CHAPTER 4

STRUCTURE OF INTERNATIONAL MARKETING SYSTEM

4.1 Introduction

International marketing is the performance of business activities that direct the flow of company's goods and services to the consumers or users in more than one nation. This definition indicates that there is a great similarity between international marketing and domestic marketing. The only difference between the two is that the activities takes place in more than one country in international marketing. This difference accounts for the complexity and diversity found in international marketing operations. The uniqueness of international marketing is found in the diversity of the problems and the variety of strategies necessary to cope with the different levels of uncertainty encountered in international marketing. International marketing is also referred to as Global marketing or Foreign marketing. (16)

4.2 International Marketing Activities

The task of the marketing manager is to mold the controllable elements of his decision in light of uncontrollable elements in such a manner that his marketing objectives are achieved. In general, the elements comprising the marketing environment with which the marketer must contend can be examined in terms of the degree to which their effect upon marketing activities can be controlled by decision maker.
Marketing mix is the blending of elements in order to satisfy perceived needs of an identified market (a segment or a target group of consumers) with a given environment (customer environment, marketing institutions, legal system and competition). Some of the environmental considerations can be viewed as internal to the firm, greater control can be exerted. The internal controlled elements are product, price, promotion and distribution. The other elements which are external or uncontrollable of the marketing environment are structure of competition, political forces, cultural forces, etc. In international marketing the market must deal with two levels of uncontrollable uncertainty. Uncertainty created by uncontrollable elements of the business environment at home that are applicable to international marketing operations; plus the uncontrollable elements of the business environment found in the foreign country or countries in which he is operating. Figure 10 illustrates the total marketing environment in international marketing. The successful manager develops a marketing program that is designed for optional adjustment to the uncertainty of the business climate. (16,31,64)

4.3 Major International Marketing Decisions

When a firm thinks of entering into international markets, it has to take five major decisions.

(a) Marketing decisions
(b) Market selection decisions
(c) Market entry decisions
(d) Marketing mix decisions and
Figure 10: Total marketing environment in international marketing
There are five basic alternatives for entering an international market. Each has its particular advantages and shortcomings depending upon company's strengths and weaknesses, the degree of commitments the company is willing to or able to make and environment characteristics of the foreign countries.

(a) Exporting: A company may decide to enter the international market by exporting excess productive capacity. It can export its products directly or it can enter a counter-trade deal where seller is contractually obligated to purchase goods or services from the original buyer. It involves exchange of goods, even when the actual transaction takes place at different times and payment is made to compensate for differences in value. It is also possible for a company to enter into barter trade, which cover a single deal that are finalised without much negotiation with the least credit or trustworthy customer. A company may enter the exporting activities through deemed export strategy. For example, the buyer of foreign origin or an international body (World Bank) but the actual delivery of the goods or services by the seller is done at a place within the seller country and the payment by buyer is done in foreign currency.(6,15,16,41)

(b) Licensing: A second means is licensing, patent rights, trademark rights, and the rights to use technological processes are granted in foreign licensing. This generally is practised by small and medium sized companies.
(c) **Joint Venture:** For a variety of reasons a company may decide to share management with one or more collaborating foreign firms and enter into a joint venture.

(d) **Manufacturing:** A fourth means of foreign market entry is manufacturing within the foreign country. This strategy is employed only when the demand justifies the investment involved.

(e) **Management Contracts:** A fifth and limited means of international market entry may be through management contracts. This approach is generally employed not by choice but as the result of external pressure from the host government. After a government expropriates a foreign investment and finds a lack of national managerial capability and talent, it signs a management contract with the deposed company in a return for a stated fee. The company continues to manage its former investment.

Initially, the new exporter is primarily concerned with the availability of cash to start the operation, an adequate distribution channel and the financial strength to survive a loss. As the export operation matures, risk management strategies expands which includes an evaluation of the life of a defined market and product. (16,64)

4.4 **Practices and Problems of International Marketing**

International marketing primarily has to deal with trade patterns among the various countries of the world. It has two
complementary as well as mutually interdependent aspects

(i) Export trade, and
(ii) Import trade.

The trade policies of the various countries govern their imports as well as exports. These policies and practices impose certain constraints and restrictions on international trade.

Every country in the world aims at exporting more than it imports in order to achieve a surplus in its trade balance. The trade pattern adopted by a country is dictated by its desire to achieve its national objectives which are by and large, to increase the export of surplus natural resources and manufactured goods and import only those goods or products which are not manufactured in home country. This automatically brings certain limitations in its trade with other countries, which popularly known as "regulatory measures". Many a time this regulatory measures come in the way of a free and unaffected flow of international trade.

