CONTEMPORARY ISSUES IN
INTERNATIONAL MARKETING

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The proposition is made that a fundamental issue for many marketing-oriented companies is to formulate competitive strategies for entering and consolidating their foothold in international markets. This poses a challenge for academic researchers to also address themselves to strategic issues, if necessary by collaborative research programmes. The concept of marketing as a customer oriented, integrative and forward looking activity at the interface with the environment is applied to the design of international marketing research projects.

One major European research programme is presented with the objective of developing various theoretical concepts. These have been integrated into a strategic framework and related to contemporary issues in industry. This framework is being applied to a study of the international marketing strategies by French, German and British suppliers of high technology products and systems. Some future trends in international marketing are identified in the areas of marketing differentiation, organisational development and the management of supplier-customer relationships.
INTRODUCTION

One of the major challenges confronting European, American and less developed country suppliers in the 1980's is the formulation and implementation of competitive strategies for operating profitably in international markets.

Strategy requires creativity and risk taking entrepreneurship: it also involves planning the company's conditional responses to forces outside its own direct control. These external forces emerge as a result of changes in the realms of

- Technology
- Market Structure
- Competitors' Activities
- and Customers' Bargaining Power

Strategic marketing in industry and academic research in universities benefit from integrating the key issues arising from the major developments currently taking place. The foremost of these are:

1. The better understanding of the different forces at work in growth, mature and declining industries as they impinge upon the competitive marketing strategies of suppliers.

2. The relevance of the interaction approach to marketing and purchasing and the concepts of power, dependence and exchanges involved in managing supplier-customer relationships.

3. The progressive internationalisation of markets and of the complementary organisational evolution and adaptation of companies.

4. The application of network theory to the relations between companies and other organisations in their environment.

5. The accelerating industrialisation of less developed countries and the impact of different cultures of competitive behaviour in world markets.

6. The complex interplay between suppliers' marketing strategies and customers pro-active purchasing strategies.

7. The non-tariff and nationalistic barriers to entry to markets acting as a counter to the globalisation of markets.
Clearly there is also ample scope for academically rigorous and intellectually demanding research into competitive strategies, particularly of different suppliers who operate in the same industry. Such studies inevitably open up the possibilities of undertaking comparative analysis based upon such criteria as

- the country of origin of the competing suppliers
- the target markets in which there is interplay between the competitive strategies
- the strategic grouping to which suppliers belong
- the interaction between suppliers' marketing strategies and customers' purchasing strategies

Such an approach obviously focuses upon some of the most important of the contemporary issues in international marketing. As far back as 1977 Wind and Perlmutter identified a number of so-called 'frontier issues' in multinational marketing which constituted the strategic dilemma for supplier companies. These issues included the selection of target country markets, the selection of the mode of entry, and the determination of the optimum portfolio of products/market segments/countries. More recently, a state-of-the-art assessment of the literature in international marketing proposed the adoption of a similar framework in which the management decisions relating to a supplier's initial market involvement, the market entry and expansion strategies and the segmentation of world and country markets should assume major prominence (Cavusgil and Nevin 1981).

It is our belief that such strategic issues in international marketing are not only academically worthwhile but are likely to be extremely relevant to our colleagues operating as marketing executives in industry. However, there is a corollary to this way forward: research of this type is exceptionally demanding and, by its very nature, is dynamic and somewhat open-ended. The research must inevitably be exploratory; it is unlikely to be amenable to quantitative modelling and will embrace deductive and intuitive approaches.
WHAT RELEVANCE HAS MARKETING TO CONTEMPORARY PROBLEMS?

Over the past 30 years, amidst all the social, political and economic upheavals which have occurred around the world, nothing seems to have challenged a fundamental axiom of management of a business - 'The purpose of a business is to create and keep customers at an acceptable level of profit'.

To achieve this on a regular basis, not only involves creative marketing and planning, it also demands adapting to changing environments. This environment is characterised by high inflation rates, prolonged recession, unacceptable unemployment rates and the progressive shift of manufacturing resources from Western industrialised nations to the less industrialised countries of the Far East. In this uncertain environment marketing is still concerned with selecting and addressing viable target markets in a manner which differentiates one supplier from its competitors.

The marketing philosophy of customer oriented businesses is still of paramount importance but we must ask 'are marketing academics able to rise to the challenge of making the philosophy work in practice'? Perhaps too many academics are concerned with the elegance or novelty of their models, or with their own excitement at discovering that the unexplained residual in their multiple regression data has been reduced from 0.6 to 0.5. Often our strategic vision has become lost in minutiae and unimpressive irrelevancies. It is not surprising that there is an increasing array of critics of marketing academics and they are inclined to challenge our credibility and the relevance of our efforts to the major issues in competitive marketing.

