Lecture Title: Marketing Mix analyses for entering global market

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Date: 11.11.2023

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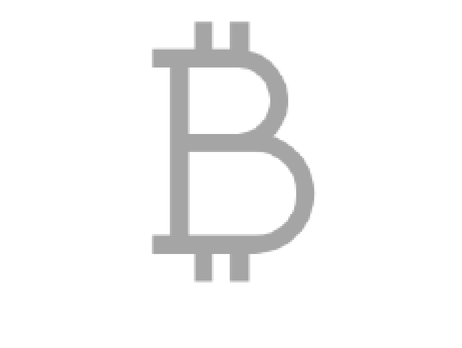
Digital Marketing

Lecture summary

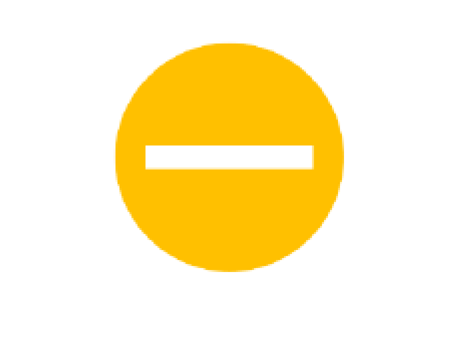
- Foreign market analyses and identify the changing business environment
- Critical factors in asessing new market opportunities
- Different modes of entry to global market.
- Marketing mix and issues related to it while entering global market
- Porter's Generic strategy
- Risks related to market pricing policy
- Case studies – group activity

Foreign Market Analysis

Assess alternative markets the



Evaluate the respective costs, benefits, and risks of entering each



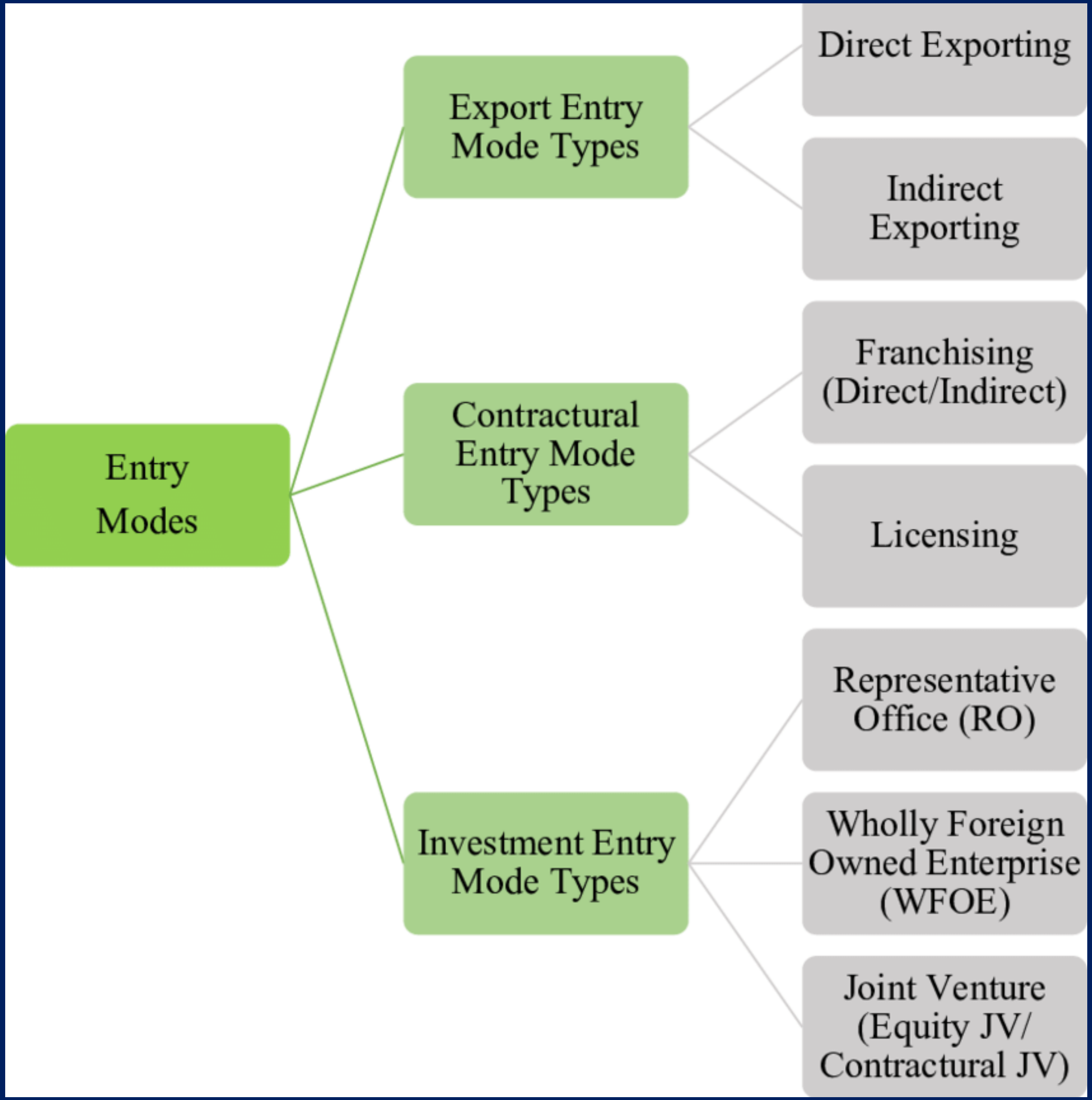
Select those that hold most potential for entry or expansion

