Offshore Riches

A Guide to

Recession-proofing Your Business

Raymond Hopkins

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Foreword

ATTENTION BUSINESS OWNERS AND ASPIRING INTERNATIONAL ENTREPRENEURS!

You are at the point of decision. You can either continue down the path of least resistance – doing business in your home market, the path you have already been traveling or choose the road less traveled. The path of least resistance will probably result in your getting the same outcomes you've already received.

But if you want something different to happen, if you want to change the direction of your business amid inflation and recession, you're going to have to do something different. Make a new choice, and pursue a new outcome.

If you are struggling with inflated costs and the prospect of recession, if you have tried everything possible and you still haven't grown your business profits in the current economy; then you are about to read the business book you've been waiting for, "***Offshore Riches***."

Read "***Offshore Riches***." This **complete**, **comprehensive** primer contains everything you need to get started. You'll learn the unbelievable impact of offshore market entry on your business, who and where your customers are, and what to know before you go offshore. ***Offshore Riches*** is for those who want to:

- Recession-proof their business

- Select the best alternative that simplifies their off-shore market entry
- Discover their exportable products and services, and
- Determine their best offshore target market alternative

Business owners and aspiring international entrepreneurs across the globe perceive the largest barrier to offshore riches and recession-proofing their business is a lack of knowledge and the seeming complexity of it all. In reading ***Offshore Riches*** you'll learn:

- Why you needn't go it alone,
- The ins and outs of foreign travel,
- How to build relationships that work, and
- How to make the sale and get paid.

If you have a business you love and want to diversify and increase your international cash flow in an economic downturn or prospective recession, read "***Offshore Riches***"!

P.S. The time is now. Inflation and recession are going to keep taking from you till you've got nothing left. Do you have the courage to fight back? Your chance to make your market growth dreams come true has arrived. Will you take action? Read ***Offshore Riches*** **NOW!**

Contents

Introduction

This book is about offshore riches and recession-proofing your business.

We're not talking about international entrepreneurship on a small scale…

I am going to show you how to make millions in international business. Changing your mindset from simply doing business at home to international business builds a catalyst for adding a million dollars or more in revenue from international markets.

I have written this book for a particular kind of entrepreneur – what I call an *International Entrepreneur*. International entrepreneurs do not limit their business to selling products and services in their home market. Rather, they sell their products and services to a unique set of clients around the globe. It all comes down to mindset. International entrepreneurs are more likely to be successful in diversifying their markets so their revenue sources are more stable and what entrepreneur does not like stable revenue?

My promise to you is this…

When you follow the process I share with you for expanding your business into international markets, you will transform your business. Converting your business outlook will thus become the catalyst for generating a million dollars or more in new revenue from international markets.

One Change Has That Power

I wrote my first book – "*Grow Your Global Markets*" - in 2017 after working in aerospace selling helicopters to the US. Government and international clients. Working in international aerospace changed my outlook and publishing a book established my authority and helped me to attract clients. I had no idea how transformational it would be.

Soon, thousands of potential clients had a copy of my book in their hands. Within a year my business doubled. And doubled again the next. In the years since publishing that first book, it has directly led to new revenue, and it is still going.

Publishing that first book resulted in invitations to paid speaking engagements worth thousands of dollars each and the expansion of my firm from a small local firm to one serving domestic and international clients. And, as I write this introduction, we still receive new leads and clients from that very first book, years later.

I have written this book to address three particular risks you face should you limit your product and service sales to domestic markets alone.

Risk #1: The Global Rise of Inflation and Recession

Entrepreneurs face real and growing risks: the global rise of inflation and recession. Let's first examine the risk of recession. Not since the Great Recession (2007 to 2009) have inflation and the prospect of and economic downturn and prospective recession gotten the attention of central banks across the world. Central banks have and continue to raise interest rates and have taken other policy actions to stem inflation. These rate increases and policy actions may not be enough to lower global inflation to pre-pandemic levels leaving the inflation rate (excluding energy) at about 5 percent in 2023.

The prospect of recession is the second risk entrepreneurs need to confront. The Conference Board, a global non-profit think tank, has expertise in this area noting real GDP growth is slowing from five percent in the third quarter of 2021 to 3.3 percent in the same quarter of 2022. Looking ahead, it forecasts a global real GDP of 2.1 percent in 2023. Although global growth of 2.1 percent does not confirm the global economy will slip into a recession, that rate, if realized, would be the weakest growth since 2001 (excluding global recession years 2009 and 2020). Next year, 2024, The Conference Board notes global GDP may revive, possibly to 2.7 percent as the economic measures recently taken by central banks diminish.

Based on the above, it appears global growth is slowing with further slowing likely as more countries fall into recession. Should this trend persist, there will be long-lasting, devastating consequences for people in emerging markets and developing economies. Realize though, if previous global recessions are any guide, there are still at least two reasons to be concerned about the risk of a global recession in the near term. First, given the current weak growth outlook, even a moderate negative shock could push the global economy into recession. Second, the recent slowdown in global GDP growth reflects marked declines in growth in several major economies.

The Great Sorting

As a result of the explosion of global inflation and recession, we'll likely see "The Great Sorting" of businesses happen in real-time. There will be two groups:

- Those businesses selling to both domestic and international markets.
- Those businesses selling to their home market exclusively.

Businesses that sell to both domestic and international markets develop new marketing strategies and differentiated products that expand their customer base. Those businesses that keep doing what they've always done, i.e., selling exclusively to their domestic market, are subject to the dictates of government policy and limited to their business practices, and market dynamic. They may even wither in the face of recession depending on the sector they serve, the essentiality of their products, and how well they market them.

It does not appear any one industry is hit the hardest during a recession but two candidates are at the most risk: housing and automobile. Housing is threatened largely due to the Central Bank rate of interest rate hikes in its attempt to stem inflation. Sales of automobiles may also take a hit by consumers that postpone replacing their vehicles in the hope of waiting out the economic downturn and possible recession.

Other industries that have historically suffered during an economic downturn and recession include leisure and hospitality, retail, travel and tourism, service purveyors, real estate and construction, manufacturing due to uncertain supply chains, labor concerns, raw material price fluctuations, and every other non-essential based industry that is incapable of serving international industry and consumers.

Yes, if you look around you will notice that at least three industries will not be pushed to the bottom. Among them are necessity retailers for such things as groceries and household goods, shipping and goods transportation for goods that must be transported from one location to another, and healthcare that is not easily reduced by a decline in income. Other industries to consider for offshore include technology, automotive, pharmaceutical, energy, telecommunications, and manufacturing.

Risk #2: Missed Opportunities for International Market Growth

The second big risk isn't new, but most aspiring international entrepreneurs miss opportunities for international market growth during a recession. Not since the Great Recession (2007 to 2009) have they been presented with the best opportunity for internationalizing their businesses while others entrepreneurs retreat.

Just think. Opportunities for expanding into new international markets exist even during an economic downturn. Why? Your competitors, for lack of funds, downsize their marketing efforts, even downsize staff in hopes of surviving, thus, opening the door to expanding international market share. In this environment and the absence of competition in the marketplace, consumers shift their buying habits enabling your business to be their reliable source of information and supply.

In a recession, your business can tap vendors, anxious to keep their doors open, who will offer their goods and services at reduced prices normally unavailable when economies are healthy. You may even hire a more qualified pool of employees that better match your business needs, a pool normally more expensive to attract in boom times.

Thus, recessions drive innovation, open markets, and create success for those businesses willing to tap the potential recessions create at home and abroad.

Risk #3: The Lack of International Skills Trap

If you want to expand your business income to include income from international markets, and determine what among your products and services you can export, you will have to adopt and fine-tune business skills to navigate that environment to get paid by international consumers. It’s that simple and that complex at the same time.

Although there isn’t complete agreement about the skills you’ll need for success in international markets you’ll first start with cross-cultural literacy - cultural values, norms, and demographics - to ensure you clearly understand the differences or barriers between your culture and the culture of your target market. Business will be done differently in the market you choose. Knowing the culture is one thing. Working with staff and customers requires active listening and communication skills, especially when dealing with a language other than your own. I accompanied a few senior executives on my first international business trip to Asia and before traveling, I took a course in Asian culture to ensure I avoided committing any cultural faux pas.

Doing international business requires clear oral and written communication skills in correspondence, proposals, contracts, a web page, and even developing relationships. No doubt about it. Although English has become the language of business across the globe and despite different levels of proficiency, it is a second language for many. Still, proficiency in the language of your target market will enable you to understand the local culture, language subtleties, and nuances you'll need to take into account in dealing with both customers and business partners. It may even be worthwhile to travel with a translator to make every business meeting you attend go smoothly. I first had the assistance of a trading company's representative fluent in English while on business in Japan.

In international business, you will need more than your communications skills. At home, language, travel, logistics, and geography are second nature. If a problem arises you can pick up the phone, book travel, and confront and negotiate issues wherever they arise. Not so in international business. There will be times it may be necessary to fly across oceans to control the cost of doing business. Making phone calls, traveling, and resolving legal and tax issues can get expensive if they are not minimized in advance.

Did I mention expensive? As you well know it pays to be cost-effective, even more so abroad. Cutting expenses is the name of the game for international phone calls, travel, logistics, and shipping costs. Ask yourself whether or not you can meet packing requirements and delivery schedules cost-effectively. For example, our South Korean in-country representative accepted unauthorized delivery dates and delinquent delivery penalties in government contracts executed on our behalf. For a time we accepted the drip, drip, drip of delinquent delivery penalties. Stopping the leak required revising the terms of our representative's contracting authority and accepting only those contracts signed at our home office.

You will also need to handle finance and manage cash flow for the many issues that you may confront like delinquent customer payments, international expansion costs, bank charges in processing international payments, and maintaining cash reserves. These and other cash management issues can cripple profitability if they are not dealt with by research and planning.

You will need these and other skills to assess your export potential, develop an effective international strategy, research markets, and develop a marketing plan and communication strategy that results ultimately in contracts to ship your product and deliver services to previously untapped markets.

The third part of this book addresses these and other skills that will enable you to ultimately win contracts to ship your products and deliver services to previously untapped international markets.

If you have a business you love and want to diversify and increase your international cash flow in an economic downturn or prospective recession, I wrote that section for you!

Join the Community of International Entrepreneurs

My wish for you is this …

That you'll not only read this book, but you'll join me in the community of international entrepreneurs.

The breakthrough I discovered when I wrote my first book, and that I've refined is this: the secret that takes you from wanting to do international business to doing millions in international business is having a system to follow.

In this book, I'm giving you my system for doing millions in international business. At the end of the book, you'll have a choice….

Act and join the community of international entrepreneurs who have diversified their income from international markets that value the products and services they provide.

Or …

Continue what you're doing now - limiting your business to your home market -missing opportunities for international business growth and risking the prospect of having to downsize in the hope of surviving an economic downturn, even a recession.

It's up to you.

My job is to give you what you need to be in the first group, so let's get started.

Part One The Offshore Marketplace

"Many beginner entrepreneurs become overly and unrealistic ambitious and want to operate beyond borders before taking time to learn the challenges and what it takes to expand overseas."

– Dr. Lucas D. Shallua,
Average to Abundant: How Ordinary People Build Sustainable Wealth and Enjoy the Process

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Today growing your international markets has never been easier with recent advancements in technology. It is not only simpler, and doable to sell internationally, but it will increase your bottom-line in unimaginable ways. It is simply incredible!

Whether you are just getting started or are already experienced in international business, this book will be your “coach” helping you from start to finish and importantly, helping you establish rewarding relationships with international customers.

Chapter 1 - Going Offshore

"Operate locally but do not close doors for cross border opportunities"

– Dr. Lucas D. Shallua,
Average to Abundant: How Ordinary People Build Sustainable Wealth and Enjoy the Process

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It's great that you know the ropes of selling products and services. It means you've established thriving, successful business relationships with a large customer base that could be even larger if you serve even more customers in international markets using the advanced technology that’s available at your fingertips.

Understanding What People Buy

As an entrepreneur in your domestic marketplace, you’re selling products or services that solve a customer’s problem while simultaneously bolstering your bottom line, different goals but each meets the “business” needs of both the customer and seller.

After the purchase/sale, your product and service solution to the customer’s problem produces a better living standard or business outcome for both the customer and your business.

The problem with selling any product or service solution sold domestically, for that matter, internationally, is that your customer can’t experience your solution until he buys and uses the product or service you are selling. As a result, the customer potentially slows your sales cycle and you risk losing the sale.

So, how can we create a system that will achieve the same level of bottom-line results as those world-class international entrepreneurs you so often read about?

The answer is taking the initiative. International sales are all about taking international prospects through key decision points in a buying cycle suited to the norms and values of a different culture. Let's refresh our understanding of the customer buying cycle.

Your Customer's Buying Cycle (Your Sales Cycle)

The customer's buying cycle, your sales cycle, is a process every consumer completes as he becomes aware, educates himself on solutions, and moves toward finalizing his purchase decision. After making that decision he confronts the question of repeating his purchase. Realize the on-line buying cycle is no different except for its occurrence over the Internet. The cycle consists of five stages:

1) **Awareness** or realizing a problem requires a solution, the first decision. Absent this decision a prospective will make no purchase and your company will make no sale. With the right marketing strategies and campaigns, you and your competitor companies may reach the customers you target.

2) **Consideration** – the prospective customer considers his options after obtaining detailed information that products and services are available to solve his problem.

3) **Intent** –the stage in which the prospective customer determines the best solution for his needs. After reviewing product/service ratings and assessing affordability, the prospective customer decides to buy.

4) **Purchase** – the prospective customer buys the best solution that meets his needs, and

5) **Repurchase** of the product or service. The prospective customer, after satisfying himself with the use of the product or service, determines repurchase and continued use of the solution is worthwhile.

Most entrepreneurs clinging to their domestic markets don't consider sales opportunities beyond their country's borders. They and you don't have to be world-class international entrepreneurs immediately. Your becoming world-class begins with the first step, a sound financial analysis of the start-up costs of your entry into an international market.

What to Take into Account

Most entrepreneurs open to entering international markets fail the due-diligence phase. Due diligence, specifically your financial analysis, needs to gauge returns on minimal risk where the cost of market entry fits the target budget without being so rigid that responding to market changes becomes difficult if not impossible.

This means understanding the target market's unique requirements as well as the form of market entry, from tax laws to employment contracts to local business customs to truly understand the cost ramifications. To do otherwise makes the task of accurately estimating the cost of establishing and operating in a new market impossible. There is no substitute for a comprehensive cost-benefit analysis.

Most companies approaching expansion presume their target international market operates the same way their domestic marketplace operates. No problem. Right? They typically develop a list of common domestic expenses that might include employer social security contributions, corporate income taxes, and office operating expenses, and then make adjustments to account for target country tax laws, real estate costs, and other expenses. The reality is that each country, operates according to its own set of complex, constantly changing laws governing how a business operates. If you are unfamiliar with a target country's business laws, customs, and practices you will expose your business to significant hidden costs and risks. To offset that risk you might consider partnering with a local institution and/or retaining outside expertise.

If you are going "international," make sure you invest sufficient time and effort in identifying ***all*** the costs of operating overseas.

What's Your Profit Potential?

Each year, many entrepreneurial, growing, and developing companies, like yours, contemplate international expansion as a marketing and growth strategy. The strategic international blueprint for your company needs to asses potential profit weighed against the risk. The profit potential is your ability to generate revenue, which, after expenses, leads to net income, a projection, not a guarantee.

