1.8 ANSWERS TO CHECK YOUR PROGRESS

A.4	i) d	ii) c	iii) e	iv) a	v) b
A.5	i) False	ii) False	iii) True	iv) True	v) True
B.4	i) True	ii) True	iii) False	iv) True	v) False
C.4	i) False	ii) True	iii) True	iv) False	
D.3	i) True	ii) True	iii) False	iv) True	

1.9 TERMINAL QUESTIONS

1) Define marketing and explain its implications. Explain how marketing is different from selling.

2) What are the marketing concepts? Explain the process of evolution of these concepts.

3) What is the consumer's place in modern marketing?

4) What is marketing mix? Explain the components of marketing mix.

5) What do you understand by the strategic concept of marketing ? How it is different from marketing concept? Explain the basic principles of strategic marketing.

6) Why do firms go international? Explain with the help of examples from Indian context.

7) Imagine that you are serving is a marketing manager in a domestic firm which is not very keen to go international despite good business opportunites overseas. Write a note to the president of the firm explaining the importance of international marketing and the involvement and commitment the company would be received to make for entering international markets.

UNIT 2 INTERNATIONAL MARKETING ORIENTATION AND INVOLVEMENT

Structure

2.0 Objectives

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2.2 International Marketing Management Process

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- 2.2.2 Market Selection
- 2.2.3 Product Selection
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2.3 International Marketing Orientation

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2.4 International Marketing – India's Experience

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2.5 Let Us Sum Up

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2.7 Answers to Check Your Progress

2.8 Terminal Questions

2.0 OBJECTIVES

After studying this unit, you should be able to :

- describe the step by step process involved in international marketing
- analyse the factors that may be considered for market, product, entry mode and strategy selection for export
- explain different types of orientation that a company may have to its international marketing operations
- discuss the implications of each type of orientation on different areas of business and the conditions under which each orientation can be applied
- analyse the relationship between a company's characteristics and its orientation towards international business
- evaluate the changes that have taken place in the domestic and international marketing environments from the point of view of an Indian company
- discuss the response of the Indian corporate sector to the changes in environment as reflected in their orientation towards international operations.

2.1 INTRODUCTION

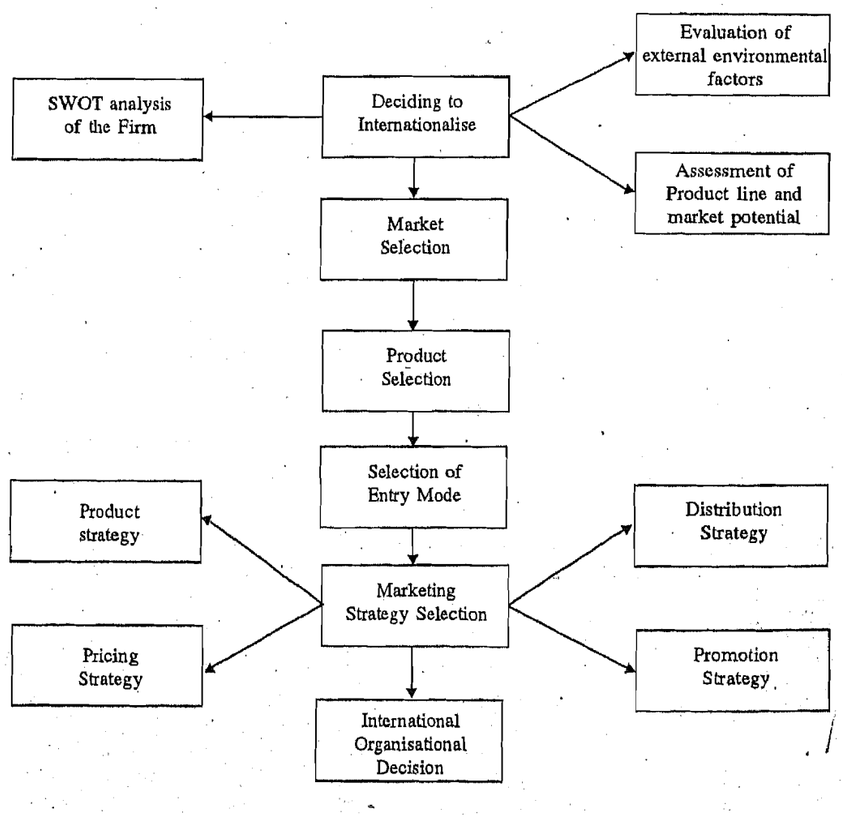
A large number of products are exported to a large number of countries every day by a large number of companies. This, however, does not mean that a company can hope to export any product to any overseas country any time it wants. Careful planning should precede selection of the most appropriate export market, export product, market entry technique and marketing strategy, taking into account various factors on the demand and supply sides.

One of the major decisions that a company has to take relates to the type of orientation that it should have to its international operations. Some firms may treat export markets as mere extensions of domestic market and hence may deploy the same techniques that they deploy in domestic marketing to export marketing also. Some others may treat each market differently from the others and hence may design specific strategies for each market, while some other companies, taking into account the common characteristics of a geographical region, may design region oriented strategies. Finally, there are companies which consider the entire world as one market and design global strategies that are applied uniformly in all the countries, including the home country. In this unit, you will learn the step by step process involved in international marketing, the EPRG framework and India's experience in the international marketing.

2.2 INTERNATIONAL MARKETING MANAGEMENT PROCESS

International marketing management may be defined as the analysis, planning, implementation and control of programmes designed to create, build and maintain beneficial exchanges with the target buyers in overseas markets for the purpose of achieving organisational objectives. Thus, conceptually the job of the management may be the same as in domestic marketing i.e. maintaining beneficial exchanges with target buyers. The differences may arise in the application of techniques to achieve the objectives, because of the possible differences between the overseas and domestic environments. These differences may warrant appropriate modifications in the techniques, that are applied in domestic marketing to suit the overseas environment. The success of a firm in international marketing depends on how correctly it determines the wants and desires of the overseas target market segments and delivers the desired satisfaction more effectively than the competing firms.

