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# A STUDY OF GLOBALIZATION AND INTERNATIONAL MARKETING

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## INTRODUCTION

Today, more and more businesses are exporting, importing and/or manufacturing their goods with other countries. The companies that are not involved in international business also feel the effects of their customers and competitors that are doing business overseas. As competition continues to increase, the number of companies doing business with the United States will only continue to decrease. There are many companies that sell a large portion of their goods overseas and depend on those profits to survive. Now companies do not look at the United States as their only opportunity for business but look at the whole world as a possible place for their business activities .Firm-specific and entrepreneurial factors are the internal forces that influence a firm's decision to internationalize and are also important determinants of the firm's international marketing strategy that would ultimately affect its performance in international markets patents are examples of product characteristics that can influence export marketing performance. Just as there are advantages to internationalization, there are also disincentives or barriers to a firm's success in export markets. Market characteristics such as access to distributors, import control, government legislation, exchange rate fluctuations, cultural differences, language differences and unfamiliar business practices can negatively impact on export marketing performance.

OBJECTIVES

1) To know the concept of International Marketing
2) To understand the scope of International Marketing
3) To study the Advantages of globalization .
4) To study the disadvantages of globalization .

**Methodology of the Study**

This paper is prepaid on the basis of secondary source of data search as books, study material of professional courses, website and some extent primary observation of researcher.

**DEFINITION OF INTERNATIONAL MARKETING :**

International Marketing can be defined as exchange of goods and services between different national markets involving buyers and sellers. According to the American Marketing Association, "International Marketing is the multi-national process of planning and executing the conception, prices, promotion and distribution of ideal goods and services to create exchanges that satisfy the individual and organizational objectives."

**CONCEPTS OF INTERNATIONAL MARKETING**

**Domestic Marketing**: Domestic Marketing is concerned with marketing practices within the marketer's home country.

**Foreign Marketing**: It refers to domestic marketing within the foreign country.

**Comparative Marketing:** when two or more marketing systems are studied, the subject of study is known as comparative marketing. In such a study, both similarities and dis-similarities are identified. It involves an analytical comparison of marketing methods practiced in different countries.

**International Marketing**: It is concerned with the micro aspects of a market and takes the company as a unit of analysis. The purpose is to find out as to why and how a product succeeds or fails in a foreign country and how marketing efforts influence the results of international marketing.

**International Trade**: International Trade is concerned with flow of goods and services between the countries. The purpose is to study how monetary and commercial conditions influence balance of payments and resource transfer of countries involved. It provides a macro view of the market, national and international.

**Global Marketing**: Global Marketing consider the world as a whole as the theatre of operation. The purpose of global marketing is to learn to recognize the extent to which marketing plans and programmers can be refer to joining with foreign companies to produce or market the products or services. Besides serving as a means of lessening political and economic risks by the amount of the partner's contribution to the venture, JVs provide a less risky way to enter markets that pose legal and cultural barriers than would be the case in an acquisition of an existing company.

There are two types of JVs, namely

1. Contractual JVs and 2. Equity based JVs.

A contractual JV consists of a contractual arrangement between two or more companies in which certain assets and liabilities are shared for a specific purpose and time. Contractual JVs are common in the construction, extractive and consultancy services An equity JV is a capital sharing arrangement between an MNC and a local company or another MNC or even a foreign government. Each partner holds share in the subsidiary and shares the profits in proportion to its ownership share. The advantage of a JV for MNC is that it can spread its investment across locations, and thereby minimize its risks.

**STRATEGIC ALLIANCE**

A Strategic International Alliance (SIA) is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective.It is an agreement between companies that is of strategic importance to one or both companies' competitive viability. Strategy refers to the means to fulfill company's objectives. In everyday business, the term 'strategic alliance' is generally used to describe a wide variety of collaborations, irrespective of strategic importance. In a strategic alliance, a firm could establish relationships with organization that have the potential to add values. Bench marking, re-engineering, outsourcing, merger and acquisition are examples of strategic alliance. On the basis of structure, strategic alliances can be classified into equity based and non- equity based.