GATT and UNCTAD are the forums established by the UN whose members meet periodically to reduce the restriction in trade policies, while keeping in mind the developmental needs of the developing countries.

The important regulatory devices which directly influence the international trade are:

(i) Tariff barriers by way of levies and custom duties on imports
(ii) Non-tariffs barriers e.g. quantity restrictions
through quotas and import licensing, foreign exchange restrictions, technical and administrative restrictions, consular formalities, state trading preferential arrangements, etc.

(iii) Trade agreements

(iv) Bilateral trade agreements or joint commission.

The increasing tendency among nations to form into small groups of economic unions is another influencing factor in international trade. Apart from ensuring a free flow of trade among themselves, the member continues as a group and are in a position to negotiate advantageous terms for their trade with other countries. To a certain extent they inhibit growth and world trade on a free and fair basis. Some of these trade blocks are EEC, EFTA, LAFTA, COMECON, ASEAN.\(^{(5,64,68)}\)

4.5 Basic Structure of an Export Organisation

In an export organisation care should be taken in establishing control. There is a need to evolve a reporting system. This may be in terms of daily meetings in an export organisation which may provide an immediate opportunity to take remedial steps, or it may be in the form of daily/weekly reports on pre-determined lines. Timely submission of reports and the action taken thereupon are extremely important. The organisation chart (Figure 11) can be considered as a model structure for a full-fledged export organisation in Indian context.
Figure 11: A model organisational structure for an export organisation
Though each cell/department is shown in the chart as independent, functionally they are dependent on each other in one way or the other. The functions of each department/cell is described below.

**Policy Making Department:** It is headed by a chief executive who formulates policies and sets the objectives of the organisation. Apart from directly controlling planning, sales, execution, finance, etc., he also maintains a liaison with the production department of the parent organisation or product suppliers. There is a close contact with research and development activities.

**Information Cell:** Though it is administratively controlled by policy making department, it serves the information needs of all departments, cells and divisions.

**Market Planning Cell:** It continuously involves in short-term and long-term planning of export activities. Since export market condition changes rapidly, planning cell therefore do desk research with the help of published material. Market surveys, advertising, exhibition organisation also come under planning cell's functions.

**Sales Execution Cell:** This cell is primarily responsible for generating export sales for the organisation within the framework provided by way of product availability, prices, profitability, etc. Bidding against tender, order processing, coordination with production/suppliers in obtaining products in
time, shipping the products, taking necessary steps in applying for export benefits in line with the governmental rules and regulations. After sales service is also a part of sales execution cell's functions. It is the duty of this cell to choose right distribution set-up abroad such as agent or a distributor in a foreign country.

**Overseas Operation Cell:** When exports develop, it becomes necessary to establish overseas offices for sales and service. Joint ventures may also be promoted in other countries.

**Finance Cell:** Apart from routine accounting and negotiation of export documents which requires special skill, this department also concentrates on negotiation for export finance, necessary credit limits, budgetary control, etc.

**Legal Advisory Cell:** In many cases problems arise in interpretation while drawing export contracts. Sometimes a difference of opinion also leads to legal action. Legal advice may be sought from within the organisation or may be obtained outside from eminent legal consultants.

**Personnel Cell:** One of the main functions is to select and to train personnel for effective export operations.

**Import Division:** Imports are essential for the export purpose. It helps the manufacturer to help in importing necessities.

It should be noted that the model organisation chart has to be altered suitably depending on the size of the organisa-
4.6 Major Export Policy, Promotion and Infrastructural Set-up in India

4.6.1 Export Policy

The need for export and efforts to diversify India's export products have been the objective of the Government of India since independence. Therefore, the Government of India formulated its Export-Import Policy and modifies the same periodically to get better results.

One of the policy decisions of the Government is to have public sector agencies which are encouraged to play an expanding role in developing exports and building up the export capabilities of manufacturers and exporters. Another important decision of the Government is that a list of specified products can be exported or imported by only through the public sector agencies.

4.6.2 Export Promotion

In order to promote exports at a sustained and steady pace, the Government of India has offered a number of facilities and incentive schemes to exporters to make export products competitive in the international market.

(a) **Supply of Raw Material**: Exporter is permitted to import the raw materials required for the purpose of export production. Where the equivalent raw material is indigenously available,
the Government has a scheme for supplying such material at international price.

(b) **Assistance under Marketing Development Fund:** Under this scheme, the Government of India subsidises certain categories of expenses relating to market promotion, advertisement, market research, publicity, etc. in the international marketing of a product. The subsidy depends on the category of expenditure.

