



## Problems and challenges in international marketing: A global outlook is required

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### Abstract

In a simple sense, marketing activities which are performed at international level, are called international marketing. Such type of marketing is done across the national boundaries in which social and technical aspects are important. Technical feature explains that rules, principles and strategies, related with physical elements of marketing, are universal and may be applied universally everywhere. But, social aspect of marketing is different in each nations which compel a manager to adopt special marketing technology. Each nation has its own language, culture, rules, values, traditions and civilisation which makes a nation separate from other nation. These differences create the need of separate organisation and management for international marketing. Globalisation, liberalisation, privatisation, internet, e-marketing, outsourcing and benchmarking has increased the role and importance of international marketing and has provided a easy approach to enter in a foreign market for every nation.

**Keywords:** Domestic marketing, foreign indebtedness, international marketing, technological piracy, trade barriers

### Introduction

International marketing deals essentially with the trade patterns (import-export) among the various countries of the world. It also considers the trade policies and trade practices of the various countries as these govern the buyer-seller relationship in the international market. Terpstra (1972) has called international marketing 'as marketing carried on across national boundaries. According to him, "It is comprehensive in that it covers the problems of marketing across national boundaries as well as those arising from marketing within a number of different national markets. It treats at length the situation of the domestic firms which is exporting but also analyse in detail the need of those firms which assemble, license or produce in foreign market. In other words, international marketing considers the full range of international marketing involvement from the opine exporter to the multinational firms."

Hess and Cateora (1996) opine that international marketing is the performance of business activities that direct the flow of goods and services to consumers or users in more than one nation. This definition explains that international marketing is different from domestic marketing in the sense that exchange takes place beyond the frontiers in it and in which different markets and consumers are involved. It makes the process of international marketing more complicated.

Cateora and Graham (2003) [2], while defining international marketing, say that international marketing is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. The only difference between the definitions of domestic marketing and international marketing is that in the latter case marketing activities take place in more than one country. They feel that this difference is immaterial. The real answer lies not with different concepts of marketing but with the environment within which marketing plan must be implemented. The uniqueness of foreign marketing comes from the range of unfamiliar grassland as the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets.

Keegan (2002) [5] feels that the emergence of a borderless business world or a global market makes the term global marketing which is more relevant today than international marketing. According to him, global marketing is the process of focusing the resources (people, money and physical assets) and objectives of an organisation on global market opportunities and threats. He further writes that international marketing is performed in an internationally competitive environment, and it makes no difference whether it is home market or foreign. According to him, "the first and most fundamental fact about marketing is that it is a universal discipline. Marketing is a set of concepts, tools, theories, practices and procedures and experience. Together these elements constitute a teachable and learnable body of knowledge. Although the marketing discipline is universal, markets and customers are quite differentiated. This means that marketing practice must vary from country to country. Each person is unique, and each country is unique. This reality of differences means that we cannot always directly apply experience from one country to another. If the customers, competitors, channels of distribution, and available media are different, it may be necessary to change our marketing plan.

Philip Kotler (2003) has the same view. Like Keegan, Kotler has also used the term global marketing instead of international marketing. According to him, "global marketing is concerned with integrating or standardising marketing actions across a number of geographic markets. This does not rule out adaption of the marketing-mix to individual countries, but suggests that firms, where possible, ignore traditional market boundaries and capitalise on similarities between markets to build competitive advantage."

According to Terpstra and Sarathy (1991) [7], "International marketing is finding out what customers want around the world and then satisfying these wants better than other competitors, both domestic and international." They are of the opinion that international marketing has dual aspects *viz.* foreign marketing (marketing in foreign countries) and global marketing (coordinating marketing in multiple markets, in the face of global competition.).

Walsh (1978) [8] feels that international marketing is the shorthand expression for the special international aspects of marketing, and defines international marketing as "the marketing of goods and services across national frontiers and the marketing operations of an organisation that sells and produces within a given country when, that organisation is part of or associated with an enterprise, which also operates in other countries; and there is some degree of influence on or control of the organisation's marketing activities from outside the country in which it sells and or produces." He is of the opinion that international marketing is simply an attitude of mind in which a company adopts global outlook in a true sense, seeks its profit impartially around the world, (including home market), on a planned and systematic basis. While defining international marketing. Walsh further writes that writes that "it is the marketing function of multinational companies."

