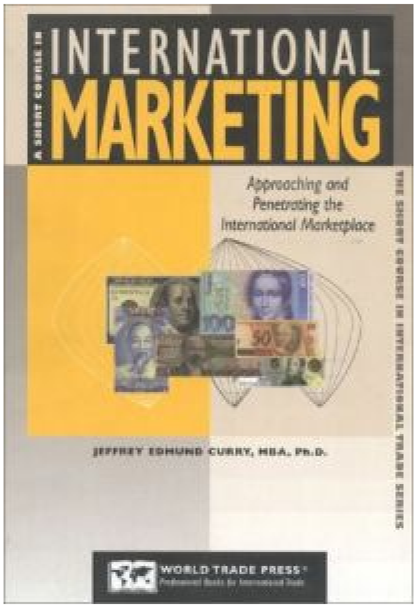

Book A Short Course in International Marketing

Approaching and Penetrating the International Marketplace

Jeffrey Edmund Curry
World Trade Press, 1999

Recommendation

Trade professional Jeffrey Edmund Curry provides a solid introduction to the principles of worldwide marketing. This book, with its simple definitions of basic marketing terms, will be most appreciated by lower-level employees at companies with newly expanded, global horizons. Newcomers to international business will find information on a wide range of key topics: understanding the role of governments, developing products for the foreign market, doing market research, preparing for market entry, developing distribution, advertising and promotion, making your initial contacts, staffing the new market, evaluating performance and creating a marketing plan and market audit. *BooksInShort* recommends that executives of companies with global ambitions read this book and pass it along to the people who'll execute new cross-border strategies.

Take-Aways

- Most companies start domestically and then establish a presence internationally.
- When marketing in another country, consider market planning, regulation, licensing, distribution, financing, exchange risk and legal status.
- The tourism industry is the world's largest employer.
- The biggest single market, in actual value, is currency trading. More than one trillion U.S. dollars change hands daily worldwide.
- Enter a market only when you have an advantage over locals.
- The countries with the strongest economies are most open to trade.
- Governments may erect numerous trade roadblocks, including tariffs, inspections, import licensing, environmental controls and customs delays.
- Learn the cultural differences of the market you are targeting.
- On your first trip, investigate a product's potential.
- Public relations are especially critical, since image is everything.
- The biggest single market, in actual value, is currency trading. More than one trillion U.S. dollars change hands daily

worldwide.

Summary

Stepping Across the Border

Marketing and sales are often confused. Sales is the end result of the process of marketing – the point at which the goods or services are given to a customer in exchange for money or other valuable consideration. Marketing is the entire commercial process that leads to this point.

> “Hospitality and tourism as an overall industry is now the world’s largest employer, with one of every ten people on the planet involved in its operationsâ€¦ Tourism is so important to most nations that it’s a primary focus of antigovernment groups: Kill tourism, kill the economy.”

In moving beyond your country’s borders, you will need a marketing plan that estimates your potential in an international market. This action budget, which is subject to change over time, should have short, medium, and long-term components. Traditionally, marketing includes:

- Making contact.
- Merchandising
- Pricing
- Promotion
- Distribution
- Human resources.

> “Currency trading represents the biggest single market in actual value in the world. The equivalent of more than one trillion U.S. dollars changes hands daily worldwide, with the market open twenty-four hours a day.”

Begin with product awareness, whether you are marketing to a single consumer or large corporation. You need to develop product affinity, preference, confidence and, finally, product purchase.

Common mistakes in marketing include universality and personalization (thinking other groups will like your product because one group or one individual does), price blindness, quality default, cultural myopia, poor timing and packaging ploys (where you think the product will speak for itself).

> “Countries at the top of the economic heap tend to flaunt openness as a challenge to would-be opponents. Lesser economies seek to protect every possible area of vulnerability by keeping foreign traders at bay.”

Few companies move directly into international marketing. Most start marketing domestically, and then move into exports, finally trying to establish a full-scale international presence. Today, you can get a global presence immediately with the Internet, but it is still a good idea to test your product or service locally before you expand, since you can apply the lessons you learn at home elsewhere.