(c) **Export Market Developing Allowance:** Under this scheme, all expenditure directly pertaining to exports-sales promotion tour, advertisement and publicity abroad, market research and other expenditure incurred abroad is entitled to a special tax concession.

(d) **Cash Compensatory Assistance:** The Government has devised this scheme whereby a percentage of FOB value of the product is provided to the exporter. This scheme is applicable only for a certain specified products and the percentage varies from product to product. Also known as cash compensatory support.

(e) **Duty Drawback:** Under this scheme, exporter gets a refund of duties i.e. import duty on raw material and components imported which gone into the manufacture of an export product. The extent of duty has to be initially established by the exporter on the basis of which duty drawback is refunded in cash, once the export is effected.
(f) **Excise Exemption Facilities:** For goods exported out of the country are given the facility to obtaining a refund of excise duty paid earlier.

(g) **Finance Facilities:** Another export promotion feature is credit facilities made available to exporters for purchase, manufacture and packaging prior to shipment as also post shipment. Medium and long term credits are also made available for the sale or capital equipment procurement. Export credit is provided by commercial banks, Industrial Development Bank of India, Export-Import Bank of India.

### 4.6.3 Infrastructural Set-up & Aids

In order to promote exports, the Government of India has initiated several institutional, infrastructural and fiscal measures. A number of export promotion councils have been established, mainly with a view of assisting in the promotion of exports of specific commodities or groups of products. A brief description of some of these organisations are given below. (5,29,33,55,68,73)

(i) **Board of Trade:** The main function of the board is to discuss all the problems pertaining to the export trade of the country and helps in improvement of infrastructure required for export.

(ii) **Advisory Council of Trade:** It reviews the export of the country, import-export trade, regulations, trade controls, export marketing and assistance makes its recommendations for the furtherance of exports.
(iii) **Zonal Export-Import Advisory Committee:** There are four zonal committees functioning in New Delhi, Bombay, Calcutta and Madras. They deal with zonal local problems faced by exporters such as import licensing, clearance, drawback incentives, port-trust shipment problems.

(iv) **Chambers of Commerce and Industry & Association of Trade and Industry:** Many of these chambers/associations have separate sections/cells to deal with the export trade. They help in interpreting government policies to members, disseminate data to them and also in making meaningful representations to the government.

(v) **Trade Development Authority:** The important objective of Trade Development Authority (TDA) is to promote export by providing a package of services in the field of export, production, marketing and in the elimination of procedural delay.

(vi) **Federation of Indian Export Organisation (FIEO):** Deals with problems of general nature, common to all commodities. It also deals with those commodities and services for which there is no specific export promotion council or commodity board.

(vii) **Indian Institute of Foreign Trade:** The main functions of this institution are

(a) Training of personnel in export trade

(b) Research projects in furtherance of exports

(c) Collection of documents and data on all aspects of export trade
(viii) **Export Inspection Council**: This council has set up five inspection agencies, one each at Delhi, Bombay, Calcutta, Madras and Cochin. They mainly ensure that quality standards of export products are maintained.

(ix) **Indian Council of Arbitration**: In case of disputes arising between buyer and seller in export trade, this council helps settlement.

(x) **State Trading Corporation of India (STC)**: The main functions of STC are to help in improvement of India's export trade, exploring of new markets for existing as well as new products, promotion of long-term export operations and difficult to sell items. STC has set up Projects and Equipment Corporation of India (PEC) to boost the export of engineering and railway equipment in established market and to penetrate new markets, to promote non-traditional and new products, to boost export of turnkey projects in the fields of railway systems, public utilities and industrial plants.

(xi) **Export-Import Bank of India (EXIM Bank)**: It provides suppliers' credit to Indian exporters, overseas buyers' credit to foreign importer. Exim Bank participates with commercial banks in India, in the issue of guarantees required by Indian companies for export contracts and for foreign execution of overseas construction and turnkey projects. It also provides financing, where an Indian company established a joint venture overseas and requires fund towards equity participation.
4.7 Towards Information System for Tendering

The segmental analysis of "Marketing" indicates that it is a well orchestrated process of connecting Demand-Supply Networking for products/services to consumer. The synchronous factor is the material requirements specification of user with product/service availability. Information is generated for marketing through interaction from various human activities. Information for marketing is basically contemporaneous and current. Past information is usually sidelined. Information for marketing has to be reliable, easily accessible and current. The information system should help modelling current information with past information. The front-end information is manytimes not standard/reliable ones. The interaction of marketing system and information is essentially public. The international marketing's one aspect is International Tendering System.