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Topic – Components of International Marketing Environment

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Topic – Components of International Marketing Environment.

Introduction.

International Marketing environment refers to the controllable and uncontrollable forces that influence upon the marketing decision making of a firm globally. International Marketing environment is comprised of those components which shape policies, programmes and strategies of an international marketer. An international firm must resort to systematic study of international marketing environment to collect the inputs of marketing decision making.

To serve the international markets effectively, a firm is in need of understanding international marketing environment properly. The needs, preferences and expectations of buyers in different overseas markets are not necessarily similar. The environmental differences influence the international marketing decisions of a firm.

The international marketing environment surrounds and impacts upon the organisation. Marketers aim to deliver value to satisfied customers, so they need to assess and evaluate the internal environment and the external environment which is subdivided into micro and macro.

Thus, there are mainly two components of international marketing environment:

1. Internal Environment
2. External Environment

1. Internal Environment:

Internal environment refers to the firm related factors. The firm related factors are referred to as controllable variables because the firm has control over them and can (relatively easily) change them as may be thought appropriate as its personnel, physical facilities, organisation and functional means such as marketing mix, to suit the environment.The internal environment of the company includes all departments, such as management, finance, research and development, purchasing, operations and accounting.

The ability of a firm to do international business depends on a number of internal factors like the mission and objectives of the firm; the organisational and management structure and nature; internal relationship between employees, shareholders and Board of Directors, etc.; company image and brand equity; physical assets and facilities; R&D and technological capabilities; personnel factors like skill, quality, morale, commitment, attitude, etc.; marketing factors like the organisation for marketing, quality of the marketing men and distribution network; and financial factors like financial policies, financial position and capital structure.

A useful tool for quickly auditing the internal environment is known as the Five Ms which are Men, Money, Machinery, Materials and Markets. Some might include a sixth M, which is minutes, since time is a valuable internal resource

2. External Environment:

External environment refers to the factors outside the firm. These factors are uncontrollable or we can say that these are beyond the control of a company. The external environmental factors such as the economic factors, socio-cultural factors, government and legal factors, demographic factors, geographical factors etc. are generally regarded as uncontrollable factors.

The external environment may further be divided in two parts:

a. Micro Environment and
b. Macro Environment.

a. Micro Environment:

The micro environment is made from individuals and organisations that are close to the company and directly impact the customer experience. They can be defined as the actors in the firm's immediate environment which directly influence the firm's decisions and operations. These include, suppliers, various market intermediaries and service organisations, competitors, customers, and publics. The micro environment is relatively controllable since the actions of the business may influence such stakeholders.

i. <u>Suppliers:</u>

Marketing managers must watch supply availability and other trends dealing with suppliers to ensure that product will be delivered to customers in the time frame required in order to maintain a strong customer relationship.

ii. <u>Marketing Intermediaries:</u>

Marketing intermediaries refers to resellers, physical distribution firms, marketing services agencies, and financial intermediaries. These are the people that help the company promote, sell, and distribute its products to final buyers. Resellers are those that hold and sell the company's product.

Physical distribution firms are places such as warehouses that store and transport the company's product from its origin to its destination. Marketing services agencies are companies that offer services such as conducting marketing research, advertising, and consulting. Financial intermediaries are institutions such as banks, credit companies and insurance companies.

iii. <u>Customers:</u>

Another aspect of microenvironment is the customers. There are different types of customer markets including consumer markets, business markets, government markets, international markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use or use in their household. Business markets include those that buy goods and services for use in producing their own products to sell.

iv. <u>Competitors:</u>

Competitors are also a factor in the micro environment and include companies with similar offerings for goods and services. To remain competitive a company must consider who their biggest competitors are while considering its own size and position in the industry. The company should develop a strategic advantage over their competitors.

v. <u>Publics:</u>

The final aspect of the micro environment is publics, which is any group that has an interest in or impact on the organisation's ability to meet its goals. For example, financial publics can hinder a company's ability to obtain funds affecting the level of credit a company has. Media publics include newspapers and magazines that can publish articles of interest regarding the company and editorials that may influence customers' opinions.

b. Macro Environment:

The macro environment is less controllable. The macro environment consists of much larger all-encompassing influences (which impact the micro environment) from the broader global society. The macro environment includes culture, political issues, technology, the natural environment, economic issues and demographic factors amongst others.

A number of factors constitute the international environment: social, cultural, political, legal, competitive, economic, and technology. Each should be evaluated before a company makes a decision to go international.

i. <u>Social/Cultural Environment:</u>

The social/cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between home country and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programmes. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

These include:

(a) Language,
(b) Colour,
(c) Customs and taboos,
(d) Values,
(e) Aesthetics,
(f) Time,
(g) Business norms,
(h) Religion, and
(i) Social structures.

Each is discussed in the following sections:

(a) Language:

there are almost 3,000 languages in the world. Language differences cause many problems for marketers in designing advertising campaigns and product labels. Language problems become even more serious once the people of a country speak several languages. i.e. In India, there are over 200 different dialects.

(b) Colours:

Colours also have different meanings in different cultures. For example, in Egypt, the country's national colour of green is considered unacceptable for packaging

(c) Values:

An individual's values arise from his moral or religious beliefs and are learned through experiences. For example, In India, the Hindu religion forbids the consumption of beef, and fast-food restaurants such as McDonald's and Burger King would encounter tremendous difficulties without product modification.

