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Topic – Significance and Factor Affecting International Marketing Environment

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Significance of International Marketing Environment –

The various components of the international marketing environment are the major determinants of marketing opportunities. As such, it is the responsibility of an international firm to have clear grasp of international marketing environment to formulate effective marketing decisions regarding Marketing Mix variables.

The following points highlight the Significance of understanding international marketing environment:

1. International Marketing environment opportunities vary among the nations. Some economies have enormous potentials of growth while other has not. The knowledge of economic environment helps an international marketer to understand which market to select for reaping lasting benefits.

2. Culture is a basic determinant of human behaviour. The cultural norms and values may vary among the countries. That's why knowledge of cultural environment is utmost important to the international marketer.
 3. Political environment has a major influence on creating sound investment climate. The law and order situations influence business operations. International marketing operations can be smoothly conducted in a country having political stability and healthy political situation.
 4. International marketing is affected by legal environment of a foreign country in which a firm intends to operate. International marketing transactions need compliance with legal provisions. So international marketer should be familiar with the legal environment of foreign countries where marketing efforts will be made.
 5. The state of competition prevailing in an international market has great importance upon the strategic plan of the international marketer.
 6. Technological changes have also great importance because of its direct impact on product obsolescence issue. Up-to-date knowledge about the state of technological environment is essential for the firms associated with international marketing.
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Factors Affecting International Marketing Environment

The successful companies in the global perspectives are constantly scanning the marketing environment and presenting new opportunities and threats. The successful business firms are continuously updating their products with the latest technology and requirements in the changing marketing environment globally. It is difficult to survive for those companies, which fails to see changes as an opportunity in the international business. It is for the marketing managers in an organization to make such efforts regularly for scanning the international marketing environment forces. In the economic area and in the global perspectives the companies and consumers are increasingly affected by the international market and other forces.

Therefore the firm must monitor the following major forces, within the changing global scenario. It includes geographical factors, demographical factors, economic

forces, socio-cultural forces, political forces and legal forces in the international marketing.

1. Geographical Environment:

Geographical environment is determined on the basis of the analysis of various geographical units such as, neighbourhoods, cities regions, states and nations etc. The business firm operates its business in one or a few geographical areas or in all but pay its specific attention on the potential areas. The geographical characteristics should be examined very carefully in the international marketing decisions.

The geographical environment can be determined by the following:

- i. Geographical characteristics of the people.
- ii. Consumer's taste for the product.
- iii. Geographical characteristics of the market.
- iv. Attitude of the host country.
- v. Potential for growth.

The manufacturers should distinguish carefully among the regions, in which they are planning to operate and to select those markets where they have favourable environment to operate and also have a comparative advantages of business in the international marketing.

The world market can be subdivided on the basis of following market characteristics:

- i. High market potential zones.
- ii. Less market potential zones.
- iii. Average market potential zones.
- iv. High risk countries.
- v. Low risk countries.
- vi. Developed economies.
- vii. Developing economies or third world countries.
- viii. Market potential in the home country.
- ix. Other demographical factors.

The marketing strategy is determined on the basis of above mentioned characteristics of the world market in the international business. It varies from market to market and product to product. In one market setup one product can be a luxurious, whereas it may be necessities in the other market.

2. Demographic Environment:

Demographic environment of a country explain the pattern of population and other changes in the societies, cities, regions and nations. It is explained on the basis of age classification, sex classification, educational level, marital status, household patterns, religion based classification and nationality etc.

The analysis of demographical environment is useful for market segmentation, taking marketing decisions and formulating marketing strategies.

Demography provides an analysis of quantitative as well as qualitative aspects of the population.

i. Worldwide Population Growth:

The world population is showing an explosive growth rate. It was 6.1 billion 2000 and will exceed 7.9 billion by 2025.

ii. Population Age Mix:

The population of different countries varies in their age mix. The age factor is an important factor in deciding marketing strategy in the international business. The Mexico is a country with very young population in the world. On the other hand Japan is a country with one of the oldest population in the world. The age mix can be further subdivided, for example for marketers, the most populous age groups decide the international marketing environment. The marketing strategy is decided according to the most populous factor. It depends which group in the age mix is dominating.

iii. Educational Groups:

The population of any country can be divided on the basis of following subgroups of educational qualifications- (i) Illiterates groups (ii) High school dropouts (iii) High school certificates (iv) College degrees and (v) Other professional degrees. The impact of our educational qualification can be observed from our day to day behaviour.

An educated to the higher level will be demanding for the quality products of each kind. The consumer behaviour also tends to be influenced by the educational level. Therefore the marketing strategy for a product or market is to be decided by keeping in mind the educational level of that particular society, culture and nation etc.

iv. Household Pattern:

The household pattern of a family do have its big impact on the buying patterns. It may consist of a husband and wife, couples with children, single parent families, children married couples, traditional families, non-traditional families. The buying behaviour of the customers is influenced by all these factors.

v. Gender Groups:

Men and women tend to have different attitude and behaviour. The gender based environmental factors are helpful in deciding marketing mix in the international business. The product can be designed specifically for each group.