Step 1: Estimate future revenue by first determining the size of the market, and the number of prospective customers determining the size of the market you plan to capture.

Step 2. Estimate variable costs, those monthly costs of the goods and services you'll sell as part of your sales estimate.

Step 3. Estimate fixed costs, i.e., the international versus domestic costs you will incur entering an international market.

Step 4. Calculate gross profit, the difference between production costs, and what you're selling it for.

To determine your profit margin, divide your estimated average monthly gross profit by your estimated monthly sales.

Don't neglect the possibility that exporting your products and services may be subject to a few restrictions on most ordinary trade goods. Some goods may be subject to export restrictions, if:

- The products you're selling have military or dual-use (both civilian and military) applications.
- Your target market is subject to export restrictions imposed by your home government.
- Your home government restricts export sales to some customers.

To ensure you comply with government laws and regulations that govern exports either commercial or dual use, it’s best to work with a reputable freight forwarder, even hiring an in-company export control specialist, to avoid unconsciously making a prohibited export addressed by an export license. Violating export laws can subject your firm to severe penalties and fines you want to avoid.

Contracting for the Sale of Goods

Of course, selling internationally means contracts and issues you’ll need to take into account. For instance:

- **Payment** – qualify your customer using the various credit reporting companies and ask for trade references from other firms at home operating in your target market.
- **Currency Exchange Risk** – It’s best to propose and sell in your home country's currency to avoid fluctuation in currency value. If the specifics of your sale prevent quoting and selling in your domestic currency, it is best

to consider hedging and seeking the help of commercial banks and regulated foreign exchange brokers that offer several techniques for managing exchange rate exposure. I usually quoted in U.S. dollars.

- **Terms of Sale**. Sales contracts must ensure the parties understand delivery terms, and where and when each party's responsibility for transporting begins and ends. A complete list is detailed in *Incoterms®*, issued by the International Chamber of Commerce.
- **Dispute Resolution**. Every one of your sales contracts should prescribe how disputes will be handled: whether by arbitration or court proceeding; what law will govern; and where the arbitration or court proceeding will take place. Dispute resolution can be costly. Dismissing these provisions as an unacceptable burden may be imposed on you by a foreign language trial in a distant continent under

unfamiliar law before a judge from your customer's home country.

If your contract for an international sale is made by using your standard form of quotation to an international prospective customer, the terms and conditions of sale printed on that form should address these issues and be reviewed for applicability in foreign markets.

So you have determined international expansion is worthwhile and achievable. International expansion operations will eventually impact your organizational structure. Even if you modestly engage in direct exporting and the volume of your international sales disrupts normal domestic operations significantly, you may be driven to establish an Export Department, even as much an international division – should the volume of international business require it.

While working in aerospace, my employer pursued government and international programs with teams of functional staff geared to specific programs. I prepared proposals and negotiated and finalized contracts and their management. Our international contracts, were by far, more profitable especially when they were direct sales.

Key Concepts

Understanding What People Buy. Your job is to take international sales prospects through the buying cycle suited to the norms and values of a different culture. Becoming world-class begins with an analysis of startup costs.

What to Take into Account. Your financial analysis needs to gauge returns on minimal risk where the cost of market entry fits the target budget ideas to go out into the marketplace and sell prospects on working with you.

Profit Potential. The profit potential is the ability to generate revenue, which, after expenses, leads to net income, a projection, not a guarantee.

Contracting for the Sale of Goods. The terms and conditions of sale printed on quotations should address significant issues like delivery terms and be reviewed for applicability .

Chapter 2 - The Unbelievable Impact of Offshore Market Entry

"The most important single central fact about a free market is that no exchange takes place unless both parties benefit."

– Milton Friedman
American Economist

So how will you enter an international market? It's a big decision with an unbelievable impact.

How you do it heavily influences your level of success. You can quickly reverse some marketing decisions like pricing, but that's not the case for market entry decisions. Once you are in it is difficult to undo entry decisions, especially those that affect price, product, place, and promotion. Be careful in choosing the mode of entry. You should consider several market criteria: market size and growth, risk, government regulations, the competitive environment, and local infrastructure.

Key decision-making factors are market size and growth. Large markets command committing major financial and human resources, Growth potential is even more significant, especially in gauging the growth potential. But beware of risk dimensions: political, economic, legal, and financial. Political risk in countries experiencing social unrest and disorder will cause drastic changes in the business environment. Economic mismanagement drastically changes a country's business environment, especially profit and other business goals. The legal risk may prevent you from entering into long-term or joint venture agreements if a trading partner breaks a contract or the Government expropriates your operation and property. Lastly, financial risk requires managing international transactions. If any or all of these risks are significant, be careful and knowledgeable when you make major resource investments.

Look at your target market's distribution system, transportation network, and communications systems. If these systems don't meet your needs you may have to delegate marketing functions to national distribution systems and sales strategies you are unfamiliar with.

OK. You have considered these factors and need to select the best "mode of entry." You have seven options: exporting, turnkey projects, licensing, franchising, establishing joint ventures with a host-country firm, and setting up a new wholly-owned subsidiary. In evaluating each mode, realize that the appropriate mode for you and your business is the one that provides the most control, the more control the better!

Exporting – You will likely start your international expansion by direct exporting which requires relying on an in-country representative, a distributor, or your in-country resources. Using this mode, you'll have greater control, and greater sales and profit potential allowing you to build up a foreign network. There is a trade-off - identifying and selecting a representative in the foreign market and performing the logistics function. Beware also there is no escaping responsibility for product warranty and liability just as would be for distribution in your home market.

Exporting Focus

Patagonia outdoor clothing and gear is a company with a global footprint that operates offices in the United States, the Netherlands, Japan, South Korea, Australia, Chile, and Argentina. It also operates two distribution centers receiving goods from factories in the US and overseas—and more than 70 Patagonia stores worldwide.

Turnkey Projects – typically involve government agencies of host country clients in the design, construction, and testing of special large-scale process technologies or production facilities, like power plants, telecommunications, and chemical/petrochemical facilities. Efforts such as these require the resources of large construction companies, given the size of the projects they undertake. As a smaller contractor, you can become a subcontractor or supplier.

If you are a large engineering and construction company you will typically handle all the details for the client turning the new project over on project completion.

Turnkey Project Focus

Zurich Airport International, a Swiss corporation, is constructing the Jewar Airport project near Jewar in Gautam Buddha Nagar District, Uttar Pradesh, India. The airport will be turned over to the local government for operation at project completion.

Licensing – is a contractual arrangement whereby you and your legal counsel prepare the agreement, offering some proprietary intellectual property to a foreign company in exchange for royalty fees on licensed product sales. Assets that can be included include trademarks, technology expertise, production processes, and patents. Royalty rates you generate can range between one-eighth of 1 and 15 percent of the sales revenue the licensee generates. Licensing appeals to companies that lack the resources to invest in foreign facilities.

Vet the licensee and, define the licensed territory [country/countries, region(s)], and the term of the agreement [year(s] with terms that enable you to monitor/ collect royalties from the sale of the product sold. Be smart about the extent of intellectual property you are willing to license.

My aerospace employer had licensing agreements with companies in three international markets.

Licensing Focus

Nestle (the licensee) agreed to pay $7.15 billion in cash to Starbucks (the licensor) for exclusive rights to sell

Starbucks' products (single-serve coffee, teas, bagged beans, etc.) around the world through Nestle's global distribution network.

Franchising - Scores of service industry companies use franchising to capture income worldwide. By creating a recipe of know-how and methods, franchising allows your franchisee to take control of its financial future and success. As a franchisor, you grant the franchisee the right to use your business concept and trade name in exchange for royalties, a win-win for each party. The franchise “package” might include your marketing plan, operating manuals, standards, training, and quality monitoring, much like what, a franchise package would include in your home market. You gain the benefit of capitalizing on a winning business formula in expanding overseas with minimum investment, limiting political risk, and capitalizing on the local franchisees’ knowledge of the local marketplace, customers, and laws. There is one caveat. Your franchise agreement must include rights to audit its operations and income. Cultural hurdles you are unaware of can also create problems in accomplishing the audit and collecting income.

Franchising Focus

Businesses have learned to adapt to a post-Covid business world and continue to expand globally. International franchise examples include

In January 2023 **Dave and Buster's sports bar and restaurants** opened its second location in Puerto Rico. The new 42,000-s.f. facility in San Juan's Plaza Las Americas will offer gaming, dining, sports viewing, and private event spaces. The brand has 148 stores in 41 states, Puerto Rico, and Canada.

Woof Gang Bakery & Grooming will open its first store in Canada in 2023. The store, Woof Gang's first franchise-owned international location, will be located in Canada in the Greater Toronto area. The brand has plans to open 200 locations in the country.

Contract Manufacturing - With contract manufacturing, you arrange for the manufacture of parts or even the entire product. You can obtain a significant competitive advantage for labor-intensive production processes by sourcing the product in a low-wage country of your choice. Theoretically, you can achieve tax savings, and lower costs on energy, raw materials, and overhead. Subcontracting likely reduces exposure to political and economic risks and is not very demanding on your company's resources. You may prefer to make high-value end items or products that involve proprietary design features and technology in-house. Monitoring quality and production levels is a must, especially during start-up. When you screen foreign subcontractors, your ideal candidate should be flexible and geared toward just-in-time delivery (reducing your exposure to any quality issues), be able to meet quality standards and integrate with your business, have a solid financial footing and have a contingency plan to handle sudden changes in demand.

Contract Manufacturing Focus

A global supplier in the corrugated box and paper industry contracted with Marlin Steel Wire Products. Marlin agreed to fabricate sheet metal parts on a contract basis for the supplier's container machines.

Joint Venture - For many companies that want to expand their international operations, joint ventures prove to be the most viable way to enter international markets, especially emerging markets. With a joint venture, you agree to share equity and other resources with other partners to establish a new entity in the target country. The partners typically are local companies, but they can also be local government authorities, other foreign companies, or a mixture of local and international players. The key issues to consider are ownership, control, the length of the agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions.

Given their return potential, joint ventures also entail much more control over the operations than most of the previous entry modes discussed so far. There are several ways for the company to gain more leverage starting with a majority equity stake, however, government restrictions often rule this out. Consider deploying expatriates in key line positions to control financial, marketing, and other critical operations. The joint venture agreement must also be drafted to cover every contingency including the issue of dissolution.

Joint Venture Focus

1. **Molson Coors and SABMiller** - SABMiller plc and Molson Coors Brewing Company on December 21, 2007 announced that they have signed the definitive transaction agreement for the combination of the U.S. and Puerto Rico operations of their respective subsidiaries, Miller and Coors, into MillerCoors LLC, the joint venture that they

announced on October 9, 2007. The MillerCoors joint venture will ultimately allow the companies to better meet the needs of distributors, retailers, and consumers in the U.S. marketplace by providing greater choice, product availability, and increased innovation.

2. **BMW and Brilliance Auto Group** - Founded in May 2003, BMW Brilliance Automotive Ltd. (BBA) is a joint venture between BMW Group and Brilliance Group. Its business operations include R&D, procurement, production, sales, and after-sales services of BMW automobiles in China. BBA is focused on high-quality development and aspires to be the leading sustainable provider of first-class individual mobility across the entire value chain of China’s automotive industry. BBA has a state-of-the-art production base in Shenyang, Liaoning Province, branch companies in Beijing and Shanghai, and a subsidiary named Lingyue Digital Information

Technology Ltd., with offices in Beijing and Nanjing. The joint venture has around 23,000 employees, more than 430 local content suppliers, and has been the top taxpayer in Shenyang for 16 consecutive years. BBA produced more than 700,000 BMW cars in 2021, making it – for the first time – the largest producer of premium cars in China. Its national sales and service network of 683 BMW outlets has a leading reputation for customer satisfaction among premium automotive brands in China.

3. **Verify and GlaxoSmithKline** - On August 1, 2016, GSK (LSE/NYSE: GSK) today announced an agreement with Verily Life Sciences LLC (formerly Google Life Sciences), an Alphabet company, to form Galvani Bioelectronics to enable the research and development and commercialization of bioelectronic medicines. The new company will bring together GSK's world-class drug discovery

and development expertise and deep understanding of disease biology with Verily's world-leading technical expertise in the miniaturization of low-power electronics, device development, data analytics, and software development for clinical applications.

Wholly-owned Subsidiary - Setting up a wholly-owned operation in a new international market offers less of the 'quick' advantages of other market entry modes given the time-consuming effort to establish a presence where your business may have little knowledge of the local market. International entrepreneurs often prefer to enter new markets with one hundred percent ownership and control. Ownership strategies in a foreign market can essentially take two routes: acquisitions or green-field operations which are started from the ground up. As with other entry modes, full ownership entry entails certain benefits but they also carry substantial risks. Wholly-owned subsidiaries give your company full control of its operations. It is often the ideal solution for companies that do not want to be saddled with all the risks and anxieties associated with partnerships. Full ownership means that all the profits go to your company. Presence in-country also entails host country tax liability and the prospect of taxation on re-patriated profits. Fully-owned enterprises enable all investors to manage and control their processes and tasks in terms of marketing, production, and sourcing decisions.

In buying a foreign company, the purchase process is ideally the same, i.e., targeting the industry and companies that either sell complementary products or sell through similar distribution channels. However, that may not be the case as the purchase process can be different depending on local business practices that may affect business assets, equipment, and inventory. In addition to these differences, the initial obstacle is the need to either learn the language or at the very least communicate with bi-lingual legal and finance specialists who will act on your behalf in minimizing in-country tax impact and complying with government mandates affecting expatriation of profits. You will also need to consult with equivalent specialists at home to avoid or minimize the prospect of double taxation. Lastly and importantly, determine how you will manage the business either in-country or from afar potentially retaining the previous owner or someone with intimate knowledge of the business and its operation.

Wholly-owned Subsidiary Focus

Starbucks Company Japan is a wholly-owned subsidiary of the Starbucks group. The Walt Disney Company holds 100% of the share capital of Marvel entertainment and EDL Holdings. Volkswagen AG owns Volkswagen America entirely.

These modes of market entry are all viable and you need to consider the advantages and disadvantages of each before you consult with the professionals – legal counsel, insurance, logistics professionals, tax, finance, and marketing specialists. As you can see from the examples cited impact of market entry will be unbelievable!

Chapter 3 - Check Out International Marketing!

I am sure innovation will blossom around the world, given that the Internet and mobile platforms enable innovators anywhere in the world to reach a global market with ease.

– ***Roelof Botha***
Actuary, venture capitalist, and company director.

International marketing, like that in your home country, involves positioning your entire company toward satisfying customer needs in a competitive international environment. Though multinational corporations may have offices and subsidiaries in markets they sell to, today, businesses, regardless of size and using the Internet, can reach consumers anywhere in the world. As a result, fast-growing firms like yours can market their wares and services by the full marketing process of the 4 Ps of the marketing mix (product, price, promotion, and place) for their products in an international market.

International marketing will be great for your business, but achieving that outcome will be challenging. You and your marketing team must develop multiple customer profiles, one for each of the different markets you will be trading in. You may start dependent on local representatives and distribution networks, but as your understanding and familiarity with each target market grow, you may set up your network starting with major metropolitan centers, and then moving out to nearby regions. Recognize the marketing mix that works at home may not meet the same success abroad. You will have to adapt – possibly changing your product name and its packaging, a different pricing strategy, and different promotion and distribution strategies that your new customers will embrace. International marketing will take research that includes personal visits. Isn't that what marketing is all about?

