International Marketing
Prof. Tutan Biswarup Ghosh
Vinod Gupta School of Management
Indian Institute of Technology – Kharagpur

Lecture – 03
Introduction to International Marketing

Good afternoon. Welcome back. So, we will now start the lecture session 3.

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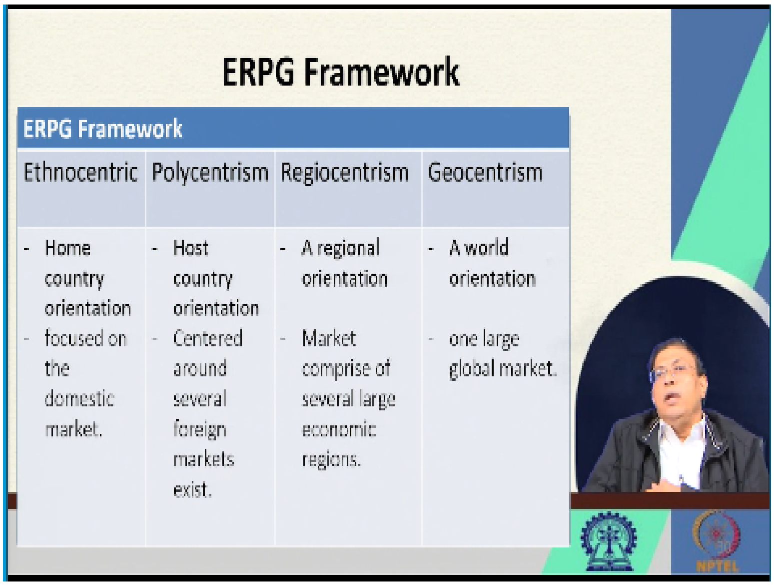

So, we will now learn what is known as ERPG network. So, what is known as ethnocentric, polycentrism, regiocentrism and geocentrism. So, there are 4 different types of framework out there. What is ethnocentric? That means the home country orientation the focus only in the domestic market. So, the companies only focus in the domestic market. So, they will the companies are typically they will not make any expansion outside the domestic market.

So, they the company management decides that we will not have any exports or any of the international operations when we will produce the products only for our domestic market companies. So, these companies are typically ethnocentric company. So, they will be only focused to the domestic. Polycentrism; So, that means, the host country orientation centred around several foreign markets.

So, that means, I will centre about the couple of foreign markets I will operate. So, this is known as polycentrism. And the third one is a regiocentrism; That means, I will market comprised of several large economic regions I will operate. So, I will go to maybe the Asia Pacific region I might go to the European region and all those so, that can be in a way it can be done.

Geocentrism that means, a world is Unix that means, I will market the product throughout the world and these companies are known as geocentrism policy they follow. So, these are the very basics ERPG network.

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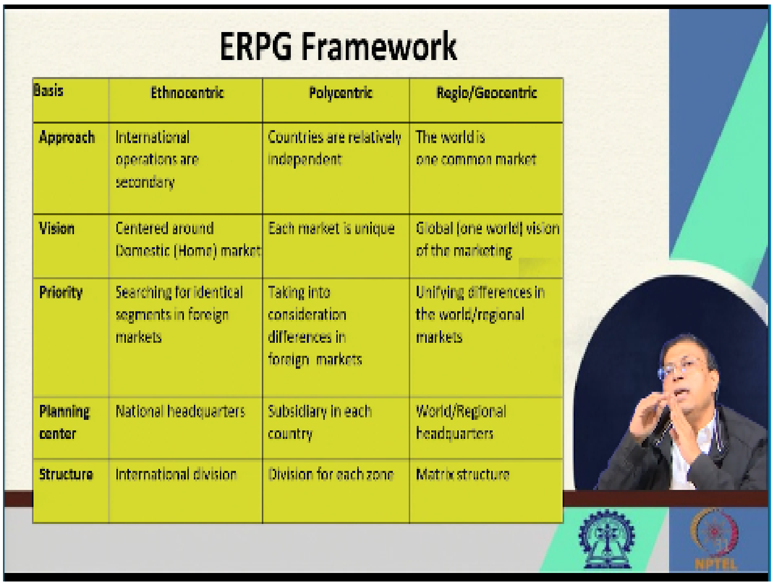

