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A Study on Trends of Pricing Strategies in International Marketing

Tarakanta Sahu, Uttam Kumar Mahanta,
Gandhi Institute of Excellent Technocrats, Bhubaneswar, Odisha, India
NM Institute of Engineering and Technology, Bhubaneswar, Odisha, India

ABSTRACT
As the pace of globalisation intensifies, it is becoming ever more imperative for firms to ensure that they respond effectively to the relevant customer needs and expectations in the markets they are involved in. In this regard, excellence in strategic planning and strategy implementation is of crucial importance to both transnational companies and global companies. This necessitates careful and ongoing, customer-focused, clarification and reinforcement regarding where the relevant organisations are going and why, along with how they will get to their intended future positions. Moreover, such businesses are both eminently able and highly motivated to access and exploit all of the world's major and established markets, as well as expand into newer and less developed ones. Pricing issues are therefore especially relevant. Attention also needs to be given to channel structures, advertising and global marketing strategies. In light of the preceding points, this paper firstly discusses basic factors that affect price in any market. Secondly, it explores further considerations entering into pricing decisions. Thirdly, it analyses and evaluates factors influencing channel structures and strategies available to global marketers. Lastly, it analyses and further comments on how the "standardised versus localised" debate applies to advertising.

Keywords: Pricing, Channel, Structures, Strategies, Marketing, Advertising, Global

I. INTRODUCTION

This research paper seeks to explore four interrelated themes vis-à-vis international marketing. The first theme concerns the significance of brand awareness (Aaker, 1992; Beamish & Ashford, 2007; Pappu et al., 2007; Yin & Merrilees, 2007; Yoo et al., 2000). The second theme concerns global marketing strategy (Belch & Belch, 2003; Kumar, 2009). The third theme concerns various factors affecting pricing (Dawar & Parker, 1994; Donnelly, Harrison, & Megicks, 2009; Theodosiou & Katsikeas, 2001). The fourth theme concerns the extent to which standardisation as opposed to localisation of advertising should be implemented (O'Guinn et al., 2008; Ryans et al., 2003; Kotler, 1986; Whitelock & Pimblett, 1997; Takeuchi & Porter, 1986; Mueller, 1991; Agrawal, 1995; Onkvisit & Shaw, 1999; Pae et al., 2002; Sandler & Shani, 1992; Kanso & Nelson, 2002). Indeed, regarding the fourth theme, it may be considered preferable to opt for a pragmatic 'third way' or 'compromise', if one accepts that both schools of thought have their advantages and disadvantages.

Basic factors that affect price in any market

Price is one of the key elements of a product, especially one which has entered a new market and is therefore unknown to begin with the relevant target group of customers. Prices transmit significant economic knowledge and insights about products (Frieden & Rogowski, 1996). Moreover, pricing has a significant influence on profitability (Narver & Slater, 1990; Storbacka et al., 1994).

Haxthausen (2008) notes that "…the most fundamental principle of marketing is to meet and to exceed customer needs." (p. 39). Indeed, customers generally expect to buy quality products at competitive prices, so that they receive good value for the money paid. Companies must therefore make every effort, with respect to the relevant market, to offer products that meet all customer requirements, and are attractively priced given similar products sold by their rivals.

Cavusgil (1996) comments that: "Pricing globally….remains an organisational challenge. Increasingly, it is an area in which input from different functional divisions and regions allows for better decisionmaking…Pricing decisions that are based on a good understanding of perceived value…are more likely to be successful" (p. 78). As such, it is generally the case that prices need to reflect the value a company provides relative to its competitors, take into account what the market is actually willing to pay, facilitate the company in attaining its financial and market goals, and meet the needs and expectations of key stakeholders.

Pricing strategy significantly influences consumer purchasing behavior and the requisite processes used in arriving at decisions (Richard, 1985; Myers, 1997). Furthermore, in foreign markets, pricing clearly impacts how much money is generated and affects a company's chances of survival (Yaprak, 2001). Having said this, the literature suggests that much more research needs to be undertaken concerning pricing for foreign markets (Graham and Gronhaug, 1987).

Musonera and Ndagijimana (2008) notes that: "Pricing in the international marketplace requires shrewd market strategy and companies need to define their pricing strategies, know their products, and understand host country's environmental factors" (p. 9). Furthermore, as Onkvisit and Shaw (2004) indicates, "price is an integral part of a product" (p. 473).

Moreover, Onkvisit and Shaw (2004) notes that "…a multinational corporation needs to coordinate prices across its multiple markets – without violating national laws" (p. 474). There is therefore the need for wisdom and careful management on the part of transnational companies in the setting of prices for their products. Indeed, Abratt & Pitt (1985) comment that: "A sound pricing policy can only be achieved by obtaining a balance between cost and production on the one hand and customer value on the other" (p. 306). In this regard, it is instructive to note once more the importance of customer value, also being aware that firms naturally wish to cover their costs and at least make an acceptable profit.

