

STRATEGIC SALES MANAGEMENT

Selling in International Markets

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Learning Objectives:

After going through this module, you should be able to:

- Define and elaborate the concept of international selling
- **Understand the global sales dynamics and managing the sales force**
- To understand the do's and don'ts before venturing into international market
- Evaluate the role of culture while selling in international markets
- To understand the various challenges faced by a firm while selling internationally

Global Sales Dynamics

- It is important to appreciate the differences between each market you sell to and have a market-entry plan that is specific to each one you sell to.
- One should also look beyond geography at other forms of market segmentation – including
 - age,
 - ethnicity,
 - urban / rural,
 - gender,
 - socio-economic and
 - various lifestyle categories
- Let's look at some key differentials one need to bear in mind when selecting and selling into new markets.

Global Sales Dynamics

Language

- The English language may seem universal but it isn't.
- You should always research the primary language spoken by the majority of customers in each market.
- Over 70% of consumers are more likely to buy a product or service when they are being offered or sold it in their own language – so this is a really important market differential and selling point.

Global Sales Dynamics

Language

- You also need to scratch beyond the surface with your research. In Latin America, for instance, Spanish is of course widely spoken, but some further research which show that Portuguese is the main language in Brazil – the biggest market in the region – while French, Dutch and indigenous languages are also spoken in other Latin American markets.
- Language skills also differ between generations – for instance, in Europe, the younger generation tend to speak more English than older people. As with anything to do with international trade, research is key.

Global Sales Dynamics

Business Culture

- Another key factor to consider is the business culture of the market you're selling to, as this will be a significant factor in whether there is **an appetite for your product** and should also play a key role in shaping your marketing approach. Some messages that work in your domestic market will not work overseas.
- While in the UK an anti-hierarchy punk aesthetic has a longstanding heritage, in China this may not work so well. Further, while large cities tend to have more internationalised cultures as compared to a rural audience in a remote country.

Global Sales Dynamics

Business Culture

- Understanding business culture is also important when meeting partners in your prospective markets, because if you don't respect their traditions and etiquette, you'll likely lose out on their business. Things to look out for in this respect include:
 - Religion
 - Respect for hierarchy
 - Different approaches to punctuality
 - Dress codes
 - Working hours and the weekend
 - Business cards and greetings
 - Personal space and tactility
 - Gift-giving
 - The length of time it takes for relationships to form

Global Sales Dynamics

Online marketing

- You may need to ensure you have an international approach to your online marketing as well.
- This includes looking at website translation, adopting an international domain and SEO strategy and finding out which ecommerce and social media platforms are popular in each market, among other factors.

Global Sales Dynamics

Competition in the market

- One of the first things you should research when selecting a market is what the local competition will be, including whether your competitors in markets you already operate in have a presence there.
- From this you can discern things like what their **online strategies** are, what **messaging** they're using, their **pricing** strategies, and how they've adapted their own offering for consumers in that market.
- All of this is great knowledge which you can factor into your own strategy, either replicating elements which seem important for that market or identifying where you can strike your own **competitive advantage**.

Global Sales Dynamics

Local Regulations

- You may be required to adhere to **different standards and local regulations** when selling into a new market. This could affect you in different ways.
- You may need to modify your product to **meet local standards, alter your packaging or labelling** to meet consumer standards, or **attain licenses** to send your goods there.
- Certain sectors are more likely to be affected in this way, including **food and drink, pharmaceutical and drug products, cosmetic products, toys, electrical devices and textile products**.

Global Sales Dynamics

Tariff codes, duty, taxation

- Another key differential between markets is the **taxation and import duties** that each will charge for certain goods upon entry.
- The first thing you'll need to do is understand what your tariff code is, as this will help you to track what import duty needs to be paid by the importer, and other factors including **anti-dumping duty, quotas, inspections and licences**.

Global Sales Dynamics

Export documentation

- When exporting goods to different markets, you could be liable to **customs checks**, and you will need to ensure you have completed the necessary documentation to ensure a smooth passage for the goods into the country.
- A failure to do this could result in **delays, fines and reputational damage**. Different markets may require different documentation to be completed.
- If you haven't already, it's important to contact a customs broker or freight forwarder for support with this, or you can upskill your staff to be able to complete the documentation internally using govt. bodies.

Global Sales Dynamics

Payment methods and times

- The most important part of international trade is **getting paid**.
- Different customers and partners will look to do this in **different ways**, and **payment times** can differ in each country, so you need to establish at the outset some expectations and timelines for your international payments.

