

From international to integrated marketing

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1. Introduction

International Marketing refers to the understanding of marketing practices in different countries (comparative descriptions); its structural determinants anchored to national differences (comparative explanations); and deployment of country-specific marketing strategies and operations by multidomestic firms (comparative prescriptions). Therefore, its primary focus is the description, explanation, and managerial control of marketing practices across national boundaries (Toyne, 1989).

Compared to international trade and export marketing, international marketing is a more recent phenomenon (Yoshino, 1976; Root, 1978). It has grown since World War II and presumably, was a consequence of the demise of colonialism and the recreation of numerous independent nations. In my view, this origin for the rise of international marketing resulted in a number of contextual determinants for its practice and became the focus of academic research and thinking. Fig. 1 displays the contextual determinants of international marketing.

Numerous books, monographs, and review papers have been written which document how these contextual determinants have shaped the marketing practices between countries (Ohmae, 1985; Porter, 1986a,b, 1990; Kotler, 1991). Therefore, it is better for me to simply focus on a few key points with respect to these determinants instead of describing them in detail.

The first four determinants (political stability, government policy, ideology-driven economy, and fear of colonialism) are more responsible for the prescription of multidomestic marketing practices; therefore, there exists more anecdotal and trade literature (Ricks et al., 1976) and less academic research on them. This includes such managerial decisions as selection of countries with which to do business and specific entry strategies. Most of this has required the understanding and utilization of what has been

recently referred to as the fifth “P” of marketing (politics and public relations). Unfortunately, there is very little theoretical foundation underlying these determinants partly because international marketing has not borrowed constructs and theories from the social sciences, including political science.

The next three determinants (marketing transfer issues, lack of infrastructure, and North–South dichotomy) need a little more description. Marketing transfer issues relate to the *operational* challenges of product, price, distribution, and promotion adjustments across national boundaries due to divergence in support and core value chain activities including materials, people, processes, and facilities.

Lack of infrastructure refers to inadequate availability of transportation, communications, physical, financial, natural, and human resources, especially in emerging markets. This lack of infrastructure impacts the adjustment process for the marketing mix. Finally, the North–South dichotomy refers to the “have” and “have-not” countries of the world and is a direct reflection of the traditional economic development theories and their importance to international marketing practices. Academic research on these three determinants is moderately rich and seems to be grounded in the theories of economics, logistics, and public policy.

Finally, most of the academic research in international marketing has been focused on the last two determinants: East–West dichotomy and product life cycles. The first refers to the cultural differences between nations both at a macro and micro level of understanding and explanation (Clark, 1990). The second refers to the birth and death theories of product life cycles as they move across national boundaries (Wells, 1969; Johanson and Vahlne, 1977). Again, the product life cycle concept has benefited from population ecology and biology theories as its basis and, to that extent, it seems to have at least face validity and empirical support.

This analysis clearly suggests why international marketing has predominately remained a contextual practice and why it has been difficult to develop a theory of international marketing even based upon contingency propositions: Most determinants of international marketing are ad hoc, dy-

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Fig. 1. Contextual determinants of international marketing.

namic, and unstable and, therefore, not subject to theory building opportunities. For example, who could have forecasted the demise of the Soviet Union (political stability), development of regional integrations (European Union), privatization of public sector industries (Japan and United Kingdom) and pro-western links by Muslim states (Indonesia and Egypt)?

2. The borderless world

The fate of international marketing is closely tied to its determinants. As they change, both the theory and practice of international marketing must change. Ironically, it is not

the direction, but the existence of most of the determinants that is increasingly under attack. Consequently, the existence of international marketing as we know it today is questionable.

A number of powerful macroeconomic forces are reshaping the world. They are: regional integration and the emergence of the triad power; technology advances, especially the adoption of information technologies in business operations; emergence of an ideology-free world and the role of the market economy policy; and the borderless markets as a consequence of global sourcing and global competition.

