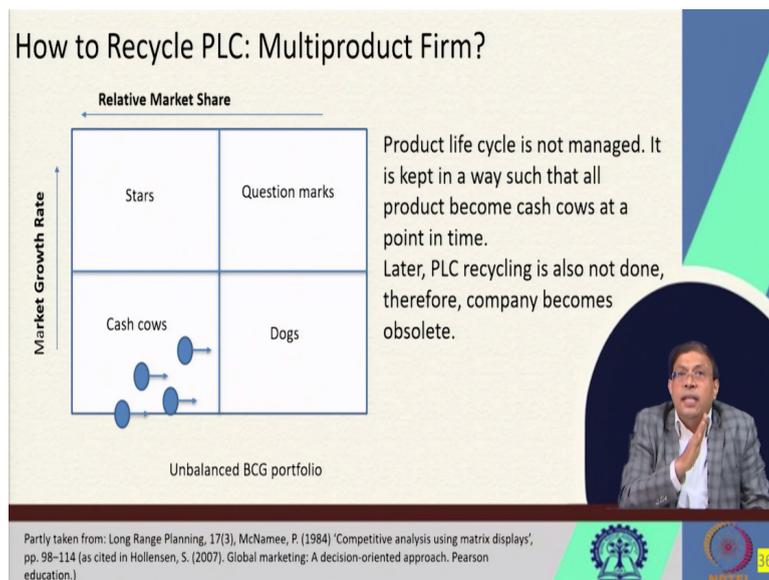


**International Marketing**  
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**Lecture – 22**  
**Designing a Global Marketing Program**

Hello good afternoon welcome back. So, we have continued product life cycle and now we will continue for international product life cycle.

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So, here how to recycle a product life cycle for a multi product firm. So, before this I have put it in a BCG Boston Consulting Group matrix. So, I hope you are aware about this Boston Consulting Group matrix, but I will give you very basic heads up on that so that if you are not very clear you will understand it. So, on the left it is a matrix where you see on the left is a market growth rate.

How the overall market is growing entire market for that particular product, how the product market is growing and on the top you see relative market share. What is the company's market share into that market. So, one is the overall size of the market another is the company market share out of that total market. So, this is a famous matrix which is known as a Boston Consulting Group matrix or is known as BCG matrix.

So, there are four compartments into that. So, the first one is stars it is just like a star so where the market overall market is also growing at a very high rate and the company's market

share for that particular product is also very high excellent star performance then comes below the second one is cash cows. So, what is cash cows? The market is not growing that good reasonably good it is not growing that good, but the company's market share is very, very high cash cow.

So the company is **really** these products or giving huge amount of cash to the company, so the products are known as cash cow products. So, the overall market is not growing, but the companies market share in that market is very, very high so these are known as cash cows and then the next one is dogs you can make it out from the name dogs that means the overall market is also not growing.

The company's market share also is very, very low so the both the things are very low. Here just relative market share is in this **direction**. So, relative market share is very high versus relative market share **very good in** dogs relative market share is very low and the overall market is also very low. Both the things are very low the products are dogs absolutely no takers for the product.

Neither the market is growing nor the company's product is having any market share so these are known as dogs product. Then the another component here or another quadrant here is a question **mark** product. Company's market share is low, but the market is growth is very high the overall size of the market is very high, but companies market share is very, very low these are question mark products that means you do not need to change the marketing mix.

The four piece of marketing you need to change and the product mix so that you can bring the question mark products to stars what to do that whether there is any changes required in the product front or the pricing or promotion or placement as I said is just like preparing a good dish. So, how you change these marketing mix and you bring this changing the marketing mix you can bring the question mark products to the stars.

