CHAPTER

2

Global Marketing

"Vasudhaiv Kutumbkam" the two words aptly describe the business world of the twenty-first century. It means that the entire world is one family. With faster supersonic jets, travel time has been drastically reduced. Internet, Fax, and Cell phones have made communications as fast as anybody can want. Flow of technology, finance and market information has become rapid, making it easier to plan global business. It however has opened the doors to wide range of countries creating severe global, competition in practically all areas of business. There have been global or multinational firms for a long time now, like the Lever Brothers, Shell, Exxon, Ford, Nestle. Today, a much larger contingent of firms are either already in the market or are entering it to vie for the customers globally. There is hardly a nation left which is not a player in the global arena. It depends on the **Supply-Demand** paradigm, which decides the supply point while the economic levels of the countries support the product's sales in different countries.

The importance of global marketing has never been felt in India with such intensity as today. With increasing global competition on our shores, Indian firms have to compete with them and find other markets as well. With partial **convertibility of rupee,** export earnings become a major source of foreign exchange, which helps in firm's imports of raw materials and components. Now even completely built units are allowed for imports, and many firms are using the benefits to import samples for user trials and sales. Firms have to find markets overseas to survive in the Indian market. It is also true that first the product must be proven in the Indian market before the firm ventures out for its export, unless of course, the product has been manufactured with foreign customer's specifications and requirements in mind.

Our manufacturers have been by and large handicapped in the world market, with a few exceptions, because of the following reasons:

1. Indian products have a low brand equity, foreigners consider them of low quality.
2. Our advertising in the world market is below the mark.

Elastic would mean the ratio to be > 1
Inelastic would mean the ratio to be < 1

The company can use time series analysis for projecting the future demand by understanding the past sales patterns. Market size analysis can be undertaken by the following methods as well.

1. Regression analysis by working out the relationships between demand and other economic indicators.
2. Analysis of the gap between demand and supply, usage, product line, distribution and competition gaps can be studied for the purpose.

Taking from the above guidelines, the company has to select the product to be sold in the selected global market.

In the past, companies were selecting products on the basis of production orientation. "What the company can make we will sell". In product groups where the demand exists and there is little or no competition the policy can still work. However, as is generally acknowledged, there is hardly any product with no competition, the policy would not work, because competitive companies will sell products needed by the customers and not what they make.

The next level of product selection comes from sales orientation with the hypothesis that what is sold in home country will sell in the host county as well, because the customers are having similar needs. This would not work today because different countries have different mindsets, consumer behaviour patterns and income levels.

Strategic marketing orientation would require the companies to select the product only what the customer wants and manufacture the same. This customer-centric approach is most likely to succeed as the company is just meeting an obvious or a dormant demand.

Product selection strategy would also have to take into account the host country's legal issues like safety, health hazards coverage as given below.

1. Legal factors like safety norms given by the host country government
2. Health based norms for food products, medicines
3. Cultural factors of product acceptance in the host country's markets like no perfumes, bath oils and suntan in Japan
4. Income levels or the economic factors
5. Cost of product modification as compared to its benefits

Summing up, the companies in the global market should realize that while standard market approach would mean maximum uniformity in product and other marketing strategies in countries they are selling the products, as it brings in minimizing of expenses, it will not work in today's severe competition and the companies must make product modifications as required in the host country.

Global Pricing

Companies should look at the following areas in fixing product prices in the global markets.

In some countries the government sets the formula for price fixation. They give the maximum and minimum limits for prices. In some of the countries the degree of governmental intervention in pricing varies widely. In some there are price control rules. Products have different acceptance levels, brand equity and usage and all these contribute to the final product price. Global markets have mostly longer channels of distribution, which need to be given their commission, which becomes an add-on to the price. Countries have different tariff schedules that keep changing. These factors need to be considered for finalizing the prices.

The other areas of consideration in fixing the price are given below.

1. Rate of inflation
2. Replacement cost of the product
3. Currency stability—it is preferable to quote in hard currency like the dollar or the pound
4. The level of customer bargaining applicable in the country
5. The level of global competition

While it is the duty of the company to fix the price in the host country, at times the prices may be given to the first channel member, like a distributor, who can put a mark depending on the market situation for fixing the price. In other words, the distributor and retailer can put their own price on the product.

Companies can influence pricing of the product in its growth stage. However, product may be in different stages of life cycle in different countries. Currency value changes, customer preference changes—both contribute in product price fixation.

Promotion Plans

Product sales can be promoted by using both the pull strategy of advertising and the push strategy of personal selling. In most cases, however, both the push and the pull strategies are used. In places where self-service is not prevalent it is better to have extensive use of push strategy. Besides the push strategy works well where the product is a highly priced, compared to the general per capita income of the place. It is used in places where advertising usage is restricted.

Global advertising, when standardized, brings about the following:

1. Cost benefits
2. Local level better quality
3. Fast entry in different countries

The company must take care in advertising in the global markets to ensure that the body copy of the advertising gets translated in the local language with the right nuances of the original copy. For instance, in China, old friend becomes former friend. A homely girl in England is a girl from decent respectable family, while in America it suggests an uncultured girl.

Selection of brand names for the global market must take the following into consideration.

1. The brand name should not mean something unpalatable in local language
2. It should be easy to pronounce, with a pleasant sound
3. It should not be too long
4. Brand names with high equity worldwide should be used provided the company is not going to dilute the product quality; otherwise it may affect the company's business elsewhere in the world
5. Care should be taken to avoid usage of brands that have become generic, like Dalda, Mobiloil.

