



## Lecture Note

# Exporting Reasons Pitfalls and Prospects & International Business *IB 333 International Business 2015*

## Exploding Exporting Myths

Many companies do not export at all or as much as they could. The U.S., for example, is was the world's largest exporting nation until Germany and now China took the #1 position since 2010's, but it has one of the lowest percentages of exporting companies. Fewer than 15% of all U.S. manufacturers export. Why don't more companies export? The usual rationale is "I'm satisfied with the domestic market" or "I'm too busy with the domestic market to think about exporting." That's understandable in very large, lucrative markets, such as the U.S. for nearly a century. However, it has turned out to be a shortsighted view as technological transfer capabilities coupled with an intelligent consumption universe and global hyper-competition have forced PLC to shrink and products/services short-lived. In effect, these companies have been saying "I'm not interested in exploring the additional sales that exports could bring because it is risky and time-consuming to make the effort." Yet, if asked whether they would actually turn down a sales order merely because it came from abroad, many might answer, "Of course not".

What, then, are the real deterrents to exporting? Mainly, fear, ignorance, effort and time, often expressed as "I'm too small," or "I can't afford it," "I can't compete," "It's too risky," "It's too complicated." These are myths and misconceptions. All can be overcome with guidance and readily available assistance.

1. Exporting is not for Entrepreneurial firms/SMEs but only for Big Business [MNCs]
2. Exporting is like an odyssey for the big and mighty US, EU MNCs & Japan's SogoShosha
3. Products may be unknown overseas, prices may be prohibitive to foreign customers
4. Only products declining in the PLC, needs to be exported to get rid at .low prices
5. Exporting is expensive – need a lot of capital & skills
6. Exporting is extremely risky and difficult to explore markets/customers abroad
7. Foreign customers/dealers always come in search of U.S. products
8. Exporting is not profitable – a drain on scarce resources
9. Tariffs to protect foreign country exports (imports to US) protect local jobs
10. Only the United States has reduced tariffs but other nations have increased tariffs
11. Imports are bad for the economy as they have a negative impact on Industry – Imports lead to inflation and unemployment
12. Trade liberalization, FTA/RTA (NAFTA) s have destroyed trade in U.S.
13. U.S. is get nothing from its membership of the World Trade Organization [WTO] – neither benefited from GATT
14. Foreigners have too much influence on the U.S. economy by way of investments, FDI, joint ventures & strategic alliances & competition in goods/services trade
15. Globalization has lowered U.S. economic growth, productivity, living standards & technology advances

*Source: Adapted from "Promise & Pitfalls of Exporting" AUSTRADE, Canberra; CIDC (DdeS April 8, 2015)*



Business Community/Agency O



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## Factors Affecting International Competitiveness

1. adapting an export market strategy model presented below. [4][8][17][22]

In recent decades, Asia has become an increasingly important force in the global economy. Asia's contribution to world output has doubled since 1950, it now accounts for over 30% of world exports, and currently attracts over a third of the foreign direct investment to all emerging markets. Economic success has led to impressive social advances as well: poverty rates have fallen, life expectancy has risen, and the quality of life (as measured by the UNDP's Human Development Indicators) has improved dramatically over the past half century. This success story was once dubbed the "Asian Miracle" - a miracle resulted from "hard work, economic policies that encouraged business investment, and—not least—a strategy to participate and compete in the global economy". Thus, international marketing/exporting remains the most important pillar of a strategy to promote global economic growth and poverty reduction, as specifically observed during the past few decades.

# Factors Affecting International Competitiveness

2. The emergence of a competitive landscape, often is termed ‘Hyper-Competition’ to capture the realities of the 21<sup>st</sup> century mega-competition, the speed with which the changes forced by globalization forces is relentless and unstoppable. The ability to succeed in the 21<sup>st</sup> Century competitive landscape requires specific capabilities to master factors affecting global competitiveness, viz: <sup>[3][17][18][19]</sup>.
3. **Wage Rates.** If a product is labor and/or skill intensive, a low-wage country with skills and growing market- size has a double advantage e.g. China’s “World’s Factory” (surplus labor) but also the “World’s Market” add to factor affecting global competitiveness.
4. **Foreign Exchange Rates.** Prices charged for global supplies and manufactured exports in world markets are affected by fluctuating exchange rates. As a currency gets stronger, it is harder to sell overseas; at the same time, the strong currency makes imports cheaper, driving up demand for imports.
5. **Interest Rate & Cost of Capital.** If it costs more or difficult to borrow money or raise equity capital or attract investment at home, a firm can seek investors or partners from abroad to expect appropriate returns.
6. **Use scarce resources and capabilities** efficiently to maintain lowest cost advantage.
7. **Increasing knowledge intensity and information age** – effectively and efficiently access and use information that has become a wide source of competitive advantage. **Technological connectivity and internet usage will transform the way people live and interact across cultures.**
8. **Identify core competencies and best practices** to effectively manage what a firm does better than its competitors.

# Factors Affecting International Competitiveness (cont'd)

9. **Product Quality of Technology.** A country or company that is the first-mover with an advanced technology product, which can be protected by patents, has a competitive advantage.
10. **International Productivity Compared to Competitors.** Hard work, producing better-quality products, using “state-of-the-art” manufacturing methods/machines, the company/country becomes more efficient.
11. **Quality of Management.** This covers a variety of skills, including technical, manufacturing and marketing skills, as well as the ability to organize for globalization operations. This is primarily a firm-specific issue, arising out of quality and experience of its top management commitment to meet foreign competition and develop human resources for exporting.
12. **Government & Transparency.** Firms in many nations are assisted by their government's industrial and ‘export or die’ trade policy providing subsidized funds/incentives for R&D and new-product development, export marketing and support of SME entrepreneurs. Negative factors are high taxes, tariff and non-tariff barriers, industry over-regulation, controls and facilitating payments which may not always be transparent.
13. **Consumer Sovereignty, Sophistication and Behavior.** Aware of constant and frequent changes in customer preferences In recognition of consumer behavior, freedom to choose among products, and education, those responding are able to fine-tune their marketing effort to explore emerging target markets and deliver consumer satisfaction with value/exchange, can overcome competitive disadvantages.

## **Factors Affecting International Competitiveness (cont'd)**

14. **Country-Specific Factors & Infrastructure.** A country's physical infrastructure, coupled with non-inflationary prosperity backed by monetary, fiscal & trade policy, openness of the economy to international trade & finance; a culture that stresses hard-work, a better educated population, quality of judicial and political institutions and a concern for society's well-being at large and its role in WTO; creates the ideal international trade model which also is more competitive in world markets.
15. **Non-Price Competition.** Comparative business practices, and brand image embodied in socio-cultural and nationalistic fervor, particularly in markets where incomes and wealth are such that customers look for product attributes, design, quality and characteristics other than the traditional 'best-buy' option. Distinguish product offering through quality of service, extensive distribution, customer focus, or any other sustainable competitive advantage other than price.
16. **Export Competitive Product & Product Homogeneity.** When a firm's goods are challenged by output of substitute products of equal quality by several countries - acting alone virtually has no consequence - the price of such products is determined by natural market forces. To compete, the product must match or exceed the appeal of other competing domestic or imported products in meeting consumer needs - in quality, in price and in other attributes - and may need to adapt the product, pricing, marketing and shipping costs, and offer longer credit/payment terms to market in specific foreign markets to match competitors.

# Factors Affecting International Competitiveness (cont'd)

17. **Export Methodology/Strategy & Marketing to Specific Culture-Sensitive Target Markets.** Marketing and distribution practices vary by country and are often dictated by law, culture, and custom or by necessity to adapt to competition. This factor demands new approaches to export marketing mix and strategy formulation; specially, physical changes to products/product lines, packaging, personal selling, advertising/promotion, physical distribution/channels and logistics, internet, direct sales or use of local agents, and respect cultural differences and patience to enter foreign markets.
18. **Adapt to rapidly increasing technological change-diffusion, internet as a marketing tool.**
19. **Continuously structure of a firm's operations so objectives/goals can be achieved more efficiently incorporating core-competencies and best practices.**

**Firms facing increasing global competition are no longer safe in domestic markets** as the US auto industry is discovering painfully today. In sum, to compete and succeed in global mega-competitive markets, exporters must be prepared to consider carefully these factors to perform better than competition, coupled with advantages for the firm by investigating carefully the reasons to export, pitfalls and mistakes to avoid, and

### *Raison d'être for Exporting REASONS FOR EXPORTING*

- Exporting provides overall sales volume growth and higher returns – in terms of profit/sales ratio (directly) and lowering the costs of doing business (indirectly). Successful exporters increase market share and extends Product Life Cycles [PLC].
- Exporting provides a broader marketing base and every increase assists to spread out growing fixed costs, absorb a share of R&D expenses, indirect costs, lower unit costs to achieve greater profits per unit – familiar economies of scale.