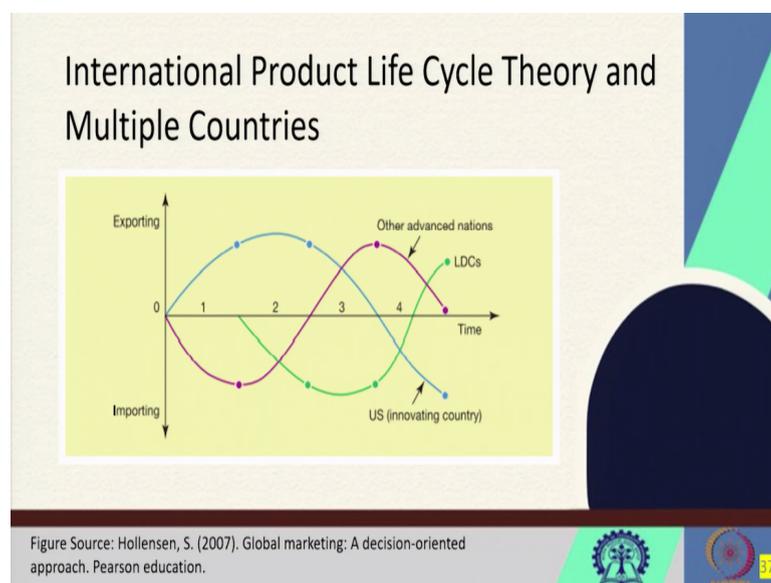
Now the product life cycle why this BCG matrix is very important product life cycle because product life cycle if it is not managed. It is kept in such a way that all product become cash cow at a certain point if you look in international marketing if you look and put this say in 10 different markets and you plot it and you find that most of the product has become cash cow that means the market is not growing, but your share is very high.

There is something wrong in that means you are operating the overall size of the market is not growing, but you have reasonably good market share cash cow this will not sustain. So, you will reach almost at the end of the product life cycle. So, you have to see later in the PLC if recycling is not done if you do not do the recycling what I say it will go to the dogs position it will move to the dog.

So, these four quadrants are extremely important and you need to understand this BCG matrix is very, very useful when you put the product and there are two dimensions required. One is the overall size of the market that is how the market is growing versus your share or relative share of your company product in that market so that is how you have the four quadrants. Stars is the ideal, cash cows, dogs and the question marks.

So, the question mark products still you have some changes in marketing mix you can bring them to stars. Cash cows you can again repackage it make it to the stars, but if you do not recycle the products then it will move to the dogs your market share and it will be absolutely obsolete. So, that is the example how it is done.

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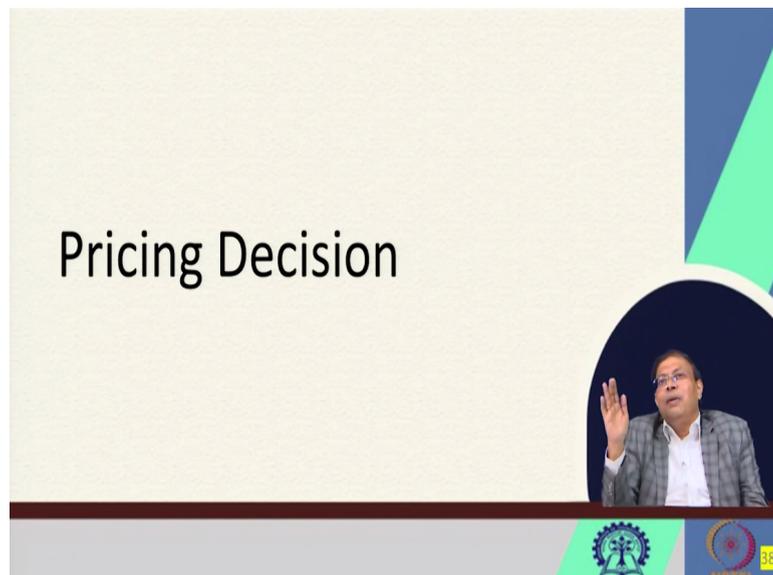
Next slide international product life cycle theory to multiple countries. Now how this theory now this product lifecycle in a multiple countries. So, how it is done? So, typically demand first grows in the innovating country that is here in this case we have given example of United States. In the beginning excess production in the innovating country greater than the domestic demand.

So, remember it is greater than the domestic demand will be exported to the other advanced countries where the demand also grows. Only later does demand begin in less developed countries production consequently takes place first in the innovating country as the product matures and technology is defused productions occurs in other industrialized countries and then in less developed countries.

Efficiency, comparative advantage, shift from developed countries to a developing countries finally advanced countries no longer cost effective import products from their former customers. Examples typical PLC's international PLC's can be found in textile industry and in computer software industry, for example, many software programs today are made in Bangalore in India.

So, that is about these international so remember these three curves. One is a blue one which is the US innovating country where the **starts the** innovation then the pink or the red one which is the other advanced countries and then the third is the green one. So, this is exactly how an international export and import versus the time it happens. So, this is the expansion of the international product life cycle.