Critical Factors in Assessing New Market Opportunities

- Product-market dimensions
- Major product-market differences
- Structural characteristics of national market
- Competitor analysis

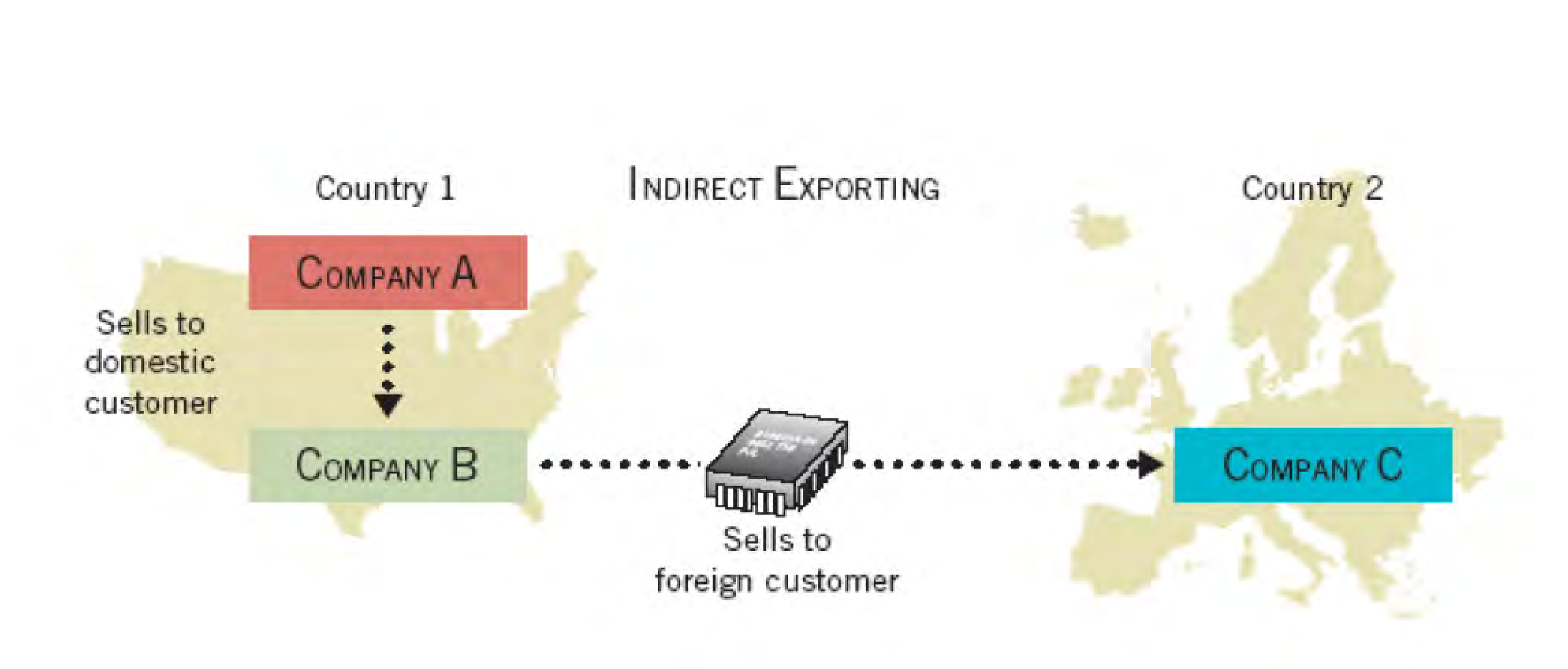
- Potential target markets
- Relevant trends
- Explanation of change
- Success factors
- Strategic options