So, what is the basis? So, I will give you much more in depth about each of these. What is ethnocentric approach? So, the international operations are secondary. So, the my main operation if I am an ethnocentric approach. So, I will only considered only in the domestic, I will make maybe some effort to make some exports but I will not really have any international operation. So, that is typically an ethnocentric.

The polycentric is that countries are relatively independent. And in the approach for the geocentric or regiocentric is the world is one common market. So, I operate in a couple of more regions or I operate a couple of globally in the various countries. So, what is the vision? Vision here is this in the ethnocentric, the vision is domestic. So that means I will only look at the product, price, promotion, placement all basically only for the home segment of the market.

So, I will consider, this is the size of the market where I will operate. This is my pistol, this is my competition, and I will operate in this market, that is my vision. The polycentric I will operate in couple of markets, but each market is unique. And the third one vision is that that I will have a separate strategy for each of these markets. And the third one is a regio or geocentric global one world vision of marketing. So, I will have one vision of the marketing throughout the global.

So, actually region and geocentric is a little different here. A region means you operate in typically one certain regions and in global means throughout the global geographies you operate. But for simplicity, we are putting it almost similar to that. Priority in domestic ethnocentric companies the priority searching the identical segments in the foreign market. So I will try to find out whether this product can be exported to some of the countries that is my priority or not really develop a product for the foreign market.

In polycentric, the priority is taking into consideration of difference of the foreign market. So I look at the 3 to 3 different foreign markets and accordingly I will develop the products for 2, 3 different markets. And then priority is unifying the difference of the world and regional markets. Planning Centre, in ethnocentric company's planning centre is national headquarters. So, if it is a domestic company, all the planning for the marketing will be done at the domestic Centre at the headquarter of the company.

If it is a Japanese company, it will be run in Japan. It is an Indian company done in Indian headquarter, and they might do a little bit of export outside there, but their main focus is only for the domestic market. So, there are huge large companies who only decides to operate only in the domestic market. They may not decide to go but they may be some of the products they might export which I say they priority.

If there is an identical market there we might export to the foreign market but that is not our priority. Our priority is mainly the domestic market. In a polycentric subsidiary in each of these countries, so I have to have a subsidiary in each of these countries. So I will have one subsidiary in India and subsidiary in Singapore, subsidiary in Malaysia, subsidiary in Europe.

So, I will have a different subsidiary different country and I will have a different product marketing planning. The various 4 piece of marketing strategy in all the for the each of the subsidiaries will have a different strategy. And third one as I said, while they said regional headquarters my regional headquarter can be I can have a regional headquarter like Asia Pacific headquartered, US headquarter or in headquartered in Europe.

I will have or I will have the world one headquarter of the world headquarters somewhere in any part of the world. Structure, I can have the ethnocentric companies I can have an international division which really looks only into the domestic portion. So, I can have an international division there are lot of Indian companies or there are domestic companies who only typically exports.

But their main concentration is domestic market with that they also export their existing products are the current products, the products which they sell in the domestic market, they export. So, they have an international division they are in that company, but they will not make any changes in the product features on the specifications for the foreign market. So, there is an extension of the product to that same like cakeron type of example, which I have given you at the very beginning of the course.

And then division of each of these zone polycentric and then matrix structure. So, regiocentric is typically a matrix or geocentric culture. So, regiocentric, so, typically matrix culture, so, what is the matrix structure? So, matrix structure means I will tell you like this if you are a product manager, so you might be located in India. So, you may be reporting to the marketing head who is in Singapore office as your region headquarters.

