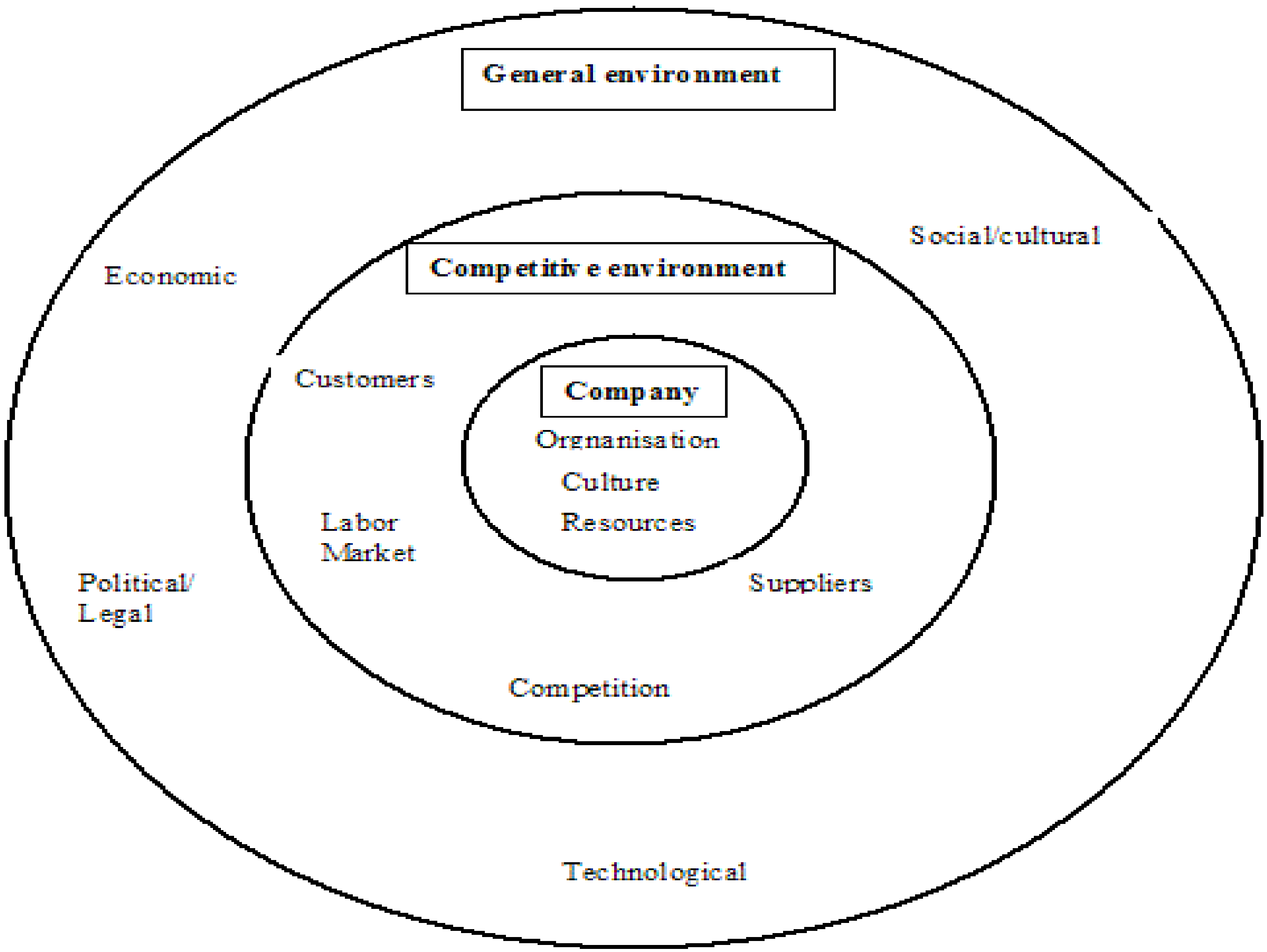
International Relationship Marketing

Analyse phase of International Relationship Marketing

The Company and it's environment



Analyses phase and Entry Strategies

Introduction

- More firms are entering foreign markets
- A global perspective requires execution, planning, organization, and willingness to try new approaches—such as engaging in collaborative relationships.

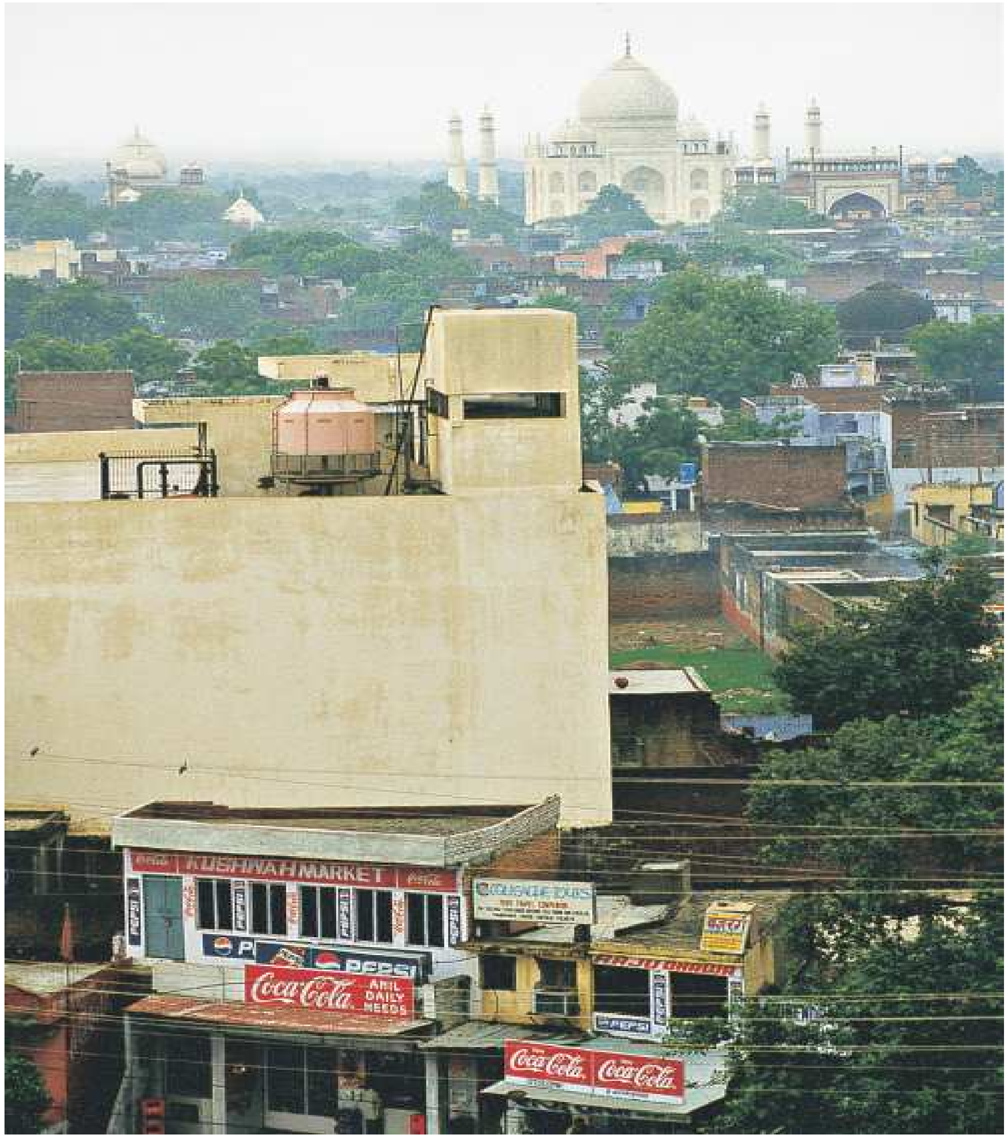
We will discuss global marketing management, competition in the global marketplace, strategic planning, and alternative market-entry strategies

