

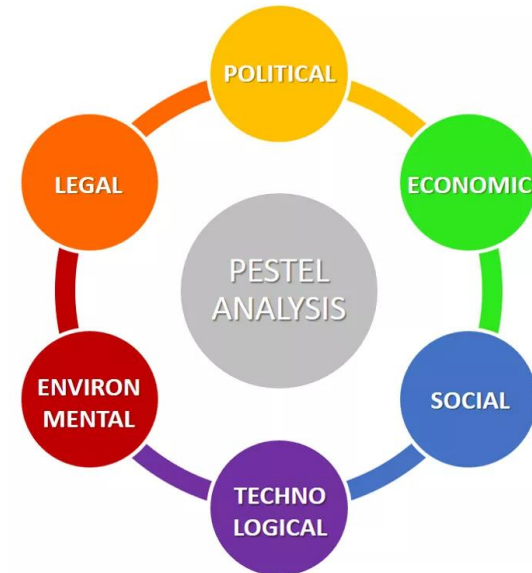
Lecture 3

- Environmental factors influencing IM
- Behavioral factors affecting business conduct
- Market selection

International marketing environment

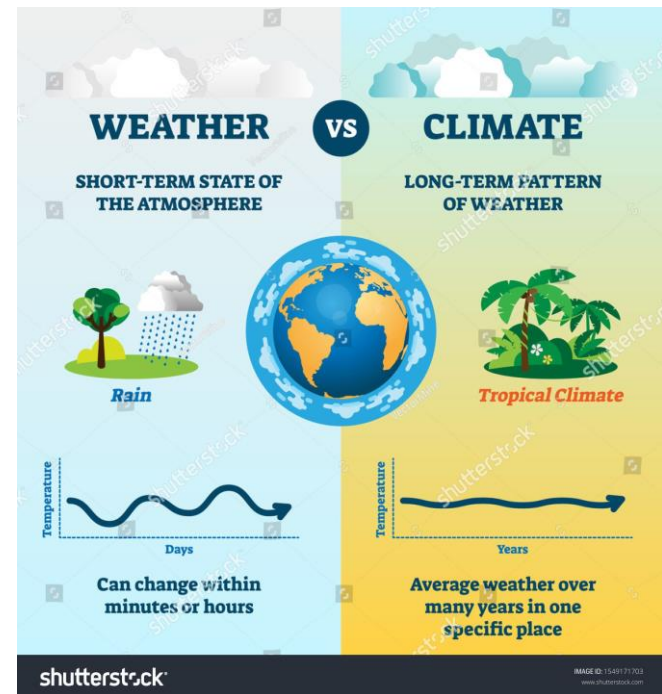
There are some important factors influencing international marketing decisions and strategies:

- **Geographical factors**
- **Socio-cultural factors**
- **Economic factors**
- **Political and legal factors**
- **Technological factors**
- **Competitive factors**



Geographical factors

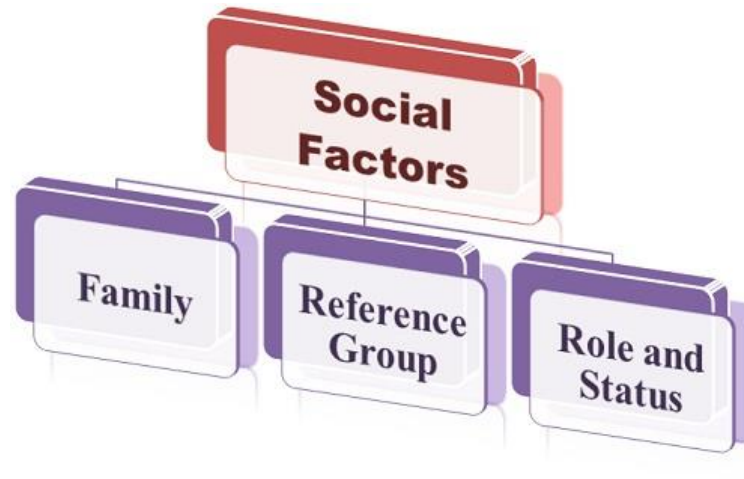
- ☐ Climate and variations
- ☐ Topography
- ☐ Altitude
- ☐ Humidity
- ☐ Temperature
- ☐ Environmental sustainability



The effect of these geographical features on marketing ranges from the obvious influences on product adaptation to more profound influences on the development of marketing system.