Choose a mode of entry



Export entry mode

Indirect exporting

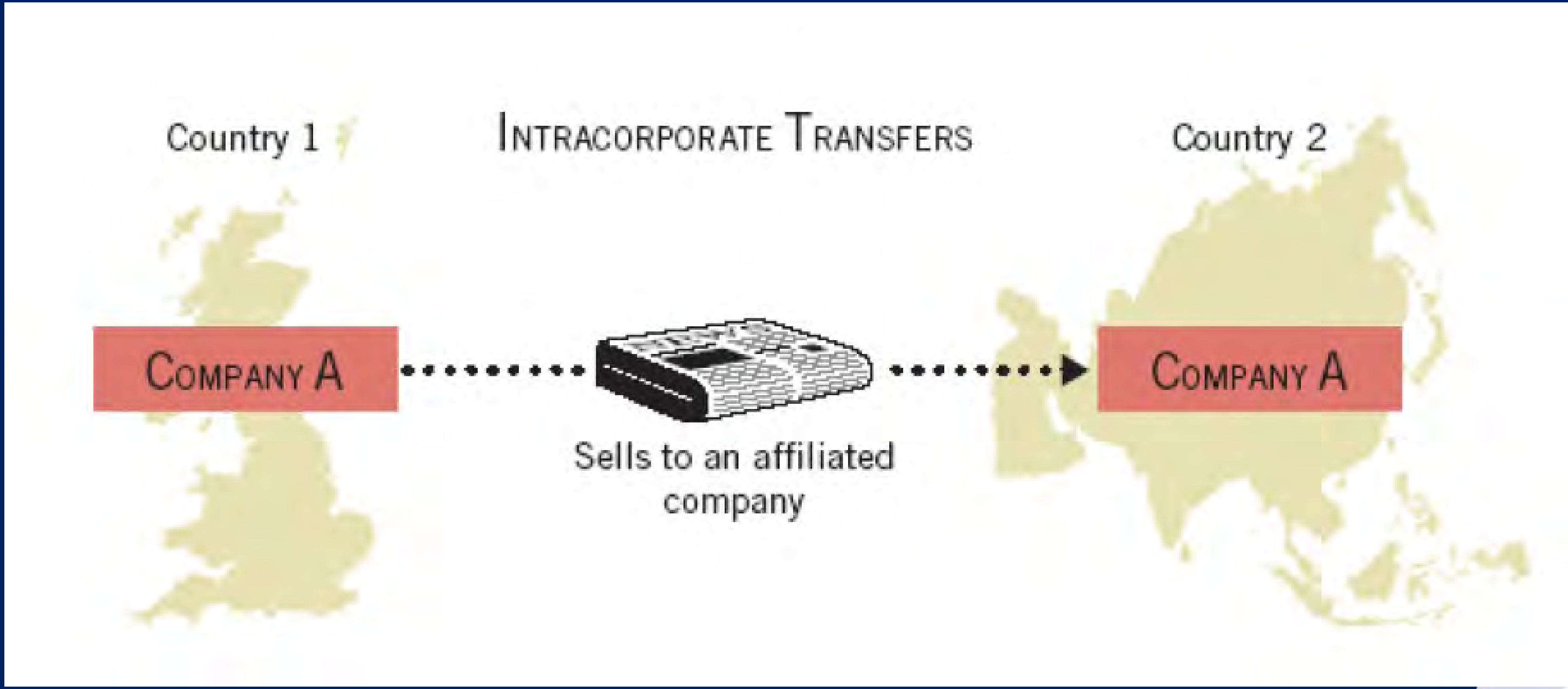


Export entry mode

Direct exporting

Export entry mode

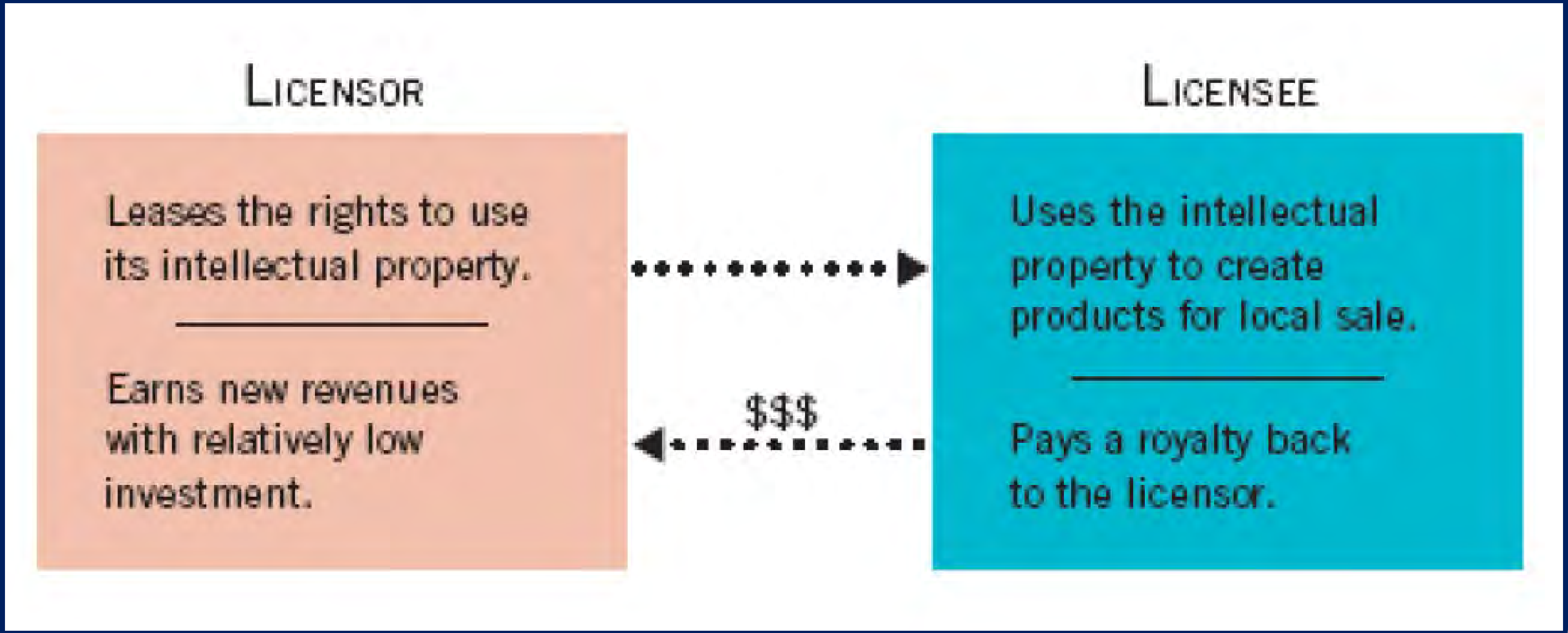
Intracorporate/Cooperative transfers



Contractual entry mode

International Licensing

Licensing is when a firm, called the **licensor**, leases the right to use its intellectual property—technology, work methods, patents, copyrights, brand names, or trademarks—to another firm, called the **licensee**, in return for a fee.



Licensing

Basic Issues in International Licensing

- Set the boundaries of the agreement
- Establish compensation rates
- Agree on the rights, privileges, and constraints conveyed in the agreement
- Specify the duration of the agreement

Licensing

Advantages

- Low financial risks
- Low-cost way to assess market potential
- Avoid tariffs, NTBs, restrictions on foreign investment
- Licensee provides knowledge of local markets

Disadvantages

- Limited market opportunities/profits
- Dependence on licensee
- Potential conflicts with licensee
- Possibility of creating future competitor

Franchising

A franchising agreement allows an independent entrepreneur or organization, called the **franchisee**, to operate a business under the name of another, called the **franchisor**, in return for a fee.