International Relationship Marketing

International Marketing: An Old Debate and a New View

- Global Marketing Management thought has undergone substantial revision
- In the 1970s the argument was framed as "*standardization vs. adaptation*"
- In the 1980s it was "*globalization vs. localization*" or "Think local, act local"
- In the 1990s it was "*global integration vs. local responsiveness*"
- Today Transaction Marketing versus Relationship Marketing

The basic issue is whether the global homogenization of consumer tastes allowed "Relationship Marketing" instead of "Marketing Mix"


KUSHWAH MARKET
PEPSI
Coca-Cola
ANIL DAILY NEEDS
Coca-Cola
Coca-Cola

The Nestle Way

- Nestlé sells more than 8,500 products produced in 489 factories in 193 countries

- Nestlé is the world's biggest marketer of infant formula, powdered milk, instant coffee, chocolate, soups, and mineral water

Nestlé

A range of Nestlé Products

- The "Nestlé way" is to dominate its markets can be summarized in four points:

(1) think and plan long term

(2) decentralize

(3) stick to what you know, and

(4) adapt to local tastes

Benefits of Global Marketing

The merits of **global marketing** include:

- Economies of scale in production and marketing can be important competitive advantages for global companies
- Unifying product development, purchasing, and supply activities across several countries it can save costs
- Transfer of experience and know-how across countries through improved coordination and integration of marketing activities
- Diversity of markets by spreading the portfolio of markets served brings an important stability of revenues and operations to many global firms

Planning for Global Markets

Planning is a systematized way of relating to the future

- It is an attempt to manage the effects of external, uncontrollable factors on the firm's strengths, weaknesses, objectives, and goals to attain a desired end

- Structurally, planning may be viewed as

(1) corporate, (2) strategic, or (3) tactical

- International <u>corporate</u> planning is essentially long term, incorporating generalized goals for the enterprise as a whole

- <u>Strategic</u> planning is conducted at the highest levels of management and deals with products, capital, and research, and long- and short-term goals of the company

- <u>Tactical</u> planning, or market planning, pertains to specific actions and to the allocation of resources used to implement strategic planning goals in specific markets

The Planning Process

- Planning, which offers a systematic guide to planning for the multinational firm operating in several countries, includes the following 4 phases:

Phase 1: Preliminary Analysis and Screening – Matching Company and Country Needs

Phase 2: Adapting the Marketing Mix to Target Markets

Phase 3: Developing the Marketing Plan

Phase 4: Implementation and Control

- The answers to three major questions are sought in Phase 2:

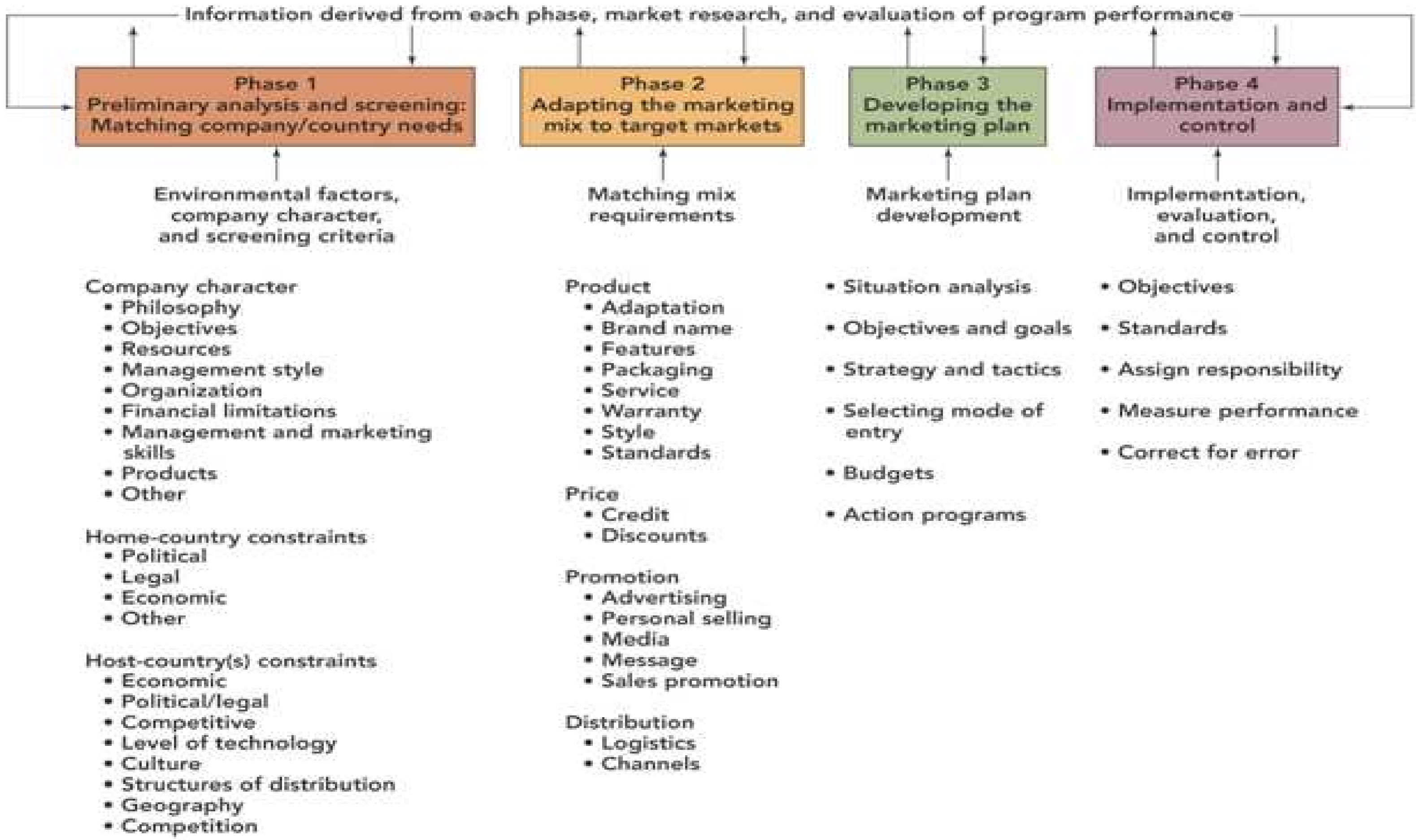
(a) Are there identifiable market segments that allow for common marketing mix tactics across countries?

