# INTERNATIONAL ECONOMIC RELATIONS AND MANAGEMENT OF INTERNATIONAL COMPANIES

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## RISK-BASED MARKETING STRATEGIES OF INTERNATIONAL COMPANIES ON THE CONSUMER GOODS MARKET

As of today, any type of activity is exposed to various types of risks, which are directly related to the process of globalization. The purpose of this article is to study the risk-based marketing strategies of international companies in the consumer goods market. The research is based on the methodology of systematic, logical, comparative, and complex approaches, as well as methods of marketing theory. The analysis of risks specific to international business established that there is currently no precise classification of risks in the international market. The following risks characteristics of international business have been distinguished: strategic risk, operational risk, political risk, country risk, technological risk, environmental risk, economic risk, financial risk, terrorism risk, etc. It is substantiated that international firms mainly face economic risk and financial risks. Any business, including an international one, has risk management, which is responsible for analyzing internal and external factors affecting the company's performance. It is marketing activity that significantly reduces the degree of uncertainty for the company. The development of such a marketing risk management strategy or scheme is the main goal and means of increasing the effectiveness of marketing strategies. It was established that the marketing strategy should contain changes related to the occurrence of risks. It was found that the study of potential risk factors, which must be taken into account, allows the marketing strategy of an international company to remain competitive. Current risk analysis of marketing strategies is the most important component of building a profitable business. Familiarity with the risk analysis of an international company is caused by a decrease in consumer demand and uncertainty in consumer behavior. It was concluded that the company's marketing activities play an increasingly important role in achieving success in the international market. A carefully thought out and successfully implemented international marketing strategy allows the company to move from passive adaptation to active use of market opportunities and develop promising areas of activity. Therefore, an international company that expands its activities to foreign markets should pay attention to international marketing, in particular to the development of a risk-based marketing strategy.

**Keywords**: risk-based marketing strategy, consumer product, international company, strategic risk, operational risk, reputational risk, compliance risk, economic risk, financial risk, retention marketing, marketing risk management, the concept of integrated risk management.

**Introduction**. Today, any type of activity is subject to different types of risks, closely related to the process of globalization. In particular, this applies to marketing, which, on the one hand, is part of international business and, on the other hand, is an investment activity that is subject to a great variety of risks. However, there is no exact classification of risks in the international market.

In any business, including international business, there is risk management, which is responsible for the analysis of internal and external factors that affect the effectiveness of the company. It is such a management concept as marketing allows to understand consumers and at the same time achieve the best result for an international company that meets the needs of the international consumer goods market.

The main idea of such a strategy is that the company can provide a higher level of customer relations in comparison with competitors.

Marketing activity significantly reduces the degree of uncertainty for the company. Therefore, to understand the client, to notice in time his attitude to the product, growth points, the source of the main income of the company, to determine effective advertising, it is necessary to form a risk-oriented marketing strategy. After all, marketing is a kind of risk management tool, starting with risk management and marketing are closely related. It should be noted that methods of a comprehensive analysis of marketing risks, which would allow to form of a risk-oriented marketing strategy, have not yet been developed. The development of such a strategy or scheme of marketing risk management is the main goal and means of increasing the effectiveness of marketing strategies.

**Purpose and objectives of the article.** The article aims to study the risk-oriented marketing strategies of international companies in the consumer goods market.

To achieve this goal, the following tasks have been identified: to analyze the risks inherent in international business, to identify the types and types of risks for the formation of a risk-oriented marketing strategy, to assess risk management in international activities.

**Research methodology.** The theoretical and methodological basis of this study were the fundamental scientific works of domestic and foreign researchers on the problems of forming risk-oriented marketing strategies. The study is based on the methodology of systematic, logical, comparative, and integrated approaches, as well as methods of marketing theory.

**Summary of the main material**. Investigating risk-oriented marketing strategies of international companies in the consumer goods market, it should be noted that internationalization of activities is characteristic of international business. The internationalization of markets means the strengthening of interrelations and interdependence of the economies of individual countries, the impact of international economic relations on national economies, the participation of countries in the world economy[1].

Taking into account the experience of successful foreign companies, it can be concluded that the marketing activities of the company play an increasingly important role in achieving success in the international market. A well-designed and successfully implemented international marketing strategy allows the company to move from passive adaptation to active use of market opportunities and develop promising areas of activity. That is, an international company that expands its activities to foreign markets should pay attention to international marketing, in particular to the development of a risk-oriented marketing strategy[2].

