NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: ENT 319

COURSE TITLE: INTERNATIONAL MARKETING

ENT 319: INTERNATIONAL MARKETING

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NATIONAL OPEN UNIVERSITY OF NIGERIA

COURSE GUIDE ENT 319: INTERNATIONAL MARKETING

The course material has been structured around three distinct parts of international marketing strategy techniques. This includes:

Module One: An Overview

This part examined the fundamental factors that must be considered before going into international marketing. This is very imperative in order to avoid losing huge resources invested in international marketing by marketing executives. This module composes of:

1. An overview
2. Basis of international trade
3. World market environment
4. International marketing: Mode of entry and
5. Branding and Packaging

Module Two: Market Share Strategies

This part which comprises of five units examined strategies necessary to maintain market shares of the market or to retain the loyal customers. This is important because of the dynamism of the international marketing, changes in technological environment, changes in consumers' demands and income, and competitors' reactions. This module thus comprises of:

1. Product strategies
2. Distribution strategies
3. Pricing strategies
4. International services and
5. Marketing communication in world market

Module Three: Economic Strategies

This part also comprises of five units. It discusses the agencies that facilitate international marketing activities. This aim to educate international marketing executives on where to seek for information, and from whom on their business activities. This module therefore composes of:

1. International organizations and international marketing
2. Financial influence on world market
3. Nigerians organizations and international marketing
4. International accounting and taxation and
5. International marketing research

Each unit contains:

- An introduction

- Objectives
- Main Text
- Conclusion and summary
- Tutor marked Assignment, Self Assessed Exercises and suggested answers, and
- References for further studies.
- The whole course material contains interactive of fifteen (15) units.

Course Aims

This course aims at exposing learners to the basic concepts in international marketing and the basis of entering world markets. Therefore, the course aimed to expose learners to:

1. Differences between domestic and international markets
2. Basis of world trade
3. Modes of entering international markets
4. Branding and packaging strategies to be adopted
5. Pricing strategies to be adopted
6. Mode of communication at the international marketing
7. International organizations and international marketing.
8. Financial influence on world trade
9. Nigerians organizations and intentional marketing and
10. International marketing research.

Course Objectives

On successful completion of this course you should be to:

1. Differentiate between international marketing and international trade
2. Explain mode of entering world markets
3. Explain branding and packaging strategies to be adopted
4. Explain pricing strategies to be adopted
5. Explain distribution strategies at the world trade
6. Describe methods of communication at the world markets
7. Explain some selected international organizations and their influence on international marketing
8. Explain some key Nigerian organizations and their roles on international marketing
9. Explain international accounting and taxation, and
10. Explain International marketing research.

Assessment

Students are expected to answer all the questions on

A).Tutor Marked Assignment

B). Self Assessment Exercise

Although, there are selected tutor marked assignment questions that would be send to your study centre manager that you must provide answers for. This forms part of your final grades. Those ones found on the course material will expose you to the likely questions for the examination

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UNIT 1: AN OVERVIEW OF INTERNATIONAL MARKETING

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1.0 Introduction

Random distribution of natural resources necessitates inter-dependence among countries of the world. Since no country is self sufficient, that is, no country can produce all the goods and services needed for its economy. Hence, different countries around the globe engaged in the production and exchange of different commodities. Countries engage in international marketing/trade to obtain goods they could not produce at home or those goods which can be bought at cheaper prices than home products. Today, individuals and nations, buys goods and services which they can produce themselves, simply because, they tend to specialized on the production of those commodities and services they had greatest comparative advantage. In other words, trade between nations developed first, where one country can produce something desirable while others could not. International marketing/trade owes it origin to the varying resources of different regions.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define an international marketing
2. Give reasons for international marketing
3. Explain challenges in international marketing
4. Explain stages of international marketing involvement and
5. Differentiate between global company and multinational company

3.0 Main Text

3.1 An Overview of Marketing and International Marketing

Current interest in international marketing can be explained by changing competitive structures coupled with shift in demand characteristics in markets throughout the world. With the increasing globalization of markets, companies find themselves unavoidably enmeshed with foreign customers, competitors and suppliers, even within their own borders.

Marketing principles are universally applicable, whether a firm sells in the domestic market or foreign market, its marketing programmes should be built around a good product or service properly priced, promoted, and distributed to a market that has to be carefully analyzed.

If the statement is nothing to go by, we shall start our study of international marketing by refreshing our memory with the meaning of marketing in general. Al though, there are many definitions attached to marketing, notwithstanding, we shall adopt the following:

Kotler and Armstrong (1996) defined marketing as the business function that identifies customers needs and wants, determines which target markets the organization can serve best, and designs appropriate products, services and programmes to serve these markets.

Stanton (1981) defines marketing as a total system of business activities designed to plan, price, promote, and distribute want-satisfying goods and services to present and potential customers.

Kotler (1984) defined it as a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other.

Marketing is a profit making activity which involves the co-ordination of various functions aimed at facilitating the flow of the required goods and services from the place of production to the place of consumption. A break down of this definition shows that marketing involves:

a. Investigation
b. Designing, and
c. Selling

International Marketing

International marketing involves the extension of the analysis of planning and implementation of marketing resources and programmes to foreign markets. Once a firm extends its marketing resources and programmes beyond its national boundary to other countries, that firm will be said to been engaging in international marketing.

American Marketing Association (AMA) defined international marketing as “the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, and services to create exchange that satisfy individual and organizational objectives. The inclusion of multinational implies that marketing activities are undertaken in several countries and such activities should somehow be coordinated across nations.

It also means that the international marketing process is not a mere repetition of using identical strategies abroad. The four Ps of marketing (product, place, promotion and price) must be integrated and coordinated across countries in order to bring about the most effective marketing mix. In some cases, the mix may have to be adjusted for a particular market for better impact.

Cateora and Graham (1999) defined international marketing as the performance of business activities designed to plan, price, promote, and direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.

Although, international marketing does not involve principles found in the domestic marketing, it deserves special attention because of the following factors:

a. Its growing importance as an era of marketing opportunity and
b. Its greater level of risk and uncertainty steaming from the marketer’s unfamiliarity with other cultures.

It therefore calls for critical studying and evaluation of economic, political, socio-cultural and legal environments. In this regard, companies that seek its fortunes in the global markets, should carefully planned its marketing activities abroad, this because its risks are enormous. Likewise its rewards are unquantifiable.

Thus, international marketers should critically focus on:

a. International marketing decisions
b. Market selection decision
c. Entry and operation decision
d. Marketing mix decision, and
e. Market organization decision.

3.2 Reasons for International Marketing

Most companies would prefer to remain domestic, if their domestic market were large enough. This because, managers would not need to learn another country’s language and laws, deal with volatile currencies, face political and legal uncertainties or redesign their products to suit different customers' needs and expectations. Besides, business would be easier and faster at home.

However, Kotler (1997) gave several reasons that might draw a company into international marketing. Some of these are:

1. Global firms offering better products or lower prices might attack the company's domestic market. The company might want to counter attack these competitors in their home markets to tie up their resources.
2. The company might discover that some foreign markets present higher profit opportunities than the domestic market
3. The company might need a large customer base to achieve economies of scale.
4. The company might want to reduce its dependence on any one market so as to reduce the risk
5. The company's customers might be going abroad and might require international servicing
6. Differences in factor endowment- international trade owe it origin to the varying resources of different regions. Resources are not evenly distributed around the globe, thus some countries are better in some resources than the other.

3.3 Challenges in international Marketing

Most companies, if not all, they are compelled to go abroad, however, wish to limit their marketing activities to home markets. Some of the reasons why some of these companies do not want to abroad include:

1. Unstable Government- High indebtedness, high inflation, and high unemployment (most especially African countries, Nigeria in particular) in several countries have resulted in high unstable governments that expose foreign firms to high risks. Some companies' have to adopt strategy of sponsoring the government in power during campaign processes, because of their investments in such countries. These activities engaged by these companies, add to the marketing costs which they have to content with. For such reasons, most of the companies do not want to global.

2. High Foreign Indebtedness- Many companies and countries have accumulated huge foreign debts on which it is difficult to pay back, even the interest. This indebtedness could be attributed to loans taken, poor leadership, paying employees abroad, paying necessary taxes, etc, as stipulated by the governments abroad.

3. Foreign Exchange Problem-High indebtedness and economic-political instability decreases the value of a country's currency. Foreign firms want payments in hard currencies with profit repatriation rights. But these options may not be available in total in markets.
4. Foreign Government Entry Requirements and Bureaucracy- Governments of most countries places some regulations on foreign firms operations. These laws and regulations most companies most especially in developing world find it difficult to meet up. Thus, they find it difficult to go abroad.
5. Tariffs and other Trade Barriers- Governments often impose high tariffs to protect their domestic markets. They also resort to invisible trade barriers, such as slowing down import and approvals, requiring costly product adjustments and slowing down inspections or clearance of arriving goods mostly especially at the ports.
6. Corruption- Officials, who charged with the responsibility of discharging one service or the other, requires bribes before necessary documents are signed. Most often they awards contract/business to highest bidders rather lowest bidders.
7. Technological Pirating- A company locating its plant abroad worries about foreign managers learning how tom make its products and breaking away to compete openly either due to some disagreements, change in foreign government and policies, or inability of the firms to meet up with the economic conditions or intentional break-off. All these challenged most companies to go global.
8. High Cost of Production and Communication Adaptation- A company going abroad must study each foreign market critically and carefully, this because it must be sensitive to its economics, laws, politics, and socio-cultural ; and adapt appropriately its products and communications to such markets.
9. Shifting Border issues- Many international boundaries are in a state of flux. National borders are fundamentals to marketing activities, this because they dominate and shape economic behaviour within the country's borders. Changing boundaries may mean moving targets for international marketers.

Activity

To assess your understanding of this section, do work out this activity:

Give five reasons why firms go abroad.

3.4 International Marketing Concepts

Cateora and Graham (1999) reported that the differences in the international orientation and approach to international markets that guide the international, business activities of companies can be described by one of the three orientations to international marketing management, namely:

1. Domestic market extension concept
2. Multi-domestic market concept, and
3. Global marketing concept

Domestic Market Extension Concept- The domestic company seeking sales extension of its domestic product into foreign markets, it views its international operations as secondary to and an extension of its domestic operations. The primary motive is to make excess domestic production. Foreign sales are seen as a profitable extension of domestic operations.

Multi-Domestic Market Concept- Once a company recognizes the importance of differences in overseas markets and the importance of offshore business to the organization, its orientation towards international business may shift to a multi-domestic market strategy. A company guided by this concept has a strong sense that country's markets are vastly different and that market success requires an almost independent program on a country by country basis, with separate marketing strategies for each country.

Global Marketing Concept- A company employing a global marketing strategy strives for efficiencies of scale by developing a standardized product of dependable quality, to be sold at a reasonable prices to a global market. That is, marketing planning mix is approached from a global perspective and where feasible in the marketing mix, efficiencies of standardization are sought for.

3.5 Stages of International Marketing Involvement

Regardless of the means employed to gain entry into a foreign market, a company may from marketing view-point, make no market investment. That is, its marketing involvement may be limited tom selling a product with little or no thought given to development of market control or a company may become totally involved and invest large sums of money and effort to capture and maintain a permanent, specific share of the market. Regardless of their involvement, briefly discussed below are some of the stages.

1. No Direct Foreign Marketing-

Companies in this stage do not actively cultivate customers outside national boundaries. However, this company's products may reach foreign markets. Sales may be made to trading companies as well as other foreign customers who come directly to the firm. Or other products reach foreign markets via domestic wholesalers or distributors, who sell abroad on their own without explicit encouragement or even knowledge of the producer.

2. Infrequent Foreign Marketing-

Temporary surpluses caused by variations in production levels or demand may result in infrequent marketing overseas. The surpluses are characterized by their temporary nature; therefore, sales to foreign markets are made as goods are available with little or no intervention of maintaining continuous market representation.

3. Regular Foreign Marketing-

At this level, the firm has permanent productive capacity devoted to the production of goods to be marketed on a continuing basis in foreign markets. A firm may employ foreign or domestic overseas middlemen or it may have its own sales force or sales subsidiaries in important markets. The primary focus of operations and production is to service domestic market needs.

4. International Marketing-

Companies at this stage are fully committed and involved in international marketing activities. Such companies seek markets all over the world and sell products that resulted from planned production for markets in various countries. This generally entails not only the marketing; but also the production of goods outside the home market. At this point, a company becomes an international or multinational marketing firm.

5. Global Marketing-

At the global marketing level, the most profound changes is the orientation of the company toward markets and its planning. At this stage, companies treat the world, including their home market as one market. The entire marketing operations, and so forth, are considered as a global perspective, for example- Coca Cola Company.

Self Assessment Exercise

Briefly give reason for international marketing

4.0 Conclusion

Certainly the homogenizing effect of tele-communications system has eliminated many of the regional differences that once existed. Thus, the world is considered as a global village/market. Marketing internationally should entail looking for market segments with similar demands that can be satisfied with the same product, standardizing the components of the marketing mix that can be standardized, and where there are significant cultural differences that require parts of the marketing mix to be cultural adapted.

5.0 Summary

This unit examined marketing definitions relating to international marketing. Reasons for going international were x-rayed; challenges and individual company's involvement were examined

6.0 Tutor Marked Assignment

Explain the challenges in international marketing

7.0 References/Further Reading

Kotler, P: Marketing Management-Analysis, Planning, Implementation, and Control, 9th edition, New Jersey, Prentice-Hall, 19997.

Onkvisit, S and Shaw, J.J: International Marketing-Analysis and Strategy, 3rd Edition, New Jersey, Prentice-hall, 1997.

Stanton, W.J: Fundamentals of Marketing, 6th edition, Japan, McGraw-Hill Book Company, 1981.

UNIT 2: BASES OF INTERNATIONAL TRADE

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1.0 Introduction

Whenever a buyer and seller come together, each expects to gain something from one another. The same expectation applies to nations that traded with each other. It is virtually impossible for a country to be completely self-sufficient without incurring undue costs. Therefore, trade becomes a necessary activity, though, in some cases, trade does not always work to the advantage of the nations involved. Notwithstanding, too much emphasis is often placed on the negative effects of trade, even though it is questionable whether such perceived disadvantages are real or imaginary. The benefits of trade, in contrast are not often stressed, nor are they well communicated to workers and consumers? The question is- Why do nations trade?

A nation trades because it expects to gain something from its trading partner(s). Then one may ask whether trade is like zero-sum game, in the sense that one must lose so that another will gain. The answer is no, because, though one does not mind gaining benefits at someone else's expense, no one wants to engage in a transaction that includes a high risk of losses. For trade to take place, both nations and individuals must anticipate gain from it. It is a positive sum game. This unit examines some theories with respect to nations and individual's trading.

2.0 Objectives

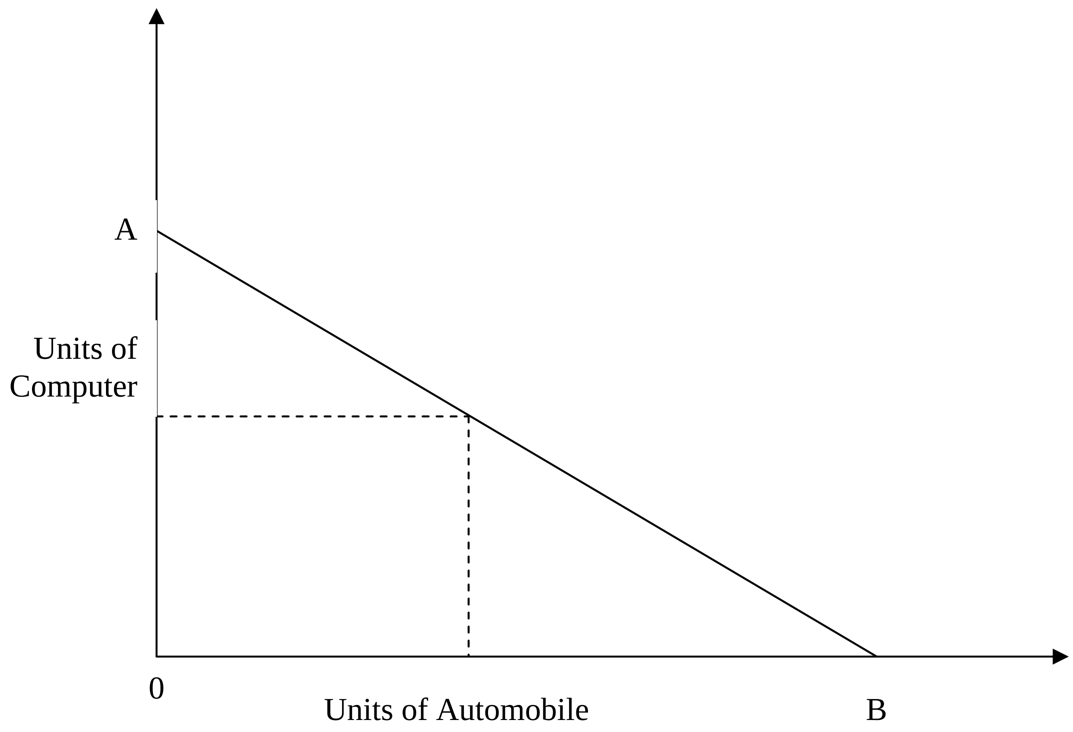
After studying through this unit, you should be able to:

1. Explain basis for trade among nations and individuals and
2. Explain some theories in respect of international trading.

3.0 Main Text

3.1 Production Possibility Curve

Without trade, a nation would have to produce all commodities by itself in order to satisfy all its needs. Table 1 below, shows a hypothetical example of a country with a decision concerning the production of two products- computers and automobiles.



(Production Possibility Curve: Constant Opportunity Cost)

This diagram shows the number of units of computer or automobile a country is able to produce. The production possibility curve shows the maximum number of units made when computers and automobiles are produced in various combinations, since one product can be substituted for the other within the limit of available resources. The country may elect to specialized or put all its resources into making either computers (point A) or automobiles (point B). At point C, product specialization has not been chosen, thus, a specific number of each of the two products would be produced.

Because each country has a unique set of resources, each country possesses its own unique production possibility curve. This curve when analyzed provides an explanation of the logic behind international trade. Regardless of whether the opportunity cost is constant or variable, a country must determine the proper mix of any of the two products and must decide whether its want to specialize in one of the two. Specialization will likely occur if specialization allows the country to improve its propensity by trading with another nation. These principles of absolute advantage and relative advantage explained how the production possibility curve enables a country to determine what to export and import.

3.2 Principles of Absolute Advantage

Adam Smith in his book titled ‘Wealth of Nations’ used the principles of absolute advantage as the justification for international trade. According to him, a country should export a commodity that can be produced at a lowest cost than can other nations. Conversely, it should import a commodity that can only be produced at a higher cost than other nations.

Consider for example, a hypothetical production figures for Nigeria and Ghana as shown in table 2 below.

Table 2: Possible Physical Output

	Product	Nigeria	Ghana
Case 1	Computer	20	10
	Automobile	10	20
Case 2	Computer	20	10
	Automobile	30	20
Case 3	Computer	20	10
	Automobile	40	20

From the table above, case 2 shows that given certain resources and labour, Nigeria can produce twenty computers or ten automobiles or some combination of both. In contrast, Ghana is able to produce only half as many computers (i.e. Ghana produces ten for every twenty of Nigeria produces). The disparity might be the result better skills by Nigerian workers in making this product. Therefore, Nigeria has an absolute advantage in computers. However, Ghana has an absolute advantage in automobiles.

At this point, it should be clear why trade should take place between the two countries. Nigeria has an absolute advantage for computers, but absolute disadvantage for automobiles. For Ghana, absolute advantage exists for automobiles and absolute disadvantage for computers. Therefore, if each country specializes in the product for which it has an absolute advantage, each can use it resources more efficiently while improving consumer welfare at the same time.

This implies that since Nigeria would use fewer resources in making computers, it should produce these products for its own consumption as well as for export to Ghana. Base on this arrangement, Nigeria should import automobiles from Ghana rather than manufacture them itself. While for Ghana, automobiles would be exported and computers imported.
Thus, for practicability each person should concentrate on and specialize in the craft that person has mastered. Similarly, it should not be practical for consumers to attempt to produce all the things they desire to consume. One should practice what one does well and leave the production of other things to people who produce them well.

Self Assessment Exercise

Briefly explain the term ‘absolute disadvantage’

3.3 Principles of Comparative Advantage

One problem with the principle of absolute advantage is that it fails to explain whether trade will take place if one nation has absolute advantage for all products under consideration. Case 2 of table 2 above shows that situation. Note that the only difference between case 1 and case 2 is that Nigeria in case is capable of making thirty automobiles instead of the ten incase 1. In the second instance, Nigeria has advantage for both products, resulting in absolute disadvantage for Ghana for both. The efficiency of Nigeria enables it to produce more of both products at lower cost.
At first glance, it may appear that Nigeria has nothing to gain from trading with Ghana. However, nineteenth-century British Economist, David Ricardo, perhaps the first economist to fully appreciate relative cost as a basis for trades. He argues that absolute production costs are irrelevant. More meaningful are relative production costs, which determine whether trade should take place and which items to export and import. According to his principles, a country may be better than another country in producing many products, but should only produce what it produces best. Essentially, it should concentrate on either a product with the least comparative disadvantage. Conversely, it should import for which it has the greatest comparative disadvantage or one for which it has the least comparative advantage.
Case 2 shows how the relative advantage varies from product to product. The extent of relative advantage can be found by determining the ratio of computers to automobiles. The advantage can be found by determining the ratio of computers to automobiles. The advantage ratio for computers is 2:1 (i.e. 20:10) in favour of Nigeria. Also, in favour of Nigeria to a lesser extent is the ratio for automobiles, 1.5:1 (i.e. 30:20). These two ratios indicate that

Nigeria possesses a 100 percentage advantage over Ghana for computers, but only a 50 percentage advantage for automobiles. Consequently, Nigeria has a greater relative advantage for the computer products. Therefore, Nigeria should specialize in producing computer products. While Ghana having the least comparative disadvantage in automobiles indicates that it should make and import automobiles.

3.4 **Factor Endowment Theory**

The principles of absolute and relative advantage provide a primary basis for trade to occur, but the usefulness of these principles is limited by their assumptions. One basic assumption is that the advantage, whether absolute or relative, is solely determined by labour I in terms of time and cost. Labour then determines comparative production costs and subsequently product prices for the same commodity.

However, if labour is indeed the only factor of production or even a major determinant of product content, then countries with high labour cost should be in serious trouble.

It is misleading to analyse labour costs without also considering the quality of that labour. A country may have high labour cost on an absolute basis, yet this cost can be relatively low if productivity is high. Furthermore, the price of a product is not necessarily determined by the amount of labour it embodies, regardless of whether the efficiency of labour is an issue or not. Since product price is not determined by labour efficiency alone, other factors of production must be taken into consideration, including land and capital.

In conclusion, since countries have different factor endowments, a country would have a relative advantage in a commodity that embodies in some degree that cointry’s comparatively abundant factors. A country should thus export that commodity that is relatively plentiful within the relatively abundant factor.

It should be noted that there are other theories such as production life cycle, Leentief paradox and so forth that you can read on your own.

3.5 Limitations

In sum, trade theories provide layout explanations about why nation’s trade with one another, but such theories are limited by their underlying assumptions. Most of the world’s trade rules are based on a traditional model that assumes that:

1. Trade bilateral
2. Trade involves products originating primarily in the exporting country
3. The exporting country has a comparative advantage , and
4. Competition primarily focuses on the importing country’s market.

However, today's realities are quite different, namely:

1. Trade is a multilateral process
2. Trade is often based on products assembled from components that are produced in various countries
3. It is not easy to determine a country's comparative advantage as evidenced by the countries that often export and import the same product, and
4. Competition usually extends beyond the importing country to include the exporting country and the third countries.

Self Assessment Exercise

Briefly state the basis of relative advantage.

4.0 Conclusion

For countries to want to trade with one another, they must be better of with trade than without it. The principles of absolute and relative advantage explained how trade enables trading nations to increase their welfare through specialization. Trade of products with the best potential fir its own consumption as well as for export. Trade theories, in spite of their usefulness, simply explain what nations should do rather than described what nations actually do.

5.0 Summary

This unit explained basis of trade, and some theories of trade among nations.

6.0 Tutor Marked Assignment

Should there be trade if a country has an absolute advantage for all products over its trading partner?

7.0 References/Further Reading

Adam Smith: 'Wealth of Nations' (1776); Irwin, Homewood, 1963.

David Ricardo: The Principles of Political Economy and Taxation (1817), Penguin, Baltimore, 1971.

Onkvisit Sak and Shaw John, J: International Marketing-Analysis and Strategy, 3rd edition, New Jersey, Prentice-Hall, 19997.

UNIT 3: WORLD MARKET ENVIRONMENT

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1.0 Introduction

Knowledge of world market environment is imperative especially the environment prospective companies want to trade with. Some companies products fail at the world market not because the products are not quality enough, or the target markets do not need them, but they fail to study such environment for their business operations. Some business persons confused the world market environment with home market environment by considering them to be one and the same. This unit examines the world market environmental variables as they affect marketing activities.

2.0 Objectives

After studying through this unit, you should be able to:

1. Explain world market environment

2. Explain the variables at the world market environment, and
3. Explain its marketing implications

3.0 Main Content

3.1 Knowledge of Global Markets

One of the characteristics that distinguish humankind from the rest of the animal kingdom is the ability to devise ways to overcome the harshness of the environment. Geography, the study of earth's surface, climate, continents, countries, people, industries, and resources, is an element of the uncontrollable that confronts every marketer but which receives scant attention. The tendency is to study the aspects of geography as isolated rather than as important causal agents of the marketing environment.

A significant determinant in shaping the culture of a society and its economy is the on-going struggle to supply its needs within the limits imposed by a nation's physical make-up. Thus, the study of geography is important in the evaluation of markets and their environments.

Let examine this example**: 'LACK OF BUSINESSENVIRONMENT KNOLEDGE'**

"A major food processing company had production problem after it built a pineapple cannery as the delta of a river in Menico. It built the pineapple plantation upstream and planned to barge the ripe fruit downstream for canning, load them directly on ocean liners, and ship them to the company's various markets. When the pineapples were ripe, however, the company found itself in trouble: crop maturity coincided with the flood stage of the river. The current in the river during the period was far too strong to permit the backhauling of barges upstream; the plan for transporting the fruit on barges could not be implemented. With no alternative means of transport, the company was forced to close the operation."

This case has explained itself, no need for further explanations.

3.2 Demographic Environment

Knowledge of the world market population is pertinent to an international marketer. Markets may exist at the world market, but is the population big enough to break-even, talkies of making profits? Answer must be provided for this question; otherwise going world market is nothing but visitation.

Knowing the gross population is not even enough to an international marketer. For the marketer to efficiently plan and implement good marketing programmes, the population has to be broken down into geographical distribution, density, mobility trends, age distribution, birth and death rates, and marriage rates. The international marketer that carefully considers and understands the components of the demographic environment will likely performs a better marketing job than the one that jumps into the market with the assumption that the markets are the same with the home market.

3.3 Natural Environment

By nature, some countries are endowed with natural resources such as oil, sand, water, minerals, mountains, rivers, streams, and so forth than the others. While some countries create these artificially to their own advantage. It therefore calls for critical study of these resources as impetus for world market opportunities and threats.

3.4 Political-Legal Environment

Marketing decisions are strongly affected by developments in the political and legal environment. This environment is composed of laws, policies, government agencies, regulations, and pressure groups that influence and limit various organizations and individuals. Sometimes, these laws create new opportunities for business, not only served as threats.

To assess a potential marketing environment, a company should identify and evaluate the relevant indicators of political difficulty. Potential sources of political complication include social unrest, the attitude of nations, and the policies of the host government.

Much like the political environment explained above, there are multiplicities of laws that an international marketers must content with. These include:

a. Varying laws of nations
b. Bribery and corruption
c. Exchange rate policies
d. Profits repatriation issues
e. Issues of employment at the subsidiaries/branches
f. Intellectual property rights, and so forth.