So, and but your administrative reporting will be to the India Business head or India country head or India managing director. So, matrix structure is that same person will report to 2 different persons on the product or the marketing front he will report to or to the marketing head of the company who is located at the regional headquarters, but is all administrative and other reporting is will be to the country reporting. So, this is typically a regional or regio or geocentric organisation structure.

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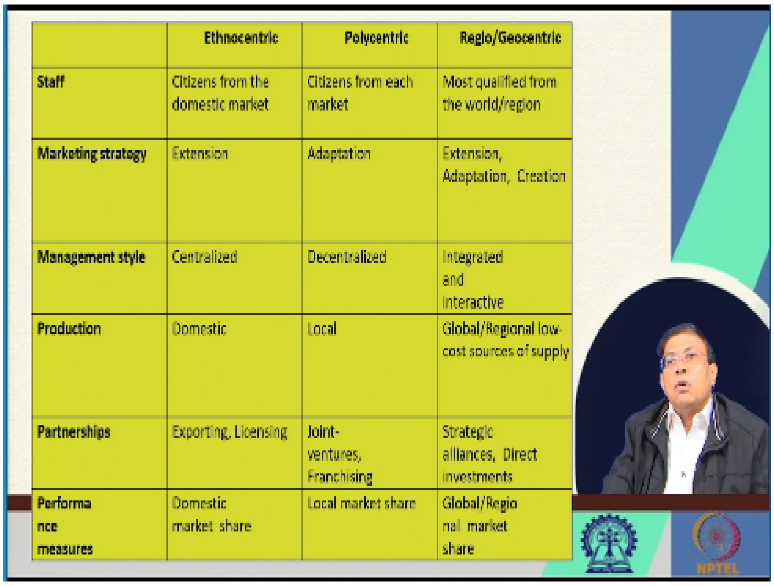

	Ethnocentric	Polycentric	Regio/Geocentric
Staff	Citizens from the domestic market	Citizens from each market	Most qualified from the world/region
Marketing strategy	Extension	Adaptation	Extension, Adaptation, Creation
Management style	Centralized	Decentralized	Integrated and interactive
Production	Domestic	Local	Global/Regional low-cost sources of supply
Partnerships	Exporting, Licensing	Joint-ventures, Franchising	Strategic alliances, Direct investments
Performance measures	Domestic market share	Local market share	Global/Regional market share

Staff, typically ethnocentric company staffs will be typically from the domestic market. Polycentric will be the multinationals are typically the polycentric companies will have citizens from each country. If I am having a company in subsidiary or the polycentric subsidiary in Japan, I will have Japanese people there. I will have Singapore people there in Singapore subsidiary or Malaysian people there.

In region of geocentric most qualified of the world I can put somebody some Indian in US operation some US citizen in European operation all those and then can be most qualified from the world regions are typically the staffs are accordingly done. Marketing strategy as a very beginning I have seen is a product extension only. But in polycentric as a citizen adaption, so, I am operating in 10 different countries and I will adapt the marketing strategy of for each of these countries.

So, each country suppose a country requires my A segment product, I will only market A segment product and derive all the strategies for the A segment product for that country. I will take my B segment product to another country and I will decide all the marketing strategy for B centric product. So, it is an adaption to that. And in geocentric regiocentric it is extension, it is also adaption, it is also creation, I might create a new strategy I might have an adaption on extension in a global strategy.

Management is centralised, in a domestic ethnocentric is typically centralised. In the management style in a polycentric is decentralised because you have various subsidiaries, each of these subsidiaries are headed by a different person. So, each of these person will be heading the operation and they said little decentralised and is an integrated and interactive the management of these regions.

Production, it will be a domestic production for the ethnocentric companies for the polycentric it will be local. So I will operate in 5 different countries. So I will have a local production maybe in Singapore, local production maybe in Malaysia, local production maybe in Sri Lanka, so maybe local production, they are on maybe in company local production in India and company from US, but having a polycentric approach. So I will have a local production in India.

