

**Critical Analysis of How strategic planning  
for International Marketing Differs from  
Domestic Marketing**

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## EXECUTIVE SUMMARY

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The purpose of this assignment was to critically analyze that how Strategic Planning for International markets differs from Domestic markets and several differences were found out which made clear that there are more challenges faced by managers working globally rather domestically. With the help of a case on Nike-an international footwear brand, we examined that strategic planning for the international markets should be critically evaluated and organizations need to take care of the different cultures, languages, economic conditions, and governmental regulations, religious and other social aspects of the countries when operating their business globally.

Though domestic and global marketing are similar in some aspects but it was found that there were more challenges faced by international managers while expanding their business globally. Therefore, it is recommended that global managers must take into consideration the tastes and preferences of the people, the quality standards of the product, cultures and languages of the countries, governmental regulations and economic conditions, societal issues and human rights so that they expand their business successfully and attract and retain international customers.

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# INTRODUCTION

## **Strategic Planning:**

A strategy is an overall approach and strategic planning is the overall planning that facilitates the good management of a process. It provides the organization with the big picture of what they are doing and where they are going. Strategic planning gives clarity about what an organization actually want to achieve and how they achieve it. When you develop a strategic plan, you are setting the parameters for the work of your organization usually for two to three years or longer (Shapiro).

## **Global strategic planning versus domestic strategic planning:**

A marketing restricted to the political boundaries of a country is called domestic marketing and marketing carried out by companies overseas or across national borderlines is called global marketing (Wikipedia).

Whether the market is a domestic or international venue, marketing activities are essentially the same however, must be tailored to the unique attributes of the product and the country of target. Marketers must recognize cultural differences and similarities within objectives, strategies in communicating with international markets as there are different values, attitudes and buying behaviors (Howard 2007).

*The differences between global and domestic strategic planning are (OPPAPERS.COM):*

S.No	Domestic Planning	Global Planning
1.	Single language and nationality	Multinational/multicultural factors
2.	Relatively homogeneous market	Fragmented and diverse market
3.	Accurate and easily available data	Data collection a large task requiring significantly higher budgets and personnel allocation
4.	Political factors relatively unimportant	Political factors frequently vital

5.	Relative freedom from government interference	Involvement in national economic plans; government influences business decisions
6.	Individual corporation has little effect on environment	Gravitational distortion by large companies
7.	Chauvinism helps	Chauvinism hinders
8.	Relatively stable business environment	Multiple environments, many of which are highly unstable
9.	Uniform financial climate	Variety of financial climates ranging from over-conservative to wildly inflationary
10.	Single currency	Currencies differing in stability and real value
11.	Business "rules of the game" mature and understood	Rules diverse, changeable and unclear

### Major challenges faced by international managers:

International managers have to face major challenges when they expand their business geographically all over the globe (Kumar).

- Cultural differences:** It is defined as the values, attitudes and beliefs that people adopt to live and communicate as members of society. Therefore there is need for greater cross cultural awareness by the international managers to succeed in that country (Kumar).
- Economic Differences:** The level of economic development in a market can affect the desired properties of a product and hence managers are supposed to change their products in order to meet the needs of the local market (Kumar).

- **Infrastructural Differences:** The general level of the quality of infrastructure in the country consisting of elements such as transport, energy communication systems, etc. can affect as managers are responsible to supply their products to the target audience (Kumar).
- **Religious Differences:** Religion has many impacts on products; more particularly on the ingredients that constitute them therefore managers must have enough knowledge about their religious aspects (Kumar).
- **Language Differences:** Language is an important aspect of international marketing research. Inappropriate use of language could result in loss of market apart from turning out to be a cross cultural blunder (Kumar).
- **Exchange rate differences:** The exchange rate of the country in which the company expands its global business can affect the sales of the products (Kumar).
- **Government differences:** Governmental laws of the country in which business is operating can also create problems therefore; international managers need to follow them in order to survive (Kumar).

## **CASE ON NIKE:**

Though aspects of planning for domestic and global markets are similar but it differs from domestic planning in various contexts. Discussed below is the case of Nike which faced many criticisms regarding its unethical business practices of child labor when it was operating globally which in the end shattered its brand image?