These four major macroeconomic forces are also shaping the determinants of international marketing (Sheth, 1992), and are represented in Fig. 2. Together, these forces are creating a borderless world where the national boundaries are becoming either obsolete or less relevant in determining differential marketing practices. As the economic world becomes increasingly borderless for trade, labor mobility, private investment and information, *international* differences are being supplanted by *intranational* differences. In other words, in a borderless economy, *within-country* differences will surpass *between-country* differences. Therefore, it may be advantageous to look at different target markets within a country, but on a global basis (Sheth and Eshghi, 1989; Ohmae, 1990).

The regional integration of Western Europe (European Union), the Southeast Asia (ASEAN) and North American Free Trade Agreement (NAFTA) have recently demonstrated that nations can gain more competitive advantages by enduring alliances rather than by self-reliance or by bilateral trade agreements (Porter, 1990). The emerging economic power of the European Union is, in turn, creating a domino effect on the rest of the world. For example, it has

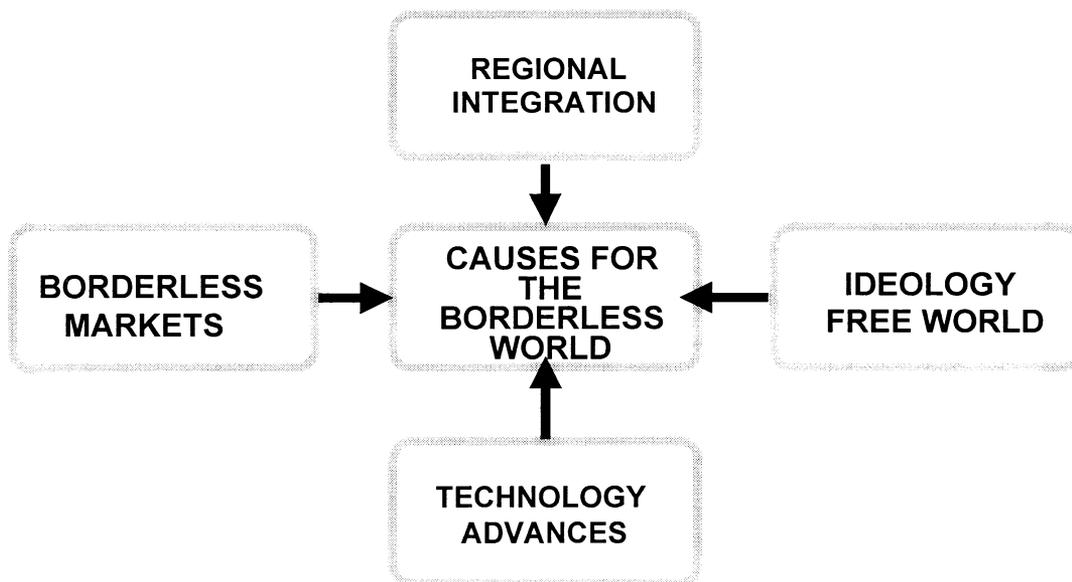


Fig. 2. Causes for the borderless world.

encouraged North American regional integration between the United States, Canada, and Mexico and has encouraged Japan's attempted alignment with the ASEAN bloc. The economic blocs of the European Union, ASEAN, and NAFTA have resulted in the emergence of a triad power dominating the world economy (Ohmae, 1985). It is estimated that 70% of world GDP and 75% of world trade are concentrated among these three regional economic blocs.

3. Regional integrations

Regional integration is not a new concept. It has been practiced by kings and emperors in ancient times and by colonial powers in modern times (Kennedy, 1987). In fact, the United States, after the Civil War, created regional integration among all its states, which resulted in several competitive advantages over dominant European nations such as England, France, and Germany. What is new is the emergence of three super economic powers replacing the old model of a single economic superpower ruling the world. Additionally, these superpowers are highly interdependent in their economic activities through mutual presence and mutual trade: the future of one is a lot more dependent upon the future of the others, resulting in the need for greater cooperation and understanding.

