

1.4: The Motivation for International Marketing

Learning Objectives

After reading this section, students should be able to ...

1. appreciate why firms enter international markets
2. explain why firms may want to avoid entering international markets

Reasons for entering international markets

Many marketers have found the international marketplace to be extremely hostile. A study by Baker and Kynak, for example, found that less than 20 per cent of firms in Texas with export potential actually carried out business in international markets. But although many firms view in markets with trepidation, others still make the decision to go international. Why?

In one study, the following motivating factors were given for initiating overseas marketing involvement (in order of importance):

- large market size
- stability through diversification
- profit potential
- unsolicited orders
- proximity of market
- excess capacity
- offer by foreign distributor
- increasing growth rate
- smoothing out business cycles

Other empirical studies over a number of years have pointed to a wide variety of reasons why companies initiate international involvement. These include the saturation of the domestic market, which leads firms either to seek other less competitive markets or to take on the competitor in its home markets; the emergence of new markets, particularly in the developing world; government incentives to export; tax incentives offered by foreign governments to establish manufacturing plants in their countries in order to create jobs; the availability of cheaper or more skilled labor; and an attempt to minimize the risks of a recession in the home country and spread risk.

Reasons to avoid international markets

Despite attractive opportunities, most businesses do not enter foreign markets. The reasons given for not going international are numerous. The biggest barrier to entering foreign markets is seen to be a fear by these companies that their products are not marketable overseas, and a consequent preoccupation with the domestic market. The following points were highlighted by the findings in the previously mentioned study by Barker and Kaynak, who listed the most important barriers:

- too much red tape
- trade barriers
- transportation difficulties
- lack of trained personnel
- lack of incentives
- lack of coordinated assistance
- unfavorable conditions overseas
- slow payments by buyers
- lack of competitive products
- payment defaults
- language barriers

It is the combination of these factors that determines not only whether companies become involved in international markets, but also the degree of any involvement.

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