THE ESSENTIALS OF TODAY'S MARKETING 2

Editors
Assoc. Prof. Dr. İnci ERDOĞAN TARAKÇI
Asst. Prof. Dr. Ramazan ASLAN

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Editor
İnci ERDOĞAN TARAKÇI
ORCID (0000-0002-4101-7111)

Editor
Ramazan ASLAN
ORCID (0000-0002-1427-8543)

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Design Burak GÜNGÖR (burakgungor@efeakademi.com)
Cover Design Gamze DUMLU (gamzedumlu.2710@gmail.com)

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INTERNATIONAL MARKETING (Challenges and Competition)

Asst. Prof. Dr. Hatice GENÇ KAVAS

- Institution: Sivas Cumhuriyet University
- ORCID: 0000-0002-6813-529X
- Mail: hkavas@cumhuriyet.edu.tr

Entrance into International Markets

Marketing can be defined as the activities, institutions, and processes necessary for the creation, communication, distribution, and exchange of proposals that have value for buyers, customers, stakeholders, and society as a whole. At the center of marketing activities is an organization's efforts to satisfy customers' wants and needs with products and services that offer competitive value. The marketing mix (product, price, distribution, and promotion -4P-) forms the basic tools of a modern marketer. Marketing is a universal discipline that can be applied in Argentina as well as in Zimbabwe (Keegan & Mark, 2015). In this context, the process of pricing, distribution, and promotion of a product by a marketing manager in a region outside the borders of the home country is called "international marketing".

The primary goal of the marketing manager is to create and maintain the right mix of this marketing mix to meet the needs of customers locally or internationally for a product type. The marketer focuses on presenting the product in the right place and at an acceptable price to the buyers. Another essential element is contact information, which helps them determine whether the product will meet customers' needs. These activities are planned, organized, implemented, and controlled to meet the needs of customers in the target market. It is the marketer who decides what type and amount of each element in the marketing mix will be used in the process (Pride & Ferrell, 2012).

Keagan (2014) defines international marketing as “the process of focusing the resources and objectives of a company on international marketing opportunities.” Ghauri and Cateora (2014) define it as “the performance of business activities that direct the flow of a company’s goods and services to consumers or users in more than one nation for a profit.” In the globalizing world, technology is developing very rapidly, political and economic conditions are changing, and communication opportunities and mass migrations are increasing. Boundaries are getting more and more uncertain day by day. With these developments, it becomes easier to reach foreign markets. International marketing activities start when the marketing manager operates in at least one foreign country as well as the domestic market (Mucuk, 2001). In such a case, in order to be successful in marketing and current competition, we encounter a great deal of complexity and diversity in transactions caused by national values, culture, economic structures, institutions, and historical differences (Mucuk, 2001; Porter, 2010).

Firms want to open up to international markets. (Akat. 2001; Assael, 1993; Doole & Lowe, 2008; Kozlu, 1995; Mucuk, 2001) when;

- they do not want to be dependent on local markets,
- international opportunities are more attractive than domestic opportunities,
- potential demands have arisen in other countries,
- they can not achieve economies of scale and create a cost advantage,
- if the domestic market is saturated with the product supplied,
- the domestic market becomes stagnant,
- consumer tastes begin to globalize,
- foreign products enter the domestic market and become a part of the competition,
- they want to increase their capacity,
- they want to strengthen their image,
- situations such as tax advantages arise,
- governments encourage firms to open up to foreign markets.

The marketing of products that go abroad brings many difficulties. We are faced with constantly changing consumption and lifestyles. Factors such as the socio-cultural, demographic, economic, political, and technological infrastructure of the country or countries where the product/products are marketed are important factors that the marketing manager should consider. The product, which has to compete at a certain level, can be the determinant of the continuity of the organization that markets the product in that country or countries and even in the home country.

Challenges of International Marketing

Competition for businesses has now reached a global rather than domestic level. Since the 1970s, more and more sectors have become or are transforming into a global sector. This important structural formation is becoming more widespread (Porter, 2000). The increase in internet communication and online shopping day-by-day speeds this spread up. According to the statement made by the United Nations Conference on Trade and Development, global trade reached a record level of 28.5 trillion dollars in 2021. This corresponds to a 25% increase compared to 2020 and a 13% increase compared to 2019 (Link 1).