Distribution Channels

Distribution is the route the product takes from manufacturing unit to the consumer. Since products and consumers are so different in different parts of the world, the selection of the right distribution channel is a difficult task. The distribution system reflects the ground realities of the market, like the way the consumers buy the product, ease of accessibility of the channel for the consumers. Legal, economic and cultural factors are embodied in the channel operations. Distributor networks are national or regional in geographic coverage and seldom global.

Companies should consider the following points while selecting a distributor for their products in the global market.

1. Suitability for handling company's products
2. Financial strength required
3. Capability for servicing the product
4. Good market standing
5. Synergy between the existing products and the company's products
6. Capacity for handling the required volumes of business
7. Adequate storage capacity
8. Keen desire to take up the distribution

The company may plan to distribute the product directly to the consumer on its own for the following reasons.

1. Volumes are high
2. Direct dealing with the customers is required
3. For gaining competitive advantage
4. Business-to-business sales is more prominent
5. After-sales service is important
6. Control over distribution is important

The distribution costs increase when the levels of distribution are several, as each channel member takes his commission for his role. Besides distribution channels can cause major sales debacle if they are not selected, motivated and controlled properly. The other reasons for inefficient distribution are given below.

1. Inefficient retail outlets with untrained salespersons
2. Inadequate stocks, insufficient display of merchandise

3. Lack of sales counters in retail outlets
4. Product stock outs, low or no inventory of the company's products

Summing up, product brands, promotion plans and distribution networks are sensitive to the social and cultural ethos of the host country. Besides, consumer behaviour, attitudes towards brands and host country laws play a significant role in deciding these. With greater degree of globalization, as the world shrinks in business paradigm, companies would be able to operate worldwide with more uniform systems.

The easy and most suitable way of doing global business is to look at the market as it is done for the local market as follows.

General Business Environment

Understand the following **General Business Environment** factors:

- Demographic: It gives a population-profile in terms of income, age, sex, ethnic differences, languages spoken, religions followed, urban, semi-urban, rural population. Besides migration of population, seasonal or permanent helps in product demand patterns
- Socio-cultural: It gives information on areas like, health awareness, educational standards, population of working women, family sizes
- Political-legal: The political system of the country, number of political parties, form of the government—monarchy, democracy—legal restrictions and aids to the business, especially foreign firms. Business law as related to the specific country
- Technology: Level of technology available in the firm's area of interest. Speed of technology upgradation. R&D efforts going on in the country.
- Macro-economics: It deals with levies and taxes, balance of payment between the countries, interest rates for borrowing
- Global: It gives information about the business globalization process going on in the country
- Governmental view: How the country's government views foreign investments and entry of foreign goods into their country. Do they have a long-range perspective on foreign firms?

Countries try to influence trade for economic, social and political objectives. They use a variety of means to satisfy different interest groups and conflicting objectives. Host country governments use different types of trade controls. Host country's government has a role in companies' entry into the country due to the following reasons.

1. Level of unemployment in the country. The unemployed persons can be powerful pressure group in favour of protecting local industry as potential employers. These restrictions can lead to retaliation, which is less likely if practised by smaller countries
2. Status of industry in the country—infancy or in early adulthood. Production can be more competitive with time as companies gain economies of scale and experience curve benefits. However, consumer may be getting a raw deal in terms of low level of technology, higher prices due to lack of competition.

3. Low level of country's industrialization. With the government's intervention country will get faster industrial growth, even faster than agricultural growth. It would help in economic diversification and export oriented growth with favourable plans for import substitution. The government can adjust balance of payment by opting for affected products as opposed to devaluation or deflation this way the countries can prevent dumping of unwanted goods.
4. Country's economic relation with other countries. It can be a part of economic trade pact.
5. Country's political agenda and objectives. Rich countries can opt for export restrictions to keep world prices high like in the oil industry. This would prevent smuggling of goods and keep domestic prices low.

Other political objectives could be keeping essential industries like defence under its control and management. This would stop export to enemy countries, while preserving national identity and help the country in keeping its sphere of influence in the comity of nations. It would help in preserving national identity.

Government interference in the global trade is influenced by political rather than economic issues. These concerns create serious conflicts within and among nations. Government could, for example, increase the prices of imported competitive goods through tariff disciplines. Or it could just use it as a source of additional tariff income. Non-tariff barriers imposed by governments are given below.

1. Subsidies for exports
2. Increased custom valuation
3. Import or export quota systems
4. Legislation to exhort buyers to buy only indigenous goods
5. Making tough standards for MNC products
6. Having strict foreign exchange control regimen
7. Having administration delay, which make foreign players lose interest in India

WTO, on the other hand, has a set of rules for negotiations between countries, and it promises to monitor them. Due to their efforts, average tariff has been going down worldwide as it oversees world trade.

There has been economic integration in some areas of the world as given below.

1. Free Trade Area (FTA): Member countries of FTA do away with internal tariffs
2. Customs Union: These have FTA plus common external tariff
3. Common markets have all of the above plus factor mobility
4. Complete integration has the above and common fiscal and monetary policies

The examples of the above are the EU, NAFTA, LAFTA, CARICOM, and ASEAN.