As it was found, the main reasons for the formation of risk-oriented marketing strategies include:

– growth of current market information that affects the actions, decisions of the enterprise on the price of products in the short term;
– market demand for quality, cost, and delivery time of products, increasing customer expectations;
– the need for product certification and the introduction of standardization schemes;
– high level of complexity of managing relationships with a significant number of suppliers[3].

As of today, there are a significant number of risks that are typical for international business. These are, for example: strategic risk, operational risk, political risk, country risk, technological risk, environmental risk, economic risk, financial risk, terrorism risk, etc. Types of investment risks are: inflation risk, interest rate risk, business risk, financial risk, tax risk, event risk, liquidity risk, etc. It can be seen that the above risks are directly related to marketing, but a separate analysis of marketing risks, even the most important ones, along with the search for the development of models for their management is hardly possible in practice and unacceptable from a theoretical point of view.

Identification of marketing risk probably follows from the identification of market risks in general and the development of schemes for their management. Particular attention in this regard deserve the works of Mark R. Green and Donald R. Tull, where marketing risks are separated from the problems associated with general market risks and their study. Research of marketing risks is practically not separated from the research of international business risks. Thus, the concept of integrated risk management in international business is

[1] Spivakovskyy, S., Spivakovska T., Kanishchenko, O., El Alfy, S., (2018). Marketing Strategies of Companies in Internationalization Process. *Journal of Advanced Research in Law and Economics, IX, 6(36),* 2155-2162. DOI: 10.14505/jarle.v8.1(23).30.

[2] Ibid.

[3] Ponomarenko, T. (2021). Formation of the paradigm of risk-oriented strategies in the consumer goods market. *Bulletin of the Taras Shevchenko National University of Kyiv. International relations, 2(54),* 63-66.

considered a step towards the crystallization of market risks from the total set of risks, including the risks of transnational business.

When formulating a risk mitigation strategy, it is necessary to recognize that there are several types of business risk. In particular, international firms face economic risk and financial risk. Business risk is the risk that a company or organization will be exposed to factors that will reduce its profits or cause it to fail. Anything that threatens a company's ability to achieve its financial goals is considered a business risk.

Table 1

**Types of risks in the international business environment, proposals for risk mitigation or reduction**

| Type of risk | Its causes | Ways to overcome it |
|---|---|---|
| Strategic risk | – the business does not adhere to the proposed business model or ineffectively implements the tactics contained in this model.<br>– deviation from the mission and values, as this creates reputational risks.<br>– a competitor occupies the business space (e.g., Microsoft Surface offering competitive advantages not available to the iPad has challenged Apple's profitability in the tablet market. | – conduct a thorough scan of the surrounding business environment,<br>– conduct competitive comparative marketing and its periodic further updating |
| Operational risk | Related to business operations.<br>– Fire, another security problem.<br>– Burglary, theft, and damage to the facility.<br>– Safety of employees and visitors.<br>– Cyber-attacks. | – Focus on fire safety, other risk prevention.<br>– Contact specialists (security company), install video surveillance.<br>– Ensuring compliance with standards; advanced cybersecurity is required to reduce risk, which starts with a vulnerability audit. |
| Reputational risk | – Equipment downtime.<br>– Supply chain problems. | – Equipment maintenance and performance monitoring, installation of sensors scheduled maintenance.<br>– Restoration of all elements of the supply chain |
| Compliance risk | – Non-compliance with obligations to customers, deterioration of the quality of goods/services. | – implementation of a policy on the quality of goods and services related to business. |
| Economic risk | – Non-compliance with safety standards of certification and standardization of goods,<br>– predatory pricing, the impact of quarantine, force majeure. | – compliance with procedures in accordance with regulations on the safety of goods and ensuring the implementation of these procedures.<br>– effective planning and research to anticipate economic changes, taking these issues into account in the business plan. |
| Financial risk | – Changes in the exchange rate. | – improving the ability to forecast cash receipts and expenditures, creating tools for collecting receivables, timely payments. |

*Source: compiled by the author based on the used scientific sources.*

New product management is risk management. This statement is especially relevant for the promotion of goods in international markets. NPD (new product development) managers are constantly faced with the problem of balancing the risk of failure with the risk of losing good NPD opportunities. The same is true for the search for new markets for international companies. In general, the literature does not provide empirical evidence on how strategy and RM (retention marketing, i.e. a set of tools to retain customers and build their loyalty) interact to influence the performance of new products/services.

Managers often underestimate the importance of risk-oriented strategy as a contribution to RM. Furthermore, RM is often created separately from strategy and for other reasons (e.g. external, such as regulation). In particular, the common point is probably only risk identification, but not other elements of RM (assessment, monitoring, communication, etc.). The first step in achieving a better alignment between RMS and strategy Pelhan, D., Mark M. consider the integration of KPIs and risk reporting into annual reports. Another explanation may be that organizations focus too much on measuring risks and not enough on managing those risks. As confirmed by other management tools (e.g. balanced scorecard, budgeting, activity-based costing), pure risk measurement will not be sufficient for risk management because there is a lack of integration.