4. Technology advances

Technology advances, especially in digital electronics and electronic commerce, have revolutionized business processes and practices (Gerstein, 1987; Guile and Brooks, 1987). The computerization of people, machinery, and physical facilities has literally reshaped the traditional economic concepts of scale, scope, and structure. Similarly, the use of telecommunications and information technologies has reduced the time and place barriers of doing business. It is no exaggeration to suggest that the traditional marketing theories based on location (for example, the law of retail gravitation, wheel of retailing, inventory management, logistics, and physical distribution) may be redefined when customers and suppliers can do business at anytime and from anywhere. For example, the emergence of the Internet has revolutionized the way we provide information, communication, and transactions. It is resulting in disintermediation and reintermediation on a global basis (Sheth and Sisodia, 1998).

5. Ideology-free world

A third macroeconomic force is the economic collapse of ideology-driven nations, especially the communist countries. As governments become more pragmatic and less ideology-driven, it is inevitable that many of the traditional

beliefs about the role of the market economy and private enterprises will change (Drucker, 1989; Burnstein, 1991). This is likely to result in privatization of the public sector, less regulation of most industries, and development of pro-competitive policies to encourage innovation and efficiency in the different sectors of the economy. This is bound to blur the distinction between marketing practices of profit vs. nonprofit entities and industries. Also, significantly different marketing practices across nations that are based on government trade and employment policies are giving way to more market-based marketing practices in the future.

6. Borderless markets

Finally, and probably as a consequence of the other three macroeconomic forces, we are experiencing globalization of domestic enterprises and economies, primarily through global sourcing and global competition. This is fueled by rapid growth in international trade as compared to domestic gross product. Marketing practices will have to be understood and adjusted to this reality of a borderless enterprise (Ohmae, 1990). Borderless markets emerge when four flows (products, people, money, and information) are driven by market practices without government intervention (Reich, 1991). In a borderless market, marketing practices related to procurement, marketing mix, and customer understanding are bound to change.

7. Transformation of international marketing

As the traditional determinants of international marketing go out of existence, the result is bound to be its demise as we know it today; namely the description, explanation, and management of between-country differences in marketing practices (Arndt, 1983).

In my opinion, international marketing will be replaced by integrated marketing and in the process, will result in two-dimensional shifts. The first shift to integrated marketing will focus more on cross-functional integration and coordination and less on functional adjustments across national boundaries. The second shift will focus more on transnational similarities for target markets across national boundaries and less on international differences. This is represented in Fig. 3. One of the major drivers for integrated marketing on a global basis is the productivity improvement potential through integrated marketing (Sheth and Sisodia, 1995a,b).

8. From international differences to transnational similarities

Four specific processes of transformation in the psychology and practice of international marketing are

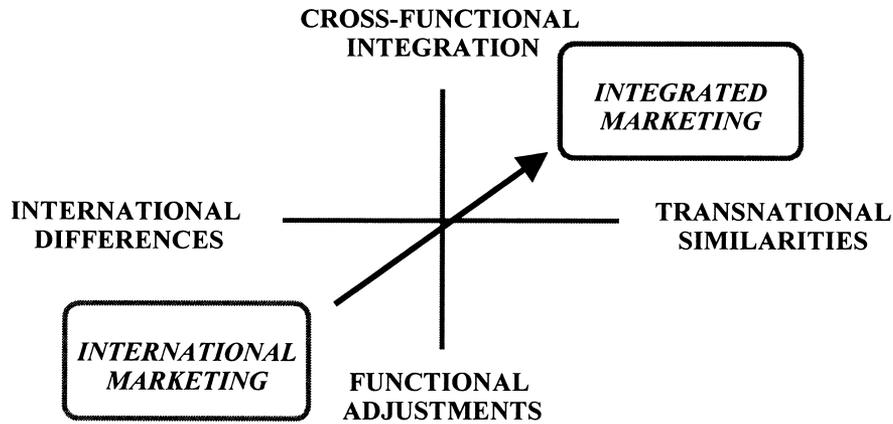


Fig. 3. The transformation of international marketing to integrated marketing.

bound to result as a consequence of its transition to integrated marketing.

