

## 15.2: Writing the International Marketing Plan

### Learning Objectives

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

- outline the decision sequence in international marketing
- explain how the marketing mix elements are integrated in the international marketing plan

### The International marketing plan

It should be apparent by now that companies and organizations planning to compete effectively in world markets need a clear and well-focused international marketing plan that is based on a thorough understanding of the markets in which the company is introducing its products. The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research, and an understanding and accurate evaluation of what is required to achieve the competitive advantage. As such, the decision sequence in international marketing is much larger than that of domestic markets. As noted in the next “Integrated marketing”, it is also more complicated.

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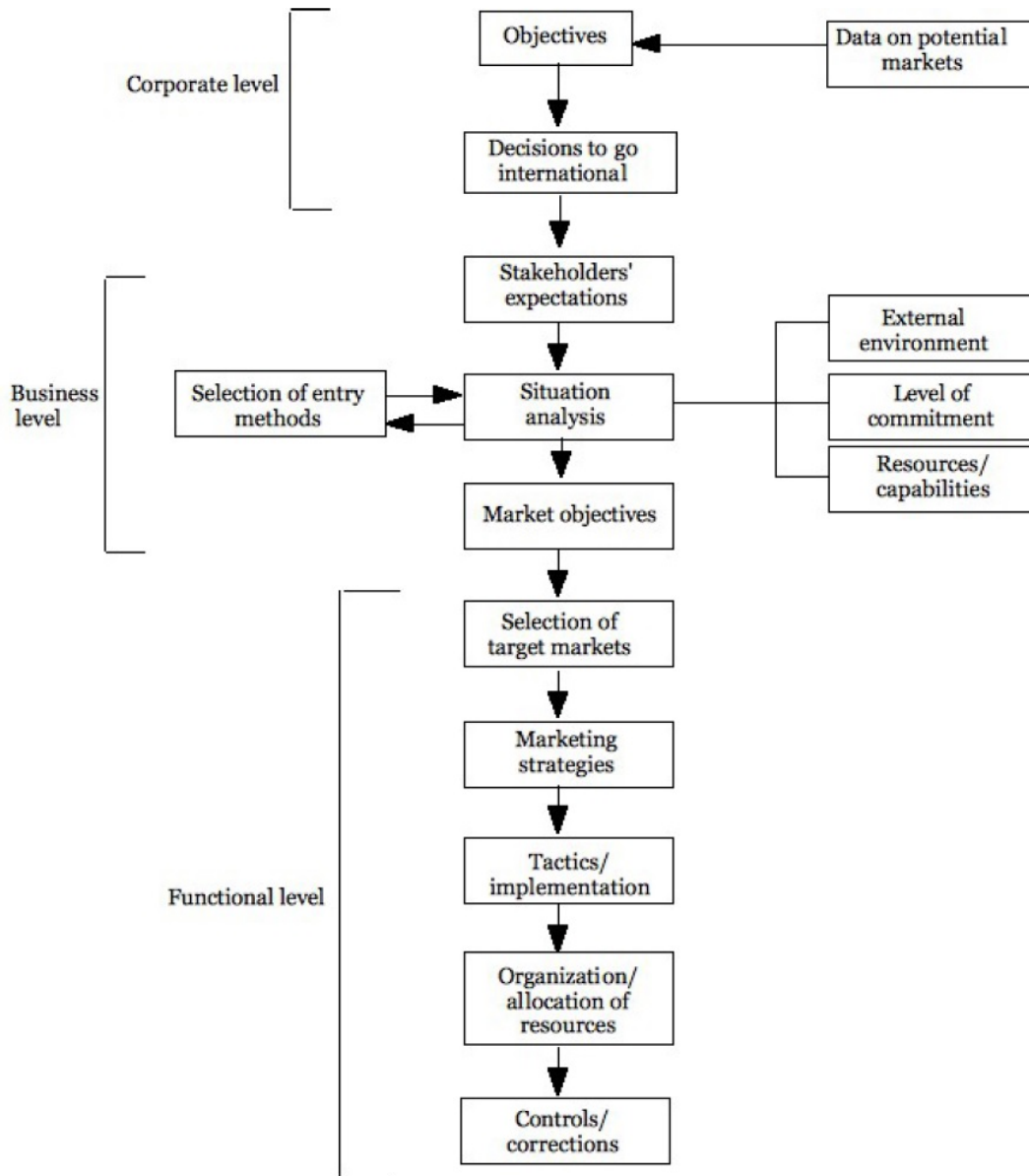