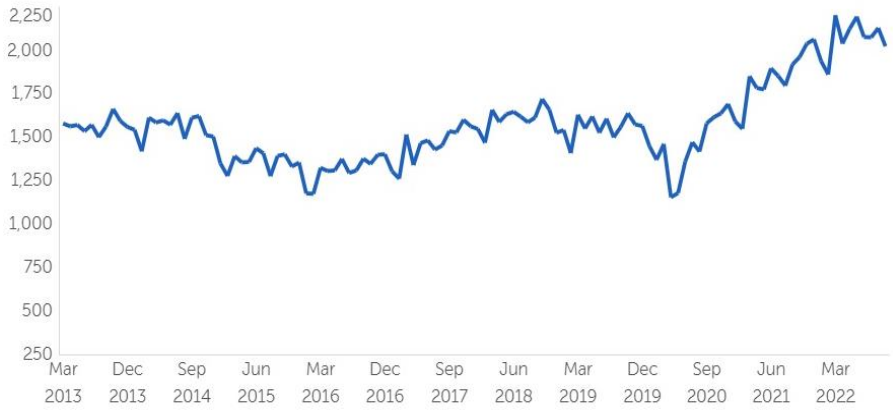


Figure 1. World Export (billions of US dollars)

Source: IMF, Direction of Trade Statistics (Link 2)

World trade is increasing every year. Except for the world oil crisis that started in 2014 and the Covid-19 pandemic that broke out in 2020, it can be seen in Figure 1 that world exports have increased. This shows us how large the volume of international markets is. The fact that the economic crisis that started in a region can affect the whole world at a time when the borders have melted can be seen as a great challenge for businesses entering or trying to enter international markets. International marketers also face difficulties if a disease turns into a global epidemic. During such a pandemic, the closure of borders to products and services from outside affects many sectors deeply.

Marketing management includes the following processes (Doole & Lowe, 2008);

- focusing on customers' needs and desires
- determining the best method of satisfying these needs and desires
- to direct the company to this process of providing satisfaction
- achieving organizational goals.

In this way, the company or organization best prepares itself to gain a competitive advantage in the market. Then, it must work to maintain this advantage by manipulating the controllable functions of marketing in a largely uncontrollable marketing environment consisting of SLEPT (Social, Legal, Economic, Political, Technological) factors. These basic elements are still valid in the international marketing process. The conceptual framework will not change significantly when a company moves from a local market to an

international market; however, there are different levels at which international marketing can be addressed, and considering the multitude of markets on a global scale, the uncontrollable elements of the marketing environment will be more complex and multidimensional. This means managers must acquire new skills and abilities to add to the tools and techniques they have developed for local markets (Doole & Lowe, 2008).

When a firm enters or will enter international markets, it is affected by its environment. The environment presents opportunities or threats (challenges) to the firm. Firms entering international markets are surrounded by controllable (internal environment) and uncontrollable (external environment) environments. Firms are surrounded by a new foreign environment factor (source of forces or challenges) for each new country in which the marketing activity is carried out. Ghauri and Cateora (2014) expressed the controllable and uncontrollable environments in which businesses are in a framework. Each factor in uncontrollable environments stands as a force against companies.

