and a hostility to frozen meat and fish, but with the general Indian fondness for spice with everything. To satisfy such tastes, McDonald's discovered it needed to do more than provide the right burgers. Customers buying vegetarian burgers wanted to be sure that these were cooked in a separate area in the kitchen using separate utensils and sauces like McMasala and McImli were developed to satisfy the Indian taste for spice. Interestingly however, these are now innovations they have introduced into other markets.

Cultural factors

Cultural differences and especially language differences have a significant impact on the way a product may be used in a market, its brand name and the advertising campaign.

Initially, Coca-Cola had enormous problems in China as Coca-Cola sounded like 'Kooke Koula' which translates into 'A thirsty mouthful of candle wax'. They managed to find a new pronunciation 'Kee Kou Keele' which means 'joyful tastes and happiness'.

Other companies who have experienced problems are General Motors whose brand name 'Nova' was unsuccessful in Spain ('no va' in Spanish means 'no go'). Pepsi Cola had to change its campaign 'Come Alive With Pepsi' in Germany as, literally translated, it means 'Come Alive Out of the Grave'. In Japan McDonald's character Ronald McDonald failed because his white face was seen as a death mask. When Apple launched the iMac in France they discovered the brand name mimicked the name of a well established brand of baby laxative – hardly the image they were trying to project.

Operating effectively in different countries requires recognition that there may be considerable differences in the different regions. Consider northern Europe versus Latin Europe, the northwest of the USA versus the south or Bejing and Taipei. At the stage of early internationalisation it is not unusual for Western firms to experience what appear to be cultural gaps with their counterparts in Latin America and Asian countries as well as in different regions of those countries. A campaign by Camay soap which showed a husband washing his wife's back in the bath was a huge success in France but failed in Japan, not because it caused offence, but because Japanese women viewed the prospect of a husband sharing such a time as a huge invasion of privacy.

On the other hand, some commentators argue there are visible signs that social and cultural differences are becoming less of a barrier. The dominance of a number of world brands such as Microsoft, Intel, Coca-Cola, McDonald's, Nike etc., all competing in global markets that transcend national and political boundaries, are testimony to the convergence of consumer needs across the globe. However, it is important not to confuse globalisation of brands with the homogenisation of cultures. There are a large number of global brands but even these have to manage cultural differences between and within national country boundaries.

There are also a number of **cultural paradoxes** which exist. For example, in Asia, the Middle East, Africa and Latin America there is evidence both for the westernisation of tastes and the assertion of ethnic, religious and cultural differences. There are more than 600 000 Avon ladies now in China and a growing number of them in Eastern Europe, Brazil and the Amazon (see Illustration 1.1).

In northern Kenya you may find a Sambhuru warrior who owns a cellular telephone. Thus, whilst there is a vast and, sometimes, turbulent mosaic of cultural differences, there are commentators who believe there is evidence that a global village is potentially taking shape which, as Kenichi Ohmae (2005) says, 'will be a nationless state marked by the convergence of customer needs that transcends political and cultural boundaries'.

real prospects for rapid economic development, private sources of capital are reluctant to invest in such countries. This is particularly the case for long-term infrastructure projects and, as a result, important capital spending projects rely heavily on world aid programmes. Marketing to such countries can be problematic, as in the case of KickStart in Dilemma 1.1.

Currency risks

Whilst we have examined economic factors within markets, we also need to bear in mind that in international marketing transactions invariably take place between countries, so exchange rates and currency movements are an important aspect of the international economic environment. On top of all the normal vagaries of markets, customer demands, competitive actions and economic infrastructures, foreign exchange parities are likely to change on a regular if unpredictable basis. World currency movements, stimulated by worldwide trading and foreign exchange dealing, are an additional complication in the international environment. Companies that guess wrongly as to which way a currency will move can see their international business deals rendered unprofitable overnight. Businesses that need to swap currencies to pay for imported goods, or because they have received foreign currency for products they have exported, can find themselves squeezed to the point where they watch their profits disappear.

In Europe, the formation of the European Monetary Union (EMU) and the establishment of the Single European Payments Area (SEPA) has led to greater stability for firms operating in the market. The formation of the European Monetary Union and the introduction of the single currency across Europe has had important implications for company strategies which we will discuss in Chapter 2, when we examine regional trading agreements, and in Chapter 11, when we look at pricing issues in international marketing.

Political environment

The political environment of international marketing includes any national or international political factor that can affect the organisation's operations or its decision making. Politics has come to be recognised as the major factor in many international business decisions, especially in terms of whether to invest and how to develop markets.

