

INTERNATIONAL PROMOTION: THE GLOBAL MARKET PLACE

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ABSTRACT

Promotion policy is a key factor in the global market. Besides deciding global or local promotions, the type of promotion that we should carry out will be related to the distribution systems available in of foreign markets. Even if a product is very good ,it may not achieve full success unless the promotion is appropriate and adequate. By promotion we understand all those activities developed by the international marketing department to consolidate the product in the market, with the objective of increasing its sales, understanding and image. Promotion policy in foreign trade works within the structure of the marketing mix. Promotion policy applies to each of the countries to which the company wishes to export. The influence of country image in global marketing is a very significant piece of information, which should be taken into account by the exporter. The image of a country in the foreign markets depends on many factors, among them on the foreign promotional policy carried out by governments in order to improve this image. The exporter should find out what is the country image of his country in the target market. If this image is positive, the most logical thing will be to use it in our favour in our marketing plans. If the image is negative, the recommendable thing is to use the marketing mix to draw the importer's attention towards other variables of marketing. Promotional objectives involve the question of what the firm hopes to achieve with a campaign—"increasing profits" is too vague an objective, since this has to be achieved through some intermediate outcome (such as increasing market share, which in turn is achieved by some change in consumers which cause them to buy more). Some common objectives that firms may hold.

Key words: Marketing mix , global promotion

GLOBALIZATION OF MARKETS AND COMPETITION

Trade is increasingly global in scope today. There are several reasons for this. One significant reason is technological—because of improved transportation and communication opportunities today, trade is now more practical. Thus, consumers and businesses now have access to the very best products from many different countries. Increasingly rapid technology life cycles also increase the competition among countries as to who can produce the newest in technology. In part to accommodate these realities, countries in the last several decades have taken increasing steps to promote global trade through agreements such as the General Treaty on Trade and Tariffs, and trade organizations such as the World Trade Organization (WTO), North American Free Trade Agreement (NAFTA), and the European Union (EU).

STAGES IN THE INTERNATIONAL INVOLVEMENT OF A FIRM

A purely domestic firm focuses only on its home market, has no current ambitions of expanding abroad, and does not perceive any significant competitive threat from abroad. Such a firm may eventually get some orders from abroad, which are seen either as an irritation (for small orders, there may be a great deal of effort and cost involved in obtaining relatively modest revenue) or as "icing on the cake." As the firm begins to export more, it enters the export stage, where little effort is made to market the product abroad, although an increasing number of foreign orders are filled. In the international stage, as certain country markets begin to appear especially attractive with more foreign orders originating there, the firm may go into countries on an ad hoc basis—that is, each country may be entered sequentially, but with relatively little learning and marketing efforts being shared across countries. In the multi-national stage, some efficiencies are pursued by standardizing across a region (e.g., Central America, West Africa, or Northern Europe). Finally, in the global stage, the focus centers on the entire World market, with decisions made optimize the product's position across markets—the home country is no longer the center of the product. An example of a truly global company is Coca Cola. Note that these stages represent points on a continuum from a purely domestic orientation to a truly global one; companies may fall in between these discrete stages, and different parts of the firm may have characteristics of various stages—for example, the pickup truck division of an auto-manufacturer may be largely domestically focused, while the passenger car division is globally focused. Although a global focus is generally appropriate for most large firms, note that it may not be ideal for all companies to pursue the global stage. For example, manufacturers of ice cubes may do well as domestic, or even locally centered, firms.

SOME FORCES IN INTERNATIONAL TRADE

The International Product Life Cycle suggests that countries will differ in their timing of the demand for various products. Products tend to be adopted more quickly in the United States and Japan, for example, so once the demand for a product (say, VCRs) is in the decline in these markets, an increasing market potential might exist in other countries (e.g., Europe and the rest of Asia). Internalization/transaction costs refers to the fact that developing certain very large scale projects, such as an automobile intended for the World market, may entail such large costs that these must be spread over several countries. Thus, it may be possible, when one market has been saturated, to continue growth in another market—e.g., while somewhere between one third and one half of American homes now contain a computer, the corresponding figures for even Europe and Japan are much lower and thus, many computer manufacturers see greater growth potential there. Note that expensive capital equipment may also cycle between countries—e.g., airlines in economically developed countries will often buy the newest and most desired aircraft and sell off older ones to their counterparts in developing countries. While in developed countries, "three part" canning machines that solder on the bottom with lead are unacceptable for health reasons, they have found a market in developing countries.