3.5 Socio-Cultural Environment

The society in which people grew up shapes their beliefs, values, and norms. Culture, an inclusive term can be conceptualized in many different ways. The concept is often accomplished by numerous definitions. In any case, a good basic definition of the concept is that ‘culture’ is a set of traditional beliefs and values that are transmitted and shared in a given society. Culture is also the total way of life and thinking patterns that are passed from generation to generation. Culture means many things to many people, because the concept encompasses norms, values, customs, art, and mores. Therefore, a worldwide business success requires a respect for local customs.

For example, consumption patterns living styles and the priority of needs are all dictated by culture. In addition to consumption habits, thinking processes are also affected by culture. Food preparation methods are also dictated by culture preferences. For instance, Asian consumers' prefer their chicken broiled or boiled rather than fried. Consequently, the Chinese in Hong Kong found American –style fried chicken foreign and distasteful.
Cultural universals, when they exist, should not be interpreted as meaning that the two cultures are very much alike. Too often, cultural similarities at first glance may in fact be just on illusion. Thus, an international marketer must therefore guard against taking market for granted.

3.6 Technological Environment

One of the most dramatic forces shaping people's lives is technology. The pace of technological development among nations are not the same, thus, an international marketer must study each nation's technological development independently. Some of the issues, he/she must content with include:

a. Mode of production of goods and services
b. Mode of delivery of services
c. Packaging systems
d. Mode of payments
e. Time consideration
f. Availability of expected technology
g. Cost of technology, and
h. Accessibility of technology.

3.7 Economic Environment

Markets requires purchasing power as wells as people. The availability of purchasing power in an economy depends on current income, prices of goods and services, savings, debt and credit availability. Thus, an international marketer must pay close attention to major trends in income and consumers' spending patterns, in addition to economic situation of the world markets.

Self Assessment Exercise

Does culture influences mode of consumption?

4.0 Conclusion

A complete and thorough appreciation of the dimensions of world market environment may well be the single most important gain to a foreign market. Necessary marketing research need to be carried out into world market culture, political-legal system, technological advancement and so forth.

5.0 Summary

In this unit, you learned about world market environment as it affect international marketing activities.

6.0 Tutor Marked Assignment

Why should a foreign marketer be concerned with the study of culture?

7.0 References/Further Reading:

Eze, B.I: International Marketing, Bauchi, ATBU, 1999 (Unpublished)

Kotler, P: Marketing Management-Analysis, Planning, Implementation and Control, 9th Edition, New Jersey, Prentice-Hall, 1997.

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UNIT 4: INTERNATIONAL MARKETING- MODE OF ENTRY

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1.0: Introduction

Marketing opportunities exist in all countries regardless of the level of economic development. To assume that only developed countries offer more market potential is a misconception that wills lead international marketers astray. A particular market may initially seem attractive because of its potential demand and size in terms of the number of consumers or their purchasing power. Yet the market may be attracting more than its share of competition. Since the market is thus crowded by many competitors, it may not be especially attractive after all. As a result, Onkvisit and Shaw (1997) observed that LDCs may provide a better return on investment because competitive expenditures can be significantly less when sophisticated and expensive marketing techniques are not necessary.

A marketer usually discerns far more market opportunities that a firm's limited resources permit to be pursued. It therefore implies that a marketer must develop a priority system so that available resources will not be spread too thin for the needed impact. Countries must be screened based on certain relevant criteria for comparing opportunities. Such criteria may include market potential, economic growth, political risk, available resources, etc. In assessing market opportunities, there is no single ideal criterion. A marketer must therefore employ a set of criteria that is relevant to the market opportunity under consideration. This unit examines the various alternatives of entering international markets.

2.0 Objectives

After thorough study of this unit, you should be able to:

1. Explain modes of entering international markets
2. Select the best option for your business and
3. Advise clients on the modality of approaching an international market.

3.0 Main Content

3.1 International Market Entry Decision

Once a company has analyzed the environment of foreign market and concludes that it represents an alternative opportunity, the next step for the company is to take strategic decisions on how to enter the market. A company that has this kind of decision to make usually have three strategic options to consider and select the most appropriate. In trying to select the most appropriate strategic option, the company has to consider the impact of some the crucial factors such as the nature of the product, nature of the market, financial capacity of the company, the management expertise, and the established objectives of the company. These options are thus discussed below.

3.2 Export

This is the quickest and simplest way through which a company can enter foreign markets. With the option, the manufacturing facilities of the company will remain located in the home country while the company simply makes arrangement on how to sell some of its present products abroad. Exporting is a strategy in which a company, without any marketing or production or organization overseas, exports a product from its home base market abroad. Exporting allows a company to enter foreign markets with a minimum of change in its product line, company organization, investment, or company mission.

The main advantage of exporting strategy is the case in implementing the strategy. Risks are minimal because the company simply exports its excess production capacity when it receives orders from abroad. The problem with using an exporting strategy is that it is not always an optimal strategy. A desire to keep international activities simple, together with a lack of product modification, make a company's marketing strategy inflexible and unresponsive. However, any company that chooses to enter into international markets by only exporting its products to the foreign markets can achieve the objective through two ways, namely indirect export and direct export.

3.2:1 Indirect Export

Under this method or strategy, the firm does not have to develop an oversea sale force. It will only hire independent international middlemen in the countries concerned. Firms that are stating export business for the first time usually adopt this method. The method involve less investment and less risks. The assumption is that the middlemen's established goodwill, marketing know-how and services will enable the image of the product and possibly increase the speed of its acceptance in the market.

Firms that adopt the indirect export method in their international business usually have three options of domestic middlemen arrangements. They can use any or combination of the following:

(a): Domestic Based Export Merchants

Buys the manufacturers' products and then sell them abroad. With this arrangement, the exporting company only sells its products to the export merchant in the home country. After buying from the company, the export merchant will then sell the product to foreign markets on its own account. Because, the merchant takes title to the product, it shoulders all the burden and risks involved in exporting the product to foreign markets.

(b): Domestic-Based Export Agents

The agents seek and negotiate foreign purchases and are paid commissions. The agents simply agree to seek for foreign buyers for the company. Their job normally is to bring foreign buyers into contact with domestic sellers. They receive commission on any business done. However, the exporting firm will bear the whole risk involved in the business. In selecting the agent to work with, the exporting company has the option of choosing any of the following:

i. Export Buying Agents.

They reside in the manufacturer's country but represents foreign buyers. Their functions are to place orders with the manufacturers, take care of the

ii. Brokers

Their function is only to find buyers for the manufacturer. They do not handle the product.

iii. Manufacturers' Export Agents

These agents represent many manufacturers with non-competing interests. They render selling and other marketing services to the manufacturers.

(c) Cooperative Organization

The cooperative organizations serve many producers with non-competing interests by making careful plans on how to export the products on their behalf. Although, the cooperative organization is independent, it is not wholly independent as the producers have a remarkable influence on the administrative control of its activities.

3.2:2 Direct Exports

The manufacturers concerned take responsibility of exporting their products instead of using the services of middlemen. However, not all the manufacturers can enter through this method. The method is often employed by big manufacturers with enough quality of products to sell to and by those whose market has grown to sufficient size to justify the burdens involved in it, for example the Coca-Cola Company.

Although, the method has a high probability of yielding a profitable return, the level of investment and risk associated with it is usually high. Notwithstanding, manufacturers that use this method as their entry strategy into international markets, can adopt any of the following options:

a**). Domestic-Based Export Department:** An export sale manager carries on the actual selling and draws on market assistance as needed. The department might evolve into a self-contained export department performing all the activities to export and operating as a profit centre.

b). Overseas Sales Branch or Subsidiary: An overseas sales branch allows the manufacturer to achieve greater presence and program control in the foreign market. The sales branch handles sales and distribution and might handle warehousing and promotion as well. It often serves as a display and customer service centre also.

c). Traveling Export Sales Representatives: The manufacturers concerned usually send one or two of their home-based sales representatives to foreign markets to canvas for business and possibly get orders from buyers. This strategy is often employed by big companies that are entering into a market newly and by small companies with financial handicap.

d). Foreign-Based Distributors or Agents: The company can hire foreign-based distributors or agents to sell the company's goods. These distributors and agents might be given exclusive rights to represent the manufacturer in that company or only limited rights.

3.3 JOINT VENTURING

Foreign investors may join with local investors to create a joint venture in which they share ownership and control. That is, companies that adopt this method as their entry strategy into foreign market join hands with the nationals in the foreign countries to set up production and marketing facilities abroad. For example, Kotler (1997) reported that Coca-Cola and the Swiss company Nestle are joining forces to develop the international market for "ready to drink" tea and coffee, which currently sell in significant amounts only in Japan. Also Procter and Gamble has formed a joint venture with its Italian arch-rival Fater to cover babies' bottoms in the United Kingdom and Italy.

Some of the available options are:

3.3:1 Licensing: An export manufacturer will enter an agreement with a foreign company authorizing the foreign company to use the production process, trade mark, patent, or trade secret of the exporting manufacturer for a defined fee or royalty. Under this consideration, the exporting manufacturer is the licensor while the foreign partner is the licensee.

The advantage of licensing is that the licensor will gain entry into the market without much difficulty and at a little risk while then licensee will gain production expertise or well-known name without starting from the scratch.

However, the licensor will have less control over the business activities unlike if it had up its own production facilities. Besides, the licensor may even find out that it has set up a competitor. The licensee as well suffers from the foreign interference on it affairs.

3.3:2 Contract Manufacturing: In this strategy, the arrangement will be for the local company in the foreign country to be in charge of the production of the licensed products, while the marketing of the products will rest on the company. The export firm is only exporting its marketing expertise. The advantages and disadvantages of this are similar to that of licensing.

3.3:3 Management Contracting: In some cases, government pressure and restrictions force a foreign company either to sell its domestic operations or to relinquish control. In such a case, the company may have to formulate another way to generate the revenue given up. One way to generate revenue is to sign a management contract with the government or the new owner in order to mange the business for the new owner. The new owner may lack technical and managerial expertise and may need the former owner to manage the investment until local employees are trained to manage the facility. Examples are Aerk Airways, Ondo Oil, etc.

It should be noted that management contracts do not have to be only after a company is forced to sell its ownership interest. Such contracts may be used as a sound strategy for entering a market with minimum investment and minimum political risks. For example, Club Med, a leader I international resort vacations, is frequently wooed by LDCs with attractive financing options because these countries want tourism. Club Med's strategy involves having either minority ownership or none at all, even though the firm manages all then resorts.

3.3:4 Turkey Operations: A turkey operation is an arrangement by the seller to supply with a facility fully equipped and ready to be operated by the buyer's personnel, who will be trained by the seller. The term is sometimes used in fast-food franchising when a franchisor agrees to select a store site, build the store equip it, train the franchisee and employees and sometimes arrange for the financing. In international marketing, the term is usually associated with giant projects that are sold to government or government run companies. Large-scale plants requiring technology and large-scale construction processes unavailable in local markets commonly use this strategy. Such large-scale projects include building steel mills, Fertilizer, and chemical plants; etc.

3.4 Direct Investment: Direct ownership of foreign-based assembly or manufacturing facilities is the ultimate form of foreign investments. The foreign company can buy part or full interest in a local company or build its own facilities. When the firm feels that it has mastered the market and there are opportunities, it will then establish its own production facilities with full management and control.

Some of the advantages include: The company may secure real cost economies in the areas of cheaper labour and raw materials. It can develop manufacturing and marketing policies that will be in agreement with the culture of the people and therefore enhance its long-term international objectives. However, the company suffers from exposing a large investment to certain risks, such as devaluation of currencies, keen competition, etc.

3.5 Free Trade Zones: When entering a market, a company should go beyond an investigation of market entry modes. Another question that should be asked is whether a free Trade Zone (FTZ) is involved and needs consideration. The decisions concerning market entry and FTZs are some what independent. An FTZ can be used regardless of whether the entry strategy is exporting or local manufacturing.

A FTZ is a secured domestic area in international commerce, considered to be legally outside a country's customs territory. It is an area designed by a government for the duty-free entry of goods. It is also a location where imports can be handled with few regulations, and little or no customs duties and excise taxes are collected. As such, goods enter the area without paying any duty. The duty would be paid only when goods enter the customs territory of the country where an FTZ is located, for example Calabar, Nigeria.

Variations among FTZs include free ports, tariff-free zones, airport duty free arcades, export processing zones, and other foreign grade zones. FTZs are usually established in countries for the convenience of foreign trades. The zones may be run by the host government or by private entries.

FTZs offer several important benefits, both for the country and for companies using them. These include:

a) Job retention and creation- when better facilities and plants are provided to attract MNCs, FTZs can generate foreign investment and jobs.
b) Some countries offer superior facilities for lower costs.
c) Lower theft rate, lower insurance costs, delay of tax payment, and reduction of inventory in transit.
d) It improves the cash flow for a company since FTZ eliminates the need to pay duty immediately on docking.
e) An FTZ can eliminate the waiting period for the arrival of a product from an overseas firm.
f) The firm can hold goods in an FTZ until the quota opens up, making it possible to move the goods immediately into the market at the earliest opportunity.
g) FTZs also provide a means to circumvent import restrictions.
h) FTZs provide a means to facilitate imports and exports; some forth.

Self Assessment Exercise

Briefly define FTZ and explain its benefits.

3.6 Introducing a Product into International Market

Introducing a product into international market is not an easy task. The company has to first of all research the market to such an extent that all the components and supportive attributes of the product have to be clearly detected. Both the market research and the product introduction have to be done with careful consideration of the following factors:

3.6:1 Time Scale

In interpreting the research findings, the firm has to take into consideration the dynamic fashion environment in the market and rapidly changing tastes and demands of the consumers. Without that, the firm may discover that it has succeeded in introducing a product that is already out-of-fashion and therefore has no demand in the market. This is one of the tricky aspects of modern international marketing. A tactful marketer must try to combine facts with changing scenes.

3.6:2 Firms Resources and Goals

It is imperative to note that firms have to design their products within the frame-work of their economic realities, resources and goals. Although, the aim is to attain the full satisfaction of the consumers' needs, the firm has to do it in such a way as to make profit or attain other objectives.

3.6:3 Specified Markets

In designing the product, the firm has to have a defined target group at the back of its mind. The target group can be a wide one, consisting of country or region or a small area of few consumers. No matter the size, what is important is that the job must be carried out with a definite buyer in mind.

3.7 Factors to be considered whether to Standardize or to Differentiate

It should be recall that standardization and differentiation have been looked into in the earlier part of the course. Thus, there are many factors to be considered at any time a decision is to be taken on the issue of standardization and differentiation. Some of these are thus briefly examined below:

3.7:1 Corporate Objectives

An international firm that seeks to maximize profits regardless of international market penetration goals is more likely to strike towards product standardization. This is because by the nature of such strategy, the firm is likely to generate a better profit performance in the short-run that if differentiation is opted for.

3.7:2 The Market Usage of the Product

Standardization is hereby recommended where the consumers' usage of the product is similar in all the markets. However, where it differs, differentiation is considered as a better option.

3.7:3 Company Resources

Differentiation involves consideration in production facilities, inventory management and marketing mix ingredients. Because of these financial resources requirements, most weak firms do not go for differentiation strategy, rather prefer standardization strategy option.

3.7:4 Level of Service Required

Products with high technical services either before or after the delivery adopt standardization strategy, for example electronics, automobiles and so forth.

3.7:5 Base of Production

A product that requires intricate manufacturing processes is likely to support differentiation strategy than a product which can be manufactured with ease. Toilet soaps and Aero-plane are two different products with different skills, this thus call for different strategies.

3.7:6 Legal Considerations

Legal systems can have a major impact on the design of a product, its packaging and the printed messages incorporated. For example, a packet of cigarette in Nigeria must contain a warning about the health hazard of smoking. It should however be noted that the law is not interested in the inconveniences that such regulations may impose on marketing personals as it is their duty to assess the market and know which strategy is better option.

Self Assessment Exercise

Briefly examines factors considered whether to standardized or differentiate.

4.0 Conclusion

When a company considers marketing in foreign markets, it needs to analyze such economic characteristics as GNP, income, and population in order to compare market opportunities. Once a particular market is chosen, management needs to decide on the market entry strategy. However, such companies should consider the feasibility of operating all or some of its international business in a free trade zone, since such zone can complement many of the market penetration options.

5.0 Summary

This unit examined various modes of entering international markets.

6.0 Tutor Marked Assignment

What is an FTZ? What are its benefits?

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UNIT 5: BRANDING AND PACKAGING

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1.0 Introduction

In developing a marketing strategy for individual products, especially for international market, the Multinational Companies (MNCs) have to consider the branding decision. Branding is a major issue in product strategy. Developing a branded product requires a great deal of long term investment planning, especially for advertising, promotion and packaging. Many brand oriented companies subcontract manufacturing to other companies. The purpose of this unit is to acknowledge the strategic significance of branding and packaging, and to examine some of the problems commonly faced by MNCs.

2.0 Objectives

3.0 After studying through this unit, you should be able to:

1. Explain branding and packaging
2. State their importance , and
3. Classify various types of branding.

3.1 Main Text

3.2 Purpose of Branding

In many countries, branding may be nothing more than the simple process of putting a manufacturer's name, signature or picture of a product or its package. Perhaps, the most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Marketers say that "branding is the art and corner stone of marketing." The American Marketing Association defines a brand as: "A brand is a name, term, sign, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of others and to differentiate them from those of competitors." This therefore implies that brand identifies the logo or other symbols of a product.

A brand is essentially a seller's promise to consistently deliver a specific set of features, benefits, and services to the buyers. The best brands convey a warranty of quality. But a brand is even a more complex symbol. A brand can convey up to six levels of meaning: attributes, benefits, values, personality and user.

If a company treats a brand only as a name, it misses the point of branding. The challenge in branding is to develop a deep set of meanings for the brand. When the audience can visualize all its dimensions of a brand, the brand is deep, otherwise it is shallow. For example, a Mercedes is a deep brand, because we can understand its meaning along all six dimensions. An Audi is brand with less depth, sine we may not grasp as easily its specific benefits, personality and user profile.

Given the six levels of a brand's meanings, international marketers must decide at which levels to promote deeply, anchor the brand's identity. One mistake is to promote only the brand's attributes.

Promoting the brand solely on one or more of its benefits can also be risky. For example, if Mercedes touts its main benefits as "high performance." , suppose several competitive brands emerge with high or higher performance, or suppose our buyers start planning less importance on high performance as compared to other benefits. Thus, Mercedes need the freedom to maneuver into a new benefit positioning.

The most enduring meaning of a brand are its values, culture and personality. They define the brand's essence. For example, Mercedes stands for high technology, performance, success and so on. This is what Mercedes must protect in its brand strategy.

The basic purposes of branding are the same everywhere in the world. In general, the functions of a brand are to:

a. Create identification and brand awareness

b. Guarantee a certain level of quality, quantity, and
c. Help with promotion

All these purposes have the same ultimate goals-to repeat sales. However, taking into consideration, the importance of branding as a marketing tool, one would expect that corporate headquarters would normally have a major role in brand planning for overseas markets. Besides, international marketing managers, considered some cultural and socio-economic conditions of foreign countries in making global band image strategy decisions.

Self Assessment Exercise

Briefly state the basic purpose of branding**.**

3.2 Branding Decisions

To brand or not to brand, that is the focus of this section. Branding is not a cost-less proportion, because of the added costs associated with marking, labeling, packaging and legal procedures. These cots are mostly relevant in the case of commodities, such as salt, cement, diamonds, beef and other Agricultural and Chemical products. Unbranded or undifferentiated products are sold by grade. Branding such products is probably undesirable, because brand promotion is ineffective, and thus, unnecessary expenses to operations cost.

Besides, a brand-less product allows flexibility in quality and quantity control, resulting in lower production costs along with marketing and legal costs.

However, the basic problem with a commodity unbranded is that its demand is strictly a function of price. The brand less product is thus vulnerable to any price change. For example, Nigerian farmers can attest to this vulnerability, because prices of farm products have greatly affected by competition from overseas producers.

On the contrary, branding when possible transforms a commodity into a product. It also makes premium pricing possible because of better identifications, awareness, promotion, differentiation, brand loyalty, etc.

Although, brand provides the manufacturers with some insulation from price competition, a firm must still find out whether it is worthwhile to brand the product. In whichever way, the following factors should be considered:

a. Quality and quantity consistency
b. The possibility of product differentiation, and
c. The degree of importance consumers place on the product attribute to be differentiated.,

3.3 Types of Brands

Branding to promote sales and move products necessitates a further branding decision. Whether the manufacturer should use its own brand or a distributor's brand, this is the discussion of this section.

3.1 Private Brands versus Manufacturer's Brand

Distributors in the world of international business include trading companies, importers and retailers, among others; their brands are private brands. For example, many portable TV sets mode in Japan for U.S market are under private labels.

Even though may seem logical for a distributor to carry the manufacturers well-know brand, many distributors often insisted on their own private brands for several reasons, namely:

1. A distributor may be able to create a unique product by bundling or unbundling product attributes and then adjusting the price to reflect the proper value.
2. A private brand is a defensive strategy that guarantees that a distributor is not by-passed by its supplier.
3. Distributors can convert fixed production costs into variable costs by buying products made by others.
4. Distributors insist on private brand mainly because of brand loyalty, bargaining power, and price.

However, there are a number of reasons that the strategy of private branding is not necessarily bad for manufacturer for following reason:

a. The ease in gaining market entry and dealers' acceptance may allow a larger market share or all, while contributing to offset fixed costs.
b. There are no promotional headaches and expenses associated with private branding, thus making the strategy suitable for a manufacturer with unknown brand. For example, Suzuki cars are sold in the United States under the GM sprnt brand names.
c. A manufacturer may judge that the sales of its own products are going to suffer to a greater or lesser degree by various private brands.
d. The manufacturer can easily be by-passed.
e. It loses control over how its product should be promoted-this fact may become critical if the distributor does not do a good job, pushing the product.

Private branding and manufacturer's branding is not necessarily an either/or proposition; a compromise can often be reached to ensure mutual co-existence. If desired, both options can be employed together.

3.3.2 Single Brand versus Multiple Brands

When a single brand is marketed by the manufacturer, the brand is assured of receiving full attention for maximum impact. But a company may choose to market several brands within a single market based on the assumption that the market is heterogeneous, and thus must be segmented. Therefore, a specific brand is designed for a specific market segment. For example, the Watch industry provides a good illustration for the practice of using multiple brands in a single market for different market segments. Also, Citizens, in its attempt to capture the new youth and multiple watch owners market, traded down to include a new brand called 'Vega.'

Multiple brands are suitable when a company wants to trade either up or down because both moves have a tendency to hurt the firm's main business. If a company has the reputation for quality, trading down without creating a new brand will hurt the prestige of the existing brand.

However, if it is known for its low-priced production, trading up without creating a new brand would hamper the image of the existing products. For example, Casio is perceived as a manufacturer of low-priced Watches and calculators, and the name adversely affects its attempt to trade-up to personal computers and electronics musical instruments. To overcome this kinds of problem, Honda uses the Acura name for its sporty cars, so that Acura's image is not affected by the more pedestrian Honda image. In addition, IBM has begun to segment the Pc market and employed a multi-brand strategy. Hence, the company aims different brands and separate sale channels at different groups of customers.

3.3. 3 Local Brands versus Global Brands

When the manufacturer decides to put its own brand name on the product, the problem does not end there, if the manufacturer is an international marketer. The possibility of having to modify the trade mark cannot be dismissed. Then international marketer must decide whether to use just one brand name worldwide or differentiate brands for different countries.

A single worldwide brand is also known as an international, universal or global brand. For a brand to be global or worldwide, it must, by definition has some commonly set of characteristics and benefits in all its markets. For example, Coca-Kola, is a global brand in the sense that it has been successful in maintaining similar perception across countries and cultures.

A worldwide brand has several advantages:

1. It tends to be associated with status and prestige.

2. It achieves maximum market impact overall, while reducing advertising costs, because only one brand is pushed. For example, Bata Ltd, a Canadian shoe marketer and retailer in ninety-two countries, found out from its research that consumers greatly thought Bata to be a local concern, no matter the country survey. The company thus decided to become an official sponsor of World Cup Soccer in order to enhance Bata's international stature.
3. It provides a convenient identification, and international travels that can easily recognize the product.
4. It is an appropriate approach when a product has a good reputation or ia known for quality.

Local Branding-There is several reasons for using local branding, namely:

1. When the manufacturer is unable to ensure uniform product quality across counties
2. When an existing brand is difficult to pronounce. For example, Wrigley had trouble with its spear mint name in Germany, until the spelling was changed to SPEAMINT.
3. A local brand is more easily understood and more meaningful for local consumers.
4. A local brand can avoid a negative connotation.
5. Some MNCs acquire local brands for a quick market penetration in order to save time.
6. A local brand may have to be introduced because of prices issues.

Self Assessment Exercise

Give reasons for global branding

3.4 Brand Characteristics

1. An international brand name should reflect the desired product image. Consumer perception should be taken into account. For example, worldwide consumers usually perceive French Perfumes to be superior. One way of creating a desired image is to have a brand name that is unique or distinctive. Mercedes Benz has this quality.
2. An international product should have an international brand name, and this name should be chosen with the international market in mind. One way of making a brand name more international is by paying special attention to pronunciation. Many languages do not have all the letters, and the English Language is no exception.
3. The legal aspect of branding should be taking into consideration. A name that is similar to other firm's trade marks should be avoided.

3.5 Packaging

Much like the brand name, packaging is another integral part of a product. Packaging serves two primary purposes-functional and promotional. A package must be functional in the sense that it is capable of protecting the product at minimum cost. If a product is manufactured locally and has to be exported to another country, extra protection is needed to compensate for the time and distance involved. A country's adverse environment should also be taken into consideration.

For most packaging applications, marketers should keep in mind that foreign consumers are more concerned with the fundamental aspect of a packaging than they are with convenience. For example, empty glass containers can be sold by consumers to recoup a part of the purchase price.

3.5.1 Packaging Modification

A package change may be either mandatory or at the discretion of the marketer. A mandatory change is usually necessitated by government regulations. Sometimes, it is for safety and other reasons. However, packaging regulations, some times are designed more for protection against import than for consumer protection.

4.0 Conclusion

Branding decisions involve more than merely deciding whether a product should be branded or not. A manufacturer must decide whether to use a single brand for maximum impact or multiple brands to satisfy different markets. In addition, packaging should be look into critically cultural differences and consumers' perception.

5.0 Summary

In this unit, you should studied branding and packaging as they affect international marketing activities.

6.0 Tutor Marked Assignment

Give reasons for global branding.

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MODULE TWO: MARKET SHARE STRATEGIES

UNIT 6: PRODUCT STRATEGIES

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1.0 Introduction

Individual consumers vary in needs and taste. Different products appeals to individuals differently, because of their peculiar characteristics. A product that is successful in one country is not a guarantee that it would be successful in o other markets. A marketer must always determine local needs and tastes and take them into consideration. Some products have universal appeal, and little or no change is necessary when these products are placed in various markets. But for every so called universal product, there are many others that have a narrow appeal. For such products, modification is necessary in order t0o achieve acceptance in the marketplace. It is generally easier to modify a product than to modify consumer preference. That is, a marketer should change the product to fit the need of the consumer rather than try to adjust consumers' needs to fit product characteristics. The purpose of this unit is to study product in an international context. The emphasis of the unit is on meaning of product and the necessities of market segmentation and product positioning.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define a product
2. Explain rational behind market segmentation
3. Explain the term product positioning and
4. Explain issues in new product development.

3.0 Main Text

3.1 A PRODUCT

A product is often looked at in a narrow sense as something tangible that can be described in terms of physical attributes, such as shape, dimension, components, form, colour, and so forth. This is a misconception that hen extended to international marketing as well, because many people believe that only tangible products can be exported. A student of marketing, however, should realize that only this definition is of product is misleading since many products are intangible (e.g., services). Actually, intangible products are a significant part of modern marketing activities. For example, Nigerian Movies are distributed worldwide, as are engineering services and business consulting services. In the financial market, Nigeria and European banks have been internationally active in providing financial assistance, often at handsome profits. Besides, even when tangible products are involved, insurance services and shipping are needed to move tangible products into their markets.