Understanding Product Markets

The term "mass market" refers to a large (even global), undifferentiated group of consumers with widely diverse backgrounds. In segmenting the mass market, think of product specificity. Focus on product type, the customer need, the location of specific customer segments, and the countries in which the customers having these needs are located. Once you have defined your product markets, you are ready to identify potential markets to target.

Segmenting Your Target Market

International marketers isolate those market segments most responsive to your marketing plan (the four Ps) targeting market segments that are easily defined and measured, large enough to justify the cost of marketing, reachable via marketing media, actionable for marketing mix programs, and competitive with high growth potential.

The secret is to approach the segmentation process from different angles. One angle is selecting prospective countries based on a single dimension (e.g., per capita Gross National Product) or a set of multiple variables determined from secondary data research sources such as those available from the World Bank, UNESCO, and The Organization for Economic Co-operation and Development (OECD). Another approach is to segment markets by either business-to-consumer criteria or business-to-business criteria. Aside from these your choice of criteria largely depends on the nature of your product and the specific objectives of your marketing plan.

Pricing Your Products and Services

The most critical element of your marketing mix, pricing, is impacted by distribution channels, promotional tactics, and the quality of the product. Should you distribute the product through an exclusive distribution channel that includes distributors, marketing representatives, and warehousing, the cost of these factors will drive the need to increase prices higher. Higher pricing will also be needed to address the cost of innovative technologies and price increases of raw materials used in manufacturing or extensive, customized advertising and promotional campaigns you execute in the targeted foreign markets. When you enter the international marketplace be prepared to not only address customer price expectations, but also the cost of production and delivery, tariff rules, competitor prices of competing products, currency exchange rates, value-added taxes, distributor price mark-ups, and discounts on manufacturer list pricing.

Your pricing policy may make or break your expansion efforts. Given the above list of factors, you will be challenged to get the pricing policy right. A mixture of factors driving your global pricing decisions are related to the so-called 4 Cs: Company (costs, company goals), Customers (price sensitivity, segments), Competition (nature, intensity), and Channels. In addition to these elements, in many countries, pricing decisions are often influenced by host government pricing policies that affect competition in that market.

In developing your pricing strategy, determine the goals you want to achieve. You may want to maximize current profits or project a premium price image. It is most important to 1) achieve a satisfactory return on investment, 2) maintain market share, and 3) meet a specified profit goal. Initially, you may set a relatively low market penetration price. Once you are well established, you can make adjustments. Learn as much as you can about your target market and be smart about pricing. It affects your bottom-line success.

Promoting Your Product and Services

Sales promotion refers to the collection of short-term incentive tools that lead to quicker and/or larger sales of a particular product by consumers or the trade, to stimulate consumer trial and cement a long-term relationship with a retailer in the target market. How you choose to promote products and services can have a direct and substantial impact on sales. You may use a mix of tools that include advertising, public relations, personal selling, direct marketing, and positioning to achieve your marketing objectives.

Start with cross-cultural literacy to ensure you clearly understand the differences or barriers between your own culture and the culture of the market you are targeting and how differently business is conducted there. Think about your values, norms, and demographics, geographical regions stimulating you to compare your national differences to those of your target market to localize your product to your customer prospect’s specific needs and your brand’s message.

Advertising

It pays to involve local advertising agencies in the development of your promotional campaign. To ensure financing is adequately addressed make budget decisions on a regional level. Acquaint yourself with the best media channels in the target market, their availability, and their cost. Thoroughly understand foreign regulations governing the limits of how, when, and why you advertise in a specific country. The local advertising agency can help here.

Public Relations

Retain and work with an international public relations (PR) firm to that test the meaning of short, meaningful phrases in marketing campaigns to ensure the phrases are the most effective in drawing attention to one or more aspects of your product. Be sure to avoid using embarrassing colloquial language. Working with a PR firm will enable you to create effective marketing content that takes the local culture and language subtleties and nuances into account.

Personal Selling

Personal selling is a great promotional approach to take in marketplaces where staffing salaries tend to be less costly. As a new arrival to the market, you will have to invest in recruiting, motivating, organizing, and training a local sales force that knows the market - product, language, culture, location of the target market, and its purchase behavior. You will have to train any expatriates on what to expect in selling to a different culture. Many opportunities have been lost and allies have been alienated for having assumed that American marketers spontaneously know more and better than the local sales force.

Direct marketing

Direct marketing is an attractive instrument for foreign market entry and international customer communication that involves making direct contact with the intended customer through phone calls, emails, offers through newspapers and magazines et cetera. Each country has its own set of direct marketing agencies, mailing list providers and brokers, letter shops, and fulfillment providers. These operations should understand your campaign needs and demands enabling them to not only identify mailing lists but also advise you on postal regulations, currency differences, and the best time to circulate mailers.

Positioning Your Products and Services

Positioning is what the customer believes about your product's value, features, and benefits; it is a comparison of your product to those of the competition. Position your ,product by: its attribute(s), use or application, user, product or service class, competitor and price or quality.

Managing your product positioning requires your knowing your customer and understanding the competition acquired through market research, not what you think is true. Product promotion in international markets is multi-faceted. Be careful.

Locating International Prospects

Today, with more than three billion people connected to the Internet, this global interconnectedness offers a tremendous potential customer base and has made marketing products and services abroad a low-cost alternative to traditional international marketing. Firms worldwide are migrating on-line to seek new business in regions and countries they had previously thought were beyond their reach. Regardless of the form, your web presence takes, you can broaden your market presence internationally by adopting e-commerce or electronic business practices that are user-friendly for your users. If you have not built a website and mobile phone app on the Internet mobile optimized to engage effectively with customers, it is high time you did. Your website becomes a valuable tool for building customer awareness and sales. As a result, with your web presence, you need not incur the significant marketing expenses you would otherwise incur by investing in "brick and mortar" marketing processes used by businesses serving customers face-to-face at a traditional storefront.

Global interconnectedness offered by the Internet today offers you the opportunity to develop a tremendous potential customer base making marketing your products and services the low-cost alternative to traditional international marketing. Broaden your market presence by adopting e-commerce and electronic business practices that are user-friendly for non-English-speaking users. Ensure the translation, color, and features of the message you want to be delivered to your customers are accurate by recruiting the services of a bilingual native of your target market.

Carving out a Distribution Strategy

Your products and services need to be available and accessible to customers where and when they need them so generating and executing a distribution strategy is essential. Recognize your target market has a distribution structure composed of middlemen, your channel partners, and their competition, which include the agents, distributors, wholesalers, retailers, and direct sales forces that will deliver your product and associated services.

In product distribution, the greatest hazards and risks include loss or damage to shipment, inattention, and nonpayment so be careful in your evaluation and choice of channel partners.

In choosing your middleman, you can take total control using your own domestic sales team trained in the culture or depend on many different channel partners that know the culture and sales practices of the marketplace. After selecting any channel partner, it is best to reach a written agreement detailing the scope of commitment, its effective date and duration, description of sales territory, discounts and commissions, and determination of when and how they are paid. You must also address responsibility for the protection of in-country patents and trademarks you have filed, assignability or non-assignability of the agreement, and the country and state of contract jurisdiction in case a dispute arises. Given the above, it is best to consult legal counsel.

Key Concepts

Exporting. Offers greater control, sales, and profit potential but requires in-country representation.

Turnkey Projects. It likely results in large-scale facilities requiring resources of large-scale companies but offers subcontracting opportunities.

Licensing. Involves offering proprietary intellectual property in exchange for royalties on in-territory sales. Licensing may create a competitor.

Franchising. Grants the right to your business concept in exchange for royalties on sales with minimum investment, and limited risk to capitalize on the franchisee's local market knowledge.

Contract Manufacturing. You arrange for the manufacture of part or the entire product sourcing from a low-wage country of choice. Monitoring quality and production levels are especially important.

Joint Venture. Share equity and other resources with partners to establish a new entity. There are key issues to address and deploying expatriates in key functions is recommended.

Wholly-owned Subsidiary. Offers fewer quick advantages but offers all the profits, total ownership and control with either acquisition or starting from the ground up."

Chapter 4 - Know Before You Go

“Without data, you're just another person with an opinion."

– W. Edwards Deming
engineer, statistician, professor, author, lecturer, and management consultant

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The international marketplace is complex so solid market research is critical. Avoiding it or doing it poorly will lead you to inaccurate marketing conclusions, ineffective promotion and even having to withdraw from your target market, lost investment, and time. If you do it well, the results will identify your competitors, their competing products, and their characteristics all of which affect your pricing, promotion, and distribution. So, it's important.

To some extent, how you do it offshore is nearly the same as doing research in your home marketplace. But let's make sure you understand Market research is the gathering, recording, processing, and analysis of market data. Specifically, you will:

State the background or define the problem

Is the research exploratory, descriptive or causative? If you are simply exploring, you might be trying to define the structure of the market – the number of household purchases or consumer judgments about product quality. If you are trying to describe characteristics of the market you may be looking for answers about the who, what, where, when, why, and how, in other words, buyer behavior. If you seek to determine a cause-and-effect relationship where a change in one factor produces a change, influences, or determines another like the influence of income and lifestyle on the customer's purchase behavior or testing the effect of a 10% raise in its product's prices, your research will be causative.

Once you clarify your research problem becomes clear, formulate it into specific research questions viewing it from the cultural perspective of the foreign customer. To do that you may have to select and retain an in-country marketing research firm. A local firm may be essential in understanding the local culture, offering feasible survey methods, helping with questionnaire design, and interpreting results. While you are at it assess the strengths and weaknesses of competing products, and analyze the customer demographics, socioeconomic factors, and current marketing mix factors. For example, a positioning study conducted for BMW in the European market addressed the following issues:

a. What does the motorist in the country concerned demand of his/her car?
b. What does s/he believe s/he is getting from various brands?

c. What does that imply about positioning the BMW brand across borders?

Or

From the perspective of a consumer products company interested in knowing what percentage of Brazilian consumers use sunscreen products for the face and body, the researcher might ask:
Do you use sunscreen products? (2 answers possible – Yes/No)
If not, have you ever investigated or seriously considered purchasing sunscreen products for your face and body? (2 answers possible – Yes/No)

Identify the background, and objective and develop a research design, plan, and structure

Background - This would include considering the product – product types/product variants, size of the market, its growth rate, the competitive environment – share of the market, sales volume, how vulnerable the competition is, profitability, and return on investment.

Objective – Determine what you are trying to achieve – why you undertake the study, what are you measuring, and how you will use the information. The research should help answer key marketing questions like:

- What are the purchase and usage dynamics of the product market?
- What demographic factors are best associated with product users?

Research Method.

- The sample - who and how many respondents will you include.
- Data collection method – will you use a mail, telephone survey, or personal interview?
- Design element – will you administer a survey?

Determine your information needs

What should you measure and how should you measure it?

1. **Collect the data** - Primary data is information you collected specifically for your research need. This data is customized and unique to your research, thus, not collected from research sources, like books, magazines, and government reports. Examples would include observation, Interviews, surveys, and expert estimation. Secondary data is

information gathered by someone else (e.g., researchers, institutions, other Non-Government Organizations, etc.) or for some other purpose than the one you pursue, or often a combination of the two. Sources can be country or technical reports, scholarly journals, trade journals, in-house or external publications, articles in business newspapers, and reference books.

You will determine the organizations that research the topic or product in question. Government documents and official statistics are great for starters but beware of the quality of their documents. They will vary depending on the country of study and resources dedicated to data collection.

There are several survey methods to choose from like mail and even telephone. If you run a survey determine the sources of the information needed and who you will approach. After making these decisions, you will collect the information and distribute a questionnaire or telephone respondents, etc. To cut the cost of collecting primary data, explore the prospect of using an omnibus survey, a quick, low-cost useful tool for preliminary research that contains consumer-related questions regularly administered by a research company to a very large sample of consumers. The research company will ask the right number of questions that get to the essence of needed data and obtains standard demographic information by profiling the sample.

2. **Analyze the data and interpret the results** - describe how the data collected will be analyzed and interpreted. The data you collect may require analysis possibly requiring the use of statistical tools that reduce the data, summarize it, and make the most important facts and relationships apparent. Recruit a qualified marketing researcher who must be able to select the correct statistical tool to

generate the information required.

3. **Report the findings and act on the conclusions.** It's time to take action by producing market forecasts, delivering insights on the market, and developing marketing campaigns that put your findings to the test. Even though your research is complete, it is not over. You should be collecting and analyzing data regularly to see what has changed over time and where you can improve. The more you know about the target market, industry, and companies involved, the more successful your marketing efforts will be.

A typical example of a multi-country market research project is that which a company conducted to estimate the market potential for a ladies' facial acne removing cream:

Research Problem: Estimating the dollar potential for a ladies' facial acne removal cream in Sri Lanka, Thailand, Singapore, and Bangladesh.

Research Hypothesis: Customers must be willing to purchase this premium product at a premium price over and above the best of local products.

Research Coordinators: The research project will be headed by a lady executive and the field surveyors will also be female executives. (Preferably)

Primary Data Research*:*

- 500 beauty and skin clinics from Sri Lanka, Thailand, Singapore, and Bangladesh
- 200 female clients to be interviewed, both through individual contact and focus group discussions

Secondary Data Research:

- Total sales of premium facial acne-removing creams in countries of research.
- Percentage share catered to by local manufacturers.
- The percentage share of international brands.
- The incidence of acne growth in the country

of research.

- The incidence of facial acne cream being used amongst ladies.
- Price variant between the premium segment and second-line products.

Sampling Procedure: a random selection from among the most frequented and popular clinics. Data to be collected:

- Data of customers from beauty and skin clinics.
- A questionnaire distributed through the clinics.
- Telephone interviews.
- Focus group discussions.

Analysis: Data collected will be analyzed using standard cross-tabulation analyses plus several multivariate statistical techniques to answer the key research questions.

- What is the underlying need structure with the ladies' facial acne removal cream market?
- How is the market segmented in terms of usage dynamics?
- What are the strengths and weaknesses of the Plethico ladies' facial acne removal cream?

At each of these six steps, you can expect to confront challenges such as:

1. **The complexity of research design due to environmental differences.** In developing your research design, you need a thorough understanding of the target country's culture to ensure you obtain satisfactory response rates, e.g., e-mail surveys to replace mail and phone surveys where the Internet is unavailable.
2. **Technical issues** may intimidate respondents resulting in non-response bias making factors such as overall response rate and non-response important.
3. **Lack and quality of secondary data.**

4. **Time and cost constraints** for collecting primary data are considerations for keeping the research project on schedule and affordable.

Don't let these research steps and challenges overwhelm your “know before you go” effort! Should the expertise not reside in-house, it pays to retain an in-country marketing research firm. The effort is worth the investment of time, manpower, and dollars. Market research, if done well, dispels any illusion about the target country's market and can be the key that unlocks the profit potential of the target market.

Emerging Markets

Experts in exporting are convinced that emerging countries offer many opportunities for lucrative exporting deals. From Thailand and Malaysia to Brazil and Colombia, exporters are targeting some of the most promising markets in the world thanks to domestically driven growth, favorable demographics, and supportive government policies. What are the countries that hold the most potential for exporting at the moment? Here’s a brief review of countries on which to focus your international business development efforts and outreach strategies. Also, find a list of products and services offering the greatest exporting potential.