TWO STRIKING FACTS ABOUT GLOBAL ENVIRONMENT

When we get into a discussion of the global environment, two facts readily and powerfully strike us.

- 1) Global environment is inherently a complex entity
- 2) In the present juncture, many drastic changes are taking place in it.

The fact that global environment is inherently complex is easy to understand. After all, the various forces that govern it – global demographics, global economy, global competition, international trade functioning of MNC'S science and technology issues, policies of governments, international law – are all complex in themselves.

The second fact relates to change. Today, change is ubiquitous in all components of the environment. Economic order, social institutions, political frameworks and systems, science and technology, industrial and business scene are all going through massive change. In fact the world order as a whole is changing and the world community as a whole is facing the impact of the change.

THE ECONOMIC ENVIRONMENT

a) Contemporary Global Economy : In the recent years global economy has been in the midst of a substantial transformation. While America, Europe and Japan have become slow growth economies, Asia- China, and India in Particular – and Russia, have been surging forward in economic growth.

b) A dozen countries across the globe cross trillion-dollar GDP: The U.S. Japan, Germany, China, the U.K, France, Italy and India have breached the trillion -dollar GDP level. India joined the league in FY2008.

c) Asia, the world's fastest-growing consumer market: The IMF foretasted that in 2006 the total household spending in Asia would have risen by almost 7 percent in real times. In contrast, only 3 percent growth was projected in American consumption. Asia's consumer market already exceeds Americas' in terms of purchasing power parity.

ASSESSING FOREIGN MARKETS

In general, in considering global marketing, an organization faces five major types of decisions. First, before expanding the firm's operations overseas, is to determine whether the firm's resources are compatible with the foreign market opportunities. If the response to this first determination is affirmative, the second consideration is the market-selection decision, that is, which foreign market or markets to enter. The third decision concerns the mode of entry and operational consideration in the attractive markets. The fourth, the marketing mix decision, considers the appropriate product, promotion, price, and distribution programs for the selected markets. Finally, the marketing organization decision determines the best way for the firm to achieve and maintain control over its international business operations. Once a firm has prepared a list of promising markets to enter, the difficult task is to collect data related to the market potential and environmental forces of each country. Conducting research in the international market is difficult because of language diversity, general distrust of outsiders, high illiteracy rates in some countries, and the prevailing local customs.

ENTRY MODES

In general, companies select markets that rank high on market attractiveness. Among factors influencing market attractiveness are: high market growth potential, low political risk, favorable attitudes to foreign investment, and favorable competitive environment. Once a final decision is made about a

country to enter, companies have several entry options. The entry modes are classified into export, contractual, and investment entry modes.

EXPORTING

The export entry mode is either indirect or direct. With indirect exporting a company may use domestic or international intermediaries, such as domestic-based export merchants or agents, trading companies, brokers, local wholesalers, and retailers. Indirect exporting is perhaps the lowest risk type of international marketing. The main drawback of indirect marketing, especially through domestic-based export merchants, is that the company relinquishes most of its international marketing activities to the merchants. Companies eventually may decide to handle their own export activities.

With direct exporting a company also has several options. For example, it may establish a domestic-based export department or division to handle export activities. The company may also establish an overseas sales branch. Finally, the company may use foreign-based distributors who buy and sell the goods on behalf of the company. In direct exporting, the investment level and risk factors are somewhat greater, but so is the potential return.

CONTRACTUAL ENTRY

Contractual entry modes include licensing, turnkey construction contracts, and management contracts. Foreign licensing is a simple way of getting involved in international marketing. In licensing arrangements, a firm offers the right to use its intangible assets (manufacturing process, trade secrets, patents, company name, trademarks, or other items of value) to a licensee in exchange for royalties or some other form of payment. The licensor gains entry at little risk; the licensee gains production expertise or a well-known product or brand name. The major drawbacks of licensing are: (1) it is less flexible than exporting; (2) the firm has less control over a licensee than over its own exporting or manufacturing abroad; and (3) if sales are higher than expected, the licensor's profits are limited by the licensing agreement. A turnkey construction contract is a mode of entry that requires that the contractor make the project operational before releasing it to the owner. Management contracts give a company the right to manage the day-to-day operations of a local company. Here the domestic firm supplies the management know-how to a foreign company that supplies the capital. Entry strategy involves setting up a production subsidiary in a foreign country. Joint ventures involve a joint-ownership arrangement between a U.S. company, for example, and one in the host country to produce and market goods in a foreign market. The ultimate form of international involvement is direct ownership of foreign-based assembly or manufacturing facilities. If a company wants full control (and profits), it may choose this mode of entry. Companies new to international operations would be well advised to avoid this scale of participation because direct investment entails the highest risk. Among potential risks a firm may face is currency devaluation, worsening markets, or expropriation.