THE NEED FOR A STRATEGIC PURPOSE

Strategic marketing issues are characterised by their long term horizons and their major impact upon the future directions of the business. How much of our own research has a long term horizon? How much impact does our research have upon the behaviour of businesses and executives with which we interact? All too frequently academic research in marketing takes the form of short-term projects involving a simple problem which has a very local or regional focus and is constrained by the duration of the time that our postgraduate students can allocate for the pursuit of getting their qualifications. Our horizons are often too short.
Particularly in research in international marketing there is a desperate need for longer term planning of research by marketing academics rather than pursuing ad-hoc and opportunistic studies. Alongside individual, scholarly research where the academic works on his own in a state of harmony with his subject and his unlimited time scale, there is also a place for more collaborative research programmes. These can take place between academics working in different institutions and in different countries. They can be formally organised to work together on an agreed project, with a common methodology and conceptual framework, or they can be more informal arrangements by agreeing to work on complementary and interlocking studies and sharing ideas and results. Such research is exciting, demanding and often characterised by disharmony and frustration but is usually eminently worthwhile and stimulating. (Ch.3 in Hakansson 1982).

THE MARKETING CONCEPT APPLIED TO RESEARCH

If marketing is a customer oriented concept then our research should be oriented towards our customers needs (students, research councils and cooperating companies) in its intellectual content, its interest and its relevance.

If we argue that marketing, unlike selling, is a planning and organising activity, then our own separate research studies should be part of a planned and well organised long term programme of research.

If we propagate the notion of marketing as an integrative activity, either integrating elements of the marketing mix or integrating different disciplines (such as industrial economics or customer psychology) then our own research will benefit from greater inputs from other disciplines or by integrating different research workers into a project.

If we believe that marketing is at the interface between an organisation and its external environment, then some of our research should be addressed at the interface problems where suppliers and customers interact.

The quest for short-term, quick pay-off results by too much ad-hoc research must be constantly challenged.

An attempt to put into practice these propositions can be seen from the ensuing description and summary of a research study now well underway at UMIST.

A HIGH TECHNOLOGY EXPORT MARKETING AND INTERNATIONAL PURCHASING RESEARCH PROGRAMME

Following on from the first IMP research project into supplier-customer relationships between five countries during 1976-81
The UMIST research group has embarked upon a substantial research programme in three European markets. These are France, Germany and the UK. The research group comprises four faculty members at UMIST, one at the Manchester Business School and six research assistants working over a two to three year period. The work is an extension and progressive development of the interaction approach to marketing and purchasing but adopts an increasingly strategic posture. It was considered desirable to concentrate attention on specific industries and to work closely with a small sample of European suppliers of high technology products. Consequently, attention was narrowed down to a comparative examination of the common and different strategic issues facing competitive suppliers in the following market situations:-

1. A growing industry (e.g. Microprocessors or Telecommunications)
2. A mature industry (e.g. Steel or Packaging)
3. A declining industry (e.g. Shipbuilding)

However, our funding body (the UK Economics and Social Research Council (ESRC) constrained the study to the first two types of industry, namely Telecommunications and Packaging Systems.

1. Characteristics of the UMIST Research Programme

The research adopts an interaction approach to international marketing and purchasing of technologically complex products. The focus is upon supplier-customer relationships within and across natural boundaries into two industries and three countries. A strategic dimensions is achieved by investigating the usefulness of Porter's and other frameworks of competitive strategies between rivals in industries subject to environmental change.

2. Research Objectives

These can be summarised as:-

1. To further develop the interaction approach at both a theoretical and pragmatic level.
2. To investigate contemporary major managerial issues in one growing and one mature industry.
3. To develop and apply several interrelated theoretical concepts to the marketing strategies of French, German and UK suppliers.

These interrelated concepts form parts of international marketing strategy and are:-
1. Portfolio theory applied to customers.
2. Paradigms of competitive entry strategies into foreign markets.
3. Stage theory models of the internationalisation process.
4. Network theory applied to supplier-customer relationships.
5. Resource allocation options between market opportunities.

3. Research Methodology

The methods of investigation being pursued are:

3.1 Secondary data analysis of technological changes, competitive activities, market structural changes and developments in customer's purchasing behaviour.