To add to the national efforts countries have used GATT and WTO now and regional economic integration to multilaterally reduce trade barriers and plan for simple methods for conducting global trade. In certain nations there are fundamental differences, which would inhibit trade liberalization on a global basis.

which was prevailing then, at the time of delivery. Today, with a plethora of car makers in the fray, the buyers have the bargaining power, which is evident from the extras being offered by the car sellers. Global players have created severe competitive conditions for the Indian firms, much to the delight of the customers.

- Threat of new entrants: It is of a high order where the entry barriers do not exist. These entry barriers are: a) high project costs, b) government regulations, c) scarcity of raw materials, d) difficulty in getting proper distribution network. After the 1991 government of India's policy of liberalization, privatization and globalization, entry barriers for most industries have disappeared.
- Threat of substitute products must be carefully analyzed, as at times the solutions could be take-over of the substitute products and at other times it could be cooperation with them. For example, a motorcycle maker if threatened by scooters, start masking the scooters as well. A paint maker can tie up with wood panel maker for bidding for a tender for interiors.

The firm wanting to do overseas business should understand the Competitor's 4Ps—Product, Price, Placement and Promotion. This is to ensure that apples are compared with apples only and not with oranges. The firm must know who are the competitors, what are their products in competition to their own products and their strengths and weaknesses.

After doing the analyses, the firm should take a look at their own strengths and weaknesses vis-à-vis; competition and then take the following decisions.

1. To go overseas or not
2. If yes, which market or markets to enter and the priority of markets selected
3. The methods of entering the market; direct sales to customers, through channels, having their own outlets, franchisee operations or even having own production overseas. Production could be from component stage, semi-knocked down product assemblies or import of completely built units
4. Having own offices and sales
5. Technology transfers to local business/industry
6. Deciding on marketing programme, including market share to be captured and marketing expense to be incurred
7. Deciding on marketing organization

Managers must be aware of global complexities in business. The following needs to be considered in this area.

- Global perspectives, is their product acceptable in the global market or does it need any modifications to ensure its acceptance?
- Options available, like keeping the same product, which has had a successful run in the domestic market and educate the customers about its benefits and proper usage
- Possible strategies could be offering a differentiated product better suited to the customer in a particular country
- Global marketing and government relations: Keeping the host country's government officials on its right side is a must for an global player. It is important that all the

laws of the land like that of taxation, environment protection or of imports are strictly adhered to.

Advantages of Global Marketing

Global marketing helps tide over problems, which may arise while doing business in one market only. It becomes an insurance against political risks as well. However, the firms should well understand the cultural diversities of different countries. Cultural differences can be converted into firm's advantage by positioning products as attractive ethnic ones.

The three strategies possible in global marketing are as given below.

1. Global
2. Multi-domestic
3. Hybrid

In global strategy, the firms adapt their global planning on the lines of their single global strategy. Mercedes remains the same all over the world. There is no change in its marketing plans as well. Lever Brothers, however, have different products, brands and other marketing features for each country. This is called multi-domestic strategy. A combination of the two is the hybrid strategy.

Firms who have a universally accepted product, like Coke, Mercedes, Toyota, keep the global marketing policy, as the product remains the same the world over.

However, firms with products where the tastes of countries differ use the multi-domestic policy. In this case, they change the product specifications, pricing policy, and advertising according to local conditions and tastes. FMCG Firms like Unilever, Proctor & Gamble follow this strategy.

The most popular strategy is the hybrid one, where the firms use the global product, but change its advertising and promotion to suit the local conditions. Even Coke changes its advertising and promotion to suit the country, while keeping the product same universally.

Levis jeans are the dress of the workers in the USA, while in France, Italy and India it is a fashion statement. Mercedes is mostly used as taxi in Germany, while it is considered a status symbol in the rest of the world.

Bar codes have made a global presence, as Levis link system helps their retailers the world over, to transfer, sale and control their inventories with the help of these codes.

If value is added in upstream activities like commercial aircraft it is global strategy. If the value is added in downstream like house or prepared food it is multi-domestic strategy.

In most countries, the foreign firms can get competitive advantage by having quality **relations with the government.**

Advantages of global or global marketing for India are as follows:

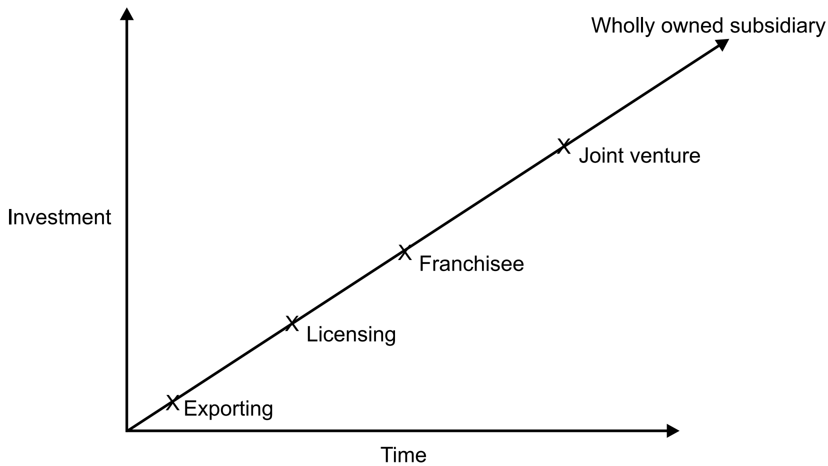
- Can leverage our low labour cost as a cost leadership advantage vis-à-vis competition
- Get foreign exchange as per partial convertibility of rupee

Disadvantages for global marketing are given below.