- Exporting maintains full production capacity and benefit from better utilization of plant, machinery, labor, and invested capital, management and technology skills. Thus, exports increase volume and amortize overhead costs. Continued expansion of export sales increase productivity, retain employment and create more jobs.
- Exporting sustains sales stability: Compensate for seasonal fluctuations in domestic sales and cash flow. Exporting stabilizes production cycles and sharpens competitive skills abroad as well as in the home market.
- Exporting assists diversifying into more than one economy insulates from the dangers of dependency of one market and extends the product life cycle [PLC] to new markets for products with declining domestic sales or product obsolescence. Many foreign countries may be in early stages of the PLC than in the domestic market.
- Exporting defends the position in the domestic market by competing against foreign competitors; improve marketing skills to remain more competitive to preserve/maintain one's market position at home in the long run.
- Exporting enables learning about technology/new manufacturing methods used abroad, and changing consumer needs/preferences to identify product innovations.
- Exporting gives insights into different ways of doing business and follow domestic as well as foreign competitors who are selling overseas to understand new export marketing strategies of currency and relevancy;
- Exporting avails of opportunities when exporting country's currency is weak against competing foreign suppliers and/or importers
- Exporting profits from improved capabilities by developing better products, quality, and services to meet consumer choice for foreign-made goods as well as acquire better leadership abilities and collaborate better with customers, suppliers and distributors
- Exporting software by service sector offers consulting firms room for new opportunities for hardware exports.
- Exporting is aided by GATT/WTO expanded world trade by tariff reductions, country trade liberalization by making room to exploit existing advantages in untapped markets as well as a large number of emerging markets with a growing middle-class.
- Exporting leads to improved return on investment and multiple benefits.
- Exporting initially can lead to opportunities to other market entry modes for overseas licensing or franchising or joint-venture production and export-led investments
- Exporting is enhanced by many foreign nations encourage FDI funded foreign operations to meet demand within and serve them to gain markets abroad by tax and other incentives. Many countries offer incentives to buy or lease goods for economic development projects and/or encourage participation in foreign aid projects.
- Exporting can take advantage of barter/countertrade as well as of lower off-border production costs: labor rates, raw material costs or components for assembly/re-exporting of finished goods, to remain competitive in world markets. A majority of companies participate in countertrade due to a requirement of a foreign government or customer. Countertrade therefore is not being utilized as an aggressive marketing tool. Those companies that have utilized countertrade have found it to be an effective way of expanding sales and improving efficiency in operations
- Exporting via countertrade. Elderkin & Norquist, in their book "Creative Countertrade,"[25] say that companies countertrade in order to: Expand or maintain foreign markets; Increase sales; Sidestep liquidity problems; Repatriate blocked funds; Clean up bad debt situations; Build customer relationships; Keep from losing markets to competitors; Gain foreign contracts for future sales; Find lower-cost purchasing sources
- In sum: Superior product quality and expertise makes a company have a competitive edge in the international marketplace. Exporting creates jobs, enlarges overall market share, and contributes to a company's productivity, competitiveness, viability, planned growth, brand image, and profitability.

## **Pitfalls - The Most Common Mistakes of New Exporters**

1. Failure to get export counseling available via country/state trade agencies, banks, freight forwarders, world trade councils/centers, etc., and to develop a marketing plan before exporting.
2. Insufficient commitment by top management to exporting, allocation of resources and insufficient care in selecting overseas agents or distributors.
3. Chasing orders from around the world instead of establishing a basis for profitable and orderly growth, ability to consider whether expected benefits in the long-run outweigh short-term costs.
4. Ignorance of potential opportunities especially in emerging markets with best prospects and neglecting export business when the domestic market booms.
5. Failure to treat international distributors/agents on an equal basis with domestic counterparts.
6. Inability to understand competitive conditions and insights into different business practices in the foreign markets.
7. Assuming that a given product and marketing technique will succeed everywhere, or unwillingness to modify products to meet preferences and regulations of markets in other countries;
8. Failure to provide readily available servicing for the product in foreign countries;
9. Unable to develop relationship marketing skills, expanded customer networks and exposure to new ideas and technology;
10. Failure to print sales, service, and warranty messages in local languages to meet cultural values;
11. Failure to consider use of an export management company or a trading company with their expertise for initial market entry as well as failure to consider licensing or joint-venture agreements to expand sales abroad. Not taking advantage of the knowledge and contacts of SogoShosha, Japanese large trading houses with operations in 150 countries, and Korea's Chaebols;
12. Unable to understand the complexities and mechanics of exporting to host countries where business practices, language, culture, legal systems, and currency are all very different from the home market;
13. Lack of customization for local markets, poor distribution arrangements, poor promotional campaigns. Poor execution of a marketing/promotional campaign in the foreign market and inability to learn from pitfalls/mistakes of failed efforts of competitors;
14. Inadequate attention to coordinate sales and distribution networks to provide service facilities to maintain/retain established customers;
15. Underestimation of the time/effort needed to cultivate the foreign market – according to a UN report transactions may involve different parties, essential original documents, and copies; all of which have to be checked, transmitted, reentered into various information systems, processed and filed. Delayed times to respond to inquiries with accurate product/service information and *Proforma* invoices are missed opportunities. Attention to detail is vital for business success and pays off in exporting. The tremendous paperwork and formalities that must be dealt, though overwhelming for exporters are now increasingly assisted by internet communications;
16. Companies can avoid the pitfalls of countertrade by involving countertrade experts and their purchasing departments early in the negotiation;
17. The way to overcome ignorance is to collect information and conduct a thorough market analysis. Both Germany and Japan is well known to have developed extensive institutional structures for export assistance and information; and
18. A major impediment to exporting is the simple lack of knowledge of the opportunities available and a underestimation of the differences and expertise required for foreign market penetration.



*Sources: Adapted and enlarged by Dr. Dharma deSilva "Export Marketing Issues" of A Basic Guide to Exporting (USDOC 2008) and Charles W.L. Hill, Global Business, Postscript 2008 5<sup>th</sup> ed.*

*Sources: Adapted and enlarged from Harcourt Brace & Co, Charles Hill, Global Business, Basic Guide to Exporting, USDOC, 2009 and experiences of Kansas MNCs presented at seminars of World Trade Council.*

## **Raison d'être for Exporting**

### **REASONS FOR EXPORTING**

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## Tips for Successful Exporters

Exporting your firm's products or services can provide you a valuable opportunity for growth. It takes a special approach, however, to successfully access foreign markets. Let's look at several of the basic steps in becoming an export business success: [Roger S. Cohen]

- **Know Your Product, its salient features, attributes**
- **Research your market.**  
Learn about your competitors, their products and prices.
- **Know the customers.**  
How can you customize your products to meet foreign customers' needs?
- **Understand the concept of "many markets."**  
Every market has different demands.
- **Know the market's style requirements.**  
Some customers don't mind premium prices, as long as quality is also superior.
- **Learn the sales system and master the distribution network.**  
Find the right sales and distribution channels. Be careful about requests for "exclusive rights."
- **Don't expect your foreign customers to understand English.**  
Be ready to translate your packages, instructions, and manuals.
- **Learn to write clear communications.**  
Make messages, letters, faxes and emails clear, concise and accurate.
- **Visit the market.**  
Learn first hand! See your products in use. Collect competitors' samples.
- **Visit prospects.**  
Urge your distributor or representative to set up three or four appointments each day for you with prospective customers.

- **Be responsive and responsible.**  
Answer questions promptly.  
Offer prices and delivery terms you can meet.
- **Provide for local service.**  
Fix or replace products. Foreign customers don't want a cash credit.
- **Arrange for export financing.**  
You'll have new needs for working capital, letters of credit, wire transfers and currency exchange..
- **Discuss the business with a reputable freight forwarder.**  
You'll need assistance with shipping.

## **Ten Commandments for Foreign Firms**

Maintain a high degree of local autonomy in decision making.

Retain some earnings within the country

Allow and encourage exports

Process locally the natural resources of the country

Conduct local R&D

Search out and develop sources of supply (local content)

Offer equity to national investors

Provide employment and career opportunities at all levels

Maintain fair prices locally and in transfer pricing

Provide information and maintain transparency in company operations

## **Exhibit I. THE EXPORTING PROCESS**

The general procedure of processing an export order involves *four preliminary stages, followed by a 18 step guide.*

1. Potential exporter receives an inquiry from a foreign buyer (importer);
2. Responds to inquiry with catalogues, price lists and ProForma invoice;
3. Exporter/Manufacturer produces the order, after negotiation & confirmation;
4. Exporter works with the freight forwarder to have order ready for shipment, with all prepared documents to expedite shipment and exporter collect payment from Bank.

*Procedures that are essential to process export orders need to be adopted by all parties. Export documentation perfected on time can expedite shipment and payment.*

The Specific individual export order handling procedure can be divided into the following eighteen [18] steps.

## **Part I – PRE-EXPORT**

**Step 1** Initiate inquiry or respond to export order, by letter with product(s) description, catalogue/samples, price lists and /or Proforma Invoice.

*[Critical: once an order is received, particularly the first one, demonstrate that the exporter wants the business; show a total commitment to quality & service.]*

**Step 2** Purchase order is received by exporter. Make a separate folder for each other. *This will contain the original customer telex or fax or letter of order, plus all subsequent documents and memos for the complete transaction until payment is received.*

**Step 3** Order is accepted. Before approval confirm international pricing, payment/credit and shipment internally. *Check Export Controls/Import License depending on product /country.*

**Step 4** Order is approved, by plant production manager or supervisor.  
*Before approval, production must review and confirm:*

- a. Exact details of order.
- b. Can product be made to meet requirements?
- c. Can product be prepared for shipment ex-plant, on time?

## **Part II – EXPORT**

**Step 5** Order goes into production process. *(Proceed only after all of above is confirmed internally.)*

**Step 6** Customer/Importer is immediately contacted by Telex/Fax to finalize that:

- a. Order is confirmed and becomes Sales Contract
- b. Order/Sales Contract must be clarified, because of any problem/question re:
  1. price per unit, by weight or volume & currency of payment;
  2. trade payment terms/credit [*INCOTERMS provide definitions*];
  3. description of goods by product specification, quality and quantity.
  4. import license & other country requirements;
  5. packaging & making, insurance & shipping instructions;
  6. inspections, guarantees & warranties.

**Step 7** Importer arranges finance through his bank, and exporter's bank notifies the exporter the receipt of the letter of credit/method of payment.

**Step 8** Order is then produced, packed and read for shipment.

**Step 9** Call the chosen freight forwarder to pick up shipment, or have it delivered according to freight forwarder's instructions.

**Step 10** Prepare essential export documents as required for the freight forwarder.  
*[Commercial invoice with two copies inside package, bills of lading, export/import license, marine insurance/inspection certificate, certificate of origin, dock receipts and SLI (Shipper's Letter of Instruction) to be given to freight forwarder]*

**Step 11** Freight forwarder truck/vehicle arrives, picks up shipment, prepares all documents necessary. A copy of all documents is sent to the exporter's file in a few days.

