International Business Economics

8. Global Marketing and R&D

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The Marketing Mix

- **Marketing mix** is the set of choices the firm offers to its targeted markets:

1. **Product attributes**
2. **Distribution strategy**
3. **Communication strategy**
4. **Pricing strategy**
    - Many firms vary their marketing mix from country to country (differences in national culture, economic development, product standards, etc.)

https://www.youtube.com/watch?v=DqTzxGJRINo

Market Segmentation

Market segmentation

- By geography, demography, socio-cultural factors, psychological factors…
- Segmentation in design of the product, pricing strategy, distribution channels, communication strategy, etc. (i.e. car models)

- <u>If there are differences between countries</u>: a **unique marketing mix**
- When there are <u>important similarities</u> across countries: a **global strategy**

Product attributes

- Consumer needs can vary from country to country. They depend on:

1. **Culture**: tradition, social structure, language, religion, education

   (I.e., Nestlé-Findus and frozen foods)

2. **Level of economic development**: a lot of extra attributes or more basic products

   (I.e., extra attributes vs reliability in cars)

3. **Product and technical standards** (I.e., different technical standards for TV and video equipment)

Distribution

- **Distribution strategy**
- Depends on market entry strategy
  - Firms that produce locally: sell to a wholesaler, to a retailer or directly to the consumer
  - Firms that produce outside the country: can also sell to an import agent

Distribution

- **Differences** between countries:

1. **Retail concentration**: concentrated or fragmented
2. **Channel length** (number of intermediaries)
3. **Channel exclusivity** (i.e., space in supermarkets)
4. **Channel quality** (expertise, competencies and skills of retailers)

Distribution

- If price is important, a shorter channel may be better
- If the retail sector is fragmented, a long channel may be beneficial

Communication

- Depends partly on the choice of channel
- **Communication channels:**
  - Direct selling
  - Sales promotion
  - Direct marketing
  - Advertising

Communication

International communication occurs whenever a firm uses a marketing message to sell its products in another country

- The **effectiveness** of international communication depends on:
  - **Cultural barriers**
  - **Source effects**: consumer' evaluation based on status or image of the sender of the message

    Country of origin effects
  - **Noise levels:** other messages competing for consumer's attention

Communication
Standardized advertising

- **Reasons**:
  - Economic advantages
  - Use of scarce creative talent
  - Global brand names

- **Problems**:
  - Cultural differences
  - Advertising regulations (I.e. Kellogg)

Pricing strategy

International pricing strategy

- **Price discrimination:** charging different prices in different countries for the same or similar product
  - <u>Separation of markets</u> and arbitrage. I.e., Ford Escort in the EU
  - <u>Price elasticity of demand</u>: higher prices where it is inelastic.

    Income level, competitive conditions, etc.

Pricing strategy

International pricing strategy:

- Price discrimination: different prices in different countries for a similar product
- **Strategic pricing**
  - **Predatory pricing**: the use of price as a competitive weapon to drive weaker competitors out of a national market (i.e., using profitable positions in other markets).
  - **Multi-point pricing**: a firm's pricing strategy in one market may have an impact on its rivals' pricing strategy in another market (i.e., Kodak and Fuji)
  - **Experience curve pricing:** pricing low worldwide for building global sales volume as rapidly as possible

Regulations that affect pricing decisions

- Antidumping regulations.

  Dumping: when a firm sells a product for a price lower than the cost of producing it
- Competition policy

- **Standardization versus customization** is not an “all or nothing” concept
  - Most firms standardize some things and customize others

    I.e.: McDonald’s, apparently the same product, but different menus, different accessibility, etc.
- To consider the costs and benefits of standardizing and customizing each element of the marketing mix

Activity 1

MARKETING TO BLACK BRAZIL

QUESTIONS:

- Which are the main characteristics of the black population in Brazil that could be of interest for the marketing strategy of a firm?
- Can be ethnicity a dimension for market segmentation in Brazil, the US and Africa? Can it justify a global marketing strategy?
- Form multinational groups of 3-4 persons. Select one product by group.
  - Individually (each person), select three dimensions for market segmentation in your country.
  - Then, in groups, compare your choices and discuss if you can build a common marketing strategy for both (or all of the) countries.

Activity 2

DOVE'S "REAL BEAUTY" CAMPAIGN

QUESTIONS

- Which was the strategic objective of the company?
- How did the firm implement it?
- Was it a global standardized communication strategy?
- Did it take into account local sensibilities?

Activity 3

LEVI STRAUSS GOES LOCAL

QUESTIONS

- Which had been the traditional marketing strategy by Levi Strauss before the late 1990s? Which was its objective?
- Which was the objective of the change in the strategy/Marketing mix implemented from the late 1990s?
- In which aspects of the Marketing mix was this change reflected? Put examples for each case

Reference

- Hill, Charles W. L. (2014): *International Business. Competing in the global marketplace, 10th edition*. Emerald Group Publishing Limited.