Figure 2.1: Steps Involved in the International Marketing Process



A large number of products are internationally traded every day and a large number of companies undertake export-import business. This does not mean that every company can export every product every day to every overseas country. Each company has its own strengths and weaknesses and the environment is full of opportunities and threats. Thus, once a company has decided to venture into overseas marketing, it should undertake a careful scanning of the domestic and overseas environments and attempt to arrive at the best fit between the company and the environments. Let us discuss the major steps in the process of international marketing. Look at Figure 2.1 which shows all the steps involved in the international marketing decision making process.

2.2.1 Deciding to Internationalise

The first question arises whether the firm should internationalise its operation or not? You have already learnt in Unit 1 that why a firm enter into international marketing activities? It is obvious that the benefits of international marketing attract the firm to expand its operations. At the same time, the risks associated with the international operation poses a threat to the firm. Therefore, the firm requires to evaluate the international strengths, weaknesses, opportunities and threats. If the SWOT analysis is favourable to the firm, it may decide to venture into the foreign market. The characteristics of the product line, buyer's behaviour and preferences are minutely assessed. The necessary adaptation strategy may be decided to enhance the acceptability of the product. The analysis of environmental factors is another important task before the firm. The firm must evaluate the social, political, economic, legal and technical differences prevalent in the global market. The capability of the firm to manage these differences would be helpful in sustaining in the foreign market.

2.2.2 Market Selection

Once the company has set its international marketing objectives, in the light of the outcome of environmental scanning, it should start identifying its target customers i.e. select its overseas market. A number of criteria may be used in this selection process, some of which are discussed below. You will learn them in detail in Unit 5.

A company may select its target markets on the basis of geographical proximity since it would be able to reach the product fast to a nearby country and service the market quickly and more effectively. For instance, an Indian company of small or medium size may choose markets in South Asia, South East Asia or Gulf since they are geographically closer to India than markets in Europe or Latin America. Incidentally, this has also the advantage of low transportation cost with its attendant impact on the price of the product.

There are instances where, inspite of geographical proximity, it may be difficult to reach products to nearby countries due to lack of sufficient and convenient sea, air, rail and road linkages. In such cases, a company may go in for relatively distant markets on the basis of more efficient and convenient logistics. Thus, though, geographically Myanmar is very close to India, many Indian companies find it difficult to export to that country mainly because of inadequate direct shipping and air links with that country. Conversely, though USA and West European countries are not located geographically close to India, adequate shipping and air links with these countries make it easier for Indian firms to export to these countries. Incidentally, one of the major reasons for the low level of Indo-South American trade is the huge geographical distance and the lack of adequate shipping and air links between India and South American countries.

A second criterion that a firm may use in market selection is the market potential of the country as evidenced by its prosperity, the size and growth of its imports etc. It is a fact that the industrialised West, comprising North America and West Europe, account for more than 50% share in global imports. Besides, Japan, Hong Kong, China, South Korea and Singapore are among the first ten leading importing nations of the world. Not only are the developed countries imports substantial and growing, they also do not face much of balance of payments problems or shortage of foreign exchange. These countries offer substantial potential for a number of products and a firm will be fully justified in selecting one or more of these countries as prospective market(s) for its products.

"Market access" can be another yardstick in market selection. It is not enough if a country is rich and its imports are large and growing. It is quite likely that the growth in

imports is limited to certain product(s)/groups and/or to certain countries. The country's import policy may be biased in favour of certain items and/or certain countries. There may be a number of tariff and non-tariff barriers on imports from certain countries and/or of certain products. It is a proven fact that trade blocs favour imports from member countries and so is the case with trade arrangements among countries. There are a number of trade preferential arrangements operating in the world today and it is advisable for a company to choose countries which do not discriminate against the country of the firm and whose import policy is not restrictive. On the positive side, a company will stand to gain if it selects countries with which the home country enjoys good political and economic relationship and, perhaps, some preferential trading arrangement also and, in any case, with least restrictions on imports.

The other yardstick that a company may use in market selection relates to the market characteristics of the country. For instance, some small firms may like to select small countries in terms of population size and try to get as much penetration as possible into the markets rather than fritter away their limited resources in covering large countries. Some others may be satisfied with marketing the requirements of ethnic population in certain countries for home made products. For example, there are many Indian firms who export typical Indian items such as papad, betal nut, spices, agarbatti, instant sambar powder etc., to Indian population in North America, West Europe, West Asia and South East Asia. There are also instances of Indian firms selecting English speaking countries as their markets, for reasons of easy and effective communication. Many companies consider political and economic risks, particularly payment problems, as major criteria for market selection.

2.2.3 Product Selection

A firm should undertake product selection exercise along with market selection exercise. The considerations that a company may take into account in selecting product(s) for export will include the following:

Elasticity of supply should be a major consideration in selecting product(s) for export i.e. either due to natural resource endowment or acquired skills and assets, the company should not face any supply constraint in exporting the product(s). For instance, India is able to make a mark in the export of items such as tea, cotton textiles, minerals, marine products, basmati rice, and leather because of natural resource endowment. Items like cashew kernels, diamonds, handicrafts, computer software, engineering goods, chemicals and drugs are being exported by many Indian firms because of acquired skills and assets. A company may also select a product because the product is unique i.e. it has developed it by research and development and it is likely to take time before competitors come out with a suitable substitute. There have been instances of small sized Indian companies succeeding in selling environmentally friendly products and packages developed by them in export markets. Designs and styles in personalised products such as garments and shoes developed by companies also fall in this category. In any case, it would not be advisable for a company to depend excessively for export earnings, on products which are heavily import dependent. In such cases, imported inputs are required in substantial quantities and supplies of imported inputs may be affected due to shortage of foreign exchange or change in the import policy of the importing country or shortage of supplies or change in the export policy of the exporting country/countries. For instance, India's exports of cashew kernels is dependent, to some extent, on imported raw nuts and, whenever there is a decline in the availability of imported nuts, it has its impact on exports of cashew kernels from India. So is the case with exports of silk goods from India, in the production of which, imported raw silk from China is used. It is normal for exports of import dependent products to move up and down with positive and negative changes, respectively, in the country's import policy and procedures.

