

# International Business: An Analysis

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**Abstracts:** In the world, today international marketing is a highly skilled assignment. The job becomes more strenuous because of state competition and changing rules of international and local laws. International marketing as discipline has emerged only recently, as an offshoots of the ever increasing inter-dependence of the nations and the rise of the transnational corporations which treat the globe as their market. With the advent of faster communication and financial flows. Products developed in one country- Gucci, purses, Monte blanc pens, mc Donald's -are finding enthusiastic acceptance in other countries would not be surprised to hear about a German businessman wearing an Italian suit making an English friend at a Japanese restaurant who later returns home to drink Russian vodka and Melrose place on TV. Today, global competition is intensifying domestic companies that never thought about foreign competitors suddenly find these competitors in their background. Although, some want to eliminate foreign competition protective legislation, protectionism in the long run only raises costs and protects inefficient domestic firm. The better way for companies to compete is to continuously improve their product at home and expand into foreign market.

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## Meaning of International Marketing

International marketing is the marketing across the national frontiers. It refers to the strategy, process and implementation of the marketing activities in the international arena. International marketing may be defined as an activity related to the sale of goods and services of one country in the other, subject to the rules and regulations framed by the countries concerned. In simple words, it refers to the marketing activities and operations among the countries of the world following different political and economic system. International marketing is marketing abroad beyond the political boundaries of the country. International marketing brings countries closer due to economic needs and facilitates understanding and cooperation among them. It is essentially a constructive economic and commercial activity which is useful and beneficial to all participant countries. It may be clear that international marketing is just not simple extension of domestic marketing mix to various nations. It is much more than that due to heterogeneous marketing environment in different nations. Many companies like : Nokia, Unilever originating in small countries could not have achieved mass scale of production without international marketing. It is global marketing only that has enabled these companies to grow to a very huge size.

## Definitions of International Marketing

According to Hess and Cateora: "International marketing is the performance of business activities that direct the flow of goods and services to consumers or users in more than one nation."

According to Van Terpestra: "International marketing is a process of planning, designing executive marketing strategies to achieve marketing objectives in the markets of other countries."

According to Harold Barson: "International marketing is the process of establishing multinational physical distribution channels and to undertake various activities for selling the products and services in different nations."

It may be defined as marketing carried on across national boundaries i.e., buying, selling, transportation, storage and warehousing, financing, risk bearing, standardizing, advertising and sales promotion etc. may be called International marketing when performed in foreign market across the national market.

## Nature/features of International Marketing

The following subheadings reveal various characteristics or features of International marketing:

**Exchange Process:** This is give and take process in International marketing. The countries that provide goods abroad also earn exchange whether in cash or on credit basis depending upon the terms.

**Movement of tangibles and intangibles:** International trade takes place in both goods and services. Companies manufacture finished or unfinished goods and export them.

**Large scale operations:** International marketing transactions is always conducted in a large and bulk quantity. It is not conducted on retail basis but on the wholesale basis. This is necessary for securing the advantages of large scale operations.

**Planning:** A framework has to be formulated to carry out international activities. This framework contains the plans about how the firm is going to proceed step by step so that the entire activity set is based on a well formed programme, checked out before hand.

**Need of marketing research:** International marketing requires marketing research in the form of marketing surveys, product services and product testing as it is highly competitive.

**Legal framework:** The countries indulging in international marketing have to take care and abide by laws both of their own and other countries. Any sort of violation may lead to heavy penalties and a sorry figure in the world market.

### **Scope of International marketing**

**Branch in foreign market:** Establishing a branch in foreign marketing for processing, packaging or assembling the goods according to the needs of the markets. Sometimes complete manufacturing is carried out by the branch through direct investment.

**Joint ventures and collaborations:** International marketing includes establishing joint ventures and collaborations in foreign countries with some foreign firms for manufacturing and/or marketing the product. Under these arrangements the company works in collaborations with the foreign firms in order to exploit the foreign markets.

**Licensing arrangements:** The Company, under the system, establishes licensing arrangements with the foreign term whereby foreign enterprises are granted the right to use the exporting company's know how, viz. Patents, processes or trademarks according to the term of agreement with or without financial investment.

**Consultancy services:** Offering consultancy services are also included in international marketing scope. The exporting company offers consultancy services by undertaking turnkey projects in foreign countries.

### **Importance of International Marketing**

- Availability of goods which cannot be produced in the home country due to geographical factors and other natural limitations.
- Provisions of better standard of living to citizens by providing them with wide variety of goods and services.
- Industrial development of the country, provision of massive employment opportunities to the people and full utilization of natural resources available.
- Social and cultural exchanges between different countries of the world.
- Easy availability of foreign exchanges for import of capital goods, technology and other essential requirements.
- Removal of deficit in the balance of trade and payments of participating countries through export promotion and import substitution.