- Africa - particularly -
  - Morocco, Kenya, Côte d'Ivoire (Ivory Coast), South Africa.

- Asia particularly
  - Indonesia, Malaysia, Thailand, Taiwan, and the Philippines

- Brazil, Chile, Peru, Canada, Mexico and Germany

Aircraft Parts, Automotive Parts, Building Products, Civil Nuclear, Cloud Computing, Cold Chain, Construction Equipment, Education, Financial Technologies, Industrial Automation, Manufacturing Technology, Medical Devices, Oil and Gas Equipment, Pharmaceuticals, Recreational Transportation, Renewable Energy, Smart Grid, and Technical Textiles

Should you consider any of these markets and others of interest get to know one and take the time to translate and customize your firm’s promotional materials to its language. You must ensure translation accuracy, and incorporate cultural nuances to convey your message completely and accurately, even taking the time to employ the services of a bi-lingual native speaker, if necessary.

Key Concepts

Solid market research is critical. Avoiding it or doing it poorly will lead you to inaccurate marketing conclusions, ineffective promotion and even having to withdraw from your target market, lost investment, and time.

Steps:

1. State the background or define the problem.
2. Identify the background, your objective, and a research design.
3. Determine your information needs.
   a. Collect the data
   b. Analyze the data and interpret the results
   c. Report the findings
   d. Act on the conclusions
4. Expect to confront challenges
   a. Complexity of the research design
   b. Technical issues.
   c. Lack and quality of secondary data
   d. Time and cost constraints

Part Two: Who and Where are Your Customers?

"There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.

– Sam Walton
American Business Magnate

One of the most important aspects of international markets is performing the same level of due diligence you exercise on domestic market research and narrowing your focus on the specific customer group in your target international market. The information that this process provides is invaluable, especially as you formulate a profitable marketing plan for your upcoming launch and efforts.

You are probably aware of the type of person you're trying to reach. Man, woman, young, old, employed, retired—the variables that can define your target audience are innumerable. You may think that a generic idea of your foreign target market is more than enough to build your business around, but in reality, it's important to get as narrow a focus as possible when defining your target. This includes not only information about your potential customers, but also how your potential competitors are working to reach those customers as well.

Chapter 5 -Your Offshore Market Entry Plan

"Marketing is the homework that we do before we have a product."

– Philip Kotler
marketing author,
consultant, and professor

Having isolated a target market, it is equally important that you prepare an international marketing plan that like your domestic marketing plan details the target market's needs/wants and determines the actions and factors that enable your business to satisfy them better than any competitor. As you know from producing your domestic market plan, the key is a disciplined, but logical planning process that allows you to define issues, answer questions correctly and make correct decisions. The most frequently cited shortcomings of international marketing plans, according to marketing executives, are a lack of realism, insufficient competitive analysis, and a short-run focus. Your plan needs to address long-term operations in a foreign market.

How then does an international marketing plan differ from a domestic marketing plan? What does it contain beyond the following typical domestic marketing plan items?

1. **Marketing background** –the information base from which the marketing plan is developed.

2. **Marketing plan** – direction for execution in the marketplace.

3. **Marketing execution** – the actual interaction with the target market.

4. **Marketing evaluation** – measurement of the level of success of the plan's execution.

Figure 1, <u>Domestic vs. International Marketing Plans</u>

as follows compares a domestic versus international marketing plan detailing elements you are familiar with – problems/ opportunities, sales goals, marketing objectives, competitive analysis, and a description of the target market, etc. against key differences for an international marketing plan. Among them are a thorough cultural analysis, a competitive analysis, the orientation of the marketing mix tools (product, promotion, place, and pricing) toward international customer requirements, competitive analysis, and government participation.

		Domestic		International
	1	Executive Summary	1	Executive Summary
	2	Introduction	2	Introduction
Marketing Background	3	The Business Review	3	The Business Review
	4	Problems/Opportunities	4	Problems/Opportunities
Marketing Plan	5	Sales Objectives	5	Sales Objectives
	6	Target Markets and Marketing Objectives	6	Target Markets and Marketing Objectives
		Target market (specific description of the market)		Target market (specific description of the market)
				Cultural Analysis
		Expected market share or market penetration rate		Expected market share or market penetration rate
		Expected sales in dollar volume		Expected sales in dollar volume
	6	Competitive Analysis	6	Competitive Analysis
	7	Plan Strategies - Positioning & Marketing	7	Plan Strategies - Positioning & Marketing
	8	Communication Goals	8	Communication Goals
	9	Tactical Marketing Mix Tools	9	Tactical Marketing Mix Tools
		Product		Product
		Product differentiators or competitive advantage		Product differentiators or competitive advantage
		Packaging		Packaging
		Support Services		Support Services
		Promotion		Promotion
		Major message thrust		Major message thrust
		Advertising—media mix, reach, costs		Advertising—media mix, reach, costs
		Sales Promotion—forms, objectives, and costs		Sales Promotion—forms, objectives, and costs
		Personal Selling		Personal Selling
		Miscellaneous promotional methods		Miscellaneous promotional methods
		Place (Distribution) Macro		Place (Distribution) Macro
				Port Selection
				Origin Port
				Destination Port
				Motor carrier)
				Documentation Required
				Bill of Lading
				Dock Receipt or Air Bill
				Commercial Invoice
				Shipper's export declaration
				Statement of Origin
		Place (Distribution) Micro		Place (Distribution) Micro
		Warehousing Needs		Warehousing Needs
		Retailers—Type of retail stores, scale of operation and markup		Retailers—Type of retail stores, scale of operation and markup
		Wholesalers—Type of wholesalers, scale of operation and markups		Wholesalers—Type of wholesalers, scale of operation and markups
				Import/Export Agents
		Pricing		Pricing
				Handling Expenses (pier charges, wharfage fees, loading/unloading charges)
				Customs duties
				Import taxes
				Wholesale and Retail Markups
				Company's gross margin
				Retail price
				Methods of Payment
				Government Participation
	10	Marketing Plan Budget and Calendar	10	Marketing Plan Budget and Calendar
		Annual profit and loss statement (first and fifth years)		Annual profit and loss statement (first and fifth years)
	11	Execution	11	Execution
	12	Evaluation	12	Evaluation

Figure 1: Domestic vs. International Marketing Plans

The Cultural Analysis

The cultural analysis should thoroughly describe the country in which your product is to be marketed, selecting pieces of information that show how or why your product is suitable for the country's culture. You may or may not include:

- **Country's relevant history and/or recent events**
- **Geographical Setting:** location, climate, and

typography

- **Description of Political System:** political structure and parties, stability of government
- **Population and Demographics:** total population size, distribution
- **Economic Statistics and Descriptions**: gross national product, personal income per capita, average family income, inflation rate, government social programs, labor force, principal industries, foreign investment, transportation modes and availability, communication systems, international trade statistics, description of religion and its impact on daily life, language, description of daily life and lifestyles, types of housing, recreation/sports and leisure activities, the impact of technology, availability, and impact of media, availability of channels of distribution.

The Competitive Analysis

Your competitive analysis needs to describe the competitive situation you face in your target international market:

- **Compare and contrast your product with competitors' products**: competitive brands (domestic and international) available in the market (features, packaging, pricing, promotion and advertising methods used, relative market shares, and strengths enjoyed in the market.

- **Estimated annual industry-wide sales** (or volume) of all brands.
- **Market Conditions Faced**: forms of available transportation and communication in the region, consumer buying habits—product feature preferences, use patterns, and shopping patterns, distribution of similar or competitive products—typical retail outlets used and sales by other middlemen, advertising and promotion (media that can be used to reach a target market, sales promotions customarily used in this product category (samples, coupons, etc.), pricing—customary markups and types of discounts available for this kind of product.

- **Your product strategy**: differentiation, packaging, and support services.

- **Your pricing strategy**: handling expenses (pier charges, wharfage fees, loading/unloading charges), customs duties, import taxes, wholesale and retail markups, company's gross margin, retail price, methods of payment (cash in advance, open account, consignment, sight/time/date draft, letter of credit, etc.). All your costs must be accounted for to identify costs and arrive at a price the market can afford and a profit level you can accept.

- **Your distribution strategy** (***macro***): port selection (origin and destination), delivery mode selection—specify your mode of choice and discuss the advantages/disadvantages of each mode for reaching your country (railroad, air carrier, ocean carrier, motor carrier), documentation required (bill of lading, dock receipt or air waybill, commercial invoice, certificate of origin, electronic export information, shipper’s letter of instruction [See Appendix A for a description, consult a logistics professional for use and completion of these and other exporting forms).

- **Your distribution strategy** (***micro***): distribution channel, warehousing needs, retailers —the type of retail stores, the scale of operation (large or small), and retail markup, wholesalers—type, the scale of operation, and wholesale markups, import/export agents.

Last, but not least, your international marketing plan must also take into account government participation, agencies at home and in the target market as well as the regulations you must follow.

You want to be open-minded and innovative, but also methodical and consistent as you prepare and write your marketing plan. As you prepare the background section and the marketing plan itself, have separate sheets of paper handy with headings of the problems, opportunities, and each step of the marketing plan under which you can jot down relevant ideas as they occur to you. Evaluate the application of each idea as you write each section of the marketing plan to which it pertains.

In crafting your international marketing plan, you can avoid the risk of losing sales, minimize costs and maximize profits. Take note of the difference between a domestic and international marketing plan. There are significant differences that require research and cannot be overlooked. You have generated a marketing plan here in your domestic market. It is equally doable and important for an overseas market as well.

Key Concepts

Solid market research is critical. Avoiding it or doing it poorly will lead you to inaccurate marketing conclusions, ineffective promotion and even having to withdraw from your target market, lost investment, and time.

Steps:

1. State the background or define the problem.

2. Identify the background, objective and develop a research design.

3. Determine your information needs.

a. Collect the data
b. Analyze the data and interpret the results
c. Report the findings
d. Act on the conclusions

4. Expect to confront challenges

a. Complexity of the research design
b. Technical issues.
c. Lack and quality of secondary data
d. Time and cost constraints

Chapter 6 - Building Relationships That Work

All lasting business is built on friendship.

– Alfred A. Montapert
engineer, philosopher, and author

International customers typically have limited initial contact with you. Once an overseas customer makes its inquiry, you must cultivate that relationship as much as you would cultivate a domestic customer. That entails acknowledging its inquiry and responding to your international prospect notifying them of key personnel in your organization and their contact information.

Responding to Offshore Inquiries

Typically, the initial contact will be a Request for Information enabling your customer to gather non-competitive information or comments enabling him to qualify suppliers for a follow-on Request for Proposal, the second step of a longer sourcing process. In this step, international customers inform you of their business needs and ask you to propose how you would satisfy those needs. In requesting a proposal, your international customer seeks which goods or services you offer and collects information about specifications, your production capacity, pricing, payment, and delivery. Customers will use this information to intelligently determine follow-on activity, ceiling prices, and importantly, the total cost of ownership.

Responding to your international customers with clear, specific, complete, and accurate information is an excellent opportunity to promote sales and goodwill, critical to the near and long-term success of your company's efforts. If you need to meet a deadline, send the information via email. Unlike telephone communications, email may be used effectively despite differences in time zones and languages. Because of distance, international customer contact can grow "stale" and fade unless the initial business relationship is active and kept up to date.

Learning about Potential Clients

There are many ways to research an international customer before conducting any formal business. You can save time and money by conducting basic research using these methods:

Business Libraries. Several private sector publications list and qualify international firms. There are also many regional and country directories.

International banks. Bankers have access to vast amounts of information on international firms and are usually very willing to assist corporate customers.

International embassies. International embassies are located in Washington, D.C. and, major capitals; some have consulates in other major cities. The commercial (business) sections of most international embassies have directories of firms located in their countries.

Sources of credit information. Credit reports on international companies are available from many private sector sources.

Face-to-Face meetings are the best way to build relationships and trust between the parties to any transaction. This is especially the case with customers in high-context cultures in which communication is steeped in and guided by historical references, community relationships, and family interactions that require direct, personal contact, e.g., China, India, and Japan. Thereafter, virtual meetings may be appropriate, but only after you conduct initial face-to-face meetings. Generally, face-to-face meetings are essential when large amounts of information must be conveyed, when your customer has unique needs, product adaptation is required, and when you face competition from competitors well-entrenched in the marketplace.

Trade exhibitions are a great way for a company to make connections and get an idea of what commodities are in demand in different markets, and

Regular travel to the customer's international market and meeting with them and others are important to your success in that market. Doing so enables you, and senior personnel to learn more about the international marketplace and the importance of building a strong, productive relationship with customers there.

Ask for referrals from sources you trust. Building effective business relationships entail building trust and, when possible, speaking the language. Trust lies at the heart of successful long-term intercultural business relationships since partners from different cultures don't always have the same values or assumptions about how business works. When trust is developed, partners can navigate difficult issues over time by fostering a candid exchange of ideas, issues, and agendas. The trust deficit between executives is less stark when it comes to trust based on competence, reliability, and the personal dimension of trust. In many languages, as in English, one word or sentence can mean different things. Always have excellent translators for important discussions to make sure nothing gets lost or misinterpreted. Above all, understand all the issues involved in your counterpart's underlying interests and sentiments towards them.

Other Keys to Being Successful

If you look across the Internet at government and other websites promoting exports and international trade, you will find those websites reflect a variety of approaches and criteria that you must satisfy to be "export ready." You will rarely find a definition so a concise definition is needed. So how about the following:

> An export-ready firm has, at a minimum, the drive, experience, financial resources, and capacity to successfully meet demand and deliver a marketable product or service at a competitive price in an international market.

Another source defines “export readiness as:

- Management commitment.
- Identified primary target markets.
- Selected market entry strategies.
- Developed international marketing plan.
- Prepared programs and forms to select and serve international prospects.

To be export ready assumes you have the resources to start and continue exporting, but you must also be faster, smarter, and better than the domestic competition and other exporters to the target international market. Take a look at how you are doing in your home market to determine how well you will do somewhere else. The last element of critical importance in our definition is export experience or expertise. Without this, your entry into international markets becomes very challenging.

Let’s answer some key questions crossing your mind. Realize that exporting goods and services present quite different challenges. The former must deal with packaging, customs, and physical delivery, among other things, while the latter entails work permits, credential validation, language, and travel to and from the target market. When exporting goods it is also important to remember that there is often a service component to expect (installation, training, service, warranty, etc.). Right?

First, determine your motivation and identify organizational factors - resources and knowledge you already possess or need to acquire. In your market and companies competing in other markets, the competition has its reasons, but principally it sees exporting as a means of expanding for the long term, enhancing its competitive advantage, exploiting its unique technology/ expertise, and improving return on investment. So consider your firm. Do you have?

- Clear and achievable export objectives and management commitment to them?
- A realistic idea of what exporting entails and how soon you could achieve results?
- An openness to new ways of doing business?
- An understanding of what is required to succeed in the international marketplace?

Success in international markets through exporting requires establishing an international sales and marketing program. You will have to identify markets, develop relationships with prospective customers, and pursue and fulfill transactions that align with what you want to achieve.

So consider your company's marketing plan, does it have:

- Resources to do market research on the exportability of your product or service?
- Proven, sophisticated market-entry methods?
- Personnel with culturally-sensitive marketing skills?
- Ways of dealing with language barriers?
- Efficient ways of responding quickly to customer inquiries?
- A local representative for marketing efforts?