Global Sales Dynamics

Sales Force Management in Global Markets

It is important to

- To understand the concept of sales force management in international selling.
- To understand the role of cultural factor in international selling.
- To identify the factor that can motivate the sales force to maximize the profit.

Global Sales Dynamics

Sales Force Management in Global Markets

- Some of the basic functions performed by a sales manager involve:
 - selecting,
 - training,
 - motivating,
 - compensating,
 - evaluating and controlling the sales force.
- But how are these functions performed in a **foreign** market?

Global Sales Dynamics

Sales Force Management in Global Markets

Selection

- To succeed in today's global marketplace, it is absolutely essential that **highly skilled and competent people** be hired for global sales positions.
- The selection process in international markets depends on multiple factors like the **kind of reputation the salesperson position enjoys in a particular culture, the values prioritized by a particular culture, the type of product to sell, etc.**
- These factors, in turn, **affect the type of salesperson to select** (expatriates/local nationals/third-country nationals), **how to select them**, resource allocation, etc.)

Global Sales Dynamics

Sales Force Management in Global Markets

Selection

- Global sales personnel and managers can be classified into three categories:
 1. expatriates,
 2. local nationals, and
 3. third-country nationals

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Sales Force Management in Global Markets

Expatriates

- Expatriates are salespersons or managers who are transferred from the home country of the firm. For example, a British citizen transferred from London to Singapore for a three-year tour fits this category.
- An expatriate salesperson possesses extensive technical experience, better knowledge of the company, its policies, and have proven their dependability which is why when products are highly technical, or application oriented, an expatriate sales force remains the best choice.
- Also, as they are not locals, expatriates sometimes add to the prestige of the product line in the eyes of foreign customers.

Global Sales Dynamics

Sales Force Management in Global Markets

Expatriates

- Conversely, expatriates can be difficult to recruit and expensive to maintain in the field. Employees may decline global assignments because of their family, fear of loss of career momentum, reduced visibility at the home office, or due to some other reason.
- The total cost of keeping of expatriates abroad can also be considerably high because of their special cost-of-living benefits, moving expenses, taxes, etc.
- Lastly, many expatriates may not understand the local language and/or culture of their assignment.
- Because expatriate sales personnel are likely to cost substantially more than locals, a company must be certain of their effectiveness.

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Sales Force Management in Global Markets

Local Nationals

- Local nationals are personnel hired from the country of operations itself.
- Their advantage is that they understand the local marketplace and cultural ambiguities and are familiar with domestic distribution systems and referral networks. A good example is adaptive selling—tailoring the sales pitch to suit a customer's unique situation or view.
- Furthermore, qualified local workers can be found in numerous locales. For example, a number of European and Asian citizens have earned degrees (like MBA) in the United States and Great Britain and seek positions with global firms in their home country. In some places, they are also less costly to maintain than a staff of expatriates.

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Local Nationals

- The main disadvantage of hiring local nationals is the tendency of headquarters personnel to ignore their advice. Even though most foreign nationals are careful to keep relationships at the home office warm, their influence often is reduced by their limited communication skills in foreign language and lack of understanding of how home-office politics influence decision making.
- Various problems also occur when hiring local sales forces.
 - For example, in hierarchical societies, like Japan and Mexico, salespersons are viewed as at the bottom of the social ladder, which increases the difficulty of hiring the brightest college students for sales positions. Also, a firm may need to compete with local firms to attract and retain the best talent.

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Third-Country Nationals (TCNs)

- Third-country nationals **work for a global company in a third nation.**
 - **An example would be an Indian sales manager working in Australia for Microsoft (a U.S. company).**
- These TCNs often are sought because they **speak several languages** and know an industry or foreign country well.
- Global firms like third-country nationals and believe that these workers **seek opportunity to exhibit their competence in the global marketplace.**
- When one looks at global firms like Coca-Cola, General Motors, and Unilever, the executive ranks are composed of managers from diverse countries and cultures.

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Selection

Category	Advantages	Disadvantages
Expatriate	Product knowledge High service levels Train for promotion Greater home control	Highest costs High turnover High training costs
Host-country	Economical High market knowledge Language skills Cultural knowledge Implement actions sooner	Needs product training Held in low esteem Language skills importance declining Loyalty assurance
Third-country	Cultural sensitivity Language skills Economical Allows regional sales coverage	Identity problems Blocked promotions Income gaps Needs product/company training Loyalty assurance

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Selection – Some unique examples

- In certain cultures, where sales positions are viewed negatively, sales managers seek applicants through nontraditional means. *Electrolux* spends a significant amount of sales management time in Hong Kong, where it must interview 400 candidates in order to select ten applicants that will attend sales training.
- Selling high technology products may allow for the greater use of American expatriates, whereas selling consulting services will tend to require more participation by native sales representatives.
- Selling in information-oriented cultures such as Germany also may allow for greater use of expatriates. However, relationship-oriented countries such as Japan will require the most complete local knowledge possessed only by natives.

