

**International Business**  
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**Lecture - 52**

**Product Strategies, Product Adaptations, Pricing, Communication, Logistics**

Hello friends. Welcome to the class of International Business. So, we will start from where we had left in the last lecture. In the last lecture we had started with international marketing which is a part of again you know international business.

So, although we are not going to go deep too deep into that, but at least we should have a slight idea. Because when you talk about international business, international finance, international marketing, international human resource and international supply chain they all feature into that right.

So, in the last lecture we discussed about, why international marketing is important and how companies need to look into it? Then we talked about, how what is segmentation and how segmentation is important for a firm right? Why does a firm need to segment the market and then how it targets the market? And finally, we understood that after segmentation a company targets a few segments in the market and, because all targeting, all is not possible right.

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Global positioning strategy

The formulation of a positioning strategy (local or global) includes the following steps:

- Identify the relevant set of competing products or brands.
- Determine current perceptions held by consumers
- Develop possible positioning themes.
- Screen the positioning alternatives and select the most appealing
- Develop a marketing mix strategy.
- Over time, monitor the effectiveness of your positioning strategy

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Then we learnt about positioning. So, we said what is positioning basically? In the last lecture when I had stopped I had said that positioning is a kind of differentiation which a marketer creates by placing the product in the mind of the consumer in a certain way right.

For example, let say there are so many toothpaste manufacturers in the country at the moment, but when I say Colgate or when I say show you the packet of Colgate right. I may not write even the name Colgate into that, but then still you understand this is a Colgate right. When you see the bottle of Coca Cola you understand it is a Coca Cola right.

So, the point is when you talk about Coca Cola, there is immediately the freshness that comes to your mind right, a has sense of happiness or freshness. When I talk about Amul for example, then a you know that a one the thing of you know nationality comes into play that is our own country's product for example, right.

When I talk about Colgate then although Colgate there is Procter and Gamble also manufacturing there is there are Anchor, there are many other companies manufacturing you know toothpaste. But then when you talk about Colgate that protective you know protection that word protection comes into your mind right.

So, the way the companies are positioning they want you to remember them by a certain manner through a in a certain manner. So, that is what positioning is all about right. And it becomes very important, because today different creating difference in the market is a very very big challenge right.

If you cannot create this difference in the market then people will not be able to you know figure out what to buy? And that might have a very negative effect on the company's profitability and sales ok.

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The slide is titled "Global Product Strategies" and contains the following content:

- Standardization: Developing same product for multiple countries
- Premise: consumers share some common values, beliefs, and consumption patterns.
- Advantages: Economies of scale and scope, Price competitiveness, Uniform Image
- Example: Hollywood movies, Revlon cosmetics, Sony Television, and Levi's jeans

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When you talk about international marketing. So, the product now which was national is going international right. So, that means, today if we are manufacturing something in India tomorrow we are trying to sell it in not only in India, but also in other countries. For example, the European countries or other Asian countries America wherever it is right. So, the product which is one of the most important the four P's of marketing right in the product mix.

So, this becomes a very key challenge, because the point is what products you make might. Is it going to be accepted in the other markets in the same manner or they might not be accepted? So, if they are not accepted what would you do? Would you like to change the product or would you like to adapt to the local needs or you would not like to do that? So, that depends on the company's goals and its objectives.

For example, you see the word standardization which is saying developing the same product for multiple countries. Now, if you can standardized. Standardization has a very positive effect on the cost of manufacturing, because if we standardize a product that is why, there is a very famous statement made by Henry Ford which said that you may make cars of any color you like, but they should all be in black. So, that says how important is standardization.

So, when you standardize, the cost of production dramatically comes down ok. So, but the problem is it that easy that you can standardize may not be right. So, although every

marketer wants to sell the same product in multiple countries, but it is not possible in all the conditions. Consumer share some common goals, values, belief and consumption patterns.

So, accordingly the product needs also changes. Now, as I said economies of scale and scope and the price competitiveness and uniform image is one important thing that is very important for any marketer to look at. For example, look at the Hollywood movies. Today if Hollywood movies are selling in almost all countries they are being seen in almost all countries.

So, and. In fact, there are some movies which have which make more money than even a Bollywood movie super hit movie right. So, that means what? Now, the product has become acceptable in almost all the markets. So, the marketer does not need may not need to change.

Now, for example, you see. Suppose the language used is English and people would not have understood it. Now, if you go to our Japanese market people might not watch the movie in the same language. They might have to change the language for them. So, but otherwise if you see a Hollywood movie is as good as is highly standardized right.

Cosmetics Revlon cosmetics, Sony Television, Levi's jeans Levi's jeans. All these are examples where the company has reached some amount of standardization.

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The slide is titled "Global Product Strategies" and contains three bullet points. The first bullet point is "Product adaption: Modifying product to reflect characteristics of market". The second bullet point is "Advantage: Improved fit between product and consumer, Expanded penetration". The third bullet point is "Example: McDonald's in India offers Masala Grilled Veggie Burger, McAllo Tikki and McVeggie.". The slide has a blue header and footer. The footer contains the logos of IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE.