(b) Which cultural/environmental adaptations are necessary for successful acceptance of the marketing mix?

(c) Will adaptation costs allow profitable market entry?

The planning process illustrated in Exhibit 11.1 below offers a systematic guide to planning for the multinational firm operating in several countries

Exhibit 11.1 International Planning Process



Foreign Market-Entry Strategies

When a company makes the commitment to go international, it must choose an entry strategy

The choice of entry strategy depends on:

- market characteristics (such as potential sales, strategic importance, cultural differences, and country restrictions)
- company capabilities and characteristics, including the degree of near-market knowledge, marketing involvement, and
- commitment that management is prepared to make

Entry Strategy Analysis

- Estimate sales
- Estimate costs
  - Unit variable costs
    - Material costs
    - Labor costs
    - Purchases
  - Fixed and semifixed costs
    - Supervision
    - Marketing
    - General administrative expenses
- Estimate asset levels necessary for deployment
  - Cash
  - Accounts receivable
  - Inventory
  - Equipment
  - Buildings
  - Land
- Forecast profitability
  - Assess international risk factors
  - Maintain flexibility
  - Assess total company impact

Alternative Market-Entry Strategies

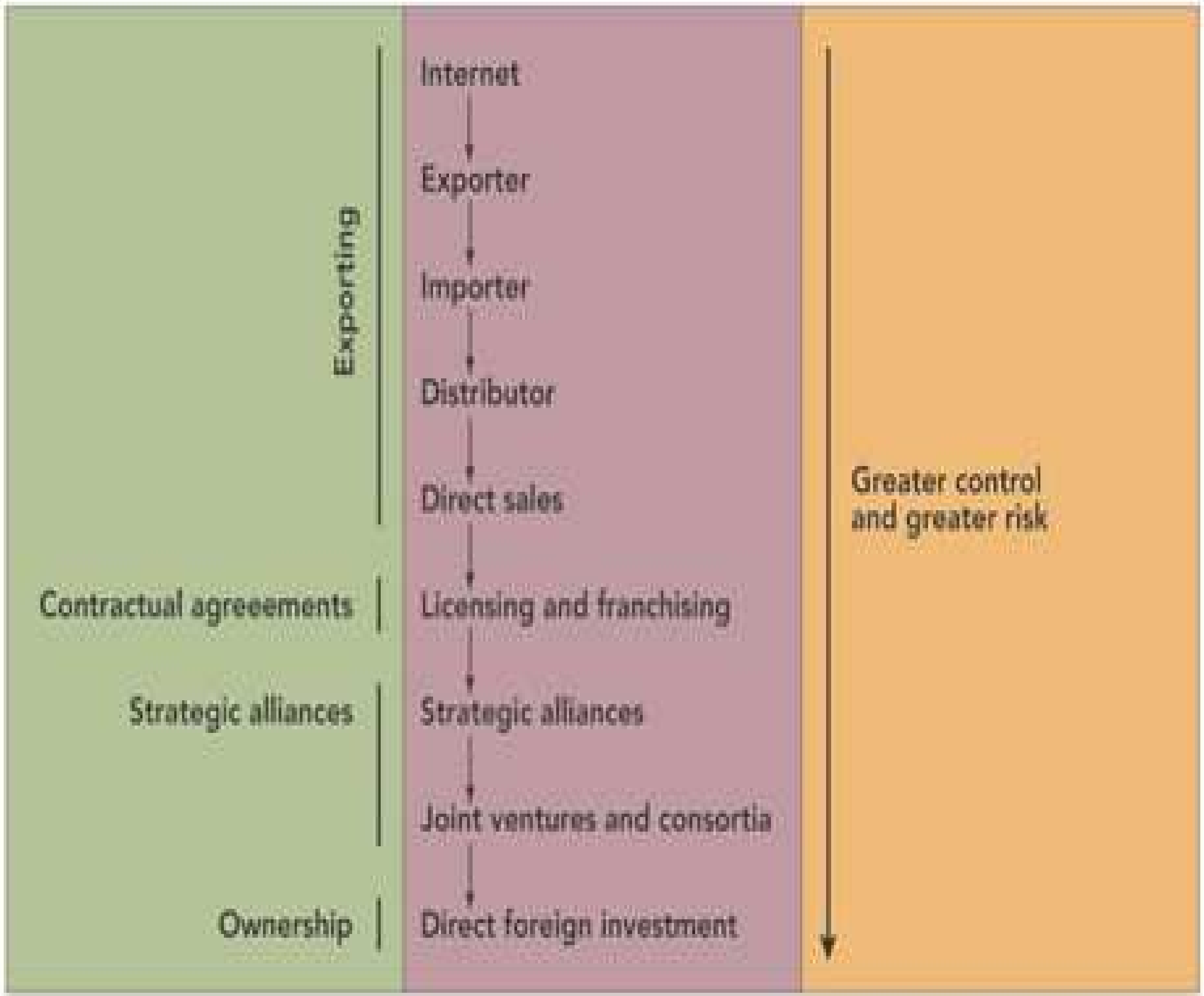
- Import regulations may be imposed to protect health, conserve foreign exchange, serve as economic reprisals, protect home industry, or provide revenue in the form of tariffs

- A company has four different modes of foreign market entry from which to select:

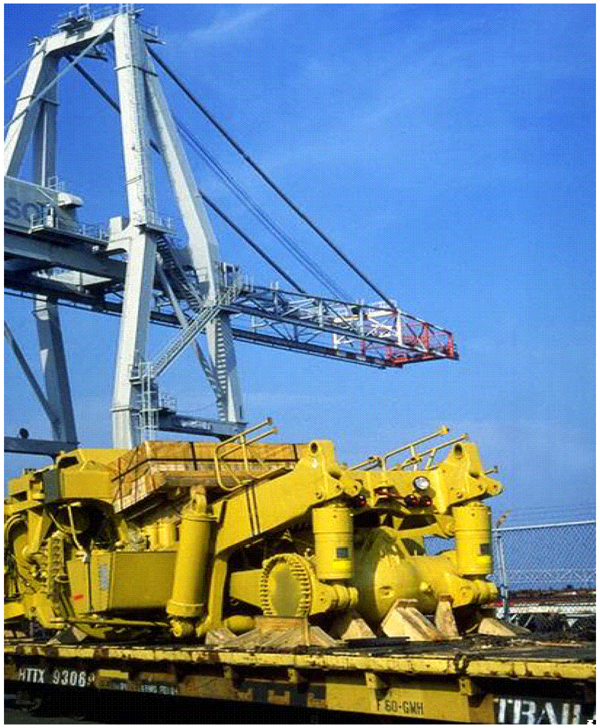
- exporting
- contractual agreements
- strategic alliances, and
- direct foreign investment

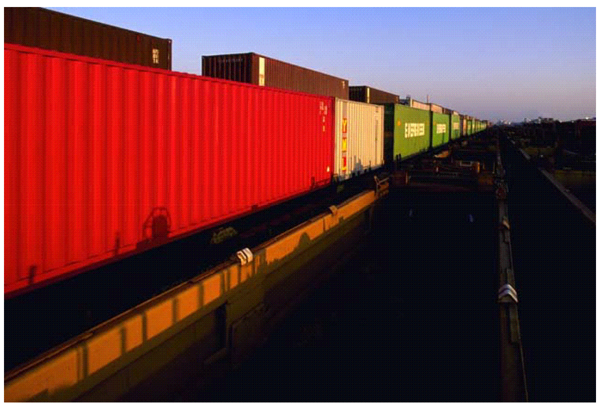
Exhibit 11.2

Alternative Market-Entry Strategies



Exporting





- Exporting can be either direct or indirect
- In direct exporting the company sells to a customer in another country
- In contrast, indirect exporting usually means that the company sells to a buyer (importer or distributor) in the home country who in turn exports the product
- The Internet is becoming increasingly important as a foreign market entry method

Contractual Agreements

Contractual agreements are long-term, non-equity associations between a company and another in a foreign market

- Contractual agreements generally involve the transfer of technology, processes, trademarks, or human skills
- Contractual forms of market entry include:

(1) **Licensing:** offers know-how, shares technology, and shares brand name with licensee; licensee pays royalties; lower-risk entry mode; permits access to markets

(2) **Franchising:** In licensing the franchisor provides a standard package of products, systems, and management services, and the franchisee provides market knowledge, capital, and personal involvement in management

Strategic International Alliances

- Strategic alliances have grown in importance over the last few decades as a competitive strategy in global marketing management

- 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

- **SIAs** are sought as a way to shore up weaknesses and increase competitive strengths
- **SIAs** offer opportunities for rapid expansion into new markets, access to new technology, more efficient production and marketing costs
- An example of **SIAs** in the airlines industry is that of the Oneworld alliance partners made up of American Airlines, Cathay Pacific, British Airways, Canadian Airlines, Aer Lingus, and Qantas


KLM
KLM catering services
KLM

The steps outlined in Exhibit 11.3 below can lead to successful and high performance strategic alliances

Exhibit 11.3 Building Strategic Alliances

Primary Relationship Activity	Typical Actions, Interactions, Activities	Key Relationship Skill
Dating	Senior executives leveraging personal networks Wondering how to respond to inquiries Wondering how to seek out possibilities	Good radar; good relationship self-awareness
Imaging	Seeing the reality in possibilities Creating a shared vision from being together Involving trusted senior managers	Creating intimacy
Initiating	Bringing key executives into action Creating trust through face-to-face time	Trust building
Interfacing	Facilitating the creating of personal relationships at many levels Traveling to partner facilities and engaging in technical conversations Blending social and business time	Partnering
Committing	Demonstrating that managers are fully committed to the alliance and each other Managing the conflict inherent in making hard choices Accepting the reality of the alliance and its relationships	Commitment
Fine-tuning	Relying on mature and established relationships Facilitating interaction and relationships with future successors	Growing *with* another

Source: Adapted from Robert E. Spekman, Lynn A. Isabella, with Thomas C. MacAvoy, *Alliance Competence* (New York: Wiley, 2000), p. 81.

International Joint Ventures

- **International joint ventures (IJVs)** have been increasingly used since 1970s
- IJVs are used 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
- A joint venture is different from strategic alliances or collaborative relationships in that a joint venture is a partnership of two or more participating companies that have joined forces to create a separate legal entity
- 70% of all JVs break up within 3.5 years

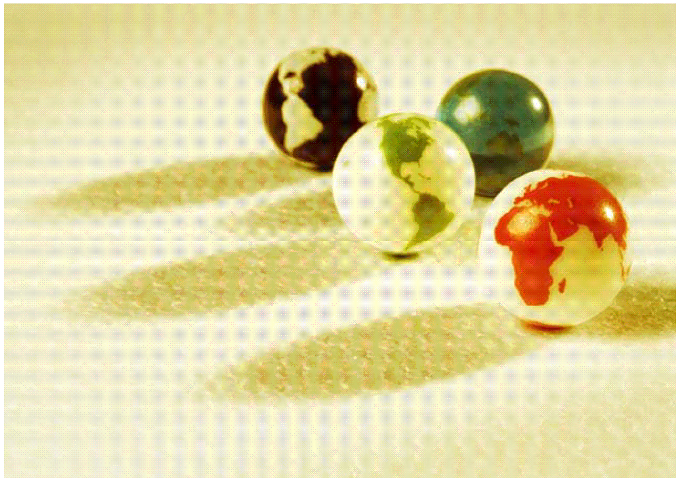
International Joint Ventures (contd.)

- Four factors are associated with joint ventures:

1. JVs are established, separate, legal entities;
2. they acknowledge intent by the partners to share in the management of the JV;
3. they are partnerships between legally incorporated entities such as companies, chartered organizations, or governments, and not between individuals;
4. equity positions are held by each of the partners

Consortia

- Consortia are similar to joint ventures and could be classified as such except for two unique characteristics:



(1) Involve 3 or more cos.

(2) Frequently operate in a country or market in which none of the participants is currently active

- Consortia are developed to pool financial and managerial resources and to lessen risks.