Since most processes in the international business environment are associated with various risks, the risk adaptation system becomes extremely important. After all, a high degree of uncertainty and the dynamics of changes in events determine the state of the international market economy, which means that risks always accompany any action in the international market[1].

The development and implementation of marketing strategy is a central part of marketing practice. Recent reports on the top issues facing marketers reveal numerous questions about marketing strategy, including[2]:

– how to create better organizational structures that enable the development of marketing strategies that help to navigate and adapt to changing clients and firm needs;

– how to choose the optimal mix of marketing strategies to achieve results, given competing priorities and multiple internal and external stakeholders;

– how to lead an international firm in developing and implementing strategies that create greater customer focus and engagement.

As a rule, a risk-oriented marketing strategy should contain changes related to the occurrence of risks. The study of potential risk factors that must be taken into account allows the marketing strategy of an international company to remain competitive. The following risks are most typical for the marketing strategy of an international company:

1. Incorrect calculation of the target market or insufficient market research, which is a risk factor. Therefore, a thorough survey of potential or current customers aims to identify the real problems faced by the market of goods/services and prevent the further manifestation of risk.

2. Branding. The risk-oriented marketing strategy should assess the impact of the brand on the market of goods/services, to form its relevance. This will allow to calculate additional time or marketing and advertising efforts needed to create value and trust of potential customers. Otherwise, if the brand is unrecognizable, the process of gaining trust among potential customers will take longer, which does not contribute to the rapid promotion of the product/service and is an additional risk.

3. Trends and rules. Orientation in industry trends is important for maintaining the competitiveness of the product. That is, if the marketing strategy does not include a method for identifying and evaluating trends, then profitability is at risk. Therefore, the strategy should include a schedule for a thorough analysis of competitors to identify any new pricing strategies, new products, and services, or changes in their marketing messages.

4. The lack of tracking of the success of the marketing strategy leads to a gap in information about which marketing attempts will work and which will not. It is the tracking system that should assess why sales are growing or declining and which strategies and promotions work best.

It should also be taken into account that, unlike international firms operating in developed market economies, firms in emerging markets are characterized by limited resources, including international experience and access to relevant information, which are necessary to develop an appropriate international marketing strategy. Under such circumstances, strategies are expected to yield suboptimal results, especially when they are targeted at competitive markets in developed economies. Thus, as exports remain critically

[1] Bogoviz, A. V., Osipov, V. S., Chistyakova, M. K., Borisov, M. Y. (2019). Comparative Analysis of Formation of Industry 4.0 *Studies in Systems, Decision and Control*, *169*, 155-164.
[2] Luhanova, I. A. (2018). The essence and principles of the risk management concept. *Actual problems of public administration, 1 (53)* <http://www.kbuapa.kharkov.ua/e-book/apdu/2018-1/doc/2/04.pdf> (2022, August, 23).

important for emerging market economies, the ability of their firms to take into account conditions in host markets in their marketing strategies, as well as to minimize the threat of competition[1].

Current risk analysis of marketing strategies is the most important component of building a profitable business. It is necessary to qualitatively get acquainted with the analysis of risks in the work of marketing departments of each international company in modern conditions to reduce consumer demand and due to significant uncertainty in consumer behavior**.**

In general, the formation of risk-oriented marketing strategies should include the following actions: diagnosis of the company's condition, threat assessment, assessment of the potential consequences of the current situation; marketing mix; product possible modifications; product image; pricing strategies; promotion – advertising, public relations. The procedure for the formation of risk-oriented marketing strategies involves the following steps: analysis of strengths and weaknesses (SWOT analysis); identification of "bottlenecks" in marketing; establishing the needs of potential consumers of goods; assessing the relationship between image and sales; improving the positioning of products (company, brand); creating a business communications program; monitoring compliance with the strategy.

**Conclusions.** Thus, it is established that the features of marketing risk require adequate risk management concepts and systems for determining such risks. Marketing performance management is inseparable from marketing risk management. As of today, marketing is a risk management tool. Analysis of marketing strategy in terms of efficiency and risks allows companies to reach a new level of development, significantly increase profits and form a risk-adaptive marketing system. Research and risk assessment increases the overall performance of the company. The development of such a risk-oriented strategy or marketing risk management scheme is the main goal and means of increasing the effectiveness of marketing strategies.

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