If buying a franchise is something you are thinking about, one of the critical considerations is the cost:

- Professional Fees
- Startup Costs
- Franchise Fee
- Royalty Fee
- Operating Capital

Basic issues in International Franchising

Franchising

Advantages

- •Low financial risks
- •Low-cost way to assess market potential
- •Avoid tariffs, NTBs, restrictions on foreign investment
- •Maintain more control than with licensing
- •Franchisee provides knowledge of local market

Disadvantages

•Limited market opportunities/profits

•Dependence on franchisee

•Potential conflicts with franchisee

•Possibility of creating future competitor

Investment entry mode

Foreign Direct Investment

- Building new facilities (the greenfield strategy)
- Buying existing assets in a foreign country (acquisition strategy)
- Participating in a joint venture

Foreign Direct Investment

Advantages

- High profit potential
- Maintain control over operations
- Acquire knowledge of local market
- Avoid tariffs and NTBs

Disadvantages

- High financial and managerial investments
- Higher exposure to political risk
- Vulnerability to restrictions on foreign investment
- Greater managerial complexity

Changing business environment

Choices of entry are dependent on timing, conditions, resources, required control, and short and medium term goals.

It should be noted that as industries become disrupted, these models need to evolve and may become irrelevant to different industry sectors, particularly in the High Tech Sectors.

Changing business environment

- Digital Transformation: The rapid advancement of technology is leading to digital transformation across various industries. The proliferation of the internet and mobile devices has changed the way businesses operate, making it easier to communicate with customers and employees, automate processes, and access information.
- Remote work: The COVID-19 pandemic has accelerated the trend towards remote work, with many businesses now offering employees the option to work from home. This has led to a shift in the way businesses operate, with more reliance on digital tools and remote communication.
- E-commerce: The rise of e-commerce has changed the way people shop, and businesses need to adapt to this changing landscape. Many traditional brick-and-mortar stores have shifted to online platforms to reach a wider customer base.

Changing business environment

Sustainability: Consumers are increasingly concerned about the impact businesses have on the environment. Companies that prioritize sustainability in their operations and supply chain are more likely to attract customers and investors.

Data Privacy: With the increasing amount of personal data being collected by businesses, there is growing concern about data privacy. Companies need to ensure they are compliant with regulations and protect customer data to maintain trust and avoid legal repercussions.

Overall, businesses need to be agile and adaptable to keep up with the changing business environment and remain competitive.

Changing business environment

Global Marketing has transitioned from a strategy only large corporations could engage in; to a necessity for any company on the internet.

Companies see several gains from selling their products in international markets.

Global Marketing strategy allows your company to access three distinct advantages.

Product Advantages – The more customers you have using your product, the faster you'll grow and the more you'll learn. The additional insight you get from a varied spectrum of customers will help you build a better product/service.

Cost Advantages – By expanding into more markets, you can reduce costs using economies of scale. Foraying into new markets also gives you access new technology and raw materials.

Brand Advantages – Tapping into international markets increases global brand awareness of your company. By increasing your customer base, you increase the following your brand commands.

Marketing Mix Issues

- How to develop the firm's product(s)

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- How to price those products

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- How to sell those products

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- How to develop the firm's product(s)
- How to price those products
- How to sell those products
- How to distribute those products to the firm's customers

Market Strategy Must Support Business Strategy

Differentiation

Cost Leadership

Focus

Group Task

Evaluate Starbucks entry to global market:

Product – what type of products were introduced in the selected global market destination (in Malta)

Place – Starbucks stores globally

Promotion – first global entry campaign in Malta

Starbucks- group case study

Starbucks international strategy relies on low integration and high responsiveness (multi-domestic), which is best reflected in Entry Modes and Pricing Strategies. The goal is to spread Starbucks' coffee culture while adapting to local tastes and preferences.

Instead of competing with global brands, Starbucks establishes itself as a friendly choice among the many food and beverage options in the host country. This has endeared the brand to the local people and allowed it to enjoy global success.