Another method would be to approach the problem of product selection from the demand side, i.e. to identify the products that are in demand, and likely to continue to be in demand, in an overseas country and then try to export these products to the identified country(s). This would call for incisive analysis of a country's imports and production of various commodities including substitutes and the likely future policies and plans regarding such commodities. The company may then select such products, on the imports of which the country is likely to depend to meet its requirements, at least for a reasonable period of time to come, and then try to export such products.

A third method would be to select products which face minimum import restrictions in select overseas markets, so that market access does not pose much of a problem. Though the different criteria for product selection have been discussed one by one, they are, by no means, exclusive. All of them are inter-dependent and hence must be considered together. In practice, it will be noticed that products whose imports are growing are the ones with minimum import restrictions as otherwise, their imports would not be growing. Care, however, should be taken to check that the growth in imports is not confined only to some countries, since such growth may be due to some special factors such as membership of a trade bloc or trade agreement. For instance, growth in imports of the European Union countries, of a number of products, is accounted for by intra-trade, and not extra-trade of the union. In such a situation, overall growth in imports of a particular product of the European Union is of little consequence to a non-member country.

2.2.4 Selection of Entry Mode

Another major responsibility of the management is to decide on the mode of entering the selected market(s). The management may decide on one or more of the various options available to it while deciding on the mode of entry. While this subject area is dealt with, in detail, in Unit 6, some broad parameters are indicated in this unit.

A company may enter the identified overseas market(s) through indirect export i.e. through merchant exporters/export house/trading house/buying house or in cooperation with like minded other firms or it may itself undertake export marketing operations. Moving away from the above options, a firm may get involved more in international business by moving the production operation to the export market, through assembly operations, licensing arrangements, contract manufacturing, joint ventures or 100% ownership. Each one of the above methods has its own advantages and disadvantages, which are discussed in detail, in Unit 6.

It must be emphasised that selection of entry mode is dependent on the nature of the company, its corporate objectives, the nature of the product and the nature of the market. For instance, a small company with limited resources, which is just entering export business, may like not to expose itself to major risks and hence may route its exports through merchant exporter, export house etc. On the other hand, an established firm, which can command more resources and is prepared for more risks, may prefer to undertake exports on its own or may even go in for overseas production. Again, if there are severe import restrictions but foreign investment is welcomed in a country, there may be no option but to produce the product in the country of consumption. Availability of local companies for partnership in joint ventures, licensing arrangements etc. will also determine whether the company should invest in the country or export to the country. Availability and cost of factors of production such as land, labour, raw materials, etc. and the size of the market also influence the entry mode. Transportation costs also have a bearing on whether the product should be produced in the home country and exported or it should be produced in the export market self.

Corporate objectives play an important role in selecting a particular entry technique. Generally, companies which desire least risks, least involvement and minimum control over export marketing operations choose indirect export. On the other hand, companies which desire long term involvement in export business and are prepared to take major risks but want more control and more experience, go in for overseas investment.

It must be emphasised that market selection, product selection and selection of entry mode are closely related. At times, it may happen that, once a country is selected, there may not be many choices for products and entry techniques.

2.2.5 Marketing Strategy Selection

Now comes the most crucial stage i.e. choosing a proper mix of the controllable variables of marketing to most effectively achieve the organisational goal. Though, in the following paragraphs, each variable is discussed separately, all of them must be optimally integrated for best results.

Product Strategy : It is very rarely that the same product strategy succeeds in all markets equally effectively. Taking into account the local environment, the product strategy may have to be modified for each market. Product may warrant modification in

terms of quality, size, shape, colour, the material it is made of etc. to suit the overseas market. Food items should take into account the local taste, preferences and health regulations; garments may have to be modified in terms of size, colour, style, design, etc; automobiles may have to be manufactured to suit the export market's safety and emission norms; the topographical and climatic conditions often force changes in products made of metals; the way a product is handled by the user will also mean redesigning of the product.

What applies to product, applies equally forcefully to packaging, branding and product service. A different type of packaging and use of different packaging materials may have to be resorted to meet an export market's requirements. For instance, many Western countries now-a-days demand biodegradable or environmentally friendly packages; disposability is more important than reusability in many countries as far as packages are concerned; the size and shape of packages, instructions on the package, etc. all of these may have to be modified for an overseas market. Similarly, brand name and logo may warrant changes; the nature and extent of product service may be different in an export market as compared to the domestic market. For instance, the climatic and topographical conditions of an export market, the way the product is handled in that country and the infrastructure facilities of the country may warrant a different type of product.

Pricing Strategy: A company should decide whether it should charge the same net price for a particular product in all its markets or different prices in different markets. Very often a firm may not have much choice in export pricing beyond a point because it has to match competitor's price. In such a situation, it may not be able to recover the total cost from an export market but only the direct cost. Alternatively, the ruling price for a similar or substitute product in an export market may be high and in such a situation, a firm may get away with substantial profits. Apart from this, it may be possible for a company to charge a higher price in a rich market, but in a poor country, it may have to be satisfied with minimum profits or, at times, no profit at all or, for strategic reasons, it may even suffer losses to gain entry into the market.

Extension of credit is part of the pricing strategy. It may be necessary for a company to provide credit to capture a market for high unit value items and/or to meet competition.

Distribution Strategy: In general, product wise distribution channels are well set in every country, and they have evolved over period. It is said that every product chooses its own distribution channel and it is advised that a company should not, normally, attempt to change a channel for a product. However, the channels may vary from country to country and, within a country, some choices may be available. Hence, a company should work out its distribution strategy very carefully so that its product reaches the consumer at the right place and right time with reasonable cost. Success in the above endeavour depends entirely on the willing cooperation and enthusiasm of the distributors. Therefore, a company should be very clear about the division of risks, responsibilities and privileges between it and the distributors and the cost of distribution, because these depend on the length of the channel. For instance, a long channel would mean addition of margin at many stages, pushing up the ultimate price to the customer. On the other hand, a short channel may have its advantages in terms of lower cost but it suffers from the disadvantage that the company may have to depend entirely on one or limited number of distributors.

Super markets and departmental stores have become very common and popular retail outlets in the present day world, where sales promotion job is not undertaken by the distributor but the product must promote itself. This means that the product should be packaged attractively to gain customer attention, it should contain all the information about the product and it should be displayed prominently in the shop. The last job requires the distributor's support and sufficient incentive should be given to him to place the product prominently and, if required, personally promote the product. All these have cost implications and the company should be clear about the implications.