**Step 12** Exporter ships goods to importer/customer. [*Customer acknowledgement is sent by the exporter to confirm shipment on receipt of information from the freight forwarder*]

### **Part III – POST EXPORT**

**Step 13** Exporter presents already prepared documents to the bank to expedite payment.

**Step 14** Importer notifies that goods are cleared through customs and delivered to warehouse.

**Step 15** Exporter files all of the importer/customer's information on this Order under "Pending" to await receipt of all documents prepared by freight forwarder.

**Step 16** "Completed" file, with payment notice to exporter's bank attached, is then filed under "Completed Orders."

**Step 17** In the export process, quick and careful reference filing is an important requirement. Determine and establish this according to individual criteria of importance, for example, region, product, or month (time) by company /country.

**Step 18** Follow-up. Review each file of customer/importer periodically and update [*A follow-up letter of thanks for the one inquiry of how product[s] performs in the importer's marketplace, and sharing of technological improvements or new product designs/adaptations with catalogues/price lists are essential to repeat/future export sales*].

**A carefully nurtured importer is an excellent retentive customer!**

# Exhibit Ia Export Marketing Development Strategy Model

<b>EXPORTING DECISION</b>	<b>EXPORT MARKET ENTRY DECISION</b>	<b>EXPORT MARKETING STRATEGY</b>
<p><b>STEP 1. CONDUCT MANAGEMENT AUDIT</b></p> <p>A. Production Capacity            B. Financial &amp; Resource Capability            C. Myths, Costs &amp; Benefits of Exporting            D. Other Business Options, including Product's position in ProductLifeCycle            E. Export Readiness &amp; Commitment</p> <p><b>STEP 2. DETERMINE EXPORT POTENTIAL- BEST PROSPECTS</b></p> <p>A. History of Prior Inquiries/Responses            B. Government Statistics/Studies            C. State &amp; Private Trade Reports            D. Personal Contacts, References, Internet, Trade Fairs, Travel Abroad            E. Check Government Export Controls            F. Export "GO"/ "NO-GO" Decision</p> <p><b>STEP 3. DECISION TO EXPORT</b></p> <p>A. Set Overall Objectives/Export Plan            B. Analyze &amp; Commit Resources            C. Apply for Foreign Patents/TM's</p> <p><b>STEP 4. CHOOSE BEST INITIAL EXPORT APPROACH</b></p> <p>A. Direct Exporting            B. Indirect Exporting</p> <p><b>STEP 4A. DIRECT EXPORTING</b></p> <p>A. Assign Development Responsibilities            B. Learn Mechanics/Techniques              i. Reference Books/Articles/Studies              ii. Workshops/Seminars/Counseling            C. Establish Support Contacts              i. Government/State, Trade Agencies              ii. Trade Councils/Clubs              iii. Foreign Freight Forwarders              iv. Banks with International Depts.              v. Shipping/Insurance Companies</p> <p><b>STEP 4B. INDIRECT EXPORTING OPTIONS</b></p> <p>A. Engage an Export Management Company            B. Contact Export Trading Company            C. Utilize Resident Foreign Buyers</p> <p><b>STEP 5. PRIORITIZE (RANK) TARGET MARKETS &amp; COUNSEL</b></p> <p>A. Utilize Data from Step 2 [above]            B. Seek Export Assistance, e.g. USDOC            C. Identify, Select &amp; Prioritize Target Mkts            D. High-Comfort/High-Potential Markets</p>	<p><b>STEP 6. CONDUCT MARKET OPPORTUNITY ANALYSIS</b></p> <p>A. Environment &amp; Infrastructure Indicators            B. Cultural Characteristics &amp; Indicators            C. Economic Conditions &amp; Demographic Profile to Identify Target Market            D. Industrial/Agricultural Base            E. Labor component/local content laws            F. Political Stability/Legal Aspects            G. Financial Strength/Foreign Exchange            H. Repatriation &amp; Transfer of Funds            I. Product/Industry/Metric Standards            J. Import &amp; Trade Barriers            K. Language, Literacy &amp; Business Practices            L. Logistics &amp; Distribution Channels            M. Market Potential Matrix - Sales &amp; Growth            N. Competition by Local/Foreign Country[s]            O. Distinguishing Product Features/Quality</p> <p><b>STEP 7. DECIDE FOREIGN MARKET ENTRY STRATEGY</b></p> <p>A. Direct Sales to Customers/Distributors            B. Sales via Local Representative, Agent            C. License/Franchise            D. Joint-Venture            E. Manufacturing/Assembly Subsidiary            F. Contract Manufacturing            G. Consortium or "Piggy-Backing"            H. Consider Offset and Countertrade            I. Consider Mix of Above as Required</p> <p><b>STEP 8. DEVELOP FOREIGN CONTACTS</b></p> <p>A. Consult Trade Leads/Directories            B. Acquire Available Contact Lists            C. Advertising/Sales Promotion            D. Participate in Trade Fairs/Exhibitions</p> <p><b>STEP 9. RESPOND TO CONTACTS</b></p> <p>A. Respond to Export Inquires            B. Prepare Sales Letter &amp; Export Offer – <i>Critical First Stage in Export Process</i>            C. Prepare Price List/<i>ProForma</i> Invoice            D. Utilize Government, Agent/Distributor or Local Bank, Freight Forwarder Services            E. Develop an Export Plan &amp; Budget</p> <p><b>STEP 9A. APPOINT REPRESENTATION</b></p> <p>A. Decide Representation on Qualifications            B. Verify Business &amp; Credit Reputation            C. Develop Contract Agreement            D. Negotiate Details &amp; Sign Contract            F. Supply Information on Export Sales            G. Provide Technical Training/Back-up            H. Provide Motivation/Incentives</p>	<p><b>STEP 10. NEGOTIATE PRICE, PAYMENTS &amp; SALES STRATEGY</b></p> <p>A. Modify Product as Specifications            B. Check Country Laws/Regulations            C. Check Credit Reputation            D. Prepare and Submit Quote            E. Negotiate Price, Payments Terms            Details of Export Pricing</p> <p><b>STEP 10A. ORDER PROCESSING/PAYMENT</b></p> <p>A. Verify Contract Terms with Quote            B. Verify/Approve Credit Arrangements            C. Apply for Export License if Required            D. Arrange for Special Engineering or Specifications if Required            E. Order/Fabricate any Special Components/Adaptation            F. Prepare/Pack for Overseas Shipment            G. Arrange Transportation/Insurance            H. Process Documents for Collection            I. Advise Customer of Delivery Status</p> <p><b>STEP 11. SERVICE AFTER SALES &amp; SHIPMENT</b></p> <p>A. Reliability, Warranty/Guarantee            B. Returns/Allowances/Credit            C. Install Service Equipment Required            C. Provide Operating Instructions            D. Determine Performance Satisfaction            D. Solicit Sales for Spares, Accessories            Service, shelf-life etc.            E. Maintain Contact for:            Future Sales Possibilities, Referrals</p> <p><b>STEP 12. EVALUATE CHOSEN EXPORT MARKETING MIX &amp; STRATEGY</b></p> <p>A. Assess Performance of Export Plan              i. Rewards/Incentives for Reps/Agents              ii. Provide Additional Training and Motivation for Reps/Agents              iii. Replace Reps/Agents if Warranted            B. Are Corporate Objectives Being Met?            C. Is Competitive Status Satisfactory?            D. Is Export Strategy Sound or Should It be Changed? How?            E. Implement Changes, Follow domestic and Foreign Competition            F. Keep-up with Market Research            G. Look for Other Untapped Markets            H. Evaluate Customer Service            I. Evaluate Export Effort/Accomplishment and Return on Investment &amp; Profitability            J. Follow-up to Retain Customers</p>

## Modes of Foreign Market Entry: Advantages and Disadvantages

Entry Modes	Advantages	Disadvantages
<b>1. Nonequity Modes: Exports</b>		
Direct exports	Economies of scale in production concentrated in home country Better control over distribution	High logistics costs for bulky goods Marketing distance from customers Trade barriers and protectionism
Indirect exports	Low commitment [in terms of resources] Low risk No need to directly handle export processes	Less control over distribution – No contact w/foreign market. No learning experience Potential opportunity cost
<b>2. Nonequity Modes: Contractual Agreements</b>		
Licensing/ Franchising	Low development costs Low risk in overseas expansion	Little control over technology/marketing May create competitors Inability to engage in global coordination
Turnkey projects	Ability to earn returns from process technology in countries where FDI is restricted	May create efficient competitors Lack of long-term presence
R&D contracts	Ability to tap into the best locations for certain innovations at low costs	May create efficient competitors Lack of long-term presence
CoMarketing	Ability to reach more customers	Limited coordination
<b>3. Equity Modes: Foreign Direct Investment - Involves foreign participation, varies from wholly owned 100%, to 50% owned to minority owned in industries.</b>		
FDI - Foreign Direct Investment	High profit potential Maintain control over operations Acquire knowledge of local market Avoid tariffs and NTBs	High financial and managerial investments Higher exposure to political risk Vulnerability to restrictions on FDI Greater managerial complexity
<b>4. Equity Modes: Partially Owned Subsidiaries</b>		
Joint ventures	Sharing costs, risk, and profits Access to partners' knowledge & assets Politically acceptable	Divergent goals/interests of partners Limited equity and operational control Difficult to coordinate globally
<b>5. Equity Modes: Wholly Owned Subsidiaries</b>		
Green-field Operations	Complete equity and operational control Protection of know-how Ability to coordinate globally	Potential political problems/risks High develop't costs - Add new capacity Slow entry speed (of acquisitions]
Mergers & Acquisitions	Full control same as green-field No new capacity in the market Fast entry speed (buying existing assets)	Same as green-field (except adding new capacity) and slow speed in operations Costly. Post acquisition integration problems
<b>6. Countertrade: is an umbrella term used to describe many different types of transactions as Offset, Switch Trading, Barter, Compensation/Buy Back, Counter Purchase.</b>		
Countertrade	Countertrade conserves cash, innovative market entry mode when FX limits trade	when marketing/supply chaining expertise lacks
<b>7. Outsourcing/Offshoring – Outsourcing, obtaining services from outside vendors rather than from internal units within the organization; Offshoring is transfer to another country,</b>		
Outsourcing/ Offshoring	Less capital & management expenses - enables focus on core-competencies	Less managerial control, security and confidentiality issues

Source: Adapted and enlarged from Mike Peng, *Global Business 1<sup>st</sup> Ed*, p.287, South-Western, 2008; Charles W.L. Hill, *International Business 6e*, Ch.14, McGraw-Hill, 2007

*U.S. INTERNATIONAL TRADE IN GOODS AND SERVICES*  
*November 2013*

Goods and Services

The U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce, announced today that total November exports of **\$194.9 billion** and imports of **\$229.1 billion** resulted in a goods and services deficit of **\$34.3 billion**, down from \$39.3 billion in October, revised. November exports were \$1.7 billion more than October exports of \$193.1 billion. November imports were \$3.4 billion less than October imports of \$232.5 billion.