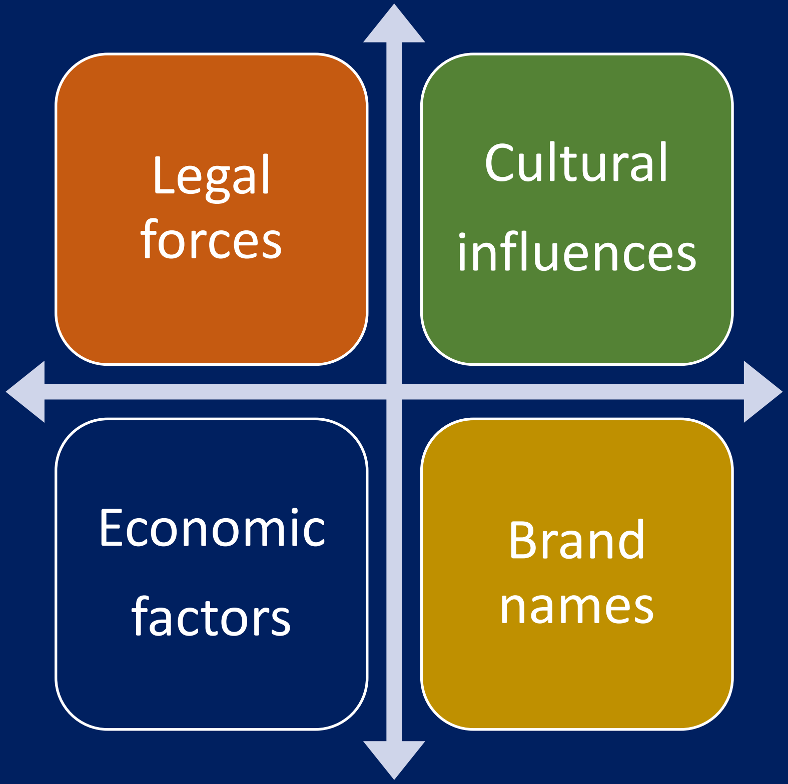
35,711 stores around the World

Starbucks- group case study

- ❖Starbucks' products are customized to suit local tastes and preferences.
- ❖In terms of market entry, Starbucks adopts three main approaches: wholly-owned subsidiaries, joint ventures, and licensing.
- ❖Value-based pricing is adopted for markets worldwide which contributes to Starbucks premium image.
- ❖Cultural mindfulness, market research, local partnership, and strong brand integrity are critical factors determining the success of Starbucks international strategy.

Risks and factors affecting Marketing Mix components

Factors Affecting the Standardization of Products



Risks and factors affecting Marketing Mix components

Factors Affecting Pricing Policies

Business strategy

Competitive environment

Costs of doing business

Exchange rate fluctuations

Conditions for Market Pricing

Pricing Policies

Standard Price Policy

Market Pricing

Two – Tiered Pricing

What are the conditions for Market Pricing?

Conditions for Market Pricing

Pricing Policies

- Standard Price Policy
- Market Pricing
- Two – Tiered Pricing

Conditions for Market Pricing

Firm must face different demand and/or cost conditions in the countries in which it sells its products

Conditions for Market Pricing

Pricing Policies

- Standard Price Policy
- Market Pricing
- Two – Tiered Pricing

Conditions for Market Pricing

Firm must face different demand and/or cost conditions in the countries in which it sells its products

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Firm must be able to prevent arbitrage

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Risks affecting Market Pricing Policy

- Charges of dumping
- Development of a gray market
- Consumer resentment
- Damage to brand name

Promotion Mix - Advertising

Factors Affecting Advertising Strategy

- THE MESSAGE IT WANTS TO CONVEY
- THE MEDIA AVAILABLE FOR CONVEYING THE MESSAGE
- THE EXTENT TO WHICH THE FIRM WANTS TO GLOBALIZE ITS ADVERTISING EFFORT

Promotion Mix - Advertising

A customer entering market in Egypt encounters no language barriers in knowing that the establishment serves Coke. Same for Lipton tea brand.

Promotion Mix – Personal selling

Advantages of Personal Selling for International Firms

- Personal selling makes it easier for firm to adopt valuable market information
- Local sales representatives understand local culture, norms, and customs
- Personal selling promotes close, personal contact with customers

Promotion Mix – Sales promotion & Public Relations

Sales promotions - comprises specialized marketing efforts designed to offer an incentive for behavior such as coupons, in store promotions, sampling, direct mail campaigns, cooperative advertising, and trade fair attendance.

Public Relations - consists of efforts aimed at enhancing a firm's reputation and image with the general public, as opposed to touting the specific advantages of an individual product or service.