In many situations, both tangible and intangible products must be combined to create a single, total product. Perhaps the best way to define a product is to describe it as a bundle of utilities or satisfaction. Warranty terms, for example, are a part of this bundle, and they can be adjusted as appropriate (i.e., superior versus inferior warranty terms). For example, a purchaser of Mercedes-Benz expects to acquire more than just the cars themselves. For instance, different parts of the world do not have the same weather system. In hot and humid countries, there is no reason for a heater to be part of the automobile product bundle, Nigeria for example. In USA, their equipment is heavier and automated transmission due to the weather system.

Thus, a multinational marketer must look at a product as a total, complete offering. Consider the Mercedes-Benz car, in Nigeria it is considered as the rich men cars; while in Benin Republic it is used like any other cars in the street. This implies that a complete product should be viewed as a satisfaction derived from the four ps of marketing (product, promotion and pricing) - and not simply from the physical product characteristics.

Self Assessment Exercise

In your own words define a product.

3.2 New Product Development

There are six distinct steps in new product development, these include:

1. Generation of new product ideas. Ideas can be generated from any of these sources- Salespersons, employees, competitors; Governments, marketing research firms, customers, and so forth. As an international marketer, you should note that the anticipating countries where products to be marketed should be taken into consideration.

2. Screening of ideas. Ideas must be acknowledged and reviewed to determine their feasibility. To determine suitability, a new product concept may simply be presented to potential users, or an advertisement based on the product can be drawn and shown to focus groups to elicit candid reactions. As a rule, corporations, especially multinational companies usually have predetermined goals that a new product must meet. For example, Kao Corporation, a major Japanese manufacturer of consumer goods, is guided by the following five principles of product development;

    1. A new product should be truly useful to society, not only now but also in the future,
    2. It should make use of Kao's own creative technology or skills,
    3. It should be superior to the new products of competitors, from the standpoint of both cost and performance,
    4. It should be able to exhaustive product tests at all stages before it is commercialized, and
    5. It should be capable of delivering its own message at every level of distribution.

3. Business Analysis-This is necessary to estimate product features, cost, demand, and profit. This is one area where new international marketer needs to critically study. Some marketer

jumped into conclusion with by using one of the above variables without necessarily taking others into consideration. It is a combination of two or more variables.

4. Product Development: This involves lab and technical tests as well as manufacturing pilot models in small quantities. At this stage the product is likely to be handmade or produced by existing machinery rather than by new specialized equipment. Ideally, engineers should receive direct feedback from customers and dealers. For example billing-per-second from Tele-communication companies in Nigeria was as a result of analyses of Nigerian Market, satisfying yearnings of the target market.

5. Test Marketing: This is deigned to determine potential marketing problems and the optimal marketing mix. This stage is critical because some prospective consumers may not display their preference for the products. This therefore calls for testing in more one target markets. This sometimes, implies to correct one or two features the target markets might have included or redesign the product to capture consumer preferences.

6. Commercialization: Finally, assuming that things/products go well, the company is ready for full-scale commercialization by actually going through with full-scale production and marketing.

It should be noted that not all of these six steps in new product development will be applicable to all products and countries. For example, test marketing may be irrelevant in countries where most major media are more national than local. If television medium has a nationwide coverage, it is not practical to limit a marketing campaign to one city or region for test marketing purpose. New products are evolving daily depends on the capacity of the company concerned.

However, it is easier for new product to fail than succeed. Natural so many things can go wrong.. Read, reasons for new product fail own. But, it is just as critical for a company to know when to retreat as when to launch a product. For example, Coke-Cola's Ambasa Whitewater, a lactic-based drink, was removed from the market after eighteen months when sales started to decline.

3.3 Market Segmentation

Market segmentation is a concept to which professional marketers like to pay great deal of attention. All conceivable possibilities for segmenting the local markets had been thoroughly studied by some marketers. But on the international scale, some of them are prone to treat market segmentation as an unknown and unfamiliar concept and thus, they apparently leave their knowledge about market segmentation at home when they go abroad. For example, more often than not, there is hardly any serious or conscious attempt by American businesspeople to segment a foreign market. This phenomenon probably derives from an assumption that by going abroad, geographic segmentation has been implemented. But geographic segmentation, an obvious choice, is often overemphasized and usually inappropriate. Marketers fail to realize that the purpose of segmentation is to satisfy consumer needs.

Another mistake international marketers often make in foreign countries is attempting to capture the local market at once. These results in disappointment in market performance, namely- Consumers in foreign country are likely to be homogeneous. It is important to distinguish consumers into urban and rural. In addition, a total market strategy places the company in head-to-head competition with strong, local competitors. The success of Japanese products for example in United States and Africa in particular can be attributed to explicit and conscious attempt by the Japanese to segment the market. Japanese firms usually pick their targets carefully, avoiding head-to-head with major U.S manufacturers in mature industries. Starting at the low end of the product spectrum, a Japanese firm establishes a reputation for product excellence, and eventually gets customers to trade up over time. This strategy has worked exceedingly well in the automobile and consumer-electronics industries. The most important reason behind the utilization of market segmentation is market homogeneity/heterogeneity. Base on the national boundary, homogeneity can be vertical (i.e., homogeneous within the same country) or horizontal (i.e., homogeneous across countries). This implies that two countries exhibiting the lack of vertical homogeneity within their borders may still be homogeneous horizontally when a particular segment of the country is similar to an equivalent segment of another country. This is what Hassan and Katsanis call global market segment, and they derive it through “the process of identifying specific segments, whether they may be country groups or individual consumer groups, of potential consumers with homogeneous attributes who are likely to exhibit similar buying behaviour.” They fell that the global elite and global teenager segments are particularly amenable to global segmentation.

Nevertheless, market segmentation is not always necessary or desirable. This is because when either consumer needs within a country are largely homogeneous or a mass market exists.

Self Assessment Exercise

What are the success of Japanese firm’s products in African and U.S?

3.4 Product Positioning

Product positioning is a marketing strategy that attempts to occupy an appealing space in a consumer's mind in relation to the spaces occupied by other competitive products. The mind is like a computer in that it has slots or positions, and each bit of information is placed and retained in the proper slot. The mind screens and accepts information according to prior experience.

Over the years, Coke-Cola has succeeded in taken over Nigeria market with its soft-drink coke. An average child in the country only knows one soft drink which is COKE. Any attempt to give him/her other brands of soft drinks will amount to explanation upon explanations. This is because Coke is believed to energetic and quality than any other soft drinks in the country. In the automobiles Mercedes-Benz is considered for the wealthy and luxury; while BMW tries to maintain a uniform international image by appealing to then racy.

A marketer determines the perceived position of a product as well as the ideal position in a number of ways, namely:

1. To use focus groups to explore possible alternatives.
2. To rely on perceptual and preference mapping. Respondents compare brands on perceived similarity and in relation to their ideal brands. The statistics techniques of multidimensional scaling (MDS} can then be used to determine the number and types of dimensions and to transform similarities into distances. Attributes can later be examined to see how each attribute is associated, more or less, with a particular brand.

A product must be positioned carefully. A company may possibly use dual and even triple positioning. For example, Beecham has positioned Aqua Fresh as:

1. Toothpaste,
2. Breath fresher, and
3. Plaque remover.

When a product has been incorrectly positioned or the original position loses its appeal, a firm should reposition the product. Beecham has been successful in repositioning several of its mature brands. It Ribena brand, a black-currant juice sold to children for a half-century, experienced an impressive increase in sales after single-portion packs and new flavours were added to attract adult drinkers and toddlers. In the early 1990s, Volvo wanted the American public to view its product as an import with the comfort of a U.S. car. More recently, Volvo has tried to add a fun-to-drive component to its messages that have reminded people so much

of Volvo's boxy, boring, but safe reputation. The T-R5, a special edition of the 850, is used to create a sportier image. Some marketers view Volvo admiringly as a "strategic chameleon."
In practice, segmentation and positioning should be used together to reinforce each other. A study of how American and Japanese firms compete in the British market found that the Japanese have clear market segmentation and positioning strategies. Regarding market segments, the Japanese first entered the low end of the market before moving on to the mass market and eventually the high value-added end. Regarding positioning, the Japanese have a clear focus on quality, service, and innovation. In comparison, British firms emphasize traditional brand names, while American firms emphasized product range and technology and are less likely to adapt to local market conditions.
In conclusion, consumer needs must determine how products are to be positions.

3.5 Product Adoption

While entering international market, marketers should consider factors influencing product adoption. Factors to be considered include:

1. Relative Advantage: For product to gain acceptance, it must demonstrate its relative advantage over existing alternatives. For example, product emphasizing cleanliness and sanitation may be unimportant in places where people are poor and struggle to get by one day at a time. Wool coats are needed in a hot country, and products reducing static cling are useless in a humid country.
2. Compatible with local customs and habits: A must also be compatible with local customs and habits. A freezer would not find a ready market in Asia, where people prefer fresh food. In Asia and some part of European countries as France and Italy, people like to sweep and mop floors daily, and thus there is no market for carpet or vacuum clearers.
3. Compatible: A new pro0duct should also be compatible with consumers' other belongings. I f a new product requires a replacement of those other items that are still usable, product adoption becomes a costly proportion.
4. Trialability/divisibility: A new product has an advantage if it is capable of being divided and tested in small trial quantities to determine its suitability and benefits. On the contrary, when a product is large, bulky, and expensive, consumers are much more apprehensive about marketing a purchase. Thus, washers, dryers, refrigerators, and automobiles are products that do not lend themselves well to divisibility. This factor explains one reason why foreign consumers do not easily purchase American

automobiles, knowing that a mistake could ruin them financially. Many foreign consumers therefore prefer to purchase more familiar products, such as Japanese automobiles, that less expensive and easier to service and whose parts are easier to repairs.

5. Observation: Observation of a product in public tends to encourage social acceptance and reinforcement, resulting in the product's being adopted more rapidly and with less resistance. If a product is used privately, other consumers cannot see it, and there is no prestige generated by its possession. For example, Blue jeans quartz watches, and automobiles are used publicly and are highly observable products. Japanese men flip their ties so that the label shows. Refrigerators, on the other hand are privately consumed products. In any case, a distinctive and easily recognized logo is very useful.
6. Complexity: Complexity of a product or difficulty in understanding a product's qualities tends to slow its market acceptance. For instance, computers are complex but have been gradually gaining more and more acceptance, perhaps in large part, because manufacturers have made the machines simpler to operate. The availability of ready made soft wares also alleviates learning computers generally.

The first four variables are positively related to the adoption process. Like complexity, price is negatively related to product adoption. For example, before 1982, copiers were too big and expensive. Canon then introduced personal copiers' with cartridges that customers could change. It low price was so attractive to customers that Canon easily dominated the market.

Self Assessment Exercise

Briefly explain factors influencing product adoption while entering foreign markets.

3.6 Product Standardization Versus Product Adaptation

Product standardization means that a product originally designed for a local market is expected to other countries with virtually no change, except perhaps for the translation of words and other cosmetic changes. There are advantages and disadvantages to both standardization and individualization.

3.6.1 Arguments for Standardization

The strength of standardization in the production and distribution of products and services is its simplicity and cost. It is an easy process for executives to understand and implement, and it is also cost-effective. If cost is the only factor being considered, then standardization is clearly a logical choice because economies of scale can be operate to reduce production cost. However, minimizing production costs does not necessarily mean that profit increases will follow. Simplicity is not always beneficial, and costs are often confused with profits. Cost reductions do not automatically lead to profit improvements, and in fact the reverse may apply. By trying to control production costs through standardization, the product involved may become unsuitable for alternative markets. The result may be that demand will decline, which leads to profit reduction.

In some situations, cost control can be achieved but at the expense of overall profit. It is therefore, prudent to remember that cost should not be over emphasized. The main marketing goal is to maximize profit, and production-cost reductions should be considered as a secondary objective. The two objectives are not always convergent. When appropriate, standardization is a good approach. For example, when a consistent company or product image is needed, product uniformity is required. The worldwide success of McDonald's is based on consistent product quality and services.

Some products by their very nature are not or cannot be easily modified. Musical recordings and works of art are examples of products that are difficult to differentiate; the same thing applies to books and motion pictures. Whether such products will be successful in diverse markets is not easy to predict. For examples films that do well in Nigeria, may do poorly in Ghana.

With regard to high-technology products, both users and manufacturers may find it desirable to reduce confusion and promote compatibility by introducing industry specifications that make standardization possible; electrical fittings, for example.

A condition that may support the production and distribution of standardized products exists when certain products can be associated with particular cultural universals. That is, when consumers from different countries share similar need characteristics and therefore wants essentially identical products. Watches are used to keep time around the world and thus can be standardization. Bible and Quara are another example.

Onkvisit and Shaw (1997) reported that industrial managers of consumer goods regarded certain marketing related factors differently, thus implying that product standardization or customization depends in part on the type of product. In addition, respondents consistently regarded competitive environment as the most important variable affecting the marketing standardization.

3.6:2 Arguments for Adaptation

There is nothing wrong with standardization products if consumers prefer those products. In many situations, domestic consumers may desire a particular design of a product produced for a particular market. But when the product design is placed in foreign markets, foreign buyers are forced either to purchase that product from the manufacturer or not purchase anything at all. This manner of conducting business overseas is known as **"big-car" and "left-hand-drive"** syndromes.

According to the big-car syndrome, U.S. marketers assume that products designed for Americans are superior and will be preferred by foreign consumers. U.S. automakers believe that the American desire for big cars means that only big cars should be exported to overseas markets.

The left-hand drive syndrome is a corollary to the big-car syndrome. Americans drive on the right side of the road, with the steering wheel on the left side of the automobile. But many Asian and European countries have traffic laws requiring drivers to drive on the left side of the road, and cars with the steeling wheel on the left present a serious safety problem. Yet exported U.S cars are the same left-hand drive models as are sold in the United States for the right-hand traffic patterns. According to the excuse used by U.S. automakers, a small sales volume abroad does not justify converting exported cars to right-hand steeling.

Product adaptation is necessary under several conditions. Some are mandatory, whereas others are optional.

Mandatory Product Modification: The mandatory factors affecting product modification are the following:

1. Government's mandatory standards (i.e., country's regulations)
2. Electrical current standards
3. Measurement standards
4. Product standards and systems.

Option for Product Modification: The examples of these options include:

1. Physical Distribution
2. Local use conditions (Climate conditions)
3. Space constraint
4. Consumer demographics as related to physical appearance.
5. User's habits
6. Environment characteristics; and so forth.

3.7 Theory of International Product Life Cycle

The international product life cycle (IPLC) theory, explain trade in a context of comparative advantage, describes the diffusion of process of an innovation across national boundaries. The life cycle begins when a developed country, having a new product to satisfy consumer needs, wants to exploit its technological breakthrough facilities by selling abroad. Other advanced nations soon start up their own production facilities, and before long LDCs do the same. Efficiency/comparative advantage shifts from developed countries to developing nations. Finally, advanced nations, no longer cost-effective, import products from their former customers. The moral of this process could be that an advanced nation becomes a victim of its own creation.

There are five distinct stages as shown in table 1 below and Table 2

Table 1: IPLC Stages and Characteristics (for the initiating country).

Stage	Import/Export	Target market	Competitors	Production cost
(1) Local innovation	None	USA	Few: local firms	Initially high
(1) Overseas innovation	Increasing export	USA & advanced nations	Few: Local firms	Decline owing to economies of scale.
(2) maturity	Stable export	Advanced nations &LDCs	Advanced nations	stable
(3)worldwide imitations	Declining export	LDCs	Advanced nations	Increase owing to lower economies of scale.

(4) reversal	Increasing import	USA	Advanced nations & LDCs	Increase owing to comparative disadvantage.

Source: Sak Onkvisit and John j. Shaw, "An Examination of the International Product Life Cycle and Its Applications within Marketing." Columbia Journal of World Business 18 (fall) 1983): 74

Stage 0-Local Innovation: Stage 0, depicted as time 0 on the left of the vertical importing/exporting axis, represents a regular and highly familiar product life cycle in operation within its original market. Innovations are must likely to occur in highly developed countries because consumers in such countries are affluent and have relatively unlimited wants. From the supply side, firms in advanced nations have both the technological know-how and abundant capital to develop new products. This is a pointer to the less developed countries while entering foreign markets.

Stage 1- Overseas Innovation: As soon as the new is well developed, its original market well cultivated, and local demands adequately supplied, the innovating firm will look to overseas markets in order to expand its sales and profit. Thus, this stage is known as a "pioneering" or "international Introduction" stage. The technological gap is first noticed in other advanced nations because of their similar needs and high income levels. Competition in this stage usually comes from U.S firms, since firms in other counties may not have much knowledge about the innovation. Production cost tends to be decreasing at this stage because by this time the innovating firms will normally have improved the production process. Supported by overseas sales, aggregate production costs tend to decline further because of increased economies of scale.

Stage 2- Maturity: Growing demand in advanced nations provides an impetus for firms there to commit themselves to starting local production, often with the help of their governments' protective measures to preserve infant industries. Thus, these firms can survive and thrive in spite of relative inefficiency. The development of competition does not mean that the initiating country's export level will immediately suffer. The innovating firm's sales and export volumes are kept stable because LDCs are now beginning to generate a need for the product.

Stage 3- Worldwide Imitation: This stage means tough times for the innovating nation because of its continuous decline in exports. There is no new demand anywhere to cultivate. The decline will inevitably affect the innovating firm's economies of scale, and its production costs thus begin to rise again. Consequently, firms in other advanced nations use their lower prices to gain more consumer acceptance abroad at the expense of the U.S firm. The U.S automobile industry is a good example of this phenomenon.

Stage 4-Reversal: Not only must all good things end, but misfortune frequently accompanies the end of a favourable situation. The major functional characteristics of this stage are product standardization and comparative disadvantage. The innovating country's comparative advantage has disappeared, and what is left is comparative disadvantage. This disadvantage is brought about because the product is no longer capital intensive or technology-intensive but instead has become labour intensive.- a strong advantage possessed by LDCs. Thus, LDCs- the last imitators would establish sufficient productive facilities to satisfy their own domestic needs as well as to produce for the biggest market in the world, the United States.

4.0 Conclusion

A product provides a bundle of satisfaction that the consumer derives from the product itself, along with its promotion, distribution, and price. For a product or service to be successful in any market, whether at home or abroad, it must therefore primarily satisfy consumer needs. In order to satisfy these needs, more precisely marketers must employ market segmentation, product positioning and other marketing techniques.

5.0 Summary

In this unit, you learnt about product strategies as a consideration for satisfying consumer needs. Arguments for adaptation and standardization were expressly discussed. Conditions for adaptation and standardization of products at the international marketing were examined.

6.0 Tutor Marked Assignment

Offer your argument for product adaptation.

7.0 References/Further Reading:

Kotler, P: Marketing Management-Analysis, Planning, Implementation and Control, 9th Edition, New Jersey, Prentice-Hall, 1997.

Onhvisit, S and Shaw, J.J: International Marketing-Analysis and Strategy, 3RD Edition, New Jersey, Prentice-Hall, 1997.

UNIT 7: DISTRIBUTION STRATEGY

Table of Contents

1.0 Introduction

A manufacturer can sell directly to end users abroad, but this type of channel is generally not suitable or desirable for most consumer goods. In foreign markets it is far more common for a product to go through several parties before reaching the final consumer. The purpose of this unit is to discuss the various channels of distribution that are responsible for moving products from manufacturers to consumers. The unit also describes the varieties of intermediaries involved in moving products between countries as well as within countries. It should be noted that certain types of intermediaries do not exist in some countries and that the pattern of use as well as the importance of each type of intermediary varies widely from country to country. A manufacturer is expected to make several decisions that will affect its channel strategy, including the length, width, and number of distribution channels to be used.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define a channel of distribution for goods or services
2. Explain channel members involved in moving goods from manufacturers to the consumers, and
3. Explain the determinants of channel types

3.0 Main Text

3.1 Channel of Distribution

A channel of distribution for a product is the route taken by the title to the product as it moves from the producer to the ultimate consumer or industrial user. It can also be describe as a set of institutions which performs all the activities or functions utilized to move a product and its title from production to consumption. A channel always includes both the producer and the final customer for the product, as well as all middlemen involved in the title transfer. Even though, agent middlemen do not take actual title to the goods, they are included as part of the distribution channel. This because,
they play such an active role in the transfer of ownership. A trade channel does not include facilitating agencies in marketing. This is because they only assist in the performance of distribution but neither takes title to goods nor
negotiates purchases or sales.

3.2 Forms of Channel of Distribution

Companies use two principal channels of distribution when marketing abroad. These are indirect selling and direct selling.

Indirect selling, also known as the local or domestic channel, is employed when a manufacturer in Nigeria, for example, markets its product through another Nigeria's firm that acts as the manufacturer's sales intermediary. By exporting through an independent local middleman, the manufacturer has no need to set up an international department. The middlemen's, acting as the manufacturer's external export organization, usually assumes the responsibility for moving the product overseas. The intermediary may be a domestic agent if it does not take title to the goods, or it may be a domestic merchant if it does take title to the goods.

Some of the advantages to be gained by employing an indirect domestic channel include:

1. The channel is simple and inexpensive- the manufacturer incurs no start-up cost for the channel and is relieved of the responsibility of physically moving the goods overseas.
2. The intermediary very likely represents several clients who can help share distribution costs, the costs for moving the goods are further reduced.

An indirect channel does have some limitations, which include:

1. The manufacturer has been relieved of any immediate marketing costs, but in effect, has given up control over the marketing of its products to another firm. This situation may adversely affect the product's success in the future.

2. The indirect channel may not necessarily be permanent. Being in the business of handling products for profit, the intermediary can easily discontinue handling a manufacturer's product if there is no profit or if a competitive product offers a better profit potential.

Direct selling is employed when a manufacturer develops an overseas channel. This channel requires that the manufacturer deal directly with a foreign party without going through an intermediary in the home country. The manufacturer must set up the overseas channel to take care of the business activities between the countries. Being responsible for shipping the product to foreign markets itself, the manufacturer exports through its own internal export department or organization.

Some of its advantages are:

1. There is active market exploitation
2. There is a greater control

However, it suffers from difficulty in management of the channel, especially if the manufacturer is unfamiliar with the foreign market. Also, the channel is time consuming and expensive.

3.3 Types of Intermediaries: Direct Channel

There are several types of intermediaries associated with direct channel of distribution. Some of these include:

a) Foreign Distributor

A foreign distributor is a foreign firm that has exclusive rights to carry out distribution for a manufacturer in a foreign country or specific area. Orders must be channeled through the distributor, even when the distributor chooses to appoint a subagent or sub distributor. The distributor purchases

merchandise from the manufacturer at a discount and then resells or redistributes the merchandise to retailers and sometimes final consumers. Hence, the distributor's function in many countries may be a combination of wholesaler and retailer. But in most cases, the distributor is usually considered as an importer or foreign wholesaler. In some situations, the foreign distributor is merely a subsidiary of the manufacturer.

b) Foreign Retailer

Foreign retailers are employed for consumers' products rather industrial products.

c) State-Controlled Trading Company

Some products are sold to state-controlled trading company, before they are further resell to individuals and institutions. These entail heavy equipment and machineries.

d) End user

Sometimes, a manufacturer is able to sell directly to foreign end user with no intermediary involved in the process. The direct channel is a logical and natural choice for costly industrial products. However, it is challenging, for example, a consumer may place an order without understanding his or her country's import regulations. When the merchandize arrives, the consumer may not be able to claim it. As a result, the product may be seized or returned on a freight-collect basis. Continued occurrence of this problem could become expensive for the manufacturer.

Indirect Channel

For a majority of products, a manufacturer may find it impractical to sell directly to the various foreign parities. Other intermediaries more often than not, have to come between these foreign buyers and manufacturer's country. With an indirect channel, a manufacturer does not have to correspond with foreign parties in foreign countries. Agents can be further classified according to the principal whom they represent.

a) Export Broker

The function of an export broker is to bring a buyer and a seller together for a fee. The broker may be assigned some or all foreign markets in seeking potential buyers. It negotiates the best terms for the seller, but cannot conclude the transaction without the principal's approval of the agreement. As a representative of the manufacturer, the export broker may operate under its own name or that of the manufacturer.

b) Manufacturer's Export Agent or Sale Representative

This is an independent business person who usually retains his or her own identity by not using the manufacturer's name. A sales representative can select when, where and how to work within the assigned territory. Working methods include presenting product literature and samples to potential buyers. The manufacturer's export agent works for commission. The manufacturer's export agent may present some problems to the manufacturer because an agent does not offer all services. An export agent may take possession but not title to the goods and thus assumes no risk- the risk of loss remains with the manufacturer.

c) Export Management Company (EMC)

An export management company (EMC) manages, under contract, the entire export program of a manufacturer. An EMC is also known as a combination export manager (CEM) because it may function as an export department for several allied but non-competing manufacturers. The EMC has greater freedom and consideration authority. The EMC provides extensive services, ranging from promotion to shipping arrangement and documentation. The EMC is responsible for all of the manufacturer's international activities.

d) Cooperative Exporter

A cooperative exporter is a manufacturer with its own export organization that is retained by other manufacturers to sell in some or all foreign markets. Except for the fact that this intermediary is also a manufacturer, the cooperative exporter functions like any other export agents. It operates as an export distributor for other suppliers. Tit takes possession of goods but not title.

e) Others forms of agents include:

1. Purchasing/Buying Agent
2. Country-Controlled Buying agent
3. Resident buyer
4. Export merchant
5. Export drop shipper
6. Export distributor
7. Trading company; etc.

This can be summarized using the following figure 3.1

Figure 3.1 Types of Marketing Channels

1. Manufacturer______________________________ Consumer or
Industrial user

1. Manufacturer______________ Retailer in__________ Consumer or
Foreign country industrial user.

3. Manufacturer______ Wholesaler_____retailer______ Consumer or
in foreign in foreign industrial user
Country country

4. Manufacturer_ Importing___Do_________ Do______________Do_____
Middlemen
In foreign
Country.

5. Manufacturer__ exporting___ Do________ Do_______________ Do___
Middlemen

6. Manufacturer__	exporting__ Middlemen	Importing__ middlemen Foreign country	wholesaler___ in foreign country	retailer_ in foreign country	con. or indust. user.

Self Assessment Exercise

Briefly differentiate between direct channel and indirect channel

3.4 Channel Adaptation

Because the standardization/globalized approach to international marketing strategy may not apply to distribution strategy in foreign markets, it is imperative that international marketers understand the distribution structures and patterns in those markets/countries. Hence, comparative analysis should be conducted.

Some channel adaptation is frequently a necessity. For example, Avon has had to develop other distribution methods in Japan and Thailand. A traditional distribution channel may seem inefficient, inefficient, but it may maximize the utilization of inexpensive labour, leaving no idle resources.

A manufacturer must keep in mind that, because of adaptation, a particular type of retailer may not operate in exactly the same manner in all countries. A particular distribution concept proven useful in one country may have to be further refined in another.

3.5 Determinants of Channel Types

There is no single across-the-board solution for all manufacturers' channel decisions. However, there are certain guidelines that can assist a manufacturer in making a good decision. Factors that must be taking into consideration include:

1. Objectives of the firm

The objectives of the firm are the corner-stone that determines the kind of channel to be used in any given market. This is because it is the objective that will determine whether the channel to be selected should be long or short.

2. Legal Considerations

A country may have specific laws that rule out the use of particular channels or middlemen. France, for example, prohibits the use of door-to-door selling. Although private importers in Iraq may choose to deal through commission agents, Iraqi legislation prohibits state enterprises from dealing with third-party intermediaries in obtaining foreign supplies. Also, Saudi Arabia requires every foreign company which work there to have a local sponsor who receives about 5 percent of any contract

The overseas distribution channel often has to be longer than desired. This is because of government regulations, a foreign company may find it necessary to go through a local agent/distributor. Channel width may be affected by the laws as well.

3. Managerial Resources

The management of distribution channels depends on to a great extent on the experiences that vest in the firm’s mangers. A firm that is entering an international market for the first time, mighty lacks the expertise that is required to be able to choose and control short channels or the firm’s own local subsidiary. Such firms would prefer to give the job to middlemen. Sometime, even well-established firms often seek the assistance of middlemen in cases of involving new products or new \segments that calls for the acquisition of a new type of experience.