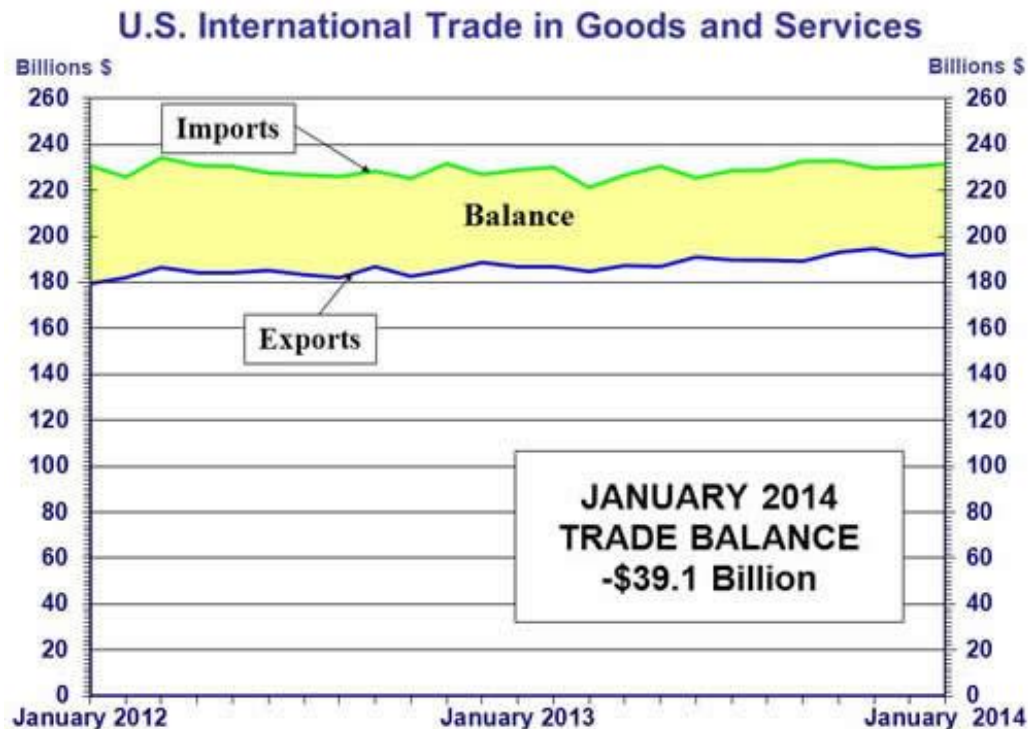
In November, the goods deficit decreased \$4.9 billion from October to \$53.9 billion, and the services surplus increased \$0.2 billion from October to \$19.7 billion. Exports of goods increased \$1.5 billion to \$137.1 billion, and imports of goods decreased \$3.4 billion to \$191.0 billion. Exports of services increased \$0.3 billion to \$57.8 billion, and imports of services increased \$0.1 billion to \$38.1 billion.

The goods and services deficit decreased \$12.2 billion from November 2012 to November 2013. Exports were up \$9.6 billion, or 5.2 percent, and imports were down \$2.5 billion, or 1.1 percent.

**Goods (Census Basis)**

The October to November increase in exports of goods reflected increases in *industrial supplies and materials* (\$0.7 billion); *other goods* (\$0.5 billion); *capital goods* (\$0.3 billion); and *automotive vehicles, parts, and engines* (\$0.1 billion). Decreases occurred in *consumer goods* (\$0.5 billion) and *foods, feeds, and beverages* (\$0.1 billion).

NOTE: Total goods data are reported on a balance of payments basis unless otherwise specified. Commodity and country data for goods are on a Census basis. Monthly statistics are seasonally adjusted unless otherwise specified. For information on data sources and definitions, see the information section on page A-1 of this release or at [www.census.gov/ft900](http://www.census.gov/ft900) or [www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm](http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm). **The next FT-900 release is February 6, 2014.**



Source: <http://www.census.gov/foreign-trade/data/>



The October to November decrease in imports of goods reflected decreases in *industrial supplies and materials* (\$4.3 billion); *other goods* (\$0.8 billion); *foods, feeds, and beverages* (\$0.3 billion); and *consumer goods* (\$0.1 billion). Increases occurred in *automotive vehicles, parts, and engines* (\$1.1 billion) and *capital goods* (\$0.9 billion).

The November 2012 to November 2013 increase in exports of goods reflected increases in *industrial supplies and materials* (\$3.1 billion); *capital goods* (\$1.2 billion); *foods, feeds, and beverages* (\$1.1 billion); *automotive vehicles, parts, and engines* (\$0.8 billion); *other goods* (\$0.6 billion); and *consumer goods* (\$0.5 billion).

The November 2012 to November 2013 decrease in imports of goods reflected decreases in *industrial supplies and materials* (\$6.9 billion); *other goods* (\$0.3 billion); and *consumer goods* (\$0.3 billion). Increases occurred in *capital goods* (\$2.2 billion); *automotive vehicles, parts, and engines* (\$1.6 billion); and *foods, feeds, and beverages* (\$0.2 billion).

## **Services**

Exports of services increased \$0.3 billion from October to November. The increase was mostly accounted for by increases in *travel* (\$0.1 billion), in *passenger fares* (\$0.1 billion), and in *royalties and license fees* (\$0.1 billion). Changes in the other categories of services exports were relatively small.

Imports of services increased \$0.1 billion from October to November, mainly reflecting increases in *other transportation* (\$0.1 billion), which includes freight and port services, and in *other private services* (\$0.1 billion), which includes items such as business, professional, and technical services, insurance services, and financial services. Changes in the other categories of services imports were relatively small.

The November 2012 to November 2013 increase in exports of services was \$2.2 billion or 4.0 percent. The largest increases were in *travel* (\$0.9 billion), in *royalties and license fees* (\$0.6 billion), and in *other private services* (\$0.4 billion). Within *other private services*, the largest increase was in financial services.

The November 2012 to November 2013 increase in imports of services was \$1.0 billion or 2.7 percent. The largest increases were in *other transportation* (\$0.4 billion), in *travel* (\$0.4 billion), and in *passenger fares* (\$0.3 billion). The largest decrease was in *direct defense expenditures* (\$0.2 billion).

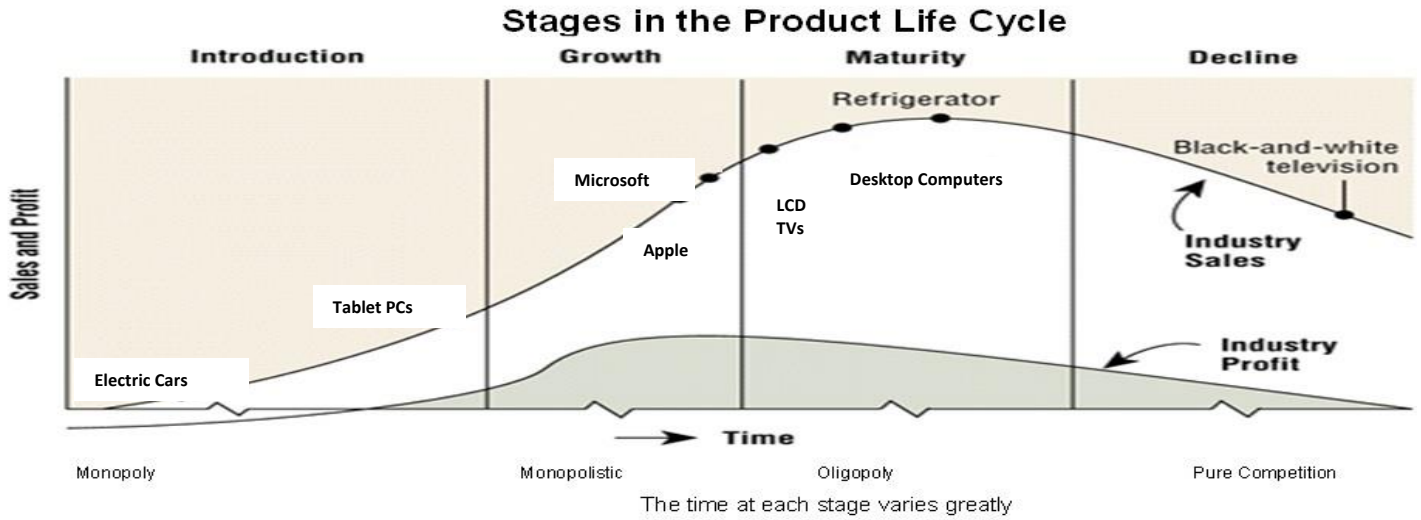
## **Goods and Services Moving Average**

For the three months ending in November, exports of goods and services averaged \$192.4 billion, while imports of goods and services averaged \$231.3 billion, resulting in an average trade deficit of \$38.8 billion. For the three months ending in October, the average trade deficit was \$40.4 billion, reflecting average exports of \$190.7 billion and average imports of \$231.1 billion.