Expanding domestic markets is challenging in and of itself, let alone off-shore. International trade tests your overall competitiveness. Your firm's entry into international trade and interfacing with international customers will enable you to see new customer product needs and trade requirements. You may develop new product ideas and technologies, even new in-country and domestic partnerships. Consider your firm's products and services. Do you have?

A product or service that is potentially viable in target markets?

Consider:

- Who already uses your product or service?
- Is your product or service in broad general use or limited to a particular group of consumers?
- Is your product or service popular with a certain age group?
- Are there other significant demographic patterns to its use?
- What climatic or geographic factors affect the use of your product or service?
- Are modifications required to make your product appeal to international customers? Take time to investigate.
- What is the shelf life of your product? Will shelf life be reduced by time in transit?
- Can the packaging be easily modified to satisfy the demands and interests of international customers?
- Is special documentation required? Does your product have to meet any technical or regulatory requirements?
- How easily can your product be transported?
- Would transportation costs make competitive pricing a problem?
- Do your products require professional assembly or other technical skills?
- Is after-sales service needed? If so, is it available locally or do you have to provide it? Do you have the resources to do this?
- If you're exporting services, what is unique or special about them?
- Are your services considered to be world-class?
- Do you need to modify your services to allow for

differences in language, culture, and business environment?

- How do you plan to deliver your services: in person, with a local partner, or by electronic means such as the Internet?

Can you:

1. Obtain enough capital or lines of credit to produce the product or service?
2. Find ways to reduce the financial risks of international trade?
3. Find sources for advice on the legal and tax implications of exporting?
4. Deal effectively with different monetary systems and ensure the protection of its intellectual property?
5. Handle the extra demand associated with exporting?

Success in off-shore markets can be developed from superior product technology, packaging, after-sale service, delivery, and competitive pricing. You will have to plan your success. It is not an overnight proposition and it is <u>not</u> impossible regardless of your company size. To succeed in international markets, you don't have to be a big firm. Tens of thousands of companies– are exporting and are doing very well. Seriously consider your firm’s prospects and what it has to offer in export markets. In economic times like these, the effort is more than worthwhile!

Key Concepts

Responding to overseas inquiries should lead to a request for a proposal by which you are asked to propose how you will satisfy customer needs.

There are many ways to research and qualify an international customer: business libraries, international banks, and embassies, sources of credit information, face-to-face meetings, and trusted referrals.

Other keys to being export ready include determining your motivation, organization resources, and knowledge you already have or need to acquire such as superior product technology, packaging, after-sale-service, delivery, competitive pricing, and an international sales and marketing program.

Chapter 7 - Why You Needn't Go It Alone!

"Life, if you live it right, keeps surprising you, and the thing that keeps surprising you the most…is yourself"

– **William Deresiewicz author, essayist, and literary critic**

You really can master international markets and you needn't go it alone. And here's how. Home-country firms generally have government agencies, lead producing and sales-generating programs, and non-government support to turn to for assistance in international business development. You can call on the resources and their various departments.

Government Sources

Home country economic development agencies, departments of commerce, and export promotion agencies often provide an array of services to aspiring exporters with many maintaining international offices in major markets. Many countries staff regional economic development agencies with export assistance programs that typically support:

1. Trade missions organizing trips abroad enable exporters to call on potential international customers.
2. Trade shows organize and sponsor exhibitions of state-produced goods and services in overseas markets.
3. Executive visits with international government officials and business leaders to bolster economic and diplomatic relationships with other countries.
4. Education in the form of group seminars or individual counseling sessions helps exporters analyze their international market potential and orients them to export techniques.

Non-Government Sources

Non-government sources offer a full array of trade solutions enabling exporters to smoothly complete their transactions, and mitigate risk and other concerns.

Commercial Banks - have long been involved in international finance and the import-export industry. The global nature of commercial banking makes possible the reliable transfer of funds, and distribution of valuable economic and business information about customers and capital markets around the globe. With international branch banking, commercial banks offer a full range of trade solutions enabling exporters to smoothly complete their transactions while mitigating risks lurking in import/export transactions. Consultation, guidance, seminars, and even publications covering particular countries and their business practices, are frequently offered free of charge or at reduced cost since the banks derive their income from loans and export-related services: letters of credit, managing international receivables, converting and trading international currencies).

Export Intermediaries - as reflected in the following list of players, perform a multitude of services that can often take full responsibility for the export end of the business, relieving the manufacturer of all the details except filling orders. Export Marketing Companies (EMCs) and Export Trading Companies (ETCs) can launch a firm’s entry into international markets without the time and finance resource commitments required of a firm new to global markets, provided you are willing to trust brand development to others. The manufacturer maintains control over the export process while benefiting from the knowledge, expertise, and connections of these intermediaries. The EMC/ETC, working on commissions, salary, or retainer plus commission, assumes responsibility for finding overseas buyers, shipping products, and collecting payment until the manufacturer can assume marketing, sales, and distribution tasks on its own.

Export Merchants purchase products directly from the manufacturer, mark, and package the goods using their specifications and preferences, selling these products overseas. **Export Agents** - represent the manufacturer, act under their name, and generally contract for two years or less.

Export Commission Houses – as agents for the export buyer, seek out manufacturers of products requested by importers. The commission house handles the majority of the transaction, thereby relieving both the exporter and the importer from a great deal of work.

Export Brokers bring buyers and sellers together and are removed from handling or distributing the exported goods.

A Buyer for Export – represents large consumers of industrial goods, such as international government purchasing missions.

Freight Forwarders - manage overseas shipments of goods to international ports in return for a fee or product discount.

World Trade Centers (WTCs) and International Trade Clubs - are non-profit, non-political associations that stimulate trade and investment opportunities for businesses looking to connect globally and prosper locally. WTCA membership includes over 320 WTCs in almost 100 countries with over 750,000 affiliated companies. Both organizations feature presentations and educational opportunities by experts enabling the local business community to acquire practical skills and long-term strategic contacts for advancing international business development.

Chambers of Commerce and Trade Associations locally promote, protect and represent the interest of businesses of all sizes in the community. They exist in many forms and at various geographic levels –

local, area, regional, and international. Many exist with one full-time staff member, but thousands exist as volunteer entities. Trade associations, known as industry trade groups, business associations, or sector associations, are organizations founded and funded by businesses that operate in a specific industry. Depending on the interests of their membership and available resources, each provides sophisticated and extensive services for members interested in exporting.

International Trade Consultants and Advisers, depending on their specialty, global region, or country, can assist manufacturers in many aspects of exporting. Although possibly lacking expertise in specific products, international trade consultants and trade advisers can perform a variety of services to ensure a smooth introduction of manufacturing operations, and product and service entry into international markets. Many large accounting firms, law firms, and specialized marketing firms, acting in a consulting capacity, are knowledgeable about international government regulations, contract law, and regulations. It is particularly important to carefully evaluate their expertise to ensure your specific needs and requirements are adequately addressed. Since consultants tend to be expensive, it is best to first maximize publicly funded sources of advice before turning to consultants and trade advisers.

Take advantage of private and government sources that offer help to aspiring international entrepreneurs in locating customers. Home country agencies elsewhere may have their equivalents. Both avenues, government and private, offer rich possibilities for locating customers and generating sales. Given that many of these sources of support cost nothing but your time, take advantage of them and don’t go it alone. It’s up to you and your team to make the first move toward seeking market entry contacts and guidance!

Who Will Represent You?

How can you sell abroad? Cash in on offshore markets by exporting through international sales representatives that can deliver against your firm's tactical and strategic needs. Strong in-market representation is often critical to export success. In addition to directly dealing with your clients, a good sales representative is your sales partner who can provide you with several benefits:

- Access to local market knowledge and developments.
- On-going market intelligence about competitors and trends.
- Someone to assist with local rules and regulations, e.g., labeling requirements
- In-market customer support for inquiries, support, and warranty.
- Likelihood of an established network of retailers and wholesalers, saving you time and market development costs

If you feel apprehensive, view the challenge of selecting and selling through sales representatives as an opportunity to grow your business and develop additional competitive advantages beyond domestic shores. Many could be more successful and sustainable if they would only export their products and services selling them either directly or through international sales representatives. There are three types:

An **Agent** is a firm that acts under your direction and control. The agent has no authority to enter into binding agreements on your behalf without your prior permission. This means that you, not the agent, establish the price and all other terms of the sale. Until the sale is accomplished, you, not the agent, retain ownership of the goods and bear most of the economic risk. Agents are usually paid a commission.

A **Distributor** is a firm that purchases your goods from you for resale to others. The distributor acts under its direction and control. This means that the distributor establishes the resale price and all other terms of the sale. After your sale to the distributor is complete, the distributor bears the economic risk if something goes wrong with its sale of your product.

A **Consignee** is like an agent that never owns the goods. Therefore, you will generally bear the economic risk of loss, if something goes wrong in the sale of your product. Generally, you control the sale price and all other terms. However, the consignee acts under its direction and control regarding the marketing and sale of the goods and so has the power to complete a sale.

By using a sales representative, you will minimize up-front costs and the possibility of subjecting your business to international laws but check with international legal counsel in this regard. You will also reduce the risk of instability that might occur within the country and you will reduce the extent to which international taxes and domestic tax rules apply to you. You will probably have less control over an independent sales representative than you would have over an employee. If you are not producing the goods in your international market, you may be subject to import and export rules, customs, and duties. Finally, you may defer or reduce income taxes in repatriating funds.

Exercise care in selecting a sales representative. You want to maintain your good reputation in the marketplace and avoid unduly exposure of your firm to product liability. Thus, you should tailor a checklist of questions for potential sales representatives according to your needs, trade, and bank references. Additionally, seek any prospective representative's assessment of the in-country market potential for your firm's products. Such information is useful in gauging how much the representative knows about your industry; it provides valuable market research as well.

Just as you seek information on the international sales representative, the international sales representative will seek product and corporate information on your firm. You should provide full information on its history, resources, personnel, product line, previous export activity (if any), and all other relevant information.

Once your company has prequalified international representatives, obtain their standard representation agreement. While you may ultimately counter-propose your agreement, the sales representative's representation agreement will provide insight into the representative's negotiating position and can be the starting point for you're the agreement terms you propose. Be sure to retain target in-country legal counsel as well as domestic legal counsel to inform you of any potential legal pitfalls. For example, many international countries will not let you terminate a sales representative without paying compensation or "just cause." That requires your monitoring your representative's activities, should it become necessary to sever your distributor/representative agreement and seek assurance in that agreement that your representative will comply with international trade laws.

After assuring yourself there are no adverse international laws or consequences, your representation agreement will need to contain many provisions. Some provisions need to address:

- Whether the representative is an agent, distributor, or consignee.
- Whether the representative may assign or delegate any duties.
- Whether the representation is exclusive or non-exclusive.
- Period of agreement
- The scope/size of the representative's sales territory.
- Products – description, and catalog.
- Sales performance targets, minimum orders, and sales reports.
- Who is authorized to submit a proposal and the extent of authorization to submit a proposal.
- Who may approve an order with specifics addressing delivery time timing, pricing, terms of payment, and all other sales terms and conditions.
- Who will deliver and install the goods, if they require installation.
- Who has title to the goods and when the title does pass.

- How much and what type of security will assure your and his performance.
- Training and technical support
- Advertising and promotion costs.
- Compensation rate, the currency in which it is paid, and the impact of exchange rates.
- Arbitration – country of location, rules, and form.
- Controlling law of the agreement of a mutually favorable neutral country.
- Where disputes will be resolved, the manner of resolution, which country’s law (preferably U.S. law), and what language will be used.
- Termination of agreement/early termination for breach of agreement
- Communication costs – each party to cover its costs
- Compliance with international trade laws.
- Confidentiality of agreement.

International market expansion offers many opportunities for companies large and small to boost their revenues and profits by introducing new, innovative products and services to the international marketplace through international sales representatives. That expansion and profitability can be achieved through export sales through international sales distributors/representatives and an international sales agreement tailored to the mutual needs and interests of your customer, your partner, and your firm.

Key Concepts

Home-country firms generally have government agencies, lead producing and sales-generating programs, **and non-government support** to turn to for assistance in international business development.

Government export assistance programs include trade missions, trade shows, executive visits, and education opportunities. **Non-government sources include** commercial banks, export intermediaries (EMCs/ETCs), export merchants and agents, export commission houses, export brokers, buyers for export, freight forwarders, World Trade Centers and International Trade

Clubs, chambers of commerce and trade associations, international trade consultants and advisers. **Selecting international representation** is often critical to export success and there are three types: agent, distributor, or consignee. Exercise care in your selection.

Part Three: Make the Sale: International Trade Procedures, Regulations, and Practices

"Free trade is important and it will not go away - it's for us just to make sure we are on top of it."

— Mattias Hedwall, Global Head of International Commerce & Trade at Baker & McKenzie International

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Conducting business in the international economy offers great rewards, but involves limiting risks in business transactions. The primary legal tool for such purposes is the international business transaction agreement or contract. Examples of international business transaction agreements include international sales contracts, international distribution agreements, supply agreements, intellectual property licenses, franchise agreements, development agreements, letters of credit, joint venture agreements, and others, as well as hybrids and combinations of these agreements. You will likely start with an international sales contract. To ensure profitability and a level of risk you and your customer are comfortable with, make sure you address all contract elements, issues, and remedies.

Chapter 8 - Make the Sale: Proposals, Shipping, and Payment

"You'll never remember every deal that's fallen through, but you will remember the big ones you've closed. At the end of the day, it's the results that matter."

— Tony Robbins
author, coach, speaker, and philanthropist

Among the most critical challenges and complex issues, you will face in growing your offshore markets will be pricing your products and services to include all the costs in their production and delivery, quoting completely and accurately, and choosing terms of sale and delivery to your overseas customer.

Pricing

Your pricing policy may make or break your overseas expansion efforts. You will also be challenged to coordinate pricing policy across different countries so it's vitally important to get pricing policy right. A mixture of factors governs your international pricing decisions. Some of the drivers are related to the so-called four Cs: company (costs, goals), Customers (price sensitivity, segments), Competition (nature, intensity), and Channels. Aside from these, in many countries, pricing decisions are often influenced by government policies.

When developing a pricing strategy for your international markets, determine the goals you want to accomplish with your pricing. You may want to maximize current profits or project a premium image. The most important pricing objectives of most companies doing business in the United States (including international-based firms) are: 1) to achieve a satisfactory return on investment,

2) to maintain market share, and 3) to meet a specified profit goal. Initially, you may set a relatively low market penetration price (compared to other countries). Once you are well established, you may shift your objectives and align them with the goals you pursue elsewhere.

Company costs set the floor in your pricing decisions. So, you want to set a price that will at least cover all relevant costs for manufacturing, marketing, and distributing your products. The most popular practice is cost-plus pricing, an approach that adds international costs and a markup to the domestic manufacturing cost. An alternative approach is dynamic incremental pricing, a strategy that arrives at a price after removing domestic fixed costs. Only variable costs generated by the exporting efforts and a portion of the overhead load should be recuperated. Examples of exporting-related incremental costs include manufacturing costs, shipping expenses, insurance, and overseas promotional costs. Although the second approach is more acceptable from an economic perspective, you don’t want to be accused of dumping products in your new market.