> “When an established product is introduced or adapted for a new foreign market, care should be taken to understand how it will be perceived there. The perceived newness of the product line, rather than its actual age or applicability, will determine its success.”

Locally or internationally, the marketing planning process includes market assessment and orientation to set your objectives and develop your strategy, segmentation to target specific groups, penetration to gain consumer access and positioning to place your product relative to others. Use implementation, control and strategy analysis to assess how well you have done. Besides these usual procedures, also consider the following elements when you export:

- **Regulation** – Fully investigate the regulations imposed on imports.

- **Licensing** – Learn what licenses may be required for exports and imports.
- **Distribution** – Typically you will work through local distributors, rather than setting up your own network, which is very costly and often discouraged by local governments.
- **Financing** – Commonly, you will need to use letters of credit (L/C) and correspondent banks to handle credit arrangements, until you develop an ongoing trust relationship.
- **Exchange risk** – Usually, there is a lag time between when you enter a contract for a trade and when you get your money. This can result in changes in currency values. It is best to specify the currency of payment using the hardest currency available.
- **Legal status** – Research the prevailing legal environment and your status in the country where you are exporting before finalizing a contract, so you are aware of tariffs and any legal requirements. Often you will be at a legal disadvantage in another country.

> "Technology: The United States and Japan are the undisputed leaders in this marketplace. Manufacturing may be done worldwide, but the ideas flow primarily from the two big players, with the United States dominating both the hardware and software."

To decide whether to enter a particular foreign market, ask yourself if you have sufficiently researched the nature and size of the target market, whether the government will permit the import of your product, whether you can get your price and if you can trust local distributors.

The Backbone of International Trade

The international marketing arena includes a number of players, which range from small to very large companies. Sellers – exporters – are the backbone of international trade, since they have the "burden of proving value," while importers may be either end users or, more commonly, part of the distribution network in getting the goods to foreign buyers. You also must rely upon freight forwarders and shippers, who move the physical goods. Other players include members of the tourism industry (the world's largest employer) and those involved in telecommunications, advertising, entertainment and technology, as well as financial players, including currency traders, bankers, credit card companies and business consultants.

> "Absolute and comparative advantage will get you into a market, but staying competitive is the only way to survive long-term."

The international market has grown tremendously in the last decade from a \$3.7 billion market in 1989 to \$6.7 billion in 1997 and even more today. Still, you may find business people and politicians who regard foreign companies as predatory and conniving compared to domestic firms who have the country's best interests at heart. Consider this national pride factor when you enter a market, so you can counter any resistance to your product.

> "Most developing markets insist on technology transfers if a product is to be sold within their national boundaries."

Enter a market when you have a comparative advantage due to your ability to produce a better product at a lower price than a local concern. You may have an absolute advantage if a country can't produce a reasonably priced product at all. In general, most international efforts are based on a comparative marketing advantage due to quality, quantity, price, delivery, warranty or service. Stay alert; you need to stay competitive for long-term survival.

Governments and Cultural Forces

Different countries have different approaches to trade. Generally, countries with stronger economies are more open to trade, while countries with weaker economies seek more protections for their economy. Various factors influence a country's response, including its concern for border sovereignty and a sense of its own prestige.

> "It's not unusual for a government to require the use of a local partner to represent your product or to 'invest' in your businessâ€¦ By mandating that a local receive a piece of the action, the government maintains local control of the business and hopes to gain a management education for its population as a form of technology transfer."

The trade roadblocks a government may erect include tariffs, inspections, import licensing, distribution restrictions, environmental controls and customs delays. A developing country's government may also seek a technology transfer to permit you to sell inside the country. But, these countries also provide the least patent and copyright protection, so you have to decide if you want to risk losing a trade secret or other protected information. Additional government restrictions may require you to hire local suppliers, engage in local partnerships and comply with regulations involving quarantines, quotas and anti-dumping laws. Determine which restrictions are relevant in the countries where you are interested. Be aware of any trading blocs that affect your target area, such as major trade organizations:

- OPEC
- NAFTA
- The EU
- ASEAN (Association of Southeast Asian Nations)
- FTAA (Free Trade Areas of the Americas)
- SAPTA (South Asian Pacific Trade Association)

> "Marketers must be aware of the political environment they work in and be prepared to calculate, as well as manage, risk."

