

Motives And Threats Of International Marketing For Small To Medium Enterprises In Zimbabwe

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Abstract

The aim of this paper was to highlight the benefits and challenges of international marketing. The rise came due to the increase in competition and globalization which has precipitated the need for companies to search for opportunities in other markets. Many firms in Zimbabwe rely much on the domestic market and a low demand in the market may force the companies to shut down. So to guard against a fall in demand there is need for the companies to practice international marketing. This is a conceptual paper and the methodology used is a desktop research in which in depth literature review is done to highlight international marketing benefits and challenges as well as how companies can incorporate international marketing in their businesses The analysis is based on previous conducted research from books and relevant journals and articles. The finding of this paper confirms that firms need to adopt international marketing as survival and expansion strategy. The study concludes that firms need to analyze different marketing environments in various markets so as to identify and utilize different foreign market opportunities.

Keywords: motives; threats; international marketing; internationalization; small to medium enterprises (SMEs)

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1. 0 Introduction

SMEs sector plays an extremely significant role in Zimbabwe in terms of formal employment, share in value addition, foreign exchange earnings and contribution to Gross Domestic Product (GDP). [1] said according to the Ministry of Finance figures the SME sector accounted for 50 percent of Zimbabwe's Gross Domestic product. SMES in Zimbabwe are under the Ministry of Small to Medium Enterprises. This sector was established a couple of years ago. The Ministry assists the SMEs with knowledge and skills. SMEs in Zimbabwe are in different sectors of the economy including manufacturing, mining, services and other. The research attention is focused on all sectors. SMES are engines of economic development to developing countries as they provide employment and also contribute to Gross Domestic Product.

1.1 International marketing

International marketing is simply the application of marketing principles to more than one country. It can be defined as the performance of business activities to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more nation for a profit. In addition to that, [2] say that the difference domestic marketing and international marketing is that in the latter, marketing takes place in more than one country. At its simplest level, international marketing involves the firm in making one or more marketing mix decisions across national boundaries, and at its complex level, it involves the firm establishing manufacturing facilities overseas and coordinating marketing activities across the globe.

1.2 Statement of the problem

International marketing is an old concept that gained a lot of attention the developed world as well as in the developed world. It is also gaining increasing interest in large companies in Zimbabwe. International marketing leads to profit and growth to a firm [3]. In fact, it is a value driver for a company, therefore it is important for firms to understand the motives and threats of international marketing so as to compete well in the global market. The growing importance of international marketing in SMEs is driven by globalization which brings increased competition on the local market. Many enlightened companies like Dairibord Zimbabwe, Econet Wireless, Paramount Garments, Faithwear Trading, Schweppes have capitalized on the merits of international marketing and therefore are growing and expanding into different foreign markets.

2.0 Literature Review

2.1 Motives of International Marketing

[4] divided the motives of entering into a foreign market into two that is proactive and reactive. In agreement [5] says that companies internationalize because of proactive and reactive motives. He further differentiated proactive and reactive motive where the former represent stimuli to attempt strategy change, based on the firm's interest in exploiting unique competences (e.g. a special technology) or market opportunity. On the other hand, reactive motives indicate that the firm reacts to pressures or threats in its home market or in foreign markets and adjusts passively to them by changing its activities over time.

2.1.1 Proactive motives

The desire for short term profit is especially important to SMEs if they are at the stage of initial interest of exporting [5]. Under profit and growth motive the companies are driven by making profit, so they seek international markets where they can increase their profits by selling to consumers who are willing to pay more for the same product in the local market [6]. The other proactive drive of international marketing is it can lead to economies of scale. Firms in Zimbabwe can reach economies of scale by participating in international marketing which enables the firm to increase its output and therefore climb more rapidly on economies of scale [5]. The Boston Consulting Group on the other hand, showed that a doubling of output can reduce production costs by up to 30 percent this effect has been very sought therefore; increased production also helps in reducing the cost of production.

Managerial urge is the motivation that reflects the desire, and enthusiasm of management towards global marketing activities. In addition to that [5] says that the enthusiasm can exist simply because managers like to be part of a firm that operates internationally. Furthermore, it can often provide a good reason for internal travel. Often, however, the managerial urge to internationalize is simply a reflection of general entrepreneurial motivation- of a desire for continuous growth and market expansion. In addition to that, managerial attitudes play a critical role in determining the exporting activities of the firm. In SMEs export decisions may be the province of a simple decision-maker.

Foreign market opportunities/market information is another intention for international marketing. SMEs in Zimbabwe can be involved in international marketing due to the fact that information on foreign markets is easily available. The companies can get the information from trade promotion organizations in the country. In addition to that, [5] says specialized knowledge or access to information can distinguish an exporting firm from its competitors.

