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A Global Markets: International Marketing Environment

Mr. Kunal Saxena
Asst Professor, Department of Management, Presidency University, Bangalore, India,
Email Id-drkunal@presidencyuniversity.in

ABSTRACT:

The international marketing environment comprises various factors that influence the operations and strategies of businesses in global markets. This chapter provides a concise overview of the international marketing environment and its key components. It explores factors such as cultural, economic, political, legal, and technological influences on international marketing activities. The chapter also discusses the significance of understanding the international marketing environment and its impact on market entry decisions, product adaptation, promotional strategies, and distribution channels. By effectively navigating the international marketing environment, businesses can capitalize on opportunities, mitigate risks, and achieve success in global markets.

KEYWORDS:

Competitive Landscape, Cultural Factors, Economic Conditions, Exchange Rates, Global Market Trends, Legal, Market Segmentation.

I. INTRODUCTION

A business firm's economic environment is directly correlated with it. Economic environment typically refers to those outside factors that have an immediate impact on company. The profitability of every business is directly impacted by market-related economic factors. One of the factors contributing to poor market demand in a developing nation like India is the low per capita income [1], [2]. A company may increase demand by selling items at a discount or fair pricing. Again, low income and poor savings make it harder for consumers to purchase pricey goods like consumer durables. Therefore, businesses may devise a variety of plans to boost sales, including: sales promotion strategies like freebies, discounts, sales with monthly payments, trial offers, etc. Advertising that makes a hard sell by stating benefits of purchasing the product.

Additional Warranties

Especially with regard to FMCG products and also with regard to consumer-specific goods like footwear, apparel, etc., penetration pricing methods are used. This is due to Indian shoppers' attention to pricing [3], [4].

Effective Post-Purchase Support

The established businesses may make wise plans for market growth, the launch of new items, and other things by studying supply variables. It may also assist a prospective business company in making decisions on market entry, market choice, product selection, and other issues.

Economic Policies: A business unit's operation is directly impacted by the government's economic policies. Business organisations must thus comprehend the effects of numerous government policies, such as:

1. Industrial Policy.
2. Fiscal policy.
3. Financial Planning.
4. Export-import regulations.

Business enterprises are supposed to operate within the established parameters, which are outlined in the economic policies. Business choices may significantly vary in response to even a little change in economic policy [5], [6]. Economic systems are categorised according to the degree of freedom that private entrepreneurs have. A thorough understanding of the economic systems of other nations aids importers and exporters in making more strategic plans for their international business operations. There are primarily three types of economic systems.

The free market or capitalist economy. A socialist or centrally controlled economy. Economy with a mix. An entrepreneur has the freedom to invest and make the products he wants in a free market. The government only has a minimal amount of authority over planning and market regulation. In a socialist or centrally planned economy, the distribution of different production factors among various units is completely under the supervision of the government. In a centrally planned economy, the government determines what should be produced and consumed. The idea of a communist economy is quickly disappearing. With the exception of China and Cuba, the communist worldview has been abandoned since the demise of the Soviet Union [7], [8]. Combining a capitalism and a communist economic system is known as a mixed economy. India has selected the mixed economy as a method for economic growth since it facilitates investments from both the public and private sectors.

II. DISCUSSION

Social and Cultural Environment

A society's culture is its inherited and shared collection of traditional beliefs, conventions, values, and practices. Culture also refers to the whole way of life and thought processes that are handed down from one generation to the next.

1. The cultural context influences.
2. The habits of consuming.
3. The method of thought.
4. The exchange of information.

An examination of the cultural setting aids in the formulation of marketing plans. An company thinking about expanding abroad should evaluate a wide range of cultural aspects. The cultural elements are as follows:

1. Values and Attitudes: Individuals who have internalised certain common views or social conventions are said to have values. Evaluations of potential solutions based on attitudes.

Some nations, like Japan, believe that obtaining goods from outside is disloyal. As a result, it becomes challenging for global marketers to promote their goods in such a cultural setting. The foreign marketer must approach with more caution the more deeply ingrained beliefs and attitudes are. In industrialised nations, attitudes towards change are generally favourable, in contrast to more traditional civilisations where change is regarded with considerable scepticism, particularly when it originates from outside the country [9], [10].

2. Manners and Traditions: Any changes in manners and customs need to be closely watched, particularly in situations where they appear to point to a thinning of cultural distinctions. among persons. In negotiations, it's crucial to understand manners and traditions since interpretations based on one's own frame of reference might result in an entirely erroneous conclusion. One has to accurately interpret all forms of communication in order to bargain successfully overseas. The various uses of the items must also be a consideration for the global marketer. For instance, orange juice is not often taken at breakfast in France, although Tang is promoted as a morning beverage in the United States. Tang is advertised as being refreshing. Thus, in order to thrive in the global market, an international marketer has to be aware of such cultural factors.