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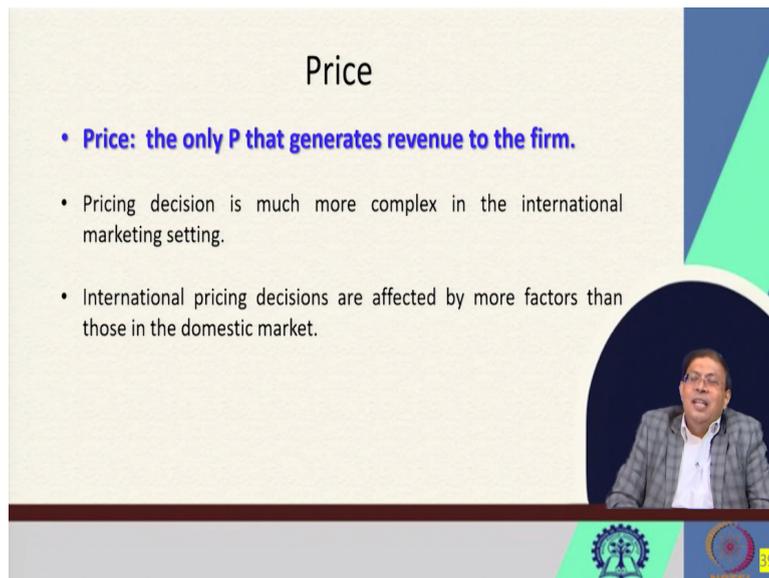


Then comes the most important decision pricing decision. So, the product portion you have seen the product life cycle management what you have to do, when you have to recycle, you have to watch clearly. So, all you have to do look at the product and then require to put it

recycle the product if the product has reached to the cash cow and the overall market is not growing.

And also your market share is high, but overall market is not growing that is moved to the cash cow and slowly if you do not recycle you will have a problem. So, that is about the product portion.

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The slide is titled "Price" and features a list of three bullet points. The first bullet point is highlighted in blue. The slide also includes a video inset of a man speaking in the bottom right corner and a footer with logos.

**Price**

- **Price: the only P that generates revenue to the firm.**
- Pricing decision is much more complex in the international marketing setting.
- International pricing decisions are affected by more factors than those in the domestic market.

Then comes the pricing. I have put in blue colour. See the price the only P generates the revenues of the firm. See there are four **P's** product is a cost function, the promotion is a cost to the company, placement is a cost to the company. You build distribution network you have to make huge investment for that and it is a cost to the company. You make promotions or advertisement, communication everything is a cost.

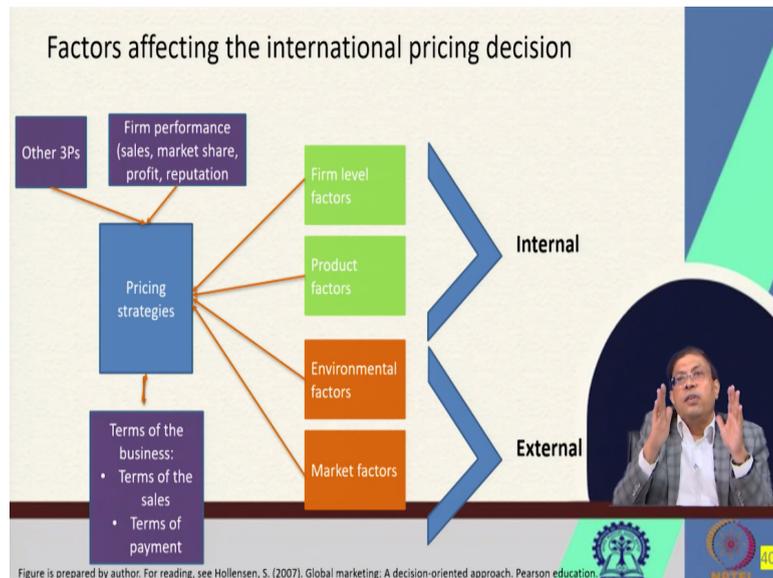
The only P is the revenue for the companies so that is very, very important how these P you manage and this is a part of the share how you manage the P along with the other three **P's**. So, pricing decision is very, very complex in the international marketing. As you know in India it is so complex what type of pricing you do and then based on the competition if the competition has come up with a product.

New features and how you attack them, what should be the pricing for your product so that is a challenging and imagine in international marketing you are into the 10 different geographies or 20 different geographies how price is important for you in the market. So, international pricing decisions affected by more factors than domestic. In domestic typically

the competition than the per capita income so many other couple of factors there and the demand supply so many things are important in international market.