**table 2.1** COMPONENTS OF THE MARKETING PLAN

<b>Plan Component</b>	<b>Component Summary</b>	<b>Highlights</b>
Executive Summary	One- to two-page synopsis of the entire marketing plan	
Environmental Analysis	Information about the company's current situation with respect to the marketing environment	<ol style="list-style-type: none"><li>1. Assessment of marketing environment factors</li><li>2. Assessment of target market(s)</li><li>3. Assessment of current marketing objectives and performance</li></ol>
SWOT Analysis	Assessment of the organization's strengths, weaknesses, opportunities, and threats	<ol style="list-style-type: none"><li>1. Strengths</li><li>2. Weaknesses</li><li>3. Opportunities</li><li>4. Threats</li></ol>
Marketing Objectives	Specification of the firm's marketing objectives	Qualitative measures of what is to be accomplished
Marketing Strategies	Outline of how the firm will achieve its objectives	<ol style="list-style-type: none"><li>1. Target market(s)</li><li>2. Marketing mix</li></ol>
Marketing Implementation	Outline of how the firm will implement its marketing strategies	<ol style="list-style-type: none"><li>1. Marketing organization</li><li>2. Activities and responsibilities</li><li>3. Implementation timetable</li></ol>
Evaluation and Control	Explanation of how the firm will measure and evaluate the results of the implemented plan	<ol style="list-style-type: none"><li>1. Performance standards</li><li>2. Financial controls</li><li>3. Monitoring procedures (audits)</li></ol>

# Sept 10- Note #8 on PLC, Global Marketing Mix and International Planning Process & Strategy useful for CBE&MOAProject



\*= virtual reality

*Adapted, updated & enlarged below based on PLC created and copyright by Prof. Tim Richardson*

[www.witiger.com](http://www.witiger.com)

Competitive Situation	Introduction Stage	Growth Stage	Maturity / Decline Stage
Product	Monopoly or Monopolistic Competition - your company has no competition because you originated the product first and are the first to get customers	Monopolistic Competition or Oligopoly - once the market grows, other vendors will want to get involved so you will lose your monopoly position	Monopolistic Competition or Oligopoly or Pure Competition - more and more vendors get involved as more companies learn to make the product and people try to "cash in" on the original idea - because there are so many vendors, the supply/demand situation will cause the price to drop and eventually the price will be so low, nobody will want to make the product anymore because it will be unprofitable.
Place	One or a few number of people selling the product	There are several companies selling so there is competition to make the "best" product -many companies at this stage will add variations, color changes, and new FABs to the product to make it more competitive - companies in the lead will also work to develop brand familiarity	several companies make the product - it will become a battle of the brands
Promotion	Try to find good channels to get exposure - offer exclusive distribution rights	-	-
Price	AIDA begins - informative type ads	- competitive ads	- discount price oriented ads
Price	skimming or penetration pricing	"meet the competition" pricing or price cutting	- some companies drop out if they cannot afford to compete at a lower price

**In the words of Philip Kotler, a parity can be established between how the 4 P's( of marketing deliver a customer benefit and can pave way for the 4 C's of marketing**

*Four P's vs Four C's*

**Product=Customer Solution**

**Price=Customer Cost**

**Place= Convenience**

**Promotion=Communication**

## Product Policy

Common product policies include production, sales, customer, strategic marketing, and societal marketing orientation

Product orientation:

Companies that focus primarily on aspects of their production process, such as efficiency or high quality, usually do not develop elaborate international marketing programs

A production orientation typically leads to a slight analysis of the needs of foreign consumers

Companies following a product policy carry out marketing efforts in the following ways

Commodity sales

Passive exports

Parallel market segments

This product policy works in the company that tries to sell abroad the same product it sells in the home market

Overall, this product policy has a spotty performance record

Customer orientation:

This product policy poses that direct question of “What product can we sell to consumers in country X?”

Strategic marketing orientation:

Companies committed to consistent foreign sales often adopt a strategy that combines aspects of production, sales, and consumer orientations

Societal marketing orientation:

Companies implementing this orientation act on the belief that meaningful international marketing requires prudent consideration of potential environmental, health, social, and work-related problems that may arise

Reasons for product alterations include:

**Legal reasons:** may obligate companies to modify products for foreign markets

**Economic reasons:** the world has an unbalanced distribution of income and wealth

**Cultural reasons:** buying behavior of consumers is complex

Some product alterations are a bargain to make yet greatly boost consumer demand in foreign markets

Most companies produce a bundle of different products

It is highly unusual for each product to generate enough sales in a given foreign market to justify the cost of penetrating the market when selling a product abroad

## Pricing Policy

In theory, the proper price will not only assure short-term profits, but will also give the company the resources necessary to achieve long-term strategic goals

Pricing raises complex questions in foreign markets due to the influence of market conditions,

political policies, environmental changes, and relationships among parts of the global supply chain  
Every country has laws that affect the prices of consumer goods

Companies often divide a single domestic market into different segments and then charge different prices for products sold within each segment

Typically, multinational enterprises apply one of the following pricing strategies:

Skimming price strategy

Penetrative price strategy

Cost-plus price strategy

A major reason why pricing is more difficult internationally is inescapable price escalation through the global supply chain

A recurring problem in managing pricing policy in foreign markets is floating exchange rates

Companies have devised many ways to minimize the exposure of their price strategy to currency changes

**Hard currency:** currency that is in high demand, and is frequently traded without many restrictions

The extent to which manufacturers can or must fix their prices at the retail level varies substantially by country

**Fixed pricing:** limits ability to change prices quickly

**Variable pricing:** refers to situations whereby the price of the product is negotiated at the point of sale

In principle, dominant retailers can use their market power to exhort suppliers to offer them lower prices

## International Price Policy: Issues to Consider

- What is the “right” price to charge for our product in foreign markets?
- What type of pricing structure fits with our desired product position strategy—skimming, penetration, or cost-plus?
- Is our price competitive with the price of competing products in the foreign market?
- Should we offer foreign customers discounts (i.e., trade, cash, quantity) and allowances (advertising, trade-offs)?
- How should the firm price a product to make sure it fits with the price strategy of the total product line?
- Do foreign countries impose price regulations?
- Can we control potential price escalation in the export channel?
- Should we use different prices to reach different market segments?
- Do we have any pricing options in the event our costs unexpectedly change?
- Will foreign governments see the price of our products as fair or exploitative?

## Pricing Strategies

**Skimming pricing strategy:** involves the use of a high price relative to competitive offerings

Often used by marketers of high-end products

Also by firms introducing a distinctive good with little or no competition

Allows firms to control demand during the introductory stages of a product's life cycle

Can be used as a tool for segmenting a product's market on a price basis

**Penetration pricing strategy:** involves the use of a relatively low entry price as compared with competitive offerings; based on the theory that this initial low price will help secure market acceptance

**Everyday low pricing (EDLP):** Pricing strategy of continuously offering low prices rather than relying on such short term price cuts as cents-off coupons, rebates, and special sales

**Competitive Pricing Strategy:** reduces emphasis on price as a competitive variable by pricing goods at the general level of competitors

Firms focus their own marketing efforts on the product, distribution and promotion elements of the marketing mix

## Price Quotations

**List prices:** Established prices normally quoted to potential buyers

**Market price:** Price that an intermediary or final consumer pays for a product after subtracting any discounts, rebates, or allowances from the list price

Reductions from List Price

**Cash discount:** price reduction offered to a consumer, industrial user, or marketing intermediary in return for prompt payment of a bill

**2/10 net 30,** a common cash discount notation, allows consumers to subtract 2 percent from the amount due if payment is made within 10 days

**Trade Discounts:** payment to a channel member or buyer for performing marketing functions; also known as a **Quantity discount:** price reduction granted for a large-volume purchase

Justified on the grounds that large orders reduce selling expenses, storage, and transportation costs

**Cumulative quantity discounts** reduce prices in amounts determined by purchases over stated time periods

**Non-cumulative quantity discounts** provide one-time reductions in the list price

functional discount

Allowances

**Trade-in:** credit allowance given for a used item when a new item is purchased

**Promotional allowance:** advertising or promotional funds provided by a manufacturer to other channel members in an attempt to integrate the promotional strategy within the channel

**Rebates:** refund for a portion of the purchase price, usually granted by the product's manufacturer

## Considerations for Setting Price

Does the price reflect the product's quality?

Should firm pursue market penetration, market skimming, or some other pricing objective?

Fit with product strategy, and

Should prices differ with market segment?

Is the price competitive given local market conditions?

Is the price reasonable or exploitative?

What types of discounts or allowances should be offered to international customers?

What pricing options are available if the firm's costs increase or decrease? Is demand in the international market elastic or inelastic?

Do the foreign country's dumping laws pose a problem?

## Environmental Influences on Pricing Decisions

Currency Fluctuations

Inflationary Environment

Government Controls, Subsidies, Regulations

Competitive Behavior

Sourcing

Pricing Policy Alternatives

Extension Pricing

Ethnocentric

Per-unit price of an item is the same no matter where in the world the buyer is located

Importer must absorb freight and import duties

Fails to respond to each national market

Adaptation Pricing

Polycentric

Permits affiliate managers or independent distributors to establish price as they feel is most desirable in their circumstances

Sensitive to market conditions but creates potential for gray marketing

Geocentric Pricing

Intermediate course of action

Recognizes that several factors are relevant to pricing decision

Local costs

Income levels

Competition

Local marketing strategy

But that price coordination with headquarters is necessary.

Dumping

Sale of an imported product at a price lower than that normally charged in a domestic market or country of origin.