- Currency changes (exchange rate fluctuations)

- Country's strategies for foreign firm
- Lack of global experience

Firms take the following route to global business.



Route for Global Business

As can be seen, the firms normally start by exporting, followed by licensing the manufacture of the product for the sale. Next comes franchisee operation where the local businessman franchisee can use the brand name of the firm get managerial support. On being successful, the firm can start a joint venture manufacturing unit and finally, the firm can have it own organization to manufacture and market products in that and in other countries as well. With firms in global market, firms can enter new global market from any place depending on their own plans and the host government's rules and regulations.

The firms have to decide the markets they want to enter globally. The three markets, which cater to the major part of global business, are the European market, the USA and the Far East markets. The decision should be taken depending on the host country's policy on foreign firms, besides its economic standards. Distances become important, as freight of goods to be exported is dependent on it. India as a market looked attractive to the western nations due to its large population, which consists of nearly 200 million people belonging to the consumer group.

Seeing the importance of inter-country trade, several geographic economic blocks or zones have been formed to not only do easy and free business with one another, but also to put barriers for outsiders from doing business with them.

Free Trade Zones

Some of the free trade zones are listed below:

- European Union: They have recently introduced a common currency, the Euro, with the help of which the countries of Europe can do business with each other without

A company's experience, global competitive advantage, political and economic risks and the nature of the assets to be exploited all affect the operating forms the company would employ in its foreign operations.

Forms of foreign activities comprise exporting, licensing, franchising, management contract resulting in joint ventures, turnkey operations, fully owned subsidiaries. Companies may use different forms of the activities in different countries and even for different products. As the diversity increases, the task of coordinating and managing the foreign operations become more complex.

The company's foreign operations differ in terms of intra-activities and inter-activities, handling of actions inside and outside of the company. They also differ in the resources committed in the home and the host country. Foreign operations of the company are examined in terms of its strategic objectives, usually there are tradeoffs involved, as for gaining overseas advantage the company may have to forgo some of its local plus points.

Besides exports, the normal methods of going global are given below.

Licensing

The next level of global marketing is through licensing. In licensing the firm gets into overseas business by giving technology, trade name, brand and process of manufacturing against a fee or/and royalty to the local firm, of the country the firm wants to do business with. The firm gains entry in the foreign market without much investment. The firm taking the licence gets the technology of manufacturing a well-known brand in the world, a proven technology. India has had a number of such arrangements so far, including Maruti-Suzuki, Alcatel-Modi. Some survived the open market economy of the country; others were bought out by the licensers.

The failure can be attributed to the following:

- Low control of the licenser over the local operations
- Sale of some vital components by the licenser to the firm at high prices to make extra profits reducing margins for the firm.
- Licensing can be done without looking at the firm's synergy
- Distrust between the two partners

Franchising

It is more detailed and complete form of licensing. The franchiser provides entire product marketing concepts, branding building plans and processes. The firm pays the franchiser a fee and invests in the venture, like the McDonald franchise arrangements.

Joint Ventures

Two firms, one local and the other foreign join hands and they form a third company to exploit the strengths of the respective firms. It became expedient for entering some countries as the governments of those countries were opposed to foreign firm's equity beyond a certain level. Joint ventures suffer because of a) cultural differences between the two partners, b) level of expertise required being absent for even absorbing the technology of the foreign firm c) difference of opinion in running the firm, d) financial disagreements.

Fully Owned Foreign Subsidiary

It is usually the last step and is taken after the firm has been in the foreign market for a time and established it there. It is dependent on the local government's policy with respect to investments by foreign firms in the country. Countries like India and China have been the focus of western world as these countries are welcoming Direct Foreign Investments in their countries.

Overview of Global Marketing

Firms which do not take full advantage of the global opportunities will in time lose their home base as well as, they will suffer loses by their business being taken over by strong foreign players.

Hence, Global Marketing is the process for focusing the firm's resources and its objectives on global opportunities. Each firm has some driving and stimulating forces in this regard as also some restraining forces, like laid-back ideas, rigidity of views and fear of the unknown. The fact, however, remains that global market provides enormous potential of business. Overall it is the place of perfect competition, lots of sellers and lots of buyers too.

Products sold can be undifferentiated products like, ores and raw materials (sold on the basis of price only.) With differentiated or branded product firms charge higher prices and they sell on their brand equity the world over.

Countries differ from each other in their wealth, GNP, per capita income, education, religious beliefs, size and their ethnicity. Firms planning global marketing must understand other country's human resources, economics, politics and social situations.

Major assumptions in the global trade are given below.

1. Environment is a determinant in global marketing. Geography, distances and climatic conditions have an impact on business.
2. Scientific and industrial revolution helps the firms/business to make things happen even when the environment says no it cannot be done. Technology helps in doing more with less effort.
3. Ways in which the firms do business and produce goods are different in different parts of the world.
4. The statement that, "Firm's country is the best for business" may not remain true with global competition with better products.

We can thus conclude that, the trend in growth in the world business is a result of the interaction of specific driving and restraining forces. The driving forces must overcome the restraining forces.

Let us discuss the driving force in the world business. Mainly we can see the supply and demand situation and the gap therein. New products, newer needs of old products and worldwide communication links like television and the Internet have fuelled the world of business as follows:

is better than other firms of the world. It can also have similar polycentric view of its country, to focus on the areas where the country is better than other countries of the world. The best is, of course to have a geocentric view, with the dual focus, regarding the firms and country's superiority.