Politics is intrinsically linked to a government's attitude to business and the freedom within which it allows firms to operate. Unstable political regimes expose foreign businesses to a variety of risks that they would generally not face in the home market. This often means that the political arena is the most volatile area of international marketing. The tendencies of governments to change regulations can have a profound effect on international strategy, providing both opportunities and threats. The invasions of Afghanistan and Iraq have brought market development opportunities for some but market devastation for others and higher political risk in neighbouring markets for all. The instability in the Middle East and the continued threat of global terrorism have served to heighten firms' awareness of the importance of monitoring political risk factors in the international markets in which they operate. Lesser developed countries and emerging markets pose particularly high political risks, even when they are following reforms to solve the political problems they have. The stringency of such reforms can itself lead to civil disorder and rising opposition to governments, as has been seen recently in Indonesia, Venezuela, Brazil and Argentina.

Technological environment

Technology is a major driving force both in international marketing and in the move towards a more global marketplace. The impact of technological advances can be seen in all aspects of the marketing process. The ability to gather data on markets, management control capabilities and the practicalities of carrying out the business function internationally have been revolutionised in recent years with the advances in electronic communications.

Satellite communications, the Internet and the World Wide Web, client–server technologies, ISDN and cable as well as email, faxes and advanced telephone networks have all led to dramatic shrinkages in worldwide communications.

Shrinking communications means, increasingly, that in the international marketplace information is power. At the touch of a button we can access information on the key factors that determine our business. News is a 24 hours a day service. Manufacturers wanting to know the price of coffee beans or the relevant position of competitors in terms of their share price or new product activity have it at their immediate disposal.

As wireless technology renders land cables and telephone lines redundant, developing countries are abandoning plans to invest in land-based communication. They are bypassing terrestrial communication systems, enabling them to catch up

ILLUSTRATION 1.3

PHOTO CREDIT: BARRY LEWIS/ALAMY

Cadbury's in political faux pas

The Indian division of Cadbury-Schweppes suffered embarrassment around the world and incensed large swathes of Hindu society by running a newspaper advertisement comparing its Temptations chocolate to the war-torn region of Kashmir. The ad carried the tagline:

> *'I'm good. I'm tempting. I'm too good to share. What am I? Cadbury's Temptations or Kashmir?'.*

To make sure nobody missed the point, the ad's creators laid the 'too good to share' catch-line over a map of Kashmir.

The ad caused a national outcry. Arguments over Kashmir have taken India and Pakistan to the brink of nuclear war: using them to sell chocolate was perhaps not the wisest thing to do. Indian politicians were shocked at the very mention of sharing the territory and threatened nationwide protests. To add insult to injury the advertisement was timed to appear on 15 August, India's Independence Day. Cadbury's British roots may have made the ad even harder to swallow. It was British colonial rulers who, at partition in 1947, drew the boundary line between India and Pakistan that the two nations have battled over ever since.

Though Cadbury India has apologised, it does show that in global markets, multi-nationals can't hide their blunders for long.

QUESTION *What are the dangers of a company making such blunders when it operates globally?*

SOURCE: ADAPTED FROM *THE ECONOMIST*, 22 AUGUST 2002 AND *BBC NEWS ONLINE* 7 OCTOBER 2002 advantage. This is particularly important in international markets as, for example, customer and brand loyalty may be much stronger in certain markets than others, and products which may be at the end of their life in the domestic market may be ideal for less sophisticated markets. SWOT analysis should, therefore, be carried out separately on each area of the business by function, product or market and focus upon what action should be taken to exploit the opportunities and minimise the threats that are identified in the analysis. This will lead to a clearer evaluation of the resources that are available or which must be acquired to ensure the necessary actions are carried out.

Knowledge management

The increasing **globalisation** of business, particularly because it is being driven by information technology, has led many firms to re-examine what contributes to their global competitive advantage. They have recognised the fact that it is the pool of personal knowledge, skills and competencies of the firms' staff that provides its development potential and they have redefined themselves as 'knowledge-based' organisations. Moreover, these firms have acknowledged that they must retain, nurture and apply the knowledge and skills across their business if they wish to be effective in global markets. The growth potential can only be exploited if the firm becomes a learning organisation in which the good practice learned by individual members of staff can be 'leveraged', transferred and built upon throughout its global activity.

Corporate objectives

Having identified stakeholder expectations, carried out a detailed situation analysis and made an evaluation of the capabilities of the company, the overall goals to be pursued can be set. It is important to stress that there is a need for realism in this, as too frequently corporate plans are determined more by the desire for short-term credibility with shareholders than with the likelihood that they will be achieved. The objectives must be based on realistic performance expectations rather than on a best case scenario. Consideration must also be given to developing alternative scenarios so that realistic objectives can be set and accompanied by contingency plans in case the chosen scenario does not materialise.

The process adopted for determining long-term and short-term objectives is important and varies significantly depending on the size of the business, the nature of the market and the abilities and motivation of managers in different markets. At an operational level, the national managers need to have an achievable and detailed plan for each country, which will take account of the local situation, explain what is expected and how performance will be measured. For most companies the most obvious international strategic development opportunities are either in increasing geographical coverage and/or building global product strength. This is discussed in much further detail in Chapter 5 from the viewpoint of the SME and in Chapter 6 from the viewpoint of globally based organisations. Dilemma 1.2 helps you consider this question from the viewpoint of a government trying to sell the strategic presence of a city.