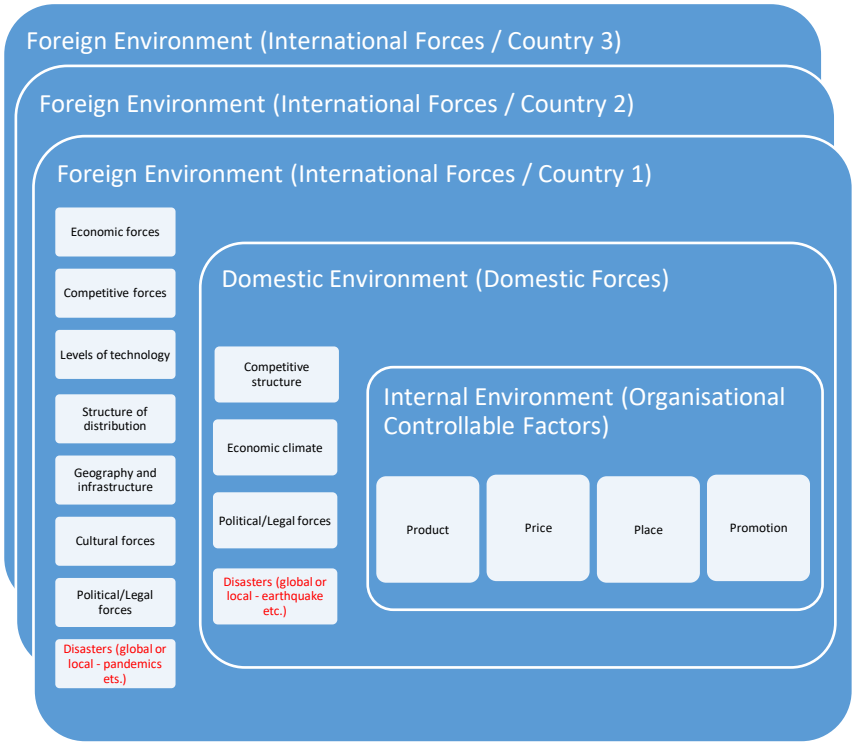


Figure 2. International Marketing Factors

Source: Ghauri PN, Cateora PR. (2014). International Marketing. 4th. Ed. New York: McGraw Hill. p. 9. (adapted and extended)

Organizations that open up to international markets face more challenging environments than their competitors operating in the local market. Management functions are more complex. Firms surrounded by local environmental factors are affected by only one environment with uncertainty, while firms operating in international markets are affected by at least two environments, domestic and foreign, and may experience difficulties in the face of factors in these environments. For companies that carry out marketing activities in more than two foreign regions outside the borders of their own countries, the uncertainties regarding these environments increase in parallel. Since each region will have its uncontrollable environment, international marketers have to adapt its controllable factors for each region and each environment.

The Covid-19 pandemic, which affected the whole world in 2020, managed to overturn the known norms in almost all fields and shook the present theories to the ground. The pandemic's impact on the People's Republic of China, the global center of the supply chain, which was affected first and has suffered adverse consequences for the long term, has brought many risk factors to light. For this reason, the question of whether the concepts of "pandemic", "disaster" or "global disaster" can be included in the existing factors in the local and global environment that affect a business can be considered. Incorporating this effect of the pandemic into economic and political forces or in the structure of distribution will not be enough for this factor, which is a force in itself. Since we are faced with the fact that such pandemics may occur in the future, especially in the modern era when borders have almost completely disappeared, it should be considered as a "force" apart from the factors already included in a known framework. Considering a factor such as the epidemic as a separate item for both micro and macro marketing science and having a position accordingly will be a key to success for marketing managers. In light of this emerging development, it is undeniable that new strategies must be determined by asking the right questions. Although periodic challenges such as pandemics or earthquakes are not considered a fixed environmental factor for international marketing managers, they have a long-term impact if they occur. While these developments pose a great threat to many sectors, they can also be a great opportunity for many sectors. For example, a market full of opportunities for hygiene materials emerged during the pandemic period. Consumers' need for these hygiene materials continues during the covid-19 period, which is still in effect. Even if the pandemic comes to an end, it would not be wrong to say that the demand of the consumer will not end in this atmosphere.

The marketing discipline is universal. However, since both countries and societies are different from each other, marketing practices vary from country to country. This difference tells us that a marketing practice that has proven successful in one country does not have to be successful in other countries. In each country, forces such as competitors, customer behavior, distribution channels, and communication may differ (Keegan & Green, 2015). This shows us that competition in international markets is not international but local.

Internal Environment (Organisational Controllable Factors)

Factors at the organizational dimension called the marketing mix, are controllable factors. These factors are under the control of the manager. Product, price, place (distribution channel), and promotion (Figure 2) help the business to gain an advantage over the uncontrollable by adapting it to the uncertain external environment of the business, to the extent of the manager's ability. With this advantage, the company takes a position in the domestic and international environment.