Finally, it may be said that international marketing is related with marketing activities across national boundaries. Like domestic marketing. International marketing has the same activities and goals. The basic difference between them lies in implementation of the firm's marketing plan or programmes, which can be very different in international marketing. Besides, the existence of more than one market necessarily complicates the marketing process. Each nation has its own language, culture, regulation, social values and norms. The respective government enact legislations for the control of foreign trade. International marketing will have to take care of such barriers to free trade which may be both visible and invisible. Similarly, foreign exchange regulations have a vital impact on international sales and operations, but they do not affect domestic marketing. Terpstra (1972) opines that that "domestic marketing management is often portrayed as the task of responding to the uncontrollable factors in the firm's environment while manipulating the controllable factors. International marketing management has some task, but with the critical distinction that both the 'uncontrollable' and the 'controllable' are different internationally. Controllable factors are related with the company's management in which includes product, price, place and promotion. A company is in a position to control these factors. But the total environment, in which the company operates is beyond the control of the company. These uncontrollable factors (economic, social, legal, political) would not be the same in various nations or markets. A firm must design its marketing programme, keeping in view the various uncontrollable factors, if it is to be successful in foreign markets.

### **International Marketing versus Domestic Marketing**

It may be said that international marketing is different from domestic marketing in the sense that the former involves across-the-country transactions or cross-the-country production or provision of services, whereas such activities in case of domestic marketing are limited to the length and breadth of the country. Secondly, there are many complexities in international marketing that are not found in case of domestic marketing. For example, transactions in international marketing are mostly intra-firm, apart from the inter-firm transactions, which often involve transfer pricing. It is meant primarily to reduce the overall tax and tariff burden and thereby to maximise the global profit of the firm. But sometimes its purpose is to make necessary

adjustments in the cash requirements of different units. This means that the price of the intra-firm export and import is often different from the arm's length prices. The designing of the prices is a complex task in international marketing. Thirdly, international marketing is carried in unfamiliar conditions prevailing in the host countries. Political and legal environment in the host countries may be different manifesting in different sets of policies, rules and regulations. The economic environment may be different manifesting in different levels of income, lifestyle and consumption pattern. The degree of complexity increases if the firm operates simultaneously in many host countries, that is, in multi-environment conditions. If the marketing strategy suits the environment of one host country, it may not necessarily suit the other host country.

Fourthly, the very management function in international marketing differs from that in the domestic marketing. An international firm takes various financial decisions in terms of both the domestic currency and the host country currency and is more concerned with the hedging of exchange rate risk. It implements international accounting system and emphasises on the consolidation of accounts of the various units. Similarly, the marketing strategy in international firms aims at raising the firm's share in the international market. To this end, the branding strategy, the advertising strategy, and the strategy of market segmentation are quite different. Fifth, degree of risk is higher in international marketing than in domestic marketing. In domestic marketing, one party can get easily reliable information about other party while it is not so easy in international marketing. Besides, international marketing is prone to various kinds of risks. Political risk is one of them. Besides, the international transactions export and import, borrowing and lending and other forms of receipts and payments are subject to exchange rate risk. Such type of risks do not involve in domestic marketing. Six, the purpose of domestic marketing is to earn profit. In international marketing, various objectives play a vital role in international marketing. In it, political objectives may get preference over profit objectives many times.

Seven, though nature of marketing-mix is common in both types of marketing, then application part is entirely different in both of them. Product planning and development is made according to domestic country only, while in international marketing desired changes are made according to the requirements of each nation while the nature of core product remains the same. Similarly, all decisions regarding advertising, sales promotion, personal selling etc., are made according to specific situation of each country. Thus, application part of marketing- mix is quite different in international marketing from domestic marketing. Eight, factors of production are less mobile in international marketing than in the domestic marketing. Nine, there is a greater degree involved in international marketing than in domestic marketing due to (a) larger volume of transactions and the higher value of these transactions, (b) longer time period involved in these transactions due to longer time in transit and the longer credit period involved, and (c) comparatively less knowledge about the party's reputation and credibility. The degree of political risk is also higher in international marketing. Besides these risks, the international transactions are subject to exchange rate risk. Finally, role of institutional support is (banks, government, financial institutions etc.) very much limited in domestic

marketing, while institutional support plays a vital role in international marketing.

At present, the role of WTO has very much increased in international marketing. If any dispute arises between members of WTO, appeal can be made at appropriate place in WTO to solve disputes. Bennett (2003) <sup>[1]</sup> is of the opinion that "the essential principles of marketing apply to international operations as much as they do to domestic trade, although a global outlook is required and the problems of international marketing are more extensive than for internal trade. International marketing requires multilingual communications, and numerous cultural factors have to be taken into account." Further problems that arise in the course of international marketing, as opposed to domestic marketing, are as follows

- Products and promotional methods may have to be modified to suit the needs of specific countries.
- Foreign market environments might be turbulent and unpredictable.
- Distribution channels are sometimes very long and involve many intermediaries.
- International marketing managers require a wide range of marketing skills.
- Diverse national laws or various promotion methods need to be taken into consideration.
- Pricing decisions have to take account of currency exchange rate fluctuations.
- Market research is more expensive than for domestic marketing.
- Competitor's behaviours may be difficult to observe.
- Special packaging and labelling might be required.