Global Product Strategies

- Product adaption: Modifying product to reflect characteristics of market
- Advantage: Improved fit between product and consumer, Expanded penetration
- Example: McDonald's in India offers Masala Grilled Veggie Burger, McAllo Tikki and McVeggie.

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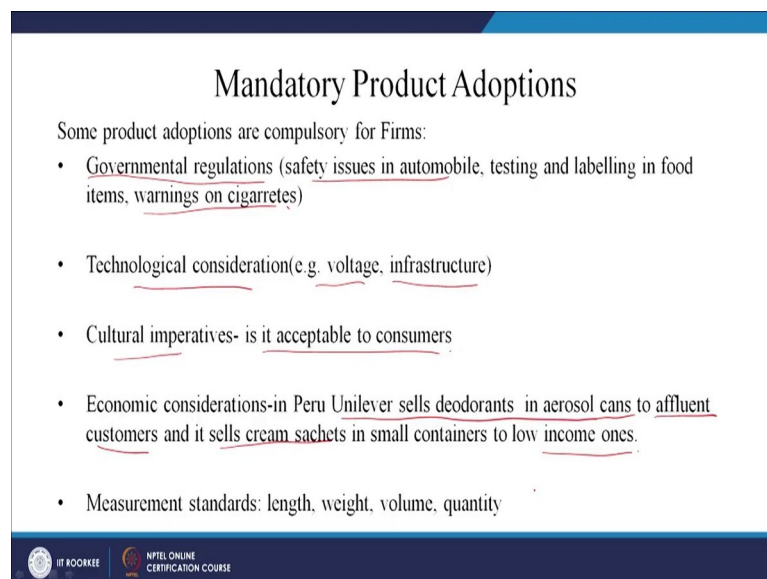
Product adaptation: so, when you talk about international marketing adaptation is a very keyword. Modifying the product to reflect characteristics of the market. What are the advantage? Improved fit between the product and the consumer and expanded penetration. So, you because of the. You have adapted the product with the local needs.

So, it helps in penetration of the product in the market. Look at this example. It is a very popular example given by almost all you know in almost lectures in marketing. McDonald's in India offers Masala Grilled Veggie Burger, McAllo Tikki and McVeggie.

All these have been customized according to the Indian needs right. There was very popular you know cases in the past when Coco Cola came to India and IBM came to India. So, these companies were not accepted by the Indian government and they had to go back. There were different issues right.

So, many a times even there was a case of Siemens. This would be a more fitting example. When Siemens first time came to India they were in a shock, because the Indian they had just brought that products as it is and they found that it was not working well in the Indian conditions. So, they had to readapt or redesign the product according to the Indian you know electrical conditions, Indian climatic conditions and then sell the product.

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### Mandatory Product Adoptions

Some product adoptions are compulsory for Firms:

- Governmental regulations (safety issues in automobile, testing and labelling in food items, warnings on cigarretes)
- Technological consideration(e.g. voltage, infrastructure)
- Cultural imperatives- is it acceptable to consumers
- Economic considerations-in Peru Unilever sells deodorants in aerosol cans to affluent customers and it sells cream sachets in small containers to low income ones.
- Measurement standards: length, weight, volume, quantity

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Mandatory Product Adoptions: So, some product adoptions are compulsory for firms. For example, government regulations. Now, why does the firm have to adopt itself right? So, there are government regulations.

Now, safety issues in the automobile. Now, for example, now in some countries the safety issue differs from country to country right. Some of the cars which are being sold in India, for example, would not get a permission in another market right. As it is if it is taken, because the safety level is very low right in some of the Indian cars.

So, testing and labelling in food items. It is in some countries it is mandatory that you write down every details about the food items right. How it is being made? What are the different ingredients in it? Everything. Warning on cigarettes is very important Indian as per the Indian government law you know condition.

So, the regulations also have to be seen right. Technological considerations as I give the example of Siemens. So, what is the voltage the infrastructure available in this country? Accordingly, the product has to be modified. Cultural imperatives- Is it acceptable to the consumers? For example, when Kellogg's came to India at the famous story and they wanted to sell their product he did not sell.

The reason because the Indian habits of eating Corn Flakes is very different. Indians use warm milk instead of cold milk, but if you use warm milk the crispiness of the Corn Flakes goes away right.

Similarly, when McDonalds came and they had a you know rift in the market, because of the beef right issue. And Indians are largely Hindu dominator country. So, there is a lot of people who do not eat beef or even they would you know even not talk about it. So, in such condition the cultural impact was very significant.

Economic considerations - in Peru, this is a case Unilever sells deodorants in aerosol cans right to the affluent customers rich customers and it sells cream sachets in small containers to the low income ones.

So, in India also the same thing happened. When in India many companies they did not. India at that time was not having a very. The Indians did not have a high buying power right the purchasing power was not very high. So, in order to sell their products, the

marketers came up with the concept of sachet right. So, shampoos came. So, people were not able to buy a bottle. So, they would be given a one rupee two rupee sachet right.

