

# Chapter 17

## Internationalization and International Marketing: Principles and Literature Issues

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### **ABSTRACT**

*This chapter explores the value of developing an international marketing plan for a coffee roasting company, focusing on the benefits of global expansion. It examines the Uppsala Internationalization Model, which suggests gradual expansion into culturally and geographically similar markets to manage risks and strengthen the company's foundations. The chapter reviews case studies, particularly in the food sector, highlighting the model's gradual nature and the time it allows for market analysis. It emphasizes the importance of defining objectives, market segmentation, brand positioning, and product strategies. The Born Global model, for rapid internationalization, is also discussed. Ultimately, the chapter argues that internationalization reduces risks, drives economic growth, enhances brand identity, and allows access to economies of scale, helping diversify revenues and reduce dependency on a single market.*

### **1. INTRODUCTION**

Internationalization and international marketing represent fundamental foundations for the sustainable growth and competitiveness of companies in a global context. This chapter explores in depth the main theories, models and determinants of internationalization, as well as the international marketing strategies that guide companies in the process of entering and consolidating in foreign markets. The models discussed include different strategic approaches to international expansion. In addition, we address the internal and external factors that influence the internationalization process, such as cultural, economic and regulatory barriers, as well as the competitive advantages generated by successful strategies for entering foreign markets. This chapter offers a comprehensive guide to understanding how organizations can align internal resources, innovation and cultural adaptation to achieve success in international markets. This chapter is divided into three main themes: Theories and Models of Internationalization, Determinants of Internationalization and International Marketing. Finally, it ends with the main conclusions.

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## **2. THEORIES AND MODELS OF INTERNATIONALIZATION**

This section discusses the main theories and models of internationalization, such as: Eclectic Theory or OLI paradigm; Transaction Cost Theory; Product Life Cycle Theory; Network Theory; Resource Theory; Uppsala Model; and the Born Global Model.

### **2.1. Eclectic Theory or OLI Paradigm**

In 1979, John H. Dunning proposed a generalized approach to international production that became known as the Eclectic Theory or OLI Paradigm. This was a holistic approach to international production, encompassing concepts that had been identified as relevant in previous theories, such as the international allocation of resources and the action of the multinational company in controlling production and organizing value-adding activities. In this theory, companies were given a three-level assessment to determine whether it would be beneficial to seek Foreign Direct Investment (FDI). Its aim was to explain the “motives, the reasons (why), the location (where) and the way in which the international operations of multinational companies are developed (how)” and thus determine whether a given approach can offer greater value than other national or international options (Pinto, et al. 2010).

### **2.2. Transaction Cost Theory**

According to Monash Business School, Transaction Cost Theory is a “theory that accounts for the real cost of outsourcing the production of goods or services, including transaction costs, contracting costs, coordination costs and search costs.” This theory then analyzes the costs involved in economic transactions, and these costs are not directly linked to consumer goods or production, but to the facilitation of agreements and exchanges between partners. The theory of transaction costs originated in the work of Ronald Coase (1937) and was later expanded by Oliver Williamson (1979) among others.

The analysis and exploration of transaction costs was done by Williamson in *The Economic Institutions of Capitalism* (1985), in which he not only explored the reasons why transactions are not always made on the market, but also within companies and other organizations. Williamson also introduced concepts that influence companies when choosing whether to carry out a transaction on the market or within an organization. These concepts are: Asset specificity - the degree to which assets used in one transaction can be applied in others. The more specific the asset, the higher the transaction cost; Uncertainty - doubt about a partner's behavior or market conditions can increase transaction costs. More complex contracts or the incorporation of activities within the same organization will be necessary to protect against unpredictable risks; and Frequency of transactions - the more frequent they are, the more efficient the internal organization becomes since negotiation and monitoring costs can be reduced.

### **2.3. Product Life Cycle Theory**

According to Paul, Parthasarathy and Gupta (2017) with the product life cycle theory, companies introduce new products in the domestic market to see how they perform. If this is successful, they can eventually expand to other markets. According to Ferreira et al. (2011), this cycle goes through four phases: introduction, growth, maturity and decline. During introduction, there may be some small-scale exports to other countries. During growth, production may be totally or partially relocated to other coun-

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