3.2 Primary data collection involving:
- analysis of a sample of supplier company records
- personal interviews with supplier marketing executives
- personal interviews at head office and foreign subsidiaries of supplier companies in Europe
- personal interviews with samples of existing) prospective) customers lost)

3.3 Data analysis by case studies, SPSS computer package, etc.

4. Research Scope

Four dimensions of the research are:

4.1 Two Industries: (1) Packaging Systems - (Mature, stable, fragmented, excess capacity, incremental technical change, technical substitution).

(2) Telecommunications Systems - (Dynamic, growing, concentrated, new customers, technical upheaval, technical convergence, government influenced).
4.2 Three Countries - France, Germany and the UK
(Note: two extra countries have been added for specific topics, e.g. Japan and Spain).

This allows inter-country comparisons in each market.

It gives an international marketing dimension in export marketing and international purchasing.

4.3 An Interaction Perspective - Studies both of suppliers and customers within the same industries.

4.4 A Strategic Framework - integrating the conceptual themes and management challenges.

(1) Competitive Strategies - What strategies do suppliers adopt for entering and defending markets?

(2) Stage Theory of Organisational Development - How do companies develop organisation structures for foreign markets?

(3) Portfolio Theory - How should suppliers develop a portfolio of customers?

(4) Resource Allocation - How do companies deploy resources among different customer groups?

5. Research Philosophy

This is a blend of qualitative exploratory research and computer analysis of some quantitative data.

There is also a blend of theoretical and practical issues by combining conceptual insights and contemporary managerial problems.

6. Research Model

Our research framework, or model, consists of three principal areas of investigation. These are:-

Contemporary Issues in the industries studied
Supplier-customer relationships
and Marketing strategies of suppliers
These are expanded in the more detailed framework shown in Fig. (1)

The first part of this framework can be seen to have some common characteristics with Porter's approach to competitive strategy (Porter 1982) in so far as changes in technology, market structure, competitive activity and customer purchasing behaviour are comparable to Porter's threat of substitute technologies, threat of new entrants, rivalry among firms and customer buying power respectively. Figure 2 summarises the major forces driving industry competition. Our research in the packaging and telecommunications industry has progressively covered the identification and analysis of forces in the areas of

- General industry characteristics
- Technological changes
- Market structure changes
- Changes in competitors' activity
- Changes in customer purchasing policies

Thereafter the research has been aimed at developing a structure under which the impact of these forces upon various suppliers' marketing strategies can be analysed (See Fig (3)).

The marketing strategies of suppliers as summarised in our research model in Fig 1 can be briefly elaborated upon here. Target market selection or macro international focus is illustrated in Fig 4 (a), Segmentation Strategies or market niche positioning in Fig 4 (b), and the Formulation of a Portfolio of Customers through micro marketing is shown in Fig 4 (c). Here the portfolio is represented by two dimensions, namely customer's technical needs (low to high) and profitability of the customer's account (low to high). The scatter of existing customers on this simple portfolio matrix can be shown and a more desirable portfolio constructed.

A representation of Competitive Entry Strategies is provided in Fig 4 (d). For each country market (e.g. France) a network of existing supplier-customer relationships exists. (e.g. S - C).
Fig. 1: Research Model for UMIST Study of High-Tech Marketing
Fig. (2) Forces Driving Industry Competition

(Michael Porter)
Fig (3) Impact of Market Forces on Supplier Strategies
This market is the target for new entrants (E1, E2 etc). The research studies the motivation, decision criteria and mode of entry of these new entrants and the reactions of the existing market suppliers and customers (S, C etc) to these entrants.

The strategic options for new and existing suppliers are studied, as are also their specific positioning strategies. Finally, the study of customer purchasing strategies provides a balanced 'interaction approach' to the research.

Strategies for resource allocation to customers can be appreciated from Fig 5. Here a specific market segment or sector is portrayed. The problem is concerned with the allocation of scarce technical, marketing and managerial resources between four customers (A, B, C and D). The importance of each customer to the supplier is shown in two ways; first by each dimension of the matrix, representing the growth rate of the customer's demand for the supplier's products and the share of his own market which each customer commands; second, by the absolute amount of his purchases as represented by the diameter of the customer circle. For each customer is shown the share of his orders which supplier 1, 2 etc., receive. The challenge to the supplier is to defend his existing customers and deploy resources to selected key customers and potential customers where a good chance exists of receiving business against entrenched competitors.