3. Product Image

The product mage desired by a manufacturer can dictate the manner in which the product is distributed. A product with a low-price image requires intensive distribution. On the other hand, it is not necessary or even desirable for a prestigious product to have wide distribution. For example, Waterford Glass has always carefully nurtured its posh image by limiting its distribution to top-flight department and specialty stores. Although intensive distribution may increase sale in the short run, it is potential harmful to the product’s image in the long run.

4. Channel Availability

This is of course a major consideration as one will not expect to selects a specific type of channel in a given country if:

a. Such a channel does not exist
b. It belongs to a competitor
c. It does not wish to distribute your product.

5. Product Characteristics

The type of product determines how that product should be distributed. For low priced, high-turnover convenience products, the requirement are for an intensive distribution network. The intensive distribution of ice cream is an example.

For high-unit-value, low-turnover specialty goods, a manufacturer can shorten and narrow its distribution channel. Consumers are likely to do some comparison shopping and will more or less actively seek information about all brands under consideration. In such cases, limited product exposure is not an impediment to market success

One should always remember that products are dynamic, and the specialty goods of today may be nothing moiré than the shopping or even convenience goods of tomorrow. For example,. Computers which were once an expensive specialty product that required a direct and exclusive channel, today they have become shopping goods, necessitating a long and more intensive channel.

6. Middlemen’s Loyalty and Conflict

One ingredient for an effective channel is satisfied channel members. As the channel widens and as the number of channels increases, more direct competition among channels members is evitable.

7. Local Customs

Local business practices, whether outmoded or not, can interfere with efficiency and productivity and may force a manufacturer to employ a channel of distribution that is longer and wider than desired. For example, Because of Japan’s mutlitiered distribution system, which relies on numerous layers of middlemen, companies often find it necessary to form a joint venture with Japanese firms.

Domestic customs can explain why a particular channel is in existence. Yet customs may change or may b overcome\me, especially if consumer tastes change. For example Onkvisit and Shaw (1997: 486) reported that there are some 82, 000 British pubs, 50,000 of which are owned by brewing companies; the problem they face was the trend toward beer consumption at home. The pubs have had to adjust by emulating trendy American bars, selling more win and such food as hamburgers.

8. Control

If it has a choice, a manufacturer that wants to have better control over its product distribution may want to both shorten and narrow its distribution channel. However, control to be administered depends on the nature of the products and laws of such countries, the products being marketed to.

In conclusion, there other factors that affect channel decisions. However, most of these factors are inter-related.

3.6 Channel Management Decision

Whether then intermediaries are the employees of the firm’s subsidiary or whether they are totally independent, there is a mutuality of interest between the supplying company and its channels’ personnel and it is important that the best principles of management employed.

After a company has determined its basic channel deign, individual middlemen have to be managed in such a way as to:

1. Create distributor loyalty
2. Ensure that distributors are adequately remunerated
3. Train and develop distributors
4. Determine standards of performance, and
5. Evaluate performance against standard.

Self Assessment Exercise

What are the factors that affect the length, width and number of marketing channels?

4.0 Conclusion

A product, no matter how desirable, must b accessible to buyers. A manufacturer my attempt to use a direct distribution channel by selling directly to end users abroad. The feasibility of this channel depends on the type of product involved. Generally, the sales opportunity created by direct selling is quite limited. Intermediaries are usually needed to move the product efficiently from the manufacturer to the foreign users.

5.0 Summary

This unit examined various channel members involved in moving goods/services to the end users. These channels are classified into six. The channel chosen by marketing executives depends of the nature of the products and the expertise of the channel members. It also considered factors to be look into before selecting a channel.

6.0 Tutor Marked Assignment

What are the factors that affect the length, width and number of marketing channels?

7.0 References/Further Reading

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UNIT 8: PRINCIPLES STRATEGIES

1.0 Introduction

Price is an integral part of a product. A product cannot exist without a price. It is difficulty to think or talk about a product without considering its price. Price is important because it affects demand, and an inverse relationship between the two usually prevails. Price also affects the larger economy because inflation is caused by rapid price increases. However, price is not any more important than the other three Ps. Thus, price should never be treated as an isolated factor. This unit examines the importance of pricing on international marketing activities.

2. 0 Objectives

On completion of this you should be able to:

1. Explain the term ‘price’
2. State the importance of prices
3. Discuss pricing strategies, and
4. Explain factors that affects pricing strategies in a given market

3.0 Main Text

3.1 Pricing

A sound international marketing strategy demands that a framework for decision making in the pricing area is evolved. In the absence of such a framework, the firm runs the risk of allowing its international pricing to run out of control. The problem becomes even more acute in an area of exchange anarchy and floating currencies.

Price is often misunderstood, especially by many executives. Consumers do not object price. What they object to is the lack of relationship between the perceived value of the product and the price being charged. They want a fair price, and a fair price can be either high or low as long as it reflects the perceived value of the product in question. Price can be absolutely high from a cost standpoint yet relatively low from a demand standpoint, in relation to its value and other features.

Pricing the product is not an easy task. Marketers are usually careful as any mismanagement of a firm's pricing policy can easily lead to:

a. Substantial variations in the price of the same product in different countries.
b. Pressures for price reductions or bigger discounts resulting from variations
c. The development of a graw market, by unscrupulous traders. A graw market is created where the product is purchased in a cheap market with the view of being sold in markets enjoying higher prices.

Price is described by many people as: fares, fees, charges, tuitions, rents, and assessment. Whiles in economic theory, we learnt that price, value, and utility are related. But in marketing, price is defined as a value expressed in monetary medium of exchange. For example, a consumer who exchanged #1000 for pair of shoe, #1000 is the price being charged.

3.2 Importance of Price

Having an idea about the importance of price is considered utmost imperative to international marketers. This because it provides guides on how price functions, operates in different types of economy and in the industry. While discussing the importance of pricing, we shall limit our discussion to two areas: Importance to the economy and importance to the firm

1. Importance in the economy

In capitalist economy, pricing is considered to be the key factor that regulates the economy. This is because the market price of products influences wages, rent, interest, and profit. That is, it influences the price paid for factors of production. It regulates the economic system, because it influences the allocation of these factors of production. It determined what to be produced (supply) and how much of these goods and/ or services (demand).

2. Importance in the Firm

The price of a product is a major determinant of the market demand for the item. Price affects a firm's competitive position and its share of the market. Hence, price has a considerably bearing on a company's revenue and profit. The price of a product also affects the firm's marketing programmes. In product planning, for example, management may decide to improve the quality of its product or add differentiating features. This decision can only be implemented if the market will accept a price high enough to cover the cost of these changes.

However, there are certain features that limit the importance of pricing functions in a company's marketing programme and even in the economy. For example, differentiated product features or a favourable brand at times may be more important to consumers than the price. This is true, because it is known fact that one of the objectives of branding is to decrease the effect of price on the demand for a product. These forces tend to make price less responsive to changes in demand and supply.

In addition, the current state of the economy has a considerable influence on the importance that business executives attach to pricing in relation to other marketing activities. For example, when economic conditions are good and consumers feel relatively affluent, price would not be rated as important as product planning or promotional activity, but during the period of recession and inflation, marketing executives consider price and pricing strategies extremely important and major contributors to marketing success.

3.3 Pricing Objectives

No marketing activities can be carried out without a well defined objectives and pricing is not an exception. It imperative for management to decide on its pricing objectives, before determining the price itself. Discuss herewith are some of the objectives that would international marketers, while setting price on their products or services.

1. Return on Investment

Achieving target return on investment is mostly employed by manufacturers that are leaders in their industry, for example Coca-Kola. The reason behind their use of the method is that being a dominant firm in the industry, they set pricing goals more independently of competition than other smaller firms in the industry. The concern of marketing executives here is to determine a price which will satisfy the needs of the consumers on one hand and which will at the same time enable the firm to attain a preset return on the capital or investment involved.

2. Market Stabilization

Here the intention of the marketing executives is to operate in a market in such a way that little or no disturbance of competitors take place. Adhering to a pricing objective where by one follows the recognized leader of the market (such as Toyota, Honda, Mercedes; Vital form, Mouka form, etc.) is a sound way for maintaining stability. The marketing implication is that one has to identify the leader in each country and aim to operate a pricing policy which upsets its cost.

3. Maintain or Improve Market Position

Here, firms can deicide to reduce the price of its products with the hope of attracting its competitor's customers, thereby increasing its own market share. Another firm may have the objective of maintaining its present market position. For example, it assumed that MTN is a leader in telecommunication with 90% share; it may decide to maintain this position in Nigeria markets and even surrounding countries. This firm instead of reducing or increasing its price will use other marketing mix combinations to stabilize and maintain the existing price, which it feels will guarantee its position in the market. Such ways include promotion; MTN sponsored 'Who want be a millionaire' and FIFA world Cup in order to maintain her position in African markets.

4. Meet or Follow Competition

This is a perfectly legitimate objective in situations where one enters markets for the first time or where one is operating in markets in which one or more competitors enjoy a dominant position. For in Nigeria, Coca-Kola soft drink Company has dominated the market, thus other soft drinks such as Limca, Pepsi, Mineda, etc follow price fixed by this company. The assumption is that such competitors have been in the markets for some time, and therefore they have had an opportunity of testing the validity and acceptability of their existing prices.

5. Preventing New Entry

A firm may wish, as part of its pricing objectives, to take all the tactical steps within its power to stop a competitor from entering the market or part thereof. Such pricing objective must be handled with care, because it may be based on the fallacy that competitors are fully aware of the cost of production and distribution, and will be deterred from entering a market which is unlikely to offer fair rewards.

This is of course a dangerous assumption, in as much as not every competitor is efficient and painstaking in the way he assembles data about markets and costs. Many competitors simply follow others blindly, and in such an event, a marketer who seeks to prevent new entry through low prices may find himself faced with price war in which nobody is likely to earn a living. This risk is particularly high in international marketing where one is likely to encounter competitors who are particularly ill-informed about the cost realities of marketing in foreign countries.

6. To Maximize Profits

This is one of the objectives that most firms both local and international considered important while taking decisions on pricing objectives. The emphasize is because 'profits' is the corner-stone for establishing a business. Without profit, a firm cannot acquire its resources neither can it produce goods and services? The answer is no. In addition, it will be difficult for a firm that does not make profit to survive neither can it grow and expand.

Although, the term 'profit maximization' is not bad in Economic Theory. However, modern marketers frown at it. They prefer to use the term 'profit optimization' which signifies a profit level where sellers and buyers are both better-off and happy. They condemn profit maximization, because in the mind of the consumers, it is associated with profiteering, high prices, and monopoly, which satisfy only the sellers and does not take into consideration what consumers or buyers will benefit.

3.4 Pricing Strategies

A pricing strategy consists of all the principles and tactics associated with putting a price on a product or service with the hope of achieving a defined objective in competitive markets. For any pricing strategy to be effective and achieve its stated objective, it must be planned with careful consideration of the following factors:

a. The company's competitive size and position in the market.
b. The company's resources, objectives and policies.
c. The competitors pricing strategies
d. The buying behaviour of the target market.
e. The stage of the product life-cycle, and
f. The character of the economy.

Activity

Briefly itemize factors to be considered before adopting any pricing strategy.

3.4.1 International Marketing Strategies

Discuss below are some of the strategies available to international marketers.

1. Cream Skimming Pricing

It aimed to set a price which is at top end of the range of possible prices. The seller will continue with this price, until he fells that he wishes to penetrate the market more deeply. At that point, he would lower the price, especially where he has evidence that demand elasticity exists.

Skimming strategy is particularly useful where the product is new and the firm has production limitations and it is not fully aware of the market situation. Market skimming can also act as a hedge against possible mistakes in setting the price. It is always easier to correct a price downwards than upwards.

Market skimming is quite popular in international marketing. The size of the potential market is such that a small penetration of the global market can be sufficient to meet the immediate marketing objectives. The high initial prices can generate the level of revenue and profits which could justify a major market development.

2. Penetration Pricing

Companies that use this strategy set a low initial price in order to reach mass market immediately. It is a more aggressive pricing strategy than the scream skimming pricing. The strategy can be more satisfactory when the following conditions exist:

a. Evidence exist to show that demand is sensitive to price.
b. The production process is such that substantial reductions in cost will occur when a large-scale operation is established
c. There is an inadequate innovators in the market to sustain a market skimming strategy, and
d. Competition can be forestalled through an aggressive low price.

A full understanding of the relationship between the price and the product life cycle is an essential element in a successful penetration strategy. While it works with a product with lasting life cycle, it can be disastrous if it is based on a product with a very short life cycle.

Notwithstanding, a firm that has a good international distribution network is probably well positioned to exploit the life cycle on penetration basis. However, the fact that life cycle may be short can be offset by the rapidity at which international markets can be covered.

3. Pricing to reflect Product Differentiation

A company that has a wide range of products, serving the same market can choose to highlight the differentiation among these products through variation in prices, examples, UAC and PZ. Such prices do not aim to reflect the actual difference in cost of production of the products in the range. They seek to attach a subjective price tag to each product, thus appealing to a range of segments. For example, Zico and sony wrist watch companies, can offer two different models for different segments of the market; one at a very high price, and the other at a low price. The same apply to electronic market and refrigerators market. Some features are more in one than the other to differentiate class product and price as well.

As long as the products are seen as different and the more expensive product offers a sufficient number of unique selling points to reflect the differentiation, every one that purchases them would be happy.

Such strategy can have important marketing implications. For instance, the firm must ensure that the game is played consistently throughout the world. The strategy is sure to fail. If in one country, the price differentiation is adhered to and in another market it is ignored and the products sold at more or less the same price.

The strategy works better where the price is determined at one centre than where it is determined at local levels as a result of decentralization.

4. Loss Leader Strategy

The underlying reason for this strategy is that by pricing one product at a very low price, the consumer will be attracted to the supplier's market place and at the point he may purchase other commodities which are priced in the normal way. That is, the low price of the loss leader product acts as promotional bait to the consumers. The strategy is particularly adopted by superstores, super-markets, retail sores, etc. They advertise a product and indicate a very low price for it. The consumer will probably buy other items in that store once he has taken the trouble to visit the super-market.

It is also useful in situations where derived demand exists. Derived demand occurs where the demand for one product stems from the existence or availability of another product. For example, the demand for razor blade occurs only when the consumer possesses razor. Here, a marketer would try to achieve his profit objectives through the sale of the blades.

As international marketers, there is need to consider the following factors while adopting this strategy:

a. Loss leadership may contravene the law of certain countries where selling a product on this basis is considered an offence.
b. In some markets, it would become difficult to raise the price once a decision has been taken to sell the product very cheap.

5. Following Competitors and Their Price Practices

Here, marketers' works with the notion that the competitor (s) are more experienced or knowledgeable than he is, and that the best strategy will be to take notice of what they are doing. This approach is recommended only where direct competitors exist or where one has sufficient confidence in their commercial and marketing activities. It may be a bad practice to follow competitors who are known for their poor judgment and performance.

However, one may follow competitors in one of these ways:

a. Price one's product at the same level
b. Price the product below competitors' levels
c. Where one has distinct unique selling points, the product can be priced above competitors levels to reflect such differentiation.

At times, problems use to arise when one tries to follow the practice of competitors, who have no pricing policies of substance or where one misinterprets the underlying motives of such practices, For example, if the competitor that one is trying to emulate reduce his price, in an attempt to reduce slow-moving stocks at the end of the financial year, it will not be wise to adopt such a strategy.

For the international marketers, the big problem is how to identify a competitor who is suitable in a large number of markets. In the absence of such a competitor, one is compelled to follow the practices of different competitors in different markets.

6. What the Traffic Will Bear

The basis here is that is marketers seek to price their products at a high a level as they can without jeopardizing sales. This strategy is consistent with a market skimming strategy and its advantage is that it allows ample latitude for future reductions. For this strategy to work well, it needs a fair bit of research. This because, one cannot sensibly establish what the traffic will bear, unless one conducts some investigations.

This approach to pricing can be very suitable in situations where the product is expected to have a relatively short life span and marketer's wishes to maximize the returns as quickly as possible with the view of obtaining a rapid investment recovering. It needs to be dynamic in order to continually to satisfy the bulk of the international consumers.

7. Resale Price Maintenance

This strategy is mostly used by manufacturers. Those that adopted this strategy set the price of their products to the international distributors and equally set the price that the distributors will sell the products.

At times, the set list price will just be a price to the distributors. Under this arrangement, the manufacturers only use the list price as a base on which to compute the discounts to be given to the distributors. Whiles for some manufacturers, the list price is so rigidly enforced that the distributors franchise may be cancelled if they do not adhere strictly to the list price.

8. Psychological Pricing

This strategy is also known as ‘odd pricing.’ Firms that adopt this strategy usually set the price of their product at such odd amounts that psychologically it will appear in the mind of the consumers that the price has been reduced while significantly the reduction is nothing. For example, a marketer may decide to fix the prices of his product at #95.00, instead of #i00 or #99.9 instead of #100. This is commonly practice by super-stores and super-markets, most especially at the festivity periods, such as Christmas and Sallah. This type pricing strategy appears in the minds of the consumers that the price has been reduced, while the reduction is nothing significantly.

9. Dumping

Dumping is a form of price discrimination, is the practice of charging different prices for the same product in similar markets. As a result, imported goods are sold at price so low as to be detrimental to local producers of the same kind of merchandise. For example, Japanese banks in California were accused of dumping money in U.S market by pricing their loans at an interest rate lower than what U.S banks charged.

3.5 Crucial Factors for pricing Strategies in a Given Market

The determination of the appropriate pricing strategy for a product or services to adopt in a defined competitive environment is not an easy task for management. This is because of uncertainties that surround the decision makers due to incomplete information/data coupled with other several factors that influence final decision of a management. Notwithstanding, some of the crucial factors that considered are briefly discussed below:

1. Corporate Objectives of the Firm

This is the cap-stone to start with. Until one knows what the firm wishes to achieve, one cannot determines a sound price strategy for the firms products. For example, a firm may achieve a volume of profit by catering for a small number of consumers with a high quality product and at a high price. Whiles, a competitor may pot for a different approach. He may wish to attain a substantial penetration of the market with a low quality product at a lower price and yet achieve virtually the same amount of profit.

The underlying consideration in each situation will be different. It is therefore important for a person responsible for determining the pricing strategy to understand these considerations, and the goals of the firm.

2. Competitors Reactions.

Assuming that the firm's corporate objectives are clear and that they have been communicated to all managers, one must gauge the impact that competitors may have on one's freedom to manipulate one's price. In doing so, the firm has to consider the reactions of other competitors in the market and in the industry. A pricing strategy set without the consideration of competitors' reactions in mind would be detrimental to the firm growth and realization of her objectives.

3. The Firm's International Structure

A firm that has structured its international operation on a centralized pattern is more likely to develop strong pricing guidelines emanating from the central authority. It is much difficult to exercise control procedures of guidelines on a decentralized enterprise. It is common to find price variations among markets organized on the decentralized principles than on the centralized structure. As international marketers, you consider the structure of firm before taking final decision in this regards.

4. Legal Constraints

Each country has it own laws and regulations that guide the activities of business, both in pricing, transfer pricing, and other related issues. Knowledge of these laws and regulations provides impetus for consumers' freedom and economy at large. For example 'corruption' is now a global issue, even though, individual's countries frown at it, it thus exists.

5. Target Share of the Market

The market share targeted by a firm is a major factor to consider when a decision is to be made on the type of pricing strategy to be adopted. For instance, a firm that aims at increasing its market share will usually adopt penetration pricing strategy by lowering the prices of its products, with the hope of attracting more customers. Whiles, company that is satisfied with its current share of the market, will only maintain and guard its prices for his products.

Self Assessment Exercise 1

Briefly state conditions under which price may not be considered important to a firm.

4.0 Conclusion

To set price, the concerns of all affected parties must be addressed. A manufacturer needs to make a profit. So do retailers, who demand adequate margin for their services. Moreover, competitors' reactions in terms of their price responses must be anticipated. Finally, it is necessary to take into account both consumers and the value they place on the product.

5.0 Summary

skimming pricing, price to reflect product differention, and penetration pricing were discussed. Crucial factors in determining pricing strategies in international marketing were examined.

6.0 Tutor Marked Assignment

Discuss factors that affect pricing strategies in a given market.

7.0 References/Further Reading

Eze, B.I: International Marketing, Bauchi, ATBU, 1999 (Unpublished)

Ketler, P: Marketing Management-Analysis, Planning, Implementation and Control, 9th Edition, New Jersey, Prentice-Hall, 1997.

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UNIT 9: INTERNATIONAL SERVICE

Table of Contents

1.0 Introduction

Services are component of world trade, the link between service and goods are necessary. In essence, service and goods go hand in hand. Service is playing a very great role in the world economy. Despite these, services have some problems while trying to deliver them across borders. The focus of this unit is on international services as they affect international marketing.

2.0 Objectives

After thorough studying this unit, you should be able to:

1. Explain the role of service in international marketing.

2. Explain the complex nature of international trade
3. Explain the basis used in making international business for service a success.
4. Identify stand-alone service and how the are becoming more important to world trade and
5. Identify competitive advantage of firms in the service sectors.

3.0 MAIN TEXT

3.1 Differences between Service and Goods

Kotler et.al (2002) define service as any act or performance that one party can offer another and does not result on the ownership of anything, its production may or may not be tied to a physical product.

To differentiate the two therefore the following definition would serve

That a good is an object, a device, a thing,

While service is a deed, a performance, and an effort.

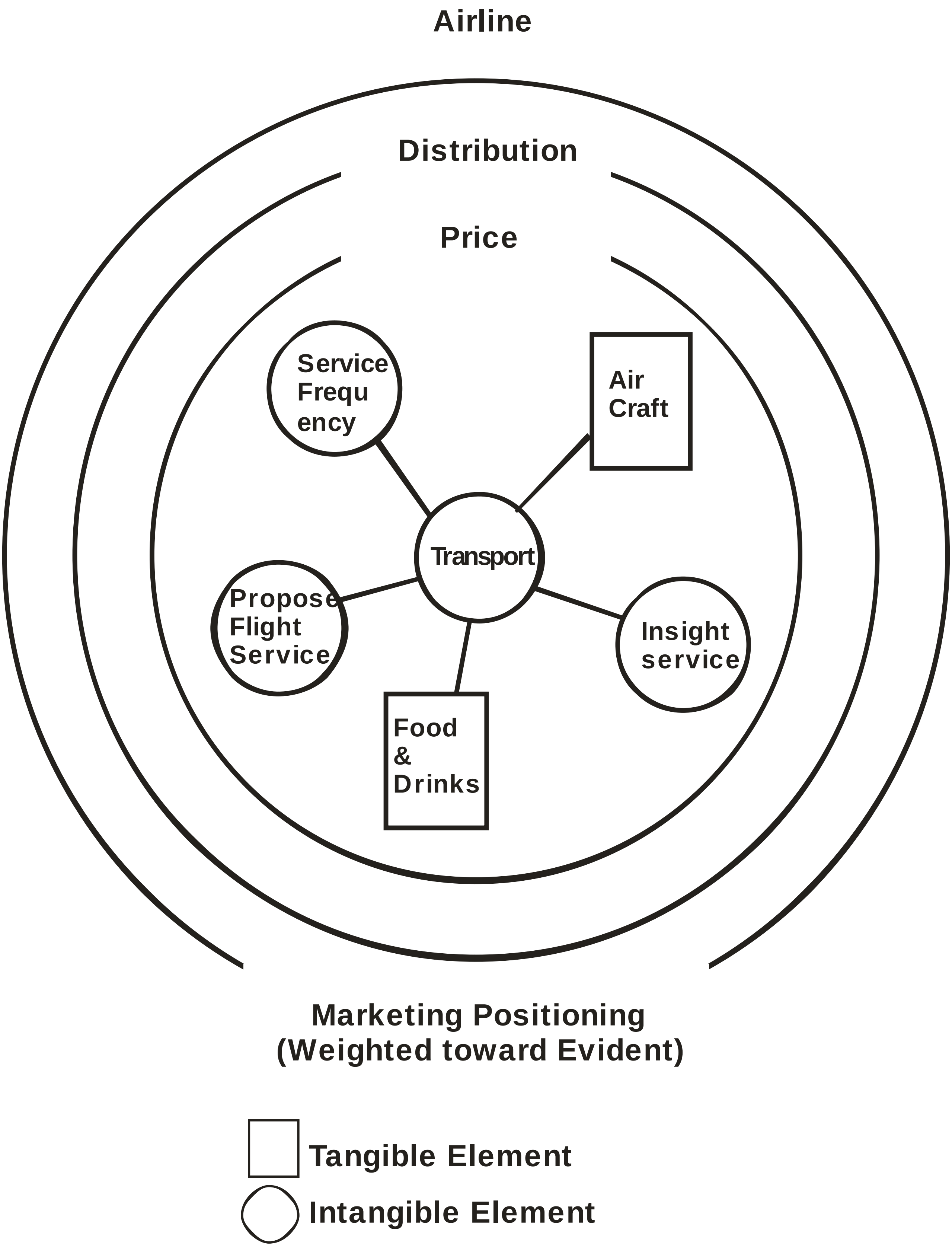
Czinkota etal 2002believes that service firms do not have products in the form of reproduced solutions to customer's problems; they have processes as solutions to such problems. Service is said to be the fastest growing sector in the world trade. Service sector is becoming global phenomenon.

3.1.1 Link between Services and Goods

Goods are produce and sold across borders, one interesting aspect is that some goods cannot be sold without accompanying it with service. For instance a purchase of plane, which is a good (product), is most at times followed with service like training of personnel, maintenance, and continuous technological update.

The link between service and goods can be demonstrated in an offering of on airline services as shown in figure 9.1 below

Figure 9.1: Goods and Services Compared



Just the way goods are accompanied with service for customers' satisfaction so also the above diagram that service provision can't be complete without a product in use. In essence physical goods are used for service provision.

In the diagram above, an airline that provide transport service has a plane as a product, how perfect the plane is, will have positive or negative effect on service provision. As passenger boards the plane another physical product is given to him in form of food and drinks yet he has in-flight service, service frequency and pre and post light service. In essence service and goods complement each other in a successful customer's satisfaction.

Self Assessment Exercise 1

Differentiate between service and a product

3.1.2 Stand-Alone Service

Service mix is divided into six categories

i. Pure tangible good

ii. Tangible goods with accompanying service eg. Computer and installation service.

iii. Hybrid-offering with equal part of service and goods i.e. patronizing restaurant for food and service.

iv. Major Service with accompanying minor goods and services, e.g. traveling in a plane and being served with food.

v. Pure service- This is purely services i.e. a psychotherapist.

The fifth division of service which is pure service is what you learn here and to know more about it, you must look at some basic characteristics.

(a) Intangible- It means service can't be seen, tested, felt, learned or smelled before they are bought. To succeed in selling this type of service you need to know one of the following marketing tools.

- Place
- People
- Equipment
- Communication material
- Symbols
- Price

(b) Variability- Service provision is done by different people even if they are working for the same organization where and when they are provided brings about variability in service provision. About three areas if properly looked into service provision will reduce variability.

- Investing in goods, hiring and training procedures
- Standardize the service performance process throughout the organization
- Monitor customer satisfaction.

(c) Perish ability- Service cannot be stored. For instance a plane that takes off with 10 empty seats cannot be redeemed or an Hotelier who could not get a quest in his room for the previous night cannot regain such loss. The marketing idea is to improve on the Demand and Supply system.

In Demand-

- You differentiate pricing
- Cultrate non-peak demand
- Develop complementary service
- Reservation system should be developed.

In Supply side-

- Part time worker should be used for peak period
- Introduce peak time efficiency
- In creased consumers participation.
- Shared service can be provided.
- Develop facilities for future expansion.

(d) Inseparability- The provider of service and the service itself is seen as same i.e. a cashier in a bank attending to a customer rudely is seen as the bank and he is equated with the bank.

Self Assessment Exercise

Discuss 4 basic characteristics of an international business?