Apart from they are so many other factors also in international market so we will explain to you step by step.

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So, the factors affecting the international pricing decision. There are two things two boxes remember one is internal another is external. So, the pricing strategy. So, the pricing strategy the 3Ps are there the product, the placement and the promotion the 3Ps. The firms performance on the sales market share, profit reputation these are the components which have to give the other pricing strategy. Firm level factors, product factors these are all internal.

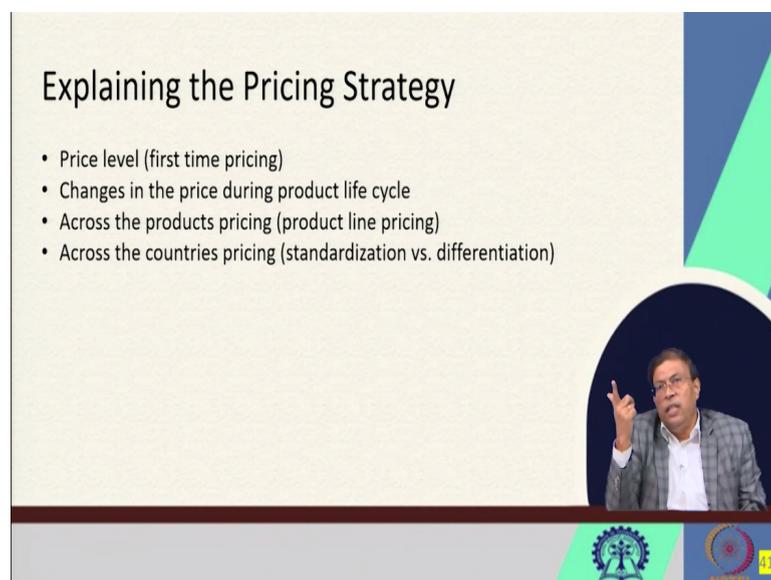
Now in the external what is the market factor, whether the market can absorb that sort of a pricing, whether the competition is there, what is the competitive pressure in that market, how is the competitor doing that, whether the innovation, whether the technology innovation, what are so many different things comes into the market factor and then environmental factor and then another is a terms of business.

What type of payment terms you give it to the customer, what type of discounts you give it to the customer **then** what type of is it a credit sales all those things will help you take a decision about your international pricing. So, the pricing internal thing what is the product factors that means what is the cost of the product, what is the variable cost, what is the fixed cost, what is your economy of scale all those thing will come into a picture.

What is your distribution cost, what is your firm other factors the human resources cost and all other cost are very important while you decide the end price. You also decide what is finally the cost for other placement, active placement and promotional activities then all those and then you consider what is your market share and how do you want to gain your market share these are also another very critical parameter for deciding the price.

And then finally what type of payment terms and discounts and other things you give. So, the pricing there are so many factors it affect your international pricing.

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So, the price level is the first time pricing. I will come one by one explain you all this changes in the price during the product life cycle and once the product starts introduction then is growth and then in maturity you might change your pricing strategy. You might have a different pricing in your growth stage or you might go for it when the product has reached to the saturation you might change a pricing decision.

You might lower your price, you might provide more discounts and then once the products starts declining you may have a different further discounts or maybe you recycle the product and during that time you have a different pricing strategy. Across the product pricing product line pricing you can change the complete like entry level product, mid level product, hike in product and across the product line you can change the pricing.

Across the countries you can change the pricing maybe a standardized pricing for all the international market or maybe differentiated pricing depending on the country. In some country you have a higher cost based on your distribution cost, based on your human resource cost that is why I said the previous slide if you look at that it is very important internal because these factors will finally help you to determine your pricing strategy.

So, standardizations and differentiation across countries pricing it can be a standardized pricing depending on the company it may not have a standardized, it may be a differentiate for country A I have a different pricing for country B I will have a different pricing.

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Firm level factor corporate and marketing objectives. A corporate may have an **objective** that I will not work below a certain gross margin level so that is a corporate strategy. What is a competitive strategy, how much market share I want to gain, am I the market leader if I am not the market leader I am chasing the market leader so what type of a pricing I should do so that I can get some more market from my competitors for the leaders.

What is the firms positioning, what is the product development, production location which is very important because production location is very important because your supply chain cost will go very high distribution cost will go very high if the production location is all dependent factor and market entry mode whether I am operating through a distributor or whether I am having a sales subsidiary or whether I have a licensing arrangement.