Global Sales Dynamics

Sales Force Management in Global Markets

Training

Global firms understand the importance of training their sales force because the numerous benefits it provides to the sales force, the customer, and managers like:

- Higher sales force performance,
- Improved customer relationships,
- More efficient time management,
- Less need for management supervision,
- Greater product and market knowledge,
- A more comprehensive understanding of company policies, etc.

Global Sales Dynamics

Sales Force Management in Global Markets

Training

- Culture impacts various aspects of sales training.
 - For example,
 - Japanese salespeople receive on-the-job training in a ritualistic formal setting that insures that constructive criticism does not result in “loss of face” for the trainee.
 - Sales managers must move cautiously when transferring sales training methods. Because languages vary so dramatically, sales trainers must exercise caution in translating training manuals, and must be aware of the role language plays on thought and behavior patterns.
 - When planning training dates, local managers must be consulted to insure religious or ethnic holidays do not fall within the tentative schedule. Likewise, in Moslem countries, planners should schedule prayer breaks for the trainees.

Global Sales Dynamics

Sales Force Management in Global Markets

Training

- Training for expatriates focuses on the customs and the special foreign sales problems that will be encountered, whereas local personnel require greater emphasis on the company, its products, technical information, and selling methods.
 - Local personnel, for instance, cling to habits continually reinforced by local culture. Nowhere is the problem greater than in China or Russia, where the legacy of the communist tradition lingers. The attitude that whether you work hard or not, you get the same rewards, has to be changed if training is going to stick.
 - Expatriates are also captives of their own habits and patterns.
- Before any training can be effective, open-minded attitudes must be established.

Global Sales Dynamics

Sales Force Management in Global Markets

Training

- Sales Managers should train salespeople so they develop **cultural skills** that would provide them with an ability to relate to different cultures even when they do not know the elements of the culture in detail.
- Central to the training program should be the development of **cultural intelligence**, which refers to *the ability of an individual to function and manage in culturally diverse settings*.
- Salespeople high in cultural intelligence are more likely to be effective in selling across cultures as they are better able to adapt to the cultural backgrounds of their customers.

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Training

Cateora and Graham (2005) suggest that people with cultural skills can:

- Convey respect and communicate verbally and non-verbally a positive attitude and interest in people and their culture;
- Cope with ambiguity and the frustrations that sometimes occur when faced with an unfamiliar culture;
- Show empathy by understanding other people's needs and viewpoints;
- Avoid judging other people according to their own value systems;
- Control the use of self-reference criteria whereby assumptions are made based upon one's own culture and values; and
- Use humour to prevent frustration levels rising when things do not work out as planned

Global Sales Dynamics

Sales Force Management in Global Markets

Motivation

- Although the potential for international sales can be infinite, companies need a **skillful and highly motivated sales force** capable of taking advantage of the emerging opportunities.
- By understanding what motivates salespeople and knowing how to motivate them, sales managers can help **‘average’ salespeople transform to ‘super’ salespeople**.
- Therefore, recognizing the **needs** and **values** of salespeople and providing them with appropriate incentives or rewards are significant steps in the right direction for the successful motivation of salespeople.

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Motivation

A study published in Psychology Today in 1984 reported that a range of different needs motivate top salespeople. These needs were found to be as follows:

- Need for status (need for recognition and promotion)
- Need for control (need to be in control and influence others)
- Need for respect (need to be seen as experts who can give advice)
- Need for routine (need to follow a routine that must not be interrupted)
- Need for accomplishment (need more money and challenges)
- Need for stimulation (need to seek outside stimulation and challenges)
- Need for honesty (need to believe in the rightness of their practices)

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Motivation

The importance attributed to above needs will vary between individual salespeople globally. For instance:

- Financial rewards, which have long been considered to be one of the primary motivators, will not motivate every salesperson. However, such rewards are expected to have a significant motivational impact on those who have a high need for accomplishment. Like the English are more inclined toward their free time and have the reputation of being less motivated by money than the Americans.
- With Japan's emphasis on paternalism and collectivism and its system of lifetime employment and seniority, motivation through individual incentives does not work well because Japanese employees seem to derive the greatest satisfaction from being comfortable members of a group.