### **Legal, Cultural, and Ethical Challenges that Nike Faces in Global Business (Nike - Successful Global Business doesn't come without Challenges)**

Once a company, like Nike, decides to become a global entity, it will often experience an increase in profitability. Unfortunately, companies like Nike must overcome some difficult obstacles before establishing a successful business in a foreign country. Some of the issues of concern are child labor laws, wages, and outsourcing's effect on sales. Because of this, most widely known companies have presented various cases to defend their positions on conducting business in the foreign country. One such example is a Nike sweatshop labor case that stirred up a large amount of controversy over ethical business practices. Even though Nike has attempted to recover from the bad press it received about the sweatshops, it still struggles to defeat the negative feelings from people across the United States. Thus, a summary of the case, the legal, cultural and ethical challenges, an understanding of the roles the host governments play, and the strategic and operational challenges faced are important to gain a thorough understanding of the issues and case.

Most people could easily define Nike and are familiar with the products offered, like the customized options available in the Nike store online, Nike Sportswear, Nike Women, Nike Basketball, and Nike Football. These products, among others, have led Nike to a profit of \$15 billion in 2006 and a catchy "Just Do It!" slogan (Hill, 2009). The company outsourced its manufacturing plants to several countries in order to lessen costs and become more efficient in productivity. The outrage and protests that followed were far from what Nike expected; the company was labeled as forcing "children to slave away in hazardous conditions for below-subsistence wages" (Hill, 2009). As a result, protestors of globalization and human rights

activists criticized Nike for taking advantage of the workers overseas and placing them in a destructive working environment.

Moreover, the fact that Nike was making billions of dollars and still failed to provide a safe working environment only made matters worse. After Nike realized it was the target of several protests and complaints against globalization, it recognized the need for safer work environments and an adherence to certain standards for each of the overseas factories. The factory workers were forced to work exceptionally long hours to fulfill quotas and had to follow strict rules during work for below minimal pay despite having “77 percent of the employees in Vietnam suffer from respiratory problems” (Hill, 2009). Therefore, the legal, ethical, and cultural challenges began to add up for Nike and it was time for the company to confront them. The majority of challenges Nike had to overcome involved ethical issues and debates. Even though Nike was providing jobs to those who may not otherwise have one, it was paying “a mere \$1.60 a day to Vietnam factory workers when the living wage is at least \$3 a day” (Hill, 2009). Nike could have avoided this challenge by paying each employee worker the living wage of the country he or she lives in to purchase necessary items.

Moreover, the living wage is a cultural expectation which Nike failed to meet that led to protests. Another ethical issue involved “a report that found workers with skin or breathing problems had not been transferred to departments free of chemicals and that more than half the workers who dealt with dangerous chemicals did not wear protective masks or gloves” (Hill, 2009). The debate was over the unsafe conditions Nike was providing its factory workers while it experienced continual increase in profits. Nike was also criticized for failure to follow child labor laws by hiring children who were not allowed to work and forcing them to work overtime for below minimal pay. For example, “according to Global Exchange, in one factory, owned by a Korean subcontractor for Nike, workers as young as 13 earning as little at 10 cents an hour toiled up to 17 hours daily in enforced silence” (Hill, 2009). Exposing workers to harsh and toxic chemicals including carcinogens were also factors that placed the company at odds with human rights activists.

The company attempted to redeem itself by stating “it had formulated an action plan to deal with the problems cited in the report, and had slashed overtime, improved safety and ventilation, and



reduced the use of toxic chemicals” (Hill, 2009). Even though Nike took steps to improve the accusations in the report, it should have been corrected once it was aware of the conditions and provided each worker with a fair and safe work environment.

The strategic and operational challenges Nike faces are vast and will require a large amount of time and effort. This is especially true because the operational practices and strategies Nike previously adhered to was no longer effective; rather, those practices began to hinder its success. One operational challenge Nike faces is the development of a strict monitoring system in its factories overseas. On the other hand, hiring a firm to ensure accurate accounting reports are produced is a strategic challenge. Moreover, determining a country to set up another factory in is both a strategic and operational challenge. Nike faces several challenges; however, it can achieve continual success through an effective operational and strategic plan.



Therefore, the factories and sweatshops established overseas by Nike launched a debate regarding whether Nike was in compliance or violation of ethical guidelines and regulations.