Whether I have a franchising arrangement so all these or whether I am having a manufacturing in the foreign country. So, all these internal firm factors are very crucial in deciding the pricing. So, the corporate and marketing objectives are very, very important like corporate objectives some of the corporate we will say that we will work at any product level at this much of gross margin level.

So that is the corporate you have to meet that, you have to follow that. Some corporate say it varies from corporation-to-corporation and then the competitive strategy and the firm positioning which I said.

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**Product Factors**

- Stage in PLC
- Place in product line
- Most important product feature: quality service, etc.
- Product positioning (USP)
- Product cost structure (manufacturing, experience, effects, etc.)

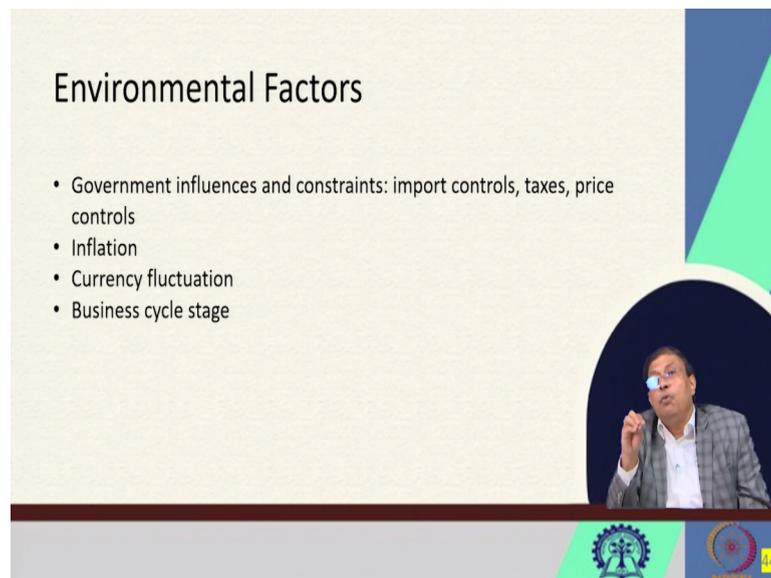
The slide features a video inset of a man in a grey jacket speaking. At the bottom, there are logos for IIT Bombay and NPTEL.

Product factor is it on the growth phase or is it on the maturity stage or it is on the decline stage I will have to decide a price. I may have a introductory price I want to have a price skimming I will come to that little later that I have introduced a very highly innovative technology innovated product and maybe I have a price skimming strategy and I will have a very different price skimming strategy for that.

Once the product reaches growth **stage** and then it reaches maturity I will have a different pricing strategy, different discount level and others then the most important product feature quality service, product positioning and product cost structure. So, product cost structure is also very important because if these cost structure do not have a very good cost structure very effective cost structure.

You will not be able to really provide a very good attractive price at the marketplace. So, fundamentally the product cost structure that is a variable cost and the fixed cost in manufacturing is very, very crucial and also the cost of distribution of the product from your plant to your distributors and to your end customers. So, the product factors are very, very important.

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Environmental factors government influences like import controls like in some country there is a control of import I have taught you couple of theories in some country will allow the domestic companies to grow, some company will put certain products very high import duty you will not be able to compete with them. So, depending on the country where you operate, depending on the tax structure in that country.

Depending on the price controls in some country certain commodities the price is controlled by the government so you have to look into that. What is the inflation in that country that is also very important for you currency fluctuation how is the currency fluctuation along with the international currency like dollar or maybe Euro and business life cycle stage which is also important.

So, this is an environment factor which is very crucial for determining the price. So, look if you look go ahead with that firm level factor inside the firm the factors which are inside the corporation which is very crucial for your pricing the product related factors are also crucial for your pricing and then environmental factors are also very crucial for your pricing decision

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## Market Factors

- Customers' perception (needs, tastes)
- Customers' ability to pay
- Nature of competition
- Competitors' objectives, strategies and relative strengths/weaknesses
- Grey market appeal



The image shows a man in a grey suit and glasses speaking at a podium. The background is dark with a blue and green geometric design. At the bottom of the slide, there are logos for institutions, including one with a tree and another with a gear.