So, everything oil shampoos even toothpaste everything came in sachets and that is how the entire market got revolutionized right. Measurement standards: length, weight, volume, the quantity right. All these have to be adapted as per the market. Now, once you have done with the product.

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**International Pricing complexities**

*Good price place prom.*

- Global pricing is one of the most critical and complex issues in international marketing. It must be low enough to generate sales but high enough to achieve profit.
- Price is the only marketing mix instrument that creates revenues. All other elements entail costs.
- A company's global pricing policy may make or break its overseas expansion efforts.
- Multinationals also face the challenges of how to coordinate their pricing across different countries.

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So, suppose the product is done and the product has been adapted to the according to the new market. The next important thing that comes is next you know as we say product, price. So, Product Price, Place. So, these are the four P's of marketing largely right.

So, the next is the pricing complexity. So, you are selling in a domestic market. You had the local knowledge, but the point is now we are selling in different markets. So, not only the. Now, the product also has to be changed or if it is not changed also, there is a change in the currency, there is a change in the taxation rates that everything is changing.

So, how should the pricing be? Pricing is maybe can be easily considered as the most complex item when it comes to international business right or international marketing. Global pricing, it says is one of the most critical and complex issues in international marketing right. It must be low enough to generate sales, but high enough to achieve profit.

So, if you make it too low and only to generate sales maybe you are living out on the profit. If you make it very high to achieve higher profits people will not buy. So, the how price sensitive are the people in this market? What is their buying power? The target customers. Whom you are targeting? Who they are and how they are? It is very important to understand.

Price is the only marketing mix instrument that creates revenues that is very true right. All other elements they entail cost. For example, it is through the prize only that you are generating revenue. Product you to make a product the promotion all these are to sell the product and that is where you know you incur cost.

A company's global pricing policy may make or break its overseas expansion efforts ok. Multinationals also face the challenges of how to coordinate their pricing across different countries? So, some of the problems that they face we will see right.

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Drivers of foreign market pricing policies

Main drivers affecting global pricing:

- Company Goals ✓
- Customer demand ✓
- Competition ✓
- Distribution channels ✓
- Government policies(health care, MRP)
- Market diversity(tuna eyeballs a delicacy in Japan and China unlike U.S) ✓
- Country of origin stereotypes ✓
- Fluctuations in currency value ✓
- Cost factors(discounts, deadlines, credit and payment terms, service, training of sales personnel)

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So, what are the drivers of the foreign market pricing policies? When you are getting into a foreign market, what are the drivers? What are the things you need to keep in mind?

So, first of all it starts with simple the company's goal. What is the goal of the company? So, accordingly the price might get affected. So, suppose the company's goal is to make minimum profit, but to stay for a long time or to make the maximum profit and to come



out of the market. So, what kind of a goal do they have? Is it like you know make up make the profit as much as possible? It is a penetration strategy or a skimming strategy?

Skimming is to make skim the profit make the profit as much as possible. Penetration means to low the cost enter into the market stay for a long time and then compensate the profits through your volumes. So, what is the goal of the company? What is the demand of the consumer?

Is the customer demand high for the product or not? So, what is the kind of demand and how sensitivity are they to price? What kind of competition is available in the market which you have entered? For example, tomorrow we enter into the Nigerian market.

Now, we do not know what kind of alternatives are available for the product. For example, for example, when companies came to India for example, in the you know toothpaste category. So, they found it surprising that Indians were never using toothpaste in the past.

They were using charcoal. They were using some kind of you know herbs, they were they were using you know neem you know sticks. So, there were variety of things they were using, but they were not using any you know company made product.

So, at that time it was a challenge for them to even educate the people and change their habit from a natural thing to a company made thing. So, that was a big challenge to the marketers. And that time just imagine, what would be the pricing policy? Somebody is never use the product and now you are asking him to use it for the first time.

And if you charge high he will never ever buy your product may be may not be right. How is the distribution channel? What kind of distribution channel exists in the market? So, that also affects your pricing policy. What is the distribution channel? For example. What is the length of the channel? Is it. For example, in some countries the length of the channel is very long. In some countries it is short.

So, when it is short you do not tend to spend lot of money, but when it is a long channel like in Japan in India you spend lot of money on the channel right. Every member of the channel has to be given some profit.

Government policies: for example, when you talk about the policies healthcare policies. So, the government has now made certain changes. For example, in health care some of the pharmaceutical drugs and all they have been made very very cheap. So, that the people in the country will not suffer right. India we use the MRP system right.

So, the retailers cannot cheat the customers, because we know in India the people are not well educated. Till today, there is lot of uneducated people in India. So, in order to not to cheat them nobody could cheat them, the MRP has been in place.

Market diversity: Now, very interesting tuna eyeballs. Now, this is you know the tuna fish. There is a fish the eyeballs is you know if you to be sold in the U.S nobody would buy it, but that is a delicacy in Japan and China.