ADAPTATION STRATEGIES

STRAIGHT EXTENSION

In straight extension the same product is marketed to all countries (a "world" product), except for labeling and language used in the product manuals. The assumption behind this strategy is that consumer needs are essentially the same across national boundaries. Straight extension can be successful when products are not culture sensitive and economies of scale are present. The Philip Morris USA tobacco company used this strategy successfully with its Marlboro brand cigarette. The strategy has also been successful with cameras, consumer electronics, and many machine tools.

PRODUCT MODIFICATION

A product modification strategy keeps the physical product essentially the same; modifications, however, are made to meet local conditions or preference in package sizes or colors. Manufacturers of computers, copiers, cars, and calculators have been successful in using this strategy. Companies may develop a country-specific product. If this strategy is employed, the product is substantially altered or new products are produced across countries. For example, hand-powered washing machines have been successfully marketed in Latin America.

COMMUNICATION ADAPTATION

It is extremely difficult to standardize advertising across countries because of variations in economic, social, and political environments. Companies, however, can use one message everywhere, varying only the language or color. Marlboro and Camel cigarettes, for example, essentially use the same message in their international promotion programs. Transferability of an advertising message is still a difficult problem even when the primary benefits of the product remain intact across national boundaries. Some promotional blunders are well known to marketing students. Coors's slogan "Turn it loose" in Spanish was read by some as "suffer from diarrhea"; in Spain, Chevrolet's Nova translated as "it doesn't go"; and a laundry soap ad claiming to wash "really dirty parts" was translated in French-speaking Quebec to read "a soap for washing private parts."

DUAL ADAPTATION

The fourth strategy, dual adaptation, involves altering both the product and the communications. The classic example comes from National Cash Register, which manufactured a crank-operated cash register and promoted it to businesses in less-developed countries.

PRODUCT INVENTION

When products cannot be sold as they are, product invention strategy may be used. Ford and other automakers have sold completely different makes of cars in Europe than the ones they sell in the United States. Brewing companies have sold alcohol-free beer in countries where sales of alcoholic beverages are prohibited.

MARKETING ENVIRONMENT AND PROMOTION STRATEGIES

Marketing communication, or promotion, plays a very important role in marketing both domestic and international. Even if a product is very good, it may not achieve full success unless the promotion is appropriate and adequate. The word communication in marketing simply means the transmission of a message, to the buyer or the consumer or the channel of distribution in which the supplying company aims to tell each one of these receivers why they should buy or handle the product. Because of the difference in the marketing environment, promotion is often a very complex problem in international particularly in multinational, marketing. Promotion is an area where many marketers do blunders. Foreign countries have their own customs, traditions and practices regarding trade promotion, gift giving, ignoring them could be disastrous.

GENERAL APPROACHES TO IMPLEMENTATION OF INTERNATIONAL PROMOTION

- a) Full standardized: one product of Brand, Display and No Values
- b) Semi-standardized: one Brand, one advertising format with standard execution.
- c) One brand: one format using various methods of implementation.

- d) One or different brand names: one advertising format with different executions.
- e) One or different brand names: one platform with different executions
- f) Multi-local: act global, think local endorsement

PROMOTIONAL ISSUES

ADVERTISING THEMES

Many well-known international marketers have launched advertising campaigns that have proved ineffective because of cultural insensitivity.

MEDIA AVAILABILITY

Advertising media are either too scarce or too plentiful, depending upon the country. Governmental restriction on commercials limits access to television and sometimes radio in certain nations.

PERSONAL SELLING

International salespeople perform one or more of the three essential sales functions: 1) to promote the product or line to the trade, i.e., distributors or dealers., 2) to influence end users of the firm's offerings with the expectation that they will order more from distributors or dealers, and 3) to assist in identifying and solving the technical problems of buyers, especially those in industrial or engineering-based firms.

SALES PROMOTION

In an international context, trade fairs and shows are an especially important part of sales promotion. The most common trade fair is one where broad categories of products are shown, with representatives from many firms and nations.