Socio-cultural factors

- ☐ Rural/urban shift
- ☐ Level of education
- ☐ Social structure
- ☐ Groups and family
- ☐ Cultural differences – such as language, customs, values, religion

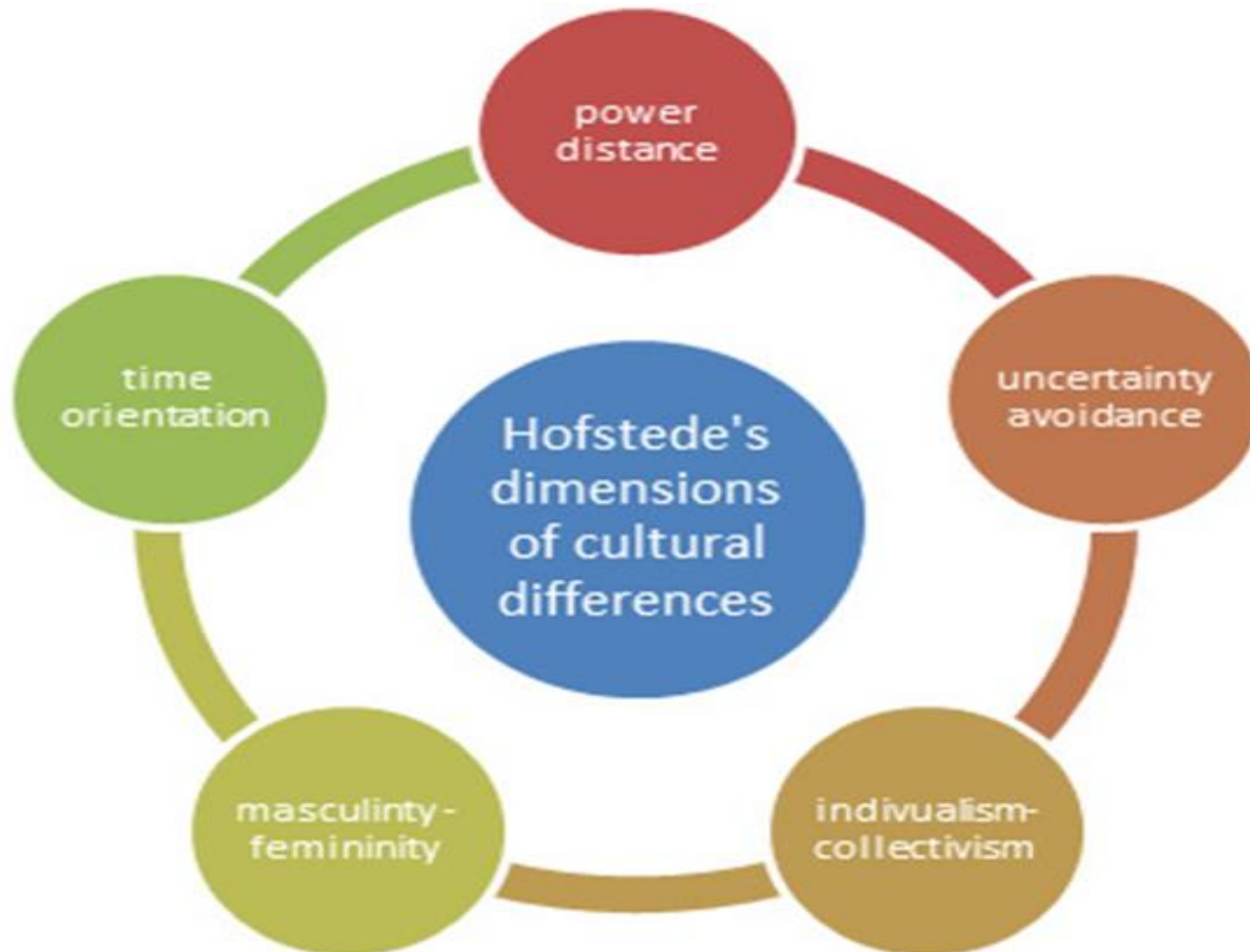


They affect not only product management but also the way to handle business in foreign markets!

What a Culture Consists Of

- Manner
- Mind-set
- Values
- Rituals
- Religious beliefs
- Laws
(written and unwritten)
- Arts
- Ideas
- Customs
- Beliefs
- Ceremonies
- Social institutions
- Myths and legends
- Individual identity
- Behavior

Hofstede's dimensions of cultural differences



Hofstede's classification of triad countries

| | Japan | North America (Canada, USA, Great Britain) | W. Europe Northern Continent | |
|-----------------------|--------------|--|--|------|
| Individualism | low | high | high | low |
| Power distance | high | low | low | high |
| Masculinity | high | high | low | high |
| Risk tolerance | low | high | high | low |
| Context | high | low | high | low |