Figure 15.2.1: The decision sequence in international marketing

### The corporate level

We begin at the corporate level, where firms decide whether to become involved in international markets and determine the resources they are willing to commit. Thus, this stage is primarily concerned with the analysis of international markets. Decisions here will be dependent on matching the results of that analysis with the company's objectives. These objectives, in turn, will be

determined by the many motivating factors we have discussed in the earlier sections. The level of resources that the company is willing to commit should be determined by the strategy that is needed to achieve the objectives that have been set.

## The business level

Business-level considerations begin with the assessment of the stakeholders involved in the business. It is important to clearly identify the different stakeholder groups, understand their expectations, and evaluate their power, because the stakeholders provide the broad guidelines within which the firm operates. In the case of international marketing, it is particularly important to address the concerns of the stakeholders in the host company.

The situation analysis concerns a thorough examination of the factors that influence the businesses' ability to successfully market a product or service. The results lead to a realistic set of objectives. Conducting a situation analysis in an international setting is a bit more extensive. It not only includes the normal assessment of *external environmental* factors and *resources /capabilities*, it also includes a determination of the *level of commitment* exhibited by the business, as well as possible methods of entry. These last two factors are interrelated in that a company's level of commitment to international markets will directly influence whether they employ exporting, a joint venture, or some other method of entry.

In turn, level of commitment and method of entry are influenced by the evaluation of environmental factors as well as resources and capabilities. The latter audits not only the weaknesses of the company, but also the strengths of the company, which are often taken for granted. This is particularly important in international markets; for example, customer brand loyalty may be much stronger in certain markets than others, and products may be at the end of their life in the domestic market but may be ideal for less sophisticated markets. It is important, too, to evaluate the capacity of the firm to be flexible, adaptable, and proactive, as these are the attributes necessary, for success in a highly competitive and rapidly changing world.

Undoubtedly, environmental factors have received the most attention from marketers considering international markets.

### ? Integrated Marketing

#### Going Global takes Coordination

Importing technology and the evolution of a global economy has made global marketing a reality for many American companies. Larger corporations are not alone in their pursuit of business abroad: the US Department of Commerce reports that 60 per cent of American firms exporting products today have fewer than 100 employees. American businesses have plenty of reasons to market their products in other countries. According to consulting firm Deloitte and Touche, about 95 per cent of the world's population and two-thirds of its total purchasing power are currently located outside the US.

Moreover, the decision to distribute products in other countries not only opens new markets, but can also greatly expand a company's business. For example, if a US bicycle manufacturer focuses only on the US market, it loses the opportunity to increase revenues in countries where bicycles are a primary mode of transportation. Global marketing can also breathe life into a foundering product, and may even extend its lifespan. Additionally, a foreign product often can command a higher price simply because consumers around the world expect foreign items to cost more.

However, implementing a global strategy requires a great deal of coordination. For example, many companies that have successfully built a strong brand in the US have found that their domestic identity has little, if any, impact in markets where they are relatively unknown. An advertising campaign is one way to deal with this problem. Attaching your corporate identity to a known, respected entity in your target market is another. When FedEx, for example, wanted to increase its name recognition in Europe, the company teamed with clothing manufacturer Benetton, an established name there. FedEx sponsors one of Benetton's formula racing cars in Europe.

Karen Rogers, manager of key customer marketing at FedEx, added that sponsoring events domestically or internationally also gives a company the opportunity to meet with perspective customers in a social setting and affords a series of spin-offs, such as promotions and product giveaways.

