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## Role of Marketing Researches with International Markets

*Розглянуто вплив міжнародних маркетингових досліджень на господарську діяльність підприємств. Приведено схему проведення вивчення зовнішніх ринків. Розглянуто закордонний досвід проведення маркетингових досліджень. Вивчено чинники, що впливають на привабливість ринку.*

*Influence of international marketing researches on economic activities of firms is reviewed. The scheme of realization of external markets analysis is given. The foreign experience of realization of marketing researches is reviewed. The factors of market attractiveness are studied.*



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The economical, political and social transformations, which have taken place in Ukraine over last decade, radically changed a system of economic activities in the country. Many new entrepreneurs and commercial structures have appeared, and existing earlier ones, mainly large firms, have undergone considerable reorganization. Ongoing socialist methods of administration, new know-how and management techniques peculiar to the market economy have been introduced. The process of management reformation, unfortunately, not always passes smoothly. Executives have to introduce changes in complicated conditions, since today's business in Ukraine should operate in a rather rigid competitive environment.

The potential of Ukrainian producers will allow them to not only expand domestically, but also in foreign markets. International marketing, which represents a function of entrepreneurship, is oriented on the detection of potential customers. If done properly, this can lead to a supply of potential customers outside the country with large demands for goods and services. Therefore, this is the essential element during foreign market strategy development for entrance and further existence in the external economical arena. This report will further illustrate that with current Ukrainian economic practices, many firms, including those who already work with the foreign associates, the international marketing strategy is used only in small scale or is not applied at all.

The realization of economic opportunities requires constant information gathering, as this is the basis for decision-making. The role of information is greater than the stronger uncertainty of the business. In the branches of an economy in which uncertainty of activity is relatively high, the reduction of uncertainty takes on a special significance. A business field with a high level of uncertainty, first of all, is international trade. The heightened degree of uncertainty and risk in international trade arises basically from the fact of the existence of independent commercial associates. A foreign associate has the freedom to choose ways of development, which can be foreseen, but, unfortunately, cannot be planned and controlled. The uncertainty of activity means a capability of acceptance non-optimum or even an insecure solution. For this reason, the increase of commercial data volume reduces risk, connected with decision-making. This is because the more gathering of information, the less uncertainty of activity.

The need of international business for the market information shapes both through internal factors, which have a source in the realized social and the economic developmental strategy of country, where the commer-

cial cooperation with foreign countries is one of the main links, and external ones, that nascent through considerable convertibility and uncertainty of phenomena in modern economics and world trade.

The new system of financial and economic relations inserted within the framework of economic reform has submitted the firms' broad capabilities of independent activity, thus augmenting their degree of responsibility for making decisions. Independently realizing problems in the world market, business leaders should know the factors of the market in which they are working in. Administrative and legal standards, trade laws with different countries, requirements concerning the goods and services, the actual and forecast state of market opportunities of separate commodities and purchases, and factors of price formation are some of the aspects that must be taken into account.

Company management should also determine a number of solutions concerning, among other things, selection of outlet and purchase markets, priority of entrance to these markets, policy of entrance and ways of further expanding activity. Therefore, business information is needed, which will be used during formulation of promotion tactics in the foreign markets, and has advanced nature before acceptance of its commercial solutions.

An export oriented producer should adapt the goods for demand in the foreign markets, orient in a competitive strategy of the product, and keep informed about the receptivity of customers to the early released products. Besides scientific and technological progress, calls for changes in engineering and know-how of goods manufacturing, and constant creation of investment resources are needed. For this reason the producer, which wants to maintain the pace of competition, should keep up such phenomena and fulfill their analysis to fit production to the situation.

The international marketing research delivers information concerned with the implementation of economic operations on a global scale. This allows avoiding expensive errors arising by applying incorrect market policy and missing market opportunities. The international marketing activity differs from the basic principle and should be rather complex compared to the researching of domestic markets. The marketing solution concerning the formation of the product, prices, distribution channels, advertising etc., making the concerns not very familiar with the (economical, sociological and cultural sense) market environment.