Furthermore, in a truly global market, one would generally expect arbitrage to seek to drive prices of similar goods and services produced in different countries to equality, when converted to the same currency, based on the various exchange rates (Frankel, 2000). But in practice there are a multitude of reasons, including transport cost differences, for why the so-called 'law of one price' may not be realised in markets worldwide.

Additionally, Noble and Gruca (1999) found that cost-plus pricing was the most commonly used pricing strategy. However, one clear limitation of the research study concerns its sole focus on the US industrial capital goods market. One should therefore be careful not to generalise such results to market segments, whether business or retail, especially in developing countries.

Further considerations entering into pricing decision

There are various firm-specific and industry-specific factors that will be inputs into the pricing decision such as technological innovation at the firm level and falling raw material costs at the industry level. Also, various external factors such as changes in the business environment and global economy over time should be considered in the relevant strategic planning processes (Kotler & Armstrong, 2010).

The two fundamental growth-oriented strategies are those of cost leadership and product differentiation (Hill & Jones, 2011). As for alternative growth strategies, a firm can focus on just one or combine a number of relevant strategies. Two examples of alternative growth strategies are market development and innovation.

Another additional consideration relating to the pricing decision concerns the location of the production facility. Producing in foreign countries helps the relevant firms to be more domestically competitive (Chary, 2009). However, firms may have superior production facilities abroad, yet still be compelled to reduce prices and accept lower revenue in the same foreign markets in order to remain competitive (Bradley, 2005).

Distribution systems are also relevant to pricing decisions and additional expenses will be factored into higher prices (Saxena, 2005). Furthermore, it is important to recognise the significance of the location and environment of the foreign market (Julian, 2014).

Naturally, it is necessary to also take into account exchange rate differentials when developing pricing systems for foreign markets. Indeed, Narayandas, Quelch and Swartz (2000) suggests that companies need to proceed with caution and great care in planning and implementing global pricing. This implies that the same firms must put in place systems that allow them to both develop and maintain competitive international prices.

Other pricing considerations relate to perceptions of risk (Stone & Grønhaug, 1993), branding issues (Onkvisit & Shaw, 1989) and the general ability of the firm's operations to vary and adapt as needed or desired (Kogut, 1993).

As Onkvisit & Shaw (2004) indicates, "…when pricing a product…the factors of cost and supply are always relevant" (p. 475). And, of course, demand is another key factor, since the more customers demand or want a product, the more they will be generally willing to pay for it.

Moreover, Onkvisit & Shaw (2004) notes that other pricing strategies include"…the timing of the price change…..and bundling and unbundling" (p. 480). There is therefore a great deal of creativity that can be applied by companies in pricing. Moreover, standard incentives such as significant discounts and generous credit terms may also be offered to tempt potential customers.

Furthermore, Narayandas et al. (2000) suggests brand asset measurement reflects the degree a firm is successful in creating a product, providing marketing support, retaining customers, building brand value, and reducing return volatility. One would contend that these provides a crucial additional basis for the firm to determine product prices.

On the one hand, Hauser (1998) suggests that brand pricing is a significant high-level decision for marketing managers, intimately connected the positioning of the brand. On the other hand, Myers (1997) suggests that many exporters primarily base their pricing approaches on costs, and do not have enough market and competitive information. Presumably, if such knowledge is of suitably high quality, then it could be profitably exploited by the relevant organisations, helping them to be more successful and therefore enhance their brand value.

Factors influencing channel structures and strategies available to global marketers

Global marketing typically refers to marketing activities coordinated and integrated across international boundaries with target markets and customers based on opportunities rather than national affiliation (Johansson, 2003; Keegan & Green, 2005).

Rosenbloom (2011) suggests marketing channel decisions made by firms are at least as important as other strategic decisions. Having said this, it is worth bearing in mind that the economic environment is constantly altering (Meyer and Davis, 2003). Moreover, distribution channels may need to be changed in light of new products and customer requirements (Lancaster and Withey, 2007).

As Rosenbloom & Andras (2008) notes: “Channels of distribution, whether local or international in scope, consist of a set of flows that link producers of goods and services to final users” (p. 243). Additionally, Rosenbloom & Andras (2008) notes, regarding channel flows, that they “…do not automatically appear out of thin air. Rather, they are created and sustained by many types of organisations that perform all of the myriad distribution tasks needed for sellers and buyers to consummate transactions over great distances” (p. 250).

This suggests the global marketers need to be actively and constantly thinking of ways to both strengthen and exploit distribution channels. Indeed, channels of distribution depend on high-quality communication (Mohr & Nevin, 1990). There is therefore utility in enhancing retailer differentiation, through consumer goods companies actively cultivating their relationships with mass retailers (Haxthausen, 2008).

Keegan & Green (2010) suggest that efficient channels and physical distribution processes are essential components of marketing. Indeed, one would strongly contend that without them, customer requirements and expectations cannot be reliably achieved. A great variety of players and procedures are needed in order to ensure that products are transmitted successfully from producers to customers, and therefore in a way that at least meets customer expectations.