The World Trade Organization, which developed out of GATT (General Agreement on Tariffs and Trade), is another major influence. It works to remove import and export tariffs. The World Court, which rules on international trade disputes, is its enforcement arm.

To succeed, you must understand the culture you are targeting. Consider language, which includes both words and physical forms of expression, and local customs. You will increase your chances of success if you spend your first trip to a market investigating its potential rather than selling right away. You can improve your product's suitability if you understand the market. For example, pay attention to traditional holidays, vacation periods, work schedules, use of color, gender roles, family structure and buying patterns. Consider religious influences in a culture, too, since some religious groups are influential even if they are a minority in a nation. For instance, religious beliefs or holidays can affect the proper timing for entering a market, especially in the developing world, where numerology can influence which prices or days are viewed as favorable.

> "The proper timing for entering a market may also be dictated by religious beliefs or holidays."

Other key cultural considerations include family hierarchies and decision makers, since some countries are more patriarchal, matriarchal or influenced by extended families. You need to adapt to the other culture's rules to be successful internationally, not only in shaping your product or service to a culture, but also in guiding your employees' behavior.

Global Cost-Benefit Analysis

Reasons for entering a foreign market include saturation or declining interest in your domestic market, a desire to enlarge your market, better pricing – sometimes due to favorable exchange value – or even a government request. Whatever the reason, ask yourself a series of questions to assess the long-term positive and negative potential. Could the new product cause brand-name confusion in either market? Will expansion adversely affect your domestic market? Based on consumer perceptions, what is your product's life cycle in the foreign market? For instance, a telecommunications product will seem very new in the developing world, since most developing countries don't have a telecommunications infrastructure, but it may seem late in the product cycle in a more developed country.

> "Members of the (distribution) chain should have the widest network available, one that includes not only those resources needed directly for actual distribution but also the political, diplomatic and public-relations connections necessary to a smooth operation."

You can finance your product entry various ways. Often a joint venture is a good way for small companies or entrepreneurs to get capital and management assistance. Alternatives include going to venture capitalists or investment or commercial banks. If your product helps with a country's infrastructure, services or educational or humanitarian needs, you might get financing through agencies that promote international economic development, such as the International Monetary Fund, also called the World Bank.

Do your market research. Start by establishing objectives and research questions. Then, plan your research methods. Possible information sources include governmental agencies, trade organizations, local partners and agents, consultants, contractors, databases, the Internet and the media. You might also get information from the commercial attaché in a government’s diplomatic office, or you can hire local staffers to do direct research in your target market.

Market Entry and Development

Use market research to help you make decisions about segmentation, product differentiation and positioning. Public relations are especially critical, since image is everything. Besides developing good relations with the local media, foreign companies can help create smooth relationships through goodwill gestures, such as becoming an arts patron, sponsoring a sports team, or contributing to local education.

Carefully price and package your goods to appeal to the local market. Base pricing on cost, demand, competition, and product life cycle. Show that you recognize customer needs by setting up warranty and service programs.

Consider the costs of setting up your distribution channel, your own capital resources and the types of distributors available for your product. Often total control of distribution channels won’t be possible, but such control may not be necessary. Try to get your product into previously established distribution channels. Set up an efficient logistics-management system, based on the best means of transportation, inventory control, ordering and storage. Choose your distribution and logistics teammates carefully. Ideally, they should have sound political, cultural, legal contacts and commercial contacts. Seek teammates who are financially sound, service oriented, professional, flexible and stable.

Once your product is distributed, you need to advertise and promote it, based on a solid understanding of the customer, including culture and language. Your advertising may fall under government guidelines, so you may want to hire a local agency where the staffers understand the culture and the legal climate. Other promotional techniques include personal selling, industrial sales, sponsorships and direct marketing. Finally, if want to you move beyond exporting, the next step is managing the marketplace by building a staff in that country.

About the Author

Jeffrey Edmund Curry, M.B.A., Ph.D., has taught management development, international finance and economics in both the U.S. and Asia. He is the author of *Passport Vietnam* and *Passport Taiwan*, books on international economics and negotiating.