

firms can be members of the association; (c) goods produced outside the United States and imported for re-export cannot be handled by such associations; (d) membership of competitors must be voluntary and withdrawal should be permitted under reasonable terms; (e) members must be permitted to engage in export trade independently of the association, if desired.

In the famous case of the United States *vs.* Minnesota Mining and Manufacturing Company, 92 F. Supp. 947, the court found conspiracy in violation of the Sherman Act by an association in which four-fifths of the coated-abrasive producers formed jointly owned factories in foreign countries and then agreed not to export to the countries served by such factories. An agreement to pool members' patents to operate such factories was also held

invalid. However, the court did not strike down as illegal, (a) limiting membership in the association; (b) fixing of prices for export and assigning quotas to members; (c) fixing of resale prices for foreign distributors; and (d) forbidding foreign distributors from handling non-members' competitive products.

Although over 200 Webb-Pomerene associations have been organized, only a small number remain in active export trade and these account for only about 10% of current U. S. export trade. It appears that the limitations imposed upon the Webb export associations does not encourage extensive use of the Act.

A good treatment of this subject is contained in G. P. Lamb and S. S. Kittelle's "Trade Association Law and Practice," Little, Brown and Co., Boston, Mass., 1956.

The Company International Division as a Communication Channel*

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It is quite obvious that the knowledge of a new process or a new chemical on the market in Germany, or Japan, or Italy could be of the greatest interest and importance to you and your business here in the United States. I am sure you can think of many cases where the introduction of a new and improved product has caused a significant change in thinking about product lines in the U. S. Certainly, in the chemical industry we are becoming more and more "one world." There are fewer and fewer isolated technical and marketing "islands."

The flow of marketing and technical information to and from major industrial countries of the world is great. Periodicals by the dozens, newspapers, frequent international visits, telephone conversations, company reports—one would imagine that American business is fully cognizant of what is going on everywhere! Yet we know that this is not true and that even the biggest and best organized companies make mistakes in marketing and research simply because they lack a vital piece of information which may have been freely available.

It is most important to have a well-organized and well-thought-out channel of information flow to and from the U. S. company and all of its foreign affiliates. U. S. companies in particular must pay increasing attention to this matter because during, and immediately after World War II, we were the leaders in many fields and the need for information was not so critical. I think all of us are conscious that the U. S. no longer has the com-

manding technical and commercial lead it enjoyed even ten years ago. We *must* know what is going on in the rest of the world.

This paper discusses the flow of information from two different aspects: the inflow of information from abroad to the U. S. company and the outflow of information to foreign affiliates, agents, and licensees.

Inflow of Information.—One of the most important sources of incoming information is from company personnel traveling or stationed abroad. Even many smaller companies have found that having technical and commercial representatives in foreign countries is almost a necessity. In this respect Europe has received the lion's share of attention. The man in the field from the home office knows what is needed at home and usually has a pretty good idea of how to get the information. Incidentally, one of the most prolific of our recent exports is the body of market research techniques which has been so well developed in the U. S. in the last fifteen years.

Larger companies have felt the continued necessity of having representatives abroad working in or with their affiliated companies. Of course, there has been increasing governmental pressure to have all companies managed by nationals, particularly in Latin America. We believe that it is not only politically astute to do this, but it also has very practical benefits. Local management has worked out well for most American companies. However, there is still a feeling that one or more Americans working with the companies, even in advisory positions, can better transmit American ideas which will be most useful to the foreign affiliate and can also make clear to the Head

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Office the problems and the achievements of the foreign company.

An associated company, particularly if it is working in the same or nearly allied field, can be a good source of information of all kinds to the U. S. company. Foreign market requirements frequently are different from those in this country, which may lead to the development of new techniques and new products which could be of great interest and value to the U. S. company. It is, of course, important that there be good liaison with the affiliated companies, and it is surprising how many cases there are where a partially owned subsidiary has not been visited for two or three years. We are sure that such cases have become much rarer than they were, but in our own company we had a foreign affiliated company which, until we formed an international division, was visited far too infrequently.

Foreign licensees also can be a good source of marketing information, particularly if they have independent research and development programs. Our experience is that at the beginning of any licensing venture the foreign licensee is almost wholly dependent on the U. S. licensor for technical, production, and marketing information. However, as the licensee prospers and grows, he may be able to make significant contributions and I know of one or two cases where the licensee has far outstripped the licensor.

Distributors and sales agents abroad can provide a wealth of commercial information. However, we have found that the amount of information obtained from such sources is directly proportional to the amount of time and energy spent with the distributor. This, of course, can vary all the way from a small distributor in any of the so-called "emerging" countries from which absolutely nothing may come in except an occasional inquiry or order, or complaint, to the larger and more aggressive distributors who may flood you with ideas about products and markets and, you hope, with orders!

The last source of information I would like to mention is the visitors we have from abroad. I am sure that all of you engaged in international business have a constant stream of foreign visitors. We believe that it is highly important that these visitors be well received and that enough time be allotted to each one. The question is, "What is enough time?" This must, of course, vary with individuals. I doubt if any of us could devote as much time and energy to receiving our foreign friends as do the Japanese. All of you who have been to Japan were, I am sure, overwhelmed with the reception and the attention given to you. Incidentally, they get the maximum knowledge from your visit. I sometimes wish U. S. representatives were as dedicated to learning from every conference as are the Japanese.