Expanding the theme further we see the following paradigm.

Ethnocentric focus of the home country—similarities in foreign countries/ dissimilarities in foreign countries to showcase the similarities and differences as competitive advantage.

Polycentric focus—home country is unique, locate the differences in foreign countries and either modifies the product as per requirements or use the difference as a competitive advantage.

Region-centric focus locates similarity in world region and plans sales accordingly.

Geocentric focus locates similarities and differences in home and host country.

Let us analyze the strengths of some of the countries.

USA buys superior products may be with high prices and top quality technology and

Latin America buys only from the people with whom they have solid relationships, good rapport. Quality becomes a secondary consideration. Contacts are built by the behaviour of the firm's people, gestures, words and posture.

In some countries, price and benefits of the product assume great importance. In fact, the firm needs to know, who are the customers in a country, what they want and what is important to them.

The economic environment of a country is a major determinant of market potential and opportunity. It is possible to identify distinct stages and formulate estimates about the type of demand that will be found in a country or market of a particular stage of economic development.

The vast difference comes when you notice the underdeveloped countries, the developing countries and the developed countries. Then there is agrarian society, and highly developed one. In each case the GDP, per capita income differs a great deal as follows:

- High-income countries with per capita income >$12000. There are 27 countries with population of 818 million
- Upper middle-income countries with per capita income between $2000 and $12000. There are 35 countries with population of 912 million
- Lower middle income countries with per capita income between $400 and $2000. There are 65 countries with population of 1.775 billion
- Lower income countries with per capita income < $400. There are 42 countries with population of 1.725 billion

These figures are given only as guidelines and should not be taken as sacrosanct.

In the 18th century, most countries of the world were having agrarian economy. It was only after the industrial revolution of the 18th century in Europe, which gave the world industrial economy, with assembly line mass production techniques and material wealth. Rich countries today have high productivity per worker, inasmuch that their labour costs are high too. Poor countries have low labour cost and lower productivity per worker. The following need to be addressed in selecting the markets.

- Population and income
- Number of households
- Climatic conditions
- Price negotiating culture
- Languages spoken

India with large population has good market potential. USA is a bigger market than Brazil. China has come up as a big market with its vast population. Russia as an emerging market provides opportunity to sell high tech products.

Cold countries have huge need of heating equipment while warm countries need air-conditioners and coolers.

Price has been an important factor in purchase decisions. In several countries, the method of price negotiations differ. Small to large gifts (read bribe) are norms in some countries. Inviting the customers of large potential purchase for cocktail parties is prevalent in some countries. However, the firms must know if it is good manners to invite ladies to such parties or not. In most courtiers it is advisable to hire a local guide who can tell about the customs of the country and translate the language with all its nuances so that no slip-up takes place. Forcing your own will does not necessarily succeed in business.

The task of the Global Marketing Manager is to identify similarities and differences that characterize individuals and cultures of the countries of the world, so that strategies, products and marketing plans are efficiently adapted to global markets.

The plans for expansion by firms should start by comparing, contrasting and analyzing the economic environment of different countries. Marketers should recognize that the economic environment is but one of the several influential factors for analyzing the global market. The culture and social environment need to be considered as well.

Product

The first method used in the global market is selling the same product as sold in the local market. Managers have to find customers for the product. Mercedes is one example where the product sold the world over is the same, but in this case also, depending on the country left-hand drive or right-hand drive cars are sold.

Most products in Japan have to take into account the fact that Japanese population's height is averagely less than that at other places. The following matrix shows how it works.

Promotion	Do not change product	Adapt product	Develop new product
Do not change promotion	Same product as local market product	Product adaptation	New product invention
Change promotion	Modify communication/ advertisements	Dual adaptation	New product invention

Exceptions can be if the firm has world monopoly of the product. In the seventies of the 20th century one firm in the area of electronic components had such a monopoly and the customers were coming to India to buy the product, at the firm dictated prices and distributing in their country on their own.

The first step taken by firms normally is starting exports to designated countries. For the purpose they need to have an export sales department with one Export/Global Marketing Manager. As the business increases, the firm starts offices in host countries as well. Experts who arrange for market surveys, appointment of distribution channel members, market information system, made these offices.

Advertising and Promotion

For global marketing, the firm has to decide to have one of the following plans for advertising and promotion.

(i) Global strategy where the same advertising and promotion works for the entire world market. Pepsi circle of blue and red is recognized all over the world.

(ii) Multi-domestic strategy where the firm allows each country's local management to plan their own advertising and promotion most suited to local conditions, like what Lever Brothers do.

(iii) Hybrid strategy where the firm keeps the global perspective and yet alters the advertising and promotion to a limited degree. Most firms change the models in their advertisements. Japanese advertisements are better appreciated with Japanese models.

Market Globalization

Firms usually start marketing their products in their own country, the domestic market. Once established as a known brand and accepted supplier of goods they need to diversify their markets and the first step in that direction is exports to another country. Excess production, which cannot find market in the country of origin, is the starting point of exports. Later on firms do take up special production of goods for exports. Some others build an export bank (inventory) to avoid any clash with the demands of domestic market. Firms have to realize that the product, which is considered giving value for money and fulfilling customer's needs, must do the same in overseas market.