So, you will find lot of foreign companies or multinational companies having a local production in India. And in global companies or the regional low cost struct supply. So, they might produce at one of the places and they might take that production throughout the world and produce only 2 or 3 different countries. And then supply the product from there to throughout the world.

So, they may not have the various local manufacturing they will have 1 or 2 or 3 local manufacturer the region manufacturing which they will supply from the region or global centre throughout the world. Partnership, in ethnocentric the partnerships are typically exporting and licencing I can only export or I can licence also will come what is licencing I will explain to you in later course of this day.

And then in polycentric it can be joint ventures, it can be franchising and in regiocentric or geocentric it can be strategic alliances, direct investment all those. And performance measurement is a domestic market share Are you always perform? How the company has performed? I will always look at the what is my domestic marketing share how much I have really grown my domestic market year on year market share.

So, that is the way I will see the My sales performance by this my revenue performance and also I look at the profitability in this . And in polycentric, I will measure I am operating in 10 or 20 different countries I will measure what is my local market share in each of these markets. So, I will pop how I do evaluate I will evaluate that the market is 10% or whether the market share.

I have increased from 10 to 12% in that particular market where I have operating for last 2 years. So, my performance will be for that particular market not for the domestic market. The third one is the global market share how much globally I am having a market share the global companies say Apple, Samsung, IBM or the companies like what is called Microsoft, Google, these are the companies they look at their global market share clear.

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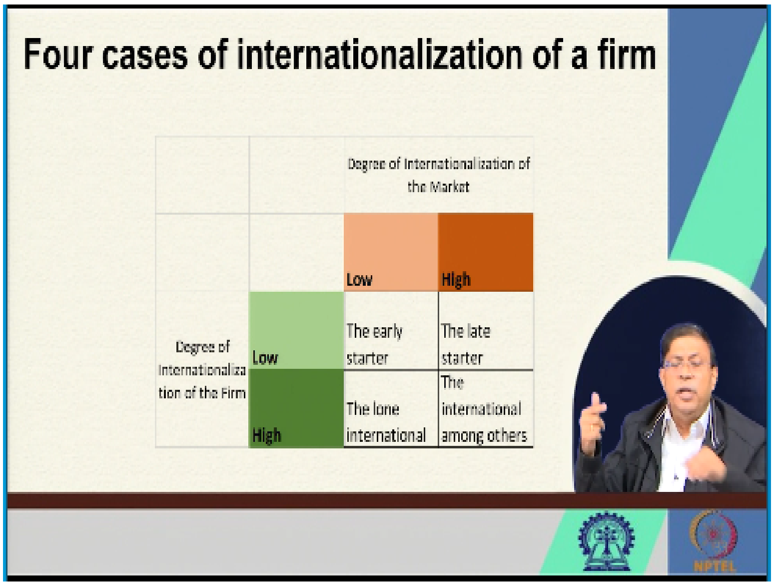

So, here, there are 4 cases on this you see on the degree of internationalisation of the market and on the y axis you see the degree of internationalisation of the firm. So, if the degree of internationalisation, I have kept the 2 simple boxes low and high. And degree of internationalisation of the firm I have kept low and high. So, the firms which operate in this first matrix, which is low degree of internationalisation, the market where you are operating is a low degree of internationalisation.

And your the firm is also very international the firm’s degree of internationalisation is also very low. We typically call it the early starters. So, they are the early starters, who are the late starters? The market is already internationalised, the market where you are targeting your internationalised, but your degree of international of your company is very, very low, you are not really basically domestic focus company.

And you are now, entering into that market, which is already very highly a lot of international players playing into that market, then you are typically late starter . The third quadrant here, the third quadrant here is the your company's degree of internationalisation is very, very high. And you also operate in a market which is very lone International, but not large number of international companies are operating in that market. So, that is known as the lone international clear.