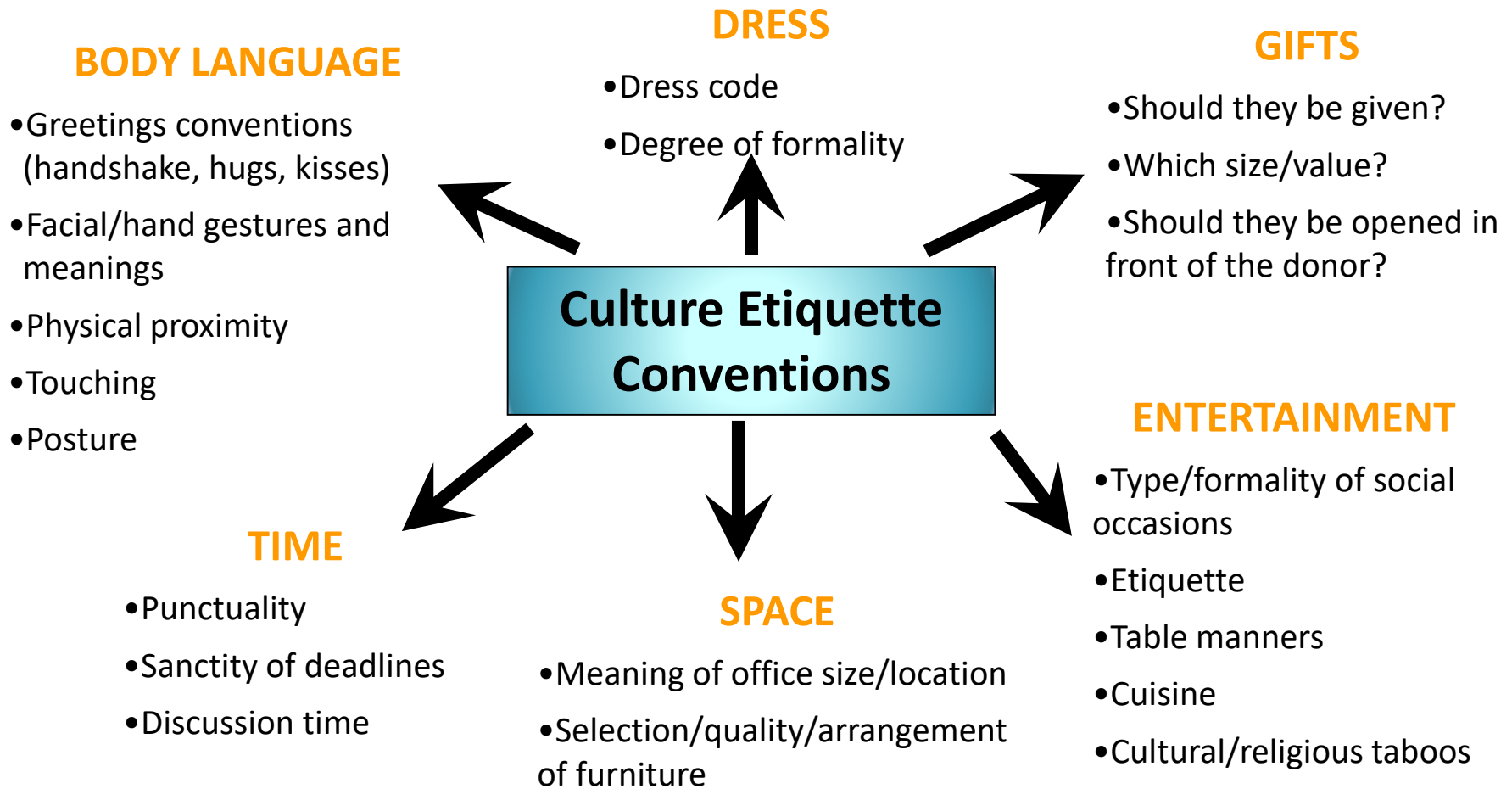
Time perception and behavior

EXHIBIT 4.8: Monochronic (M-time) and polychronic (P-time) behaviour

| Monochronic | Polychronic |
|--|--|
| Do one thing at a time | Do many things at a time |
| Task oriented | People oriented |
| Focused and concentrated | Easily distracted and subject to interceptions |
| Take deadlines seriously | Deadlines are flexible and are followed if possible |
| Follow schedules and procedures | Schedules and procedures are considered flexible |
| Make and follow plans | Make plans that can easily be changed and updated |
| Individualist | Collectivist |
| Seldom borrow or lend | Borrow and lend often |
| Exercise promptness | Base promptness on the matter and relationship |
| Accustomed to short-term relationships | Accustomed to lifelong relationships |
| Treat time as tangible | Treat time as intangible |
| Value privacy | Like to be surrounded by people (family and friends) |

Source: compiled from Edward Hall, 'Monochronic and Polychronic Time', in Larry Samovar and Richard Porter, *International Communication: A Reader* (Belmont, CA: Thompson, 2003), pp 262–68.

Behavioral factors influencing business conduct



It's not the gift that counts, but how you present it

Giving a gift in another country requires careful attention if it is to be done properly.

Japan

Do not open a gift in front of a Japanese counterpart unless asked and do not expect the Japanese to open your gift.

Avoid ribbons and bows as part of gift wrapping. Bows as we know them are considered unattractive, and ribbon colours can have different meanings.