Domestic Environment / Forces (Domestic Uncontrollable Factors)

Domestic factors affecting marketing management can be seen in Figure 2. The competitive structure in the environment, the economic situation, and the current political steps determine the position that the business will take with the 4Ps, which are under its control. Businesses that carry out international marketing activities should be able to adapt themselves to the factors in the domestic environment to meet and satisfy the demand in international markets.

- Economic indicators
- Legal basis
- Political stability
- Infrastructure
- Access to raw materials
- Technological developments

- Climate characteristics
- Domestic environmental factors such as the political approach to international transactions directly affect businesses that want to engage in marketing activities outside the borders of the country.

Since economic indicators directly affect costs, marketing activities are also affected accordingly. For example, businesses opening to international markets are positioned against exchange rate fluctuations. Increases in the general level of prices can directly affect marketing activities, as it can make it difficult to obtain raw materials.

The war between Russia and Ukraine, a current crisis, has caused many countries to impose sanctions against Russia. Particularly, the political authorities of European countries decided to boycott and banned entry and exit by taking the borders of the Russian Federation as a criterion. This deeply affected the sectors covering a large geography and economic area and limited their marketing activities.

During the Covid-19 Pandemic, political authorities stopped the flow of services and goods by banning entry and exit from their countries. Marketers faced legal challenges, but it would not be correct to consider the impact of the epidemic as a legal force alone, as major changes in consumer behavior occurred even when legal restrictions were lifted. In this period, as consumers and suppliers were directly affected by the pandemic, marketing activities were also affected in every respect.

The earthquake that occurred in Turkey on February 6, 2023, and caused great destruction in a very large area, brought marketing activities to a standstill with its entire area of influence. Almost all of the businesses operating in these regions and opened to international markets had to stop all their activities. The above-mentioned situations suddenly emerged as a challenge to the marketing of products and services in domestic and foreign regions. The sudden emergence of these situations brought along many difficulties such as product losses, the rupture of the links of the supply chain, the collapse of the communication network, and the emergence of social sensitivity in the region.

Foreign Environment / Forces (International Uncontrollable Factors)

Managers carrying out international marketing activities are faced with an environment that is two times more uncertain than domestic marketing activities. This makes the adaptation process even more difficult. The factors seen in the foreign environment in Figure 2 are the main force elements that the manager carrying out international marketing activities must deal with in these activities (Ghauri & Cateora, 2014).

The economic and political situation in the foreign country or countries is vital and in some cases, it may be difficult for the marketer to position himself. In countries where political stability cannot be achieved, every sector can be affected by every single transaction.

Countries have different climatic characteristics depending on their geographical location. For example, while there is plenty of variety and overproduction in countries in the temperate climate zone suitable for agriculture (Berber&Bocutoğlu, 2014), foreign companies entering the market in this sector will face advantageous local competitors. On the contrary, in countries with unfavorable climates, the firm will have an advantageous position due to limited variety and insufficient production.

The most important issue in local or international marketing is to analyze and meet the structure of the demand. In this context, culture, values, and beliefs play a vital role in international marketing activities. Rapid changes in the world require companies to understand what consumers think and how values are changing. The values of each country can be analyzed from the consumer's point of view. Consumption, brand selection, lifestyle, media, and new media impact are issues that international marketers should evaluate. In this way, comparisons can be made between countries and regions. Trends are determined on a country basis and a roadmap is created for promotion activities (Craig & Douglas, 2005).

In the global arena, international politics is a much more complex issue than domestic politics and law. In the field of business and exports, international trade rules must be thoroughly studied when profiling foreign markets and the international environment. Finally, an important differentiator of market accessibility is infrastructure, and knowing about both physical and technological infrastructure will reduce wasted time spent on inexecutable plans without taking these two factors seriously (Clarke, 2005).

Competition in International Markets

National values, culture, economic structures, institutions, and historical differences all contribute to the success of the competition. However, there are opinions in the literature that competitiveness is based on state policies. Policies such as target detection, protection, import promotion, and subsidies have made Japan and South Korea, which have limited natural resources, a global leader in sectors such as automobile, shipbuilding, and steel. Companies that have achieved international leadership throughout the world use strategies that differ from each other in every respect. They gain a competitive advantage through innovation activities. Innovation can occur in a new product design, a new production process, a new teaching style, or a new marketing approach. (Porter, 2010).