Part of the distribution strategy relates to agency arrangements in overseas countries. There are rules regarding appointment of agents and payment of agency commission to them. In some countries, only a native of the country can be appointed as an agent or, at least, he should be taken as a partner in the agency firm. Again, as per the RBI rules, agency commission should not generally exceed a certain amount. The company should take into account such factors while planning its distribution strategy.

Movement of the product from the original producer to the final user is part of distribution. This movement involves choice of means of transport such as road, rail, sea or air with the attendant implications on safety of cargo, duration of movement, and transportation costs, besides insurance against risks and warehousing, which again means safety of cargo and costs. These factors also should be given proper weightage while deciding the distribution strategy.

Promotion Strategy: Promotion is the variable which, perhaps, is impacted maximum by environment. The company should decide on the optimum promotion mix i.e. advertisement, personal selling and sales promotion for a product in an overseas market, including sub areas like advertisement media, the number of spots, the duration and time, trade fairs, type of sales promotion, etc. The detailed strategy worked out should be in tune with the environment, particularly the rules and regulations governing promotion. Promotion strategy should, most importantly, take into account the culture of the target segment in terms of its beliefs, practices, likes and dislikes, educational levels, language, religion etc. Promotion strategy may target both the distributor and the customer and the implications of the above, including on the price of the product, should be worked out. Promotion strategy should also include formulation of techniques to measure the impact of promotion on sales, brand preference and loyalty, image of the firm, etc.

2.2.6 International Organisation Decision

The last step involves decision regarding the international organisation. The organisational decision is based on the volume of export business, the nature of the overseas market, the nature of the product, the resources of the firm, etc. The firm may organise the international marketing operations in three ways. They are: (i) creation of export department, (ii) setting up an international division, and (iii) development of a global organisation.

The simple form of international marketing organisation is the creation of the export department. Export department looks after all international activities of the firm. When the activities of the firm further expand, it may create the full-fledged international division. The international division may be organised in three ways: (i) geographical organisation; where managers are responsible for the marketing activities of their respective countries, (ii) world product groups; where managers are responsible for sale of a particular product group, and (iii) international subsidiaries; where managers are responsible for its sales and profits like a subsidiary.

These days several firms have developed global organisations. Here, the focus is on the global market. Therefore, the manufacturing and marketing activities are planned globally.

Check Your Progress A

1. Enumerate four criteria for the market selection.

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2. What is pricing strategy ?

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3. What do you mean by distribution strategy ?

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4. State whether the following statements are True or False.

   i) Trade blocs do not favour imports from member countries.

   ii) A firm should undertake product selection exercise along with market selection exercise.

   iii) Selection of entry mode is not dependent on the nature of the country.

   iv) Disposability is more important than reusability in many countries.

   v) Promotion strategy may target both the distributor and the customer.

2.3 INTERNATIONAL MARKETING ORIENTATION

One of the most striking trends in business, in recent years, has been the growing internationalisation of business. Growing number of companies are, over the world, involving themselves in international marketing. Global trade in merchandise has increased, at current value, from less than US$2 trillion during the 1980s to an estimated more than US$6 trillion during 2000. In addition, the current value of global trade in commercial services during 2000 was an estimated US$104 trillion. More and more companies, all over the world, are involving themselves in exporting and importing more and more commodities and services. Not only is global trade growing at a healthy rate, but the techniques of overseas marketing are also becoming more diversified and sophisticated. International marketing is no longer confined only to the traditional technique of producing a product in one country and moving it across the borders of the country to other countries. While some firms may still be involving themselves in the traditional export-import business, many others are engaged in establishing overseas subsidiaries, joint ventures, strategic alliances, overseas production facilities, etc. not in one country but in many countries. Today, international marketing does not confine itself to movement of products from one country to others; it encompasses movement of all the factors of production, such as raw materials, human skills, finance, machinery, technology, etc.

The trend towards more and more internationalisation of business has thrown many challenges to international marketing managers. One of the major challenges relates to the type of orientation that a firm should give to its overseas marketing operations i.e. whether it should extend the strategies that it applies in the domestic market to its overseas operations or whether export markets warrant different strategies.

Some guidelines to the above issue are provided by the EPRG Framework, which identifies four types of orientation towards internationalisation of business operations – ethnocentrism, polycentrism, regiocentrism and geocentrism. These orientations are assumed to reflect the objectives and philosophies of a company towards international operations and to lead to different management strategies and planning procedures.

2.3.1 EPRG Orientation

A company is considered to follow ***ethnocentric orientation*** in its international operations when it does not differentiate between domestic and foreign markets and considers that techniques which are applied to domestic marketing can be applied equally effectively in overseas marketing also. The philosophy of a firm in ***polycentric*** phase is that each overseas market is different from the other and that local techniques and personnel are best suited to deal with local conditions. The firm in the ***regiocentric*** phase recognises the common features of a region and designs regional strategies while ***geocentrism*** treats the whole world as one market. Each of the above mentioned orientations has implications on the various areas of business. Let us examine the implications of each orientation on international marketing strategies, and assess the conditions under which these orientations and associated strategies are likely to be adopted in international marketing.

Ethnocentric Orientation: In this phase of the firm's operations, overseas operations are generally considered secondary to domestic operations and primarily as a means to dispose of domestic surplus production. Under such a situation, international marketing activities are normally controlled from the home country office and plans for overseas operations are developed in home office. Overseas marketing is normally looked after by an export department of the firm. Marketing personnel would be mostly home country nationals. All policies and procedures developed for international marketing would be more or less identical to those applied in the domestic market and very little of overseas marketing research would be done. There would hardly be any difference in the product, price, distribution and promotion strategies as between the domestic market and overseas market. Such companies are known to rely heavily on export agents and their sales force is mostly hired and trained in the home country.

Polycentric Orientation: Firms with this orientation are known to organise their international marketing activities on a country-by-country basis. Each country is treated as a separate entity. Subsidiaries are established in all overseas markets, each subsidiary operating independently of others, having its own objectives and plans. Strategies are worked out separately for each country be they in the area of product, price, distribution or promotion. Marketing research is done independently in each country. The sales force would be mostly local nationals.