Consumer demand and buying power are key considerations. Consumers’ perceived value attached to your product will set a ceiling for the price. Consumer demand is a function of buying power, tastes, habits, and substitutes, all factors that vary from country to country. One option is to go for the mass market by adjusting the product. You might even consider downsizing the product (small volume, size, fewer units per package) or lowering the product quality, or charging prices in the same range as your domestic price and targeting the upper end of the international market.

There is no doubt about competition being a key factor in international pricing. Differences in the competitive situation across countries will usually lead to cross-border price differentials. Not surprisingly product prices tend to be very low in markets where competing brands are priced low and vice versa in high-priced markets. The competitive situation may vary for several reasons. First, the number of competitors typically varies from country to country. In some countries, you face very few competitors or even enjoy a monopoly position, whereas, in other countries, you have to combat numerous competing brands. Second, the nature of competition will differ between international versus local players, and private firms versus state-owned companies. The third is the distribution channel. The pressure exercised by channels can take many forms. Variations in trade margins and the length of the channels will influence the ex-factory (an Incoterm) price you charge.

Last, but not least, government policies can have a direct or indirect impact on pricing policies. Factors that have a direct impact include sales tax rates (e.g., value-added taxes), tariffs, and price controls. An increase in the sales tax rate will usually lower demand. However, in some cases taxes may selectively affect imports. Another concern is price controls that either affect the whole economy (for instance, in high-inflation countries) or selective industries. Aside from direct intervention, government policies can have an indirect impact on pricing decisions. For instance, huge government deficits spur interest rates, currency volatility, and inflation. How these factors interrelate will affect product cost and ultimately you will have to decide what costs should be passed on to your customers.

As you can see there is much to consider in arriving at a pricing policy. Learn as much as possible about your target market(s) and be smart about pricing. It affects your bottom-line success.

Quotations

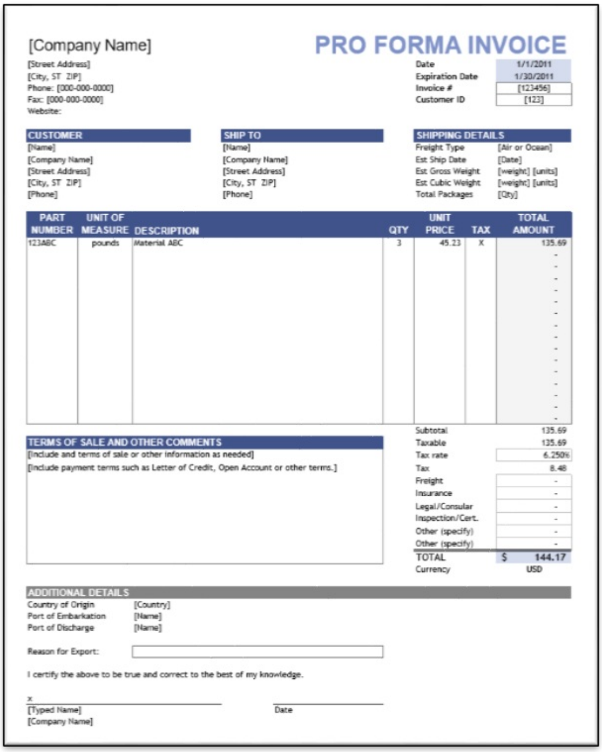
Many export transactions, particularly initial export transactions, begin with the receipt of an inquiry from abroad that is followed by a request for a quotation. The preferred export method is a pro forma invoice, a quotation prepared in invoice format.

A quotation describes the product, states a price for it, sets the time of shipment, and specifies the terms of the sale and payment. Since your foreign customer may not be familiar with the product, the description of it in an overseas quotation usually must be more detailed than the description you use in a domestic quotation. The description should address the following 15 points:

1. Seller and buyer names and addresses.
2. Buyer's reference number and date of inquiry.
3. Listing of requested products and a brief description.
4. The price of each item (it is advisable to indicate whether items are new or used and to quote in your home currency to reduce foreign-exchange risk).
5. Appropriate gross and net shipping weight (in metric units where appropriate).
6. Appropriate total cubic volume and dimensions packed for export (in metric units where appropriate).
7. Trade discount (if applicable).
8. Delivery Point.
9. Terms of sale.
10. Terms of payment.
11. Insurance and shipping costs.
12. The validity period for a quotation.
13. Total charges to be paid by the customer.
14. Estimated shipping date from shipping port or airport.

15. The currency of the sale.

FIGURE 2 PRO FORMA INVOICE



[Company Name]
[Street Address]
[City, ST ZIP]
Phone: [000-000-0000]
Fax: [000-000-0000]
Website:

PRO FORMA INVOICE

Date	1/1/2011
Expiration Date	1/30/2011
Invoice #	[123456]
Customer ID	[123]

CUSTOMER	SHIP TO	SHIPPING DETAILS	
[Name]	[Name]	Freight Type	[Air or Ocean]
[Company Name]	[Company Name]	Est Ship Date	[Date]
[Street Address]	[Street Address]	Est Gross Weight	[weight] [units]
[City, ST ZIP]	[City, ST ZIP]	Est Cubic Weight	[weight] [units]
[Phone]	[Phone]	Total Packages	[Qty]

PART NUMBER	UNIT OF MEASURE	DESCRIPTION	QTY	UNIT PRICE	TAX	TOTAL AMOUNT
123ABC	pounds	Material ABC	3	45.23	X	135.69

TERMS OF SALE AND OTHER COMMENTS
[Include and terms of sale or other information as needed]
[Include payment terms such as Letter of Credit, Open Account or other terms.]

Subtotal	135.69
Taxable	135.69
Tax rate	6.250%
Tax	8.48
Freight	-
Insurance	-
Legal/Consular	-
Inspection/Cert.	-
Other (specify)	-
Other (specify)	-
TOTAL	$ 144.17
Currency	USD

ADDITIONAL DETAILS

Country of Origin	[Country]
Port of Embarkation	[Name]
Port of Discharge	[Name]

Reason for Export:

I certify the above to be true and correct to the best of my knowledge.

x
[Typed Name] Date
[Company Name]

Pro forma invoices (see Figure 2, Pro Forma Invoice) are not used for payment purposes. The pro-forma invoice should include two statements. One that certifies the pro forma invoice is true and correct and another that gives the country of origin of the goods. The invoice should also be marked "pro forma invoice."

FIGURE 3 COMPLETED PRO FORMA INVOICE

PRO FORMA INVOICE

FROM: Innovation Technologies 983 Stanley Ave. San Diego, CA 93820 (619) 567-1938	DATE: May 8, 2017 Reference No.: 3245 Payment Terms: Letter of Credit Country of Origin: USA Estimated Date Of Shipment: 45 days QuoteValid Through: October 8, 1995
SOLD TO: Grupo Estevez, S.A. de C.V. Tamales No. 1 Piso 2 18378 Cd. Polanco Mexico	SHIP TO: Juarez Industriale 454 Blvd. Cortez 1114 Mexico D.F. Mexico

Quantity	Description	Unit Price	Total Price
100 each	Computer Motherboards Five (5) sealed cartons Gross Weight: 10 lbs.	US $ 50.00	US $ 5,000.00
		EX Factory	5,000.00
		Freight Forwarder Fees	100.00
		Air Freight	1,200.00
		Insurance	20.00
		CIF Mexico	US $ 6,320.00

Price, availability and delivery subject to confirmation at time of order.

Authorized Signature ___________________________
Date_______________________

Pro forma invoices are models that the buyer uses when applying for an import license, opening a letter of credit, or arranging for funds. Detail your invoice carefully, since your buyer may construe the information within it as a legally-binding offer you make. As a matter of good business practice, you should ensure your buyer can calculate all costs from the pro forma invoice.

It is a good practice to include a pro forma invoice with any international quotation, regardless of whether it has been requested or not. When final commercial invoices are being prepared before shipment, check with a reliable source for any special invoicing requirements that may be required by the importing country.

If you specify the agreed-upon price, you should also specify the precise period during which the offer remains valid, 30, 60, 90 days, or longer. If you do not guarantee the price, state explicitly that prices are subject to change without notice.

Terms of Sale

When companies first enter the international trade arena, they often become confused by the various trade terms that are bandied about by their international suppliers or customers. After years of dealing with domestic trade terms, they are suddenly overwhelmed by a new set of terms. In any sales agreement, there must be a common understanding of the delivery terms since confusion over their meaning can result in a lost sale or financial loss. The terms in international business transactions often sound similar to those used in domestic business, but they frequently have very different meanings. For this reason, you, as the exporter, must know the terms before preparing a quotation or a pro forma invoice.

A complete list of important International Commercial Terms (‘Incoterms®’), internationally recognized standard terms of trade used in sales contracts are detailed in *Incoterms 2020*, a booklet issued by the International Chamber of Commerce (ICC) Publishing Corporation, Inc., 156 Fifth Avenue, Suite 820, New York, NY 10010; telephone 212-206-1150 (The ICC also provides model contracts and clauses providing the parties a neutral framework for their contractual relationships). Incoterms are used to ensure the buyer and seller each know which of the parties is responsible for transporting goods sold, including insurance, taxes, and duties, the locations at which the goods should be picked up and transported, and which of the parties is responsible for the goods sold at each step during their delivery.

It is important to understand and use Incoterms correctly. A simple misunderstanding may prevent you from meeting your contractual obligations or make you responsible for shipping costs you sought to avoid.

Quote CIF or CIP whenever possible, as it shows the foreign customer the cost of getting the product to or near the desired country. If you need assistance in figuring CIF or CIP prices, an international freight forwarder can help. Furnish the freight forwarder with a description of the product to be exported, its weight, and cubic measurement when packed. The freight forwarder can compute the CIF price usually at no charge. If at all possible and importantly, quote pricing in the appropriate domestic currency to eliminate the risk of exchange rate fluctuations and problems with currency conversion.

Last but not least and importantly, should your customer (a commercial entity, even a distributor who takes title to the merchandise) accept your sales proposal and indicate its willingness to enter into a binding contract, be sure you execute (sign) the agreement in your home country to avoid exposing yourself to tax liability from your customer's country. A best practice is conferring with your tax counsel or Certified Public Accountant.

Packing and Shipping with the Right Documentation

Across a wide number of industries, the way companies market to international customers has changed dramatically demonstrating that we have now entered the "Age of the Customer." Companies engaged in international business are now more than ever responsive to the needs and interests of their customers. This new-found appreciation for the customer is leading international companies to compete for market share through a variety of novel methods that includes freight forwarding, the coordination and shipment of goods from one place to another by carriers via air, sea, rail, or highway.

International freight forwarders serve companies seeking a high level of organization, transparency, and flexibility by quoting the buyer and seller the cost of shipping, port charges, consular fees, the costs of special documentation, insurance, and handling fees. They also recommend packing methods that protect merchandise during its transit and can arrange to have merchandise packed at the port or site of containerization. If your firm, as a shipper prefers, the freight forwarder can reserve the necessary space on a vessel, aircraft, train, or truck and even prepare the bill of lading and any special required documentation. Lastly, freight forwarders move shipments from the pick-up point to the air or seaport and route documentation to the seller, the customer, and even a paying bank. So, freight forwarders offer international businesses incredible value enabling businesses to focus on their core competencies – manufacturing, selling, and servicing their customer.

Now that you know what services freight forwarders perform, do you need their support for your international customers? Answering that question requires examining your business needs and carefully considering the benefits of retaining the “right” freight forwarder.

With the help of the “right” freight forwarder, your international business can focus on growing and improving business in several world markets without having to worry about the logistics of shipping. Freight forwarders may not be required for every shipment you make but a close comparison of your international business needs against their services will determine whether or not a freight forwarder is a right fit for your shipments. The “right” freight forwarder fulfills the role of your logistics department in serving your customer.

Some forwarders are more familiar with certain aspects of trade than others. Therefore, it is a wise business decision to interview each forwarder focusing on the following questions.

Does the freight forwarder:

- Have an office near your shipping port?

- Have experience handling your type of product and shipping to your market?
- Have experience with the type of carriers you require?
- Have a good credit rating?
- Have favorable shipping rates and delivery schedules?
- Receive good recommendations from carriers?
- Belong to a professional association or organization?
- Have expertise shipping to your buyer's country?
- Have a reputation for friendliness, competence, efficiency, reliability, cost-effectiveness, trustworthiness, and using fair business practices?
- Is the forwarder bonded and licensed?

It is always important to choose the right forwarder for your type of business, unless your customer has selected its forwarder and is paying for all or most of the charges on a collect basis, usually more common with airfreight than sea freight shipments.

Shipping

To minimize the complexity of shipping realize that many people and companies will be involved in the physical act of moving products, an integral part of growing your international markets. As a prospective exporter, you and your team should learn about the logistics of moving your product between your manufacturing facility and your target markets. Although there are many aspects of growing the international markets that allow you to be creative, there is no room for error in ensuring you comply with the contracted delivery time of the product to your customer.

The variables that impact shipment logistics and distribution are many. Thus, familiarizing yourself and your team with the businesses and parties that have temporary control over the processing, handling, and movement of your shipments is important. You will likely have direct contact with only one or two of the companies involved and little or no contact with the others. So let’s take a look at the players and their roles.

The Shipper - This is you, the person/firm making the shipment.

The International Shipping Company – is the company you will sign the contract with to oversee your shipment.

The Origin Agent - is the local company that will see what is being shipped to ensure the accuracy of the company quotation.

The Freight Forwarder -handles air and ocean freight.

The Customs Broker - the individual or company licensed to perform transactions at ports on behalf of other parties.

The Consolidating Warehouse If you do not have an exclusive container (an ocean container holding only your shipment), your goods will need to be loaded into a container with other cargo.

The Export Port - is the actual port where the container is brought (already loaded and sealed) to be loaded onto the aircraft or ship.

The Air or Ship Line - is the company that will issue the “Master Bill of Lading” or “Seaway Bill of Lading.”

The Destination Port - is where the goods are finally unloaded in the country of destination.

The Customs Bonded Warehouse - This is the destination warehouse where your goods will be held until they clear customs.

The Destination Agent - is the company in the destination country that will handle the customs clearing procedures, dealings with the port, and delivery to your customer.

All these players have an essential role in the making of your international shipments and the cost of their services must be accounted for in the preparation of the bill of lading and the pricing you quote and charge customers in the target market. It is essential to understand the role each plays and to accurately identify their costs, if any, to avoid negative impacts on your bottom line.

Last, but not least, it is necessary to mention the importance of packing and packaging. In addition to getting competitively priced freight rates and quotations for services, you, as the shipper, must ensure your product arrives in excellent condition and must pay attention to the stress that international transportation, especially ocean shipment, places on your shipment(s). Top-grade packing and packaging products will ensure your shipments arrive in good condition. The complexity of packing and packaging requires in-company specialists or third-party experts who can evaluate and design specific packing and packaging solutions.

Methods of Payment

Now to the most important part, getting paid summarized in table 1, Comparison of Methods of Payment. Mechanisms for financing exports have evolved over the centuries in response to a problem that can be particularly acute in international trade: the lack of trust that exists between an unknown buyer and an unknown seller.

That said, “Any sale is a gift until you have been paid!” is especially true for international transactions where the buyer and seller could be 12,000 miles or more away. Be sure to undertake appropriate due diligence when qualifying your customer. While it is prudent to make use of the various credit reporting companies active in your customer’s country, you also should ask for trade references, especially for other domestic companies you learn are doing business in your target market. The following is a comparison of the typical methods for international payment and details associated with each.