So, the diversity that the market also plays a role in the pricing right. So, this product when its delicacy. So, you can charge high, but suppose nobody is buying here. So, nobody would pay high amounts for this right.

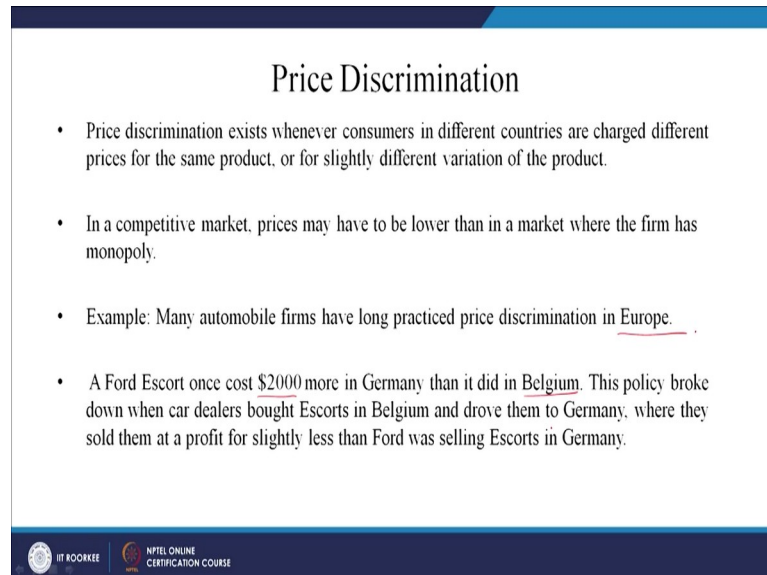
Country of origin stereotypes: now for example, from where does this product come? That also has an effect on the pricing. Now, if it is a Japanese you know or a. Let say Italian French wine for example, they would cost. Automatically people will be ready to pay high. If it is a Italian leather jacket people will be ready to pay high. If it is like a for example, Japanese electronics people will be ready. So, the point is there is an brand associated with the kind of products.

So, accordingly the price can be changed. Then fluctuations in the currency. So, that also has a pricing impact on the pricing. So, every time when the currency value changes, it is becoming appreciating or depreciating. Accordingly my cost also is changing. As my cost will change though that my price also might change right. Then, what are the different cost factors the company has to look into? For example, how much how discount how much discount it has to provide to the customers?

For example, India's economy where people love bargaining right. So, in such a condition when they love bargaining, you have to offer some scope for bargaining otherwise they will not buy right. Deadlines, credit and payment terms, service. What kind of service do the people expect and to provide that service how much of revenue



cost is attached? Training of the sales people. So, all these different factors also affect the marketing pricing policies.

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### Price Discrimination

- Price discrimination exists whenever consumers in different countries are charged different prices for the same product, or for slightly different variation of the product.
- In a competitive market, prices may have to be lower than in a market where the firm has monopoly.
- Example: Many automobile firms have long practiced price discrimination in Europe.
- A Ford Escort once cost \$2000 more in Germany than it did in Belgium. This policy broke down when car dealers bought Escorts in Belgium and drove them to Germany, where they sold them at a profit for slightly less than Ford was selling Escorts in Germany.

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Now, what is price discrimination? Let us see. Price discrimination exist whenever consumers in different countries are charged different prices for the same product or for slightly different variation of the product right.

In a competitive market prices may have to be lower than in a market where the firm has monopoly right; obviously, when it is a monopoly it can charge anything. Example you see, many auto mobile firms have long practiced price discrimination in Europe.

A Ford Escort once cost 2000 dollar more in Germany than it did in Belgium. So, Germany it was costing more than in Belgium. This policy broke down when car dealers bought Escorts in Belgium and drove them to Germany. Where they sold them at a profit for slightly less than Ford was selling Escorts in Germany.

So, these practices are called price discrimination practices. But here, this gives an opportunity for smuggling or to business for businessman to take advantage right. Another issue that comes in pricing is the Predatory pricing. When you talk about international business and you move from one market to the other. So, this situation arises.

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### Predatory Pricing → dumping

- Predatory pricing is the use of price as a competitive weapon to drive weaker competitors out of a national market. Once the competitors have left the market, the firm can raise prices and enjoy high profits.
- Case-I: In the Darlington bus wars, Busways (owned by Stagecoach from July 1994) a new entrant into the deregulated bus markets, offered free bus travel to try and force the rival Darlington Bus company out of business. Busways were also successful in attracting bus drivers from its rival (by paying higher wages. For a time, they also offered free bus rides – attracting customers from their rivals. The result was that Darlington Transport Company (DTC) went out of business leading to monopoly power for the remaining Busways company.
- Case-II: In the early 20th century a German cartel that controlled the European market for bromine, an essential ingredient in many medicines as well as a vital element to photography, dumped bromine into the U.S. After American company Dow Chemical exported competitively priced bromine to Europe, the Germans retaliated, selling bromine in the U.S. at below their manufacturing cost. Dow chemicals responded by simply buying the bromine stateside at the dumped price and reselling it profitably in Europe, which allowed the company to strengthen its European customer base at the expense of the German cartel.

