in Brazil compared to local competitors



Starbucks- group case study

Starbucks international strategy relies on low integration and high responsiveness (multi-domestic), which is best reflected in Entry Modes and Pricing Strategies. The goal is to spread Starbucks' coffee culture while adapting to local tastes and preferences.

Instead of competing with global brands, Starbucks establishes itself as a friendly choice among the many food and beverage options in the host country. This has endeared the brand to the local people and allowed it to enjoy global success.



35,711 stores around the World

Starbucks- group case study

- ❖ Starbucks' products are customized to suit local tastes and preferences.
- ❖ In terms of market entry, Starbucks adopts three main approaches: wholly-owned subsidiaries, joint ventures, and licensing.
- ❖ Value-based pricing is adopted for markets worldwide which contributes to Starbucks premium image.
- ❖ Cultural mindfulness, market research, local partnership, and strong brand integrity are critical factors determining the success of Starbucks international strategy.



Venturing Overseas

Firms embark on an international venture or adventure in pursuit of a wide range of objectives based on “pull” factors, as well as for “push” factors.

- ❑ International pull factors are those that lure a company towards the overseas market and are based on the attractiveness of a potential foreign market.
- ❑ International push factors are compulsions or occurrences within the internal or domestic environment of the company which force it to seek overseas markets.



Pull Factors



Push Factors

Why Do Firms Venture Overseas?

Large foreign markets – This is the reason why international companies consider India and China with over a billion people in each of them to be attractive destinations for their products and services

Resource availability – These resources could be labour (cheap or talented) or availability of raw material or even suitable climatic conditions.



First mover advantage and new market development – Often companies are willing to enter and develop new markets before their competitors to get a competitive first mover advantage.

Attractive export promotion schemes – Governments have created Special Economic Zones (SEZ) like Jebel Ali in Dubai and SEEPZ in India for companies manufacturing only for export.

Diversification – Firms that look to reduce their dependence on a single market go for geographical diversification.

Optimising the product life cycle – When a product has reached its mature (and saturated) stage in the domestic market, while being at earlier stages of its life cycle in less developed markets, firms look overseas. For example, a Bloomberg report suggests that Apple seems to be following this strategy by selling its older iPhones in India.



Group task

As a marketing management and research team, your mission is to formulate a comprehensive market entry strategy for your company seeking international expansion.

Each group will choose a product from a different industry and target a specific global market. (group choice – product/industry/global market)

You are expected to present:

- target audience
- competitor assessment
- pricing
- promotional and distribution strategies



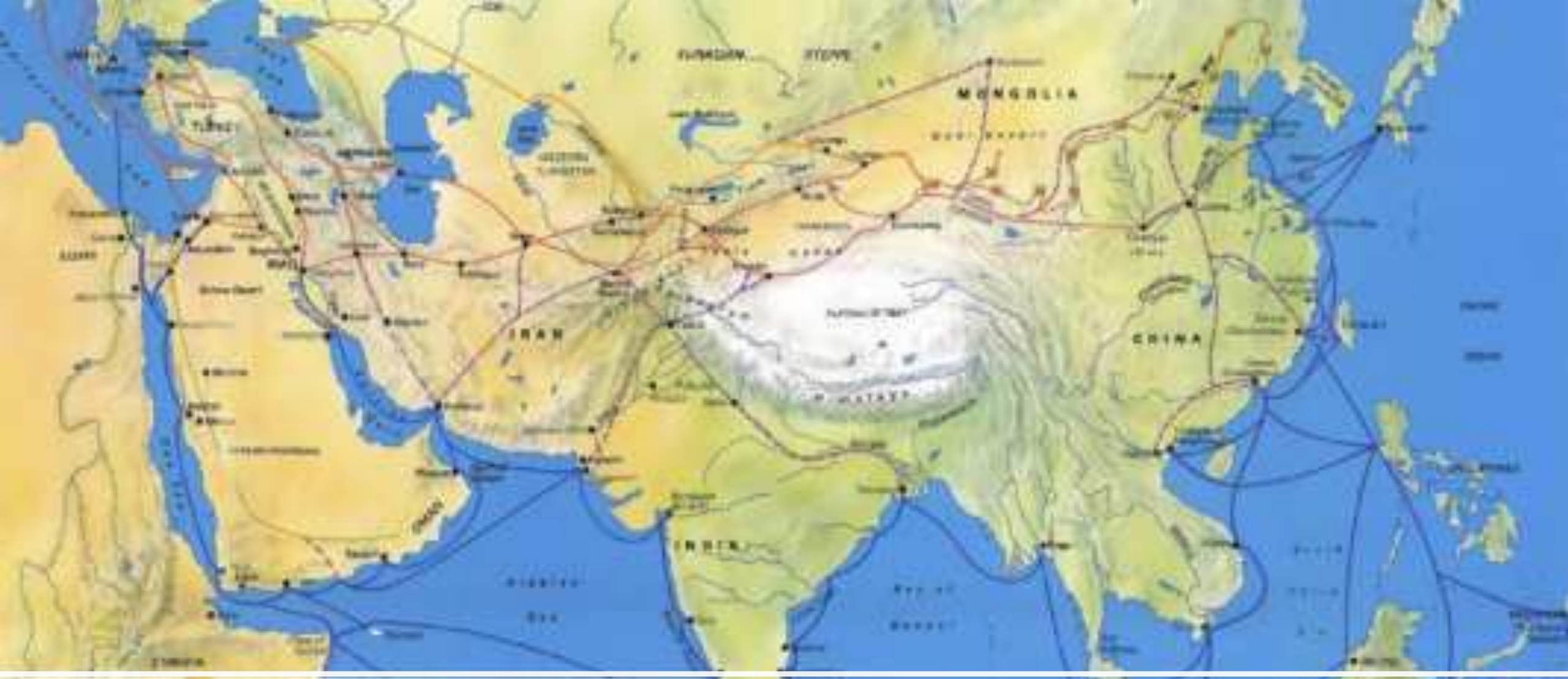
Interesting fact about Export trade

Exporting - This form of international trade has been happening for centuries – the most well-known international trade was established when the Han Dynasty in China officially opened trade with the West in 130 B.C.

The Silk Road routes remained in use until 1453 A.D., when the Ottoman Empire boycotted trade with China. Export trade was carried out over a network of mostly land but also sea trading routes, the Silk Road stretched from China to Korea and Japan in the east and connected China through Central Asia to India in the south and to Turkey and Italy in the west.

The Silk Road system has existed for over 2,000 years, with specific routes changing over time.





The Silk and Spice Routes

The Silk Road



7Cs of international pricing strategy

Costs

Competitors

Customers

Cultural differences

Channels of
distribution

Currency rates

Control by
government

Conclusion

“Pricing is the moment of truth – all of marketing strategy comes to focus on the pricing decision.” – Raymond Corey



Lecture Takeaways

- Although principles of selling are the same, the International Manager is dealing with unfamiliar territory.
- Firms need to decide on market segments and ensure that the *Marketing Mix* fits to the target market
- Standardization reduces costs but adaptation increases sales.
- International Pricing is complex –Exchange, intermediaries (middlemen), distribution, governmental influences, taxes, etc.
- Distribution channels vary –the initial costs affect the cost of operations but pave the way for that initial entry.
- Distribution is a two-way street with Trust being the main factor.



Any Questions?



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Thank You!



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