Occurs when imports sold in the US market are priced at either levels that represent less than the cost of production plus an 8% profit margin or at levels below those prevailing in the producing countries

Intra-corporate exchanges

Cost-based transfer pricing

Market-based transfer pricing

Negotiated transfer pricing

Countertrade (Legal)

Countertrade occurs when payment is made in some form other than \_\_\_fx\_\_\_

Options

Barter

Counterpurchase (two separate contracts)

Offset (South African government purchased F-16 from British aerospace)

Compensation trading (Egypt-Swiss Company)

# Promotion Policy

Promotion is the presentation of messages intended to help sell a good or service

Promotion is categorized as:

Push: uses direct selling techniques

Pull: relies on mass media

Most companies use combinations of push and pull strategies

Some distribution systems are tightly controlled by competitors, government regulated, or highly fragmented among small outlets

In many countries, government regulations pose an even greater barrier to the use of mass media channels

Generally, people can choose from a rich menu for their preferred source of product information

Generally, consumers around the world behave differently when they buy something

MNEs develop standardized advertising programs that are similar from market to market rather than a universal campaign that is identical in each and every country

When a particular media channel reaches audiences in multiple countries, there can be translation gaps

Advertising that is legal in one country may be illegal elsewhere

Some countries regulate advertising because of social and cultural standards

E-business over the Internet creates new challenges for companies trying to design effective e-promotion in the face of government regulations

An advertising theme may not be appropriate everywhere because of national differences

**Brand:** an identifying mark for a product

**Trademark:** registration of a brand

Perhaps the most difficult challenge to a global brand is language, due to the fact that some brand names have different meaning in another language

Pronunciation differences

Companies often expand internationally by buying foreign companies that have products with strong local brand identities

Occasionally, companies develop a brand only to find that someone else has already legally claimed local right of use

MNEs have to decide whether to create a local or a foreign image for their products

Country-of-origin images can and do change

## International Promotion Policy: Issues to Consider

- Can we use our current labels and brand name? If required, can we produce our labels in the official or local dialects?
- Are the colors used on our label and packaging attractive to foreign buyers? Perhaps more important, are these colors offensive to foreign buyers?
- Do international or foreign brand names help or hinder the local image of the product?
- Do local laws require that labels provide information on product content, product risks, or country of origin?
- Do we need to use different standards to state weights and measures?
- Do we need to modify our advertising images to reflect local needs, wants, and dreams?
- Must each product be individually labeled and packaged?
- Do the local laws protect our trademark or prevent direct imitation of our brand?

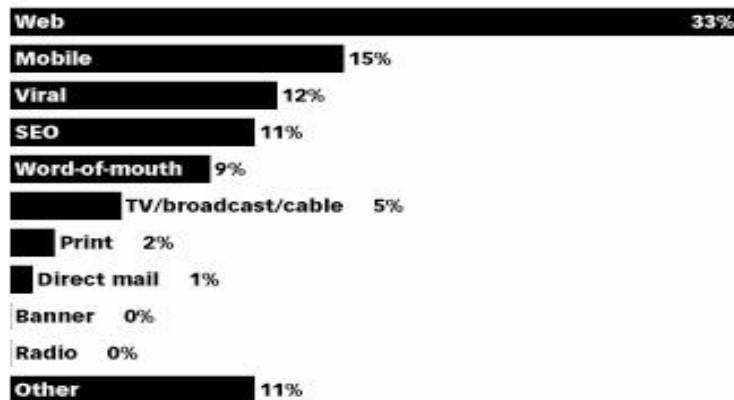


# International Marketing Management Planning Process

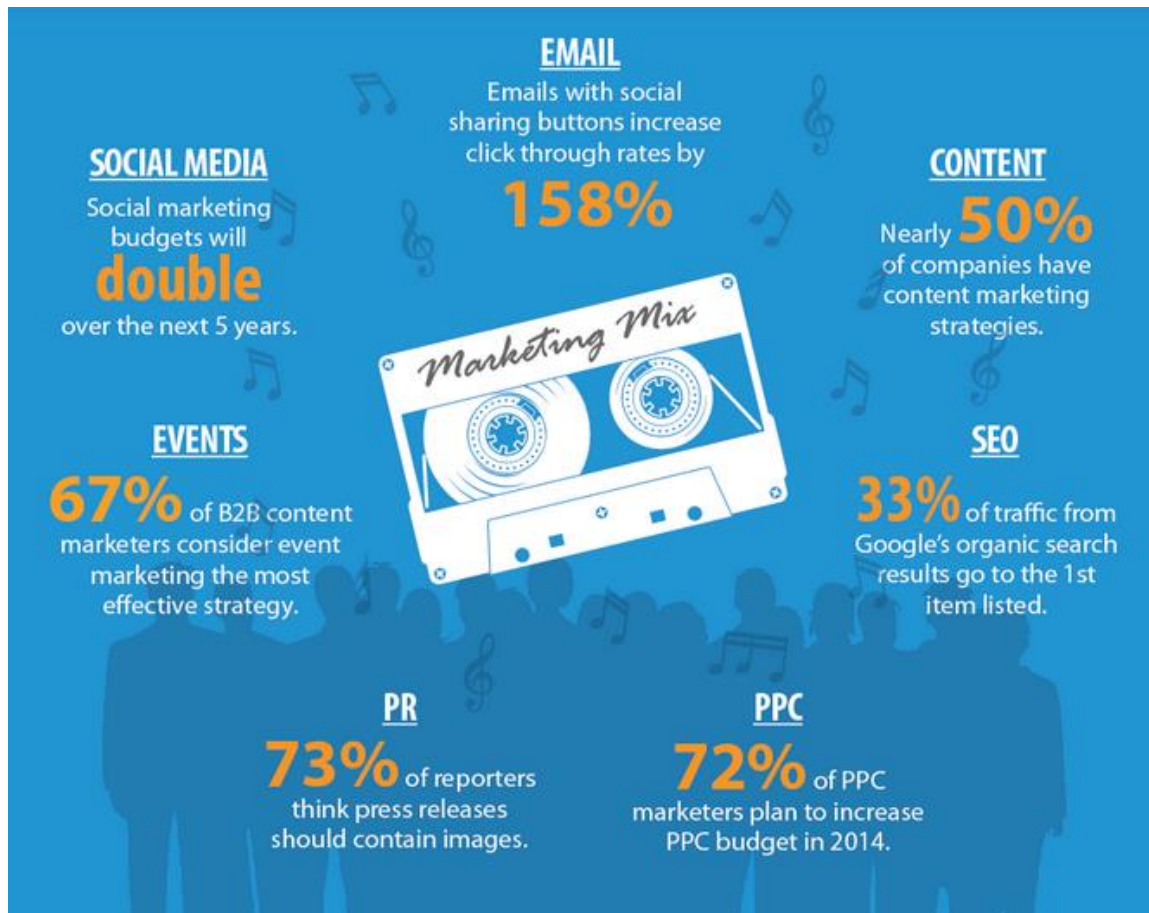
Phase 1	Phase 2	Phase 3	Phase 4
<b>Preliminary analysis &amp; screening: Matching company/country needs</b>	<b>Adapting marketing mix to target markets</b>	<b>Developing the marketing plan per objectives/goals</b>	<b>Develop a detailed Implementation/control plan</b>
<b>Influenced by:</b> Environmental factors, company character, and screening criteria	<b>Influenced by:</b> Matching Mix requirements Standard 4Ps Extended GB 10Ps	<b>Influenced by:</b> Marketing plan development	<b>Influenced by:</b> Implementation, evaluation and control
Company character Philosophy Objectives Resources Management Style Organization Financial Limitations Management/ marketing skills Products Other PEST Analysis: Home-country constraints Political Economic Socio-Cultural Technology Other Host-country(s) constraints Economic Political/Legal Competitive Level of Technology Socio-Cultural Structure of distribution Geography Competition	Product - unique attributes Adaptation/Standard'n Brand name Features Warranty Style Standards Price - Forex, Value Credit/Discounts Promotion - Internet Advertising Personal selling Media/Message Sales promotion Place/Physical Distribution Logistics/Channels /SCM <b>Extended to 10Ps add 6 P's</b> People/ skills for customer service/culture Product's PLC Timing & Physical evidence [Best Practices/BM] Profits/ face of competition Productivity/scale economies/cost Patience-Process/POISE Public Relations - Brands Co Image/Govt -relations	Systematic Futuristic thinking by top management Better co-ordination of Company efforts Development of performance standards for control Situation analysis SWOT [Strengths, Weaknesses, Opportunities and Threats] SMART [Specific, Measurable, Achievable, Realistic, and Timed] Sharpening of Objectives & policies Selecting mode of entry Budgets -prepare for changes Action programs Market research studies Market segmentation Target market selection Marketing Strategy/tactics Positioning approaches <b>Marketing Mix Planning</b> (What? Where? How much? How?) POISE Profitable. Offensive (rather than defensive) First Mover advantages proactive; Integrated Strategic (is future orientated) Effective (gets results)	Revisit Objectives/Goals Standards Assign responsibility [internal and external] Time table and activity schedule [Timelines] Budget & Contingency Fund Expected Results Measure performance Progress reporting procedures \ Performance standards Evaluation timetable Adjustments/Correct for Error[s] <b>Summary:</b> <ul style="list-style-type: none"> <li>• Marketing Management Planning Process &amp; Control</li> <li>• Analysis/Audit [where we are now?]</li> <li>• Objectives Resisted [where do we want to be]</li> <li>• Strategies? [which way is best?]</li> <li>• Tactics [how do we get there?]</li> <li>• Implementation [getting there!]</li> <li>• Control [Ensure execution]</li> </ul>

*Adapted, extended and enlarged by Dharma deSilva from P.R. Cateora, M.C. Gilly and J.L. Graham, International Marketing, 15e, McGraw-Hill/Irwin, 2011*

**Most Popular Advertising and Marketing Tactics in 2009 According to US Advertising Agency Executives (% of respondents)**



Note: n=246; numbers may not add up to 100% due to rounding.  
 Source: Reardon Smith Whittaker (RSW), "2009 Agency Outlook Report," January 20, 2009



Source: <http://www.webdam.com/blog/2014-marketing-statistics-infographic/>

The IAB Online Adspend Study, conducted in partnership with PricewaterhouseCoopers, shows a return to double-digit growth in online across 2010.

The market was worth £4,097.1m, up 12.8%, on a like for like basis, on the previous year. Online's market share was 25% up from 23% in 2009.