3.1.3 The Role of Service

Service been it in US or Nigerian Economy has been able to:

- Create jobs
- Service provision is increasing worldwide; therefore it has generated enough revenue for the US. In year 2000 alone the revenue was $ 295 billion.

3.2 The Role of Global Service in the World Economy

In the world economy, service provision worldwide has two basic areas that have touch the world economy.

i. There has been a rise in service sector globally, as such some economies; GDP has improved due to service provision for instance in Argentina it accounts for 65% GDP, 64% in Mexico and 65% in South Africa.

ii. A lot of economics are shifting away from traditional economic development pattern and are concentrating on development strong service sectors. Nigeria has even created a ministry for tourism, to encourage service provision.

3.3 Global Transformation in the Service Sector

Service provision worldwide has increase tremendously. There are basically two factors that have lead to the global transformation in the service sector. These factors include:

1. Technology:- Once we talk about technology, computers comes into mind, for instance Architectural work or car design that would have been done manually is been design by computers thereby given room for growth in providing services. Technology has equally reduced the cost of communication. Service provision is increasing without the presence of human being i.e. banking service with automatic teller machine. This equally has lead to growth in service provision worldwide.

Growth of corporate world web sites companies takes advantage of this. Distance and barriers have been removed. A customer in Japan and Nigeria need not to worry about distance because technology has removed that barrier while transacting business.

2. Environment: - In this situation regulation and deregulation has increased the chances of service provision worldwide.

- Reduction in Government Regulation, which has brought about deregulation, it has given rise to service provision.
-
- Deregulation in transport sector has given rise to increase in service worldwide.
- Regulation of service industries by their service groups is another reason i.e. fields like law; health care has contributed to this.

Activity

i. List five (5) area of pure service that you know

ii. List four (4) characteristics of service

3.4 Problems in International Service Trade

There are basically two problems areas of international service trade. They include:

3.4.1 Data Collection Problem

It is difficult to track down information on people who go round to provide service worldwide. In fact the information is sketchy. An example of an Irish citizen working for a Canadian financial consulting firm from the headquarters in Sweden advises an Israeli citizen living in India on management of funds deposited in a Swiss bank to determine the import and export of this business diversion is difficult to track down and record the information down.

3.4.2 Global Regulation of Services

This is considered from two angles, namely

- Barriers to entry and
- Problem of performing services abroad.

Barriers to entry are always explained by countries with reference to national security and economic security. The host country may create barriers based on protecting infant industry.

Another area of global regulation of services is performing services abroad. Once a service provider has gotten access to a local market he is faced with the problem of discriminating and non-discriminating regulations. These regulations hinder service providers to penetrate some markets.

General agreement on trade on service (GATS) in 1995 came up to regulate services worldwide. This is similar to GATT.

3.5 Service & E- Commerce

Electronic commerce and service have succeeded in removing distance between the user and provider of service. Government population across border has equally been removed by providing service electronically. This equally has led to businesses that are small to look big in the internet. It is believe that there are some provider of service and the users that have never met face to face.

Internet has been the basis of E-commerce, One should take note that Internet has occurs in different countries at different time and not all have access to it.

Language could be another barrier on the Internet. Many companies do not permit any interaction on their websites, thus missing out in feed back from visitors.

3.6 Typical International Services

The following are the commonly practiced international services.

i. Construction, Design and Engineering services
ii. Insurance services
iii. Communication services
iv. Teaching services
v. Consulting services
vi. Tourism

3.7 Starting to Offer Services Internationally

If you are to go into service provision internationally you are:

To look at service you are to provide:-is it in support or in conjunction of goods, the most acceptable method is to follow the method and ways goods are provided to provide service.

Czinkota etal (2002) observed that service providers, whose activities are independent from goods, need a different strategy. These individuals and firms must search for market situations abroad that are similar to the domestic market.

Another thing is that a service provider must identify and understand points of transition abroad.

Service provider internationally should equally stay informed about international projects sponsored by domestic organization, and World Bank, United Nations etc.

Activity 2

List five areas of mostly practice international service'

3.8 Strategic Indications

For you to be successful in an international business in service provision, you must:

- Determine the nature and the aim of the services offering core - that is, whether the services will be aimed at people or at things and whether the service act in itself will result in tangible or intangible actions.
- As a manager you should consider other tactical variable that have an impact in the preparation of the service offering. For instance if you are carrying out a research for services, measurement of capacity and delivery efficiency often remain highly qualitative rather than qualitative.
- Personnel issue must be looked into, if, you want to provide service internationally.
- Managers of service that prefer going abroad should have close interaction with their customers.

- Pricing and financing area should equally be looked into because service is not stored; you should have in mind the demand and supply situation of service, so as to have greater flexibility in pricing.
- In distribution, the service provider should have in mind that shorter channel of distribution are better.

Self Assessment Exercise 2

Discuss the difficulty Nigerians may face in exporting his Service outside this country.

4.0 Conclusion

Service and goods must be used to compliment each other. Service is intangible and goods are tangible. Service has four characteristics which include: Intangibility, perish ability, variability and incomparability.

Service has been able to create jobs and more revenue generated. In global service provision, it has led to increase in nations GDP and they are shifting from traditional method.

Technology and Environment has transform service provision worldwide. Data and Regulation are major problem of service worldwide.

5.0 Summary

Examined in this are services and goods, the role of services while providing goods for consumer satisfaction, problems of service sectors, and strategic indicators of service industries.

6.0 Tutor Marked Assignment

Discuss the six types of service as enumerated in this unit.

7.0 References/Further Reading

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UNIT10: MARKETING COMMUNICATIONS IN WORLD MARKET

Table of Content

1.0 Introduction

Modern marketing calls for more than developing a good product, pricing it effectively, and making it accessible to target customers. Companies must also communicate with their present and potential customers, retailers, suppliers, other stakeholders, and general public. Every company is inevitably cast into the role of communication and promoter. For most companies, the question is not whether to communicate but rather what to say, to whom and how often. This unit examines the influence of communication on international marketing.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Draw communication processes
2. Explain communication mix and

3. Explain factors that affect communication decisions.

3.0 Main Text

3.1 The Communication Process

Too often, marketing communications focus on overcoming awareness, an image, or a preference gap in the target market. But this approach to communication has several limitations. It is too short-term and too costly, and most messages of this type fall on deaf ears.

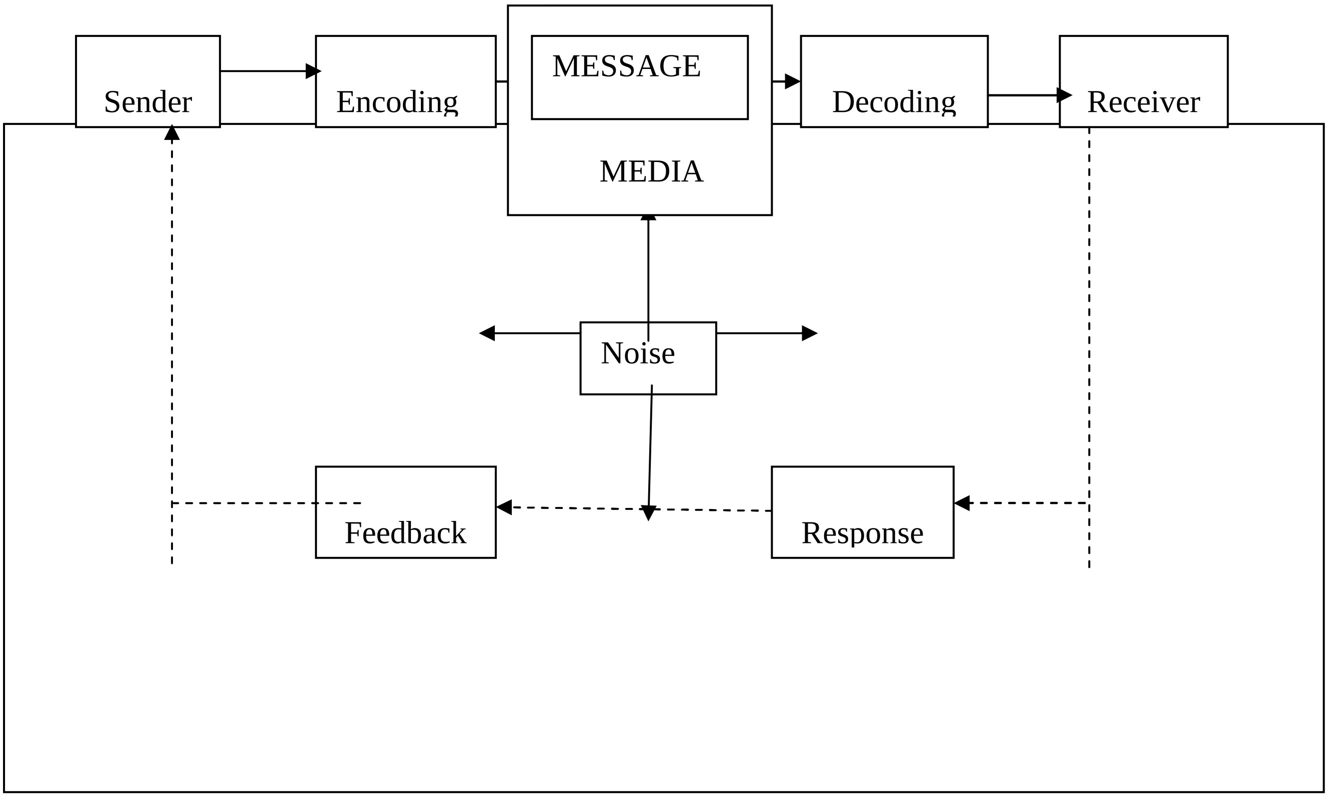
But this day, communication is being viewed as the management of customer buying process over time, during the pre-selling, selling consuming and post-consuming stages. This is because, customers differ, and communications programs need to be developed for specific segments, niches, and even individuals. Given the new electronic technologies, companies must ask not only “How can we reach our customers?” but
also “How can we find ways to let our customers reach us?”

Therefore, the starting point in the communication process is thus an audit of all the potential interactions target customers may have with the product and company. For example, someone who wishes to purchase a car would talk to others who have used such cars, see ads, read articles in newspapers and magazines, and observe cars in the show rooms. Hence, marketers need to assess which of these experiences and impressions will have the most influence at the different stages of the buying process. This understanding will help marketers allocate their communication naira more efficiently.

To communicate effectively, marketers need to understand the fundamental elements underlying effective communication. Figure 1 below shows a communication model with nine elements. Two elements represent the major parties in a communication- sender, and receiver. Two represent the major communication tools- message and media. Four represent major communication functions- encoding, decoding, response, and feedback. The last element in the system is noise (i.e., random and competing messages that may interfere with the intended communications.

Model explains the key factors in effective communication. Senders must know what audiences they want to reach and what responses they want. They must encode their messages in a way that takes into account how the target audience usually decodes messages. They must also transmit the message through efficient media that reach the target audience and develop feedback channels to monitor the receiver’s response to the message.

Figure 10.1: Communication Process



Source: *Kotler, P: Marketing Management–Analysis, Planning, Implementation and Control, New Jersey, Prentice-Hall, 1997.*

For a message to be effective, the sender's encoding process must mesh with the receiver's decoding process. Thus, the best messages are essentially signs that are familiar to the receiver. The more the sender's field of experience overlaps with that of the receiver, the more effective the message is likely to be. This requirement puts a burden on communicators from one social stratum who wants to communicate effectively with another stratum.

The sender's task is to get his or her message through to the receiver. The target audience may not receive the intended message for any of three reasons:

a. Selective attention
b. Selective distortion, and
c. Selective recall.

The communicators should look for audience traits that correlate with persuasibility and use them to guide message and media development. Kotler (1997) observed that 'people of high education and/or intelligence are thought to be less perusable, but the evidence is inclusive. Persons who accept external standards to guide their behaviour and who have a weak self-concept appear to be more persuasible, as are people who are low self-confidence.'

Communicators also need to think about their audience awareness that the communicator is attempting to persuade them. People who have been exposed to previous persuasion attempts have a different response to persuasion than those who have not been exposed to such attempts. Fiske and Hartley as reported by Kotler (1997) have outlined some general factors that influence the effectiveness of a communication:

1. The greater the monopoly of the communication source over the receipt, the greater the recipient's change or effect in favour of the source.
2. Communication effects are greater where the message is in line with the receiver's existing opinions, beliefs, and dispositions.
3. Communication can produce the most effective shifts on unfamiliar, lightly felt, peripheral issues, which do not lie at the center of the recipient's value system
4. Communication is more likely to be effective where the source is believed to have expertise, high status, objectivity, or likeability, but particularly where the source has power and can be identified with, and
5. The social context, group or reference group will mediate the communication and influence whether or not the communication is accepted.

Self Assessment Exercise 1

Explain factors that influence the effectiveness of a communication

3.2 Marketing Communication Mix

The marketing communication mix consists of the combination of all the communication variables or tools in a given target market by an organization with the hope of satisfying the market and to achieve a defined objective.

There are two ways to look at the component of the marketing communication mix. The first view that can be described as the broad view states that each of the 4ps should be included in the marketing communication mix. According to this view, the product's styling, the colour and shape of the packaging, price and place all communicate something. The second view which can be termed the narrow view states that the marketing communications mix consist of the subset of marketing tools that are primarily communicational in nature. They are the tools normally classified under promotion, one of the 4ps. They are called promo-tools and include various forms of advertising, personal selling sales promotion, and publicity

3.3 Developing Effective Communication

Here we would examine briefly ways of achieving effective communication system.

3.3.1 Identifying the Target Audience

A marketing communicator must start with a clear target audience in mind. The audience could be potential buyers of the company's products, current users, deciders or influencers. The audience could be individuals, groups, particular publics, or the general public. The target audience will critically influence the communicator's decisions on what to say, how to say it, when to say it, where to say it, and whom to say it.

A major part of audience analysis entails assessing the audience's current image of the company, its products and its competitors. An organization seeking to improve its image must have great patience. Images are sticky; they persist long after the organization has changed. For example, a famous university might have got down in her educational standard, yet it continues to be highly regarded in the public mind. For instance examples, Harvard, Oxford, Cambridge, ABU, UI, etc universities are examples of image being discussed.

3.3.2 Determining the Communication Objectives

Once the target market and its characteristics are identified, the marketing communicator must decide on the desired audience response. The desire ultimate responses are purchase, high satisfaction, and favourable word-of-mouth. Purchase behaviour is the end result of a long process of consumer decision making. The task of marketing communicator here knows how to move the target audience to higher states of readiness to buy. There are various ways of achieving this; however this depend on thee nature of the products and characteristics of the markets available.

3.3.3 Designing the Message

Having defined the desired audience response, the communicator moves to developing an effective message. Ideally, the message should gain attention, hold interest, arouse desire, and elicit action (AIDA). Formulating the message will require solving four issues: what to say (message content), how to say it logically (message structure), how to say symbolically (message format), and who should say it (message source).

3.3.4 Selecting the Communication Channels

The communicator must select efficient channels of communication to carry the message. The channel chosen depends on the nature of the products and availability of experts who will carry the message to the target markets. Communication channels of two broad types, personal and non-personal.

Personal communication channels involve two or more persons communicating directing with each other. They might communicate face to face, person to audience, over the telephone, or through the mails. Personal communication channels derive their effectiveness through the opportunities for individualizing the presentation and feedback.

The non-personal communication channels without personal contact or interaction. They include media, atmospheres, and events. Media consist of print, broadcast media, etc. Atmospheres are 'Packaged Environments' that create or reinforce the buyer's leanings toward product purchase.

3.3.5 Establishing the Total Promotion Budget

One of the most difficult marketing decisions facing companies is how much to spend on promotion. John Wanamaker observed, as reported by Kotler (1997) said "l know that half of my advertising is wasted, but I don't know which half." This is the dilemma of most management executives.

However, there some methods through which companies would be able to determine the amount to be spend on promotional activities. These include:

a. Affordable method
b. Percentage- of-sales method
c. Competitive-parity method
d. Objective and task method, and so forth.

3.3.6 Deciding on the Promotion Mix

Companies face the task of distributing the total promotion budget over the five promotional tools- advertising, sales promotion, public relations and publicity, sales force, and direct marketing. Company executives are always searching for ways to gain efficiency by substituting one promotional tool for another. All the five promotional tools are goods, but their selection depends on the availability of funds, nature of the products, stages of product life cycle, accessibility of the target markets and objectives the company want to achieve.

3.4 Factors that Affect Communication Decision in International Marketing

Many factors are taken into consideration by international marketers while deciding on communication issues, some of these are:

3.4.1 The Firm's Objectives

The objectives of a firm spell out the direction of the firm's activities, of which communication is inclusive. For example, companies that pursuit short term objectives, its communicative strategies will quite different from that one that pursuit long term objectives.

3.4.2 The Nature of the Product

The nature of the product strongly determines the kind of communication policy that a firm should adopt. This because certain types of goods lend themselves to a highly standardized style of promotion, whiles others by their very nature call for a high degree of differentiation.

For example, technical goods calls for a higher level of standardized of communication policy as compared to fashion-based products.

3.4.3 Legal Considerations

The legal system of a country often has an important impact on what can and what cannot be done in the field of marketing communications. What may be acceptable in one country may be against the law in another country. For examples:

a. In Norway and Sweden, television advertisement is not permitted
b. In Belgium and France, cigarettes and alcoholic are permitted on television.
c. In Austria and Italy, regulates television advertisement using children.

Therefore to ensure that one does not encounter any problem, it is important that an international marketer gains a broad understanding of the legislation of each target market.

3.4 .4 Media Availability

An international marketer must never assume that the type of media he had been accustomed to at home be likely to be found in foreign markets. For example, in some countries, the media that one wants may not be in existence. Even if they exist, the number may be too few to meet the demand for it. Cinema advertising for instance, may be popular in one country, whiles in another; it may be totally non existent. An international marketer that wants to know about the media availability in the foreign markets can seek for assistance from some reputable advertising agents. These agents possess useful information on media availability and they provide necessary documents.

Self Assessment Exercise 2

Briefly explain factors that affect communication decisions in international marketing.

4.0 Conclusion

The international marketer's communications responsibilities go beyond disseminating information to target customers. The company must communicate effectively with other parties in its task environment, external publics and internal publics. Communication is so essential in marketing that the question companies ask is not whether to promote but how to spend and in what ways.

5.0 Summary

This unit looked into communication as panacea for achieving international marketing objectives. Communication mix and factor s considered for total promotion budget were discussed. Also discussed in this unit were factor considered for selecting communication channels.

6.0 Tutor Marked Assignment

Briefly explain factors that affect communication decisions in international marketing.

7.0 References/Further Reading

Eze, B.I: International Marketing, Bauchi, ATBU, 1999 (Unpublished)

Ketler, P: Marketing Management-Analysis, Planning, Implementation and Control, 9^{th} Edition, New Jersey, Prentice-Hall, 1997.

UNIT 11: ITERNATIONAL ORGANIZATIONS AND INTERNATIONAL MARKETING

Table of Contents

1.0 Introduction

The essence of international organization to international marketing is to facilitate, regulate, and measure or to finance international business. International organizations are mostly regional or world wide; they may be a source of financing or a source of order for business organizations, and equally a source of jobs. These organizations have some relationship with marketing. It will be myopic of a business organization to understand only the political, socio-cultural, etc. environment without understanding the international organizations that have impact on international marketing activities. Examples are given of companies who wants to merge in US, may need the approval of EU so that the merger will not have effect in the European market This unit examines influence of international organizations on international marketing activities.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Explain the influence of UN on international business world wide.
2. Explain the role of IMF and World Bank and bank of international settlement and
3. Explain the contribution of OPEC and African trade organization.

3.0 Main Text

3.1 International Organizations

It is an association of two or more groups especially counties, with the aim of protecting member interest in different areas that may include business, culture, military etc. International organizations include:

- United Nations
- World bank
- International monetary funds
- World trade organizations
- Organization of petroleum exporting countries
- African trade organization
- Bank for international settlement.

3.2 The United Nation

The UN is the most popularly and best-known worldwide organization. After the World War II, the UN was formed. It has achieved a lot, and many people have viewed its achievement from both the positive and negative angle. International organization has 189 members' countries; it is dedicated to the promotion of peace. It also has many other functions related to business. The UN has different programmes and specialized agencies. It equally has Autonomous organizations and convention secretariats.

The UN carry out it activities through the use of five main body organs. They include:

- General Assembly
- Security council
- Economic and social council
- International court of justice
- The secretariat.

i. General Assembly

Is a deliberative body of UN made up of all members, Nations, each with one vote regardless of size, wealth or power?

ii. Security Council

Body of UN composed of 5 permanent members with veto power and ten chosen (5 each year) for two-year term. They have been agitation for the expansion of the Security Council.

iii. The Secretariat

The secretary General is the head and equally a staff of UN with the headquarters in New York City, charged with the responsibility of day-to-day administrative function. As at know Banki-moor is the secretary general, while Kofi Anan of Ghana is the immediate past secretary general of UN.

iv. The Economic and Social Council (ECOSOC)

Ball et. al (2002) described it as concerned with economic problems such as trade, transport, and industrialization and economic development and social issues, including population, children, housing, women's rights, racial discrimination, illegal drugs, and crime, social's welfare, youth, the human environment and food.

v. International Court of Justice

The court is established to resolve dispute among sovereign states and not individuals. The issue of Bakassi between Nigeria and Cameroon is still fresh in our memory as example of cases decided by this court.

The question one may ask is that- what is the contribution of United Nations to international business? The answer is given by Ball etal (2002) observed that UN has contributed to business in the following seven ways:

- When ships sail freely across the seas and through international straits, they are protected by rules legitimized in UN conferences.
- Commercial airlines have the right to fly across borders and to land in case of emergency, due to agreement negotiated by the international civil aviation organization, part of the UN system.
- The world Health organization sets criteria for pharmaceutical quality and standardizes the names for drugs.
- Universal postal union protocols prevent losses and allow the mail to move across borders.
- International telecommunication union allotment of frequencies keeps the airwaves from becoming hopelessly clogged and thus avoids interference among Radio transmission.
- Data collected and redistributed from member states by the world meteorological organization makes possible worldwide and country specific weather forecast.
- The UN sales convention and the UN convention on the carriage of goods by sea help to establish rights and obligations for buyers and sellers in international commercial transaction.

Self Assessment Exercise 1

What is the contribution of UN to international marketing?

3.3 World Bank

The World Bank is the largest source of development assistance; it provides about $ 16 billion loan to its clients i.e. countries. Most of the credit is given to developing countries. The World Bank is otherwise known as International Bank for Reconstruction and Development (IBRD). The World Bank consists of:

- World Bank
- International Finance Corporation (IFC)
- International Development Association (IDA)
- Multinational Investment Guarantee Agency (MIGA)
- International Center for Settlement of investment Disputes (ICSID)

The World Bank gives out what is called Hard-loan which is made payable in hard, convertible currencies at market interest rates with normal market maturities.

The World Bank has the following organizations under it

i. International Finance Corporation (IFC)

It is the world banks group investment banker; it operates in the developing countries with private risk ventures and it creation of local capital markets.

ii International Development Association (IDA)

It gives out soft loans to developing countries and repayable in soft, convertible currencies, carrying low or no interest obligation. The loans are frequently long term, up to 40 years, and may grant grace period of up to 10 years during which no payment are required.

iii The multilateral investment guarantee agency (-MIGA):

This agency attracts foreign investment with about 152 countries that are members. MIGA issues contract, most especially developing countries. Ball et.al 2002 observed that "MIGA, had issued more than 420 contracts to private investors for projects in some 70 developing countries, facilitating more than $30 Million in private investment"

iv International center for settlement of investment disputes (ICSID):-

Just like international court, ICSID provides facilities for settlement by conciliation or arbitration of investment disputes between foreign investors and their host countries.

World Bank loans therefore has the effect on business for the fact that loans are given out, members of host countries feel the impact of this either directly or indirectly.

3.4 International Monetary Funds (IMF)

IMF business is more with government, despite this; it has a tremendous effect on business worldwide. The main objectives of IMF include:

- Orderly foreign exchange agreements
- Convertible currencies
- Shorter duration and lesser degree of balance of payments disequilibrium.

Before now IMF was charged with the responsibility of fixing a permanents exchange rate among member nations, which was fixed at$ 35 per ounce of gold.

In the 70s and 80's, there were some fundamental changes in IMF. The major change was to abandon the fixed exchange rate and adopt the floating exchange rate.

The IMF had more power for firm surveillances which permits the IMF to influence or even dictate fiscal and monetary policies of member countries of the economically strong countries allow such instruction. The IMF contributes to policy coordination among the major industrial countries known as G7, they countries include Canada, France, Germany, Italy, Japan the UK and USA.

IMF has conditionality and cooperation with the World Bank. The two organization work with borrowing member countries in what is called structural adjustment facilities (SAF'S) or enhanced structural adjustment facilities (ESAs)

The effect of IMF on international business is equally direct and indirect. The indirect is the policy a country adopts affects their countries business. If a country limits it import and expand its export it means companies coming to operate in a host country will be limited.

Activity

Name fives areas of Country where United Nations impact has been felt.

(i)

(ii)

(iii)

(iv)

3.5 World Trade Organization

Hearing the name world trade organization one will feel that this is an organization that has more impact on international business just like others. It has its direct and indirect effect on international business.

Ball et.al (2002) opined that WTO is a multinational organization designed to deal with value of trade between nations. The WTO works with its core agreements, which were negotiated, signed and ratified by World most trading nations .WTO has its headquarters in Geneva Switzerland, it has 140 countries as members.

WTO has made its impact felt in the area of trade restriction.

The general agreement on tariff and trade was born 1947. The general tariff among member Nations was reduced from 40 percent to 5%. Issues of tariff among member nations for instance disputes were amicably settled by GATT. Because of this, trade in manufactured goods multiplied up to 20 times.

Here are some of the problems of WHO, namely:

- Regional trade agreements (RTA'S) are weakening WTO
- RTAS are destroying trade at the expense of countries that are not party to the agreements
- There has been a lot of protest from member countries.
- The question of whether member countries abide by the decisions of GATT is an issue on its own.

Activity

Name five countries that are part of WTO.

3.6 Organization of Petroleum Exporting Countries (OPEC)

The organization of the petroleum exporting countries (OPEC) is large group of countries made up of Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia the united Arab emirate, Venezuela and Ecuador (which rejoined OPEC in November 2007). The organization has maintained its headquarters on Vienna since 1965, hosting regular meetings between the oil ministers of its member states.

The principal aim of OPEC according its statute, is the determination of the best means for safeguarding their interest The member nations individually and collectively devise ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations, giving due regard at all times to the interests) of the producing nations and to the necessity of securing a steady income to the producing countries. Efficient, economic and regular supply of petroleum to consuming nations and a fair return on their capital to those investing in the petroleum industry is another serious function of OPEC.

OPEC's influence in the market has been called into question; several members of OPEC alarmed the world on triggered high inflation across the developing and developed world when they used oil embargoes in the 1973 oil crisis. OPEC's ability to control the price of oil has diminished somewhat, since the discovery and development of large oil reserves in the Gulf of Mexico and the North Sea, the opening up of Russia and market modernization.

OPEC nations still account for two-thirds of the world's oil services and in 2005, 41.7% of the world's oil production, affording them considerable control over the global market. The next largest group of producers, member of the OECD and the post soviet states produced only 23.8% and 14.8% respectively of the world's total of production. As early as 2003, concerns that OPEC members had little excess pumping capacity sparked speculation that their influence on crude oil prices would begin to slip. (www. Wikepedia. Com.)

One area of OPEC achievement is in the area of pricing. They have had considerable influence on world oil price. Any international business man in area of energy would have to look at the direction of OPEC before taking up any decision.

Sales of oils worldwide are dominated in US dollars, changes on the value of the dollar against other world currency affects OPEC'S decisions on how much oil to produce.

3.7 African Trade Organizations

Ball et.al (2002) reported that to promote economic growth throughout the continent, several African Countries have formed trade and investment organizations. Three of these organizations are the economic community of West African States (ECOWAS), the common market for Eastern and southern Africa (COMESA), and the Southern African Development Country (SADC).