Table 1. Comparison of Methods of Payment:

Method	Usual Time of Payment	Goods Available to Buyer	Risk to Exporter	Risk to Importer
Prepayment	Before shipment	After payment	None	Relies completely on export to ship goods as ordered
Letter of Credit	When shipment is made	After payment	Little or none, depending on terms	Assured shipment made, but relies on exporter to ship goods described in documents
Sight Draft; documents against payment	On presentation of draft to buyer	After payment	If draft unpaid, must dispose of goods	Same as above unless importer can inspect goods before shipment
Time Draft: documents against acceptance	On maturity of draft	Before payment	Relies on buyer to pay drafts	Same as above
Consignment	At time of sale by buyer	Before payment	Allows import to sell inventory before paying exporter	None; improves cash flow of buyer
Open Account	As agreed	Before payment	Relies complies on buyer to pay account as agreed	None
Credit Card	According to credit card company procedures	When goods arrive in importer's country	None	Exporter fails to deliver goods

Cash in Advance

If you are paid in advance for an export order, the customer must trust your will perform the contract as agreed. The buyer's risk is that you, the exporter, will have the money and he/she will only have a promise of your performance. Exporters who insist on this payment method as their sole manner of doing business may lose customers to competitors who offer more attractive payment terms.

Sight Draft

This bill of exchange is a type of payment used for both air and ocean shipments in which the seller/ exporter holds title to the transported goods until the importer receives and pays for them. The seller is essentially "drawing" a customer pre-approved check against the bank account of the customer.

Letter of Credit

Letters of credit (LCs) are one of the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter, provided that the terms and conditions stated in the LC have been met, as verified through the presentation of all required documents. If you agree to ship on documentary LC terms, the buyer and seller are both putting their trust in their respective banks to honor their obligations under this financial instrument.

So, from the buyer's perspective, the letter of credit serves as a performance guarantee. For the exporter, the risk of never receiving payment—or, of the order being canceled — has been mitigated because the importer's bank has an irrevocable commitment to pay when the required documentary evidence is presented. The risk for the exporter under this payment method has moved from the importer—who might not be well-known by the exporter--to the importer's bank.

Documentary Collection

A documentary collection (D/C) is a transaction whereby the exporter entrusts the collection of the payment for a sale to its bank (remitting bank), which sends the documents that its buyer needs to the importer’s bank (collecting bank), with instructions to release the documents to the buyer for payment. Payment under documentary collections terms requires a greater level of trust between the buyer and seller. The exporter is trusting that the buyer will have the money and integrity to pay when the documents evidencing shipment have been received.

Open Account

An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60, or 90 days. Offering open account terms is all about trust between the buyer and seller. The exporter trusts that the ordered goods have shipped an order, and the buyer will pay for it, hopefully within the negotiated time (terms). The exporter’s risk is that the importer will default, in whole or in part, on that obligation. The buyer has no risk since he/she has the product and the exporter's performance has been met.

Consignment

Consignment in international trade is a variation of an open account in which payment is sent to the exporter only after the goods have been sold by the foreign distributor to the end customer. An international consignment transaction is based on a contractual arrangement in which the foreign distributor receives, manages, and sells the goods for the exporter who retains title to the goods until they are sold. Exporting on consignment is very risky as the exporter is not guaranteed any payment and its goods are in a foreign country in the hands of an independent distributor or agent.

Credit Cards

For small business transactions between international merchants and foreign retail customers, some credit cards are a viable payment option. As a merchant, you may enroll in a well-established credit card network that enables international transactions, subject to the normal limitations each card establishes for its network. Credit card companies collect merchant transaction fees typically between 2 to 4 percent in return for assuming the costs of collecting funds from your foreign customer and any risks of nonpayment and an additional 1 to 3 percent for currency conversion. Be advised they do not offer exporters and importers any of the help banks do in dealing with the paperwork and documentation required for international trade.

Extending Credit to Foreign Customers

Extending credit to foreign customers must be seriously evaluated as you will be establishing a precedent for future sales from the very start of sales to a foreign customer. If you are reluctant to extend foreign buyers' credit, you may risk losing foreign sales. A useful rule of thumb for determining the appropriate credit period for foreign sales is the normal commercial terms in your industry for internationally traded products. A good practice is investigating the customer's creditworthiness at a bank in the customer's local market or insisting on a secure method of payment such as an irrevocable letter of credit while factoring the associated bank charges into the sales price. Since cash is king, convert export receivables to cash at a discount with a bank, or arrange for third-party financing, if the repayment period extends a year or longer.

Working with Commercial Banks

The same commercial bank services used to finance domestic activities are often sought to finance export sales until payment is received. Banks do not regularly extend financing solely based on an individual order; as they prefer to establish an ongoing business relationship with their customers that export. Based on that assumption, a logical first step is to approach a commercial bank with an international department to discuss export plans, available banking facilities, and applicable charges. Inquire about fees for amending or confirming a letter of credit, fees for processing drafts, and the bank's experience in working with U.S. government agencies that offer export financing assistance. Making these inquiries will be the beginning of a close working relationship with the bank's international department.

Key Concepts

Pricing policy will make or break your overseas expansion efforts. Drivers are the so-called four Cs: Company (costs, goals), Customers, Competition (nature, intensity), and Channels. **Quotations** The preferred export method is a pro forma invoice, a model that the buyer uses when applying for an import license, opening a letter of credit, or arranging for funds.

Terms of sale - A complete list of important International Commercial Terms ('Incoterms®'), internationally recognized standard terms of trade used in sales contracts are detailed in *Incoterms 2020.* **Packing and Shipping** Competing for market share t includes freight forwarding. Select the "right" freight forwarder. Learn about the players and logistics of moving your product.

Chapter 9 - Negotiate Differently

"Successful negotiation is not about getting to 'yes'; it's about mastering 'no' and understanding what the path to an agreement is."

- Christopher Voss
CEO of the Black Swan Group

The international business environment increasingly compels you and your business development managers to approach negotiations from a different vantage point, accounting for aspects usually absent in your domestic marketplace. Though challenging, some components of cross-cultural negotiation, if approached properly, will increase your success in avoiding pitfalls and failures that inevitably arise.

When you negotiate internationally, negotiating is different. Examine the environment in which the players work and the immediate factors over which negotiators have limited control. Remote factors include the political and legal systems from which the negotiators come, international economics, foreign laws, governments and their bureaucracies, national economics, ideology, and differences in the approach the parties bring to the negotiating process. Immediate factors include the relative bargaining power that each party invests in the negotiating process, their view of time, and the urgency of reaching an agreement. Inevitably there will be some level of conflict between ethnicity, identities, and geography of the parties, the impact of previous negotiations and their inclination toward taking the risk, personal goals, skills, styles, the international experience of the negotiators, their staff, and those they represent – stakeholders in the outcome.

As you can see any negotiator faces huge challenges. To be successful, negotiators must understand how cultural differences across and within nations can affect the way they negotiate. So an understanding of culture is critical. It is a system of values and norms that are shared among a group of people and, when taken together, constitute a design for living. The fundamental building blocks of culture are values (abstract ideas about what a group believes to be good, right, and desirable) and norms (the social rules and guidelines that prescribe appropriate behavior in particular situations).

Cultural differences cause four problems in international business negotiations that involve language, nonverbal behaviors, values, and thinking and decision-making processes. Differences in the level of language can be substantial, even when English is used. Although senior foreign executives may speak and understand some English, they rely on their native language and use an interpreter to ensure they accurately communicate the message they send and receive. Even in this setting during the fast pace of discussion, there will be some miscommunication as exact translations are difficult to achieve. Complicating the matter are nonverbal behavior differences that lie beneath the surface of the discussion. But even here, nonverbal signals like behavior and attitude, if missed, are subject to misinterpretation. Lastly, differences in values, thinking, and decision-making processes are hidden even deeper and are even harder for negotiators and their teams to detect.

In approaching an international negotiation, recognize there is no one “right” approach, only effective and less effective approaches and these vary according to the contextual approaches addressed earlier. As a result, if negotiators realize their counterparts may have very different viewpoints, they will be less likely to make negative judgments and generalizations about them and more likely to arrive at a mutually acceptable outcome.

Considering all the immediate and subsurface problems, you have to wonder how business agreements are ever reached, but increasingly they are, despite the prospect of pitfalls in the process. Cross-cultural literacy and sensitivity to cultural differences can improve international business negotiating outcomes that lead to highly profitable business relationships. So what can you do?

Develop Cultural Awareness before Negotiating

Looking at the way world politicians and business people behave, it is clear the cultures of the world increasingly interact with each other. The business world is becoming increasingly international. Although globalization opens many opportunities, it also creates many complex challenges for traveling the world as a buyer or a seller seeking business agreements and ventures in the international arena. If you’re interested in taking advantage of opportunities to give to accomplish your firm’s international business goals, you’ll need a deep level of knowledge in finance and currency, international strategy, and foreign legal and accounting practices, along with sharp cross-cultural negotiating skills. Don’t make the mistake of approaching foreign markets the same way you would your domestic market. What works at home will not work elsewhere. I learned that in negotiating contracts in Japan, South Korea, Colombia, Denmark, and even the United Kingdom.

In negotiating two or more entities come together to discuss common and conflicting interests to settle for mutual benefit. The process differs from culture to culture in language, behavior, negotiation styles, approaches to problem-solving, hidden assumptions, gestures, facial expressions, and the role of ceremony and formality.

Be aware of the cultural space of your counterpart. Negotiating is a skill that can be improved. The parties to a negotiation want to do business or they would not be talking in the first place. Success results from the ability to bring two people together, but all too often, the obstacle is our perception of people from other countries. Frequently, one party negotiates with the impossible expectations of the other party.

To analyze cross-cultural negotiations, consider the following elements you need to address before you negotiate:

1. **The Players and the Situation** – There is a cultural dimension in the way negotiators view the negotiation process that raises several issues. Form, hospitality, and protocol play important roles as they interact. Discover the expectations of your counterparts and work to create a negotiating environment that leads to cooperation and solving problems. If possible, research biographical data and analyze your counterpart's organization or institutional role, especially the level of their authority to reach an agreement and focus on the decision maker.

2. **Styles of Decision-Making** – The organizational culture of a foreign corporation may require adhering to formal rules, regulations, and practices guiding decision-making. To influence a foreign corporation's decision-making process, analyze its corporate culture and structure arguments to fit within established guidelines you discover, if possible. By discovering how foreign counterparts look at facts and analyze data, you can substantiate positions with facts that will lead to an agreement.

3. **National Character** – Foreign negotiators concerned with the international image may be preoccupied with their national heritage, identity, language, and organizational role. Cultural attitudes, such as ethnocentrism - the universal tendency for people to favor their group over others, may influence the tone of the negotiating positions they take.

4. **Cross-Cultural Noise** –consists of environmental distractions that have nothing to do with the content of the negotiator's message. Factors such as gestures, personal proximity, and office surroundings may unintentionally or intentionally (e.g., room temperature, furnishings, and location) interfere with communication. The danger of misinterpretation of messages requires awareness of various contextual factors.

   In negotiating a sale in China, I learned that our counterparts deliberately subjected our team to cold room temperatures to obtain concessions and move negotiations.

5. **Interpreters and Translators** – Recognize there are limitations in translating certain ideas, concepts, meanings, and nuances. The subjective meaning may not come across through words alone. Gestures, the tone of voice, cadence, and language

that lends itself to more than one meaning are all meant to send a message that is excluded in any translation. Sometimes a negotiator will try to communicate a concept or idea that does not exist in the counterpart's culture. For example, the Anglo concept of "fair play" has no equal in any other language. How then can an American or English national expect "fair play" from a foreign counterpart?

Interpreters and translators may have difficulty transmitting the logic of key arguments, especially when it comes to abstract concepts. The parties may conclude they reached an agreement when they have entirely different intentions and understandings!

Communicating in the International Marketplace

To land and keep new customers and business partners, effective international marketers must understand that communicating across cultural boundaries is challenging and must be done with care. They are aware that persons of dissimilar backgrounds usually need more time than those of the same culture to become familiar with each other, to speak openly, to share common ideas, and to understand one another even when they share an international business language like English.

Despite the ever-expanding evolution of modern communication technologies, doing business still requires communicating on a person-to-person basis. Should there be misunderstandings or “errors” committed, the parties involved very often are unaware of any problem. Cross-cultural missteps result when you fail to recognize persons from other cultural backgrounds have different goals, customs, thought patterns, and values from your own. Cultural differences thus become communication barriers that highlight the need for understanding the differences between cultures.

Even something as “simple” as an appointment time can be misinterpreted. For example, Americans value being prompt and adhering to a schedule. Other cultures look upon promptness and adhering to schedules differently. Arriving late may be the norm in another culture and a different meaning may be assigned to arrival time depending on how late one arrives or specific circumstances surrounding the meeting.

Successful cross-cultural communicators reach people and organizations of other cultures using gestures, signs, shapes, colors, sounds, smells, pictures, and other symbols to convey their needs, values, standards, and expectations. International marketers are aware that international communications can be extremely sensitive and require a great deal of empathy, research, and courtesy. They understand the needs and concerns of their audience using the proper tools. For the best results, they get help if they need to. Mimic their communication secrets and you will match their level of success.

Key Concepts

The international business environment increasingly compels you to approach negotiations from a different vantage point.

Cultural differences cause four problems in international business negotiations that involve language, nonverbal behaviors, values, and thinking and decision-making processes.

Develop cultural awareness before negotiating. Consider the following elements you need to address before you negotiate

1. The players and the situation
2. Styles of decision-making
3. National character
4. Cross-cultural noise
5. Interpreters and translators

Communicating across cultural boundaries is challenging and must be done with care. Even something as “simple” as an appointment time can be misinterpreted.

Chapter 10 - Governments, After-Sales Service, and Foreign Travel

"It has been proven through studies by the World Bank and others that companies participating in international trade are more competitive."

– Arancha Gonzalez
The first woman to lead the world's third school for Politics and International Studies

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No doubt you are familiar with doing business in your home market. You got that. When you travel abroad you are entering the unknown. Most of us find ourselves in that situation. Thus, it is important, when you engage in international business, to understand the national, economic, and legal systems your customer operates in, relate to your customer during business travel, and successfully support his product and after-sale service needs.

Global Business and Governments

In countries and cultures in which the social framework is “loosely knit” like the United States and the United Kingdom, where individual goals are more important than collective goals, you are more likely to find market-based economic systems. In contrast, in countries and cultures in which the social framework is “tight” like those in Asia – Japan, Korea, China, etc. -where collective goals are given preeminence, the state may have taken control over many enterprises; markets in such countries are likely to be restricted rather than free and even “free” markets are subject to considerable legislation. Trade and its regulations are a source of tax income for governments, which also recognize that physical security is tied very closely to economic security. Not only does a strong economy generate funds for military expenditures but it also, via international trade, creates a bond of codependency that strengthens every nation through alliance. So global businesspeople must understand both the role of government in trade and its motivation for that role.

Sovereignty, Prestige, and Security: The maintenance of national borders is the single-most important element that separates international trade from domestic trade. Geography aside, no country applies the same level of restriction within its borders as it does when dealing with its neighbors. Each nation's approach to its domestic and foreign markets is dictated by its requirement for border sovereignty, the belief in its own prestige, and a need to secure its physical and economic well-being. Marketers must respect each government's individual responsibility to its people, both from a legalistic (their country, their rules) and a commercial angle (their demand, my supply).

