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International Marketing in Morocco: Illustrative Case

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Abstract

The article analyses various aspects pertaining to international marketing. In this regard the potential market entry in Morocco of a UK based electronics appliance manufacturer is analysed. The article further provides analysis of marketing planning tools such as PESTEL to identify the focal company's potential and opportunity that lies in the market. In addition, the research explored whether the electronic manufacturer should consider direct entry method such as equity investment.

Keywords: Marketing, PESTEL, International Markets, Marketing Communication, Morocco

1. Introduction

This article analyses the various aspects related to international marketing. In this regard the market entry options for an UK based electronic appliance manufacturer in Morocco is analysed. The article will refer to the appliance manufacturer as the focal company in this paper. This article is segmented in two parts. The first part discusses the difference between international and domestic marketing and research; communication mix etc. The second part is focused on necessary requirement to be successful for the focal company to make a market entry in Morocco. The various aspects necessary in such endeavour such as internal readiness and potential market entry method and other important analysis is included.

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1.1 Marketing research in the international context

Marketing research can be defined as systematic process that includes designing, data collection, analysis of data and providing article of the findings to the management in regards to the particular marketing situation that an organisation finds itself (Nunan & Di Domenico, 2013). Marketing research activities can broadly be segmented as- market potential measurement; identifying characteristics of the market; analysis of market share; business trend identification; forecasting; analysing price structure etc. A micro level process for marketing research is as follows (Zikmund et al, 2013)-

- Step 1. Problem definition and objectives
- Step 2. Development of research plan
- Step 3. Data collection
- Step 4. Data Interpretation
- Step 5. Summary of findings and producing article

In both international and domestic marketing research, the steps as mentioned in this article are same. However, the organization interested in a foreign market has to consider the additional dimensions when conducting the necessary activities. For example, in data collection, both in domestic and international markets problems and objectives has to be specified, but for the latter additional emphasis has to be given whether all objectives are clear to all the national and international stakeholders and actors. In the case of both, domestic and international markets research methodology have to be selected; however, international market research would require evaluation of the compatibility issues of the research methodologies (Czinkota and Ronkainen, 2013). In data collection step, the organization can use multiple options such as the use of primary data, secondary data including internal and external sources. Primary data can be gathered through market research using survey technique on the target population. In addition, focus groups studies can also be conducted. Focus groups consist of sample size of target populations. Focus group interviews help formulate ideas regarding the product and also can shape the marketing campaign regarding what kind of communication channel and message would be persuasive and attractive to the international customers. However, in implementing data collection, various local biases and cultural differences that can skew the results has to be taken into account. In this regard the international experience of the agency used needs to be evaluated. The data can later be analysed to form models which can help in product development and formulating marketing campaigns. In the case of data interpretation also the compatibility and comparability issues has to be carefully monitored. The final step in the market research involves preparing articles; however, such articles would also be required to be tailored to the international audience.

1.2 International marketing strategies

International marketing task can vary from domestic market to international market. One should remember that an organization can only control 4 issues which are called the marketing mix such as- price, product, promotion and channel distribution. However, there are issues even in a domestic market that an organization cannot control such as political and legal structure, economic climate and competitive landscape. However, when an organization is venturing into a foreign market these issues will vary and in addition other issues such as cultural issues, geography and infrastructure and technology acceptance is added. In addition, the organization must decide on the strategy it wants to adopt. In this regard, an organization can follow ethnocentric expansion which means that the organization will treat the foreign market as it treats the home market. On the contrary the firm can also treat the foreign market as polycentric which requires a lot of adaptation of the product and market strategy for the foreign market. The other option includes to “customized focusing” on specific region, i.e., the products and marketing campaigns focused on regions. Whereas geocentric stands for standardizing the product globally (Kotler et al, 2015).

1.3 Marketing communication mix

The marketing communication mix will also be influenced by these various factors. However, before that the international promotional strategy has to be developed various other steps needs to be taken. These includes- the study the target market, determining till what level standardization is required, developing the promotional mix, creating the message for promotion, selecting the effective media and establishing the control mechanism (Figure 1 and 2) (Kotler et al, 2015).



Figure 1. Marketing communication mix

Deciding on the communication mix can be a major task and a critical factor for the eventual success of the brand in the in the chosen international market. There are seven main aspects of the communication process (Figure 2). The first and foremost the message that the brand wants to convey has to identified and carefully crafted. The next step is to decide on the channel of communication. An organisation can transmit the message through the use of advertisements on mainstream media, use personnel selling etc. Organization nowadays are more and more using digital platforms and social media sites for communicating the brand Image; in addition direct marketing technique that is selling through website are also on the rise. The organization interested in penetrating international market should realize that the message that works in the domestic market may not be appropriate for the international audience. In addition, the effectiveness of the communication mechanism may also vary from country to country (Fill & Turnbull, 2016).