3. Language: Barriers to successful international marketing have often been caused by language issues. People have access to language, which is a crucial communication tool. International businesses must handle the crucial topic of how to communicate when diverse languages are used. In the organisation, communication would occur at several levels, including between:

1. Corporate offices and managers abroad.
2. Corporate offices and overseas partners.
3. Corporate offices and international vendors.
4. Corporate offices and foreign creditors.
5. Managers and staff from other countries.

These all very certainly involve many languages.

4. Religion: Religion has a significant impact on many daily activities in a culture and is strongly linked to the formation of cultural values. International businesses must thus comprehend the place of religion in the communities in which they do business. People will be more forgiving of religious transgressions made by foreigners in a nation where religion is less important than it is there. The opposite may be true in a country where religion is more important. The factory may have an impact on the company's operations; for example, in the former scenario, scheduling additional work on religious holidays may be allowed, but not in the latter companies as a result. should research the religious diversity of any nation where they want to do business.

5. Education: An important factor in global marketing is education. This is seen in the interactions between a company and its personnel. Local educational systems will determine the availability of potential employees with desired skills when a company decides on stalling policies. They will also define the type and extent of training that must be completed, the degree of decentralisation that is feasible, and the communication systems that are used. It also has a significant impact on choices made about consumers' customers.

6. Social Systems: These include a wide range of behaviours, such as customs around courtship and marriage, ways of having fun, interactions between members of different social classes, etc. Global Businesses are required to operate under the limitations of the localised social systems. This entails making accommodations for various systems or recruiting local staff who are open to using such systems. The management must learn about the social systems in other countries, evaluate the effects on operations, and then determine whether and how much to adapt the organization's established practises to the new social systems. ·

Political Setting

Political system, political parties, governmental organisations, and pressure groups that exert influence and control over people and organisations within a society are all included in the broad definition of the phrase political environment. These elements could be quite diverse depending on the country. Therefore, the political climate in the home, foreign, and global markets must be taken into account by the international marketer.

Political System: A nation may have either an absolute or parliamentary system of governance. - Parliamentary administrations periodically engage individuals to learn about their preferences and opinions. This approach is followed by most developed countries. Government policy is determined by an absolute system, which disregards the requirements and preferences of the populace. This system is often used by newly created countries or those going through some kind of political transition. However, many political systems do not fit within any of the aforementioned categories, for example. North Korea and Saudi Arabia.

Number of Political Parties: There are four types of governments based on the number of political parties: the two-party system, the multi-party system, the single-party system, and the one party system that is overwhelmingly in power.

1. Even if other parties are permitted under a two-party system, none of them alternately control the government.
2. There are multiple political parties in a multiparty system, but none of them is powerful enough to seize power.
3. Even if there may be several parties under a single-party system, there is minimal chance for other parties to elect MPs to run the government.
4. In a controlled one-party system, the ruling party forbids any kind of opposition, leaving the populace without any other options. A dictatorship might readily emerge under such a framework.

Economic Systems: Economic Systems provide a different foundation for categorising governments. Three economic systems are possible:

1. Capitalist System.
2. Socialist Economy
3. Mixed Economy

Political hazards: An international marketer may encounter many political hazards, including the following:

1. A government may seize control of a property via the process of confiscation in exchange for some kind of payment.
2. Expropriation includes the government owning and running the enterprise that is being taken over.
3. Government ownership and operation of the enterprise under government control are both aspects of nationalisation.
4. Foreign corporations losing control and ownership via domestication run a political risk. either totally or partly to the locals.
5. A host country's political system's future viability is linked to the risk of general instability.

6. Operation Risk is driven by the possibility that a host government may impose restrictions on the investor's company operations across the board, including those related to finance, marketing, and manufacturing.

Transfers Risk refers to any potential future actions by a host government that might limit a subsidiary's capacity to transfer funds, money, or earnings to the parent company outside of the host nation. An multinational marketer could be persuaded to enter a country with stable political conditions. Political stability requires a democratic political system. The following are some of the causes of political unrest:

1. Social turmoil around the nation.
2. The nation's citizens' hostile attitude.
3. Government foreign policy that is hostile.