Regiocentric Orientation: In this phase, the firm, recognising the common features of a region, views that region as one market and organises activities for that region as a whole. Marketing personnel are recruited from that region; regional channels of distribution are developed and policies in respect of other areas such as product, price and promotion have a regional orientation.

Geocentric Orientation: The basic philosophy of this orientation is that all human beings are alike. The entire world is treated as one market. Standardised product lines are developed and pricing is established on a worldwide basis. Global channels of distribution are established and promotional policy is developed to project a uniform image of the firm and its products. Marketing personnel are recruited from any country of the world.

2.3.2 EPRG Orientation and Characteristics of Firm

Let us examine which orientation should be adopted, and under what circumstances should each orientation be employed.

Ethnocentric Orientation: This approach appears most appropriate when overseas sales volume is insignificant compared to the total sales of the firm. The volume of sales may not be sufficient to justify the investment needed for detailed marketing research and other activities aimed at tailoring the marketing policies to suit the overseas market.

The major advantage of this type of attitude is that it entails minimum risk on the part of the firm. Since not much of investment is made in overseas operations, in the event of a failure on overseas front, the firm can absorb the shock without much difficulty. But the drawback in this approach is that this type of attitude may mean possibility of lost opportunities to the firm.

Ethnocentric approach will better suit small firms just entering international operations. When a company is small and is not in a position to invest heavily in overseas operations, it is better for it to identify countries which have characteristics similar to those of the home country and export to them. On the other hand, this orientation, which invariably results in lack of attention to customers and minimum degree of marketing orientation, is not suggested for companies which are planning to extend their international operations in a big way.

Polycentric Orientation: Polycentrism will prove ideal for firms seriously committed to international marketing and have the capacity to invest to the desired extent towards achieving their objectives. The major advantage of this type of orientation is that it will be the most effective way of motivating the management, since the management in each country is given a free hand in framing policies and implementing them. Besides, it has other advantages such as the possibility of knowing the customer better and maximum degree of marketing orientation.

The polycentric approach may not also be free from problems. Treating each overseas country as a separate identity may give rise to problems of coordination and control. In some cases it may result in too much autonomy to national organisations leading to avoidable duplication and overlapping of the firm's activities and wastage of funds. In fact, there may be competition between two national organisations of the same firm for sales in a third country.

Some of the problems associated with polycentrism may, perhaps, be reduced by centralisation and coordination of certain activities in the home office. Polycentrism may be an ideal approach if there are significant differences between countries. But the growth of cross cultural communications and the emergence of regional and sub-regional groupings across national boundaries may severely limit the scope of adaptation of polycentric approach.

Regiocentric and Geocentric Orientations: Since these orientations imply regional or global attitude to the development of marketing policies, they provide for improved coordination and control. But the very fact that policies are to be administered on a regional or world wide basis means that these policies entail high cost. Besides, in both cases, national environmental constraints may limit the success of the approach. In fact, geocentric approach may prove more successful in areas such as production and research than in marketing. Moreover, the role of information in successfully implementing global or regional strategies is crucial. Once sufficient information is obtained about national market conditions, target segments could be identified on a regional or global basis, and appropriate strategies developed.

It seems that the adoption of the techniques – EPR or G – seems to depend on the following:

i) **Size of the firm :** The smaller the size of the firm, the nearer is it likely to be to ethnocentrism; not spending much of time and money on studying the overseas market in detail but rather focussing on overseas customers whose needs and interests are similar to those of domestic customers. Larger firms, on the other hand, may invest adequate resources to investigate overseas markets and then adopt the strategy they may find suitable, out of the other three.

ii) **Experience in overseas markets:** In view of the fact that minimum risk is involved in the ethnocentric approach, firms just entering overseas markets may prefer this approach. Firms with considerable experience in overseas marketing may adopt one or more of the other strategies.

iii) **Extent of heterogeneity of the potential market:** Where the potential market is small and homogeneous, it may not be worthwhile to design separate strategies. As overseas sales grow, it may be possible to divide the market into various segments and design separate strategy for each segment or coordinate them on a regional or worldwide basis.

iv) **Nature of the product:** Products, where design is an important factor or products which are associated with cultural patterns, are less susceptible to the development of ethnocentric or geocentric approaches. For example, food products may have to be modified to suit the differences in taste. On the other hand, industrial products, where functional utility is more important, may be amenable to the development of geocentric approach, although even here, differences in customer interests and responses may show up.

The EPRG framework provides some useful guidelines for international marketing decisions. They are discussed below:

i) There does not appear to be any one single orientation which could be identified as superior to the others. Each orientation has its own advantages and limitations and the adoption of each is dependant on many factors.

ii) The advantages and disadvantages of adopting a particular orientation differs from company to company and is closely linked to such factors as the individual company's financial situation, product line, size of potential market, etc. Each company is, therefore, advised to select the orientation suitable to it only after working out the cost-benefit ratio of each orientation.

iii) The suitability of a given orientation may differ not only from company to company, but also from one marketing decision area to another within the same firm.

Thus, a firm may follow a particular orientation in respect of a particular marketing decision area but may follow an entirely different orientation in respect of another area.

2.4 INTERNATIONAL MARKETING — INDIA'S EXPERIENCE

International trade, as a practice, is not unfamiliar to the Indian corporate sector. Historically, India has been known to be a nation of seafarers since the early days of civilisation. There is evidence to the effect that India had developed trade links with a number of overseas countries, particularly in Asia. Indian goods such as spices were exported and products from many countries used to be sold in the Indian market. Let us discuss the recent changes in Indian marketing environment and the response of the Indian corporate sector towards the global environment.

2.4.1 Changes in India's Marketing Environment

Trading activity received a fillip with the advent of the British in India during mid 20th century. It is worth mentioning that the initial entry of the British into India was through the corporate route i.e. via the British East India Company. Though British rule in India meant exchange of goods mostly between India and Britain, a new dimension was added to the concept and techniques of economic linkage between the two nations with British investment in India, mainly in plantations and extractive industries, to meet largely the demand in Britain and other parts of Europe. In the above background, export marketing did not mean anything more than meeting the orders placed by the overseas parties. No special effort was made or, was even probably warranted, to identify overseas market requirements and tailor the offer to meet the requirements. When an order was placed on an Indian firm, it executed the same in case the terms and conditions were acceptable to it. The initiative to trade was mostly taken by the overseas parties, which were looking for procurement sources for certain items. Moreover, most of India's exports, being primary products, did not warrant application of sophisticated marketing techniques to sell them.