### Problems and Challenges in International Marketing

Many problems and challenges are arised in international marketing in which unfamiliarity with foreign markets, law, cultural, diversity, language differences, fashion, buying pattern etc., are main. But, these problems may also arise in domestic marketing. In fact, there is no basic differences between domestic marketing and international marketing because the principle of marketing is universal. Some differences are arised due to special problems or feature of international marketing. Kotler, in this context, opines that "most companies would prefer to remain domestic if their domestic markets were large enough. Manager would not need to lean other languages, and laws, deal with volatile currencies, face political and legal uncertainties, on design their products to suit different customer needs and expectations. Business would be safe and easier." Roger Bennett (2003) <sup>[1]</sup> feels that "the essential principles of marketing apply to international operations as much as they do to domestic trade, although a global outlook is required and the problems of international marketing are more extensive than for internal trade. International marketing requires multilingual communications, and numerous cultural factors have to be taken into account." A.C. Nielson, a marketing research organisation, has developed the following list of reasons for the failure of American marketing efforts in foreign markets

- Failure to adapt the product to the market.
- Failure to garbage the underlying impact of customs, traditions and racial and religious differences.
- Failure to exploit markets in the proper sequence.
- Failure to enter potentially profitable markets because of personal repugnance towards political institutions.

- Failure to appreciate differences in the connotations of words in the language of the foreign market.
- Failure to understand differences in advertising.
- Failure to achieve a domestic personality, that is, a personality acceptable to foreign markets.
- Failure to understand and weigh correctly the relative importance of the various types of retailers for distribution of the product.
- Failure to grasp the consumer's attitude towards the relationship between price and quality.
- Failure to appraise properly the degree of acceptance of the competitive economy principle.

On the basis of above description, it may be said that the important problems involved in the international marketing, are as follows

- **Language Difference:** An international marketer often encounters problems arising out of the differences in language. Terpstra says that "language is the initial cultural difference that comes to mind when one thinks of foreign markets. At the minimum, language differences pose problems of expense and communication." He opines that translation is not the solution of (language problem) communication problem. According to him, language is not merely a collection of words; it is a reflection of the culture itself. A person from one culture may have difficulty communicating in another even though fluent in the language.
- **Political Differences and Instability:** The political and legal environment of foreign markets are quite different from that of domestic market. These political-legal differences and instability discourage the spread of international marketing. For example, political differences and instability is a common thing in India-Pakistan, Iran-Iraq, Iran- Kuwait, etc. In these countries, political factors create political risks for the growth of international marketing.
- **Cultural Differences:** It is one of the most difficult problems in international marketing. Every country has its own culture, and people think, feel and generally behave different from country to country. Due to these differences as, it is very difficult for an international marketer to get correct information from people about their attitudes and preferences, concerning a company's products, brand, price or promotion.
- **Economic Differences:** Economic environment of a nation affects international marketing to a large extent which may change country to country. In each nation different economic environment is found in which include the nature and development of the economy, economic resources, size of the economy, economic system and policies, trade restrictions, economic conditions, nature and trends in foreign trade. All these factors are relevant to international marketing.
- **Differences in Currency Unit:** Differences in currency unit create many problems in international marketing in which currency convertibility, exchange rate fluctuations, monetary system and regulations are main. Because currency unit varies from nation to nation, it create severe problems in international transactions.

- **Marketing Infrastructure:** Marketing infrastructure varies from nation to nation. In developed countries, marketing facilities are available in a fine manner while poor marketing facility or infrastructure may be seen in most of the developing nations. It also creates many problems in international marketing.
- **Other Problems:** Apart from the above, some other problems of international marketing are as follows
  1. Developing countries are now not prepared to allow the lopsided development in international marketing, i.e. exporting raw materials as food stuff and importing manufactured or machine-made goods.
  2. Since 1957 it has been a common practice, among many countries to form small groups or economic unions (EEC, LAFTA, ASEAN etc.). Such economic groups or unions hinder the growth of world trade on a free and fair basis. Among the union members, there is free trade, but non-members cannot have free trade with the union members.
  3. The developing countries have started accelerated industrialisation and want to establish a firm industrial infrastructure consisting of all basic industries so that in due course they can be economically self-sufficient and might be able to play a vital role in world trade.
  4. Individual nations have also evolved a set of procedures to regulate their import-export trade. It has created procedural problems to exporters of other countries.

Kotler feels that several risks are involved in international marketing which should be kept in mind while making a decision to go abroad. Some important risks are as follows

- A company may fail to understand foreign customer preferences and offer a competitively attractive product.
- A company may not understand the foreign country's business culture or know-how to deal effectively with foreign nations.
- The company may underestimate foreign regulations and incur unexpected costs.
- The company may realise that it lacks managers with international experience.
- The foreign country may change its commercial laws, devalue its currency, or undergo a political revolution and expropriate foreign property.