3. Economic Environment:

The economic environment can be studied in two ways- (i) From macro point of view and (ii) Micro point of view. The macro views of studying economic environment deals with needs and requirements of the consumer and the economic policy of a country.

On the other hand micro environment focuses to study firm's ability to compete in a market. The economic environment of a country defines the marketing opportunities in the foreign business. The economic environment of the home country influences international marketing, to the great extent.

The economic environment can be studied in the international prospectus as under:

(i) Macro Economic Environment:

The macro environment of a country can be studied as under:

a. Per Capita Income/GNP and Population:

The study of per capita income and per capita gross national product is an important variable in the study of macro-economic environment. The nature of the population is considered to be a basic requirement of the study. The per capita GNP in combination with population provides an estimated consuming capacity of the population.

The consuming capacity depends upon the total population of a country and per capita income of the people. It is evident that the developing countries are establishing themselves as a potential markets. The U.S. market has increased their attention towards developing countries because of the said reason only.

b. Economic Advancement of a Country:

The economic advancement of a country can be characterized as under:

- i. High gross national product and income.
- ii. High per capita consumption.
- iii. Lower population growth rate.
- iv. Lower cost per unit.
- v. Substantial amount of capital investment.
- vi. Advanced transportation and communication facilities.

The developing nations are emerging as an important market in the international business

c. The Structure of Consumption Pattern:

The consumption pattern of a country also determines its economic environment. Thus it is necessary to measure the consumption pattern of different societies, cultures and nations. It determines the structure of consumption pattern in a country. The necessities of one country or economy may be luxurious in other economy.

d. The Economic System of a Country:

The economic system of a country is another indicator to determine the macro-economic environment of a country. The economic system of a country is based upon one of the following system- (i) Capitalistic approach (ii) Socialistic system or state owned system and (iii) Mixed economy. The Capitalistic system is prevailing in the United States.

The Socialistic pattern or state owned system is prevailing mostly in the communist countries. All the activities relating to production and distribution are centrally control by the government of that country. In some countries like India, mixed economy approach is prevailing. Therefore the study of economic system is considered very important in the international business.

e. Other Indicators:

The following indicators also determine the macro-economic environment of a country:

- i. Prices of the goods – The prices of the goods is considered an important indicator while examining the macro-economic environment of a country. It includes the prices of gold, wheat, cotton, industrial raw material and finished steel etc.
- ii. Production Indicators – It includes the production of different articles such as automobiles, coal production, paper production and electricity production etc.
- iii. Others – Among other indicators which determine the macro environment of a country includes money supply inflation, deflation, industrial production index and inventories etc.

A marketer should examine those economic indicators very carefully, which are relevant to their business decisions.

(ii) Micro Economic Environment:

A micro environmental view of economic environment emphasizes on a firm's ability to compete within a market. It refers to that environment within which a firm takes

decision regarding to its product and market. It further indicates that whether a firm can enter in a particular market successfully or not?

It considered the competition factor as an important variable in this regard.

Competitiveness and Demand Analysis:

The competition can be analyzed by defining characteristics of the products.

There may be the following categories of a product, which are considered in the analysis of competition:

- a. Unique innovation at entry level – It is mainly technical in nature. The company enters in the market by introducing its new innovations.
- b. Competitive range – It is that range of the product, which is available in the market as to compete with other similar brands in the market.
- c. High quality product – It is generally unique and much superior in quality to other existing brands.

The demand factor can be explained briefly as under:

- a. Existing Demand – It refers to the demand of those products, which are purchased to satisfy a particular need and requirement.
- b. Latent Demand – When a particular need or requirement is not being satisfied and no product have been offered in this regard.
- c. Incipient Demand – It refers to that kind of needs, which are likely to be emerged in future. It emerges in that situation when the customers become aware of it.
Therefore a company/firm must examine all three situations before taking any decision relating to international marketing.

4. Socio-Cultural Environment:

The socio-cultural environment can be defined as a set of traditional benefits and values that are passed and shared among different societies. This is a way of thinking process and a system of life culture, which is transmitted from generation to generation. It can be considered as a concept which encompasses different values, different customs and different norms.

5. Political Environment:

Political environment is an important ingredient in the international business. The political environment does not remain constant. The changing political environment is uncontrollable in nature. Therefore it is necessary to understand the political risks in the international business.

The multinational companies are to face different political environment and they are also to cope with the politics of different nations. The political environment of

different nations may influence product, price, place and promotional factors in the international business.

short answer type Questions.

- 1.What is the importance of International Marketing Environment?
2. Explain the geographical Environment.

Long Answer type Question.

- 1.What is the importance of International Marketing Environment?
2. Explain the geographical Environment.

End

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