Direct Foreign Investment

- A fourth means of foreign market development and entry is **direct foreign investment**

- Companies may manufacture locally to capitalize on low-cost labor, to avoid high import taxes, to reduce the high costs of transportation to market, to gain access to raw materials, or as a means of gaining market entry
- Firms may either invest in or buy local companies or establish new operations facilities

Organizing for Global Competition

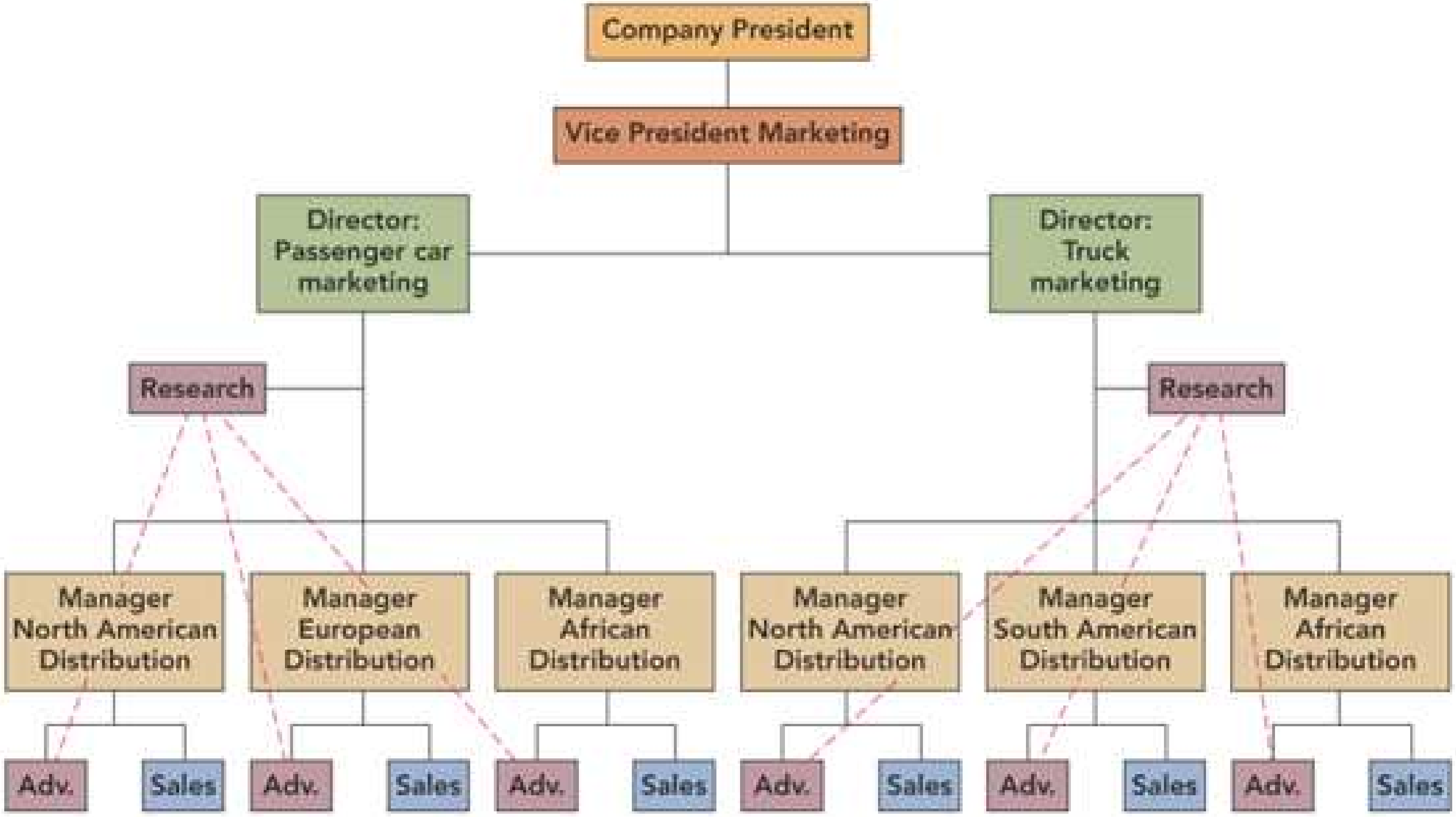
- An international marketing plan should optimize the resources committed to company objectives by using one of the following three alternative organizational structures:

(1) global product divisions responsible for product sales throughout the world;

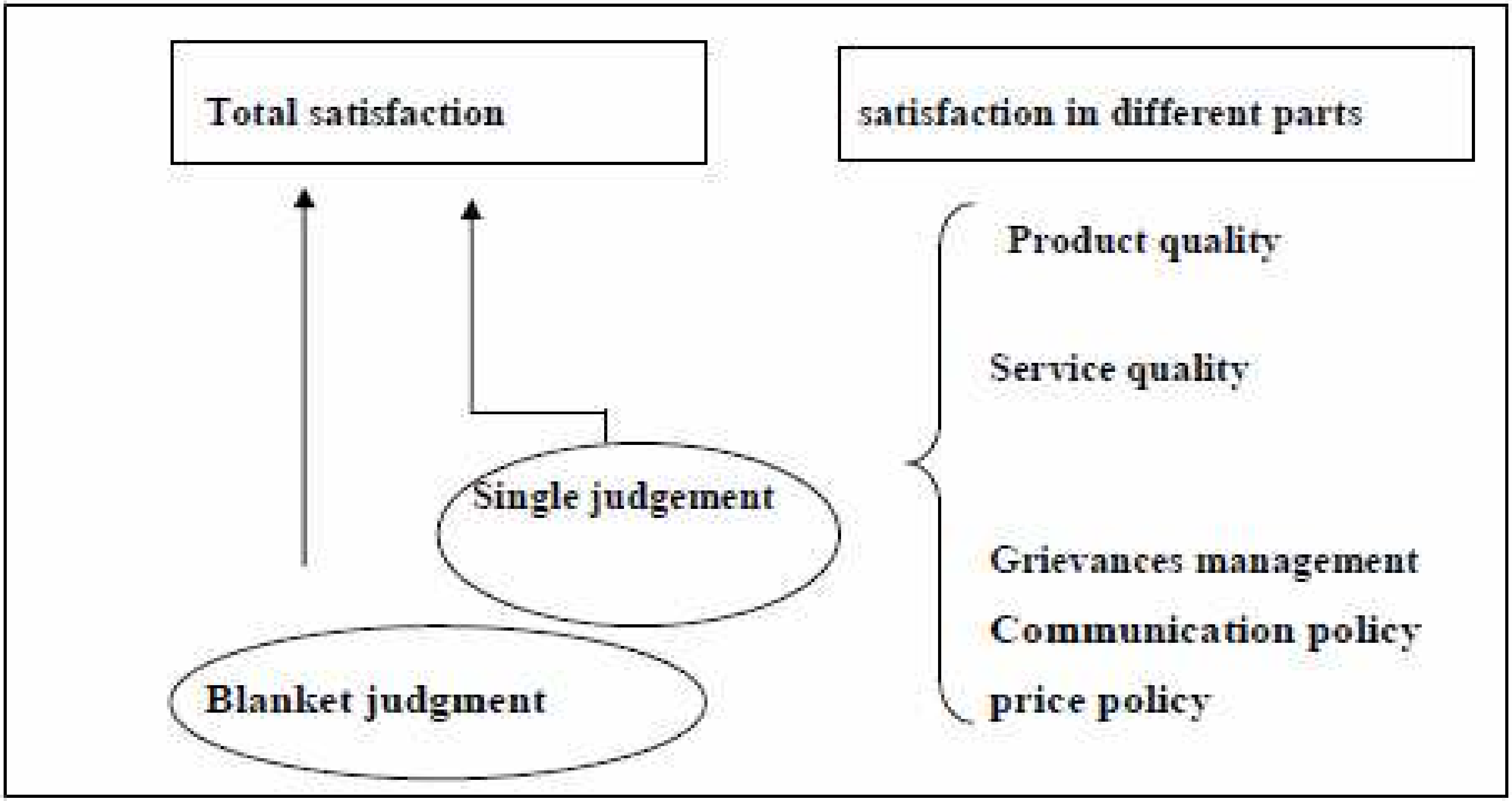
(2) geographical divisions responsible for all products and functions within a given geographical area; or