The correlation and dissemination of incoming information from abroad is an integral part of a communications channel and unless this aspect is properly handled, the efforts made overseas become ineffectual. At least one individual in the International Division should be given the responsibility for appraising the information received and seeing to it that it is made available, in English, to the person or persons within the domestic divisions who are in the best position to benefit from it. This requires a thorough knowledge of products, people, and research

activities within the domestic areas of the company as well as a general understanding of the industries served by the company's products.

From the point of view of marketing, the home office of the International Division should have as wide a knowledge as possible of the various markets it services. This will enable the International Division to prepare worldwide and market forecasts based on information from many sources and present it in a clear and concise format.

From our experience, we find it beneficial to meet periodically with personnel from other company divisions to keep them informed of the market potential and new developments abroad. For example, in the field of electroplating, our laboratory is kept abreast of the foreign market acceptance of new products on a routine basis. Some larger companies publish periodic newsletters oriented to keeping their domestic personnel informed of both technical and marketing innovations overseas.

With the ever-increasing number of patent applications filed by both foreign and U. S. companies overseas, we consider it important that our patent and research personnel be alerted whenever there is an important patent filed, or issued, in our product area.

As International Division personnel often have more occasion to read foreign technical journals, it is important that they be indoctrinated to glean pertinent information from these periodicals and pass it on to interested parties in other divisions.

Outflow of Information.—The importance of the orderly outflow of information from the home office cannot be overstressed. This function, first and foremost, should be the responsibility of and channeled through the International Division, which is familiar with the company's relationships and commitments overseas. In this burgeoning era in the history of the chemical industry, one reads daily of new plants being built abroad or new joint ventures being formed or new license agreements being signed. All these instances involve a transfer of information. For the company's own protection it must make certain that this information is closely controlled to avoid unwarranted disclosures or undue delays in supplying the new activity with the marketing and technical information needed to operate effectively.

At least initially, new subsidiaries and affiliates depend entirely upon the parent organization for technical and marketing assistance. For example, when a new plant is to be built abroad, the company's engineering department is usually called upon to draw up the design based on their domestic experience. Consideration must be given to the unique needs and requirements of the local market. Once on-stream, it is to be expected that there will be product quality problems, raw material problems, and other "kinks" which must be worked out in any new facility. Again, the company's domestic production experience must be called upon to help solve these problems.

The success of a new foreign venture also depends in large extent upon the marketing support it receives from its parent. While the products involved may have been sold in the local market previously through export sales, local manufacture may well change the entire marketing approach. For example, the new company may want to use its own sales force rather than work through the

distributor who handled those products when they were imported. The training of a sales force and the development of a workable sales plan can be greatly facilitated with the assistance of the home office.

If the product or products have never been sold in the local market, and the new company has to develop sales from scratch, an even greater effort on the part of the parent organization is required. Advertising and promotional plans have to be formulated, distribution channels have to be set up, decisions on packaging must be made, and merchandising *modus operandi* must be established. Most of the basic ingredients for this total marketing approach can be obtained from the appropriate departments of the parent organization. Of course, adjustments to local conditions usually have to be made. Needless to say, the International Division must make available a continuing outflow of data even after the new company is running smoothly and is standing on its own two feet.

Licensing arrangements overseas involve the transfer of large amounts of information. The heart of most agreements is the licensor's technical know-how which he agrees to transfer to the licensee for a consideration. The licensor must see to it that the licensee gets all the information to which he is entitled. In those cases where a company has a large number of licensees, this can be no mean task. Aside from the technical considerations, license agreements frequently provide that the licensee is entitled to the licensor's marketing and promotional know-how.

Distributors and representatives are also in great need of information from their principals. A distributor cannot

do an effective job without this support—and in some cases, prodding. A good agent usually handles a number of lines and it would be naive to expect that he will become expert in all of them. The company must educate him in its products and their uses and suggest the type of companies the agent should call on. For best results, these overseas representatives should be as well informed, from a marketing point of view, as any salesman in the U. S.

A final note under this heading. We touched briefly on the subject of patents earlier. We mention patents in this discourse because of their close relationship to and effect upon a company's marketing position abroad. The necessity of filing patent applications in foreign countries is a task of considerable proportions and one which leads to a great deal of international correspondence and communications. In the main, this is an area which is best handled by qualified patent attorneys, but the decisions as to where to file and what to file should be made by international management. The high cost of filing applications and maintaining patents must be weighed against such considerations as the current or potential sales in the various countries, the local competitive situation, and the defensive value of the patent.

We believe the International Division of any company is in the unique position of being the logical channel for the collection and dissemination of information between different foreign markets. The International Division must have a clear understanding of its responsibility in this area and must organize on a systematic basis to handle this responsibility.

Role of the United States Government in Chemical Export-Import Marketing*

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Isolationism has become as passe in the commercial field as it has become, over the years, in military and political areas. This change in thinking has come about—and has been accelerated in recent years, especially in the chemical industry—by a number of potent factors. Among them are the growth of chemical and related industries in the United States since the end of World War II (unprecedented highs have been achieved in production, sales, and capacity); development of new processes, new products—indeed, development of whole new industries such as plastics, synthetic rubber, manmade

fibers, detergents, and, with this, the enterprising and a remarkably efficient fostering of demand in the United States for the output of these CPI segments; the economic and practical need to seek new markets as U. S. productive capacity in many chemical lines soared and outstripped even the fast-growing domestic demand; and the revitalization of chemical industries abroad (particularly in Europe and Japan) that quickly led to satiation of their local markets and the diverting of increasing amounts of low-cost chemicals into U. S. markets.

And there have been other reasons for the growing awareness that the United States has no monopoly on the export-import marketing of chemicals. For example, take a look at the incredible development of customs unions and free-trade blocs in the world that in many

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