Distribution Issues

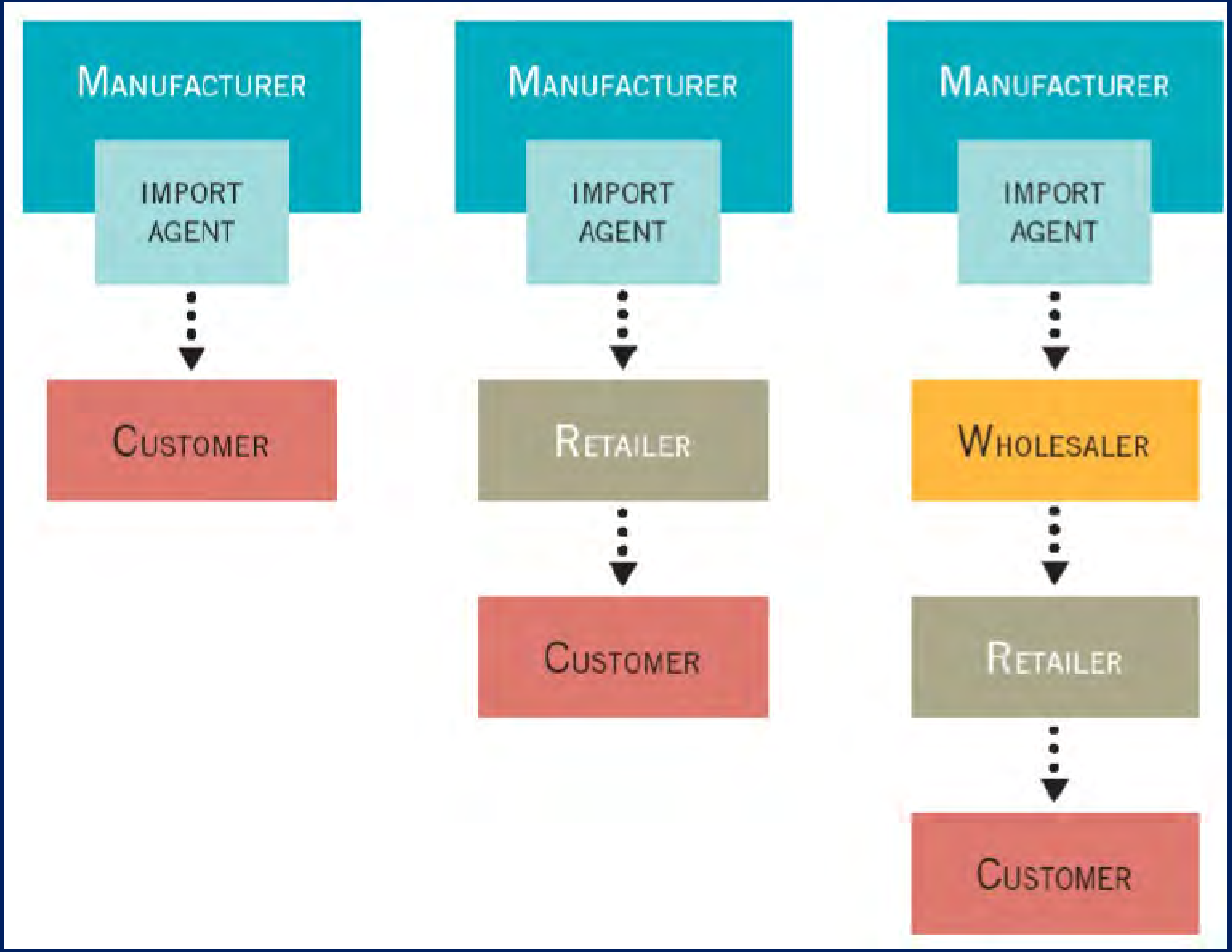
Physical transportation mode

Merchandising mode

Advantages/Disadvantages of Transportation Modes

Mode	Advantages	Disadvantages	Sample Products
Train	Safe, reliable, inexpensive	Limited to rail routes, slow	Automobiles, grains
Airplane	Safe, reliable, fast	Expensive, limited access	Jewelry, medicine
Truck	Versatile, inexpensive	Small size	Consumer goods
Ship	Inexpensive, good for larger products	Slow, indirect	Automobiles, furniture
Electronic Media	Fast	Unusable for many products	Information

Distribution channel options



Group activity

Group 1. Wallmart entry to Japan

Group 2. PepsiCo entry to India

Group 3. Molson Coor's Beer manufacturer in Spain

- Selected marketing strategy entering global marketing
- What type of entry mode was selected
- Risks and challenges businesses faced
- Distribution mode

1- Walmart

Walmart in Japan and Their Failure to Differentiate

In 2018, Walmart brought in more than $500 billion in sales globally. Not surprisingly, 3/4 of those sales came from the U.S.

Walmart was looking to exit Japan nearly 17 years after its initial expansion into the Japanese market. This expansion involved purchasing a minority stake in Seiyu — a Japanese grocery store — in 2002, which then turned into a fully-owned subsidiary in 2008. Like Walmart, Seiyu uses the "Everyday Low Prices" mantra to market to their consumers.