The policy environment that prevailed in India, to a great extent, did not call for any special effort on the part of the Indian party to undertake exports. Practically, no attention, for instance, was paid to the planning of the foreign trade sector of the country by India's policy makers till about the end of the second Five Year Plan. This was mainly due to the fact that, following the second World War, India was fortunate enough to have, in its kitty, comfortable foreign exchange reserves and, earning foreign exchange was not considered an important or major activity. It was during the third Five Year Plan period, beginning April 1961, following decline in foreign exchange reserves caused by increasing imports occasioned by heavy investment during the first two Plan periods, that there was realisation in India that attention should be paid to export promotion.

The period beginning with the second half of the 60s saw the introduction of a number of measures specifically aimed at export promotion. The Export Policy Resolution was introduced in the Parliament during 1970. With the change in environment, where a policy of carrot and stick, involving export promotion on the one hand, and import substitution, on the other, was adopted by the Government of India, the Indian corporate sector had to look for opportunities in overseas markets for its products. Departments were set up in many firms to exclusively look after overseas marketing operations. Manufacturing got divorced from marketing and a specialised cadre of merchant exporters and export houses came into existence. Manufacturing units were set up in the country's Free Trade Zones, entire production from which had to be sold outside the country. Notwithstanding the above developments, the concept of export marketing was basically confined to producing in India, and after meeting the domestic demand, shipping the surplus to countries where the items could be easily sold. During this period, Indian exports mostly comprised items like tea, cotton textiles, jute textiles, minerals, hides and skins and handicrafts, for the production of which the country was endowed with natural resources, favourable climatic conditions, skill and technology.

The second half of 70s and 80s witnessed a new phase in the Government as well as corporate philosophy. The policy of export promotion and import substitution gave place to the policy of "import more and export more" leading to liberalisation of imports and exports. Both imports and exports grew; new items such as readymade garments, leather manufacturers, diamonds, engineering goods, chemicals, oil cakes, synthetic textiles, plastic products, woollen textiles and, later, computer software gained in importance in the export mix. The need to promote export of services and value added items was recognised; more importantly, the concept of exporting, which was hitherto limited to shipping what was produced in India, was enlarged to encompass overseas investment. Foreign direct investment in India was sought to be utilised for export promotion by channeling it to export oriented sectors and by linking equity participation to export performance. Recognising that export marketing was a specialised job, establishment of specialised cadres of marketing firms, such as export houses and trading houses, was encouraged by suitable policy measures.

The Indian corporate sector had to accept the challenge and play a more dynamic role in export marketing in the changed context. It was realised by the Indian firms that it would no longer suffice to export what they could, but they should make special efforts to sell their wares overseas. Commercial intelligence came to be accepted as a *sine-qua-non* for successful export operations and attempts were made to collect it by establishing departments for the same within the companies themselves and/or through special studies or from the specialised institutions functioning in the country for the purpose. The important role of human resource development in export operations was recognised and in-company training programmes on export marketing were organised and/or company executives were sponsored to training programmes organised by specialised institutions, such as IIFT. Students with MBA degree and degrees/diplomas in international trade/ business were recruited to man export departments. It was realised that, to be successful in overseas markets, it was highly important to meet the customer demand in terms of product, service, package, price, delivery schedule and communication. Products were modified and developed in terms of quality, packaging, size, shape, variety and colour. New uses were found by research and development for items with declining demand. For instance, when the demand for jute bags and cloth declined, carpet backing cloth was developed and jute handicrafts such as wall hangings were introduced. When it was realised that India had the skilled manpower to process small sized diamonds but did not have enough supplies of raw diamonds, they were imported from abroad and, after processing, re-exported. Taking advantage of the increasing demand for handloom and powerloom textiles and garments in overseas markets, a profitable readymade garment industry developed in India and marginal costing was resorted to when the export price did not cover full cost. Participation in trade fairs and exhibitions, both in India and abroad, and buyer-seller meets were resorted to as the promotion technique. Arrangements were entered into with leading overseas buying houses in India and departmental stores in overseas markets to sell Indian goods abroad and, products were produced as per the requirement of such buying houses and departmental stores.

The situation once again underwent almost a seachange with effect from mid 1991. A process of economic liberalisation covering industrial, trade and investment policies was set in motion in the country. Number of items reserved for production in small scale sector were dereserved; a move towards privatisation of a number of industries hitherto in the public sector was initiated. On the trade front, tariffs were brought down and non-tariff measures were eased; monopoly enjoyed by public sector trading corporations in export/import of certain commodities was removed; policies and procedures governing foreign investment were liberalised. Government of India made it clear that the future of the country was closely linked to integrating the country with the global economy.

Along with the far reaching changes in the Indian environment, the international environment also underwent changes; the former USSR broke up into a number of independent states; unified Germany became a reality; command economies in Eastern Europe changed over to market system; People's Republic of China emerged as an important player in the global economic scene; regional trade blocs and economic groupings became a fact of life. At the same time, tremendous advances in technology led to shorter product life-cycles and faster, cheaper and easier transport, communication and information links among countries. Non-trade issues such as child labour, social standards, armament spending and human rights record were sought to be used for governing market

access in some countries. Practically the entire world recognised the value of natural products and environment became a major consideration in trade; service sector and foreign direct investment grew in importance in international business.

Against the above background, the Indian corporate sector had no option but to reorient its strategy; new perspectives and new values had to govern its future strategies.

2.4.2 Response of the Indian Corporate Sector

What has been the response of the Indian firms to be above developments? In the following paragraphs an attempt is made to recount some of the steps initiated by the companies, with specific illustrations where possible, to move with the times.