This is the area of research being pursued among a small number of suppliers. An equally relevant approach is in evidence in the report of consultants in the telecommunications industry (Yankee Report 1982) where the focus is upon the strategic response of manufacturers to changes occurring in the technological, market, customer and competitive environment. Another important perspective and contribution to the development of our research framework arises from the idea of international marketing strategies being portrayed as Marketing Investments in macro positions (country markets), niche positions (segments) and micro positions (specific customers) (Johanson 1984). Finally, the research model had its embryonic origins in the notion of the interplay between the environment, the organisational structure and the interaction strategies for handling customer relationships derived from an analysis of the approach to Europe by British suppliers of industrial goods (Cunningham 1985).
Fig 4(a)

Fig 4(b)

Fig 4(c)
Fig 4(d) Competitive Entry Strategies
Fig (5) Strategies for Resource Allocation to Customers
7. Data Collection

In both industries secondary and primary data is being collected from suppliers and customers. Due to the idiosyncrasies of collaborative team research, where some freedom of style is encouraged, where academic interests are influential, where variations in degree of cooperation from companies occurs and where different rates of progress of researchers is to be expected, the research programme is not identical in each industry. The fieldwork is now 80% completed and a summary of the scope and nature of the data collection carried out to date is shown in Figure (6) and (7) for the Packaging Systems and Telecommunications industries respectively.

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Insert Fig (6)

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Insert Fig (7)
Fig (6) Data Collected from Suppliers and Customers in the Packaging Industry
Fig (7) Data Collected from Suppliers, Sales Subsidiaries and Customers in the Telecommunications Industry
In each of these industries and in each country (France, Germany and the UK) most, if not all, of the conceptual themes forming the research objectives will be studied.

8. Organisation of the Research

The two industries are divided among the research team. Two full-time faculty academics cover the Telecoms industry and two the Packaging industry.

Each academic specialises in one of the conceptual themes and pursues this in each of the three countries.

The research assistants (being bi-lingual) undertake research in the UK and the foreign country in whose language they are proficient. Each works under the direction of a supervising academic and focusses on one major theme.

This is summarised in Fig. (8).

9. Preliminary Results arising from the Research

The results emerging to date are being published in the form of journal articles, conference papers etc. These can be summarised as follows:

9.1 Contemporary Issues in Growing and Mature Industries


Technological convergence of computers, office automation and telecommunications equipment. Government liberalisation of markets in Western Europe, Evaluation of product/market opportunities in France, Germany and the UK.

9.2 Supplier-Customer Interaction


Based on research in German packaging industry: a multi-stage process for developing marketing strategies based on analysis of customer purchasing behaviour and competitors strength.
Fig (8) : The Interconnection between the Parts of the Research

An analysis of networks of supplier-customer relationships in the packaging industry. Comparative data for Germany, France, Japan and the UK is presented and research methodology issues are discussed.


Analysis based both on data from suppliers and customers, leading to a contrast between suppliers' self-perception and customers' perceptions of competitive positions in the market. A classification of market segments by degree of sophistication is proposed. Analysis conducted on social/technical bonds between suppliers and customers.

9.3 Target Market Selection, Segmentation Strategies and Portfolios of Customers


The research focuses on the necessity for incorporating customer needs and perceptions as well as supplier objectives into a portfolio of strategic market opportunities.

A three dimensional analytical framework is developed to portray the major portfolio dimensions for industrial market segments and customer groupings in the telecommunications industry. Data is presented for the portfolio of one major UK manufacturer and from 20 British customers.

9.4 Resource Allocation to Segments and Customers


An analysis of the patterns of supplier-customer interactions for British exporters of industrial goods into France, Germany, Sweden and Italy. The human resources involved from marketing, technical and production personnel in supplier companies are examined according to the frequency, breadth, hierarchical level and control mechanism.
(b) The Challenge of Deploying Scarce Managerial Resources
by Campbell N C G and Cunningham M T - Conference on
Industrial Marketing: Interfaces between Marketing, Technology and Organisation, Stockholm School of
Economics, August 1984

A comprehensive analysis of the resources allocated by
a German packaging manufacturer among different types
of customers. A classification of customers and
market segments is developed and the factors determining
managerial, technical and marketing resource deployment
are identified for strategy development.

9.5 Marketing Organisation Structures for International
Marketing

(a) Internationalisation in the Information Technology
Industry by Turnbull P W and Ellwood S. Presented
at Conference on Industrial Marketing: Interfaces
between Marketing, Technology and Organisation.
Stockholm School of Economics, August 1984

A study of organisation structure, development and
adaptation by thirteen British I.T. companies in
gaining entry and expanding their established activities
in Western European markets. The research analyses
the international orientation of the companies and
comparison made between the type of organisation
structure developed for each of five foreign markets.
A classification system of marketing structures is
devised for the companies studied and a three-
dimensional market analysis grid is proposed to aid
market entry strategy.

