



How Far Do You Want to Go?

MAKE AN EXPORT SALE VS. DEVELOP A FOREIGN MARKET

Having taken many different types of companies and individuals over the last 35 years into foreign markets to meet individual prospects, to attend trade shows or to participate in trade missions, an interesting observation can be made of these companies and individuals. This unique factor focuses on the amount and type of control that organizations want to take when doing business in a foreign market.



On a recent trade mission to China in which I was involved, a number of companies from a similar industry participated. What was interesting was that most of the individuals had no idea about this issue of control until they began to meet some of the potential distributors/partners in the foreign country. In fact, this is seldom an issue prior to meeting overseas partners or distributors. The realization only sets in when real overseas opportunities become apparent. This then leads into a discussion and consideration of various issues and decisions that will need to be made.

Upon completion of this trade mission, each of these companies had come up with a variety of different attitudes and approaches as to how they were going to deal with this issue of control within the Chinese market.

It's important to ask a simple question before deciding to explore any overseas business opportunity: Do you want to make an export sale or do you want to develop a market?

This type of decision is dependent on the level and amount of control an executive wants to have in the international business arena. A five-point scale can help you make your strategic decisions in that market.

DEVELOPING A STRATEGY

You need to answer certain questions prior to selecting a point on the scale:

- > What do you know about the targeted country or countries, e.g., size of a particular market; level

of sales of existing or competitive products and pricing of those products; type and level of competitive activities; future projected market considerations; existing and potential customer needs and attitudes; local distribution practices and systems?

- What is the level of risk you are willing to take in this market?
- What type of resources do you have available?

There are many more issues that you might want to consider. However, not everyone wants to invest significant amounts of time in this preparation and planning phase.

Given these types of questions and resulting answers, you are faced with making certain decisions as to your desire to enter a given market and then the method by which you will begin to develop your entry strategy. Keep in mind that your entry strategy will not necessarily be your final strategy for that market. This can change over time depending on the market, competition and your own resource conditions.

FIVE-POINT SCALE OF CONTROL

1. *No control* – Here, the objective is to make an export sale to anyone, anywhere. The strategy should be to find a distributor who will take on your product. There are many actions you can take to meet this objective. Go to a trade show, join a trade mission, use the Internet to find a distributor or take a vacation to some foreign countries and look around to find a potential distributor. Offer your export price list to the potential distributors that you have met. In fact, you are not targeting any particular country. You're only looking for a distributor. If the selected distributor buys from you during the year, fine. If this distributor doesn't reorder from you after a period of time, this is not a problem. Find another distributor. This philosophy

is applied by a number of small businesses that just don't want to bother with anything else. All they want to do is to make that export sale.

2. *Take a small, but critical component of control* – Your objective is to be highly selective in the selection of the distributor. The strategy in this step is to consider and evaluate alternative distributors based upon key selection criteria that you have already established. Consider providing certain types of support to the selected distributor. Share ideas with the distributor. Your actions involve working with the distributor on developing the objectives and strategy for the market. It also is important to establish some type of regular communication with the distributor in order to resolve issues or to evaluate new areas of opportunity that the distributor might be investigating.
3. *Control a certain amount of the marketing effort* – In this step, the objective is to put more emphasis on developing the market. Your strategy will be to use the selected distributor as your key sales tool, but take control of the other marketing-related components, such as customer service support, pricing options and marketing communications. Possibly suggest and participate in certain marketing research efforts. Your actions in this third step involve determining the additional support that the distributor will require. Directly employ individuals who can provide this additional support for the distributor.
4. *Control all marketing-related activities* – Here, the objective is to develop the market with a total integrated marketing strategy. This now includes the development of your own direct sales individual or team. Your strategy is to control all marketing support efforts and recruit, train and control your own sales effort in those areas where you have

a significant market opportunity. This could include using your own sales force for a major city but only using a distributor in a small town or area. Create and control all marketing support activities.

5. *Control all business efforts in the foreign market* – In this step, the objective is to manufacture those products in your traditional product line that will be successful, but design, develop and launch products that are designed specifically for the foreign market. In this final step, you are controlling all marketing, production, human resources, financing efforts, etc., in the foreign market.

ATTITUDE AND COMMITMENT

As one can see, the issue of how to enter any specific foreign market now becomes a function of a number of factors, these including something about the market potential of any given market or region, the obstacles to gaining a foothold in that market, your own level of risk and the amount of investment you are willing to make.

Applying the five-point level of control scale does give you options as to where you want to begin. Some companies have started at the first step and, over time, moved to the fifth. Others have entered at step one and stayed there, while others have entered at the other points on the scale and either stayed there or moved forward. This all depends on one's attitude and level of commitment.

Keep in mind, each market, country, region or city presents a different set of factors for consideration. **mt**

Dr. Charles Steilen has spent 45 years as an international marketing professor, consultant and trainer. Thirty of those years were spent as a member of the marketing faculty at The Chinese University of Hong Kong. During those years in Asia, he was able to serve as consultant to the Hong Kong Government's Trade Development organization as well as to introduce the concept of international marketing to numerous individuals and organizations within Asia. He has recently served as a member of the Hawaii Export Council and as Dean of the College of Business at Hawaii Pacific University. Dr. Steilen is now helping U.S.-based companies to understand the nuances of international marketing with a specific emphasis on exporting. He can be reached at: cfsteilen@gmail.com