3.8 Bank for International Settlements

Ball etal (2002) reported that Bank for internal settlements (BIS) is an international organization that fosters cooperation among central banks and international financial institutions. The BIS deals with government and government agencies, it does not accept deposits from or provide financial services to private individuals or corporations.

The BIS has 4 main functions:

- A forum for international monetary cooperation.
- A center for research
- A banker to central banks
- An agent or trustee with regard to various intentional financial arrangements.

Self Assessment Exercise

Discuss the contribution of OPEC to its member countries.

4.0 Conclusion

International organizations are necessary for the growth of international business. These organizations are needed for the study of these institutions plus all the factors surrounding this organization that has effect on international marketing. International organizations have influence on business and business people worldwide. Most of these organizations are more or less government organization with the aim of fostering unity among member nations.

5.0 Summary

This unit examined role of United Nation, World Bank, International monetary funds, and Organization of petroleum exporting countries. It also discusses World trade organizations, African trade organizations, and Bank for international settlements..

6.0 Tutor Marked Assignment

Discuss the contribution of UN in fostering business activities would wide.

7.0 References/Further Reading

Ball, A. D; Wendell H. M, et.al: International Business-The Challenges of Global Competition, 8th Ed., Irwin, McGraw Hill 2002

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UNIT 12: FINANCIAL INFLUENCE ON INTERNATIONAL MARKETING

TABLE OF CONTENT

1.0 Introduction

Financial influence on an international marketing is an uncontrollable factor and they include foreign currency, exchange Risks, National balance of payment, taxation, tariffs, national monetary and fiscal policies, inflation and national business accounting rules. Though all these are uncontrollable variables looking like disadvantages to a business concern, if well studied and apply accordingly they could turn out to be an advantage to a business concern. This unit examines financial influence on international marketing activities.

2.0 Objectives

After studying through this unit, you should be able to:

1. Explain factors that affect international business finance.
2. Explain the implication of foreign currency on international marketing.
3. Explain balance of payment.

4. Explain tariff, taxation and Government regulatory policy on international marketing activities and
5. Explain international accounting practice

3.0 Main Text

3.1 Financial Forces

There are some financial factors that a business man who partake in international marketing struggles with in order to be successful in an international business. These factors are refers to as uncontrollable because for the simple fact that a business man do have total control over them. However; if critically studied, they may serve as opportunities rather than threats.

3.2 Fluctuating Currency Values

History has it that one of the major currencies Nigeria depends on in term of exchange is dollar. In early 90s and late 90, to be precise during Abacha's Regime, Nigeria Naira was about ₦70 to 75 per Dollar. In 1999 to 2006, Nigerian currency has been fluctuating between ₦160 and ₦ 180 per dollar. To day it is about ₦120 per dollar and this has been fluctuating weekly.

The Essence of this account is to examine the effect of this on an international businessman who operates in Nigeria. The cost of goods that are brought in from outside Nigeria will continue to rise and fall thereby affecting business activities either positively or negatively depending on situation at hand and the policies of the Government.

In situation where the currency fluctuation is higher, central bank intervenes in selling and buying the dollars. You must continue to look at exchange rate if you must go into an international business/marketing. With a press of button in your set you can get the currency value of naira against major currencies in the world. You must bear it in mind that the rates are not always stable

Self Assessment Exercise

List the values of dollars, pounds, and euro against Nigerian currency.

3.3 Foreign Exchange Quotations

Foreign Exchange Quotations- Is the price of one currency expressed in terms of another. Ball etal (2002), observed that in the world currency exchange markets, the US dollar (US $) is defined as the common unit being exchange for other currencies. Even if a holders of Japanese Yen (¥) wants British pounds (₣) to trade with particularly if it involves a large amount, usually, it is expected to buy US $s with the ¥ and then to buy pounds with the US $s**.**

3.4 Currency Exchange Controls

Ball et. al (2002) describes it as currency exchange control limit or prohibit the legal use of a currency in international transaction. Typically, the value of the currency is arbitrarily fixed at a rate higher than its value in the free market and it is decided that all purchase or sales of other currencies be made through a government agency. However, black markets inevitably springs up, but it is of little use to a finance manager who usually wants to avoid or break the laws of a country in which the company is operating. In addition, the black market is rarely able to accommodate transaction of the size involved in a multinational business.

In Nigeria, the currency Exchange was highly controlled with two different exchange rates- Inter banks rate and Foreign Exchange Market (FEM) rate. FEM rate is determined at fortnightly auctions. Borrowing from abroad is subject to finance ministry approval. For incoming business especially direct investment, approval is needed from finance ministry and ministry of internal affairs. Limits on foreign equity shares, 100% ownership is not allowed. In the case of incoming Portfolio Market, it requires finance ministry approval. Remittance of dividends and profits, finance ministry approval is required. Delays are frequent, no ceilings is paid out of current-year after- tax profits. Remittance of interest and principal, finance ministry approval is required. Remittance of Royalties and fees, the finance ministry approval is required. Royalties limited to 1% of sales fees to 2% of pretax profit. Repatriation of capital, finance ministry approval is required, followed by authorized foreign dealer approvals. Documentation for remittance is onerous and complex, transfer via authorize dealers only is allowed.

Self Assessment Exercise

Explain how Nigeria government able to control foreign exchange in Nigeria?

3.5 Balance of Payments

Balance of payments is described as a situation where countries export and import is equal. If the balance of payment is slipping into deficit, government is probably considering one or more market or non market measures to correct or suppress that deficit.

In that situation, government may embark on one or all of the following measures:

- Currency devaluation
- Restrictive monetary or fiscal policies
- Currency or trade controls.

In terms of export, government will encourage export incentives, tax holidays, lower cost financing, or other advantages governments' give to international businesses to encourage them to export, buy goods and service. These and all affect international marketing activities either positively or negatively.

Self Assessment Exercise

List about five export incentives Nigeria has granted foreign investors.

i. ....
ii. ....
iii. ....
iv. ....
v. ....

3.6 Tariffs and Duties

The word Tariffs or Duties are used interchangeable, they are taxes usually imposed on imported goods. Tariffs and duties are imposed on some goods for:

i. Natural defense
ii. Protect infant industry
iii. Protect Domestic jobs from cheap foreign labour
iv. Scientific Tariff or fair competition
v. Retaliation
vi. Other arguments are that
  - Permit diversification of the domestic economy
  -improve the balance of trade.

3.7 Taxation

Taxes are collected from corporations by government so as to provide social services to its citizen. So many people believe that customer pay taxes through high price of goods and the corporation transfers it to government. It means a company with lower taxes, charges its customers less for its product. This may sound truthful, but in practice is not the case in Nigeria.

International companies' pay more taxes because they operate in more countries; which entail a lot of documentation and paying necessary fees.

There are different taxes in different countries. If you study countries, you will discover that the income tax is the biggest revenue earner for governments especially in America. There are other taxes like value-added taxes, capital gain taxes, property taxes and social security.

3.8 Inflation

Increase in prices of goods and services over a period of time is known as inflation. History has it that inflation ended an economic boom in 1973 which was enjoyed immediately after World War II. Reasons for inflation may be due to:

- Rising demand
- Increased money supplies

Since 2006, there have been increase in prices of goods and services worldwide, it is believe that it is because of invasion of Iraq by America. It has ended up selling crude per Barrel at \$117 for the first time in the history of energy sector in the world. To worsen the situation, whole world is experiencing economic melt-down.

Inflation has a lot of effects on interest rates because companies borrow; the cost of borrowing is dependent on the rate of inflation. Once inflation sets in, the borrower looses because the value of money is reduced and the person that borrows, gain, because the value of money has gone down.

Inflation equally has an effect on a country's monetary and fiscal policies. (Monetary policy is the amount of money in circulation, while fiscal policies are the collecting and spending of money by governments). Inflation has both positive and negative effect to a business especially to international marketers. Most businessmen prefer high inflation, because it encourages borrowing for simple fact of repayment is cheaper. High inflation rate bring about high interest rate and may discourage lending to businesses.

3.9 House Hold Savings

Ball et. al (2002) reported that a household saving it is a percentage of disposable income which has a good measure of the saving rate in a country. U.S.A. has a low saving rate while Japan has a high saving rate. Japan economy base on their saving rate is expected to be better than that of US in terms of investment and good infrastructures. In Nigeria during Babangida's administration, we had no savings as a country. However, when Abacha took over and before he died, we had a savings of ~~\$~~7 billion. Before Obasanjo's government handed over power in 2007, it was close to \$50 billion. Today we are close to ~~\$~~70billion. It is expected that the money would be used in investing in infrastructural development and more inflow of international business.

Self Assessment Exercise

Why studying inflationary system as an international marketer?

4.0 Conclusion

Taxation, household saving, inflation, balance of payment, currency exchange control, tariffs and duties, foreign exchange quotation are all financial forces that an international business man must look into while on an international marketing.. It could have both negative and positive effect on a business, depending on how a business man handles it. For instance inflation could be advantageous to a borrower while on the other side the cost of borrowing could be high.

5.0 Summary

This unit examined financial influence on international marketing. It also discusses foreign exchange quotations, modes of currency exchange control system, and balance of payments. It also examined various forms of tariffs and duties imposed on good s and services internationally. Taxation and its effects on international marketing were discussed equally. Inflation was also discussed

6.0 Tutor Marked Assignment

Explain how taxation and inflation can affect international marketing.

7.0 References/Further Reading

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UNIT 13 NIGERIAN ORGANIZATIONS AND INTERNATIONAL MARKETING

Table of Contents

1.0 Introduction

Nigerian government has always encouraged Nigerians to go international because of this; they have set up agencies to encourage such activities There are so many agencies in Nigeria regulating export and import activities and equally on how foreigners will set up business in Nigeria. This study examined these organizations that aid international business. Some of these agencies include Central Bank, Export-import Bank, Nigerian Export Promotion, Nigeria investment promotion council, among others.

2.0 Objectives

On completion of this unit, should be able to:

1. Explain what Nigerian investment promotion council is and its contribution to international business.
2. Explain the contribution of Nigeria export promotion council to boost export in Nigeria.
3. Explain how Nigeria export processing zone scheme has been able to facilitate export and
4. Explain the supervisory role of central bank in facilitating international business.

3.1 Nigeria Organizations

There re so many organizations involve in regulating international business in Nigeria. NAFDAC, SON and other agencies assists in moderating business in Nigeria. Specifically, the organization under study in this unit includes:

- Nigeria investment promotion commission
- Nigeria export promotion council
- Nigeria export import bank.
- Nigeria export processing zone scheme
- Central bank of Nigeria

3.1.1 Nigerian Investment Promotion Commission

Deciding to invest in a country is never an easy task. It requires crucial information, research and planning. This led to the formation of the Nigerian Investment Promotion Commission (NIPC) in July 1995. The NIPC is an indispensable ally of potential foreign investors. The NIPC is tasked with overcoming the bureaucratic and institutional red tape that had previously discouraged foreign investors especially from taking advantage on Nigeria's wealth of opportunities.

Located in Nigeria's capital, Abuja, the NIPC building is open, modern and efficient-looking. A one-stop necessity for potential investors, it serves as a central investment approval agency, streamlining the activities of ministries, government departments and agencies involved with investment promotion. It helps in matters such as registration or incorporation of foreign enterprises, obtain expatriate quotas or find out specifics about the different tax regimes for sectors like cargo, oil or mining.

It also serves as a catalyst for injecting the much-desired foreign capital into Nigerian economy through investments. It allows foreigners and local investors alike wishing to own up to 100% shares in investments in the country. It's also encourages and promotes competition in the economy.

Functions:

The NIPC performs the following functions:

- Advises government on policy issues related to investment.
- Guarantees the protection of foreign interests in Nigeria against expropriation.
- Administers appropriate incentives packages avail able to investors.
- Guarantees transferability of profits and other funds by investors.
- Initiates, organizes and participates in promotional activities such as trade fairs, exhibitions, workshops, conferences and seminars to simulate and attract investment.
- Identifies difficulties and problems encountered by investors, proffer solutions and render assistance to them.

Services

- Provides up-to-date information on investment opportunities available in the country.
- Links foreign investors with local partner
- Issues business permits to foreign investors.
- Coordinates the issuance of expatriate quota.
- Negotiates in consultation with appropriate government agencies, specific incentive packages for investors.
- Enters directly into bilateral agreement with investors for proposes of investment.
- Identifies specific project and invites interested investors to per take in them and more.

3.1.2 Nigerian Export Promotion Council (NEPC)

The Nigeria Export Promotion Council (NEPC) was established through the promulgation of the Nigerian Export Promotion Council Act No. 26 of 1976 and formally inaugurated in March 1977. This Act was amended by decree no. 72 of 1979 and further amended by the Nigeria Export Promotions) Decree no

41 of 1988 and complemented by the Export Promotion Miscellaneous Provisions Decree No. 18 of 1986. Furthermore, the Nigerian Export Promotion Council Amendment Decree No 64 of 1992 was promulgated to enhance the performance of the Council by minimizing bureaucratic bottlenecks and increasing autonomy in dealing with members of the Organizing bureaucratic bottlenecks and increasing autonomy in dealing with members of the Organized Private Sector.

The vision of NEPC is to make the non-oil export sector a significant contributor to Nigeria's GDP, while their vision is to facilitate opportunities for exporters to promote sustainable economic development.

The Nigerian Export promotion council (NEPC) is the federal Agency charged with the responsibility of developing, diversifying and promoting non- oil export product in foreign markets. Alder has been engaged to oversee and implement the marketing of the Council local and internationally.

Preliminary research indicated that the entity had no brand standards and there was little awareness of its role in the market. Furthermore, information about NEPC and the export sector in Nigeria was not easily accessible.

Self Assessment Exercise

Name five services provided by NIPC to international business

3.1.2a Export for Beginners

An exporter is someone who sells goods or services in a foreign market in order to make profit. Exporters can be classified into the following categories.

Export Merchant: - An exporter who buys goods or products for export from manufacturers and producers within the country.

Manufacturing Exporter: - A company which apart from manufacturing certain products is also exporting the product.

Getting Started:

Registration with NEPC

The firm which wishes to export has to be registered either as a corporate body or a cooperative society with the Nigerian Export Promotion Council. The NEPC is the Federal Agency charged with the responsibility of promoting export of made-in-Nigeria goods. NEPC is also responsible for the registration of new entrants into the exporting business. The relevant application forms which can be contained at zonal offices is to be duly completed and returned to NEPC offices accompanied with the following documents.

- Copy of certificate of incorporation/Evidence of registration (applicable to co-operative societies)
- Memorandum and articles of association
- Certified true copy of Form C.O.7 (particulars f directors of the Company)
- Copy of current tax clearance certificate.

Registration takes approximately two weeks after submission of all required documents. The exporter is then issued with a certificate inscribed with a code number. Renewal of registration with NEPC as an exporter is compulsory every two years. It can be done by submitting the following documents:

- Current company tax clearance certificate
- Evidence of export performance within the two years
- Certified true copy of Form C.O.7.

It regulate regulates goods to be exported out of the country and these goods have to be duly registered by the National Agency for Drug Administration and Control (NAFDAC) and the Standards Organization of Nigeria (.S.O.N). In order to register a regulated product at NAFDAC, the prospective exporter writes to the Director General of NAFDAC, an application accompanied with the stipulated fees per consignment of intended export attaching the following documents:

- Evidence of registration of the regulated product with NAFDAC
- Registration certificate granted by NEPC

The following details of the goods should also be provided:

- Batch Numbers
- Date of Manufacture
- Expiry date or best before date
- Destination of intended export
- Certificate of analysis of the product batch by batch
- Name and full address of the Manufacturer.

The Agency issues an export certificate if:

- Establishment maintains the standard requirements of goods manufacturing practice
- The regulated product passes NAFDAC laboratory tests.

Exporters of regulated products also have to contact the nearest Standards Organization of Nigeria (S.O.N) office and submit the following documents.

- Request for product certification
- Test report.

A product which falls into more than one regulated category will need application for each category. A product certificate is then issued which has a validity of three years from the date of issue. A list of regulated products can be obtained from the S.O.N website.

3.1.3 Nigerian Export Import Bank

The Nigerian Export-Import Bank (NEXIM) was established by Act 38 of 1991 as an Export Credit Agency (ECA) with a share capital of N500,000,000 (Five Hundred Million Naira) held equally by the Federal Government of Nigeria and the Central Bank of Nigeria. The Bank which replaced the Nigerian Export Credit Guarantee and Insurance Corporation earlier set up under Act 15 of 1988 has the following main statutory functions.

- Provision of export credit guarantee and export credit insurance facilities to its clients.
- Provision of credit in local currency of its clients in supports.
- Establishment and management of funds connected with exports.
- Maintenance of a foreign exchange revolving fund for lending to exports who need to import foreign inputs foreign to facilitate export production.
- Maintenance of a trade information system in support of export business.
- Provision of domestic credit insurance where such a facility is likely to assist exports.

The Bank presently provides short and medium term loans to Nigerian exporters. It also provides short-term guarantees for loans granted by Nigeria Banks to exporters as well as credit insurance against political and commercial risks in the event of non-payment by foreign buyers. The Bank is also the government's National Guarantor under the ECOWAS Inter-state Road Transit programme. The Bank's authorized capital as at December 31 2006 was N50 billion with a fully paid-up portion amounting to N11 billion.

3.2 Products/Services of NEXIM

Direct Lending Facility (DLF)

NEXIM lends money directly to Nigerian exporters to funds their purchase of capital goods, raw materials, packaging materials, and spare parts through the Direct Loans facility. The facility also covers the provision of infrastructure as well as revitalization and modernization of plants/machinery. Providers of export services in the areas of consultancy, tourism, oil and gas etc are also eligible for support.

It is provided in both local and foreign currency. Typically, NEXIM advances the funds directly to the Nigerian exporter, and these funds are repaid within a maximum period of seven (7) years including a maximum period of two (2) years.

ECOWAS Intrastate Road Scheme ISRT)

The scheme is designed to promote free flow of goods among member states; free of duties; taxes and restrictions while in wasting escort system and check the diversion of goods consigned for a specific destination.

NEXIM is the National guarantor for Nigeria under this scheme and is responsible to vary the risks. The risks covered include the diversion of goods within a country other than the country of destination, which would result in a loss of import duties/charges that could have been paid to the Customs authorities in the country the diversion occurs. This implies that the risk to be covered by NEXIM in Nigeria is the import duty accruable to the Nigeria Customs Service based on the invoice value of the transiting goods only and not on damage or loss of consignment.

Export Credit Grantee Facility (ECGF)

NEXIM's export credit guarantee facility is designed to protect Nigerian Banks against the risks of non-payment for loans or advances granted to exporters to meet short-term export contracts.

Pre-and post – shipment guarantees are available under the facility for a period of 180 days. This facility does not cover the risks of non-payment resulting from any fraudulent act of the exporter or his agents and risk of non-payment resulting from the failure of the exporter to fulfill the terms of the export contract or negligence on his part. Other risks excluded include non-payment as a result of default of the exporter's agent or collecting banks as well as non-payment resulting from physical damage, which should normally be insured with commercial insurance companies.

Export Credit Insurance Facility (ECIF)

One of the major problems facing exporters is the non-payment for goods exported. Non-payment may result from the buyer's insolvency or other events outside the control of the exporters and the buyers. NEXIM's export credit insurance facility is designed to protect Nigerian exporters against the risks of non-payment for goods and services exported on credit terms as a result of commercial/political events.

The facility covers both pre-and post-shipment risks for maximum period of 180 days. However the facility excludes the risks normally insured by commercial insurance companies or other government governments departments, foreign risks, insolvency or default of exporter's agent or collecting back and failure of the exporter to fulfill the terms of the contract or negligence on his part.

Export Trade Support Facility (ETSF)

Foreign Input Facility (FIF)

This provides manufacturers of export products foreign currency loans to import capital equipment, packaging and raw materials to produce finished products for export. The facility has a maximum tenor of seven (7) years inclusive of a moratorium period of not more than two (2) years. It is repayable in foreign currency.

Local Input Facility (LIF)

This is a medium to long-term facility and is provided in local currency to enable exporters finance capital purchases and other activities that would require more than one year to repay. The facility has a maximum tenor of seven (70 years inclusive of the moratorium period of not more than two (2) years.

NDE Facility (NDEF)

This facility is designed to provide direct financial assistance to qualified Nigerian Graduates (The participants) to enable them undergo tutelage with established exporters under the Start-Your-Own-Business (SYOB) Programme, prior to their exporting eligible goods and services themselves. The objective being to create the required linkage for registered companies/cooperatives owned by jobless graduates to go through practical trainings and guidance with reputable exporters, who may in turn assist them in securing export contracts from overseas and/or outsource some aspects of their businesses to them.

National SESAME SEEDS Credit Facilty (NSSEP)

This is available to provide necessary financial assistance to qualified registered companies under a special credit scheme for the exportation of Sesame seeds and to assist the target companies to directly access short-term pre-and post-shipment finance in support of export of Sesame seeds with a view to increasing the quantity as well as quality of Sesame Seeds exported from Nigeria annually.

Rediscounting and Refinancing Facility (RRF)

This helps banks to provide pre and post-shipment finance in local currency to support non-oil exports. The RRF gives exporters access to the Bank's export portfolios at preferential rates.

The refinancing scheme provides a bank with credit of up to one year. Short-term pre-shipment credit of up to 120 days and post shipment credit of up to 60 days is provided under the rediscounting scheme.

Special Cassava Export Credit Facility (SCECF)

Following the establishment of the Presidential Initiative on Cassava Export Promotion by Mr. President in February 2004, NEXIM was selected as a key member of the Sub-Committee on Finance & Export Proceeds Repatriation and specifically requested to support the initiative.

To this end, the Management of NEXIM considered and consented to the establishment of a Special Cassava Export Credit Facility to allow for direct disbursement of approved loans to qualified exporters of Cassava Products.

Stocking Facility (SF)

This is provided in local currency and it enables manufacturers of exportable goods to procure adequate stocks of raw materials to keep their production at optimal levels. The Stocking Facility is available for up to one year and is granted at rates capable of enhancing the competitiveness of manufactured export.

Textile Revolving Fund (TRF)

This is provided in local currency and it enables manufacturers of exportable goods to procure adequate stocks of raw materials to keep their production at optimal levels. The Stocking Facility is available for up to one year and is granted at rates capable of enhancing the competitiveness of manufactured export.

3.3 Nigerian Export Processing Free Zone Scheme (EPFZS)

Since the inception of the new democratic administration led by President Olusegun Obasanjo in May 29 1999, a number of efforts have been made to attract both local and foreign investors to the country to boost Nigeria's economy. To point the country towards the path to industrialization will involve discipline, focus and hard work from all sectors to the economy. In this light, the diversification of the economy has led to de-emphasizing the role of oil production and exports within the country's economy. Much needed focus has thus been devoted to other sectors like solid minerals, tourism, telecommunication, commerce and industry.

All these efforts toward economic development led in November 1991 to the establishment of the Export Processing Free Zone Scheme (EPFSZ). This scheme allows for interested persons to set up industries and business within demarcated zones known as Export Processing Zones, (EPZs) principally with the objective of exporting the goods and services manufactured or produced within the zones .But this novel scheme was slowed down by he political shenanigans in power then. It thus took another decade before it saw the light of the day with the inauguration by President Obasanjo of the multi-billion naira Calabar Export Processing Zone (CSPZ) very recently.

In a nutshell, the scheme is targeted to promote the diversification of the export base of the nation through the acceleration of export business with attendant loaded incentives, this it is perceived will include industrial production, offshore banking, insurance and reinsurance, international stock, commodities and mercantile exchanges, commercial industrial research, agriculture and agro-allied industry, mineral processing, as well as international tourist resort development and operation. The Calabar zone has been designated as the primary EPZ territory and a total of 80 serviced plots have been reserved for prospective investors for self-built factories.

Tax and other Incwntives

The incentives that come to inventors in the designated EPZ territories include:

- Tax holiday relief, legislative provisions pertaining to taxes
- Levies, duties and foreign exchange would not apply within EPZs repatriation of foreign capital investment in EPZs at any time capital appreciation of the investment.
- Unrestricted remittance of profits and dividends earned by foreign investors in EPZs.
- No import or export licenses required rent-free land during construction of premises.
- Up to 100% foreign ownership of enterprises in EPZs, sale of up to 25% of production permitted in domestic market.

- No quotas on products from Nigeria exported to the European Union, (EU) and the United States of America.
- Made-in Nigeria goods are entitled to preferential tariffs in the EU.

ACTIVITY 2

Name five incentives of EPZ to international business.

3.3.1 Grants Available for Exporter

The provision of the Industrial Development (Income Tax Relief) Act with respect to Pioneer Status qualifies for a tax holiday of 3-5 years to any manufacturing exporter who exports at least 50% of his annual production. Additional concessions are also available in the local raw material development, local value-added, labour-intensive or export-oriented activities that involve significant training.

Tax Relief on Interest Income

Interest accruing form loans granted by banks in aid of export activities enjoys favorable tax treatment.

Capital Assets Depreciation Allowance

The law in Nigeria provides an additional annual depreciation allowance of 5% on plants and machinery to manufacturing exporters who export at least 50% of their annual turnover provided that he product has at least 40% local raw material content or 35% value added.

Investment Protection

Protection of property is provided by Section 31 of 1999 Nigeria's constitution. The section states: "No property or other rights will be taken over or compulsorily acquired except under a law which provides for adequate compensation and for a right of access for any claimant to the High Court of the relevant part of Nigeria for the determination of interest in the property and compensation amount."

Expropriation

The Nigeria Investment Protection Commission Decree guarantees against nationalization, expropriation and compulsory purchase.

Disputes Settlement

Disputes between an investor and any government of the Nigerian Federation in this regard which cannot be amicably settled, may be submitted by an aggrieved party to arbitration in accordance with Nigeria's Arbitration and Conciliation Decree 1988 or within the framework of any bilateral or multilateral agreement on investment protection to which the Federal government and the investor's country are parties or in accordance with any other national or international machinery for the settlement of investment disputes as agreed to by the parties. Nigeria's general legal environmental, which is based on English common law, further upholds the sanctity of contracts and the rule of law.

The scheme operates in a fashion that cuts off the bureaucratic delay that is synonymous with government agencies by allowing the Nigerian Export Processing Zones Authority (NEPZA) to administer, manage, control and coordinate the quick approvals for participating foreign investors while its supporting agencies handle almost all phrases of operations in the zone independent of government. These include issuing application forms and approval, company registration and construction licensing among others.

To facilitate the operation of the Calabar EPZ, the Calabar seaport has been declared as a free port to complement the status of the free trade zone. Among the numerous facilities sited at the 152 hectare Calabar EPZ site, is a new port less than two kilometers away with fully buoyed river channel and an estimated capacity of about 1.5 metric tons of cargo excluding crude oil. Many investors are already eager to set base in Calabar and the Government has assured of the existence of several pre-built standard factories. Presently, only three companies are operating in the Calabar zone so there is plenty of room for new companies. It has been promised that the entire necessary infrastructure will be in place- the plots; roads, street lighting, perimeter fencing, electricity and water facilities and factory begin exporting.

With a vast population that is rich in human potentials and abundant mineral resources, the success of the EPZs is almost certain from day one, though the elimination of the "Nigerian factor" must be a priority concern for the eventual growth of the scheme. Also, the establishment of other zones around the country is being considered in order for wider coverage and developmental impact. Kano and Lagos are veritable locations for such a project with the former catering the Trans-Sahara trade and latter focusing on export of manufacturing products. The prioritization of quality should not be sacrificed on the altar of quantity and strict monitoring regulations must be formulated to guide participating firms.

3.3.2 The Nigerian Export Processing Zones Scheme

The enabling law for the establishment and management of the Export Processing Zones (EPZ) scheme in Nigeria is the Nigerian Export Processing Zones Authority Decree No. 63 of 1992. By this decree, administration of the Nigerian EPZ programme is vested on the Nigerian Export Processing Zones Authority (NEPZA). NEPZA is thus, empowered to grant all requisite permits and approvals for operators in EPZs to the exclusion of all other government agencies and bodies.