And the 4th metrics here, your company's degree of internationalisation is very high and the market itself is also very high. Then this is the internationals amongst others that you are also another international company among others clear. So, these are the 4 dimensions you have to place your company, where you work and where do you want to expand.

You have to now look, where my company stands is my company my degree of international is very, very low, I am just selling only in the domestic market are only exporting very low, but the market where I am going, it is also very low, very few international firms operate in that market, then I can be early start clear. And if your company is very high international, very very high internationalisation in your company, you are operating in large markets, but the market where you are targeting that market is very few operators out there.

So, that means you are one of the lone International in that market. You will see lot of Indian companies operate in South African markets and the African markets were not large number of international companies operate. So, they are one of the lone international operators in those countries. And the last quadrant which is basically the international amongst other that means I am the firm which operate, which have a very high degree of internationalisation .

And the market where I am operating both are very, very high lot of companies are operating. So, I am one of that international amongst others, then the competition of course will be very, very stiff. Okay.

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So, then comes globalization and glocalization.

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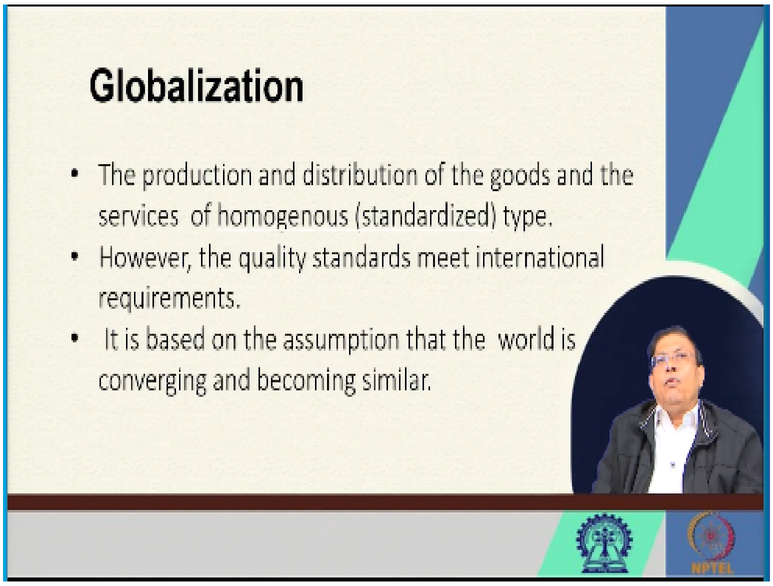

So, quickly, let us understand. So globalization, the product and distribution of the goods and services is homogeneous. So, I will prepare one good and all the services, which is same throughout the world, the quality standard meets with the International requirement, it based on the assumption the world is converging and becoming similar, I will not make 5 different products for 5 different countries.

Or maybe 3 different products for 10 Different countries I will not make I will make 2 or 3 different products, but it will be throughout the global will have same product. So, maybe entry level product, may be mid level product, may be high end of the product. So, that is known as globalisation.

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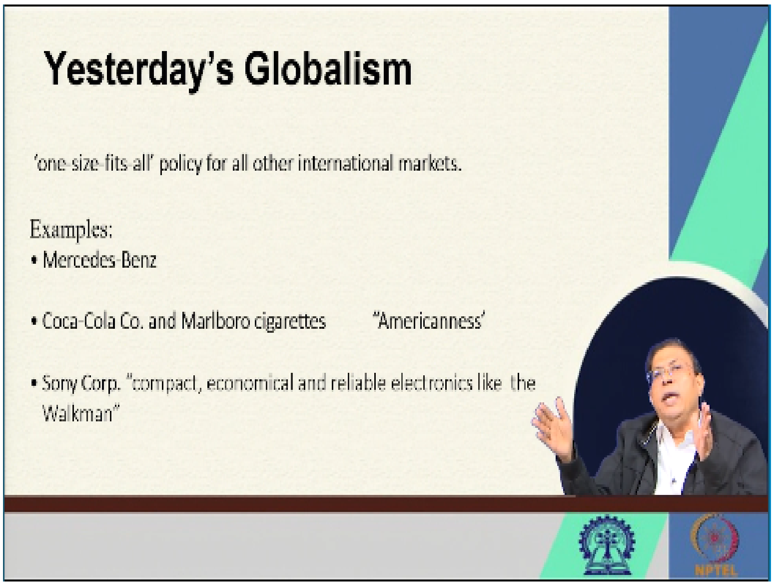