There are also differences between markets in accessibility and efficiency of marketing infrastructure (transport capabilities, distributive network, mass me-

dia etc.). Frequently this leads to necessity of more vast researches. Well-conducted research promotes definition of market operating coordination capability in the separate foreign markets for achievement of synergy effect, originating from applying standardizing of international marketing.

The initial investigation phase is the analysis of the export-marketing environment. The attractiveness of the foreign market is valued through several factors. Some of the factors include the economic structure, nature of income distribution throughout the country, political and legal environment (stability of political power, political climate, national sovereignty, safety, condition of activity and property), welfare situation (language, religion, educational level of the population and formation in country, public infrastructure, laws), and geographical features.

Scales of realization and the depth of international marketing researches depend on branch, scales of business, and the nature of coming operations in the foreign market. For example, Allianz AG of Germany (Founded in 1890 in Germany, Allianz is now one of the world's leading insurance groups. Today, more than half of the Allianz provides its 60 million clients in over 70 countries with a broad range of services. This is achieved through an international network of subsidiaries, which generally command a strong position in their respective home markets. Allianz Group's premium income is earned up's premium income is earned outside of Germany) usually thoroughly looks over possible new markets for several years before executives make a decision on creation of new business in a country. This is due to fact that insurance is a long-term business and takes years to develop a profitable business base. A schematically realization of marketing research for the given company is shown in Fig. 1.

As seen from the scheme, the initial and primary basic stage is the estimation of attractiveness of the economical and political environment as the main indemnity of business safety. Which parameters of country development are taking into consideration? The answer to this question will be interesting not only to marketing specialists, and managers of domestic firms intending to develop an external market, but also to persons interested in international capital flows. Basic indicators are: a nominal and real gross domestic product (GDP), GDP per capita, level of the national debt, rate of inflation, exchange rate of national currency, level of real wage, rate of unemployment etc. In Table 1, the example of standard indexes for Ukraine is introduced.

Dependence of a national economy from other countries economies, prices for main export products (e.g., for oil for such countries, as Russia, Azerbaijan, Norway etc.), loyalty of international organizations (IMF, EBRD), regional and non-governmental to the country, main trade associates are analyzed. In a regional aspect the demographic parameters (number of the inhabitants in regions, share of agricultural and urban population) are esteemed.

The political stability is the relevant factor, such events as often government changes, coming to power parties of miscellaneous ideological directions, and corruption displays a negative image of the country.

The condition of a financial infrastructure is determined by a level of development of stock and investment markets, and a banking sphere: the size of bank assets, sum of the giving credits, rating of local banks under the international standards (e.g., Agency Moodys).

The branch analysis reflects the market structure, government regulatory policy in a branch, basic goods and kinds of services in them, capacity of the market, tendency of development and specific indicators for the given sphere. For example, insurance major indexes are: a gross volume of the insurance premium (GPW), insurance density – relation of a volume of the insurance premium to a population and insurance penetration – relation of GPW/GDP. According to these parameters, it is possible to compare and estimate a condition of the branch. For instance, the insurance market in Ukraine lags behind many countries, in Central and East Europe under these data. The situation can be illustrated by data in a Fig. 2, where Ukraine takes one of lower places.

The market of a foreign country is attractive at growing demand population and organizations. Investments and perspective development of other branches that will require the goods and services of the market, interesting to the company, positively effect for a potential of the market. At analysis of competitors it is worth to pay attention to the main shareholders and founders, areas of activity, market share, experience in branch, size of the capital.

On the basis of the analytical data and conducted research can come to a conclusion about the outlooks and capabilities in the foreign market, demonstrate the strengths and threats, which can trap a firm at an entrance to the market.