Technology competence/ unique product is another motive for international marketing. [5] says that a firm may produce goods and services that are not widely available from international competitors or may have made technological advances in a specialized field. In addition to that, if products and technology are unique, they can certainly provide a sustainable competitive edge and result in major business success abroad. In agreement [7] says that technology is a universal factor that crosses national and cultural boundaries, once it is developed it becomes available everywhere in the world.

Tax benefits are another benefit of global marketing. In other instances lower taxes make companies to have more profits. The practice confirms with international agreements and provides firms with certain tax deferrals. So, tax benefits allow a firm to offer products at lower cost in foreign markets or to accumulate a higher profit [5]. On the other hand, antidumping laws enforced by WTO (the World Trade Organization) punish foreign producers for selling their products on local markets at low prices in order to protect local producers.

2.1.2 Reactive Motives

Competitive pressure can also motivate a company to practice international marketing. Firms may fear losing domestic market to competing firms that enjoy the benefits of economies of scale by global marketing activities. Competitors are important external factor stimulating internationalization. For example Coca- Cola and Pespri competition, where the latter was influenced by the former to move in the same direction [5].

A firm can be pushed into exporting when the domestic market is small and saturated [6]. [5] adds that companies, domestic markets may be unable to sustain sufficient economies of scale and scope and these companies automatically include export market as part of their market entry strategy. On the other hand, other companies may experience vitality along with greater risks in their home market and these risks could be related to the economy, currency valuations, and political, social cultural and technological forces.

Overproduction or excess capacity can lead companies to a motive for new markets in order to get rid of the accumulated inventory. This situation can trigger a firm to start sales via short-term price cuts on inventory products. A company can practice international marketing as a result of enquiries through advertising and other forms of marketing communications generated by worldwide consumers. Thus small companies must become aware of these opportunities in export markets. Extending sales of seasonal products can be another reason of global marketing since there may be different demand conditions in the domestic market from other international markets.

Proximity to international customers triggers a company to become international marketers. [8] in a study of small firms in United Kingdom found out that the main reason for motives for going abroad included being contacted by foreign customers that place orders, one-off order, availability of market information, part of company growth objective and export markets actively targeted by key owner. The results of [9] suggest that the main driving forces motivating internationalization are found within the firm, and are therefore based on the management's strengths and weaknesses. They conclude that it is not the external environment that mainly influences the internationalization activities, but the pool of resources and capabilities within the firm that might be appropriately combined to succeed in foreign markets.

Many small companies become aware of opportunities in export markets because their products generate enquiries from overseas (unsolicited foreign orders). The enquiries can result from advertising in trade journals with a worldwide circulation, through exhibitions as a result, a large percentage of exporting firm's initial orders are unsolicited.

Seasonality in demand conditions may be different in the local market from other international markets, so a company can be motivated to do international marketing as a way of extending sales of seasonal products [5]. These are some of the benefits of international marketing which SMEs in Zimbabwe can enjoy if they venture into export business.

2. 2 International marketing threats

Despite the impact of the driving forces identified earlier, several restraining forces may slow a company's efforts to engage in international marketing. Just as there are reasons to get into global markets, and benefits from global markets, there are also risks involved in locating companies in certain countries. Each country may have its potentials; it also has its woes that are associated with doing business with major companies. Some of the rogue countries may have all the natural minerals but the risks involved in doing business in those countries exceed the benefits. Some of the risks in international business are; strategic, operational, political, country, technological, environmental, economic, financial and terrorism risks [6].

According to [10] the primary obstacle in international marketing is person's self reference criterion in making decisions that is an unconscious reference to one's own cultural values, experiences and knowledge as a basis for decisions. In support, [5] says management may simply ignore opportunities to pursue international marketing. A company that is nearsighted and ethnocentric will not expand geographically.

Strategic Risk: The ability of a firm to make a strategic decision in order to respond to the forces that are a source of risk. These forces also impact the competitiveness of a firm. Porter defines them as: threat of new entrants in the industry, threat of substitute goods and services, intensity of competition within the industry, bargaining power of suppliers, and bargaining power of consumers.

Operational Risk: This is caused by the assets and financial capital that aid in the day-to-day business operations. The breakdown of machineries, supply and demand of the resources and products, shortfall of the goods and services, lack of perfect logistic and inventory will lead to inefficiency of production. By controlling costs, unnecessary waste will be reduced, and the process improvement may enhance the lead-time, reduce variance and contribute to efficiency in globalization.