So, yesterday's globalization, one fits as I mentioned in my previous the beginning of the course. One size fits all some policy of the international market say companies like Mercedes Benz, Coca Cola, Marlboro cigarettes all this or the Sony Corporation, they are yesterday like the in the past they used to follow that. I will make Mercedes Benz and which will be same throughout the world.

Or I will have the Coca Cola which will be same in United States, same in India, same in Pakistan, same in Bangladesh, same in Nepal, same in Japan everywhere the coke is same and Sony Corporation also exactly that is it. So, it will say policy that will make a compact, economical and reliable electronics like Wachman which will be available in Japan, which will be available in India and which will be available in US everywhere is the same that was yesterday's globalisation.

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What is today's globalization, the time has changed okay. Now, this has a huge uncertainty the companies can be certain that they will be viable foreign markets for the existing whether your product will be really viable in that foreign market, Can I make one size fits all Can I have the same car sale in producing Germany and sell same car in India? No, today's globalisation is totally different.

So, appropriateness. So, if a company wants to expand globally, it must consider the products and services are culturally and socially free to the target market. So, now, the entire globalism has changed previously used to make one Sony Walkman which used to sell throughout the world. So, without any changes in the product, but today, you cannot do that with one similarly one product fits that all the market you cannot do that.

So, that is you have to what you have to do, you have to make its product and services which are culturally and socially fit for the target market. So, they are very, very highly loaded word culturally and socially. We will understand this more in details about this culturally and socially. clear.

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So, the today's challenge, difficult to succeed in culturally unfamiliar new markets. The companies underestimates the difference in the patterns of consumers daily life, the new market example Japanese high housewives from the cakeron, you know, the Japanese housewives, they never they initially were happy to use the rice cooker for making the cake.

But they finally discarded because that rice cooker after cooking baking the cake was smelling that cakes ingredients smell they were not liking when they are preparing the rice in that same cooker, it was smelling like cake. So, they were not liking. So, it was the difference. So, therefore, it needs to be a good international marketing strategy to develop the product and services that fit people's life.

So, the all products fits, it will not have the one product fits all will not really be strategy, it becomes difficult to extend their brand and manage culturally diversity.

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So, hybrid strategy, regional or local level strategy often produce better result than the one size field. So I might have one regional strategy. I might have some products only for certain region say India, Bangladesh, Nepal, Sri Lanka and those countries I might have one typical strategy and product strategy for this.

I might have a different product strategy for in Asia Pacific market like Singapore, Malaysia and all those or might have a different product strategy for the market in Europe and others have a different hybrid strategy.