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So, what is this predatory pricing? Predatory pricing is highly linked to dumping. You must have heard the word dumping right where a firm sells a product at a you know cost in another market at a lower value in another market than what it sells in its home market; that means, in the home market it sells at a higher price and at another market it tends to sell at a lower cost.

So, why does it do it? We will see. Predatory pricing is the use of price as a competitive weapon to drive weaker competitors out of the national market. Once the competitors have left the market, the firm then raise prices and enjoy high profits. There are two cases which I have brought. We will see both of them. One is a case where this is the Darlington bus wars case.

Now, what happened here? Busways owned by Stagecoach July 1994, a new entrant into the deregulated bus market, offered free bus travel to try and force the rival Darlington bus company out of business.

So, this company Busways wanted the Darlington bus company to go out of business. Busways were also successful in attracting bus drivers from its rival by paying higher wages. For a time, they offered free bus rides attracting customers from their rivals. The result was that Darlington Transport Company DTC went out of business leading to monopoly power for the remaining Busways company.

So, this was a case where predatory pricing helped the company Busways to take over the market. But let us say another case how the market reacted? This was a case in the early 20th century. A German cartel; cartel means a group of people when they try to do something with a intention right.

They would like to raise the price or lower the price, because in order to because. Why they do it? It is a cartel it is a like unified way they do it. So, that the customers do not have a choice to go to another market or another competitor, because everybody has now become a group and this group is trying to behave in a unified manner.

So, the customer is always at loss right. So, its anti competitive measure. So, German cartel that control the European market for Bromine. Bromine is a chemical right. An essential ingredient in many medicines as well as photography right. They dumped Bromine into the U.S the German cartel dumped bromine into the U.S.

But after sometime Dow chemical a very large U.S firm exported competitively priced bromine to Europe right. When they did it? The Germans this Germans they retaliated selling bromine in the U.S at below their manufacturing cost. So, they did a predatory pricing or a dumping act. Dow chemicals did nothing, but responded by simply buying the bromine at the dumped price at the lower price and reselling it at profitably in Europe right.



So, by offering higher you know discounts you know the incentives to the retailers and all. They rather capitalized on this which allowed the company to strengthen its European customer base at the expense of the German cartel. So, sometimes it goes against the firm also right.

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### Transfer Pricing D.L. UK.

- Sales transactions between related entities of the same companies are called transfer prices. It is used when individual entities of a larger multi-entity firm are treated and measured as separately run entities. Multinational companies can manipulate transfer prices in order to shift profits to low tax regions.
- For example, assume entity A (high tax country) and entity B (low tax country) are two unique segments of Company ABC. Entity A builds and sells wheels, and entity B assembles and sells bicycles. Entity A may also sell wheels to entity B through an intracompany transaction. If entity A offers entity B a rate lower than market value, entity B will have a lower cost of goods sold (COGS) and higher earnings than it otherwise would have. However, doing so would also hurt entity A's sales revenue. Low But it would benefit the organization as a whole for more of the Company ABC's profits to appear in entity B's division, where the company will pay lower taxes.

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Another important point which we discuss about international business is Transfer pricing. Now, what is transfer pricing? Transfer pricing happens when the sales transactions are between related entities of the same companies right. It is used when individual entities of a larger multi entity firm are treated and measured as separately run entities. For example, let say Unilever India and Unilever let say U.K right.

Now, they would be treated differently right. So, multinational companies what they do? They are treated separately, but what multinational companies do? They manipulate they can manipulate. In fact, the transfer prices in order to shift the profits to low tax regions. So, this is a big issue let us see that this case with this example.

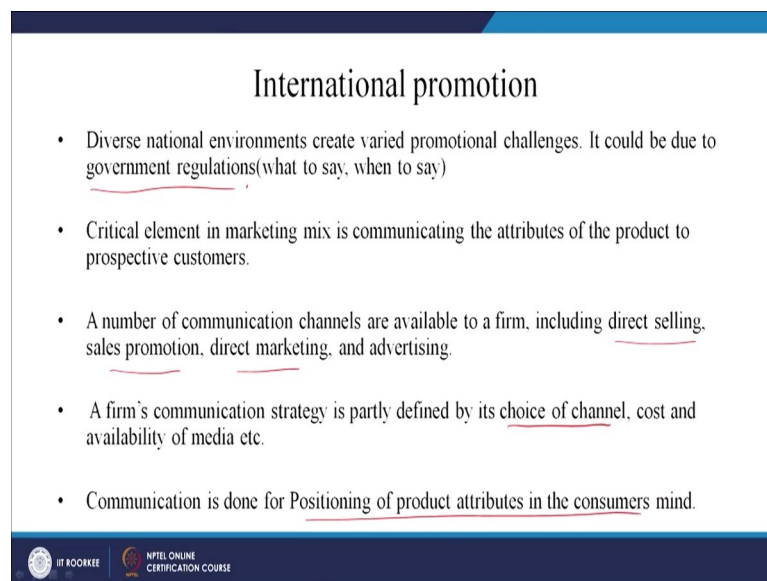
For example, assume entity A which is in a high tax country right and entity B is in a low tax country. So, both are let us say the two parts of a same company ABC. So, these are subsidiaries of ABC only. So, A and B both are part of A ABC. So, A builds and sells wheels and entity B assembles and sells it as final product like the bicycle.