PRICING DECISIONS

While pricing is a key decision in any business enterprise, domestic or international, it is especially complex in international marketing. Non price competition emphasizes product quality and features .plus service and repair, all projected via. Advertising and sales promotion.

SOME EXAMPLES OF PRODUCTS THAT FAILED BECAUSE OF PROMOTIONAL MISTAKES

- When Parker Pen marketed a ballpoint pen in Mexico, its ads were supposed to have read, "It won't leak in your pocket and embarrass you." Instead, the company thought that the word "embarazar" (to impregnate) meant to embarrass, so the ad read: "It won't leak in your pocket and make you pregnant"
- In Spain, when Coors Brewing Company put its slogan, "Turn it loose" into Spanish; it was read as "Suffer from diarrhea".
- When Pepsi started marketing its products in China a few years back, they translated their slogan, "Pepsi Brings You Back to Life" pretty literally. The slogan in Chinese really meant, "Pepsi Brings Your Ancestors Back from the Grave."
- Chicken magnate Frank Perdue's line, "It takes a tough man to make a tender chicken," sounds much more interesting in Spanish: "It takes a sexually stimulated man to make a chicken affectionate."
- We can't forget Chevrolet's attempt to launch the Nova -- Spanish translation, "Doesn't Go" -- in Mexico (turns out this one appears to be an urban legend and cannot be verified). Many sources on the Internet allege this is untrue.

HOW TO AVOID BUSINESS BLUNDERS ABROAD**a) PICKING THE PACKAGE**

Numerous problems result from the failure to correctly adapt packaging for local environments. Occasionally, only the color for the package needs to be altered to enhance a product's sales. White, for instance, symbolizes death in Japan and much in Asia; green represents danger or disease in Malaysia. Packages that prominently display a specific number increase the risk of consumer avoidance. A simple test market experiment, a brief survey, a few interviews with potential buyers, or a discussion with knowledgeable residents would have uncovered many of the problems.

b) CHANGING THE PRODUCT

In many instances product itself requires alteration. Food, beverages, and Tobacco products often need to be modified in order to accommodate the taste of local customers. Market tests can help to determine the appropriate blends. Not only can the taste of a product hinder sales, but occasionally its consistency or texture creates difficulties. Sometimes significant product modification is required to market products abroad. Products that are not modified to meet local needs may fail.

c) THE LANGUAGE BARRIER

A close examination of foreign markets and language differences is necessary and should be required before a product's domestically successful name is introduced abroad. Unfortunately this step is sometimes neglected in a company's enthusiasm to plunge into overseas marketing operations. Sometimes, the company or product name may require alteration because it conveys the wrong message in second language. Multinational companies have experienced many unexpected troubles concerning company or product names, and even attempts to alter names have led to blunders. It should have been evident that careful planning and study of the potential market is necessary because name adaptation can be every bit as important as product or package modification.

d) RESPECTING NATIONALISM

Many avoidable problems occur because managers are insensitive to the nationalistic feeling of the people of the host country. Except at the retail level, it is usually best for companies to maintain a low profile. Management should avoid any unnecessary comparisons that might reflect the home country management's belief that the host country is inferior.

e) OBSERVING LOCAL CUSTOMS

A lack of awareness of cultural differences or insensitivity to local customs can create problems. There are norms in each country, sometimes they are very strict. Since social norms vary so greatly from country to country, it is extremely difficult for any outsider to be knowledgeable of them all. Therefore local industry is vital in avoiding blunders. Many promotional errors could have been averted had this warning been heeded.

f) BE SURE IT TRANSLATES

Many International advertising errors are due to faulty translations. The translation should embody the general theme and concept rather than be an exact or precise duplication of the original slogan. Translators must be attuned to the local language and possible double meanings.

CONCLUSION

Companies can choose from among wide range of alternatives when deciding how to participate in markets around the world. At the same time, global markets are becoming riskier because of fluctuating exchange rates, unstable governments, high product-communication adaptation costs, and several other factors. Therefore, the first step in considering expanding to the overseas markets is to understand the international marketing environment. Second, the firm should clearly define its objective for international operations. Third, in considering which foreign markets to target, a firm must analyze each country's physical, legal, economic, political, cultural, and competitive environments. Once the target market or markets are selected, the firm has to decide how to enter the target market. Companies must next decide on the extent to which their product, price, promotion, and distribution should be adapted to each country. Finally, the firm must develop an effective organization for pursuing international marketing.

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