Consumers want the highest quality at the lowest price. Competition between businesses generally focuses on price. The relationship between price and cost is one of the vital issues that managers should focus on. Companies that enter international markets try to compete with their local competitors by developing important strategies. In Turkey, which displays a nationalist citizen profile, TOGG brand electric car models, which are especially emphasized by the discourses of "more than a car" and "the first naturally electric SUV", were made ready for mass production on October 29, 2022. The brand launched at the CES (Consumer Electronics Show) on January 6, 2022, in the USA. The car was highly appreciated by the local people during the promotions made entirely using cultural elements. The company describes its vehicles as "smart devices", not cars. Using the slogan "Colors of Turkey" while promoting the C-SUV model, the company combined the exterior colors of the vehicle with cultural values and started its promotions on its social media accounts (Link 3).

"*We have brought together the blue waters in the shade of the olive trees of our #Gemlik Campus, the red reflecting the warmth and passion of #Anadolu lands, the eye-catching black, shiny texture and robust structure of #Oltu stone, the natural structure of #Kula, the grey splendour of the earth's millions of years of history with its rocks and valleys, sand and soil beige of fairy chimneys, the natural wonder of #Kapadokya, and the dazzling whiteness of #Pamukkale travertines with the exterior colours of the C-SUV..*"



Figure 3. Togg C-SUV T10X smart device

Source: TOGG (2023), (Link 4).

Entrance to international markets brings with it many differences compared to national markets, and these differences necessitate new management styles and strategies for businesses. Porter (2000) classifies the differences between national and international competition as follows;

- factor costs between countries
- different conditions in foreign markets
- different roles of foreign states
- differences in targets, resources, and ability to monitor foreign competitors

There is a significantly growing market in Turkey. Since 2011, hybrid and electric cars have started to be used in traffic. In recent years, the rise in consumer awareness of environmental protection, the rise in the exchange rate, oil crises and economic crises, and the excessive increases in hydrocarbon-based fuel prices in the country due to the war between Russia and Ukraine have directed consumers to buy electric and hybrid cars. The use and trend of electric and hybrid cars over the years can be seen in Table 1 and Figure 4.

Table 1. Number of Hybrid and Electric Cars Registered to Traffic in Turkiye (2011-2023)

Year	Hybrid	Electric
2011	23	24
2012	53	175
2013	83	353
2014	113	412
2015	324	565
2016	517	643
2017	925	760
2018	4 415	952
2019	13 877	1 176
2020	33 690	2 797
2021	86 682	6 267
2022	134 662	14 552
2023	144 477	17 336

Source: TÜIK (2023), Motor Land Vehicles (Link 5)