So, entity A may sell wheels to entity B through an intra company transaction. So, this is a case of transfer pricing. If entity A offers entity B at a rate lower than the market value what happens entity B will have a lower cost of goods sold and higher earnings than it otherwise would have, because now it is buying at a lower cost. So, the prices have come down. So, they can easily enter into the market and they can sell their product.

However, doing so, would and hurt entity as sales revenue, but you see, why is then the company doing it? Because since A is in high tax country and now it has a low sales revenue. So, the tax would be less on this company right. But it would benefit the organization as a whole for more of the company ABC, because the entity B's profit will increase and this is in a low tax country. So, in when you look at the tax difference. So, entirely the organization is going to get more right. So, the where the company will pay lower taxes.



So, this is why transfer pricing also has it is a very critical issue or becomes a very critical factor when you talk about international pricing. Then we talk about international promotion. Now, you have understood international price Now, what is international promotion? So, international promotion as it says you cannot just you know. When you are trying to promote a product or trying to advertise or create some interest in the consumer.

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### International promotion

- Diverse national environments create varied promotional challenges. It could be due to government regulations(what to say, when to say)
- Critical element in marketing mix is communicating the attributes of the product to prospective customers.
- A number of communication channels are available to a firm, including direct selling, sales promotion, direct marketing, and advertising.
- A firm's communication strategy is partly defined by its choice of channel, cost and availability of media etc.
- Communication is done for Positioning of product attributes in the consumers mind.

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So, we face certain challenges. So, the challenges could be like for example, the government regulations. So, what is happening? In this case the government regulates what you can say and when you can say? For example, in China for example, in my knowledge what happens is, the advertisements cannot be given in the middle of a program right. So, as you see in India. So, what they do is? They have to do it at the

either at the beginning or at the end. So, this is why the companies many a times are not very satisfied.

Another thing is for example, in several countries there is a cultural issue. So, for example, in certain countries they think some of the advertisements of this clothing garments and all they find lot of they say its lot of nudity right. So, they would revolt against it. So, in some countries for example, especially in Asian economies, you find that the culture is very you know it is a very it is a different kind of culture right. So, they do not allow too much of open you know openness and as you find in Europe.

So, you one has to understand this market and accordingly try to promote its product. If you try to do the same what you do for example, in India till today people would not talk of for example, same sex relationship. Now, but that may be much simpler to discuss it in Europe.

Now, if some company makes a promotion accordingly. And tries to use the same promotion in Asian economy there might be a big approver and people might just reject the product right. So, there has been several cases what I am saying related to the United Colors of Benetton. This is a very big this company is a very big company and how United Colors of Benetton has suffered has you know gone through lot of difficulties, because of this reason.

Critical element is in marketing mix is communicating right. So, a number of communication channels are available to a firm include direct selling, sales promotion, direct marketing and advertising. So, a firms communication strategy which is largely we are saying promotion is partly defined by its choice of channel. So, what kind of channel does it use and what are the cost and availability of media that it wants to use? Does it want to promote through a print media at a television or internet? What it is using?



So, communication is done for positioning of the product attributes in this consumers mind.



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### Barriers to Global Communication

- The effectiveness of a firm's international communication can be jeopardized by three potentially critical variables: cultural barriers, source effect, and noise levels
- Cultural Barriers: Because of this, a message that means one thing in one country may mean something quite different in another.
- Example: Benetton, Italian clothing manufacturer and retailer, ran into cultural problem with its advertising. The company launched a worldwide advertising campaign with the theme "united colors of Benetton" that had won awards in France. Benetton was surprised when the ads were attacked by U.S. civil rights groups for promoting white racial domination.

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So, what are the barriers? As we discussed there are Cultural Barriers. We say cultural barriers, source effect and noise levels. So, what they are? You see this example Benetton, Italian manufacturer ran into a cultural problem with its advertising.

The company launched a worldwide advertising campaign with the theme "United Colors of Benetton" right, that had won awards in France. But when the same ad was taken to U.S, there was a they were attacked by the U.S civil rights groups for promoting racial domination white racial domination. So, this is a cultural effect.