(3) a matrix organization consisting of either of these arrangements with centralized sales and marketing run by a centralized functional staff, or a combination of area operations and global product management

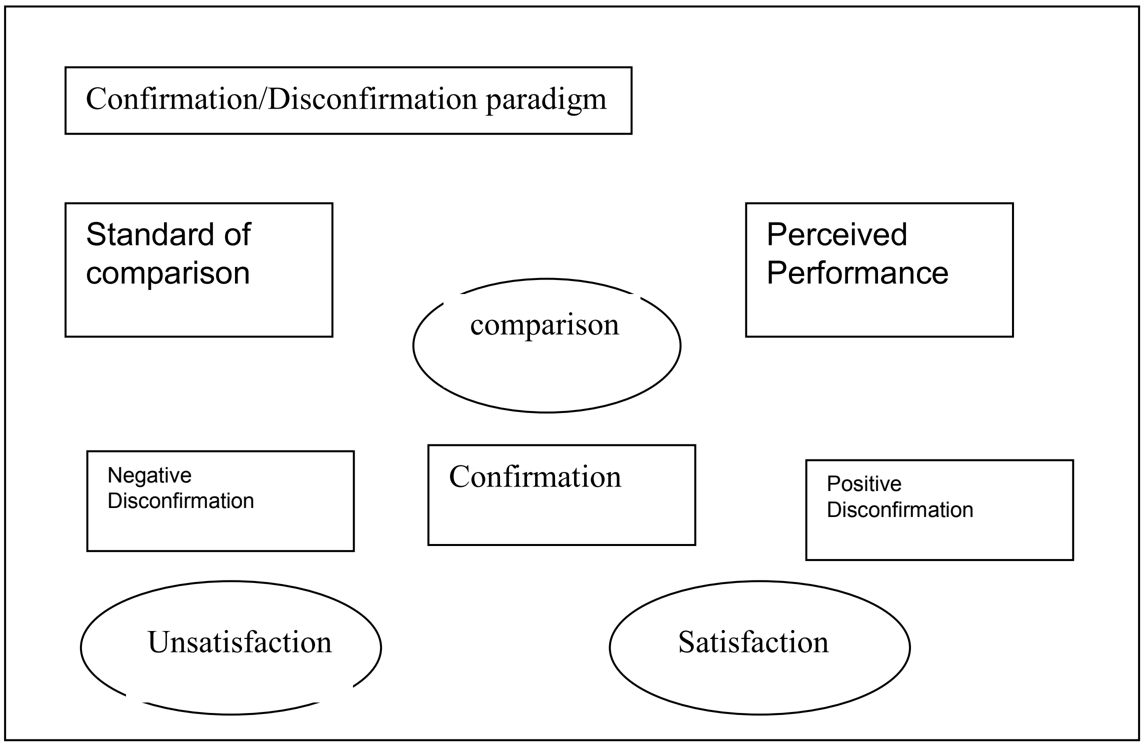
Exhibit 11.4 Schematic Marketing Organization Plan Combining Product, Geographic, and Functional Approaches



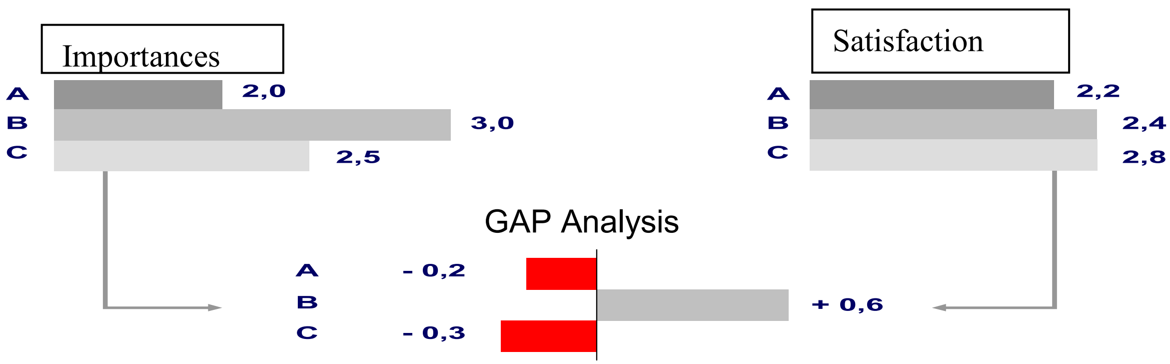
The relationship between total satisfaction measurement and partly Satisfaction measurement