Area of Law and Regulation

The term regulatory environment refers to the laws, rules, regulations, and procedural requirements established by the government to impose restrictions on how corporate operations are planned and carried out. It comprises of government regulations that set boundaries for how a company is expected to conduct its operations in respect to registration, licencing, foreign investments, employer-employee relations, and many other topics. · A global marketer must maintain up-to-date and thorough understanding of the laws and ordinances that control the foreign market's production, distribution, and use of products and services. German legislation, for instance, is particularly rigors. Before defining its advertising strategy, a corporation must consult legal advice. Each nation may have rules governing every component of the marketing mix. A business must keep an eye out for the following regulations:

1. Product excellence.
2. price restraint.
3. Packaging.
4. post-purchase commitment.
5. Agreement Termination.

Additionally, an international marketer should be well-versed in employment regulations and legislation that pertain to customers on the global market. The following legal issues must be taken into consideration by an international marketing company:

1. The defence of property rights.
2. Techniques for signing contracts.
3. Techniques for obtaining redress.
4. Tax regulations.

Foreign Currency

Due to the lack of global legal harmonisation, every nation has a unique legal system. Some unethical and prohibited practises in global marketing include the ones listed below:

1. Black markets.
2. Bribery.
3. Infringement.
4. Falsification.

The severity of immoral and criminal concerns varies by nation. While some nations disregard such problems and accept them as an inherent part of doing business, others have rigid legal systems and may impose severe penalty or fines.

Trade Restrictions

Both imports and exports are subject to trade restrictions. Tariff obstacles and Non-Tariff Barriers are the two main categories into which trade obstacles may be generally classified.

Tariff Limits

A tariff is a tax or customs levy imposed on imported or exported goods. Tariffs are a barrier to international commerce because they interfere with the free movement of products between countries. The importer's country's customs duty is the most significant tariff barrier. The exporting nation may also charge a tax on its own exports.

Governments, however, seldom ever put tariffs on exports since the goal of nations was not to sell as much as possible to other nations. The following are the maintenance-related key tariff barriers. Specific obligation is based on a product's physical attributes. Specific duty is the term for a tariff that is imposed when a predetermined amount of money is assessed while accounting for the weight or measurement of a product. For instance, a predetermined amount of import tax may be applied to each barrel of imported oil, regardless of its quality or price. It deters inexpensive imports. Since there is no need to figure out the worth of imported items, specific levies are simple to manage. However, some items, such as works of art, cannot be subject to a particular obligation. For example, a painting cannot be taxed based on its size and weight.

Ad valorem duty is a tax that is assessed according to value. Ad valorem duty is a term used to describe a tariff that is applied as a set percentage of the value of a product. It doesn't take the commodity's weight, size, or volume into account. Ad valorem duty is imposed on the majority of items, even though it is more appropriate to impose it on things whose worth cannot be assessed by their physical and chemical properties, such as expensive works of art, rare manuscripts, etc. Combination or compound duty refers to the application of both specified and ad valorem duties on a single item. For instance, if duty is levied on each metre of fabric at Re.1 and 10% of value, there may be a combined duty. Therefore, both obligations are charged in this instance. Import duties that change in accordance with the cost of goods are known as sliding scale duties. Historically, these obligations have only applied to agricultural goods because of how often their prices fluctuate, mostly because of natural circumstances. These can go by the name of seasonal chores.

When imports are subject to countervailing duty, it means that the exporting government has subsidised the goods. Government subsidies make imported items more affordable than native ones. This duty is levied in addition to customary duties in order to counteract the effects of subsidies. A tariff that is intended to bring in money for the national government is known as a revenue tariff. A tariff is often established with the intention of raising money by adding a tax on consumer products, especially luxury items whose demand from the wealthy is inelastic. Dumping is the term used when exporters seek to corner international markets by slashing prices on their products. Dumping makes it difficult for native industries to compete with imported products. responsibilities are imposed in addition to regular responsibilities to counteract and prevent dumping impacts. A protective tariff is imposed on imports in order to shield domestic industries from the intense competition posed by these items. In order to deter imports or make imports costlier than native goods, an extremely high tariff is often levied. International relations may also be used as the basis for imposing tariffs. Single column duty, double column duty, and triple column duty are all included in this.