1- Walmart

That may not sound terrible, but to put it into perspective, let's compare it to another U.S. supermarket that has expanded into Japan with much more success — Costco.

Costco only has 26 stores in Japan, but in 2017 they brought in just over $3 billion in revenue. Seiyu, on the other hand, has 331 locations and brought in $7.1 billion in revenue.

So, what went wrong in fact?

The low-price strategy that both Walmart and Seiyu abide by is not nearly as effective in Japan as it is in the United States.

While consumers in the U.S. appreciate the convenience of being able to find great deals at one central location, Japan consumers are not as concerned with this convenience, making it less of a differentiator in the Japanese market.

Japanese consumers “enjoy the treasure hunt of pricing” and will go to multiple stores while shopping in search of the best deals

2- PepsiCo entry to India

PepsiCo implements market penetration as its primary intensive growth strategy. This intensive strategy supports business growth through increased sales, such as from a bigger market share. For example, PepsiCo uses aggressive marketing to attract more consumers

Coca-Cola Company entered the Indian market by acquisition entry method by acquiring Local soft drinks brand like Thumsup, Limca from which gain knowledge about the country soft drink market.

To enter the highly regulated Indian economy, the company had to struggle hard to 'sell' itself to the Indian government. PepsiCo promised to work towards uplifting the rural economy of the terrorism affected north Indian state of Punjab by getting involved in

3 - Coors

Coors is a very successful American beer manufacturer. But they made an all-too-common mistake when it came to launching their "Turn it Loose" campaign in Spain — not double-checking a slogan's translation before going to market.

When translated into Spanish, their tagline was interpreted as a common expression that means "suffer from diarrhea."

While this isn't as big failure as the previous case studies, and Coors maintains a strong presence in the Spanish market, it is a lesson in the importance of tailoring your marketing message to fit new consumers, and their language and cultural terms, when in an international market.

You can find plenty of examples of other companies who have made mistakes in marketing to foreign markets, and there will certainly be more messaging mishaps in the future.

The best examples worldwide

Global marketing is no longer reserved for brands with immense capital, nor is it a huge hassle for marketing managers who handle all marketing efforts.

In fact, a global presence is possible for any business with a creative strategy and an understanding of world markets.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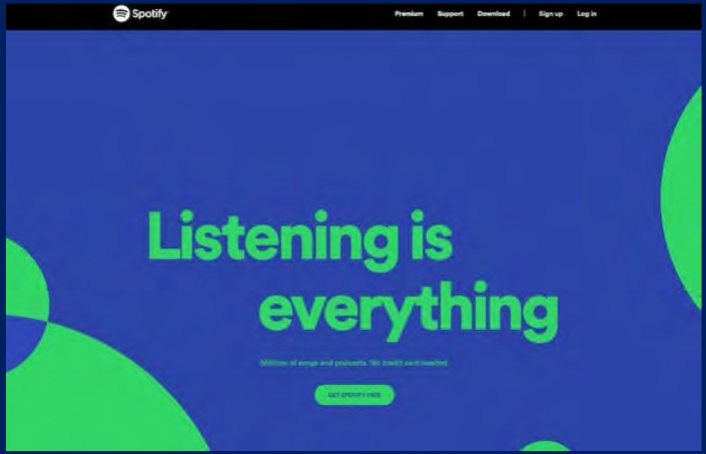
The best examples worldwide

1. Red Bull
2. Airbnb
3. Dunkin Donuts
4. Domino’s
5. Spotify
6. World Wildlife Foundation
7. Pearse Trust
8. Nike
9. McDonald's
10. Coca-Cola



airbnb.com
belong anywhere

Risks related to market pricing

Market price risks consist of the risks to the value of positions due to changes in market parameters including interest rates, volatility and exchange rates among others.

- **interest rate risk**
- **equity risk**
- **currency risk**
- **commodity risk**

Lecture Takeaways

- Although principles of selling are the same, the International Manager is dealing with unfamiliar territory.
- Firms need to decide on market segments and ensure that the Marketing Mix fits to the target market
- Standardization reduces costs but adaptation increases sales.
- International Pricing is complex –Exchange, middlemen, distribution, governmental influences, taxes, etc.
- Distribution channels vary –the initial costs affect the cost of operations but pave the way for that initial entry.
- Distribution is a two way street with Trust being the main factor.

Any Questions?

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