Confirmation/Disconfirmation-Paradigm

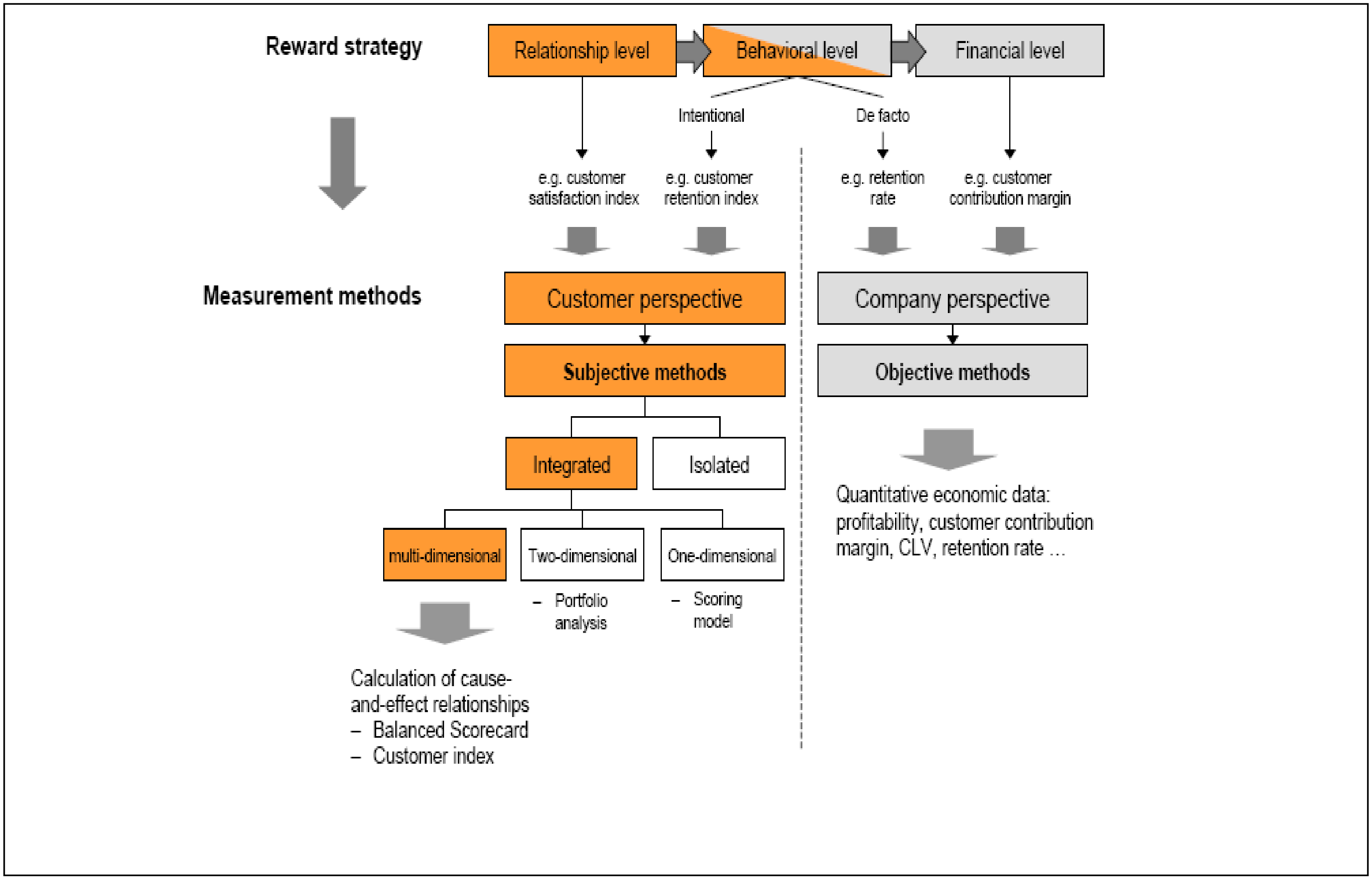


GAP-Analysis

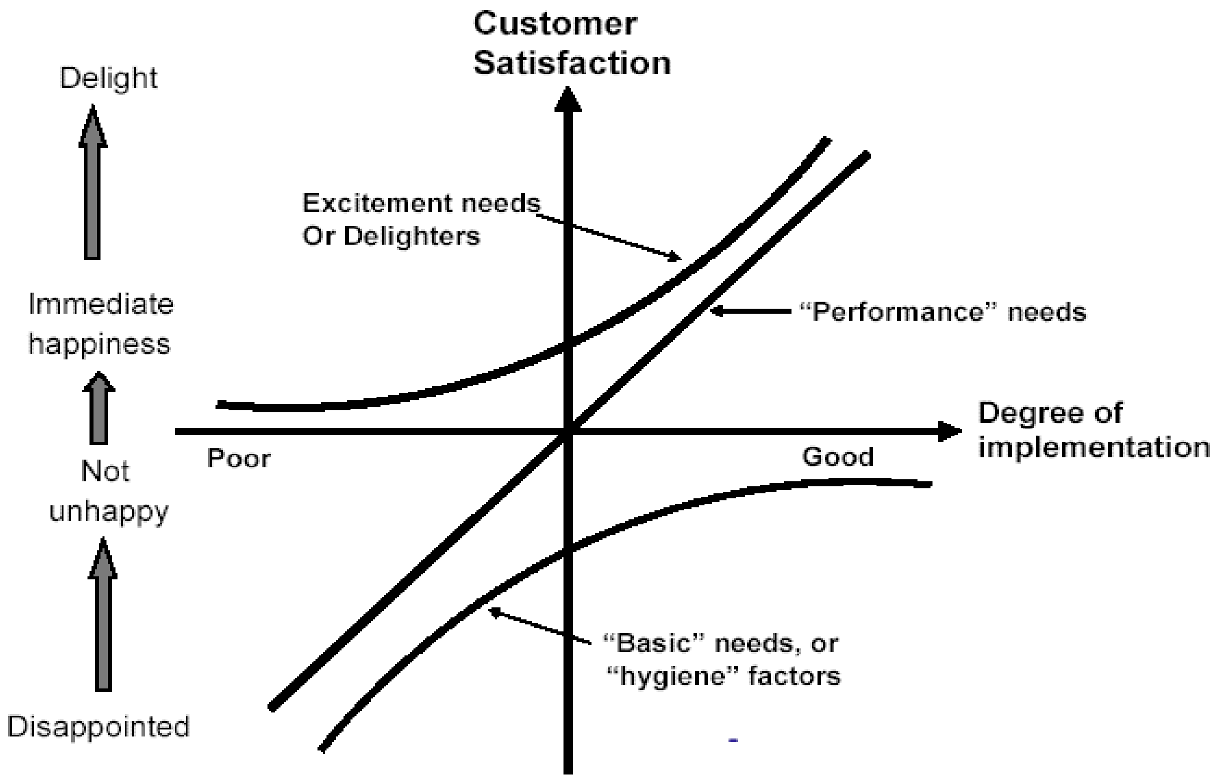


Analysing Customer Satisfaction

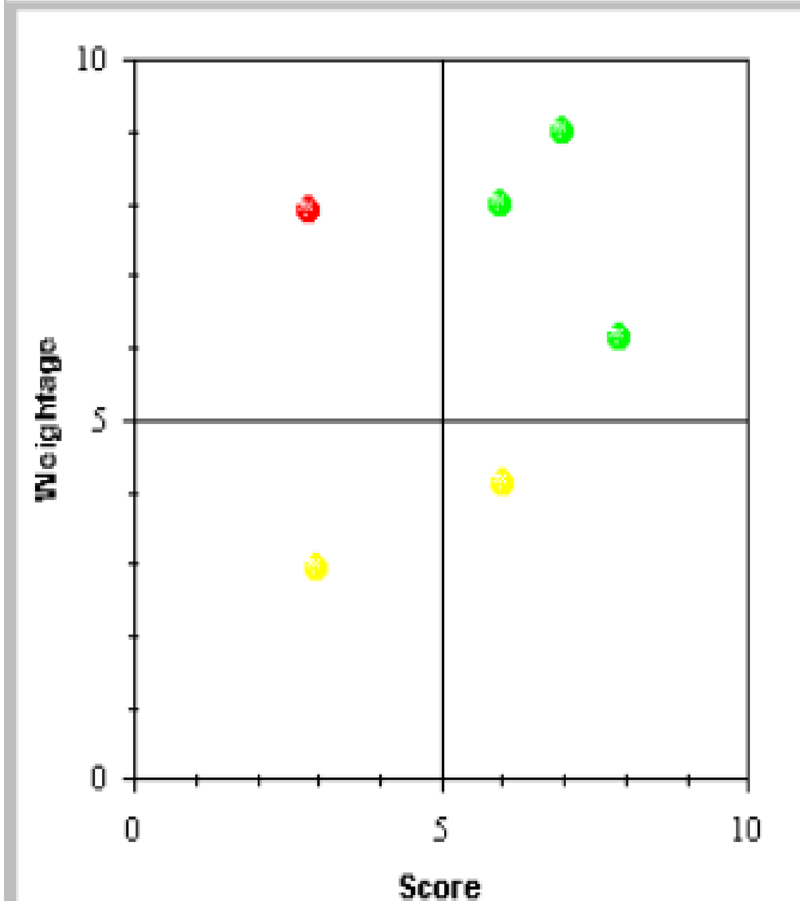
Classification of measurement methods



Kano Method


Customer
Satisfaction
Delight
Immediate
happiness
Not
unhappy
Disappointed
Excitement needs
Or Delighters
"Performance" needs
Degree of
implementation
Poor
Good
"Basic" needs, or
"hygiene" factors

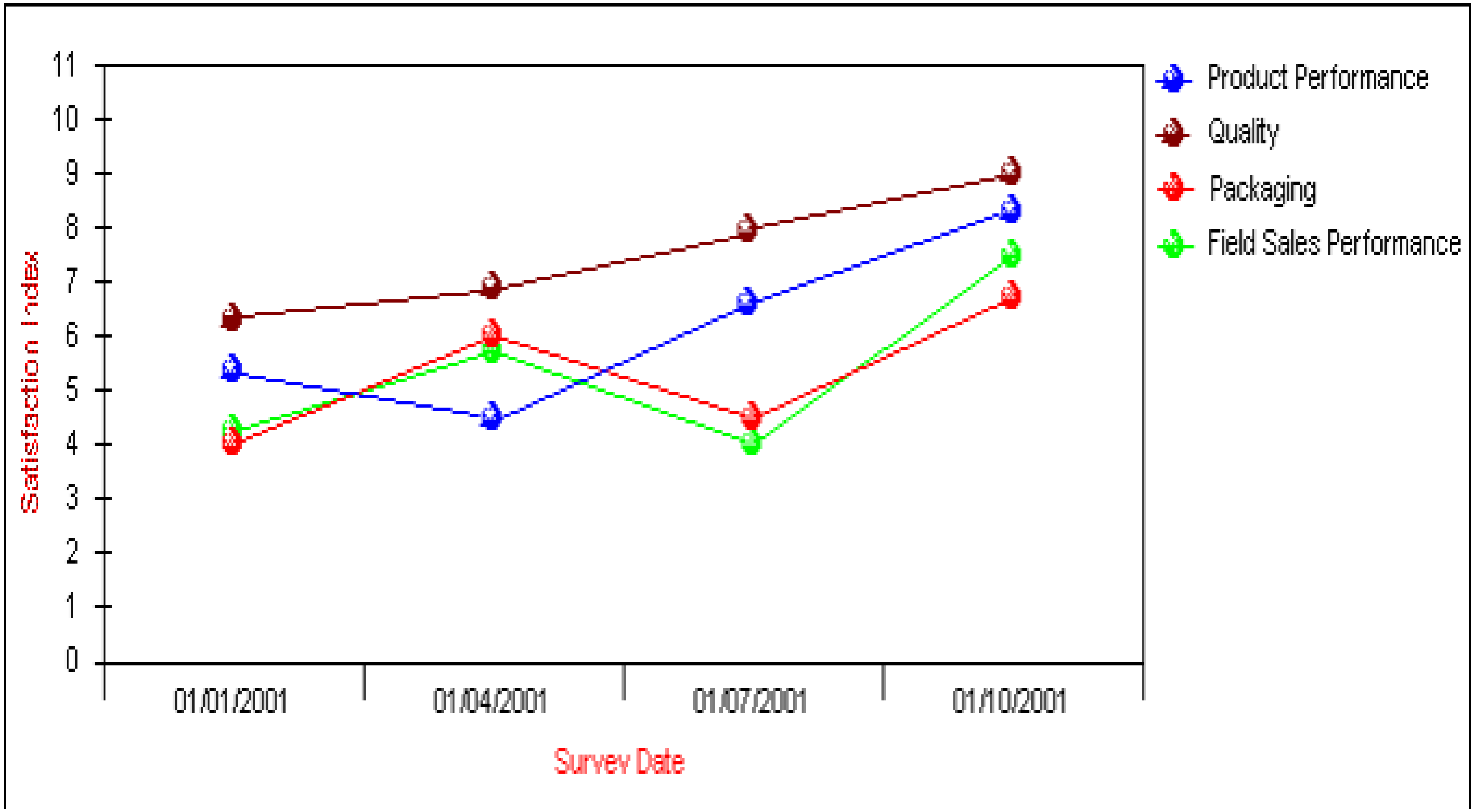
	High Weighting, High Score	On Target
	High Weighting, Low Score	Underperformance
	Low Weighting, High Score	Overkill
	Low Weighting, Low Score	Supplier can afford to score low in that area



Performance matrix Details

Customer	Parameter	Wt	Sc
Aztech Ltd.	Quality of Product	9.00	7.00
Aztech Ltd.	Field Sales Performance	8.00	6.00
Aztech Ltd.	Cost	4.00	6.00
Aztech Ltd.	Delivery of Product	3.00	3.00
Aztech Ltd.	Packaging	8.00	4.00
Aztech Ltd.	Enviornmental Considerations	6.00	8.00

P A R A M E T E R	Weighting A	Score B	Weighting (avg. of 1) C	Weighting (avg. of 1) * Score D = B *C
P1	7	8	1.17	9.24
P2	5	4	0.83	3.33
P3	9	8	1.50	12.00
P4	3	3	0.50	1.50
P5	6	4	1.00	4.00
	Average = 6.00	Average = 5.40		CSI = 6.01



Satisfaction Index
11
10
9
8
7
6
5
4
3
2
1
0
01/01/2001
01/04/2001
01/07/2001
01/10/2001
Survey Date
Product Performance
Quality
Packaging
Field Sales Performance