Once the firm wants to get established in the export market, it has to understand the business environment of the foreign country. The four Ps of host country Product, Price, Placement and Promotion may not have the same relevance outside.

In prehistoric times, the city-states traded through barter system. One state had one product while the other had some other product and they both needed the product, which the other had. The same type of advantage in tradable product in one country over the other works well even today, except the scene is much more complex with several countries, myriad of products having global access.

In India exports are firm's imperatives due to following reasons:

- Partial convertibility of rupee, which gives foreign exchange to exporters they need for their imports for production

- Need to achieve economies of scale of production for lowering costs and making prices competitive for exports too.
- With MNCs getting a foothold in India, firms need to have greater markets, which India cannot provide.
- Intangible benefits are, bettering of product quality, improvements in communication systems
- Upgradation of technology
- Cost reduction due to large-scale manufacture
- Utilization of human resources like in IT sector where India has a large workforce.
- Globalization of Indian brands

Let us discuss the negative factors of going for exports, which are as follows:

- Low image of the country as a supplier of quality goods. This is gradually changing
- Firm's culture, which does not give the required fillip to exports
- Inexperience of global business and the fear of the unknown
- Cultural differences in nations
- Entry barriers in some countries, their governmental controls and in some cases like the USA, quota system for exporting to that country (e.g. textiles imports into the USA)

There are some common factors as given below.

- Balance of payment between trading nations
- Stability of their currency
- Transportation costs
- Infrastructure status
- Quality control plans in each country and how these manifest in global trade
- Trading blocks like Euro, NAFTA, ASEAN
- WTO the world body that regulates global trade and settles trade disputes.
- Political instability in some regions
- Economic upheavals of the far east, Japan

Cultural Aspects of Global Business

It is widely believed that culture is not inherent but is learnt. Culture guides people to respond to situations and since it has been learnt, it is difficult to change. Marketers need to find some common reference point between cultures of different countries, because it is the culture of the country, which defines behaviour, norms and reactions to outside stimuli given to its people.

The home country objectives of business are dependent on its cultural ethos and transposing them on other country would need defining the cultural ethos of that country. If the marketers try to impose their country's culture on the other country, it may complicate the issue and hence own country's cultural bias must be taken out while formulating objectives of business for other countries. There may be, however, products which have universal appeal and they would not need any such action.

- When do I need it?
- What is the money value of the information to me?
- What would be the cost of ignorance?

Start with secondary research by using libraries, online database, trade associations and government publications. Find out from foreign embassies about the information available from their countries. Crosscheck piece of information from several sources.

Survey research: It is conducted by using a questionnaire and asking questions from potential customers. The questionnaires should be simple, easy to answer and record. Questions should be clear and to the point.

The research should give the following information:

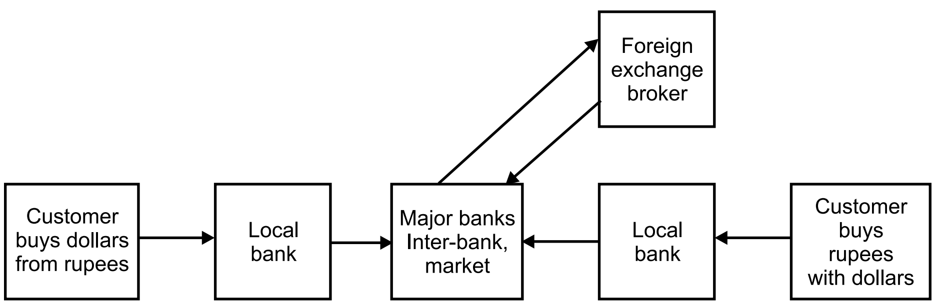
- Demand analysis is dependent on country's gross national product, per capita income. Low-income countries are more on core products like food, clothings. With high-income countries heavy industries start emerging.
- Income elasticity of demand can be found out both for consumer and industrial products. Basic necessities do not have much of income elasticity, while luxuries demand change with income changes.

Country's entry barriers are listed below and these will confirm whether or not market is conducive for entry.

- Government regulations regarding foreign firms
- Low infrastructure like telephones, power, roads railways and ports
- Poor availability of raw materials
- High cost of money, borrowing rates
- High rate of import duties

Global Monitory Fund was created under the auspices of the United Nations Organization. It is the body, which regulates smooth to compensate for balance of payment deficits. SDRs are assets allotted by the IMF on the basis of country's GDP and share of world trade.

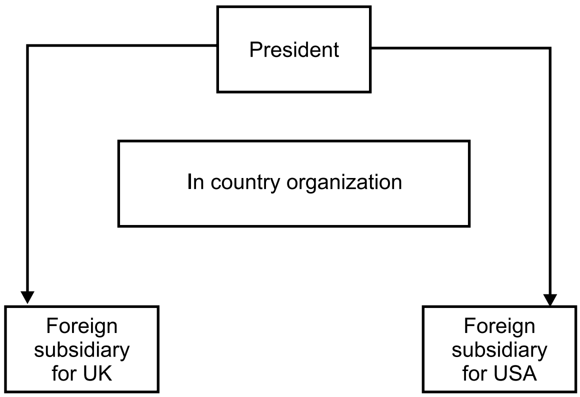
Foreign exchange is the currency sold or bought in the foreign exchange market. The transaction takes place as given below.