The regulatory regime for EPZs in Nigeria is liberal and provided a conducive environment for profitable operations. The incentives available to operators in Nigeria's EPZs compare favourably with the most attractive elsewhere in the world and are the best in the region. They include one hundred percent foreign ownership of investments, "one stop" approvals, no import or export licenses, duty free import of raw materials, unrestricted remittance of capital profits and dividends, tax holidays and no strikes. The country's pioneer EPZ is the Calabar Processing Zone.

Calabar Export processing Zone

The Calabar EPZ provides investors with one of the most suitable sites for export manufacture in Africa. The zone provides serviced industrial and administrative facilities at the most competitive rates obtainable for facilities of such standards in Africa. In addition to public supplies of such utilities as power, water and telecommunications, the zone has its won private back-up supply of these essential utilities and services.

Calabar, the city in which the EPZ is sited, is an ancient and historic city with an enviable past, having served as the capital of the Southern Protectorate of Nigeria before the amalgamation of the Northern and Southern Protectorates in 1914.

The serene and beautiful city served as the center of operations for the Royal Niger Company during the days of the oil palm trade as well as being an age – long center of leaning. It is presently the capital of Cross River State in south – east Nigeria and is fondly referred to as the 'Canaan City, the biblical land flowing with milk and honey.' Although one is not likely to actually find milk and honey flowing on the streets of the streets of this clean, enchanting and alluring city, one will definitely discover the warmth and hospitality of the people of Calabar in abundance.

There are other attributes, which make the choice of Calabar as the site of Nigeria's pioneer EPZ an excellent one. The city has good road links with other part of the country and is traversed by the Trans – African Highway, major gateway to republic Cameroon and other countries of Central Africa. Its modern seaport adjoining the EPZ is of special advantage and will result in significant savings for shipping and haulage services to investors in the Zone. The city's international airport less than twenty minutes drives from site of the Calabar EPZ.

Several airlines provide Calabar with international and local air travel services. ADC airlines is the major operator from Calabar Airport – operates daily domestic flights to and from Lagos and Harcourt, with connecting international flights to destinations in Africa. The airline also operates flights to Ghana, Liberia, Sierra Leon and Guinea. Nigeria Airways flies to Calabar en route to Equatorial Guinea and Cameroon. SkylineAirline offers daily service to and from Lagos and Enugu.

Calabar and its environs have a pool of skilled and trainable manpower with significant industrial experience. Such manpower is available at very competitive rates, which rank among the lowest in the world. There is several institution of higher leaning in Calabar and its environs which provide university, Technical and Vocational education. If the need arises, these institutions can provide any special training needs and supports services that producers in the Zone may need industrial activity in Calabar is largely in natural resource- based industries such as oil Palm, Wood, Limestone, Rubber, Cocoa and Coffee.

However activities in the oil and gas industry, especially the aluminum Smelting plant on near by ikot Abasi and the activities of Mobil producing Nigeria Unlimited, based in near by Eket offer the prospect for linkages between manufactures in the Calabar EPZ and these industries.

Moreover, the disposition of its people, its rich history, culture and several natural attractions make Calabar an idea tourist location. Attractions in Calabar and within surround Cross River state include the Abokim Water Falls, Qua Falls, and the Gorilla Sanctuary in the Kanyang National.

Facilities Within the Zone

Facilities available under the Calabar EPZ are as follows:

(a) Service plot;

(b) Uninterrupted power and water supply;

(c) Modern and efficient telecommunications system

(d) Excellent internal road network;

(e) Built-up Factory space

(f) Modern catering and recreational facilities;

(f) Banking services; and

(g) Custom.

Industries Permitted Within the Zone

Industries permitted within the Calabar EPZ are the following:

(a) Electrical and Electronic Product; (b) Textile Product; (c) Garments Production (d) Product and Handicrafts; (e) Leader Product; (f) Petroleum Product;(g) Rubber and plastic Products (h) Cosmetic and other chemical product; (i) Metal Product and Machinery (j) Educational Materials and Sport Equipment;

(k) Printing Materials, Communication and office Equipment;

(l) Medical Kits, Optical instruments and Appliances;

(m) Biscuits, Confectionaries and other foods processing; and, (n) Pharmaceutical products. Proposals for industries outside the above listings will be considered on their individual merit.

Summary of Investment Procedure

The following is a summary of procedures 7, which an investor will normally follow in establishing an industry under the Calabar EPZ.

1. Inquiries and obtaining Investment application g form.
2. Inspection of built-up factory space and serviced industrial plots
3. Submission of investment application form
4. Processing of application form
5. here application is approved apply for company registration.
6. (a) Outright purchase of built-up standard factory:

Payment purchase shall be made as follows:

- 10 percent of the purchase price within 3 months of execution of purchase agreement balance of 90 percent, 5 months after.

(b) Rent of built-up factory space: Rent shall be paid as follows:

- One year rent upon execution of rental agreement. Thereafter, rent shall be payable annually.

(c) Lease of built-up standard factory: Rent for the lease shall be paid in 3 payments as follows:

- 40 percent of the rent payable for the lease on or before execution of lease thirty percent rent for the lease on or before the end of the 5th year of the lease 30% of the rent payable for the lease on or before the end of the 10th year of the lease

(d) Lease of service plots: Rent from the lease shall be paid as follows:

- 40 percent of the rent payable for the lease on or before approval of factory construction 30% cent of rent payable for the lease at the end of the 5th year of the lease.– 30% of rent payable for the lease at the end of the 10th year of the lease.

7. Remittance of Investment Capital.

8) Assessment of Investment outlay.

9. Pre-production inspection of factory building, plant and machineries before commencement of production.

10) Obtain certificate to sell 25 percent of production in the domestic market. Conclusion of addition to all the above, Nigeria's continues commitment of the implementation of liberal economic policies that will enhance the development and growth of the export sector coupled with the Naira's favourable exchange rate for exports provided an excellent opportunity for profitable export production from the Calabar EPZ.

Self Assessment Exercise

Discuss five services available to international business man in EPZ

3.3.2 Central Bank of Nigeria

Central Banks worldwide simply refer to a central monetary authority or an apex financial institution within the entire financial structure promoting monetary stability and a sound financial system. The world Central Banking is one of a variety of structures, functions and powers, which are in them by-product of the economic, political and other realities prevailing in a society.

Historically, prior to the establishment of Central Bank of Nigeria by the CBN Act of 1958, there existed a body known as the West African Currency Board (WACB). This Board, which was established by the then British Colonial Government, was intended to serve as a Central Bank for the Anglophone West African countries. Thus, the board was charged with the primary responsibility of issuing the West African Pound, which served as the legal tender currency in Ghana, Nigeria, Sierra-Leone and Gambia.

Another function performed by WACB was the management of the reserves held in trust for these colonies. Such reserves were invested by the board on behalf of the West African countries as instruments in the London Money Market. The weakness of the board for which it was criticized is as follows:

- ✓ It carried on commercial banking activities alongside other commercial banks;
- ✓ The board lacked the basic apparatus to control the supply of money.
- ✓ The board got involved in physical distribution of currency from one point to another.
- ✓ Its activities were considered discriminatory against indigenous West African industrialist;

- ✓ It was not on the development of the colonies and most of its activities were based on commerce and trade.

3.3.3 Objectives

The principal objectives of the Bank as stipulated in the CBN Act 1958 are as follow:

a. The insurance of legal tender currency in Nigeria:
b. To maintain the external reserve and value of the legal tender in order to safeguard the international value of the currency.
c. To promote monetary stability and a sound financial system.
d. They serve as the banker and financial adviser the Federal Government.
e. Bankers to other banks within Nigeria and Abroad.

3.3.4 Functions

To achieve the above objectives, CBN undertakes the following functions as stated in the Act. The basic functions performed by CBN can be broadly categorized into three.

a. Traditional functions
b. Regulatory functions and
c. Development functions.

Traditional Functions

i. It issues the legal tender (currencies) Naira and Kobo.
ii. It acts as the Banker and financial adviser to the Federal Government.
iii. CBN act as the banker to other banks and finance institution.
    - Cheque Clearing
    - Lender of last resort.
iv. It manages the accounts and debt of the country.
v. CBN act in banking supervision and examination.

Regulatory Functions

The regulatory functions of the CBN are mainly directed at the objective of promoting and maintaining the monetary and price stability in the economy. To perform this regulatory function CBN formulates policies to control the amount of money in circulation, control other banks and major players in the financial market, control rates of banks credits and therefore the supply of money in the economy. The instruments used by CBN to achieve these functions are:

a. Open Market Operation (O.M.O)

b. Bank Rate
c. Rediscount Rate
d. Direct Control of Bank's Liquidity
e. Direct Control of Bank Credit
f. Special Deposits
g. Moral Persuasion
h. Minimum Cash Ratio.

Developing Functions

The establishment of CBN in 1959 was premised on the need to promote and accelerate the much needed economic growth and development in Nigeria, which would invariably promote the growth of the financial market. This financial market comprises the Money and Capital market, assistance to development banks and institutions and the formulation and execution government economic policies.

The Money Market is the market for mobilizing short-term funds with instruments such as Treasury Bills, Treasury Certificates, Commercial Papers, Certificate of Deposit (CDs), Eligible Development Stock (EDS) and Bankers' Acceptances.

The CBN plays a major role in the Capital Market, which deals with long-term funds by fostering its growth through the annual subvention granted to them.

The CBN also helps to promote and assist the development banks and institutions. These include Nigerian Industrial Development Bank (NIDB), the Nigerian Banks for Commerce and Industry (NBCI), the Nigerian Agricultural Insurance Company (NAIC), the Federal Mortgage Bank of Nigeria FMBN), the Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Export-Import Bank (NEXIN) and the Securities and Exchange Commission. (SEC).

In addition, the CBN is involved in the formulation and executive of viable economic polities and measures for the government. Also since 1970, the Bank has been instrumental in the promotion of wholly owned Nigerian enterprises. Thus, the recent directive to banks to set aside 10% of their profits before tax to finance Small and Medium Scale Enterprises can be viewed in this context.

3.3.5 Problems

The CBN is faced with a number of the problems in the Nigerian financial sector, among these problems are follows:

a. One of the failings of the CBN is their inability to guide against unethical actions of Commercial Banks in the areas of money laundering, inter bank forex exchange.
b. The CBN’s inability to curb the current rising inflationary rates in the country.
c. Its lack of effective regulatory measures has led to high lending rates imposed by commercial banks on their customers.
d. It also lacks the capacity to effectively execute Government economic policies.
e. It fails to promote and encourage Nigerians to invest in Small and Medium-Scale Enterprises y not giving enough incentives.
f. Another problem faced by CBN is its inability to monitor the skyrocketing foreign exchange rate in the country.
g. CBN has been unable to promote the needed saving culture among Nigerians, which could have helped the nation’s capital base.
h. Finally, the CBN has been unable to tap into the Information Technology super highway of e- banking and e-commerce, which is a major prerequisite for the country to partake in the globalization.

SELF ASSESS EXCERSICE 2

Discuss the contributions of CBN to international business in Nigeria.

3.3.6 Achievements, Vision & Mission

The Central Bank of Nigeria in its bid to curb banks unethical actions have periodically increased their capital base and have instituted the Inter-bank foreign exchange market to check capital flight and to regulate foreign exchange rates.

CBN has also achieve a level of autonomy since the advent of the democratic dispensation in Nigeria, the is reflected in her aggressive execution of Government economic policies in the areas of orientating the Nigerian populace to embrace the saving culture, the encouragement of foreign investors by creating an enabling environment/policies for ensuring macroeconomic stability and stable governance.

We must also acknowledge the recent moves by the Central bank to tap into the limitless opportunity derivable in the Information Technology World. This is reflected in the massive promotion of Universal Banking in the country. The CBN took the bull by the horn by first starting a restructuring and reengineering project which is perceived to tackle the business processes in its structural and instructional deficiencies to enhance its effectiveness, efficiency and productivity.

The Central Bank of Nigeria's restructuring and reengineering involves improve reorganization of the Bank's business processes with a view to making it more efficient and proactive. It also involves restructuring the assets and liabilities of the bank to promote efficiency, restore integrity and achieve cost effectiveness. To achieve this all important restricting & reengineering CBN embarked on a project code named "Project EAGLES".

Project EAGLES is the approach CBN has adopted, recognizing the need to gear up its organisation and systems to address strategic issues, achieve a sharper focus on core functions and be an efficient regulator in the 21st century.

Consequently, the vision of the CBN in the third millennium are summarized below:

"To be one of the most efficient and effective among the world's central banks in promoting and sustaining economic development".

Arising from the vision the restructuring/reengineering code named EAGLES stands for the following:

- E = Efficiency
- A = Accountability
- G = Goal oriented
- L= Leadership
- E = Effectiveness
- S = Staff oriented

The mission of Central Bank of Nigeria arising from the vision ahs been captured as follows:

To be proactive in providing a stable frame work for the economic development of Nigeria through transparent implementation of monetary policy an achievements efficient and effective price stability for a sound management of the financial system".

The restructuring/reengineering framework adopted for Project EAGLES is the Performance Driven Change mythology (PDC). This method defines and review the performance measurement set for each business processes to be sure that process performance is appropriately measured.

According to Chief Joseph Sanusi the Governor of CBN, the project, which kinked off two years ago, has completed its first phases. The governing board of CBN is satisfied so far. The second phase has also been launched. This project was embarked upon due to the need to change the entire structure of the CBN with a focus towards imbibing a strong culture change using modern information technology (IT) as a springboard.

The reengineering exercise according to the Governor is intended to radically alter the way things are presently done, that is work communication and relationship both within and outside and bank, which means making significant technological changes that will pervade the whole CBN.

Self Assessment Exercise

Enumerate functions of CBN

4.0 Conclusion

These organizations in no doubt have been able to encourage foreign business between Nigeria and other countries. It shows the contribution of Nigerian government in encouraging international business with incentive like tax holidays expropriation, investment protection and a lot of other incentives.

5.0 Summary

This unit discusses various types of Nigeria organizations. These include among others Nigerian Investment Promotion Commission; Nigerian Export Promotion Council; Nigerian Export Import Bank,; Nigerian Export Processing Zone scheme, the Central Bank of Nigeria,. Their contributions and functions to international marketing were discussed.

6.0 Tutor Marked Assignment

Discuss those product/services provided by NEXIM in assisting an international business

7.0 References/Further Reading

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UNIT 14 INTERNATIONAL ACCOUNTING AND TAXATION

Table of Contents

1. O Introduction

Accounting system and Taxation differs from country to country; hence, some countries find it difficult to present accounting information in different ways to different countries.

International Accounting standards committee has been pursuing a goal of single accounting system, for the whole world. The goal is that investors will be willing to invest in certain Nations if their companies' financial reports are more transparent and reliable.

Many countries other than the United States also have system of accounting standards. The international Accounting Standard Board based in London, England, exists to achieve international harmonization of accounting principle. Thus, this unit examines international accounting systems.

2.0 Objectives

At the end of the study, you should be able to:

1. Explains accounting practices and differences across countries and see how the difference alters the compositeness of firm in international markets.
2. Identify areas of accounting that should constitute problems or success in coming years, and
3. Explain the philosophies of taxation and its effect on domestic and foreign market.

3.0 Main Text

3.1 International Accounting Diversity

It is obvious that Accounting principles differ, but in itself it is not a problem, the major problem is the decision by lenders, investors or government policy makers are always distorted by those differences.

	ECONOMIC SITUATION OF THE IDENTICAL FORMS	
ACCOUNTING TREATMENT	SIMILAR	DISSIMILAR
SIMILAR	A Logical Practice Results are Comparable	B May/May not be Logical .Results May/May not be Comparable
DISSIMILAR	C Illogical Practice, Results are not Comparable	D Logical Practice Results May not be comparable.

Accounting Diversity can be traced to when firm that is either similar or dissimilar operating similar or dissimilar Accounting system as shown in the diagram above.

BOX A

Similar firms operating similar accounting systems compares within these companies will be logical in practice and easily interpreted.

BOX B

Similar firms among a Dissimilar Accounting system, Results in terms of comparison, have the probability of either been or not been comparable the accounting system may or may not be logical.

BOX C

Firms that are Dissimilar yet their accounting systems are Similar. The practice in this type of firm is illogical i.e. one may not be able to compare their results.

BOX D

Different firms with different accounting practices, though it's logical but their results are not comparable.

3.2 Principal Accounting Differences Across Countries

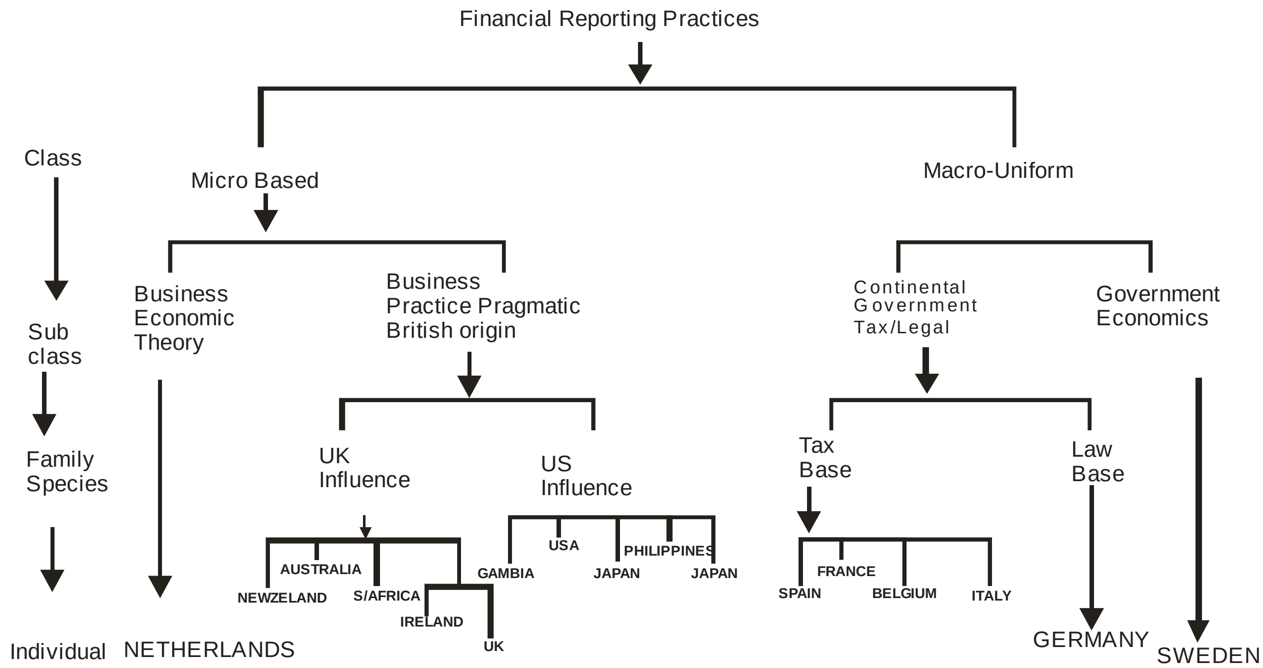
Czinzokota et.al (2002) opined that international accounting diversity can lead to any of the following problem in international business:

(i) Poor or improper business decision making

(ii) Hinder the ability of a firm or enterprise to raise capital in different or foreign markets.

(iii) Hinder or prevent a firm from monitoring competitive factors across firms, industries and countries.

Figure14. 1: NOBES CLASSIFICATION OF NATIONAL ACCOUNTING SYSTEM



Source: Czinkotta, M.A; Micheal, H.M et.al International Business, 6th Ed.,USA, Southwestern Thompson Learning (2002).

Self Assessment exercise

Discuss the problems of accounting diversity in an international marketing.

3.2.1 Origin of Differences

Accounting practices in the world is linked to its people, places and events of their time. In Nigeria, the accounting system will strictly be that of their Colonial masters. Accounting practice, looks at the users of this accounting information i.e. investors, lenders and governments. From the diagram 1 above, one can vividly see the origin of the difference in accounting; for example the Accounting system of Italy differs from that of Ireland, reason been that Ireland accounting system is UK based while that of Italy is taxed based. In addition, accounting system of Ireland is micro based while that of Italy is macro uniform.

3.2.2 Classification of Accounting System

The above diagram of NOBES divided the accounting system into two basic system of micro based and macro uniform.

Micro Based is sub-divided into Business, Economic, Theory and Business Practice, Pragmatic British Origin.

Macro-Uniform is subdivided into continental; Government tax, Legal, Government, and Economics

3.2.3 The Issues

Different Accounting System means that markets must be segmented so as to enable firms and companies understand the accounting information. It therefore means accountants will continue to do the job of interpreting accounting information, been marketer and also bookkeepers.

The following are some of the accounting differences across countries:

i. Accounting for Research and Development Expenses

It is believe that Research and Development accounting need to take note of cost so that it can be spread across so that profit will be assured to be made in future.

ii. Accounting for Fixed Assets

iii. Inventory Accounting Treatment

These include use of first in first out method and average cost system in dealing with inventory.

iv. Capitalizing or Expensing Leases

v. Pension Plan Accounting

vi. Accounting for Income Taxes

vii. Foreign Currency Translation

viii. Accounting for Mergers and acquisition

ix. Consolidation of Equity Securities Holdings.

3.3 The Process of Accounting Standardization

By 1973 a committee of certified public Accountants principle (CPAS) established accounting principle in the united state. CPAS are accountants licensed by their state government on the basis of educational background, a rigorous certification examination and in most jurisdiction relevant practical work experience. In 1973 the seven members Financial Accounting Standards board was created as an independent standard-setting organization. Regulations for Auditors are promulgated by the American institute of certified public accountants. United States companies whose stocks or bonds are traded publicly must conform to rules set by the Securities and Exchange Commission (SEC), a federal government agency. Tax laws and regulations are encountered at the federal level by the internal revenue services (IRS) and at the local level by the state and municipal government agencies. Many countries other than United States also have system of accounting standards. The international Accounting standards board based in London, England, exists to achieve international harmonization of accounting principles.

3.4 International Taxation

We may not understand International Taxation, except we understand what tax is in our home country. Taxation is a system of raising money to finance government activities. All governments require payment of money-taxes-from people. Government use tax revenues to pay soldiers and police to build dams and roads, to operate schools and hospitals, to provide food to the poor and medical care to the elderly and for thousand of citizens. Without taxes to fund its activities, government may find it difficult to carry out her functions.

History have it that people have debated the amount and kinds of taxes that a government should impose as well as how it should be distribute the Burden of those taxes across society. Unpopular taxes have caused public protest, riots, and even revolutions. In political campaigns, candidate's views on taxation may partly determine their popularity with voters.

Taxation is the most important source of revenues for modern governments, typically accounting for 90 percent or more of their income. The remainder of government revenue comes from borrowing and from charging fees or services. Countries differ considerably in the amount of taxes they collect. The united state, about 30 percent of the gross domestic product (GDP) and measure of income output went for tax payments in 2000. The 30 percent figure is relatively low from a historical standpoint. As a result of a new round of tax cuts in 2003, the tax percentage share of GDP was expected to be lower. In France, the figure is 45 percent and in Sweden it is 51 percent.

In addition to using taxation to raise money, government may raise or lower taxes to achieve social and economic objectives, or to achieve political popularity with certain groups.

Taxation can redistribute a society wealth by imposing a heavier tax burdens on one group in order to find services for another. Also, some economist considers taxation as an important tool for maintaining the stability of a country economy.

3.4.1 Tax Jurisdiction

Czinkota et.al (2002) opined that there are two approaches to international taxation.

The residential approach to international taxation, it taxes the international income of its residents without regard to where the income is earned. The territorial approach to transactional income, taxes all parties, regardless of country of residence, within its territorial jurisdiction.

3.4.2 Tax Types

Taxes are generally divided into Direct and Indirect taxes.

Direct Tax is calculated on actual income, either individual or firm income. Indirect taxes such as sales taxes, tariff, and value added taxes. However a broader classification of tax types include

-Individual income tax

-Corporate income tax

-Payroll

-Consumption taxes

-General sales tax

-Excise tax

-Value added tax

-Tariff

-Property taxes

-Estate, Inheritance, and gift taxes

-Other taxes that include i.e. poll tax. .

3.5 Income Categories and Taxation

There are three primary methods used for the transfer of funds across tax jurisdictions.

i. Royalties- It is an authorized licensed for the use of intangible assets such as patents, designs, trademarks, techniques or copyrights.

ii. Interests- Payment for the use of capital lent for the financing of normal business activity.

iii. Dividends are income paid or deemed paid to the shareholder of the corporation from the residual earning of Corporations.

Self Assessment Exercise

What are the uses of taxes to a country?

4.0 Conclusion

Accounting system worldwide differs but international accounting standard board is charged with the responsibility of harmonizing accounting standards worldwide. This accounting system from country to country must be studied to be able to know which type one should adopt while going into a new country. Likewise, taxes are sources of revenues for government and levied by government agencies on individuals and corporate entities.

5.0 Summary

This unit discusses the international accounting systems and taxation as they apply to international marketing

6.0 Tutor Marked Assignment

Discuss the various sources of accounting diversity.

7.0 REFRENCES/FUTHER READING

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UNIT 15: INTERNATIONAL MARKETING RESEARCH

Table of Contents

1.0 Introduction

Marketing research is the first step taken by any business man before investing his money in either domestic or international marketing. A lot of business men started business without research, the consequences are better imagining than say it. Because of information technology, research has become easier; one can be in his own house and get information of another country with the press of a button. An international businessman must know about research, its objective, how to conduct research with use of both primary and secondary sources of information. When all these are done and known before going international, business failure becomes less. This unit discusses marketing research as a tool for achieving international business objectives.

2.0 Objectives

After thorough studying of this unit, you should be able to:

1. Define international business research
2. Give reasons for international research
3. Explain the research objectives, and
4. Explain how to conduct secondary and primary research.

3.0 Main Text

3.1 International Marketing Research

This is a research that is carried out above the border of your country with the aim of entering such a country once the research is favourable.

3.2 International and Domestic Research

International Research is the same as Domestic Research. Although, they have some basic differences as explained below.

New Parameters

Doing business abroad thus implies that the researcher must look at the following parameters:

- Duties of different countries.
- Foreign currencies and changes in their values
- Different modes of transportation
- International documentation

New Environmental Factors

When going international in research the following environmental factors are encountered that may not be found in Domestic.

- Culture of the host country
- Political system
- Societal structures and language
- Legal issues
- Technology

Number of Factors Involved

Going into international marketing requires to know the needs and obtaining necessary data, which involve:

- Compare result and activities across countries.
- The firm must be able to learn from its international operations and must find ways to apply the new lessons learned to different markets.

Broader Definition of Competition

It is found out that firms have greater variety of competition, than that found in the home market.

Self Assessment Exercise

List five factors to be considered in an international research

3.2 Recognizing the need for International Research

Research is necessary but a lot of managers are reluctant to engage in international research for the following reasons.

i. Lack of sensitivity to differences in culture, consumer taste and market demands.
ii. Limited appreciation for the different environment abroad.
iii. Lack of familiarity with national and international data sources and mobility to use international data once they are obtained.
iv. Firms often build their international business activities gradually and frequently based on unsolicited orders.

3.4 Determining Research Objectives

Your objectives will be on whether you want to

- Export
- Import or
- Go into Market expansion

One major objective of international research is to discover new foreign market opportunities.

Figure 3.4: A SEQUENTIAL PROCESS OF RESEARCHING FOREIGN MARKET POTENTIALS

STAGE ONE

PRELIMINARY SCREENING FOR ATTRACTIVE COUNTRY MARKETS.

KEY QUESTIONS TO BE ANSWERED

WHICH FOREIGN MARKETS WARRANT DETAILED INVESTIGATION.

↓

STAGE TWO

ASSESSMENT OF INDUSTRY MARKET POTENTIAL

KEY QUESTION TO BE ANSWERED:

WHAT IS THE AGGREGATE DEMAND IN EACH OF THE SELECTED MARKETS?

STAGE THREE

COMPANY SALES POTENTIAL ANALYSIS

KEY QUESTION TO BE ANSWERED:

HOW ATTRACTIVE IS THE POTENTIAL DEMAND FOR COMPANY PRODUCT /SERVICES?