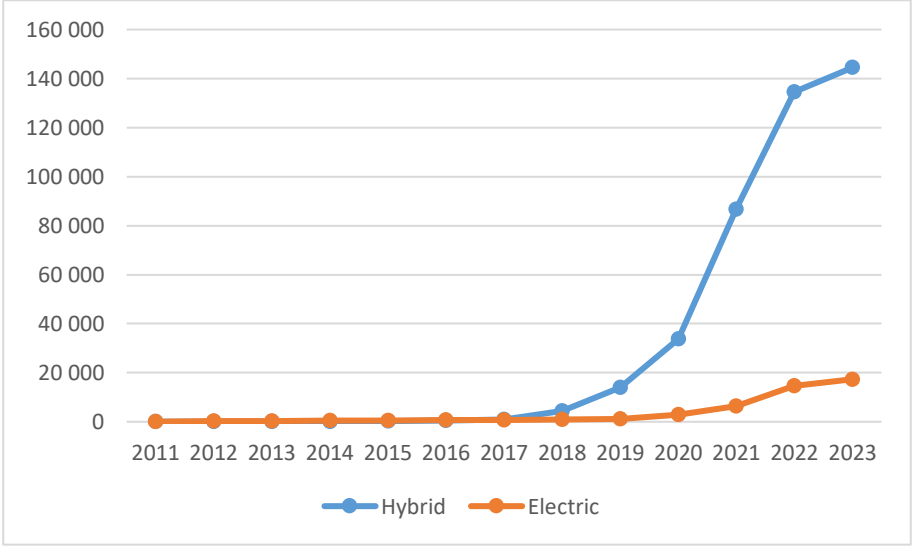


Figure 4. The Trend of Registreted Hybrid and Electric Cars

Emphasizing its 100% domestic image, TOGG executives say that it constitutes the core of Turkey's mobility ecosystem (Link 6). They said that the colors of the cars contain cultural elements and that they carry out completely domestic and national production, and they announced that they will get rid of the classic distributorship system and enter the market with the direct sales method through the online order system. Within 7 days, 100 000 pre-order registrations were announced online (Link 7). With these methods, the brand not only created significant demand in the domestic market but also started to take orders at a much lower price than its electric and/or hybrid competitors such as, Audi, MG, Porsche, BMW, Volvo, Toyota, Opel by reducing the cost of distribution. With the announcement that mass production has started with the slogan "Colors of Turkey", rival brands accelerated their advertising activities in Turkey. They chose to promote their brands much more on television and the internet than in the previous period. Tesla also started its promotions to enter the Turkish market and the car is expected to enter the Turkish market in the spring of 2023. In light of these developments, it is seen that these automobile brands, which have gained a place in the Turkish market, are planning to increase their sales before TOGG reaches customers.

It seems that not being able to develop the right strategies against TOGG, a local competitor in the rapidly growing electric car market in Turkey, will cause a significant loss of market for the leading car brands in the world. In brands such as Mercedes, BMW, Audi, MG, problems may be experienced in the supply of spare parts requested after breakdowns in automobiles, and the process may take longer. Especially when after-sales service activities are evaluated, a local brand preference can motivate consumers to prefer this brand. The tendency of the consumer to avoid this process will be one of the important factors in choosing TOGG. Along with the financial consideration, consumers who exhibit ethnocentric behavior should also be evaluated. Consumers who think that the domestic product should be purchased to support the local economy, and in addition, adopt the belief that it is not moral to buy a foreign product (Shimp & Sharma, 1987), will take a stand against foreign brands when a domestic brand enters the market. In addition, the electric vehicle TOGG, which is a substitute for gasoline, diesel, and LPG cars, will be perceived as a compelling force for these types of vehicles. For this reason, TOGG looks like it will be in a position to exert a force in reducing the prices of vehicles in these fuel types. Brands that will have to compete on price also seem to have difficulties due to the government policies of the Republic of Turkey. Even if they are willing to lower prices, tariffs may be an obstacle to the inability to stretch these

prices. The brand, which is the Turkish abbreviation of "Turkey's Automobile Enterprise Group", made its presentation as the automobile representative of the country, with the support of the state. In the presentation, the President of the country Recep Tayyip Erdoğan made an opening and emphasized the support for the brand. In this context, automobile companies that have entered or will try to enter the Turkish market will be faced with many difficulties at the same time. In addition, TOGG, which made its launch at the US CES, signaled that it could not only stay in the domestic market but also enter the international arena quickly. If the brand can adapt the strategies it has implemented in the domestic market to foreign markets, it seems that it will be able to face existing brands as a global competitor in the electric car market. Entering international markets with the advantages it will gain if it is successful locally, TOGG will be a competitive force that it's competitors should take precautions against.

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Link 1 https://unctad.org/news/global-trade-hits-record-high-285-trillion-2021-likely-be-subdued-2022

Link 2 https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&sId=1514498212031

Link 3 https://www.instagram.com/togg2022/

Link 4 https://trumore-cdn.togg.cloud/ToggT10XKatalog.pdf

Link 5 https://data.tuik.gov.tr/Bulten/Index?p=Motorlu-Kara-Tasitlari-Aralik-2022-49436#:~:text=T%C3%BCrkiye'de%202022%20y%C4%B1l%C4%B1%20sonu,ya%C5%9F%2014%2C8%20olarak%20hesapland%C4%B1.

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