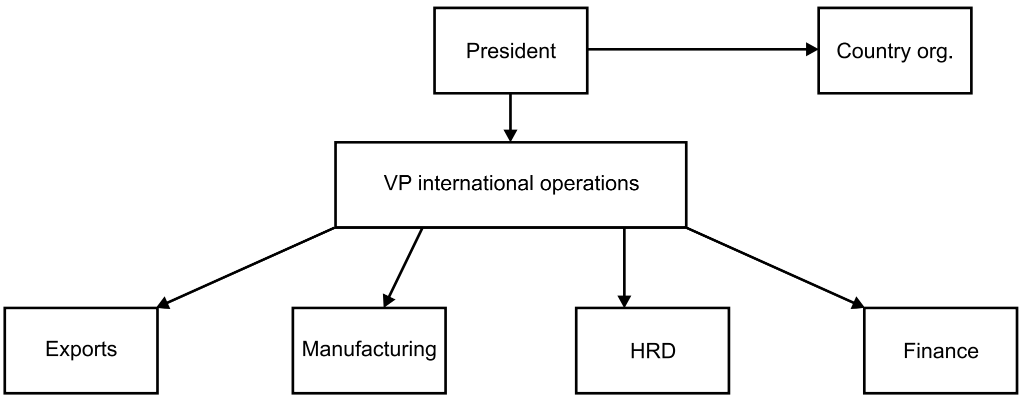
Local banks' major tasks in the global business are handling money. The most common form of money transactions is the Letter of Credit LC. LC can be of the following types:

- Revocable LC with recourse
- Revocable LC without recourse
- Irrevocable LC with recourse
- Irrevocable LC without recourses
- Part shipment allowed or not

Organization for Exports



Another Alternative



Global Communications: Advertising in the global market must take the country's cultural ethos into account. For example, in Islamic countries, green is the preferred colour. In China, yellow is the sacred colour and it should be used for only holy products. White is the colour of purity in the west while in South Asia it is the colour of mourning.

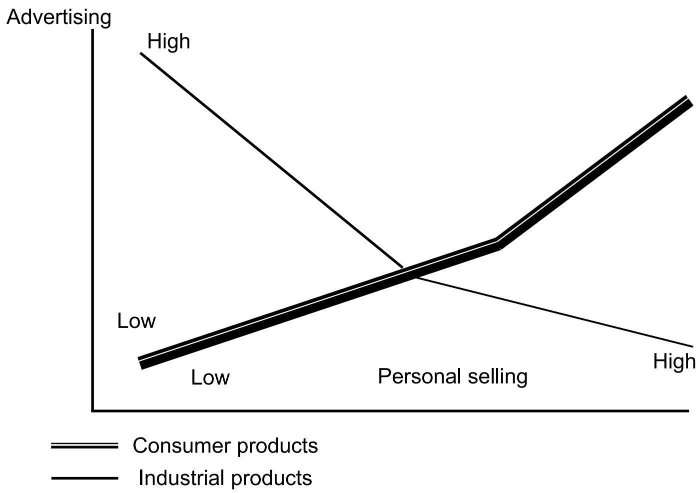
Marketing Channels

In order to decide the most effective channel, the firm must consider the market segment it wants to cater to and the product positioning in the market. Channel selection should reflect firm's strengths and competitive advantages. In the beginning it is correct to use similar channels as already in use by the competition. Distributors should be selected on the basis of their experience with similar products, commitment to the firm's objectives and financial and human resources for the task. Trainability of their staff in selling the product is useful. If they can provide after-sales service, it would be an added advantage.

The distributors normally appoint retailers, but initially it is a good idea to approve their appointment to ensure long-term profitable association with them.

For industrial products the firm should look for technically oriented distributors. They will then be able to supplement firm's salesperson's efforts in a positive way.

Following graph gives the relative importance of advertising and personal selling, either by firm's salesperson or distributors.



In most developing countries, the age-old distribution systems are valid as given below:

- Sole distributors
- Area distributors
- Dealers
- Agents
- Stockists
- C&F Agents
- Retailers
- Firm's own shops
- Franchisee outlets
- Super stores

In developed nations distribution through new channels like the Internet, teleshopping, personal door-to-door selling are gaining popularity.

Countries in Economic Transitions

Several developing countries referred to as *economies in transition* are generally characterised as having highly concentrated industries, large state-owned sectors, and inefficient firms operating in markets insulated by trade barriers. While many of these countries have adopted policies of trade liberalization, de-regulation and privatisation, a question arises as to whether market forces can be further strengthened. Others suggest that of liberalization international trade is sufficient to promote competition. While some others argue that even if competition law is considered desirable in the abstract, the probability of improper enforcement, misuse of bureaucratic power or regulatory capture is so high in developing and transition market economies that the expected costs of such legislation outweigh the possible benefits a competition (anti-trust) law. And whether such strengthening of market forces will result in higher economic growth? There are divergent views on these issues. Some argue that promotion of competition may not always be conducive to industrial growth and international competitiveness.

What kind of competition policy needs would emerge during this transition process? Are these needs important enough to be addressed by specific policy initiatives? While there is limited consensus on the competition policy needs for developing countries, three inter-related issues are being increasingly recognized:

Competition policy needs may differ according to levels of economic development of a nation.

Competition law is just one of the various public policies that impinge on the competitive environment of an economy. Consequently, the linkages between various policy initiatives and their combined effect on competition, efficiency and growth need to be understood before identifying the key parameters of competition policy and the scope of competition law.

The institutional framework is critical for the efficacy of competition law.