Source: Czinkotta M R, et al (2002) International Business 6th ed, USA, Southwestern Thompson learning.

3.5 Conducting Secondary Research

In conducting secondary research its entails:

i. Identifying sources of data.
ii. Selection of secondary data.
iii. Interpretation and analysis of secondary data.
iv. Data privacy.

(i) **Identifying Sources of Data**

Secondary data can be obtained from.

- Government
- International organization
- Service organization
- Trade association
- Directories and Newsletters
- Electronic information services.

(ii Selection of Secondary Data

Secondary data are readily available, cheap and quick to get. Secondary data should be evaluated as required to:

- The quality of their source
- How recent they are
- Relevancy to task at hand

(iii) Interpretations and Analysis of Secondary Data

Secondary data, when collected may not be so useful not until they are converted into information. They are use as proxy information to arrive at conclusions.

(iv) Data Privacy

Data collected must be guarded jealously because a lot of information collected are sensitive.

3.6 Conducting primary Research

Primary data are obtained by a firm to fill specific information needs Czinkota etal (2002) went further to buttress that a typical primary research intends to answer such clear-cut questions such as

- What are the sales potential for our measuring equipment in Malaysia?
- How much does the typical Greek consumer spend on fast food?
- What effect will new type of packaging have on green consumers in Norway?
- What service standards do industrial customers expect in Japan?

Conducting primary research takes decision in the following area:

(i). Industrial versus Consumer Sources of Data

A decision must be arrived at as to whether the research is going to be based in an industrial or consumer product area. In a consumer market the populations is large and the population in an industrial market is less. If research is done in an industrial market, differences between users and decision makers are important because of their personality's outlook and their evaluative criteria. It means that you must determine the focus of the research because it's important to have a successful completion of your research.

*(ii).*Determination of the Research Technique

It is interesting to know that there are a lot of factors to be considered before selecting a research technique

- Objective of the data sought.
- Is data subjective or objective?
- Is the data collected in the real world or controlled environment?
- Is it historical factors?

Once all these are determined you can choose any of the following technique of research

a. **Interviews**- Major disadvantage is that bias can set in.
b. **Focus group-** A group of knowledgeable people are gathered for a limited period of time (two to four hours), with about seven to ten participant, a topic is introduces and it is discussed.
c. **Observation-** It requires the researcher to play the role of a non participating observer of activity and behaviour.
d. **Surveys-** As defined by Czinkota etal (2002) the say it is usually conducted via questionnaires that are administered personally, by mail, or by telephone. Use of the survey technique presupposes that the population under study is accessible and able to comprehend and respond to the question posed through the chosen medium.
e. **Experimentation-**

   It determines the effect of an intervening variable and helps establish precise cause-and-effect relationships, it is difficult to implement in international research, it faces the task of designing an experiment in which most variables are held constant or are comparable across cultures.

3.7 The International Information System

The international information system is defined as the systematic and continuous gathering, analysis and reporting of data for decision-making. (Czinkota et al 2002).

These data must have the following characteristics

- Relevance
- Timely
- Flexible
- Accurate

  Exhaustive
- Consistent
- Convenient

It is discovered that use of information system is increasing greatly especially in export field; most companies establish export complaint systems.

There are three ways in which information systems can be enrich, this include:

i. Environmental Scanning

It promotes a customer's information in political, social and economics affairs internationally or changes of attitudes of public institutions and private citizens, and on possible upcoming alteration.

ii. **Delphi Studies**

It is a means for aggregating the judgments of a number experts who cannot come together physically, (Czinkota etal, 2002). This type of research clearly aims at qualitative measures by seeking a consensus from those who know rather than average responses from many peoples with only limited knowledge.

iii. **Scenario Building**

Czinkota etal (2002) believes that information obtained through environmental scanning or Delphi studies can then be used to conduct a scenario analysis. One approach involves the development of a series of plausible scenarios that are constructed from trends observed in the environment. Another method consists of formally reviewing assumptions built into existing business plans and positions. Subsequently, some of these key assumptions such as economic growth rates, import penetration, population growth and political stability can be varied by projecting variations for medium to long-term period, completely new environmental conditions can emerge. The conditions can then be analyzed for their potential, domestic and international impact on corporate strategy.

Self Assessment Exercise

Discuss in detail 5 research technique

4.0 Conclusion

Research is the key to international business success. The process and the procedure must be properly followed. Any attempt to shot cut international research; it will lead to a company's disaster. Constraints of time, resources and expertise are the major inhibition to international research.

5.0 Summary

This unit looked into definitions of international research, factors that affects international research, research techniques and ways of gathering data.

6.0 Tutor Marked Assignment

Going into Ghana market to sell convenient goods, what are the available research techniques for you?

7.0 REFRENCES/FURTHER READING

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MKT 725: INTERNATIONAL MARKETING

MARKING GUIDES FOR SELF ASSESSMENT EXERCISES.

Unit 1

Self Assessment Exercise (SAE) 1

Briefly give reason for international marketing.

Kotler (1997) gave several reasons that might draw a company into international marketing. Some of these are:

1. Global firms offering better products or lower prices might attack the company's domestic market. The company might want to counter attack these competitors in their home markets to tie up their resources.
2. The company might discover that some foreign markets present higher profit opportunities than the domestic market
3. The company might need a large customer base to achieve economies of scale.
4. The company might want to reduce its dependence on any one market so as to reduce the risk
5. The company's customers might be going abroad and might require international servicing

6. Differences in factor endowment- international trade owe it origin to the varying resources of different regions. Resources are not evenly distributed around the globe, thus some countries are better in some resources than the other.

Unit 2

Basis of relative advantage. Nigeria Ghana

		Nigeria	Ghana
Case 1	Computer	20	10
	Automobile	40	20

From the table above, Nigeria had advantage in terms of production of computer and automobile and than Ghana. Thus, it has absolute advantage. But it should specialize on those products which is cost of production are cheaper.

Self Assessment Exercise

Briefly state the basis of relative advantage.

From the table on page 14, Case 2 shows how the relative advantage varies from product to product. The extent of relative advantage can be found by determining the ratio of computers to automobiles. The advantage can be found by determining the ratio of computers to automobiles. The advantage ratio for computers is 2:1 (i.e. 20:10) in favour of Nigeria. Also, in favour of Nigeria to a lesser extent is the ratio for automobiles, 1.5:1 (i.e. 30:20). These two ratios indicate that Nigeria possesses a 100 percentage advantage over Ghana for computers, but only a 50 percentage advantage for automobiles. Consequently, Nigeria has a greater relative advantage for the computer products. Therefore, Nigeria should specialize in producing computer products. While Ghana having the least comparative disadvantage in automobiles indicates that it should make and import automobiles.

Unit 3

Self Assessment Exercise

Does culture influences mode of consumption?

Yes it does. The society in which people grew up shapes their beliefs, values, and norms. Culture, an inclusive term can be conceptualized in many different ways. The concept is often accomplished by numerous definitions. In any case, a good basic definition of the concept is that ‘culture’ is a set of traditional beliefs and values that are transmitted and shared in a given society. Culture is also the total way of life and thinking patterns that are passed from generation to generation. Culture means many things to many people, because the concept encompasses norms, values, customs, art, and mores. Therefore, a worldwide business success requires a respect for local customs.

For example, consumption patterns, living styles and the priority of needs are all dictated by culture. In addition to consumption habits, thinking processes are also affected by culture. Food preparation methods are also dictated by culture preferences. For instance, Asian consumers' prefer their chicken broiled or boiled rather than fried. Consequently, the Chinese in Hong Kong found American –style fried chicken foreign and distasteful.

Cultural universals, when they exist, should not be interpreted as meaning that the two cultures are very much alike. Too often, cultural similarities at first glance may in fact be just on illusion. Thus, an international marketer must therefore guard against taking market for granted.

UNIT 4

Self Assessment Exercise1

Briefly define FTZ and explain its benefits.

A FTZ is a secured domestic area in international commerce, considered to be legally outside a country's customs territory. It is an area designed by a government for the duty-free entry of goods. It is also a location where imports can be handled with few regulations, and little or no customs duties and excise taxes are collected. As such, goods enter the area without paying any duty. The duty would be paid only when goods enter the customs territory of the country where an FTZ is located, for example Calabar, Nigeria.

Variations among FTZs include free ports, tariff-free zones, airport duty free arcades, export processing zones, and other foreign grade zones. FTZs are usually established in countries for the convenience of foreign trades. The zones may be run by the host government or by private entries.

FTZs offer several important benefits, both for the country and for companies using them. These include:

i) Job retention and creation- when better facilities and plants are provided to attract MNCs, FTZs can generate foreign investment and jobs.
j) Some countries offer superior facilities for lower costs.
k) Lower theft rate, lower insurance costs, delay of tax payment, and reduction of inventory in transit.

l) It improves the cash flow for a company since FTZ eliminates the need to pay duty immediately on docking.
m) An FTZ can eliminate the waiting period for the arrival of a product from an overseas firm.
n) The firm can hold goods in an FTZ until the quota opens up, making it possible to move the goods immediately into the market at the earliest opportunity.
o) FTZs also provide a means to circumvent import restrictions.
p) FTZs provide a means to facilitate imports and exports; some forth.

Self Assessment Exercise 2

Briefly examines factors considered whether to standardized or differentiate.

Factors to be considered whether to Standardize or to Differentiate

It should be recall that standardization and differentiation have been looked into in the earlier part of the course. Thus, there are many factors to be considered at any time a decision is to be taken on the issue of standardization and differentiation. Some of these are thus briefly examined below:

1 Corporate Objective

An international firm that seeks to maximize profits regardless of international market penetration goals is more likely to strike towards product standardization. This is because by the nature of such strategy, the firm is likely to generate a better profit performance in the short-run that if differentiation is opted for.

2. The Market Usage of the Product

Standardization is hereby recommended where the consumers' usage of the product is similar in all the markets. However, where it differs, differentiation is considered as a better option.

3 Company Resources

Differentiation involves consideration in production facilities, inventory management and marketing mix ingredients. Because of these financial resources requirements, most weak firms do not go for differentiation strategy, rather prefer standardization strategy option.

4 Level of Service Required

Products with high technical services either before or after the delivery adopt standardization strategy, for example electronics, automobiles and so forth.

5 Base of Production

A product that requires intricate manufacturing processes is likely to support differentiation strategy than a product which can be manufactured with ease. Toilet soaps and Aero-plane are two different products with different skills, this thus call for different strategies.

6 Legal Considerations

Legal systems can have a major impact on the design of a product, its packaging and the printed messages incorporated. For example, a packet of cigarette in Nigeria must contain a warning about the health hazard of smoking. It should however be noted that the law is not interested in the inconveniences that such regulations may impose on marketing personals as it is their duty to assess the market and know which strategy is better option.

UNIT 5

Self Assessment Exercise

Briefly, state basic purpose of branding**.**

The basic purposes of branding are functions of a brand are:

d. Create identification and brand awareness
e. Guarantee a certain level of quality, quantity, and
f. Help with promotion

All these purposes have the same ultimate goals-to repeat sales. However, taking into consideration, the importance of branding as a marketing tool, one would expect that corporate headquarters would normally have a major role in brand planning for overseas markets. Besides, international marketing managers, considered some cultural and socio-economic conditions of foreign countries in making global band image strategy decisions.

Self Assessment Exercise

Give reasons for global branding

A single worldwide brand is also known as an international, universal or global brand. For a brand to be global or worldwide, it must, by definition has some commonly set of characteristics and benefits in all its markets. For example, Coca-Kola is a global brand in the sense that it has been successful in maintaining similar perception across countries and cultures.

A worldwide brand has several advantages:

5. It tends to be associated with status and prestige.
6. It achieves maximum market impact overall, while reducing advertising costs, because only one brand is pushed. For example, Bata Ltd, a Canadian shoe marketer and retailer in ninety-two countries, found out from its research that consumers

greatly thought Bata to be a local concern, no matter the country survey. The company thus decided to become an official sponsor of World Cup Soccer in order to enhance Bata's international stature.

7. It provides a convenient identification, and international travels that can easily recognize the product.
8. It is an appropriate approach when a product has a good reputation or ia known for quality.

Unit 6

Self Assessment Exercise

In your own words define a product.

Perhaps the best way to define a product is to describe it as a bundle of utilities or satisfaction. Warranty terms, for example, are a part of this bundle, and they can be adjusted as appropriate (i.e., superior versus inferior warranty terms). For example, a purchaser of Mercedes-Benz expects to acquire more than just the cars themselves. For instance, different parts of the world do not have the same weather system. In hot and humid countries, there is no reason for a heater to be part of the automobile product bundle, Nigeria for example.

Self Assessment Exercise

What are the success of Japanese firm's products in African and U.S?

Japanese firms usually pick their targets carefully, avoiding head-to-head with major U.S manufacturers in mature industries. Starting at the low end of the product spectrum, a Japanese firm establishes a reputation for product excellence, and eventually gets customers to trade up over time. This strategy has worked exceedingly well in the automobile and consumer-electronics industries.

Self Assessment Exercise

Briefly explain factors influencing product adoption while entering foreign markets.

. Factors to be considered include:

7. Relative Advantage: For product to gain acceptance, it must demonstrate its relative advantage over existing alternatives. For example, product emphasizing cleanliness and sanitation may be unimportant in places where people are poor and struggle to get by one day at a time. Wool coats are needed in a hot country, and products reducing static cling are useless in a humid country.

8. Compatible with local customs and habits: A must also be compatible with local customs and habits. A freezer would not find a ready market in Asia, where people prefer fresh food. In Asia and some part of European countries as France and Italy, people like to sweep and mop floors daily, and thus there is no market for carpet or vacuum clearers.
9. Compatible: A new pro0duct should also be compatible with consumers' other belongings. I f a new product requires a replacement of those other items that are still usable, product adoption becomes a costly proportion.
10. Trialability/divisibility: A new product has an advantage if it is capable of being divided and tested in small trial quantities to determine its suitability and benefits. On the contrary, when a product is large, bulky, and expensive, consumers are much more apprehensive about marketing a purchase. Thus, washers, dryers, refrigerators, and automobiles are products that do not lend themselves well to divisibility. This factor explains one reason why foreign consumers do not easily purchase American automobiles, knowing that a mistake could ruin them financially. Many foreign consumers therefore prefer to purchase more familiar products, such as Japanese automobiles, that less expensive and easier to service and whose parts are easier to repairs.
11. Observation: Observation of a product in public tends to encourage social acceptance and reinforcement, resulting in the product's being adopted more rapidly and with less resistance. If a product is used privately, other consumers cannot see it, and there is no prestige generated by its possession. For example, Blue jeans quartz watches, and automobiles are used publicly and are highly observable products. Japanese men flip their ties so that the label shows. Refrigerators, on the other hand are privately consumed products. In any case, a distinctive and easily recognized logo is very useful.

Unit 7

Suggested Answer to Self Assessment Exercise 1

Indirect selling, also known as the local or domestic channel, is employed when a manufacturer in Nigeria, for example, markets its product through another Nigeria's firm that acts as the manufacturer's sales intermediary. By exporting through an independent local middleman, the manufacturer has no need to set up an international department. The middlemen's, acting as the manufacturer's external export organization, usually assumes the responsibility for moving the product overseas. The intermediary may be a domestic agent if it does not take title to the goods, or it may be a domestic merchant if it does take title to the goods.

Direct selling is employed when a manufacturer develops an overseas channel. This channel requires that the manufacturer deal directly with a foreign party without going through an intermediary in the home country. The manufacturer must set up the overseas channel to take care of the business activities between the countries. Being responsible for shipping the product to foreign markets itself, the manufacturer exports through its own internal export department or organization.

Self Assessment Exercise 2

In what ways do individual middlemen need to management effectively?

Individual middlemen have to be managed effectively in such a way as to:

6. Create distributor loyalty
7. Ensure that distributors are adequately remunerated
8. Train and develop distributors
9. Determine standards of performance, and
10. Evaluate performance against standard.

UNIT 8

Self Assessment Exercise 1

Briefly state conditions under which price may not be considered important to a firm or an economy.

There are certain features that limit the importance of pricing functions in a company's marketing programme and even in the economy. For example, differentiated product features or a favourable brand at times may be more important to consumers than the price. This is true, because it is a known fact that one of the objectives of branding is to decrease the effect of price on the demand for a product. These forces tend to make price less responsive to changes in demand and supply.

In addition, the current state of the economy has a considerable influence on the importance that business executives attach to pricing in relation to other marketing activities. For example, when economic conditions are good and consumers feel relatively affluent, price would not be rated as important as product planning or promotional activity, but during the period of recession and inflation, marketing executives consider price and pricing strategies extremely important and major contributors to marketing success.

UNIT 9

Self Assessment Exercise 1

Name five incentives of EPZ to international marketing.

The incentives that come to inventors in the designated EPZ territories include:

- Tax holiday relief, legislative provisions pertaining to taxes
- Levies, duties and foreign exchange would not apply within EPZs repatriation of foreign capital investment in EPZs at any time capital appreciation of the investment.
- Unrestricted remittance of profits and dividends earned by foreign investors in EPZs.
- No import or export licenses required rent-free land during construction of premises.
- Up to 100% foreign ownership of enterprises in EPZs, sale of up to 25% of production permitted in domestic market.
- No quotas on products from Nigeria exported to the European Union, (EU) and the United States of America.
- Made-in Nigeria goods are entitled to preferential tariffs in the EU.

SELF ASSESS EXCERSICE 2

Discuss the contributions of CBN to international marketing in Nigeria.

Some of the contributions of CBN are thus discuss below:

<u>TRADITIONAL FUNCTIONS</u>

vi. It issues the legal tender (currencies) Naira and Kobo.

vii. It acts as the Banker and financial adviser to the Federal Government.

viii. CBN act as the banker to other banks and finance institution.

  - Cheque Clearing
  - Lender of last resort.

ix. It manages the accounts and debt of the country.

x. CBN act in banking supervision and examination.

REGULATORY FUNCTIONS

The regulatory functions of the CBN are mainly directed at the objective of promoting and maintaining the monetary and price stability in the economy. To perform this regulatory function CBN formulates policies to control the amount of money in circulation, control other banks and major players in the financial market, control rates of banks credits and therefore the supply of money in the economy. The instruments used by CBN to achieve these functions are:

i. Open Market Operation (O.M.O)
j. Bank Rate
k. Rediscount Rate
l. Direct Control of Bank's Liquidity
m. Direct Control of Bank Credit
n. Special Deposits
o. Moral Persuasion
p. Minimum Cash Ratio.

DEVELOMENTAL FUNCTIONS

The establishment of CBN in 1959 was premised on the need to promote and accelerate the much needed economic growth and development in Nigeria, which would invariably promote the growth of the financial market. This financial market comprises the Money and Capital market, assistance to development banks and institutions and the formulation and execution government economic policies.

The Money Market is the market for mobilizing short-term funds with instruments such as Treasury Bills, Treasury Certificates, Commercial Papers, Certificate of Deposit (CDs), Eligible Development Stock (EDS) and Bankers' Acceptances.

The CBN plays a major role in the Capital Market, which deals with long-term funds by fostering its growth through the annual subvention granted to them.

The CBN also helps to promote and assist the development banks and institutions. These include Nigerian Industrial Development Bank (NIDB), the Nigerian Banks for Commerce and Industry (NBCI), the Nigerian Agricultural Insurance Company (NAIC), the Federal Mortgage Bank of Nigeria FMBN), the Nigerian Deposit Insurance Corporation (NDIC), the Nigerian Export-Import Bank (NEXIN) and the Securities and Exchange Commission. (SEC).

In addition, the CBN is involved in the formulation and executive of viable economic polities and measures for the government. Also since 1970, the Bank has been instrumental in the promotion of wholly owned Nigerian enterprises. Thus, the recent directive to banks to set aside 10% of their profits before tax to finance Small and Medium Scale Enterprises can be viewed in this context.

UNIT 10

Self Assessment Exercise 1

Explain factors that influence the effectiveness of a communication

Fiske and Hartley as reported by Kotler (1997) have outlined some general factors that influence the effectiveness of a communication:

6. The greater the monopoly of the communication source over the receipt, the greater the recipient’s change or effect in favour of the source.
7. Communication effects are greater where the message is in line with the receiver’s existing opinions, beliefs, and dispositions.
8. Communication can produce the most effective shifts on unfamiliar, lightly felt, peripheral issues, which do not lie at the center of the recipient’s value system
9. Communication is more likely to be effective where the source is believed to have expertise, high status, objectivity, or likeability, but particularly where the source has power and can be identified with, and
10. The social context, group or reference group will mediate the communication and influence whether or not the communication is accepted.

Self Assessment Exercise 2

Briefly explain factors that affect communication decisions in international marketing.

1 The Firm’s Objectives

The objectives of a firm spell out the direction of the firm’s activities, of which communication is inclusive. For example, companies that pursuit short term objectives, its communicative strategies will quite different from that one that pursuit long term objectives.

2 The Nature of the Product

The nature of the product strongly determines the kind of communication policy that a firm should adopt. This because certain types of goods lend themselves to a highly standardized style of promotion, whiles others by their very nature call for a high degree of differentiation. For example, technical goods calls for a higher level of standardized of communication policy as compared to fashion-based products.

3 Legal Considerations

The legal system of a country often has an important impact on what can and what cannot be done in the field of marketing communications. What may be acceptable in one country may be against the law in another country. For examples:

d. In Norway and Sweden, television advertisement is not permitted
e. In Belgium and France, cigarettes and alcoholic are permitted on television.
f. In Austria and Italy, regulates television advertisement using children.

Therefore to ensure that one does not encounter any problem, it is important that an international marketer gains a broad understanding of the legislation of each target market.

4 Media Availability

An international marketer must never assume that the type of media he had been accustomed to at home be likely to be found in foreign markets. For example, in some countries, the media that one wants may not be in existence. Even if they exist, the number may be too few to meet the demand for it. Cinema advertising for instance, may be popular in one country, whiles in another; it may be totally non existent. An international marketer that wants to know about the media availability in the foreign markets can seek for assistance from some reputable advertising agents. These agents possess useful information on media availability and they provide necessary documents

UNIT 11

SELF ASSESMENT EXCERSISE

Discuss the contribution of OPEC to its member countries.

The organization of the petroleum exporting countries (OPEC) is large group of countries made up of Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia the united Arab emirate, Venezuela and Ecuador (which rejoined OPEC in November 2007). The organization has maintained its headquarters on Vienna since 1965, hosting regular meetings between the oil ministers of its member states.

The principal aim of OPEC according its statute, is the determination of the best means for safeguarding their interest The member nations individually and collectively devise ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations, giving due regard at all times to the interests of the producing nations and to the necessity of securing a steady income to the producing countries. Efficient, economic and regular supply of petroleum to consuming nations and a fair return on their capital to those investing in the petroleum industry is another serious function of OPEC.

(Introduction attract 3 marks and her contributions to her members attracts 7 marks = 10 marks)

SELF ASSESS EXCERSICE 1

What is the contribution of UN to international marketing?

Ball et.al (2002) observed that UN has contributed to business in the following seven ways:

- When ships sail freely across the seas and through international straits, they are protected by rules legitimized in UN conferences.
- Commercial airlines have the right to fly across borders and to land in case of emergency, due to agreement negotiated by the international civil aviation organization, part of the UN system.
- The world Health organization sets criteria for pharmaceutical quality and standardizes the names for drugs.
- Universal postal union protocols prevent losses and allow the mail to move across borders.
- International telecommunication union allotment of frequencies keeps the airwaves from becoming hopelessly clogged and thus avoids interference among Radio transmission.
- Data collected and redistributed from member states by the world meteorological organization makes possible worldwide and country specific weather forecast.
- The UN sales convention and the UN convention on the carriage of goods by sea help to establish rights and obligations for buyers and sellers in international commercial transaction.

Unit 12

SELF ASSESS EXERCISE 1

Explain how Nigeria government able to control foreign exchange in Nigeria?

In Nigeria, the currency Exchange was highly controlled with two different exchange rates- Inter banks rate and Foreign Exchange Market (FEM) rate. FEM rate is determined at fortnightly auctions. Borrowing from abroad is subject to finance ministry approval. For incoming business especially direct investment, approval is needed from finance ministry and ministry of internal affairs. Limits on foreign equity shares, 100% ownership is not allowed. In the case of incoming Portfolio Market, it requires finance ministry approval. Remittance of dividends and profits, finance ministry approval is required. Delays are frequent, no ceilings is paid out of current-year after- tax profits. Remittance of interest and principal, finance ministry approval is required. Remittance of Royalties and fees, the finance ministry approval is required. Royalties limited to 1% of sales fees to 2% of pretax profit. Repatriation of capital, finance ministry approval is required, followed by authorized foreign dealer approvals. Documentation for remittance is onerous and complex, transfer via authorize dealers only is allowed.

SELF ASSESSMENT EXERCISE 2

Why studying inflationary system as an international marketer?

The study of inflation is important to an international marketer, because, Inflation has a lot of effects on interest rates which the companies borrowed. The cost of borrowing is dependent on the rate of inflation. Once inflation sets in, the borrower looses because the value of money is reduced and the person that borrows, gain, because the value of money has gone down.

Inflation equally has an effect on a country's monetary and fiscal policies. (Monetary policy is the amount of money in circulation, while fiscal policies are the collecting and spending of money by governments). Inflation has both positive and negative effect to a business especially to international marketers. Most businessmen prefer high inflation, because it encourages borrowing for simple fact of repayment is cheaper. High inflation rate bring about high interest rate and may discourage lending to businesses.

UNIT 13

SELF ASSESSMENT EXCERSICE

Discuss 4 basic characteristics of service products.

Some basic characteristics service products are:

(a) Intangible- It means service can't be seen, tested, felt, learned or smelled before they are bought. To succeed in selling this type of service you need to know one of the following marketing tools.

- Place
- People
- Equipment
- Communication material
- Symbols
- Price

(b) Variability- Service provision is done by different people even if they are working for the same organization where and when they are provided brings about variability in service provision. About three areas if properly looked into service provision will reduce variability.

- Investing in goods, hiring and training procedures
- Standardize the service performance process throughout the organization
- Monitor customer satisfaction.

(c) Perish ability- Service cannot be stored. For instance a plane that takes off with 10 empty seats cannot be redeemed or an Hotelier who could not get a quest in his room for the previous night cannot regain such loss. The marketing idea is to improve on the Demand and Supply system.

In Demand-

- You differentiate pricing
- Cultrate non-peak demand
- Develop complementary service
- Reservation system should be developed.

In Supply side-

- Part time worker should be used for peak period
- Introduce peak time efficiency
- In creased consumers participation.
- Shared service can be provided.
- Develop facilities for future expansion.

(d) Inseparability- The provider of service and the service itself is seen as same i.e. a cashier in a bank attending to a customer rudely is seen as the bank and he is equated with the bank.

Self Assessment Exercise 2

List five areas of mostly practice international service'

The following are the commonly practiced international services.

vii. Construction, Design and Engineering services
viii. Insurance services
ix. Communication services
x. Teaching services
xi. Consulting services
xii. Tourism

UNIT 14

SELF ASSESS EXCERSISE 1

Discuss the problems of accounting diversity in an international marketing.

Czinzokota et.al (2002) opined that international accounting diversity can lead to any of the following problem in international business/marketing:

a. Poor or improper business decision making
b. Hinder the ability of a firm or enterprise to raise capital in different or foreign markets, *and*
c. Hinder or prevent a firm from monitoring competitive factors across firms, industries and countries.

Self Assessment Exercise 2

From the broader classification of taxation, list and explain any five

Taxes are generally divided into Direct and Indirect taxes.

Direct Tax is calculated on actual income, either individual or firm income. Indirect taxes such as sales taxes, tariff, and value added taxes. However a broader classification of tax types include

1.Individual income tax
2.Corporate income tax
3.Payroll
4.Consumption taxes
5.General sales tax
6.Excise tax
7.Value added tax
8.Tariff
9.Property taxes
10. Estate, Inheritance, and gift taxes

Unit 15

Self Assessment Exercise

List five factors to be considered in an international research

While carried out an international research, the following environmental factors are encountered that may not be found in Domestic.

- Culture of the host country
- Political system
- Societal structures and language
- Legal issues
- Technology