Global Approach: Realising that globalisation warrants that geographical boundaries between countries should be ignored in business operations, business is divided, in some big firms, not on national and international lines as in the past, but on geographical lines around the world and India is considered not as the domestic market but as one of the markets in the globe. In Ranbaxy Labs, an Indian multinational firm in pharmaceuticals, India forms part of the Middle East. The firm, which initially hired managers in India and posted them abroad, is now hiring persons in Europe, USA, South East Asia, China and other countries and posts them all over the globe. Ranbaxy has also retained a placement agency in US for hiring executives to work for it not only in other countries but even in India. Another Indian multinational firm, ITC Ltd., has set up ITC Global Holdings in Singapore with 11 foreign offices in nine countries around the world, trading in bulk commodities and distributing branded products. Only 28 of ITC Global's 128 employees outside India are seconded from the parent company, with the rest coming from nine different nations.

Flexibility: One of the lessons which the Indian firms have learnt is that in today's world, acquired assets are more important than natural assets and as such, one cannot hope to survive and prosper by exporting only items based on resource endowment, skill and local technology for ever. Thus, they are following a multi pronged approach of direct and indirect export, coupled with overseas manufacture and strategic alliances. For instance, a leading textile company, Arvind Mills, besides undertaking direct exports from India, has marketing offices in US, UK and Hong Kong, a marketing joint venture in Germany and manufacturing operations in Sri Lanka and Mauritius. The firm has also established a lingerie unit in India in collaboration with Gruppo La Perla of Italy, the entire production from which will be exported. Ranbaxy has direct exports, besides licensing arrangements, joint ventures and 100% ownership in other countries. Thus, today's export manager in India is called upon to look after not only exports of products manufactured in India but also the firm's entire operations involving sales abroad.

Encashing Opportunities: Indian export managers have learnt to encash new opportunities. Thus, when the Chinese supply line of denim products to the US based jeans giant, Levi Strauss, choked in 1989 due to the Tiananmen Square incident, an Indian firm, Gokuldas Exporters, immediately seized the opportunity and, within eight weeks, delivered as many as 150,000 shirts to the exacting standards of the American company. This led not ony to repeat orders from Levi Strauss but also getting orders from Levis rival, Wrangler, for shirts.

Creativity: Marketing is an art. Creativity is the major ingredient of any art. There are numerous instances of Indian export managers being original and creative in promoting their products abroad. When Dabur, a leading Indian firm dealing in herbal products, realised that the Indian brand name 'Chavanprash' would be difficult to be pronounced and recalled by overseas customers, renamed it 'Ayurshakti' and also repositioned it as a bread-spread rather than as a tonic for good health, which is the product positioning in the domestic market. A small sized exporter of brassware, when he noticed the insatiable demand for and supply of 'European Antiques' in Scandinavia, promoted "Reproduction of European Antiques" from India in the Scandinavian market. Another exporter of tractors, on noticing the popularity of Indian feature films in a country in Africa, arranged for free video shows of Indian films at the service points when the tractors were brought for after-sales service and repairs, thereby ensuring that the level of resentment among users was brought down. The same exporter, when he found it difficult to compete with well known American brands such as Ford and Caterpillar in a market in South East Asia, promoted

sales of his low horse power tractors in USA itself for week-end farming, where the size of the farm was relatively small; the company also scored a major point when, as a pre-sales service, educated the illiterate farmers in Indonesia by showing them video films in the local language on how to maintain and look after the tractors.

Pro-active Approach: Products are modified/produced not only as a reactive approach to meet the statutory requirements of overseas markets (as in the case of ISO 9000 standard) but also as a proactive approach to "lead the consumer". A small sized firm in south India succeeded in promoting ice-cream cups made of bio-degradable coconut shells to an ice cream manufacturer during Barcelona Olympics; another manufacturer sold perfumes in containers made of bamboo and gum (biodegradable packaging). The above two are cases of packaging not only protecting what it sold but, more importantly, selling what it protected.

Responding to Environmental Changes: Indian exporters, realising that regional trade blocs are here to stay, are reorienting their business strategies to take advantage of the positive aspects of this development. They are trying to establish beach-heads in one of the member countries of the regional grouping and thereby gain access to the markets in other member countries. Dalmia Group of Companies, for instance, have acquired factories in former East Germany as well as Hungary to tap the European Union (EU) market. Mahindra & Mahindra has established a factory to assemble Jeeps in Greece. TELCO has planned a venture in Portugal to assemble trucks. Reliance Industries has formed Reliance Europe to tap the EU market. Thermax has entered into a marketing tie-up with a UK based firm. With the full integration of the European Union and further expansion on the cards, the Indian firms expect to gain significant share of the largest market in the world.

Taking advantage of the growing awareness, generally all over the world, of the harmful side-effects of synthetic products, chemicals etc., and the consequent rising demand for "natural products", many Indian firms have succeeded in breaking into overseas markets with herbal based cosmetics and toiletries, ayurvedic medicines and health products. Dabur is one such firm whose products find ready acceptance abroad. Perhaps the best example is, Shahnaz Hussain, a woman entrepreneur, whose firm, Shahnaz Ayurvedics, is very well known practically all over the world for its herbal cosmetics and toiletries. The company has won a number of awards both nationally and internationally for export excellence, high product quality etc. including the "International Diamond Star Quality Award" from the National Marketing Institute, Mexico. The firm has achieved a global presence, with counters in famous stores like Galeries Lafayette in Paris, Harrods and Selfridges in London, the Seibu Chain in Japan and exclusive outlets in USA, Europe, Middle East, South East Asia and Australia.

Working for Long Term Prospects: Convinced with the fact that export is not a one time affair but an enduring relationship between parties, many firms are working for long term gains even at the cost of immediate profits. For instance, an Indian exporter of handloom items, Faze 3 Exports, notwithstanding the loss that he had to suffer on a Rs.10 million exports to Japan in 1990, continued to sell to that country, and by 1993-94, achieved an export turnover of Rs.170 million, which enabled him wipe out the accumulated losses.

Market Research: Indian firms are laying increasing emphasis on market research, not only in terms of collection of statistical data but, more importantly, on consumer research. When, for instance, an Indian company dealing in garments, Pearl Global, found that India was catering to the low priced segment of the German market and the country was not known in the high priced fashion garment segment which was dominated by US brands, stationed its design team in USA to imbibe their styles and subsequently promoted the garments to retail stores in Germany as Designed-in-the-US products. Today, its brands – Tribes and Lerros – are stocked by well known retailers like K-Mart, JC Penny and Macy's in Europe and USA.