After, the message has been communicated it is the consumers/audiences task to interpret or decode the message. After, the message has been decoded the customer/audience can take steps to purchase the product marketed by the brand. It should be noted that appropriateness of the message channel, successful decoding and subsequent action by the audience will be significantly be impacted by the culture of the market amongst many other factors.



Figure 2. Marketing communication

1.4 Cultural differences among domestic and international markets

The article so far has discussed the many aspects of marketing management in the international context. As discussed the differences are not massive but yet important. In ensuring a successful implementation of international marketing campaign from research to communication these differences has to be taken into consideration. A key reason of the differences stems from the cultural context. The argument is that what works in one culture may be redundant, inappropriate and at times offensive in another (De Mooij, 2013). Therefore, the various aspects of culture including the language of the international market being considered, social institutions, education level of the target market, importance given to aesthetics value in the international market society and belief system including the social norms and acceptance has to be taken into account.

2. Materials and Methods

The research is exploratory in nature is based semi-structured interviews with relevant stakeholders and analysis of secondary data. Further details of the interviews are provided in Table 1.

Table 1. Interview details

Stakeholders	Number of Interviews	Duration	Location
Economists and Consultants based in Morocco	6	1-2 hours	Morocco
Executives of the international appliance manufacturer/ Focal Company	2	1-1.5 hours	Morocco, UK

3. PESTEL

As mentioned earlier this article discusses various marketing aspects related to the focal company's market entry into Morocco. In this regard the PESTEL framework which is very effective in analysing the macroeconomic environment is used. (Johnson et al, 2008)

Political Factors: The political landscape of Morocco has undergone significant changes over the decades (Malik and Awadallah, 2013). The country has Monarchical system but the Arab Spring in 2010 has resulted in the formation of a new constitutions. Over the years political and economic transformation has taken place. Morocco has a free trade agreement with the European Union which was signed in 1996 and came into enforcement in 2000 (White, G., 2014). In the circumstances Morocco offers a significant market to foreign investors such as The focal company.

On the contrary, there is significant criticism about various UK policies regarding the manufacturing industry. One survey which was conducted among UK manufactures as respondents revealed that significant number of manufacturing firms believes the UK policies are inadequate. (The Manufacturer, 2012). In such situation it may be prudent for The focal company to transfer some manufacturing capacity in foreign destinations such as Morocco. It should be mentioned that The focal company already operates manufacturing facilities in countries such as China and Malaysia (The focal company, 2017).

Economic Factors: Morocco is one of the growing economies in North Africa. The economy can be considered liberal. It should be mentioned that from early 90s the country has made significant measures to privatize the economy. According to the world economic forum it is one of the most competitive economies in the region. An interesting facet of the economy is the rapid growth of the manufacturing sector (Figure 3). In another statistics it has been revealed that Morocco with a population of 33 million has a middle class of 35%. In addition, 59% of the urban population is middle class (CIA, 2017). Morocco has a GDP per capita of 8400 USD in 2015 and purchasing power parity (PPP) of USD 7000 (Lawless and Findlay, 2015). Hence, Morocco is a significant market for The focal company.

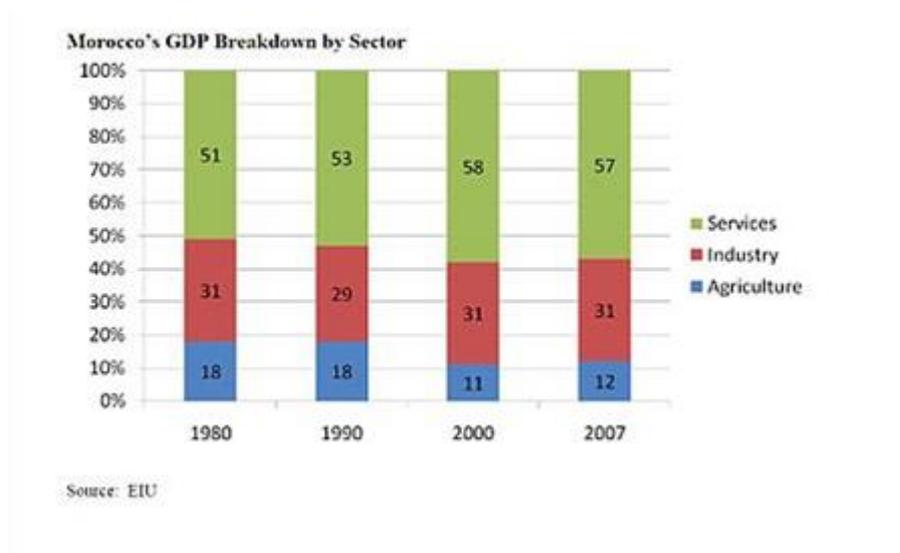


Figure 3. Morocco Economy

The financial performance of The focal company has been strong even during recession. The focal company had an increased profit of 5% which stands at £382 million in 2013. The turnover of The focal company stood at £1.3 billion in 2013 from £1.2 billion in 2012. The reason for such good performance was its markets in Asia

(Telegraph, 2017b). In order to continue this trend The focal company needs to penetrate new markets such as Morocco. It should be mentioned that launching operation in Morocco can be a springboard to further markets in North Africa.