Then the market factors finally we have the customer perception needs and taste whether how the customer ability to pay. What is customer perception about your product, are the product acceptable, do they think that is a basic need product or is an augmented product or it is a core product. So, it is all customer perception about that product, nature of the competition, competitors objective and strategy their strengths or weakness.

And then grey market appeal this is also another very crucial thing. You will see lot of this international market there is a huge amount of grey market is there, grey market means the spurious products or the duplicate products are available in the marketplace or maybe a product which has come illegally to the country without paying custom duty. So, imagine one television has come to a market which has not paid the duty of that country and now selling at a much lower price.

So, that is typically a grey market or there are lot of smuggle goods coming to that market and they compete with the main product say a Sony television. Sony television came through Sony India Limited and produced in India or maybe it has come from some other country say production facility from Vietnam or China come to India and paid the legitimate duty in India and then selling at a certain pricing level.

But certain people illegally brought some televisions in the country and they are evaded the custom duties by some illegal way they have evaded and they are selling it at a grey market at a much lower price. So, you will have a competition. Sony is now having a competition for

the same television sold at a much lower price in the grey market. So, these are typically a factor in various countries where the smuggle goods are there.

And you need to be considered as a marketing person you need to be very, very careful about this grey market it is also there so that is market factor **are** very crucial.

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**Pricing Strategy and Government Regulation**

**Case 1: Pharma Industry (see article 1)**

- If your company is in drug and pharma industry.
- Your product may be considered as an essential drug in one country but not in other.
- Local government regulations not only affect pricing but also the product design, delivery, and communication.

**Case 2: Case of Open Network for Digital Commerce (ONDC) (see article 2)**

- Regulatory Problem and Regulation Anarchy may happen in a specific country.

• Article 1: Explainer: How Drug Prices Are Regulated In India (moneycontrol.com) || Link to article: <https://www.moneycontrol.com/news/business/explainer-how-drug-prices-are-regulated-in-india-4606751.html>

• Article 2: Regulators are pathetic because regulation is bad (indiatimes.com) <https://timesofindia.indiatimes.com/blogs/voices/regulators-are-pathetic-because-regulation-is-bad/> (accessed on 21 November 2021)

The slide includes a video inset of a man speaking and logos for IITM and NPTEL.

So, pricing strategy and government regulation certain countries government regulate the pricing like in India we have NPPA. So, they regulate the pricing of all the drugs in India. So, they are regulating the pricing just cannot charge the price. They will set the maximum price for that **product** and you need to sell that. So, the pharma industry I have given in the article 2 you can read.

The article 1 is a pharma industry if your company is in a drug on pharma industry your product may be considered as an essential drug in one country, but not in other. In one country they might think as usual other may not. Local government regulation not only affect pricing, but also the product design, delivery and communication. So, you may have a communication on that product which will be different in country A with the product leaflet.

When you sell the medicine there should be a product leaflet about the product what is the composition of the product and then various other parameters like what are the safety norms and how much you can consume, what are the doses if you exit the dose this is a prescription drug I will say non prescription drug all those are mentioning in that. So, that maybe different in one country that maybe different in other country.

So, their delivery, communication whether the product can be sold over the counter OTC or it cannot be sold without a prescription. So, these are all country specific so pharmaceutical industry has to go through the regulatory government regulations in the various countries and case of an open network for digital commerce see the article number 2 I have given here two references.

So I would encourage you to read these two articles article 1 and article 2 where regulatory problem and regulation anarchy may happen in specific country for this one and you can see that typically for the digital network it can have a country regulation you have to follow.

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So, international pricing strategy, what type of pricing strategy you can take in international marketing? One is **skimming** I will explain what is **skimming**, penetration pricing, experience curve pricing, market pricing, price changes, product line pricing across a product, product service bundle pricing I will bundle the service along with the product and then give the pricing I will explain to that.

Pricing across the country standardization versus differentiation these are the fundamental 8 pillars in international pricing strategy these are fundamental. So, remember these are the very, very crucial strategies and you can take any one of that or mix of these strategies for different product range of your company.

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## Skimming

International Pricing Strategies

- “skim the cream”
- Earn maximum contribution in shortest time.
- Unique products,
- Customer willing to pay high prices,
- Price lower down as the product market share increases, competitors enter, innovation becomes old.

• Example:

- Nokia 6600 phone launched in Oct. 2003 for €600
- Apple iPhones prices go down later
- Many other technology products.