Advance Action: A well known manufacturer and exporter of leather shoes, Wasan Shoes, had a near captive market for leather products in erstwhile USSR. When the break-up of the Soviet Union appeared inevitable, the firm did not just look for new markets for the existing products, but set up a new factory to produce shoes acceptable to the German market and also established an office and warehouse in Frankfurt for public relations and off-the-shelf delivery. Similarly, Delta Industries, an exporter of jute items,

when faced with recession in the industry, opened offices in Singapore and Belgium for constant contact with and quick response to customers and resorted to door-step delivery facility. The firm also bought 80% equity in a Dutch jute weaving company.

Value Addition: Realising the advantages of marketing value added products, companies are increasingly attempting to add more processing to their traditional export items and brand them. "Individually Quick Frozen" (IQF) shrimp is gaining increasing share in the country's exports of frozen shrimp. Indian leather exports are today dominated by value added items such as garments, footwear and leather goods like gloves. Indian brands like "Season's Harvest", "Indus Valley", "Tilda" and "Kohinoor" rice and "Darjeeling Tea" have found consumer acceptance abroad; an Indian firm in toiletries business, Balsara, is selling its entire production of a particular branded toothpaste abroad.

Niche Marketing: There are instances of Indian firms not following the beaten track and joining the ranks of exporters of mass produced and marketed low unit-value items but opting for 'niche marketing'. Elan International, rather than exporting low priced garments, focussed on high priced evening wears for women by entering into contract with the retail chain, Marks and Spencers, in UK. Similarly, Indian toy manufacturers such as Hanung Toys and Toyo Toys have entered into arrangements with Ikea, the Swedish toy maker and Disneyland in USA respectively to supply soft toys, the latter of Disney characters.

Check Your Progress B

1. Distinguish between ethnocentric orientation and polycentric orientation.

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2. What is geocentric orientation ?

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3. Give some examples of Indian firms which have followed in niche marketing ?

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4. State whether the following statements are True or False.

   i) The basic philosophy of regiocentric orientation is that all human beings are alike.

   ii) Ethnocentric orientation appears most appropriate when overseas sales volume is insignificant compared to the total sales of the firm.

   iii) Geocentric approach may prove more successful in marketing area than the production and research.

   iv) The suitability of EPRG orientation may differ not only from company to company but also from one marketing decision area to another within the same firm.

v) Indian firms are following a multi pronged approach of direct and indirect export, coupled with overseas manufacture and strategic alliances.

2.5 LET US SUM UP

A company, in order to be successful in international marketing, has to undertake a number of steps. These include: deciding to internationalise, selection of export markets, selection of products, selection of entry mode, selection of marketing strategy and deciding international organisations. The company's objectives and the marketing environment have to be kept in view while undertaking these steps. Based on geographical proximity, availability of convenient and reasonably cheap sea, air, road and rail links, the size and growth of imports, the balance of payments and trade position, the foreign exchange position, the market access factors and the market characteristics, an overseas market may be selected. For product selection, some factors that may be considered are: elasticity of supply, the strength of the firm in the supply of a particular product, the size and growth in imports of a particular product/product group and the policy governing imports of a product. Entry mode selection will be governed by the nature of the firm, its corporate objectives, the nature of the product and the nature of the market. The nature of the market and the company's strengths and objectives will determine the marketing strategy.

The EPRG framework provides guidelines for the type of orientation a firm may have towards external marketing. Small sized companies, which have just entered or planning to enter export markets basically with a view to dispose of their surplus production, may follow ethnocentric approach. Companies with experience trying to sell custom made products or products associated with cultural practices, climatic and geographical conditions of a country, may follow the polycentric approach. As companies move more and more towards internationalisation, they may follow the regiocentric or the geocentric approach.

Changes that have taken place in the domestic and external environments have also brought about changes in the attitude of the Indian corporate sector towards international marketing. While, initially, Indian firms were only meeting the orders placed on them by overseas parties, today one finds a number of Indian firms moving with time and accepting the challenges of the changed environment. Thus, there are firms which do not distinguish between India and the external markets, but consider India as one part of the global market. Some firms do not base their exports on the raw material, skill or technological resources of India only; product modifications, new types of after-sales service and innovative strategies are followed to capture export markets. Pro-active approach is followed in product development; advantage is taken of the emergence of trade blocs; more and more "natural" products are promoted in overseas markets. Short term gain is foregone in the interest of long term prospects; increasing emphasis is laid on overcoming the negative influence of environmental changes; value marketing research; advance action is no longer a rare occurrance; niche marketing is being adopted more frequently.

2.6 KEY WORDS

Ethnocentric Orientation: Orientation towards international operations by a company, which considers export markets no different from the domestic market and hence applies domestic marketing techniques to overseas markets.

Geocentric Orientation: Orientation towards international operations by a company, which considers the whole world as one market and hence develops global strategies which are applied in the domestic market also.

Polycentric Orientation: Orientation towards international operations by a company, which considers each market different from the others and hence applies different techniques in different markets.

Regiocentric Orientation: Orientation towards international operations by a company, which recognises the common features in countries belonging to a particular geographical region and hence applies the same strategy in all the countries in a particular region.

2.7 ANSWERS TO CHECK YOUR PROGRESS

A.4: i) False ii) True iii) False iv) True v) True

B.4: i) False ii) True iii) False iv) True v) True

2.8 TERMINAL QUESTIONS

1) What are the possible modifications that may be required in marketing strategy variables, in the export marketing of garments, passenger cars, fruit juices, refrigerators and textile machinery by an Indian firm as compared to domestic marketing? Explain in detail, with appropriate illustrations.

2) An Indian firm desires to export iron ore, jewellery, safety razor blades and spices. What orientation, from among the EPRG framework, should the company follow for achieving best results? Give reasons for your answer.

3) Do you think that Indian companies have adequately responded to changes in domestic and external environments and have carried out the necessary modifications in their international marketing strategies? Explain in detail.

4) Write a note on EPRG Orientations.