Marketing strategies

Having set the objectives for the company, both at corporate and the subsidiary level, the company will develop detailed programmes of the marketing strategies and activities which will achieve the objectives. Decisions will need to be made as to how the company will segment and target its international markets? How will it position itself in different international markets. How will it add value to its efforts through its product portfolio, communications, distribution and pricing strategies? It is this that is at the heart of the following chapters of this book as we take the reader through the detailed considerations in developing an international marketing strategy. A central consideration in marketing strategy development for international markets is the dilemma facing all international managers as to how far they can standardise marketing strategies in different country markets. This essential question will be examined as we go through different aspects of international marketing strategy development and implementation.

Implementation of the marketing plan

Having agreed the overall marketing strategy, plans for implementation are required at a central and local subsidiary level. Firms usually allocate resources to individual subsidiaries on a top-down basis, but this needs to be modified to include the special allocations made to enable foreign subsidiaries to resource specific market opportunities or difficulties encountered in particular markets. Agreement is reached through a process of discussion between the operating department and management levels. Detailed budgets and timescales can then be set for all areas of marketing including those outside agencies (such as marketing researchers, designers and advertising agencies) in order to ensure that their contributions are delivered on time and within the budget. Some allowance must be made for those activities which might be more difficult to estimate in terms of cost or time, such as research and development of new products.

We have, so far, emphasised the need for careful, detailed and thorough preparation of the plan, but it is essential that the plan is action oriented and contains programmes designed to give clear direction for the implementation, continuous evaluation and control of all the firm's marketing activity. The plan must therefore be: *strategic*, by fulfilling the corporate and marketing objectives and coordinating the individual strategic business unit (SBU) plans, *tactical*, by focusing upon individual SBU marketing activities in each country, and *implementable*, by detailing the individual activities of each department within the SBU.

The control process

The final stage of the planning process is setting up an effective system for obtaining feedback and controlling the business. Feedback and control systems should be regarded as an integrated part of the whole planning process, and they are essential in ensuring that the marketing plans are not only being implemented but are still appropriate for the changing international environment.

DILEMMA 1.2

How does a city sell itself internationally?

Ontario in Canada has set expanding the city's international strategic presence as a major priority. They view this strategy as essential to attracting job-creating investments to the province, which will also connect Ontario's companies with the contacts and information they need to succeed in a global economy. It already has a number of international marketing centres located within the Canadian embassies in places such as New York, Munich, Tokyo and New Delhi. However, it now wishes to ensure a more strategic presence in three key regions – the Euro Zone, China and Central America – and is trying to decide whether it should take a different approach to setting up its centres and where such centres should be located in these regions.

QUESTION *How would you advise the Ontario ministry to solve this dilemma?*

the marketing process. Countertrading, financial innovations, networking and value-based marketing are all becoming increasingly important concepts in the implementation of a successful international strategy.

The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research and an understanding and accurate evaluation of what is required to achieve the competitive advantage. Doole (2000) identified three major components to the strategies of firms successfully competing in international markets:

- A clear international competitive focus achieved through a thorough knowledge of the international markets, a strong competitive positioning and a strategic perspective which was truly international.
- An effective relationship strategy achieved through strong customer relations, a commitment to quality products and service and a dedication to customer service throughout international markets.
- Well-managed organisations with a culture of learning. Firms were innovative and willing to learn, showed high levels of energy and commitment to international markets and had effective monitoring and control procedures for all their international markets.

SUMMARY

- In this chapter we have discussed the growing strategic importance of international marketing and examined the issues associated with successfully competing in international markets. The chapter examines the main differences between domestic and international marketing, the different levels at which international marketing can be approached and the more complex and multidimensional uncontrollable elements of the international marketing environment.
- We have examined the major aspects of the SLEPT factors in the international marketing environment. The environments in which international companies must operate is typically characterised by uncertainty and change – factors which, taken together, increase the element of risk for international marketing managers.
- It has been suggested that marketing managers need to have a properly planned approach to any international activity because, without this, the costs and likelihood of failure are likely to increase. We examined the international marketing planning and control process and considered how managers can respond to the challenges posed in the international marketing environment by ensuring they have robust strategy development and market planning processes.
- The reasons for success and failure on international markets were examined and it was suggested the firms operating globally that succeed are those that perceive the changes in the international environment and are able to develop strategies which enable them to respond accordingly. Management foresight and organisational learning are therefore the basis of a sustainable competitive advantage in global markets.
- The reader has been introduced to many of the concepts that are important to the international marketing management process and will have gained an understanding of the issues to be addressed. All the various aspects of the international marketing strategy process introduced in this chapter will be examined in more detail in the following chapters. In Chapter 2 the international trading environment and the trends and developments in trading patterns will be examined.