So, skimming what skimming mean skim the cream, earn maximum contribution in shortest time. You have come up with a new product earn the maximum profit during the introductory phase because it is a very innovative product and no competition is having, no one can offer this product and some unique feature so you can skim the price, you can make the price higher and make maximum profit into that is known as a pricing skimming strategies, skim the cream.

Unique product customer willing to pay high prices, price lower down as the product market share increases then slowly once the product market share increases then competitor come into the market then you further lower the price and then the innovation becomes old the product is no more innovative product then you further reduce the price. So, in the introduction phase you take the maximum price.

So some examples Nokia 6600 phone launched in October 2003 I do not know whether some of you have seen that it was 600 euro was the price so high price it was there. You have seen the Apple iPhone prices go down later initially the Apple iPhone prices are very high when they introduced their phones and then slowly the prices go down and typically the last line if you see price lower down as the product market share increases.

So, that is typically a skimming strategy and lot of company follow these price skimming strategy. Provided this is applicable if you have a very, very innovative product, unique product and customer is willing to pay the price then only you can have this type of price skimming strategy.

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**Market Pricing**  
International Pricing Strategies

- Similar product already exist in the market.
- Price is based on competitive prices.
- Company should enter the product only if they are confident that sales volume will make them reach break-even over entry into the international market.
- Examples:
  - Automobile two wheeler cars
  - Mobile phones
  - Laptops
  - Mobile network tariff

The slide features a video inset of a man in a suit speaking on a stage. At the bottom, there are logos for IITM and IITR.

Market pricing similar product already exist in the market not only you type of a similar product maybe the points you know in branding we know there are two distinct things points of parity, points of disparity your point of parity are same like the market leader or the company who is leading the market and the points of disparity is little different than the market leader so almost similar range.

But there are certain features which your product is having compared to the market leader some benefits are there. So, here the similar product is already available price is based on competitive price. So, whatever the competition is pricing your pricing will be the same level say competitor pricing is at Rs. 85 you may price at Rs. 84, Rs. 83 or Rs. 80 or maybe Rs. 87, Rs. 88 or maybe lot higher maybe around 86, 87 in the brand.

So, it is on the competitive based pricing. Company should enter the product only if they are confident that sales volume will make them to reach breakeven only over entry into the international market. So, typical automobile, two wheelers cars, mobile phones, laptop, mobile network tariff these are all market based pricing. So, you have seen in mobile network one company reduces the price other company also immediately reduces the price.

So, this will be there typical in mobile phones this is market based pricing or the laptop all market based pricing the two wheeler market all market based pricing. I am talking about the two wheeler, entry level and mid level market I am not talking about the high and two wheeler market like BMW or Harley Davidson two wheelers I am talking about the entry

level like the Hero or the Hondas or Suzuki or TVS at the entry level bikes. I am talking about those bikes. So, that should be the pricing strategy for a market pricing strategy.

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**Penetration Pricing**  
International Pricing Strategies

- To capture the market share and enhance market growth
- Suitable for Mass market
- Price-sensitive customers
- Economies of scale desired
- Experience curve effect
- High local competition in foreign market
- Low income consumers in foreign market

The slide features a video inset of a man in a grey jacket speaking. The background is light beige with a blue and green geometric design on the right side. Logos for institutions are visible at the bottom.

Then comes the penetration pricing strategy. So, to capture the market share and enhance the market growth so these are penetration strategy you want to go penetrate the market. So this products typically suitable for the mass market price sensitive customers, economies of scale desired, experience curve effect, high local competition in foreign market, low income consumer in foreign markets.

In these case you always use the price penetration pricing strategy you define such a price so that you can penetrate the market and get a large market share so that is a price penetration strategy and this is suitable remember you have to take these if this is the mass market product. So, you cannot take this and then you have to go to a market which is typically a price sensitive customer.

So, like India a very, very price sensitive customer you can have a price penetration pricing strategy for certain products which is a mass market product and then economies of scale because you have a large huge economies of scale and you have seen the Ola electric scooter has build an largest **plant** in the world in our country and providing the scooters at 1 lakh electric scooters they have come up.

They are taking the advantage of economies of scale and giving a product at a price which is a very, very attractive price for the customers looking for an electric two wheeler vehicle. So,

high local competition is also in the foreign market that is also another factor low income consumers in foreign country that is also two things are there if there is a very high competition in the foreign market you can take these price **penetration** strategies or if the income level of the consumers in the foreign market is low not very high, average income level of the people you can take the price penetration strategy that is all. Thank you very much.