In distributing products globally, many American corporations team with large multinational companies that do not offer competitive products but have the resources and expertise to distribute and market those goods. This can be a cost-effective alternative to setting up operations outside the US.

Many small and mid-sized companies that are uncertain whether to open operations in another country investigate the possibility of using an export management company. These companies typically provide services that range from research to

## The functional level

Having set the objectives for the company, both at the corporate level and the business level, the company can now develop a detailed program of functional activities to achieve the objectives. Following the integrated approach employed throughout this text, each of the functional elements (e.g. finance, human resources, research) must be considered jointly. The best international marketing strategy is doomed to failure if human resources can not find and train the appropriate employees, or research cannot modify the product so that it is acceptable to consumers in another country. Ultimately, this coordination between business functions is contingent on the market entry strategy employed as well as the degree of standardization or customization deemed.

Having integrated at the function level, we next consider integration of the marketing mix elements.

## Product/promotion

Keegan (11) has highlighted the key aspect of marketing strategy as a combination of standardization or adaptation of product and promotion elements of the mix and offers five alternative and more specific approaches to product policy:

- One product, one message, worldwide. While a number of writers have argued that this will be the strategy adopted for many products in the future, in practice only a handful of products might claim to have achieved this already.
- Product extension, promotion adaptation. While the product stays the same this strategy allows for the adaptation of the promotional effort either to target new customer segments or to appeal to the particular tastes of individual countries.
- Product adaptation, promotion extension. This strategy is used if a promotional campaign has achieved international appeal, but the product needs to be adapted because of local needs.
- Dual adaptation. By adapting both products and promotion for each market, the firm is adopting a totally differentiated approach.
- Product invention. Firms, usually from advanced nations, that are supplying products to less well-developed countries adopt product invention.

Another critical element that is closely aligned with the product and promotion is the brand. Anthony O'Reilly, Chairman of H J Heinz, believes that the communications revolution and the convergence of cultures have now set the stage for truly global marketing. The age of the global brand is at hand. For example, Heinz was looking to expand its 9 Lives cat food brand and Morris the Cat logo into Moscow. Although it is a stable and successful brand in the US, testing and research done by Dimitri Epimov, a local marketing manager in Moscow, led Heinz executives to make a marketing change to ensure the product's success in Russia. Namely, a fatter-looking Morris was created for packaging. Another discovery: while Americans tend to treat their kitties with tuna, Russian cat lovers prefer to serve beef-flavored food.

As discussed earlier, product positioning is a key success factor and reflects the customer's perceptions of the product or service. However, in countries at different stages of economic development, the customer segments that are likely to be able to purchase the product and the occasions on which it is bought may be significantly different.

For example, while Kentucky Fried Chicken (KFC) and McDonald's restaurants aim at everyday eating for the mass market in the developed countries, in less-developed countries they are perceived as places for special-occasion eating, and are beyond the reach of the poorest segments of the population. The product positioning, therefore, must vary in some dimensions. In confirming the positioning of a product or service in a specific market or region, it is therefore necessary to establish in the consumer perception exactly what the product stands for and how it differs from existing and potential competition by designing an identity that confirms the value of the product.

## Pricing

Pricing products in foreign nations is complicated by exchange rate fluctuations, tariffs, governmental intervention, and shipping requirements. A common strategy involves a marketer setting a lower price for their products in foreign markets. This strategy is consistent with the low income levels of many foreign countries, and the lower price helps to build market share. Pricing strategies are also strongly influenced by the nature and intensity of the competition in the various markets.

For these reasons, it is important to recognize at the outset that the development and implementation of pricing strategies in international markets should follow the following stages:

1. Analyzing the factors that influence international pricing, such as the cost structures, the value of the product, the market structure, competitor pricing levels, and a variety of environmental constraints.
2. Confirming the impact the corporate strategies should have on pricing policy.
3. Evaluating the various strategic pricing options and selecting the most appropriate approach.
4. Implementing the strategy through the use of a variety of tactics and procedures to set price.
5. Managing prices and financing international transactions.