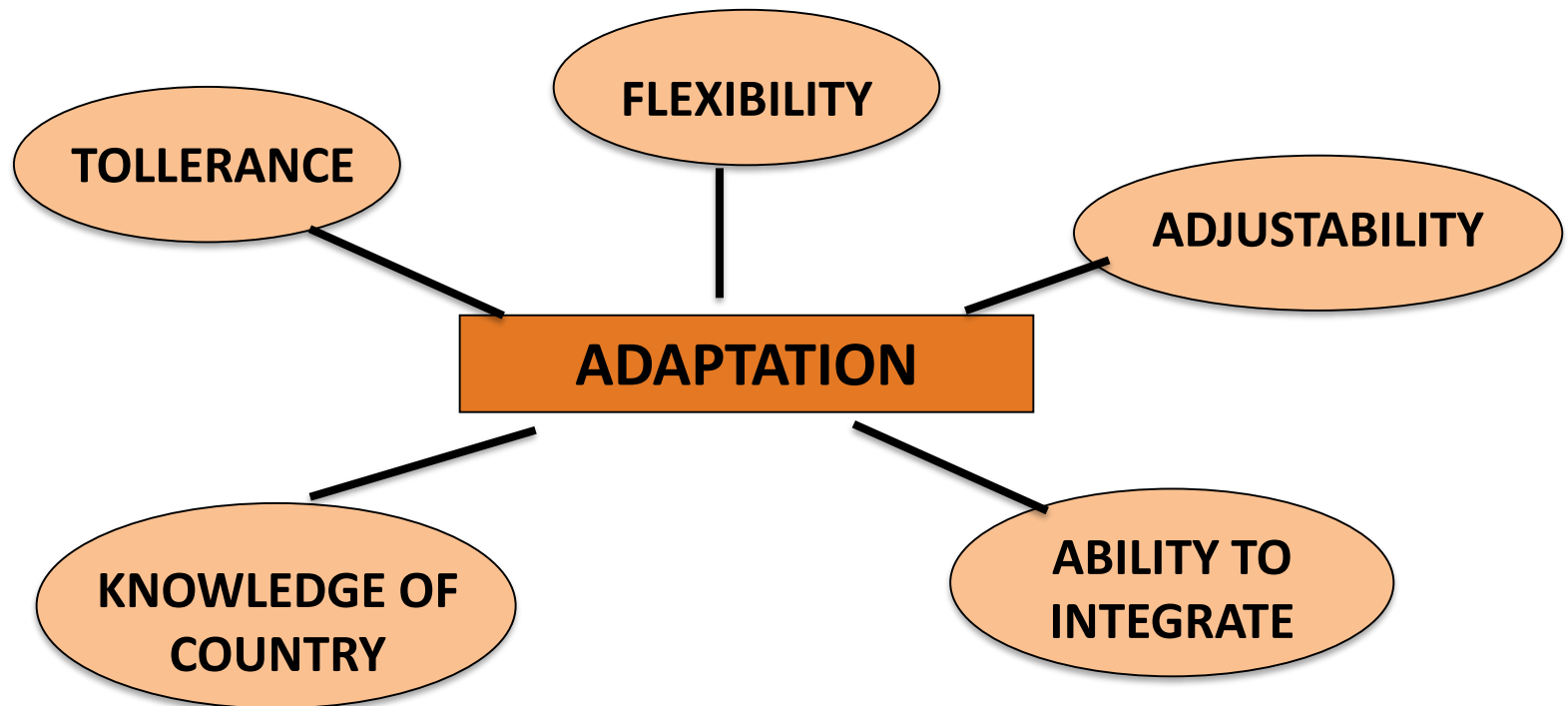
Europe

Avoid red roses and white flowers, even numbers and the number 13. Unwrap flowers before presenting. Do not risk the impression of bribery by spending too much on a gift.

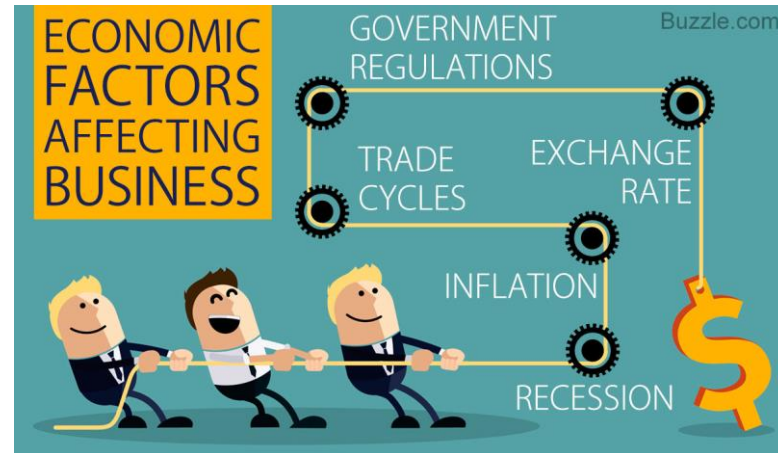
Arab world

Do not give a gift when you first meet someone. It may be interpreted as a bribe. Do not let it appear that you contrived to present the gift when the recipient is alone. It looks bad unless you know the person well. Give the gift in front of others in less personal relationships.