Host Government Trade Barriers: The host government of your target market can throw up a vast number of roadblocks to your success – some of them quite arbitrary in appearance. Here are some government-formulated obstructions to look out for when researching a new foreign market: Tariffs, Inspections, Import licensing, Distribution, Environmental controls, Technology transfers, Customs delays, Local partnerships, Local content requirements, Contract language, Quarantine, Quotas and Anti-dumping laws.

Home Government Intervention: It's rare for a country to attempt to stop its local companies from exporting. Even though they permit a steady outflow, governments maintain oversight and taxing rights. Marketers may have just as difficult a time handling their own government as they will the overseas variety. As is true of import laws, not all export requirements are written down in all countries and are therefore subject to “negotiation” and arbitrary enforcement. Research and good governmental relations are keys to keeping your product in the export pipeline. The following are the very formal and straightforward means by which governments control the marketing of their domestic producers, as well as that of foreign companies: Embargo, National security issues, Export tariffs, Export licensing, Anti-rerouting measures, Job protection sentiments.

Beyond these codified restrictions, there is a host of constraints – neither codified nor necessarily government enforced – that can affect the marketing of your product in foreign lands. The following informal barriers are more difficult to detect and, in many cases, harder to overcome than their more official counterparts: Public relations, Nationalistic, Religious, Ethnic, Societal, Scientific, Ethical, Environmental and Educational.

Trading Blocs: The Invisible Handcuff - In the last few decades, nations have bound themselves together in non-military regional alliances that are designed to promote trade. Trading blocs, arising from free/foreign trade agreements among countries in a geographic region, essentially reduce and ultimately remove, tariff and non-tariff barriers to the free flow of goods, services, and factors of production between each other. They also restrain foreign traders from assailing the weaker members by protecting them with numerical strength. So, if you deal with one trade bloc member, you deal with them all. Trading blocs work as regional handcuffs to control and sometimes eliminate trade in certain products.

Global businesspeople need to be aware of the membership and goals of such trading blocs so their plans can be tailored, not just to a single country, but perhaps to an entire region. Listed below are some of the major trading blocs your firm should research and formulate strategies for.

- APEC (Asia –Pacific Economic Cooperation).
- ASEAN (Association of Southeast Asian Nations)
- NAFTA (North American Free Trade Agreement). - Canada, Mexico, and the United States.
- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay, Chile, Bolivia).
- ANDEAN COMMUNITY (Bolivia, Chile, Ecuador, Colombia, and Peru).
- FTAA (Free Trade Area of the Americas).
- OPEC (Organization of Petroleum Exporting Countries).
- EU (European Union).
- SAARC (South Asian Association for Regional Cooperation).
- SAPTA (South Asian Pacific Trade Association).
- CIS (Congress of Independent States).
- AFTA (ASEAN Free Trade Association).

After-Sales Service

After-sales service, that includes professional product consultation, maintenance, field service and training, important factors in the initial export sale and ongoing success of products in foreign markets, should be an integral part of your firm's business strategy and export initiative. If capable, knowledgeable and efficient, it can prompt export sales to either grow with long-term commitments or fail. Service is on-time product delivery, courteous sales personnel, a user or service manual modified to your customer's needs, and ready access to a service facility and dealer support. Service also varies by product type, quality and price of the product and your distribution channel. Some export products require no service. The issues that do arise, if any, are resolved once you have determined quality criteria and return policies.

Then again, you may have a product, a consumer durable or consumable that requires after-market service. For products like these, your consumer, especially buyers of industrial goods, after market service is a key factor in a customer's product choice. No doubt you realize foreign markets, like those at home, are sophisticated, each with their own unique seller expectations. These markets require manufacturer/distributors to ensure their service performance equals, preferably exceeds the market competition, given the other factors of product quality, price, promotion, and delivery. Likewise, should you pursue a strategy and market entry decision that eliminates after-sale service regardless of the number of markets you choose to enter, you run the risk of fewer repeat sales.

But let’s examine the remaining service delivery options available to you. A high-cost option is returning the product to you for service or repair. This option inconveniences the customer by requiring the high cost of return shipment and loss of product use over an extended period of time while you, the manufacturer, incur the cost of exporting your product a second time returning it to the field. This approach is neither practical nor cost effective.

Should your distribution channel be the creation of a joint venture or some other contracting arrangement, the overseas partner may have established a service/repair center? In this instance, you will want to negotiate the cost of providing for repairs, maintenance, and warranty service into the joint venture agreement.

If you are selling in a large or small retail environment, the firm may prefer identifying and using local service facilities. Acting on this warranty and service alternative requires incurring the up-front expense of identifying and training local service centers, specifically administrative, training and supervisory overhead costs. But, it is one that develops the customer perception that the firm is a local competitor, which can be an important competitive factor when a firm enters foreign markets.

Lastly, if you are exporting into a commercial or industrial market, selecting a representative to serve a region, nation or market should be based not only on the representatives' sales capability but also on cost and its ability and willingness to service the product, the firm's vital stake in the global marketplace.

Business Travel Abroad

Realize your culture and many of its customs differ from those of your global customers so it is a must, that if you are doing business globally, you need to prepare yourself to work with your customer, know and appreciate his different customs, and the different practices and rules by which he goes about doing business. Any misunderstanding of your customer's culture and business practices will be evident, potentially offensive, thus damaging to your business interests and advancement to a position with global reach. Recognize that rules and customs vary by the country – and it's important to know those specifics before you go.

Before your next business trip abroad there are many questions to ask such as:

Is my passport up-to-date? If it is within 6 months of expiration, you need to renew it as some countries won't accept it.

Do I need a visa?

Do my travel plans reflect the company's goals and priorities?

Am I bringing a product for demonstration or sample purposes? An ATA carnet (pronounced “kar-nay”), an international customs export-import document to obtain duty- free temporary admission of certain goods may be helpful.

What, if any, vaccinations are required?

What is the currency exchange rate?

What is the time difference?

What is the dress code?

What are some of the business customs and laws of the country?
Are handshakes or bows acceptable when greeting someone? Make proper use of names and titles.

How are business meetings and dinners conducted?

Will security be required and do I have emergency contacts and travel insurance?

Are e-mail and communications secure?

Are there export control laws to comply with?

In the United States, must I comply with the Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act (UKBA)?

There are also thousands of websites and books with useful information about business travel abroad. Use them to research all of the above before you go. Here are just a few great resources you'll want to check out:

For travel books with information about travel documents, weather, tipping guidelines, and local customs obtain Frommer's, Fodor's, or Lonely Planet books. To learn more about safety and security, visit the Federal Bureau of Investigation's Safety and Security for the Business Professional Traveling Abroad page. For guidance by country, visit the United Kingdom Foreign and Commonwealth Office's Travel Advice by Country ' page, the Executive Planet website, or the U.S. Department of State website.

For news about hotels, transportation, food and anything else, visit the Business Traveller website. Read about international etiquette, manners, and culture by visiting Cyborlink.com. Download the Culture Guides mobile app for information about local customs by country. To learn about the food in other countries, visit FoodByCountry.com.

For guidelines on tipping in foreign countries, check out The World Traveler's Guide to Tipping Internationally For information on business dinner etiquette see Tripcase.

After concluding your business, take the time to take in the local atmosphere, if possible. It is all about knowing your customer, what his government requires of him and you, his interest in your product, its after-sale support, his culture, and his customs, needs, and business practices. Knowing more will enable you and your firm to be of greater service.

Key Concepts

Countries and cultures differ in their social frameworks. Some are "loosely knit" and operate with market-based economic systems. In others, social frameworks are "tight" operating with restricted rather than free and even "free" markets are subject to considerable legislation. The maintenance of national borders is the single-most important element that separates international trade from domestic trade.

Host Government Trade Barriers: The host government of your target market can throw up a vast number of roadblocks to your success. **Home Government Intervention:** It's rare for a country to attempt to stop its local companies from exporting. Even though they permit a steady outflow, governments maintain oversight and taxing rights.

Trading Blocs: The Invisible Handcuff - In the last few decades, nations have bound themselves together in non-military regional alliances that are designed to promote trade.

After-sales service, that includes professional product consultation, maintenance, field service and training, important factors in the initial export sale and ongoing success of products in foreign markets, should be an integral part of your firm's business strategy and export initiative.

When you travel offshore on business, realize your culture and many of its customs differ from those of your global customers so it is a must, that if you are doing business globally, you need to prepare yourself to work with your customer, know and appreciate his different customs, and the different practices and rules by which he goes about doing business.

Chapter 11 - It's Time to Cash in on Offshore Riches

"Revenue is vanity, profit is sanity, but cash is king."

— Unknown

You may think world trade and economics are overwhelming and the odds of succeeding offshore are stacked against you. Late last year and early this year the World Bank, S & P Global, and the World Trade Organization (WTO) warned the 2023 global economy could face a recession with economies of the United States, Eastern Europe, Latin America, and much of Africa facing strong headwinds after policy tightening aimed at containing very high inflation, and worsening financial conditions.

Overall, the economies in Europe are still very sluggish. Brazil, Russia, and China: those three economies used to drive a lot of growth, and right now, economists are not seeing anything to that extent. Global growth, another economic factor to examine is expected to fall to 6.6 percent in 2023 and 4.3 percent in 2024, although above pre-pandemic levels.

World trade lost momentum in the second half of 2022 and is expected to remain subdued in 2023. WTO economists foresee a 2.9% decrease in 2023 but an increase to 3.1 percent in 2024. Despite that forecast, other business institutions maintain inflation will be lower in the second half of 2023 and China's reopening will present growth opportunities for the oil-rich countries of the Middle East and Northern Asia/Pacific Rim.

Today geopolitics is a force driving anxiety in the global community. It may have been a low concern after the

Cold War, but since the recent conflicts in Ukraine, Syria, and Iraq, there is a general sense of growing trouble. Escalating conflicts like the Russia-Ukrainian war, cause economic contraction producing even greater anxiety. Accompanied by geopolitical risk is the risk of deflation, particularly in the Eurozone. Central bankers are dealing with anemic growth, low wage increases, price pressure from demand, and low unit labor costs, not to mention tight credit in parts of Europe. It is no wonder there is anxiety in the international finance community.

Granted these forecasts are not without risks as the Russia-Ukraine war, the end of China's zero-tolerance COVID-19 policy and the lower growth trajectory for the United States and the European Union cast its shadow. Nonetheless, the second half of 2023 looks more promising and provides aspiring entrepreneurs time to research, target and prepare for their offshore market entry.

The Real Shape of International Entrepreneurship

You might think, “Where does that leave me? Should I venture off-shore now, wait or dismiss the idea entirely?” There is a clear need for perspective. For example, small business optimism in the United States has declined as expectations for better business conditions worsen. In January 2023, the U.S. National Federation of Independent Businesses reported its small business optimism index declined 2.1 points to 89.8 marking the 12th consecutive month below the 49-year average of 98. Inflation remains the single most important business problem with 32% of owners reporting it as their top problem in operating their business.

Overall, small business owners are not optimistic about 2023 as sales and business conditions are expected to deteriorate. Owners are managing several economic uncertainties and persistent inflation as they continue to make business and operational changes to compensate.

- Forty-one percent of owners reported job openings that were hard to fill, down three points from November but historically very high.
- The net percent of owners raising average selling prices decreased eight points to a net 43% (seasonally adjusted), historically high.
- The net percentage of owners who expect real sales to be higher worsened by two points from November to a net negative 10%.

Your business counterparts and competitors at home and around the world are concerned about the state of the global economy. In the United States Reuters reports unemployment has hit more than a 53-1/2-year low of 3.4%, Forbes reports the stock market is performing relatively well, and small business is having difficulty obtaining credit.

So overall in 2023 you and other entrepreneurs are not optimistic, somewhat cautious, and broadly annoyed with the systems that burden efforts to be successful. As to the state of entrepreneurship, the business environment as a whole is challenging. More than half of entrepreneurs welcome the rise in incubators, accelerators, and business-plan competitions.

Still, are you reluctant to "go offshore" because it's easy to serve "local" markets without the annoyance of dealing with international regulatory and trade barriers, language, and cultural differences? Aside from these issues, you don't know a second language and foreign markets, not having traveled abroad to the same extent as business people from many other countries. It is time to change, do what you can to "internationalize" yourself and cash in on offshore riches.

While you do, aspiring exporters riding out the strong dollar in currency markets should keep a close eye on the cost of their business operations and pass the importance of cost management to their employees. In the face of global recession and inflationary pressures broaden your horizons and seek export opportunities outside your domestic markets. With a diversified export base, you can maintain domestic sales and avoid the possibility, even the necessity of downsizing your business, should you only take the first step of selecting a mode of entry from among exporting, turnkey projects, licensing, franchising, contract manufacturing, a joint venture, even a wholly-owned subsidiary. The choice is yours, but do take the first step, select an export mode, research and target a country market, and cash in on offshore riches!

Conclusion

We have conditioned ourselves to think that companies only venture abroad only after establishing themselves at home. Today companies are being "born international," meaning a firm that sells internationally and gains some advantage from internationally distributed purchasing, manufacturing, or sales at its launch.

Today international start-ups are doing business in many countries before dominating their home markets, setting up manufacturing facilities, buying materials from the best international sources, scouting internationally for the best talent, tapping investors wherever they may be located, and learning to manage operations from a distance. And they do so without the experience and resources of a firm that has already succeeded domestically. Today’s international entrepreneurs cross borders to be both defensive and offensive – discovering that a new business opportunity spans more than one country. These start-ups face challenges at their very launch requiring entrepreneurs to be resourceful with skills to tackle them. Among the challenges are:

Distance – Physical distance with its inherent time differences can be tough to navigate, let alone emotional detachment from culture, language, education systems, political systems, religion, and economic development levels. **Context –** Where entrepreneurs choose to locate their companies, their corporate entity will be affected by the country's political, regulatory, judicial, tax, environmental, and labor systems. **Resources -** Customers expect start-ups to possess the skills and deliver the levels of quality that larger companies do. That's a tall order for resource-stretched new ventures that have no other option but to do whatever it takes to acquire and retain customers.

To cope with these challenges you need to develop a clear rationale for being "international," need to strike partnerships with large companies headquartered in other countries, and identify organizations that can provide the names of influential individuals, companies, and informal organizations, clubs, or groups needed to facilitate off-shore trade.

International entrepreneurs, to work in an international environment, envision no boundaries between domestic and international in their view of the markets they serve. They operate on strong international networks of production and distribution and invariably speak several languages being equally competent in several cultures. These individuals and firms embrace the fact that the world isn't flat. They are not fainthearted and thrive by using distance, context, and international resources to gain a competitive advantage. You may not immediately share all of the characteristics of an international entrepreneur or even be multi-lingual, but you can consider the advantages and disadvantages of the best mode of international market entry for your business. In finishing this book, you have taken the first steps. So cash in on offshore riches! They are there for the taking if you aspire to international entrepreneurship and reach for them.

Endnotes

Thank You!

Thank you for taking the time to read this book. I do hope it has given you a good introduction and you are now ready to launch into your offshore riches.

Again, thanks for purchasing this book. If you have found it helpful, I would greatly appreciate feedback on the platform you purchased it from.

Any suggestions for improvement, just want to give feedback or as a question, do drop a line to rahopkinsaz@gmail.com.

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