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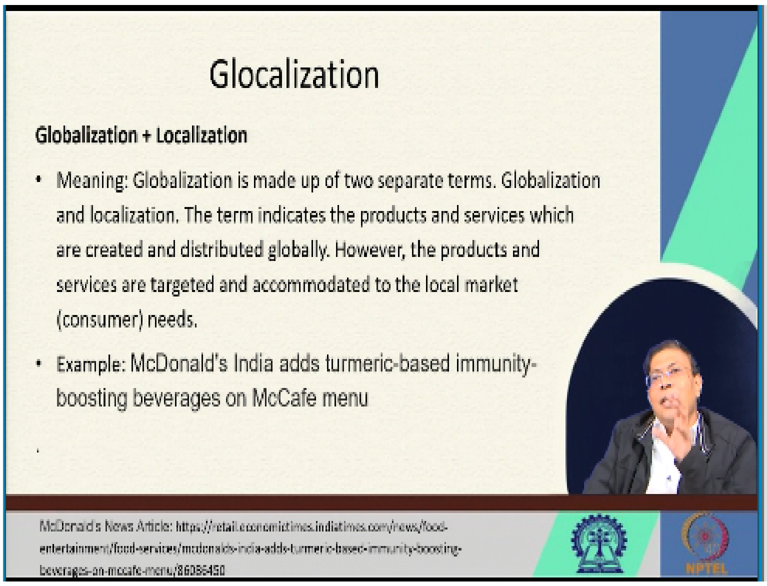

So, What is glocalization? Globalization and plus localization okay. So, that is known as glocalization. So, it is global things global company localise the product to meet the customer requirements. So, meaning glocalization made up 2 separate terms globalization and localization. So, the term indicates the products and services which are created and distributed globally.

However, the products and services target and accommodated to the local marketing needs also to give you an example, McDonald's, as you know, McDonald's is a global company. So, they operate US they operate in Europe, they operate throughout the world. But in India, when they came, they make the Mac they make Tumeric based immunity boosting coffee you know, during COVID.

So, the India they have added the Tumeric base because, you know in the in the COVID it was used the Tumeric was used for immunity building during COVID to help the patients to build up the immunity. So, the McDonald's in India what they have done during the COVID time they came up and the Tumeric based immunity boosting beverage in their McAfee menu.

So, this is a news article which I have referred here in this you can read go through this news article and understand this how they have a global company McDonald made some products using Tumeric to boost the immunity of the people suffering people in India.

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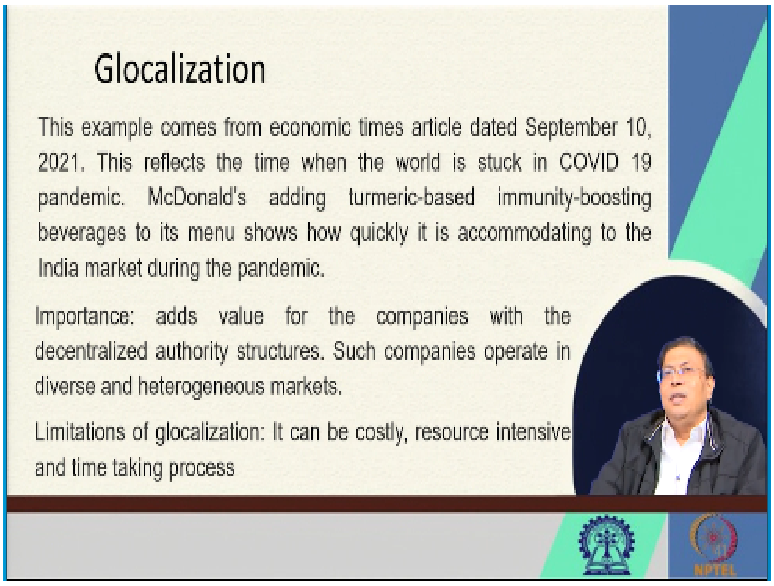

So, glocalization the example comes from the Economic times article dated 21 this reflects the time when the world bank stuck in COVID 19 pandemic. McDonald's adding Tumeric based immunity boosting beverage to its menu show how quickly it is accommodating India's market during the pandemic which I have explained to you. Importance, adds value to the companies with the decentralised authority structure such company operate diverse and heterogeneous markets.

Limitations of glocalisation, it can be costly, because you know, you are trying something for a different country, which is not you try in globally, it is something very specific to India where you use Tumeric to boost that so it is a huge costly resource intensive and time taking process for getting various approvals internally as well as externally clear.