Thus, the international marketing researches are a major element at implementation of foreign trade activities of firms. Depending on current needs of the corporation in analytical estimation of the foreign mar-

**Level 1: Macroeconomic Analyses**

- Economic Indicators
- Economic Environment
- Political Environment
- Social and Demographic Trends
- Financial Market
- Geographic Features

**Level 2: Microeconomic (Branch) Analysis**

- History
- Regulatory Environment
- Market Structure
- Regulatory Environment
- Main Market Trends
- Market Potential
- Tax Law
- Cultural Features of Market

**Level 3: Competitors Research**

- Domestic Existing and Potential Competitors
- Foreign Existing and Potential Competitors

**Level 4: Conclusions**

- Executive Summary
- Next Levels

Figure 1. The Process of Marketing Research

Table 1

**Key Economic Indicators: Ukraine**

Indicator	Unit	1996	1997	1998	1999	2000	2001	2002F
GDP, nominal	Mrd. USD	44,6	49,7	41,9	30,2	32,2	39,2	40,2
GDP, per capita	USD	876	984	833	605	649	795	815
Real GDP Growth	% y.o.y.	-9,7	-3,2	-1,7	-0,4	5,8	8	2,5
Payment Balance	Mrd. USD	-1,2	-1,3	-2,2	-1,5	-1,3	-1,0	-1,1
External Debt	Mrd. USD	9,6	9,6	15	14,5	13,2	14,3	13,5
Foreign Direct Investments	Mrd. USD	0,5	0,6	0,7	0,5	0,6	0,6	0,7
Inflation Rate	% p.a.	39,7	10,1	20,0	19,2	25,8	5,8	12,1
Exchange Rate	HRN/USD	1,89	1,90	3,4	5,4	5,4	5,3	6,3
	HRN/EUR	2,36	2,08	4,0	5,4	5,4	4,6	6,6

Source: Deutsche Bank Research

kets, researches are carried out in several phases. The applying of external marketing researches helps to promote successful operations and effective development of commercial organizations.

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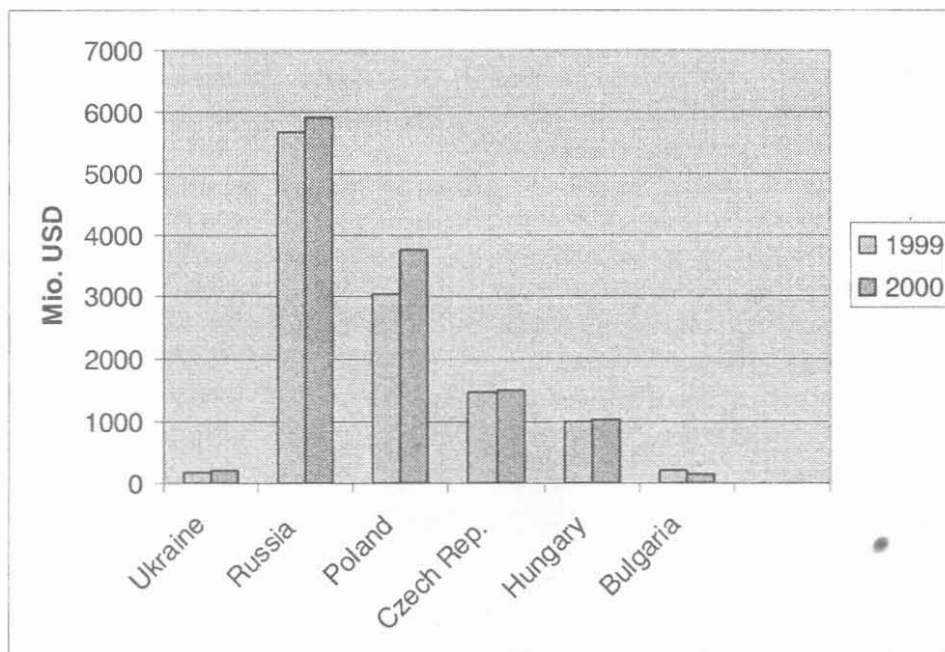


Figure 2. Volume of Insurance Premiums in CIS and Eastern Europe