8.1. Worldwide markets

The elitism of the diffusion in innovations from the home country to the rest of the world is replaced with the concept of worldwide markets. Worldwide market theory is more likely to be developed because it can rely on world demographics. For example, if a marketer targets its products or services to the teenagers of the world, it is relatively easy to develop a worldwide strategy for that segment and draw up operational plans to provide target market coverage on a global basis. This is becoming increasingly evident in soft drinks, clothing, and sport shoes.

8.2. Mass customization

The concept of mass customization (Davis, 1987) refers to standard platforms, but custom applications. It breaks the oxymoron of efficiency of mass production with the effectiveness of personalization of a product or service. Again, it is likely that we will develop a theory of mass customization in marketing that transcends national boundaries.

8.3. Relationship management

In a world that is moving toward a global market economy, it is becoming increasingly necessary to rely on customer and supplier relationships to preempt competition. Emphasis on relationship management (as opposed to transaction exchange) allows scholars to reduce the impact of unexpected events and, therefore, model more consistent behavior with some well-grounded theories.

8.4. Trickle-up theory

Technology advances created by the electronics revolution suggest that it might be best to deploy new technology in low-end applications and move up to high-end

applications. In general, this means starting with consumer markets and moving up to commercial, industrial, and government markets. Market upstreaming becomes highly desirable to gain scale and scope advantages (Christensen, 1998).

9. From functional adjustment to cross-functional integration

A second dimensional shift moves from functional adjustment to cross-functional integration. This is likely to generate new research opportunities for scholars in at least four areas.

9.1. Global accounts

As the focus of marketing and business operations shifts from production to consumption, the need for customer orientation increases. Customer orientation suggests account by account market segmentation on a worldwide basis. This is already practiced in several industries and by several companies such as IBM, Procter and Gamble, and Boeing. Managing global accounts becomes a challenge for both marketing practice and academic research.

9.2. Cross-functional consistency

As operations get organized around global customer accounts, it becomes increasingly necessary to deploy quality consistency across all functional units. For example, the six sigma or zero-defect concept is no longer limited to manufacturing or to line operations, but is extended to all functions, line, and staff. A theory of consistency becomes a very viable concept for integrated marketing.

9.3. Value-based costing

Allocation of costs to different functional and business units traditionally has been based upon accepted accounting

principles. Unfortunately, they are not so universally accepted, let alone practiced on a global basis. While a recent effort to utilize activity-based costing (ABC) is gaining popularity, the ultimate option may be to develop a matrix that measures value to the market and its attribution to different functional and business units. Since we have some well-accepted concepts of value creation and value distribution in economics and social sciences that transcend national boundaries, it may be possible to generate a unified theory in this area.

9.4. Networked organization

Cross-functional integration required coordination and communication. While functional adjustments are dependent upon contextual determinants, cross-functional integration and coordination is capable of transcending ad hoc, context-driven issues to a higher plane of conceptual theory. In other words, it has the potential to be invariant to context.

As I have outlined in the transformation of international marketing into integrated marketing, it is becoming increasingly evident that we can use well-accepted concepts of economic and social sciences to develop a theory of integrated marketing. Furthermore, this theory, if grounded on time and distance concepts, may actually not only contribute, but also add value toward developing a more general theory of marketing.

10. Summary and conclusion

In this paper, I have identified why international marketing has remained a contextual practice devoid of a well-accepted theory. The nine determinants of international marketing (political stability, government policy, ideology-driven economy, fear of colonialism, marketing transfer issues, lack of infrastructure, North–South dichotomy, East–West dichotomy, and product life cycles) are gradually becoming extinct as markets become increasingly borderless. The forces driving a borderless world are regional integration, ideology-free world, technology advances, and borderless markets.

This is likely to transform international marketing into integrated marketing with less emphasis on functional adjustments across countries and differences among nations and more emphasis on cross-functional integration and transactional similarities. I have identified eight processes of this transformation: worldwide markets, mass customization, relationship management, trickle-up theory, global

accounts, cross-functional consistency, value-based costing, and networked organization. All these processes of transformation are likely to elevate the practice of marketing from the specifics of the context to a more generalizable theory of integrated global marketing.

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