Non-Tariff Restrictions

Any barrier that prevents the free flow of products in foreign markets but is not a tariff is referred to as a non-tariff barrier. Non-tariff barriers simply impact the volume of imports; they have no impact on the price of imported products. The following are some significant non-tariff barriers:

1. Quota System: Under this system, a nation may decide in advance the maximum amount of a product that may be imported from other nations for a certain time period. Tariff/Customs Quota. A certain number of imports are permitted duty-free or with reduced import duties. Beyond the allotted amount, further imports are only allowed at a higher rate of duty. Therefore, a tariff quota included the advantages of both a tariff and an import quota. Unilateral Quota. The entire amount of imports is decided upon without first consulting the exporting nations. Bilateral Quota. In this situation, quotas are set after talks between the exporting and importing countries. Multilateral Quota: A number of nations may band together to set import and export quotas for each nation.

2. Prior Import Deposits: Some nations demand that importers deposit up to 100% of the value of their shipments in advance with a certain organization, usually their Central Bank. The green light to import the items is only provided to importers after making such deposits.

3. Foreign Exchange Regulations: Before signing a contract with the supplier, the importer must guarantee that there is enough foreign currency available for the import of products by receiving approval from exchange control authorities.

4. Consular formalities: A number of importing nations need consular invoices to be included in the shipping paperwork, verified by the importing nation's consulate.

5. State Trading: In certain nations, such as India, specific goods may only be imported or exported via intermediary organisations like MMTC. Direct import or export of commodities that have been canalized is not permitted by lone importers or exporters.

6. Export Requirement: Some importers are subject to a mandatory export requirement in nations like India. Imports are constrained by doing this. Companies who fail to complete their export obligations are subject to fines or penalties.

7. Preferential Arrangements: Some countries create trading organisations to get preferential treatment in their international commerce. While imports from non-member nations are subject to different taxes and other rules, imports from member nations are granted privileges.

8. Other Non-Tariff Obstacles: Other non-tariff obstacles include embargoes, technical requirements, environmental rules, health and safety laws, and more.

Exchange Block

Trade Groups or Trading Blocs, as they are often referred to, are groups of nations that cooperate economically for the benefit of all members. A collection of nations known as the Trading Bloc has similar trade policies and are geographically near to one another. By working together, they may benefit from these similarities.

Essential Trading Blocks

1. Western European nations launched the Organisation for European Economic Co-operation in 1948, marking the beginning of the region's economic unification efforts. The goal of the OEEC was to unify the economy of Europe. The European Coal and Steel Community was established in 1952 thanks to the efforts of the OEEC nations. To create a single market for coal, steel, and iron ore, the ECSC was founded. The ECSC agreement was ratified by six nations: France, Italy, West Germany, Belgium, the Netherlands, and Luxembourg. The establishment of the European Economic Community in 1958 was a result of the ECSC's success. 1973 saw the UK, Ireland, and Denmark. Greece joined the EEC and was admitted as a full member in 1982. EEC added two additional nations in 1986. Portugal and Spain are full members. Finland, Austria, and Sweden are among the.15 full-fledged members now in existence. After NAFTA, the EEC is the second-most potent commercial bloc.

The so-called Europe 1992, or EU members, was established in 1992. Europe without of borders. It is now classified as a single market rather than a common market. The EU has a supranational government in Brussels, a single currency called the Euro, and common laws, rules, and regulations pertaining to production and commerce. The Association of South East Asian Nations (ASEAN) was founded in Bangkok in August 1967. Malaysia, the Philippines, Singapore, Thailand, and Indonesia were the initial five nations; Brunei joined this group in 1984. Vietnam has recently been admitted to the ASEAN community. The founding goals of ASEAN were to protect regional stability and counter the communist threat posed by China. ASEAN's main priority during the first nine years of its existence was politics. The Declaration or ASEAN Accord was signed at the inaugural ASEAN Summit in Bali in 1976, marking the beginning of the economic cooperation. In accordance with the Accord, ASEAN members committed to working together to provide and buy essential goods, develop preferential trade relationships, stabilize market pricing, and promote the export of goods produced in the area.

This group offers abundant natural resources in addition to the potential for tourism. Around 80% of the world's natural rubber is produced there. In addition, it is rich in coal, sugar, coffee, lumber, nickel, bauxite, and petroleum. By being exported to other nations, these goods have brought in significant foreign currency for the group's members. This group has become a new source of global economic power throughout the 1990s. But it was in the late 1990s. The economies of the ASEAN nations were severely impacted. The South Asian Association for Regional Co-operation was established in 1985 by a group of seven countries from the Indian subcontinent. India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan, and the Maldives are all members of SAARC. Initially, the SAARC was only interested in cooperating in areas like agriculture, rural development, telecommunications, postal services, transportation, science and technology, meteorology, tourism, and sports. Important areas like the creation of free trade zones or common markets have been left out. Ten years later, in May 1995, SAARC signed the South Asian Preferential Trade Agreement. The development of the South Asian Free Trade Agreement may replace SAPTA. The United States, Canada, and Mexico signed the North American Free Trade Agreement (NAFTA) in 1992. NAFTA began to be used in 1994. The most powerful trade bloc in the world is NAFTA.