Social Factors: Social aspects play a big role behind product development. For example, The focal company products often have very bright color which attracts some segments of the customers. The focal company intentionally makes a statement in doing so that product quality is more important than aesthetics. The focal company encourages the young population to learn engineering and contribute to innovation. In addition, The focal company launches product based on the maturity of the societies as exemplified with its strategy in Japan (Bloomberg, 2017). There is room for The focal company to launch customized products for the Morocco market considering the unique North African climate.

Technology factors: The focal company considers innovation in technology as one of its key core competences. This trend can be traced to the inception of the company. The founder of The focal company unable to convince investors (i.e., manufacturers of his proposed cyclone technology for vacuum products) founded his own company to materialize his dream to develop vacuum cleaners without bags (The focal company, 2017; International Business Times, 2015). The company uses patenting as a way to protect its business. The focal company is said to file one new patent every day and has about 1,300 patents (Innovation Magazine , 2014). The company has manufacturing centers in global locations but research and development is done mainly in the UK. In summary, the focal company is a business in the forefront of innovation technology (Figure 5); hence in a prime position to develop new cleaning products for the unique environment of North African countries such as Morocco.

Ecological factors: This has become an important discussion point particularly after the global attempt to curb greenhouse gas such as carbon. There have been a lot of acts and legislations that has been crafted worldwide in this regard. The focal company being a technology leader is in a position to provide the world with such technology to attain these goals in some aspects (Gallego-Schmid, 2016) This is something that competitors of the focal company are struggling to cope.

Legal factors: The focal company has filed lawsuits against organizations such as Hoovers who has infringed on former's patented technology. In another such case the company filed lawsuit against Samsung in Japan (BBC, 2014).

4. Interpretation of PESTEL

This article suggests that the focal company should be pioneers in entering the Morocco market rather than followers. The reason the focal company should be pioneers in Morocco is because it has the competitive edge in technology. It should be reiterated that Morocco has a very lucrative market as identified by the PESTEL analysis and can be used as a springboard to establish further markets in North Africa.

The focal company has to make a decision regarding the mode of market entry. In this regard, this article suggests that the focal company should opt for equity mode of market entry (Bodie, 2013; Aguirregabiria and Suzuki, 2014). There are three options for the focal company in terms of equity mode of market entry. These are fully owned subsidiary, strategic alliances and joint ventures (Christoffersen, 2013; Beamish, 2013). The article proposes the focal company to opt for fully owned subsidiary. The focal company should take the opportunity of friendly investment opportunities in Morocco and establish its own production facilities. However, the focal company should go into contracts for distribution network within the country. The main advantage for such option is the level of control that the focal company would have in such situation. Since, the focal company products are high end and order winner is "quality" it is essential for the focal company to have full control. However, it should be mentioned that operating fully owned subsidiary requires significant investment. The reason that this article suggest to operate fully owned subsidiary in Morocco can be summarized as- the investment opportunity present

in the country and potential to access further markets in North Africa; saturation in other markets and policies in the home market in the UK; in addition to the focal company capability and capacity.

The other options available to the focal company are to go for non-equity based market entry strategies such as direct and indirect exporting. One form of direct exporting option is operating turnkey projects where technology would be transferred to local operators. Such options are not feasible considering the nature of the products and the focal company's core competence is technology development. The other option would be licensing where a local partner would access to the focal company's technology such as patents. This option should also be discarded for the same reason as turnkey projects. Other direct entry methods such as alliances and joint ventures should also be avoided due to potential scope of losing control and may end up being very difficult to manage the focal company's operation in the North African market. Indirect market entry method includes having agents who would be selling the focal company products, whole sale importers, selling directly to retailers in Morocco or through third party distribution channel (Greenaway and Kneller, 2007). However, these options don't fit the new strategic objectives of the focal company and hence this article suggests that it establishes new significant markets in North Africa through equity investment.

5. Conclusion

This article has discussed the market entry method in Morocco for the focal company which is an electronic appliance manufacturer based in the UK. In essence, the article discussed how the focal company could make the potential entry. This research conducted an environmental analysis using PESTEL tool. On the basis of the analysis the article suggests equity based direct entry method. The potential other options and drawbacks for those option have also been discussed.

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