Moreover, Keegan & Green (2010) also indicate that there are four market entry expansion strategies retailers wishing to sell internationally may select from, namely organic growth, franchising, acquisition and joint ventures/licensing.

As Hoffman & Preble (2004) indicates, the tremendous improvements in technology and telecommunications which have taken place in recent times, have also aided the development of international franchising, now increasingly cost-efficient.

Kashani & Quelch (1990) note that: “The degree of coordination in sales promotion across country lines depends on whether the brand is local, regional, or global” (p. 37). Moreover, Kashani & Quelch (1990) also contend that: “Consistency in internal communications will help achieve the consistency in each brand’s external marketing communications” (p. 43). The preceding two points serve to highlight the importance of brand perceptions and marketing communications regarding optimal selection of global marketing strategies.

As Onkvisit and Shaw (2004) note, “…the geocentric approach combines….the cost-reduction advantage of standardisation and the advantages of local relevance and effective appeal of individualisation” (p. 465).This is because a geocentric campaign means that marketing strategies are prepared for global audiences from the outset, appealing to generic characteristics, yet permitting local alterations suited to the various country-level characteristics. One would suggest that this is a very compelling alternative to promotion methods that are either standardised or localised.

Navarro (2004) indicates that global marketers should alter their messages in line with the business cycle, so as to ensure that inventories are light when recession comes rather than heavy, and to optimise the use of marketing expenditures. Such a state of affairs strongly underscores the strategic role of global marketing.

“Standardised versus localised” debate in advertising

Onkvisit & Shaw (2004) note that: “Standardised international advertising is the practice of advertising the same product in the same way everywhere in the world” (p. 455). Moreover, Onkvisit & Shaw (2004) comments that the ‘localisation’ school “…holds that advertisers must particularly make note of the differences among countries…” (p. 457).

However, Onkvisit and Shaw (1999) suggests it is difficult to judge whether the standardisation strategy or the localisation strategy is more effective. Furthermore, Martin (2005) notes that: “As for global brands, there is evidence that multinational corporations are adapting their messages to local audiences with the understanding that one size does not fit all” (p. 91).

Other relevant research literature also emphasises the centrality of the ‘standardised versus localised’ debate for advertising, favouring localised strategies (De Mooij, 2003). It is important to note that the merits of the localisation school do not serve to discredit the case of the standardisation school, especially if advertisers can indeed focus on the common attributes that customers globally have (Fatt, 1967; Levitt, 1983). Therefore, and on the one hand, the literature suggests that standardised advertising strategies are most appropriate, where strong similarities and customer requirements across different market are apparent (O’Guinn et al., 2008).

However, and on the other hand, the literature also suggests that product information transmitted to customers should involve the deployment of localised advertising strategies, especially where there is significant evidence of cultural variation (O’Guinn et al., 2008). This also implies that, in principle, fundamental distinguishing features such as brand name and logo can be made to appeal to customers globally.

II. CONCLUSION

It may be strongly contended that globalisation is an everyday reality and driving influence worldwide (Micklethwait & Wooldridge, 2000). In particular, the reduction in trade barriers between countries, along with structural reforms within countries, has resulted in quite extraordinary opportunities for the forces of capitalism to exploit market opportunities around the globe in recent times, as has never been the case before.

It is in this rapidly changing and turbulent business environment that global marketers necessarily seek to transform their organisation’s corporate objectives into aligned and effective marketing strategies.

Regarding the marketing mix, it should be clear from the preceding points that all aspects of the marketing mix are closely connected and therefore have an interdependent impact on one another.

As such, pricing decisions need to be based on the marketing strategy which the company regards as optimal, whether localised, standardised or indeed globalised.

Furthermore, based on the market research information gathered and generated, companies will also decide in which form they will enter the relevant foreign markets, whether solely or through an intermediary (Anderson & Coughlan, 1987).

It is likely that the majority of transnational companies will rely on entering markets through an intermediary (Agarwal & Ramaswami, 1992; Mitra & Golder, 2002). Issues pertaining to standardization and adaptation also apply to advertising and promotion. Generally, transnational companies are also likely to advertise and therefore communicate brands using a global advertising strategy.

However, strategies for the communication of product details need to be more localised and adapted to local cultural patterns and other pertinent country-level factors (Mueller and Taylor, 2013).

Moreover, as different markets will generally have different characteristics regarding both the suitability and implementation of marketing strategies, it is essential for companies to undertake further research in these areas, regardless of whether the relevant countries are developed or developing (Arnold and Quelch, 1998; Yip, 1989).

Regarding areas for future research, one would suggest empirical work in the first instance, focusing on testing and comparison of the various strategies implemented in different transnational and global companies regarding the matter at hand.

This is in order to further explicate the relevant areas and gather more robust data. Empirical research may be understood as that which primarily focuses on the collection and analysis of primary data (Albaum and Peterson, 1984).

In particular, one would also contend that there may be significant gaps in the literature regarding the issue of channel structures and strategies available to global marketers, given the relative newness of the concept of globalisation and the increasing rate of change in the global economy (Dreher et al., 2008; Steger, 2010).

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