On the basis of above discussion, it may be said that many problems are involved in international marketing in which language, cultural diversity, unfamiliarity with foreign markets, legal and political hurdles, unfair competition are main. Terpstra opines that "managers should be well familiar with foreign markets and they must have knowledge of its assumptions and limitations. If the marketing system of the foreign market is affected by socio-cultural character of the market, then the manager should consider all these issues because the foreign environment may be changed by these forces." Kotler has presented the following challenges in international marketing

- **Huge Foreign Indebtedness:** Most of the developing and small countries of the world are burdened with huge foreign debt in which Mexico, Brazil, Poland, Romania, Kenya, Congo and Indonesia are main. Because of their less purchasing power and huge foreign debt, they are not in a position to pay even the interest. Hence, they are unable to play an active role in international marketing.
- **Unstable Governments:** Many developing countries of the world are burdened with the problems of high indebtedness, high inflation, and high unemployment for a long time. The result of these problems have emerged in the form of unstable government that expose foreign firms to the risks of expropriation, nationalisation and limit of profit repatriation.
- **Exchange Instability:** Currencies of countries are depreciated due to imbalances in the balance of payments, political instability and foreign indebtedness. This, in turn, leads to instability in the exchange rate of domestic currencies in terms of foreign currencies. Foreign firms want payment in hard currency with profit repatriation rights, but these options are not available in many markets. In fact, exchange instability discourages the growth of international business.
- **Entry Requirements:** Domestic governments place many regulations on foreign firms in the context of entry requirements. For example, they might require joint venture with the majority share going to the domestic partner, a high number of nations to be hired, transfer of technology know-how and limits of profit repatriation. However, with the establishment of world trade organisation many entry requirements by the host governments are dispensed with.
- **Tariffs and Other Trade Barriers:** Government of various countries often impose high tariffs to protect their industries. They also resort to invisible trade barriers such as slowing down important approvals and inspections and requiring costly product adjustment. Further, these barriers are imposed based on the political and diplomatic relations between or among governments. These factors discourage the growth of international marketing.
- **Corruption:** Corruption is a common practice in all countries of the world. In fact, it has become an international phenomenon. The higher rate bribes and kickbacks discourage the foreign investors to expand their operations. It is a fact that officials award business to the highest briber rather than the lowest bidder. Effective control on such practices are not possible by any law. For example, U.S. managers are prohibited by the Foreign Corrupt Practices Act of 1977 from paying bribes, but competitors from other countries operate under no such limitation.
- **Technological Pirating:** Technological piracy has been a common practice in many developed and developing countries in which include copying the original technology, producing initiative products, initiating other areas of business operations. Such practices may be seen in Japan, Korea, China and India. Hence, a company locating its plant abroad worries about foreign managers learning how to make its product and breaking away to compete openly or clandestinely. This practice invariably alarms the foreign companies against expansion.
- **High Cost:** High cost is involved in doing business abroad. A company going abroad must study each foreign market carefully, become sensitive to its

economies, laws, politics, and culture, and adopt its products and communications to each market's tastes. These activities need larger investments and involve higher cost and risk. Hence, most of the business houses refrain themselves from internalising their business.

### Summing-up

Domestic marketing management is often portrayed as the task of responding to the uncontrollable factors in the firm's environment while manipulating the controllable factors. International marketing has the same task, but with the critical distinction that both the 'uncontrollable' and the 'controllable' are different internationally. One can easily imagine that the 'uncontrollable' factors would not be the same in say, France, Brazil, India and the United States. Among other things, the nature of demand, competition and the distribution structure will have characteristics peculiar to each national market. The firm's marketing programme must adapt to these market characteristics if it is to be successful. In addition, marketing manager requires special competence and experience in international marketing, because he requires specific knowledge in each foreign country which is distinctly different from that demanded by domestic marketing.

International marketing is prone to various kinds of risks. Political risk is one of them. Nationalisation of firms without giving adequate compensation is nothing new to international marketing. If the host country government prefers state-run enterprises, the chances for nationalisation are more. Besides the political risk, the international marketing (export and import, borrowing and lending, and other forms of receipt and payments) are subject to exchange rate risk. Changes in fashion and styles in foreign customers, sudden war, changes in government and rules and regulations also increase the risk in international marketing.

Need for and importance of international marketing has been increasing due to liberalisation, privatisation and globalisation. With faster communication, transportation and financial flows the world is rapidly shrinking. Products developed in one country are finding enthusiastic acceptance in others. Increase in urbanisation, rapid growth of developing or underdeveloped countries, increase in standard of living, increase in customer's buying power and knowledge and continuous increase in customer's desire have made the opportunities of international marketing more comprehensive or wide. Hence, the problems and challenges in international marketing must be tackled with a global outlook.

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