[http://www.iabuk.net/media/images/iabresearch\\_adspend\\_adspendfctsh2010\\_7818.pdf](http://www.iabuk.net/media/images/iabresearch_adspend_adspendfctsh2010_7818.pdf)

# TOP INTERNET MARKETING TACTICS

1. Search Engine Optimization (SEO)
2. Blogging
3. Pay Per Click (PPC)
4. Email Marketing
5. Social Networking (Facebook, LinkedIn)
6. Blogger Relations / Blog PR
7. Microblogging (Twitter)
8. Affiliate Marketing
9. Advertorial (NewsForce, AdFusion)
10. Video Marketing

## Distribution Policy

**Distribution:** the course or actual physical path or legal title that goods and services take between production and consumption

Common factors that influence how goods are distributed in a given country include: citizen's attitudes toward owning their own stores, the cost of paying retail workers, labor legislation that affects chain stores and individually owned stores differently, legislation restricting operating hours and size of stores, the trust the owners have in their employees, the efficacy of the postal system, and the financial ability to carry large inventories

Early operational decisions include setting up their own distribution network or contracting with independent companies

The general rule is that high sales volume in a particular market makes it more economical for a company to build its own distribution system

Low sales volume in a particular market makes it more economical for a company to outsource its distribution function to specialized services

Because of structural differences among nations' distribution systems, the cost of getting products to consumers varies from country to country

In many countries, poor roads and few warehouse facilities make it tough to get goods to consumers quickly and at a low cost

Many countries have multitiered wholesalers that sell to each other before the product reaches the retail customer

In some countries, low labor costs and a basic distrust result in inefficient retail practices that raise consumer prices

Size and operating-hour restrictions pose problems

Where retailers are small, there is little space to store inventory

## When Hiring a Local Distributor

- How many field salespeople does the representative or distributor have?
- Would it need to expand to accommodate our account properly? If so, would it be willing to do so?
- What is the average sales volume per outside salesperson?
- What sales territory does it now cover?
- Does it have any plans to open additional offices?
- How many product lines does it represent?
- Are these product lines compatible with ours?
- Would there be any conflict of interest?
- Is it willing to alter its present product mix to accommodate ours?
- Does it have adequate warehouse facilities?
- What communications facilities does it have (fax, modem, telex, Web site, etc.)?
- Does it plan to develop Web commerce capabilities?
- What software does it run to manage accounts? Is it compatible with ours?
- How does it compensate its sales staff?
- Does it have special incentive or motivation programs?
- How does it monitor sales performance?
- What kinds of customers does it currently contact?
- Who are the key accounts?
- How many principals does it currently represent?
- Would we be its primary supplier?
- What media does it use, if any, to promote sales?
- How much of the budget does it allocate to advertising?
- Will we be expected to contribute funds for promotional purposes?
- If necessary, can it translate our advertising copy?

File: Domestic vs International Strategic Planning 2011

### Why is global marketing planning necessary?

- systematic futuristic thinking by management
- better co-ordination of company efforts
- development of better performance standards for control
- sharpening of objectives and policies
- better prepare for sudden new developments
- managers have a vivid sense of participation

### Criticisms of global marketing planning

Formal plans can be quickly overtaken by events [many unforeseen in as in the Middle East 2011]

Elements of the plan may be kept secret for no reason  
gulf between senior managers and implementing managers  
the plan needs a sub-scheme of actions

### Objectives of the global marketing plan

Acts as a roadmap

Assist in management control and monitoring the implementation of strategy

- Informs new participants in the plan of their role and function
- To obtain resources for implementation
- To stimulate thinking and make better use of resources
- Assignment of responsibilities, tasks and timing
- Awareness of problems, opportunities and threats
- Essential marketing information may have been missing
- [if implementation is not carefully controlled by managers, the plan is worthless]!

**The contents and structure of the marketing plan**

- The executive summary
- table of contents
- situational analysis and target market
- marketing objectives
- marketing strategies /marketing tactics
- schedules, proforma and budgets
- financial data and control
- Cautionary notes for effective planning
- Don't blindly rely on mathematical and statistical calculations. Use your judgement as well
- Don't ever assume that past trends can be exploited into the future forever
- if drawing conclusions from statistical data, make sure the sample size is sufficiently large
- Behavioural planning problems

- Planning recalcitrance: resistance and non-co-operation by managers in planning
- fear of uncertainty in planning: a lack of comfort in planning activities
- political interests in planning activities: resource bargaining, padding of requirements, and avoidance of consensus
- planning avoidance: compliance rather than commitment to planning

**Standard Planning Framework**

- Analysis - where are we now? Objectives - where do we want to be?
- Strategies - which way is best? Tactics - how do we ensure arrival?
- Control - are we on the right track?

<b>Domestic vs International Strategic Planning</b>	
<b>U.S. Domestic Planning Strategy</b>	<b>International Planning Strategy</b>
<ul style="list-style-type: none"> <li>• Single Language</li> <li>• Relatively homogeneous culture</li> <li>• Single or relatively unified market</li> <li>• Effective marketing research</li> <li>• Data available, usually accurate and collection easy</li> <li>• Political involvement relatively unimportant</li> <li>• Political religious and government stability</li> <li>• Private sector decisions &amp; business-government dialog</li> <li>• Uniform financial environment</li> <li>• Single currency &amp; relative stability</li> <li>• Stable regulatory environment</li> <li>• Business "rules of the game" defined and understood</li> <li>• Stable labour relations</li> <li>• Non interference nationalism in business-government relations</li> <li>• Management generally accustomed to sharing responsibilities and using financial controls</li> </ul>	<ul style="list-style-type: none"> <li>• Multilingual</li> <li>• Different cultures and ethnic groups</li> <li>• Fragmented &amp; diverse markets</li> <li>• Marketing research difficult and costly</li> <li>• Data collection a large task requiring significantly higher budgets and personnel allocation</li> <li>• Political factors involvement often vital</li> <li>• Political religious &amp; government rule uncertainty</li> <li>• State involvement in national economic plans &amp; government influences business decisions</li> <li>• Uncertain financial climates</li> <li>• Foreign exchange fluctuations and instability (over conservative to wildly inflationary)</li> <li>• Regulatory conditions uncertain, changing, diverse &amp; unclear rules</li> <li>• Unstable labour relations</li> <li>• Nationalism and protectionism impact business public policy</li> <li>• Management frequently unclear of management responsibilities and unfamiliar with budgets and controls</li> </ul>
<p>Adapted by Dharma deSilva from William W. Cain, "International Planning: Mission Impossible?" Columbia Journal of World Business, July-August 1970, p.58..</p>	

## **International Marketing Planning Process & Developing a Marketing Plan**

### **Phase #1 Preliminary Analysis and Screening - Matching Company/Product and Country Customer needs**

Whether a company is new to exporting or already marketing in the country but needs to expand, an evaluation or audit of prospects is the first step in the planning process. Inadequate attention to target market/segment or mistakes may have prevented from knowing the market potential, but with new research finds the market profitable.

### **Phase #2 Identify Target Market & Adapt the Marketing Mix**

A detailed examination of the components of the marketing mix must be evaluated in the light of data generated from Phase #1. If research indicates that the marketing mix needs drastic adaptation a “no go” decision may result..

### **PHASE #3 Developing the Marketing Plan & Strategy**

Situation analysis, objectives & goals, strategy & tactics, selecting mode of entry, Proforma & Budget [sales & profit expectations] and action program

### **Phase #4 Implementing and Control**

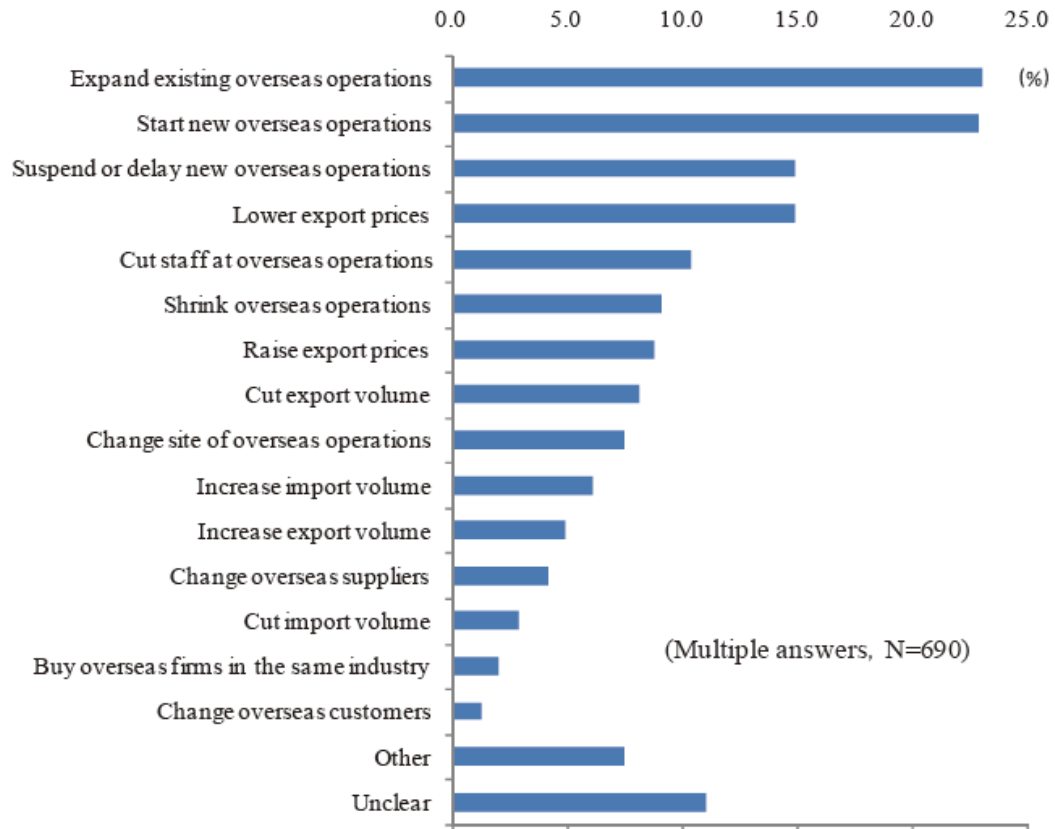
A “GO” decision is phase #2 & #3 triggers implementation of a specific plan and anticipation of successful exporting.