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Driving and restraining forces, what are the driving forces? Why the inter domestic companies are driving? and what are the driving forces working for the companies to go international or go global? So, first of all, the global integration, regional economic agreements, you know, we have various regional economic agreements like we do have sark we will discuss all these agreements like which benefits.

Why these agreements? how these agreements? or trade barriers helps the countries within that trade barriers, how we will discuss that later. Why I am going international? So, these are the one of the reasons that I do have an benefit if I am a member of the shark countries and I do have the benefit of exporting a product to Malaysia sorry to Sri Lanka or to Bangladesh. So, I will have some customs duty advantage in by selling in those countries.

So, that is by regional agreements helps me that has my driving forces for expanding my domestic Indian operation to Bangladesh and Sri Lanka because of this Sark agreement. Slowdown in the developed markets why I am going because I am already in the developed markets is the market has slowed down GDP is not going up the market has slowed down I have to expand.

Converging consumer aspirations, rising price quality expectation, increasing cost of doing business highly network world, because you know today's world is highly networked growth of internet, e commerce technology peace, political stability. These are the driving forces.

These forces drive you to go to the international market. The restraining forces which are the restraining forces the management myopia.

Management thinks no we are an glowed domestic company we should only work in domestic environment domestic and we should not expand so that is typically and management myopia. So, these are one of the restraining forces, ethnocentric organisation culture, national controls, cultural differences, these are very important.

And then limited long term investment proposal because you do not have that long term investment potential very, very limited potential, conflicts of political instability, economic downturns, these are all restraining forces.

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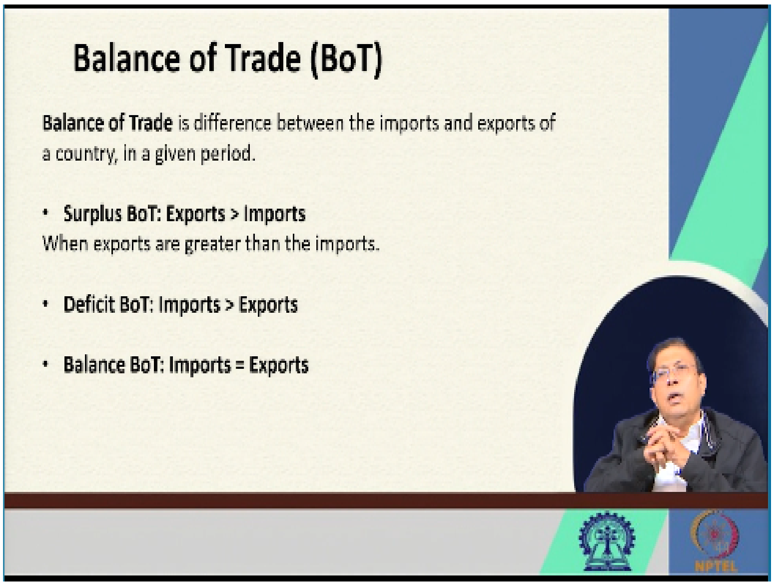

Now, we will just start the very basics of balance of trade. We will start in this class. And then in the next session, we will discuss much more in depth about all those balance of trade and balance of payment etc. To give you an heads up on the first to study on the balance of you can use any of the standard textbook of economics. So, balance of trade is a difference between imports and exports of a country in a given period.

So, remember is in a given period. So, surplus if the export is more greater than imports that means export there is a surplus of balance update, you have more of exports and less of imports. Deficit means you have more imports the country's importing more than the come the country's exporting this known as deficit or the negative balance of trade. And what is balance of trade a when in import and exports are equal clear.

So, I will take this in the next session in much more in details about the balance of payment and in in depth analysis of this. So, I would request you to refer any of the standard economics books and on this very, very standard terminologies which you can read in internet in various internet websites, or you can refer to any of the books to understand this and I will also take you through this. Thank you. Thank you very much.

And I will be meeting with you shortly for the next session on the macro economic criteria. Thanks a lot. Thank you.