Despite several attempts, Nike is still the focus of protests regarding violation of child labor laws and unsafe working environments. Moreover, numerous governmental organizations have worked with Nike to ensure safe and ethical business practices and to monitor the sweatshops Nike established overseas. Consequently, Nike was forced to change its operational and strategic plans drastically in order to remain successful and appease labor and civil rights unions. The case of the Nike sweatshops demonstrated how difficult it can be for a business to become global because of the different rules and regulations established by that country (Charles, H 2009).

## **Solution suggested by an NGO to the problems faced by Nike:**

### **(NGO - Helping to shine a better light on the often controversial sports giant, Nike):**

“Investors, customers and other stakeholders want companies to address social and environmental concerns. Organizations are beginning to recognize that they should develop strategies to meet these needs while remaining profitable. At the same time, many of the most effective non-governmental organizations (NGOs) recognize that they can achieve widespread and lasting change by harnessing the power of the market.

To achieve these goals, companies and NGOs are finding ways to work together”. – Global Environmental Management Initiative (GEMI) and Environmental Defense Fund. In the past, Nike has been heavily criticized over their labor practices and has at times appeared totally unconcerned about acting in a socially responsible manner.

However, more recently they have taken steps to improve their image by getting involved in different CSR activities, which will act as a very effective means of creating positive PR. Last year they launched (*Nike Red*), in which they designed among other things, red laces, worn by many of their high profile sponsors, carrying the message ‘Lace Up. Save Lives’.

The campaign was set up to fight AIDS in Africa, with 100% of the profits going to the Global Fund and to Nike football-based programs. Leo Sandino-Taylor, Nike UK Head of PR & Communications said, “With the continued support of our athletes and clubs, we can play a major role in amplifying this important issue.

Without question activities such as this has helped Nike (the business not the brand) to regain some of the credibility and trust which it has lost during the mid-nineties, whilst at the same time making a real difference to those in need.

### **Analysis of the case:**

The case discussed above shows that it is not easy for companies to operate globally as it requires a lot of efforts to match your brand with the culture of that country. Like in the case of Nike, it was involved in unethical practices i.e. they were having child labor at a very low wage per day which on one hand, proved to be profitable for them but on the other, it was against human rights. They faced many criticisms for such unethical practices and hence, the image of this brand shattered hence, they took some steps to revamp their image by introducing several PR activities like “Nike Red” and changed their image with the help of NGOs.

### **CONCLUSION:**

As far as my opinion is concerned, the strategic planning for domestic and global markets is almost similar but there are more hassles for managers working globally. In domestic markets, the managers know about their culture, language, religion, government regulations and economic conditions. But an international managers need to take everything into consideration while entering into a new market and expanding their business. The case that I have mentioned about Nike is challenging because it covers all the aspects that an international brand has to take care of. They need to understand the culture of the country and then formulate strategies according to that. Every organization that enters into the global markets must devise strategies that how they are going to enter into the market, where they are going and how are they going to do it. The case showed that how Nike violated the ethical practices and human rights of the people in developing countries where they pay less and demand more work from the people. They were criticized for hiring child labor which is strictly against the policy of any international brand. There is not much difference between domestic and global markets because marketing activities are almost the same but in global marketing, they need to take care for certain aspects which are necessary. Domestic planning is also challenging as marketers need to take care of the tastes and needs of their targeted customers and manufacture their products accordingly. Selling globally is more comprehensive as along with the needs of their customers, they also need to take care of the environment, in which they are working in like their culture, language, economy, government, infrastructure and religion etc.

## RECOMMENDATIONS:

- Marketing managers need to take care of consumer's preferences and offer their products and services accordingly which can increase their customer base and growth.
- Along with being customer-oriented, the organization managers need to work for their society as well to make their organization socially responsive.
- They need to abide by the regulations and laws of the country in which they are offering their products so that they do not face any ethical issues related to their business.
- They need to learn the culture and language of the country in which they market their products; moreover they need to make sure that the ingredients of their products do not face any criticisms by religious groups of that country.
- They must take care of human rights and do not violate them for the maximization of their own profit.
- The products offered by international marketers must be according to the standards and quality and does not contain injurious contents which are harmful for health.

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