Perhaps the most critical factor to be considered when developing a pricing strategy in international markets, however, is how the customers and competitors will respond. Nagle (12) has suggested nine factors that influence the sensitivity of customers to prices, and all have implications for the international marketer. Price sensitivity reduces:

The more distinctive the product is;

- the greater the perceived quality;
- the less aware consumers are of substitutes in the market;
- if it is difficult to make comparisons;
- if the price of a product represents a small proportion of total expenditure of the customer;
- as the perceived benefit increases;
- if the product is used in association with a product bought previously;
- if costs are shared with other parties;
- if the product cannot be stored.

Finally, there are several inherent problems associated with pricing in international markets. Often companies find it difficult to coordinate and control prices across their activities in order to enable them to achieve effective financial performance and their desired price positioning. Simply, how can prices be coordinated by the company across the various markets and still make the necessary profit? Difficulty answering this question has led to two serious problems.

*Dumping* (when a firm sells a product in a foreign country below its domestic price or below its actual costs) is often done to build a company's share of the market by pricing at a competitive level. Another reason is that the products being sold may be surplus or cannot be sold domestically and are therefore already a burden to the company. When companies price their products very high in some countries but competitively in others, they engage in a gray market strategy.

A *gray market*, also called *parallel importing*, is a situation where products are sold through unauthorized channels of distribution. A gray market comes about when individuals buy products in a lower-priced country from a manufacturer's authorized retailer, ship them to higher-priced countries, and then sell them below the manufacturer's suggested price through unauthorized retailers.

Considerable problems arise in foreign transactions because of the need to buy and sell products in different currencies. Questions to consider are: What currency should a company price its products? How should a company deal with fluctuating exchange rates?

Finally, obtaining payment promptly and in a suitable currency from less developed countries can cause expense and additional difficulties. How should a company deal with selling to countries where there is a risk of nonpayment? How should a company approach selling to countries that have a shortage of hard currency?

## Distribution and logistics

*Distribution channels* are the means by which goods are distributed from the manufacturer to the end user. *Logistics*, or physical distribution management, is concerned with the planning, implementing, and control of physical flows of materials and final goods from points of origin to points of use to meet customer needs at a profit.

Essentially there are three channel links between the seller and buyer. The first link is the seller's headquarters organization, which is responsible for supervising the channel, and acts as part of the channel itself. Channels between countries represent the second link. They are responsible for getting products to overseas markets and payment in return. Finally, the third link is the channel structure (logistics) within countries, which distributes the products from their point of entry to the final consumer.

Distribution strategies within overseas markets are affected by various uncontrollable factors. First, wholesaling and retailing structure differs widely from one nation to the next. So, too, does the quality of service provided. Differences in the size and nature of retailers are even more pronounced. Retailers more closely reflect the economic conditions and culture of that country; many small retailers dominate most of these countries. Physical distribution to overseas markets often requires special marketing planning. Many countries have inadequate docking facilities, limited highways, various railroad track gauges, too few vehicles, and

too few warehouses. Managing product inventories requires consideration of the availability of suitable warehousing, as well as the costs of shipping in small quantities.

### ? Review

1. The international marketing plan includes concern for:
  - a. corporate level considerations-determining the resources to be allocated
  - b. business level considerations, including:
    - i. assessment of stakeholders
    - ii. the situation analysis
  - c. functional level considerations that delineate the various activities that will achieve objectives

### Source

Section 13.2 Writing the International Marketing Plan is adapted from the chapter 'Chapter 2 Marketing in global markets' from the textbook 'Introducing Marketing, First Edition, 2011' authored by John Burnett – this book was published under The Global Text Project, funded by the Jacobs Foundation, Zurich, Switzerland.

The following changes were made to the most recent edition: Divided 'Chapter 2: Marketing in Global Markets' into three sections; Removed Case application Unilever's global brand at end of Chapter 2; Added learning objectives.

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