**LICENSING AND FRANCHISING**

A means of establishing a foothold in foreign markets without large capital outlays is licensing. It is a favorite strategy for small and medium sized companies. International licensing helps a firm from one country (licensor) to permit another firm in a foreign country (licensee) to use its intellectual property such as patents, trademarks, copyrights, technology, technical know-how, marketing skill etc. in return for royal payments. Royal payments or license fee is regulated in most of the countries. The advantages of licensing are most apparent when: capital is scarce, import restrictions forbid other means of entry, a country is sensitive to foreign ownership, or it is necessary to protect trademarks and patents against cancellation of nonuse. An important risk of licensing is that the licensor may give birth to his own competitor i.e. the licensee can become a competitor after the expiry of the licensing agreement. Important forms of franchising are –

1. Manufacturer- retailer systems e.g. automobile dealership
2. Manufacturer- wholesaler system e.g. soft drink companies
3. Service firm- retailer systems e.g. lodging and fast food outlets. Potentially, the franchise system provides an effective blending of skill centralization and operational decentralization, and has become increasingly important form of international marketing.

**Conclusion**

MSME being the second highest employment generation sector is next only to agriculture, this sector need special attention of the state government, policy makers and implementation. This is all the more necessary and a very powerful engine realizing the twin objectives of accelerated industrial growth and creation of additional productive employment potential in rural and backward areas. There are only 117361 MSME units are registered and employment, finance and other activities of only these units are recorded with the government. There is an urgent need to have a policy to record all units in the state to understand the actual position of employment as on date and employment generation opportunities exist in this sector in future. This will enable policy makers to decide the course of action, such as creation of cluster, providing suitable infrastructure, market, product development, finance etc. Cluster approach the real success seen already must be followed to the extent possible, so as to make easy availability of credit, infrastructure, raw materials, markets and labour. This ultimately results into better quality at competitive price which is the need of the hour. Another advantage of cluster is to faster adapt to changes, because of easy access to information on changes in technology and market demand.

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growth strategy supported by the FDI under globalization approach. Globalization can provide sophisticated job opportunities to the qualified people and check 'brain drain' in a country. Globalization would provide varieties of products to consumers at a cheaper rate when they are domestically produced rather than imported. This would help in improving the economic welfare of the consumer class.

**DISADVANTAGES OF GLOBALIZATION**

Globalization is never accepted as unmixed blending. Critics have pessimistic views about its ill-consequences. When a country is opened up and its market economy and financial sectors are well liberalized, its domestic economy may suffer owing to foreign economic invasion. A developing economy hen lacks sufficient maturity; globalization may have adverse effect on its growth. Globalization may kill domestic industries when they fail to improve and compete with foreign well-managed, well-established firms. Globalization may result into economic imperialism. Unguarded openness may become a playground for speculators. Currency speculation and speculators attacks, as happened in case of Indonesia, Malaysia, Philippines, Thailand, etc. recently, may lead to economic crisis. It may lead to unemployment, poverty and growing economic inequalities.

**STRATEGIES FOR GLOBALISATION**

When a company makes the commitment to go international, it must choose an entry strategy. This decision should reflect an analysis of market potential, company capabilities and the degree of marketing involvement and commitment management is prepared to make. The approach to foreign marketing can range from minimal investment with infrequent and indirect exporting with little thought given to market development, to large investments of capital and management in an effort to capture and maintain a permanent, specific share of world markets. Depending on the firm's objectives and market characteristics, either approach can be profitable. In fact, a company in various country markets may employ a variety of entry modes since each country market poses a different set of conditions. Having more than one strategy allows the company to match its expertise with the specific needs of each country market.

**EXPORTING**

Exporting is perhaps the first step for a company to go global. It is the first of the attempts to understand the international environment develop markets abroad .Exporting can be direct or indirect. With direct exporting the company sells to a customer in another country. This is the most common approach employed by companies taking their first international step because the risks of financial loss can be minimized. In contrast, indirect exporting usually means that the company sells to a buyer in the home country who in turn exports the product. Customers include large retailers like Wal-Mart or Sears, Wholesale supply houses, trading companies, and others that buy to supply customers abroad. In a global environment, the sourcing of finance, materials, managerial inputs etc. will also be global. However, with 0.5 percent share in the world trade, India is an insignificant player. There are a number of products with large export potential but these have not been tapped properly. There are three strategies to increase export revenue –

1.increase the average unit value realization,
2. increase the quantity of exports and
3. Export new products.