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### Barriers to Global Communication

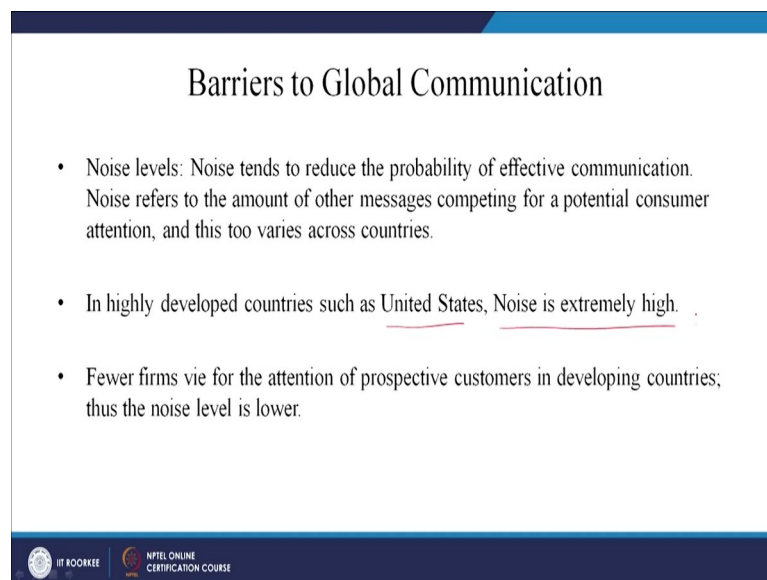
- Source and country of origin effect: Source effect occur when the receiver of the message evaluates the message on the basis of status or image of the sender.
- Source effects can be damaging for an international business when potential consumers in a target market have a bias against foreign firms.
- Source effect and country of origin effects are not always negative. French wine, Italian clothes, and German luxury cars benefit from universal positive source effect.
- Example: A wave of "Japan bashing" swept the United States in the early 1990s. Worried that U.S. consumers might view its product negatively, Honda responded by creating ads that emphasized the U.S. content of its cars to show how "American" the company had become.

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Similarly, there is a source and country of origin effect. For example, this example you can see. Sometimes it has a very positive also sometimes it has a negative effect also right. French wine, Italian cloths and Germany luxury cars benefit from universal positive source effect. This is an example. A wave of Japan bashing. When Japan was its supremacy swept the United States in the early 90's.

So, worried that U.S consumers might view its product negatively. Honda responded by creating ads that emphasize the U.S. content of its cars to show, how American the company had become in due course of time right.

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The slide is titled "Barriers to Global Communication" and contains three bullet points. The first bullet point defines noise levels and their effect on communication. The second bullet point states that noise is extremely high in highly developed countries like the United States. The third bullet point notes that noise levels are lower in developing countries due to fewer competing firms. The slide footer includes logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE.

### Barriers to Global Communication

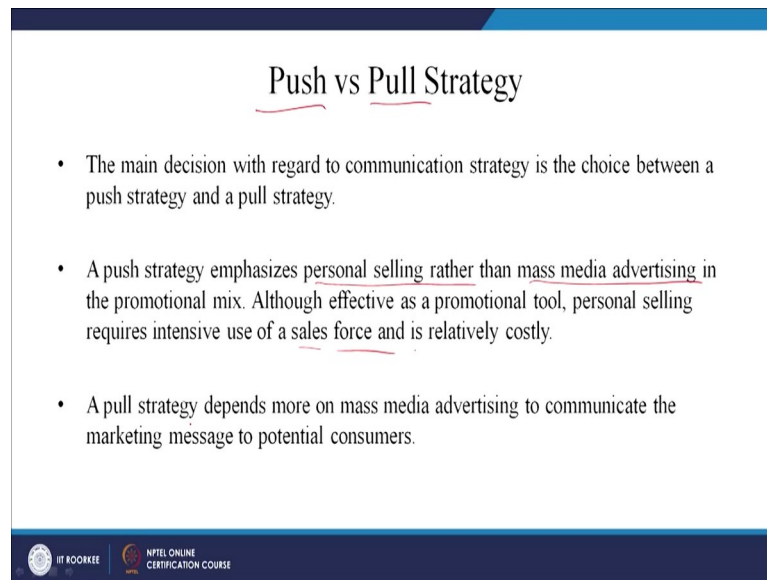
- Noise levels: Noise tends to reduce the probability of effective communication. Noise refers to the amount of other messages competing for a potential consumer attention, and this too varies across countries.
- In highly developed countries such as United States, Noise is extremely high.
- Fewer firms vie for the attention of prospective customers in developing countries; thus the noise level is lower.

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Then, the next is noise level. What is noise level? Noise tends to reduce the probability of effective communication. It refers to the amount of other messages competing for a potential consumer attention. For example, if Colgate is there and there are ten different companies also giving the ad in the same you know platform or channel.



Then there is a lot of noise and people might not remember that particular company right. In highly developed countries such as the United States already when there has been lot of manufacturers and they who wants to draw the attention of the consumer, the noise is extremely high right.

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### Push vs Pull Strategy

- The main decision with regard to communication strategy is the choice between a push strategy and a pull strategy.
- A push strategy emphasizes personal selling rather than mass media advertising in the promotional mix. Although effective as a promotional tool, personal selling requires intensive use of a sales force and is relatively costly.
- A pull strategy depends more on mass media advertising to communicate the marketing message to potential consumers.