Goals of Trading Blocks:

The following are the general maintenance goals of creating regional groups:

1. Lowering or, if feasible, eliminating trade obstacles.
2. Between member countries.
3. To encourage the free flow of labour, capital, and other production-related elements.
4. To sustain stronger political, social, and cultural links.
5. With one another.
6. To provide support to member countries in every manner feasible, with a focus on global commerce in particular.
7. To encourage regional development via the mass manufacturing and marketing of commodities.
8. Should use their combined power to collectively negotiate with the non-members.
9. To erect uniform exterior tariff and non-tariff obstacles against outside parties.

Organisation for World Trade

The GATT and WTO operate in distinct ways.The GATT is the WTO, among other things. In other words, compared to the GATT, the WTO represents a little improvement. The GATT as a global organisation is no more, and the WTO has taken its place. Although the GATT, the agreement, is still in place, it is no longer the primary set of guidelines for domestic commerce. A revision was made to the GATT. Along with the new General Agreement on Trade in Services and the Agreement on Trade-Related Aspects of Intellectual Property Rights, the modified GATT, sometimes known as GATT 1994, still governs trade in goods. The WTO unifies all three under a single set of regulations and a single process for resolving disputes. As a result, the WTO is considerably more than just a GATT extension. The GATS and the TRIPS have included many of the core GATT principles, including non-discrimination, openness, and predictability.

Secretariat

The WTO Secretariat, which is situated in Geneva and is overseen by a Director-General, employs around 500 people. The Secretariat is modest in comparison to the work it must do and to the number of employees at many other international organisations. It doesn't have any outlying branches. The secretariat does not have the same authority to make decisions as other international organisations have since decisions are made by members themselves. The Secretariat's maintenance responsibilities include giving technical support to the different councils, committees, and ministerial conferences; providing technical help to developing nations; analysing global trade; and educating the public and the media about WTO issues. The WTO accords are built on a few straightforward principles that are essential to the multilateral trading system, and the secretariat furthermore provides certain types of legal aid in the dispute resolution procedure and counsels states interested in joining the WTO. These guidelines are as follows:

Trade without Harassment

A nation is not allowed to discriminate against its trade partners under the WTO Agreements. If it shows someone a particular favour, it must also provide the same courtesy to all other WTO members. The Most Favoured Nation principles refer to this. The GATT's first article, which is the premise, is highly significant. MFN is significant for both the Agreement on TRIPS (where it occurs in Article 4) and GATS (where it appears in Article 2). The way the concept is used in each of the three accords, however, differs somewhat. Under very rigors guidelines, the following deviations are allowed: Developed nations may grant developing nations a tariff advantage.

1. The advantages obtained in this context do not have to be extended on an MFN basis to countries joining into regional free trade agreements.
2. A nation may provide temporary safeguard protection to a sector of its economy that has been severely harmed by an increase in imports.
3. A nation with significant balance of payments issues may impose temporary quantitative constraints.

Better Trade

Lowering both tariff and non-tariff barriers is one of the most important ways to promote freer trade, and the. WIO thinks that trade may be progressively liberalized via agreements.

Predictability

By asking the members to bind their commitments, the WTO seeks to make the trading system stable and predictable, which, in turn, encourages market security and investments, fosters employment, and benefits consumers. For goods, these bindings amount to ceilings on customs tariff rates, while in developed countries, the rates actually changed are the exchange rates. The WTO ensures such transparency by routinely monitoring national trade policies through the Trade Policy Review Mechanism; the WTO's dispute settlement mechanism further enhances this process' transparency. bound rates, in developing countries, the former is the latter. A country can change its bindings, but only after negotiating with its trading partners and compensating them for the losses.

III. CONCLUSION

In conclusion, the changing and complex nature of the worldwide marketing environment has a big influence on how successful organisations are in foreign markets. Businesses may modify their strategy, take advantage of market possibilities, and achieve sustainable development by comprehending these elements and reacting to them effectively. To manage obstacles, reduce risks, and maintain competitiveness in the global market, organisations must continuously monitor and analyses the international marketing environment. Businesses may discover market possibilities, evaluate risks, and create efficient marketing strategies by comprehending and analyzing the global marketing environment. This entails carrying out market research, evaluating rivals, keeping up with industry trends, and using market knowledge to make wise judgements.

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