Requisites for cultural adaptation



Economic factors



- ☐ Size of foreign market and its potentiality
- ☐ Information about per-capita disposable income
- ☐ Consumption patterns
- ☐ Unemployment trends
- ☐ Price control on specific products, like pharmaceuticals, food and petrol
- ☐ Accessibility in terms of foreign investments

Political and legal factors



- ☐ Stability of government policies
- ☐ 'Domestication' of foreign investors' business
- ☐ Kind of regime
- ☐ Employment law
- ☐ Consumer protection law
- ☐ Health and safety regulations
- ☐ Financial law
- ☐ Import restrictions
- ☐ Legal system (e.g. common law, based on tradition and past practices versus civil or code law, based on written-coded rules)
- ☐ Intellectual property rights

Technological factors



- ☐ Stage of market's technological development
- ☐ Business transactions
- ☐ E-commerce – e.g. sophisticated software needs markets with an established IT base
- ☐ Appropriate level and type of technology

Competitive factors



- ☐ Number of competitors
- ☐ Presence of foreign competitors investing in the country
- ☐ Competitors' strategies
- ☐ Market structure (oligopoly, monopoly, etc.)
- ☐ Positioning problems, in terms of product image and pricing
- ☐ Environmental conditions affecting business strategies

Trade barriers

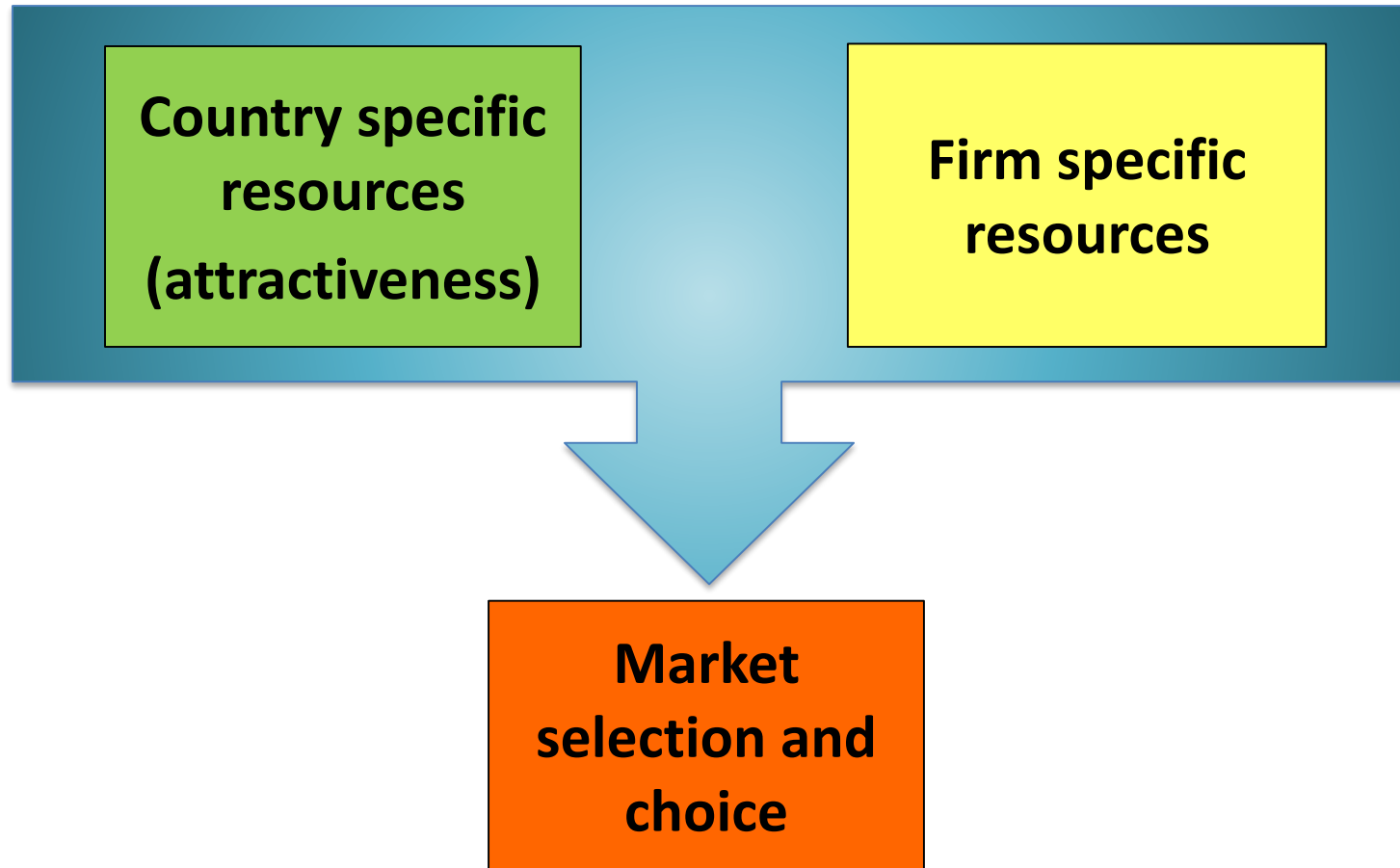
There are literally hundreds of ways to build a barrier. The following list provides just a few of the trade barriers that exporters have to face:

| | | | |
|--|--|---|---|
| Special import authorization | Discretionary licensing | Country quotas | Customs surcharges |
| Restrictions on data processing | Trade restrictions on e-commerce | Testing, labeling | Stamps taxes |
| Voluntary export restraints | Anti-competitive practices | Seasonal prohibitions | Consular invoice fees |
| Advance import deposit | Marketing rules | Health and sanitary prohibitions | Taxes on transport |
| Taxes on foreign exchange deals | Green barriers | Certifications | Export subsidies |
| Preferential licensing applications | Discriminatory tax measures | Foreign exchange licensing | Barter and countertrade requirements |
| Duties and fees | Failure to protect copyrights and patents | | |

Risks of international activities

- Misunderstanding customers preferences and foreign business cultures
- Lack of international management know how
- Unstable governments
- Foreign exchange problems
- Foreign-government entry requirements and bureaucracy
- Tariffs and other trade barriers
- Corruption
- Technological pirating
- High cost of product and communication adaptation

Market selection



Country specific advantages

Environmental factors determining country attractiveness:

➤ **Factors conditions**

The nation's position in factors of production (e.g. skilled labour, infrastructures and resources)

➤ **Demand conditions**

The nature of home demand for the industry product or service

➤ **Related and supporting industries**

The presence or absence in the nation of supplier industries and related industries that are internationally competitive (e.g. logistics)

➤ **Firm strategy, structure and rivalry**

The conditions in the nation governing how companies are created, organized, and managed, and the nature of domestic rivalry

Firm specific advantages

Internal specific resources are the base for firm competitiveness

- Financial resources
- Patents and trademarks
- Brand name and company image
- Control of raw material required for manufacturing the product (supply chain control)
- Knowledge-based advantages
 - Knowledge is the key resource for the firm
 - Resources-based strategy (not only products, but also capabilities, skills and experience)
 - Marketing planning and implementing

Market selection