(b) Tripartite Interaction: The Role of Sales Subsidiaries
in International Marketing by Turnbull P W - Conference
on Research Developments in International Marketing,
UMIST, September 1984.

An analysis of the interaction between manufacturers,
sales subsidiaries and customers in UK, France, Germany
and Spain. The study is set within the Information
Technology industry, and explores the nature and roles
of sales subsidiaries in implementing marketing
strategies for foreign market operations. These roles
are examined from the different perspectives of head
office, customer and the sales subsidiary itself.

10. Future Trends and Developments in International Marketing

Arising out of the ever increasing internationalisation of
markets and the reciprocal competitive entrants into each other's
domestic market domain, companies are rapidly adapting to the
changing circumstances. Academic research has to be closely
coupled to these developments if it is not to address yester­
day's rather than tomorrow's issues. Although Levitt's view
of the globalisation of markets offers powerful insights into
the future, (Levitt, 1983a) his perception of the breaking
down of geographical and cultural barriers leading to the
homogeneous product being offered onto internationally
homogeneous customer markets is more provocative then prescrip­
tive. Supplier-customer relationships are not going to be
standardised nor are market offerings likely to be standardised
or remain unchanged. Levitt himself argues elsewhere that
'the marketing imagination is the starting point of success' and
that 'nothing drives progress like the imagination' (Levitt,
1983b). There are obviously imaginative counterforces at work
to offset the simple globalisation approach.

Some of these future trends are already discernible, particularly
in the realms of marketing differentiation, marketing organisa­
tion structures and the management of networks of supplier­
customer relationships. Research by marketing academics is
now being directed towards an understanding of the implications
of such challenges as:-

1. Marketing differentiation in international markets

As lower cost manufacturing of products and components moves
across from the Western countries to the Far East economies,
so have the unique skills of the West been directed towards the
following:

- The Marketing of Projects (not just products)
  - Turnkey projects
  - Multi-company, multi-product offerings

- Marketing of Integrated Systems
  - Computers, word processors, visual displays and
telecommunications systems

- Development and Marketing of Multi-Technology Products
  - Video cameras which incorporate camera
techniques, optics, recording technology, video
and audio components etc.

- Multi-functional products
  - Telephones with clocks and memories
  - Car radios with traffic warning systems

- Software marketing
  - Customising standard hardware products
   through adapted software intelligence

- Service marketing
  - Consultancy, application and maintenance know-how.
2. Organisational Development

Many of the major international companies are seeking answers to such questions as:-

- How to achieve integration between the marketing responsibilities for Products, Segments in various international markets?
- How to achieve integration between marketing, product policy, service and manufacturing?
- How to define the proprietorial boundaries for product innovations when operating in Joint Venture companies?
- The degree of discretion to divisions in international marketing organisations for adaptation and customisation of products and marketing strategy for specific markets.

3. Supplier-Customer Relationships

- How to deploy scarce technical, marketing and senior management personnel among different markets and customer relationships?
- How can the concept of networks be applied to relationships between suppliers, between suppliers and customers and between other organisations in the environment?
- What should be the role of customer relationship managers in organisations?

11. CONCLUDING REMARKS

Pettigrew (1973) conducted extensive research into organisational decision-making. He found evidence that executives in companies held on to very faulty assumptions and beliefs about the world in which they operate despite contrary evidence that the environment has changed. Researchers in international marketing must never be classified as academic dinosaurs.

We need to be dissatisfied with much of the collected wisdom, styles of research and so-called 'truths' contained in a lot of what has been published so far.

We are only at the foothills of research in marketing. Yet so far as international marketing is concerned and particularly where challenging insights and empirical discoveries into the subject are occurring, then Europe and Japan have much to offer.
We ought to conceptualise what we observe rather than attempt to prove something in which we don't have confidence. Some of the research which is based on testing simple bivariate relationships is too simplistic.

We need to search for a deeper understanding of contemporary marketing phenomena.

Let us not keep on statistically massaging suspect data but let us be concerned with getting better data.

It has been suggested that there are three types of companies and these ideas may be applicable to academics in terms of the subjects which we are supposed to research and teach:

1. Those who make things happen
2. Those who watch others making things happen
3. Those who wonder what happened.

We are starting this series of conferences on Research Developments in International Marketing at UMIST. Subsequently, we shall convene in Lyon (France) and Uppsala (Sweden). Clearly we hope to attract more and more of the first category of academic - those who make things happen.
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