It may be noted that the above mentioned advantages or benefits are available only when international marketing is reasonably free from various restrictions and regulations.

### **Deciding whether to go abroad**

There are several factors that might draw a company into the international arena because most companies would prefer to remain domestic. If their domestic market are large enough managers would not need to learn another country's language and laws, deal with volatile currencies, face political and legal uncertainties or re design their products to suit different customer needs and expectations.

- The company might discover that some foreign markets present higher profit opportunities than the domestic markets.
- The company might need a large customer base to achieve economies of scale.
- The company might want to reduce its dependence on any one market so as to reduce its risk.
- The company's customers might be going abroad and require international servicing.

### **Modes of entry into overseas market**

If a firm has decided to go international, it has alternative method to choose, amongst for getting the entry into the foreign market. The choice very much depends on the resources of the firm and the market potentials for its product in the importing country. Firm should assess its strength and weakness.

Following are the methods of entering foreign markets..

#### **Indirect exporting**

Companies start with indirect exporting - that is they work through independent intermediaries to export their product. Indirect export has two advantages. First, it involves less investment. The firm doesn't have to develop an export department, an overseas sales force or a set of foreign contact. Second , it involves less risk.

#### **Direct exporting**

Companies eventually may decide to handle their own exports. The investment and risk are somewhat greater, but so is the potential return as a result of not paying an intermediary. The company can carry on direct exporting in several ways..

- a) By approaching the consumers directly in overseas market.
- b) By selling the product to an exporting house in India for export purpose.
- c) By selling the production to an import house or buying agent in India.

#### **Licensing**

Another easy method of entering international market is to grant a license to a foreign firm to manufacture the product by using the firm's name, patent, trade mark and technology under the terms of agreement. The company granting the license gets an agreed percentage on gross sales as its remuneration. Such an arrangement works in the following situations.

- a) When the importing country puts curbs on imports.
- b) When a country is sensitive to foreign ownership.
- c) When it is necessary for a firm to protect its patents and trade mark against cancellation for non use.

#### **Joint venture**

A joint venture implies joining hands with one or more overseas firms in a quest for going international. Joint ventures come into being when the two parties specializing in certain fields use their resources for profitable business. A joint venture is an excellent way of entering those countries that prohibit imports. Many firms that are not sufficient can become so by switching to a joint venture. Another advantage is in the field of risk sharing where both the firms agree to share the risk. Two firms joining together lead to a synergic effect that is required in any business. But joint ventures are not free from drawbacks. There is a risk of one partner betraying each other.

#### **Turnkey Projects**

There are projects which involve the rendering of services like designing, civil construction, erection and commissioning of plant or supervision. And supply of equipments.

### **Engineering services contract**

These involve the supply of engineering service along.

### **Management contracts**

This method of serving a foreign country is the result of external political pressures from the host country's government. It is rarely adopted by the firm itself. It generally comes into being when the firm's investment in a foreign country are expropriated by the host country's governments. And when no suitable and adequate managerial capability exists in the host country, the firm gets specific fees to manage its formal investments for a specific item period.

### **Problems of International marketing**

Good things are not achieved without crossing the hurdles on the way. The following points through light on several point of difficulties faced by the countries involved in international marketing..

#### **Diversity of profiles**

The very first difficulty in international marketing is the diversity of profiles regarding various aspects like

- The tastes and preferences of the people of different countries.
- The buying behavior of the customers.
- Differences in competitive profiles and so on.

#### **Lack of personal contact**

Since in international trade, the question of different countries is involved, the distance problem is away. There so that personal contact is generally not possible.

#### **High level of risk**

In long and untraded roots, there can be a high risk to the cargo. In trans routing, sometimes goods are subjected to rough handling. Sometimes there can be a risk about receiving payments.

#### **High tariff rates**

Every country in the quest for saving, its foreign exchange and adding to it gives greater preference to export than to imports. The importing firms have to pay in the form of custom duties and other high rates of tariffs on imports which act as constraints on exporting countries.

#### **Currency problem**

Most countries accept payments in their own currency or in internationally accepted currency. If there are fluctuations in the foreign exchange rates, the traders have to face a lot of trouble in determining the exact payment to be made and accepted.

#### **Procedural problems**

The procedure in international marketing is usually lengthy and complicated. There can be several formalities to be fulfilled. Sometimes a firm may have to hold talks with government officials to obtain certain permissions, etc.

### **Deliverance**

After the brief study of international marketing we can conclude that international marketing can be an excellent source of revenues specially for developing countries as it has been for developed countries for long. The world's economies are becoming increasingly interdependent and countries around the globe are continuously looking outward to take advantage of new opportunities. Ultimately, our place in the new economy will be dependent on our ability to work together to succeed in the global arena.

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