The countries differ in terms of levels of development and several structural features. These include size and sector diversification of the economy (e.g., importance of the service and manufacturing sectors), status of the financial markets, levels of concentration across industries, role of multinational corporations (MNCs) and state owned enterprises (SOEs, or PSUs-Public Sector Undertakings) and the degree of openness (import/export penetration). These countries also differ in terms of past and current policy regimes. While some of them have liberalised their policies in recent years, the extent of such liberalisation (e.g., deregulation, privatisation, trade liberalisation, openness to foreign direct investment, FDI etc.) differs across nations. Besides, not all of them have gone through the structural adjustment programmes.

Given the differences across countries and the three general issues raised above, this paper pools together the analysis/information contained in the seven country reports and papers to gain insights into the links between economic development and competition policy. In order to do that it focuses on two questions:

How the structural and policy differences affect competition policy requirements?

Given these requirements, what are the emerging substantive and administrative needs of competition law?

Socioeconomic Profile and the Developmental Context

It is evident that the socioeconomic factors differ significantly in terms of population size, size of the economy, per capita incomes, human development, industrial structure and exposure to the world economy. Are the competition policy requirements the same across these countries? On what parameters they should differ? Some key socioeconomic aspects of the countries are summarised here to highlight the importance of the development context of competition policy.

Some Structural Features

Apart from the differences in size (in terms of population and income), which varies significantly across countries a few interesting differences need to be highlighted:

In all nations, except South Africa and to some extent Zambia, agriculture is an important sector. However, even among the remaining countries, contribution to GDP varies a great deal; it is as high as 48 per cent in Tanzania and as low as 21 per cent in Sri Lanka.

The tertiary sector is the most important contributor to GDP in all countries and has improved its share during the 1990s. This sector has gained at the cost of agriculture and manufacturing. For example, the tourism sector is very important in Kenya and Tanzania.

During the 1990s, the relative decline in the manufacturing sector has been most striking in Zambia where it fell from 32 to 11 per cent. The manufacturing sector was most thin in Tanzania. Moreover, only India and South Africa, the two relatively large economies, can claim to have a diversified manufacturing sector.

Information on the levels of concentration (in distribution of assets and market shares in different industry groups) is sketchy but it seems to be high in most countries.

Role of FDI and Cross-border Mergers

Apart from exports and imports, another important aspect of an economy's 'openness' is the role of cross-border mergers and acquisition (M&A) activity and foreign direct investment.

All countries have seen cross-border M&A activity in recent years. While in terms of absolute values of these transactions, South Africa, India and Pakistan are way ahead of the others, as a proportion of GDP, these transactions seem to be quite important in Zambia and South Africa and not so much in India.

Cross-border M&A activity by local firms is somewhat significant only in South Africa and to some extent India.

As in the case of M&A activity while quantum of inward FDI flows & stock is significant only for India and South Africa, its share in investment and GDP is high in Zambia, Pakistan, Sri Lanka and South Africa; the share in India is actually the least.

The firm has to take a decision about going overseas, where it has to take the following into consideration:

1. The number of countries to be decided—2/3/4 at a time. To find out if there are commonalties in the markets of these countries or are they totally dissimilar in nature. This information would be of use while planning country specific marketing strategies.
2. To understand the comparative distance of the countries and the available logistic support for transportation of goods to the countries.
3. To understand special market needs that help in omitting the countries not favourable for the firm's products and other Ps.
4. To verify the assumptions made about the market in the initial shortlisting stage.
5. To do market segmentation and decide the most appropriate segment suited to the firm.
6. To understand the actual needs of the selected segment, the benefits the segment customers are looking for in the products of the firm.
7. The actual size of the market (this should be as accurately assessed as possible with the help of data, records available and a primary survey to be conducted by experts in the field, who are familiar with the market).
8. To know the competitors, both the large as also the small ones, their strengths and weaknesses. (do a SWOT Analysis)
9. To look at the competitor's 4 Ps; are they based on global multi-domestic or hybrid strategy.
10. To plan the firm's market share and profit margins, both on a short-term and long-term perspective.
11. To understand the countries currency, its fluctuations over the past three years.
12. To know the situation regarding the Balance of Payment between India and the other countries.
13. Use Mckinsey's 7S model to understand firms 7S namely—Structure, Skills, Style, Systems, Strategy, Shared Values, and Staff.
14. At this stage the firm has to plan its 4Ps for the overseas markets.
15. Next, the teams are formed and given targets to achieve with responsibility and accountability
16. As the business starts, the firm has to place a control mechanism in place to ensure that the targets are met or corrective steps can be taken on the initial default itself.

Global Trade

Most of the global trade depends on merchandise export and import. The countries want that their exports overall should be greater than their imports. This gives them edge over the countries, which are importing from them as the balance of payment remains with them and they remain net foreign currency earners.

SUMMARY

The global business is conducted in the following manner (firms use one or all the methods given below)

Exports	Home country	Goods/services	Host country
Licensing	Home country	Technical know-how	Host country
Franchising	Home country	Management technology & brand	Host country
Joint Ventures	Home country	Investment along with host country, Technology, Management and materials	Host country part finance
Wholly Owned	Home country	Capital know-how Subsidiaries	Host country CBU, SBU

Questions for Discussion

1. Discuss the advantages and the export imperatives for Indian firms in post-liberalization era.
2. What should be exporting firm's considerations in selecting countries for exports?