Global Sales Dynamics

Sales Force Management in Global Markets

Motivation

Role of Cultural Values in Motivation:

- Similar to needs, different cultures may give priorities to different values.
 - For example, American salespeople are guided by values such as “Take pride in accomplishment,” “Put freedom and initiative first,” and “Forgive mistakes.” Their European counterparts, however, are driven by values such as “Take pride in yourself and your group,” “Put duty and obedience first,” and “Avoid mistakes.” Based on these values, a goal based on the need of “becoming someone by doing things” will be more easily accepted by an American than by a European salesperson.
- Therefore, if managers are to successfully motivate their salespeople, they must have a **multifaceted motivational program** that accounts for the complexity of needs, values, and behaviors of salespeople internationally.

Global Sales Dynamics

Sales Force Management in Global Markets

Compensation

Compensating the sales force is important for a number of reasons as it:

- *Helps attract potential salespersons.*
- *Impacts a salesperson's motivation.*
- *Is a determinant of status and how the firm values the salesperson.*
- *Determines the lifestyle and purchasing power of a salesperson.*

Global Sales Dynamics

Sales Force Management in Global Markets

Compensation

Global firms offer total incentive packages to their global sales force, which includes financial and nonfinancial incentives.

- **Financial incentives** include salary, commission, bonus, stock options, and benefits. Financial incentives can also be earned through sales contests.
- **Nonfinancial incentives** relate to awards, recognition, vacation, and promotion or reassignment. In fact, interesting work and good career prospects may influence a person to accept a global sales position even when the compensation package is lower than expected.

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Compensation

Compensation in the global marketplace is complex and affected by multiple forces.

- In some cultures, sales personnel are compensated based upon their ability to produce for the firm. In other words, sales personnel are paid a commission or bonus based upon their ability to close the sale and produce revenue and profit for their company.
- In other cultures, however, compensation is influenced by other, less specific, variables. In Korea, workers are compensated based upon their position or seniority in the firm.
- Korean workers rebel at the idea of performance-related pay. Workers in Korea regard their job title as a status symbol and find it unacceptable to be paid less than people who have been with the firm less time or who occupy lower positions in the firm's hierarchy. As might be expected, this type of worker mentality and bureaucratic pay system complicates the role of global firms who may prefer the Western practice of linking compensation to worker productivity.

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Compensation

Cultural Norms:

- In cultures that rank low on uncertainty avoidance – like most English-speaking countries – commission pay plans are more readily accepted than in cultures that seek to reduce uncertainty (as commission pay plans encompass an element of insecurity). Germany is an excellent example of a culture that tries to reduce uncertainty, and performance pay plans are less popular there.
- In Italy, where citizens are more accepting of different social and economic levels within the culture, a wider range of pay will be evident between executives and lower level workers.
- Conversely in Scandinavian countries, where egalitarianism (belief in equality) is interwoven within the culture, compensation packages are more uniform between workers and management.

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Compensation

Assignment Tenure:

In general, **short-term foreign assignments** involve payments of overseas premiums (sometimes called separation allowances if the family does not go along), all excess expenses, and allowances for tax differentials. **Longer assignments** can include home-leave benefits or travel allowances for the spouse. International compensation programs also provide additional payments for hardship locations and special inducements to reluctant personnel to accept overseas employment and to remain in the position.

Taxation Laws:

Those working in high-tax countries prefer liberal expense accounts and fringe benefits that are nontaxable (such as company cars) instead of direct income subject to high taxes. Fringe benefit costs are high in Europe, ranging from 35 to 60 percent of salary.

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Evaluation

- The purpose of evaluation is to improve salespersons', and ultimately, firm's performance. Without evaluation, it is difficult to know what has worked, what has not, and the reasons behind the outcome.
- Comprehensive evaluations investigate whether identified deviations are attributable to incorrectly set goals or weak performance in reaching those goals. That is, did the sales force fail or were inappropriate goals set?

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Evaluation

Assessing sales personnel in the global marketplace is a more complex undertaking than the process in the home country as different cultures may have different evaluation norms.

For example,

- In collectivist societies, teamwork is favored over individual accomplishment. In these cultures evaluation involves close observation and inputs from customers, colleagues, and managers, whereas individual performance is perceived to be less important. In Japan, salespersons receive a greater sense of performance from the group than what occurs in individualistic cultures.
- In individualistic societies like America, emphasis is placed on individual performance (generally measured in terms of sales revenues generated and often compared with past performance, forecasts, or quotas.)