Political Risk: The political actions and instability may make it difficult for companies to operate efficiently in these countries due to negative publicity and impact created by individuals in the top government. A firm cannot effectively operate to its full capacity in order to maximize profit in such an unstable country's political turbulence. A new and hostile government may replace the friendly one, and hence expropriate foreign assets. Political risks resulting from intervention by home and host country governments are; foreign government restrictions, national export policy, foreign exchange controls imposed by host government, high tariffs on imported products and civil strife [5].

Country Risk: The culture or the instability of a country may create risks that may make it difficult for multinational companies to operate safely, effectively, and efficiently. Some of the country risks come from the governments' policies, economic conditions, security factors, and political conditions. Solving one of these problems without all of the problems (aggregate) together will not be enough in mitigating the country risk.

Technological Risk: Lack of security in electronic transactions, the cost of developing new technology, and the fact that these new technology may fail, and when all of these are coupled with the outdated existing technology, the result may create a dangerous effect in doing business in the international arena.

Environmental Risk: Air, water, and environmental pollution may affect the health of the citizens, and lead to public outcry of the citizens. These problems may also lead to damaging the reputation of the companies that do business in that area.

Economic Risk: This comes from the inability of a country to meet its financial obligations. The changing of foreign-investment or/and domestic fiscal or monetary policies. The effect of exchange-rate and interest rate make it difficult to conduct international business.

Financial Risk: This area is affected by the currency exchange rate, government flexibility in allowing the firms to repatriate profits or funds outside the country. The devaluation and inflation will also impact the firm's ability to operate at an efficient capacity and still be stable. Most countries make it difficult for foreign firms to repatriate funds thus forcing these firms to invest its funds at a less optimal level. Sometimes, firms' assets are confiscated and that contributes to financial losses.

Terrorism Risk: These are attacks that may stem from lack of hope; confidence; differences in culture and religious philosophy, and/or merely hate of companies by citizens of host countries. It leads to potential hostile attitudes, sabotage of foreign companies and/or kidnapping of the employers and employees. Such frustrating situations make it difficult to operate in these countries.

3. 0 Conclusions

Internationalization can be prompted by internal and external triggers. The former includes perceptive management, specific internal event, importing as inward internationalization while the latter includes market demand, network partners, competing firms and outside experts [5]. In support [4] named them change agents and as well grouped them into internal and external change agents. The internal is composed of enlightened management, new management and significant event. On the other hand, the external has the following demand, other firms, and domestic distributors, banks, chambers of commerce, government activities and export intermediaries.

Whilst exporting can be an exciting and lucrative business, the exporter should be aware of the risks associated with this activity, sales may not meet projections, the competition may be greater than anticipated, customers may be slow to pay, or not pay at all (bad debts), repatriation of profits from the target country may be constrained or forbidden, fluctuations in exchange rates may decrease or eliminate profits, or even result in losses and the product may not be accepted in the foreign market [12].

Although the benefits in international business exceed the risks, firms should take a risk assessment of each country and to also include intellectual property, red tape and corruption, human resource restrictions, and ownership restrictions in the analysis, in order to consider all risks involved before venturing into any of the countries.

From the above analysis SMEs in Zimbabwe will benefit more if they practice international marketing as they will be exposed to different market conditions and as well be competitive. The easiest way of engaging into international marketing is exporting, where a company just sells its products in different markets either through its own outlet or an agent.

The major key requirements for successful exporting include top management commitment, adequate human and financial resources, sufficient capacity such as machinery and the ability to provide after sales services [11].

There is also need to analyze the foreign markets. The information is gathered through desk and field research. A company must gather information on the population size, growth rate, and distribution channels; import and export statistics, rules and regulations and trade agreements in place. After analyzing the market the company has to select

markets in so doing the company has to consider the following to concentrate on not more than two different markets at a time, choose markets with good potential in terms of market size and purchasing power, select markets where the product can be sold without costly adaptations, prefer near markets to start with, choose markets without strict exchange control regulations or import restrictions. The other considerations are that the firm must select markets that are less obvious to competitors and that do not suffer from political stability [11].

In addition to that, the company must establish and maintain contacts in the foreign markets. This is undertaken after-market(s) selection and SMEs in Zimbabwe can utilize of trade promotion organizations such as ZimTrade to generate trade enquiries, sourcing potential buyers through the use of business directories, trade information centers, participating at trade fairs and missions. SMEs can also make personal market visits. These help in establishing contacts with potential buyers provide opportunities to study the presentation of goods like styling, packaging and promotion.

Potential SMEs in Zimbabwe can also get market information from Central Statistical Office, Chambers of Commerce and Industry, trade promotions worldwide, commercial banks, ZIMRA, shipping and forwarding companies, and trade representatives of other countries in Zimbabwe [6].

International marketing is very significant to Zimbabwean SMEs in different sectors as that enables them to increase market share, profits and growth.

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