(d) Aesthetics:

The term aesthetics is used to refer to the concepts of beauty and good taste. The phrase, "Beauty is in the eye of the beholder" is a very appropriate description for the differences in aesthetics that exist between cultures. For example, Americans believe that suntans are attractive, youthful, and healthy. However, the Japanese do not.

(e) Time:

Americans seem to be fanatical about time when compared to other cultures. Punctuality and deadlines are routine business practices in many countries.

(f) Business Norms:

The norms of conducting business also vary from one country to the next. For example, in Russia business negotiations may take years While in Japan, business people have mastered the tactic of silence in negotiations.

(g) Religious Beliefs:

A person's religious beliefs can affect shopping patterns and products purchased in addition to his values. For example, women do not participate in household buying decisions in countries in which religion serves as opposition to women's rights movements.

ii. Political Environment:

The political environment abroad is quite different from that of India. Most nations desire to become self-reliant and to raise their status in the eyes of the rest of the world. The nationalistic spirit that exists in many nations has led them to engage in practices that have been very damaging to other countries' marketing organisations.

For example, foreign governments can intervene in marketing programmes in the following ways:
(1) Contracts for the supply and delivery of goods and services
(2) The registration and enforcement of trademarks, brand names, and labeling
(3) Patents
(4) Marketing communications
(5) Pricing
(6) Product safety, acceptability, and environmental issues

(a) Political Stability:
Business activity tends to grow and thrive when a nation is politically stable. When a nation is politically unstable, multinational firms can still conduct business profitably buttheir strategies will be affected.

(b) Monetary Circumstances:
The exchange rate of a particular nation's currency represents the value of that currency in relation to that of another country. Governments set some exchange rates independently of the forces of supply and demand. If a country's exchange rate is low compared to other countries, that country's consumers must pay higher prices on imported goods.

(c) Trading Blocs and Agreements:
A trade bloc is a type of intergovernmental agreement, often part of a regional intergovernmental organisation, where regional barriers to trade, (tariffs and non-tariff barriers) are reduced or eliminated among the participating states. Regional trading blocs represent a group of nations that join together and formally agree to reduce trade barriers among themselves.

iii. <u>Legal Environment:</u>
Legal environments are not just based on different laws and regulations concerning businesses, these are also defined by the factors like rule of law, access to legal systems by foreigners, litigations systems etc.
Key areas of business that are affected by legal environments are listed below:
(a) Laws concerning employment and labour affect managing of workforce in international markets.

(b) Different laws in foreign countries regulate financing of operations by foreigners. In some countries foreign firms are restricted access to local deposits/funds.
(c) Various countries around the world have different laws concerning marketing of products, especially food products, pharmaceuticals, hazardous materials and strategic products to a nation.
(d) Countries also control and regulate developing and utilising of technologies through various laws and regulations.
(e) Many countries also have different laws and regulations that affect ownership of businesses by foreigners.
(f) Countries also regulate /restrict remittances to foreign countries and repatriation of profits.
(g) Some countries regulate closing of operations and in some countries businesses are not allowed to close shop especially when they have sold products that have guarantees and warranties from the foreign firms.
(h) Various countries around the world have implemented different trade and investment regulations.
(i) Countries also have their own taxation requirements, systems and laws.
(j) Countries also differ on the accounting reporting requirements from various categories of firms.
(k) Countries around the world have also actively implemented environmental regulations that affect businesses.

iv. Technological Environment:

New technologies create new markets and opportunities. However, every new technology replaces an old technology. Thus, the marketer should watch the technological environment closely. Companies that do not keep up with technological changes, soon find their products outdated
.

Consider some of the following technologically related problems that firms may encounter in doing business overseas:
(a) Foreign workers must be trained to operate unfamiliar equipment.
(b) Poor transportation systems increase production and physical distribution costs.
(c) Maintenance standards vary from one nation to the next.
(d) Poor communication facilities hinder advertising through the mass media.
(e) Lack of data processing facilities makes the tasks of planning, implementing, and controlling marketing strategy more difficult.

v. Economic Environment:

The international marketer tries to understand economic environmental variables of the global markets for identifying the right marketing opportunities for the enterprise.

The economic environment is comprised of the following economic variables:
(a) National Income
(b) Gross Domestic Product (GDP)
(c) Industrial Structure
(d) Currency floating (Open/fixed) issue
(e) Demand patterns
(f) Balance of Payment (BOP) status
(g) Economy base (Import/Export)
(h) Rate of Economic Growth
(i) Occupational Pattern
(j) State of Inflation
(k) Consumer Mobility.

vi. Competitive Environment:
To plan effectively international marketing strategies, the international marketer should be well-informed about the competitive situation in the international markets.
By competitive environment we mean the following variables:
(a) Nature of competition
(b) Players in the competition
(c) Strategical weapons used by the participants
(d) Competition regulations

Following are the ways an international marketer can handle competition:
(i) Proper knowledge about the competitors
(ii) Knowledge of competitors' objectives
(iii) Knowledge of competitors' strategies
(iv) Knowledge of competitors' reaction patterns
(v) Knowledge of competitors' strengths and weakness.

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short answer type Questions.
1.What is International Marketing Environment ?.
2.Explain the internal component of International Marketing Environment.

Long Answer type Question.
Discussed the Components of International Marketing Environment.

End

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