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So, generally companies use either a push strategy or a pull strategy when they go into the different markets. The same happens in the international business scenario right. So, a push strategy emphasizes personal selling rather than mass media advertising, this is the push. So, they are pushing the product in the promotional mix. Although effective as a promotional tool personal selling requires intensive use of a sales force.

On the other hand, a pull strategy is to create a advertising to communicate the marketing message to the potential consumers which will pull them towards the marketer. Finally, we talk about the advertising and culture right. And here we talk about how different cultures and different advertising themes have different impacts?

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## Advertising and Culture


- Geert Hofstede's cultural grid can be used to assess the appropriateness of comparative advertising campaigns. The five cultural dimensions include:
  1. Power distance
  2. Uncertainty avoidance
  3. Individualism
  4. Masculinity
  5. Long-termism



For example, the cultural dimensions which Hofstede had given. So, they have an impact on how people react to a particular advertisements.

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Cultural dimension	Definition	Examples
Power distance	<i>Power distance</i> is the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.	<b>Low:</b> U.S. and Canada <b>High:</b> Japan and Singapore
Individualism and collectivism	<i>Individualism</i> describes cultures in which the ties between individuals are loose. <i>Collectivism</i> describes cultures in which people are integrated into strong, cohesive groups that protect individuals in exchange for unquestioning loyalty.	<b>Individualistic:</b> U.S., Australia, and Great Britain <b>Collectivistic:</b> Singapore, Hong Kong, and Mexico
Masculinity-femininity	<i>Masculinity</i> pertains to cultures in which social gender roles are clearly distinct. <i>Femininity</i> describes cultures in which social gender roles overlap.	<b>Masculinity:</b> Japan, Austria, and Italy <b>Femininity:</b> Sweden, Norway, and Netherlands
Uncertainty avoidance (UAI)	<i>Uncertainty avoidance</i> is the extent to which the members of a culture feel threatened by uncertain or unknown situations.	<b>Low:</b> Singapore, Jamaica, and Denmark <b>High:</b> Greece, Portugal, and Japan



So, we have gone through this. For example, Power distance, Individualism, Masculinity and femininity, uncertainty. So, these are some of the different cultural traits. And according to this different cultural traits the people react differently ok.

For example, if power distance is low or high. So, how do you promote in such a place? How do you. Suppose in India, a ad is shown for example, where a senior citizen would

be treated you know like somebody just treats him like a equal a young man treats him like a equal, some people might take it as an offence. Because in India the power distance is very high and seniors are given respect right.

So, but that is nothing wrong or right. That argument is different. So, everything depends on what kind of culture the people have of that place have? The final thing that is impacting the international business is in the international marketing is the global logistics and distribution. Now, when I talk about global logistics and distribution, what I am saying?

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The slide is titled "Global Logistics and Distribution" in a bold, black font. Below the title, there are four bullet points. The first bullet point states that global logistics and distribution have played a critical role in the growth and development of world trade and in the integration of manufacturing on a worldwide scale. The second bullet point states that the use of appropriate distribution channels in international markets increases the chances of success dramatically. The third bullet point states that as firms start operating on a global basis, logistics managers need to manage shipping of raw materials, components, and supplies among various manufacturing sites at the most economical and reliable rates. The fourth bullet point states that the development of intermodal transportation and electronic tracking technology has resulted in a quantum jump in the efficiency of the logistic methods employed by firms worldwide. At the bottom of the slide, there are two logos: the IIT ROORKEE logo on the left and the NPTEL ONLINE CERTIFICATION COURSE logo on the right.

### Global Logistics and Distribution

- Global logistics and distribution have played a critical role in the growth and development of world trade and in the integration of manufacturing on a worldwide scale.
- The use of appropriate distribution channels in international markets increases the chances of success dramatically.
- As firms start operating on a global basis, logistics managers need to manage shipping of raw materials, components, and supplies among various manufacturing sites at the most economical and reliable rates.
- The development of intermodal transportation and electronic tracking technology has resulted in a quantum jump in the efficiency of the logistic methods employed by firms worldwide.

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So, global logistics and distribution have played a critical role in the growth and development of trade in the integration of manufacturing on a world wide scale. So, as you see as the firms operate on a global basis. Logistics manager need to manage shipping of raw materials, components and supplies among various manufacturing sites at the most economical and reliable rates.

So, how the global you know logistics and distribution affects the entire business right is also very challenging. Because you see today when you think about buying a product which is not available in your local country for example.

Now, if you want to buy it. Automatically then you have to shelve of you know the there has to be it has to be available. So, how does the manufacturer who is let us say in Italy

or Germany or Belgium Denmark wherever it is or Africa for that. How does it supply it to you? So, there has to be the supply chain system the mechanism has to be very robust otherwise it is very difficult to do it right.

So, we will continue this one from the in the next lecture right. And because today we have done enough it is becoming. So, the time is now coming to an end. So, we will stop it here. So, we will continue the logistics and distribution system in the next lecture right. So, I hope you have understood what we have discussed in the class and.

Thank you very much.