### **Phase #5 Alternative Market Entry Strategies –**

If a “NO GO” decision to exporting results after research and careful study. Then consider what are the alternative market entry strategies to pursue? **See Note on Japan’s JETRO survey charts [below]**

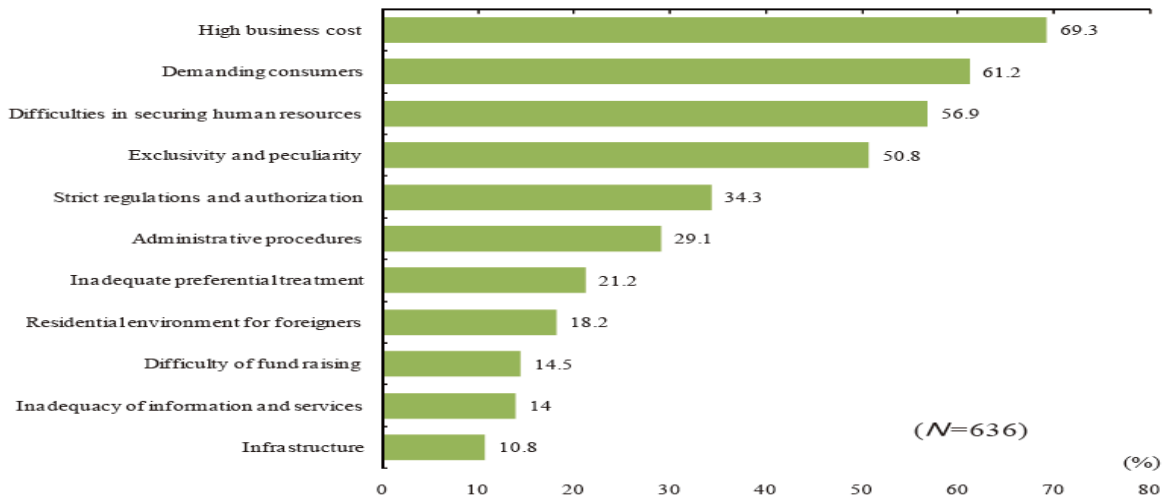
*Sharing JETRO survey findings “Effect of the financial crisis in 2008 on Japanese firms” to assist in their Global Market Planning that I collected in conducting a joint seminar with KeioUniversity and JETRO in May 2010.*

**Figure I-38 Steps taken by Japanese companies to deal with the effect of the financial crisis on their overseas operations**



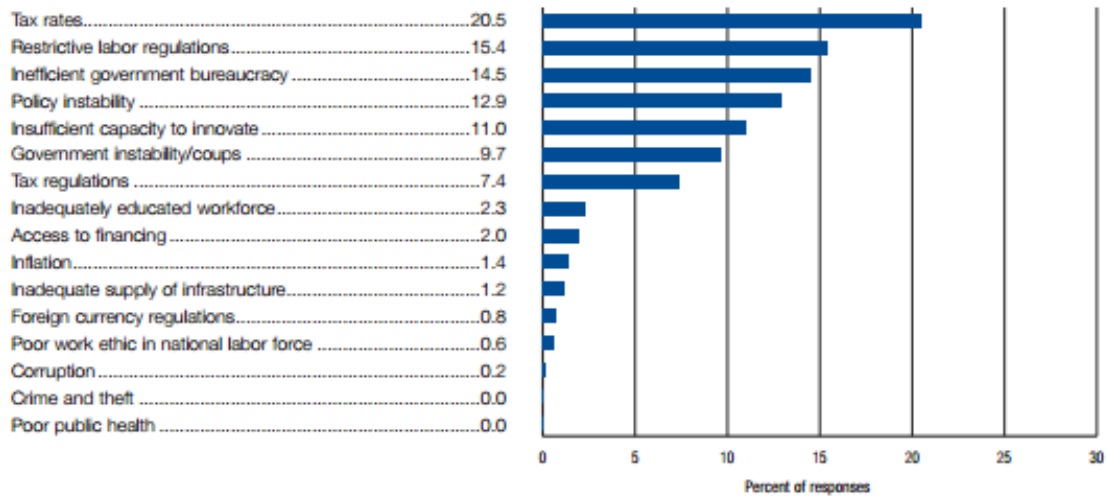
(Source) "Survey on International Operations of Japanese Firms" by JETRO (2009).

**Figure I-42 Factors making it difficult to do business in Japan (Multiple replies)**



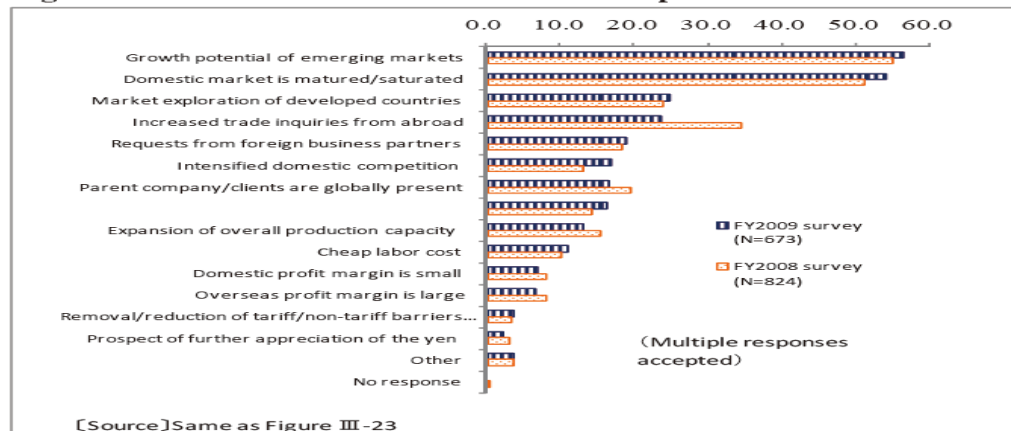
(Notes) Sample size: 2,097 companies; valid responses: 636 companies (response rate: 30.3%); survey conducted Nov 28, 2008 to Jan 14, 2009.  
 (Source) Prepared based on "FY2008 Survey Report on Foreign-Affiliated Companies' Attitudes toward Foreign Direct Investment in Japan (METI).

**The most problematic factors for doing business**



Source: <http://reports.weforum.org/the-global-competitiveness-report-2013-2014/#section=countryeconomy-profiles-japan>

**Figure III-24 Reasons for active overseas expansion**





# Revisited: Definition of global marketing

Global Marketing is a process for:

1. defining markets
2. quantifying the needs of the customer groups (segments) within these markets
3. putting together the value propositions to meet these needs, communicating these value propositions to all those people in the organisation responsible for delivering them and getting their buy-in to their role
4. playing an appropriate part in delivering these value propositions (usually only communications)
5. monitoring the value actually delivered.

For this process to be effective, organisations need to be consumer/customer-driven

## Key elements of world class marketing to meet global competition

1. **Profound understanding of the market-place**
2. **Creative segmentation and selection**
3. **Powerful differentiation positioning and branding**
4. **Effective marketing planning processes**
5. **Long-term integrated marketing strategies**
6. **Institutionalised creativity and innovation**
7. **Total supply chain management and control**
8. **Market-driven organisation structures**
9. **Careful recruitment, training and career marketing managers - CMO**
10. **Vigorous line management implementation**

## The Marketer's Dilemma

- **Marketers are torn between two groups whose wants are contradictory:**
  - **Customers who want the most value and utility for the least cost;**
  - **Shareholders who want the biggest return on the lowest investment and risk.**
- **Neither group is loyal if they can do better elsewhere.**
- **The skill shareholders pay us for is the ability to use their funds better than other marketers. These skills manifest themselves when customers see our offers as meeting their shifting needs better than competing offers. The trick is to do this continuously.**

## **Characteristics of World-Class Organizations**

- 1. Customer service.**
- 2. Quality control and assurance.**
- 3. Research and development/new product development**
- 4. Acquiring new technologies**
- 5. Innovation**
- 6. Team-based approach (adopting and using effectively)**
- 7. Best practices (study and use of) BenchMarking**
- 8. Human Resource planning Talent Management**
- 9. Environmentally sound practices**
- 10. Business partnerships and alliances**
- 11. Reengineering of processes**
- 12. Mergers and Acquisitions**
- 13. Outsourcing and contracting**
- 14. Reliance on consulting services**
- 15. Social Responsibility and Governance**

## **How to make an organization world-class?**

- 1. Worker productivity (improvement)**
- 2. Employee training and development**
- 3. Open communication between management and employees**
- 4. Employee benefits and perquisites**
- 5. Codes of workplace conduct**
- 6. Conflict resolution**
- 7. Employee satisfaction**
- 8. Flextime arrangements**
- 9. Management-employee-union relations**
- 10. Child care**

## **World-class manufacturing: What it takes?**

- 1. Competitive analysis strategies (cost efficiencies in operations, speed to market, research and development supremacy, zero defects, real-time order management etc.)**
- 2. Production and supply chain (collaborative planning, forecasting and replenishment, collaborative manufacturing and product design, supplier-managed inventory etc.)**
- 3. Customization strategies (building to order, customized mass production, global sourcing and manufacturing, etc.)**
- 4. Electronic commerce strategies (supply management, Internet ordering, status and availability tracking by Internet)**
- 5. Compensation systems (product profitability, inventory levels, manufactured/delivered costs per unit, worker productivity, employee retention rates, etc.)**

*[www.blc.lsbu.ac.uk/intst/Masters/InternationalBuyerBehaviour.pdf](http://www.blc.lsbu.ac.uk/intst/Masters/InternationalBuyerBehaviour.pdf)*