**FOREIGN INVESTMENT**

It refers to investment in foreign country. Foreign investment by Indian Companies have been negligible because of factors such as assured domestic market, want of global orientation, protective government regulation etc. However, this inward orientation has undergone substantial change after the adoption of the new economic policy 1991. With the economic liberalization and growing global orientation, many Indian firms are setting up manufacturing, assembling and trading bases overseas. These facilities are either wholly owned or foreign partnership firms.

**MERGERS AND ACQUISITIONS**

In merger, two companies come together but only one survives and the other goes out of existence as it is merged in the other company. While in acquisition, one company (acquirer) gets control over the other company (acquired) at the willingness of each of the companies. Mergers and acquisitions is an important entry strategy in international business. Mergers and acquisitions can be used to acquire new technology, reduce the level of competition and provides quick access to markets and distribution network. Many Indian firms have resorted to the acquisition route to gain a foothold in the foreign market.

**JOINT VENTURES**

Joint Ventures as a means of foreign market entry have accelerated sharply since the 970s. Joint ventures extended worldwide and the extent to which they must be adopted.

## SCOPE OF INTERNATIONAL MARKETING

**Exports and Imports**: International trade can be a good beginning to venture into international marketing. By developing international markets for domestically produced goods and services a company can reduce the risk of operating internationally, gain adequate experience and then go on to set up manufacturing and marketing facilities abroad.

**Contractual Agreements**

Patent licensing, turn key operations, co – production, technical and managerial know – how and licensing agreements are all a part of international marketing. Licensing includes a number of contractual agreements whereby intangible assets such as patents, trade secrets, know – how, trademarks and brand names are made available to foreign firms in return for a fee.

**Joint Ventures**

A form of collaborative association for a considerable period is known as joint venture. A joint venture comes into existence when a foreign investor acquires interest in a local company and vice versa or when overseas and local firms jointly form a new firm. In countries where fully owned firms are not allowed to operate, joint venture is the alternative.

**Wholly owned manufacturing**

A company with long term interest in a foreign market may establish fully owned manufacturing facilities. Factors like trade barriers, cost differences, government policies etc. encourage the setting up of production facilities in foreign markets. Manufacturing abroad provides the firm with total control over quality and production.

**Contract manufacturing**

When a firm enters into a contract with other firm in foreign country to manufacture assembles the products and retains product marketing with itself, it is known as contract manufacturing. Contract manufacturing has important advantages such as low risk, low cost and easy exit.

## GLOBALISATION OF INDIAN BUSINESS

Globalization, liberalization and privatization were the three cornerstones of India's New Economic Policy of 1991. The year 1991 marks the beginning of a new era in the Indian economy. The new objective to be pursued by the policy makers, strategists and executives was to make India the largest free market economy of the 21st century. In pursuit of this objective, the Indian economy was to be integrated with the world economy through a programmer of structural adjustment and stabilization. While the stabilization programmer included inflation control, fiscal adjustment and BOP adjustment, the structural reforms included trade and capital flows reforms, industrial deregulation, disinvestment and public enterprise reforms and financial sector reforms. The programmer of economic reforms has not been entirely successful and as a result, the globalization process of the Indian economy has not gathered momentum. Indian business continues to face a number of difficulties and obstacles in their effort to globalize their business.

## GOVERNMENT POLICY AND PROCEDURES

Government policy and procedures in India are extremely complex and confusing. Swift and efficient action is a pre-requisite for globalization- which sadly missing. The procedures and practice continue to be bureaucratic and hence a speed breaker in the globalization effort.

**NON – TARIFF BARRIERS (NTBs)** Member nations of the World Trade Organizations are bound to progressively reduce tariff rates across the board over a definite period of time so that level playing field is created in global trade. Tariff barriers are therefore not of much concern. What concerns developing nations in particular, are non- tariff barriers imposed by the developed countries. Issues such as child labor content in some of the products exported by India to the developed nations had cropped up and remain unresolved.

## ADVANTAGES OF GLOBALISATION

For successful globalization, countries need to chalk out strategies and policies to open up the doors for the inflows of foreign direct investment (FDI). The FDI by the MNCs brings with it flow of foreign exchange/ foreign capital, inflow of technology, real capital goods, managerial and technical skills and know- how. Globalization can easily promote exports of the country by exploiting its export potentials in a right way. Globalization can be the engine of growth by facilitating export- led growth strategy of developing country. ASEAN countries such as Indonesia, Malaysia and Thailand have demonstrated their success of export- led

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