

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**

Challenges in International Selling

Organisation for international selling

Multinational marketing

Companies whose business interests, manufacturing plants and offices are spread throughout the world. Although their strategic headquarters might be in an original country, multinationals operate independently at national levels. Ex: Coca Cola

International marketing

Companies that have made a strategic decision to enter foreign markets, have made appropriate organizational changes and marketing mix adaptations

Exporting

Companies that regard exporting as a peripheral activity, whose turnover from exporting is less than 20 per cent.

Market
coverage:
1 Intensive
2 Selective
3 Exclusive

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection

Intermediaries can perform several functions, which include:

- 1 Carrying of inventory.
- 2 Demand generation.
- 3 Physical distribution.
- 4 After-sales service.
- 5 Credit extension to customers.

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – AGENTS

- An agent is a firm or individual acting on behalf of another. This is one of the main forms of overseas representation.
- The most common form of agency is where agents, acting as independent operators, obtain orders on behalf of an exporter on a commission basis, and the exporter acts as principal.
- Agents also work on behalf of purchasers and some specialize in certain tasks – for example, transport and distribution, advertising and market research.

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – AGENTS

Challenges:

- Represent competing clients
- Training
- Agent's reputation and financial position
- Required coverage for your market
- Technical support or after-sales service arrangements

Challenges in International Selling

Organisation for international selling –

Types of intermediary and their selection – DISTRIBUTORS

- Distributors act in a different capacity to agents as they actually buy and sell the goods, whereas agents work principally on commission.
- Distributors differ from agents as follows:
 - (a) They will be able to finance their own stockholding of goods.
 - (b) They will usually be able to purchase in larger quantities, thus saving on delivery costs.
 - (c) Acting as principal, they will be commercially and legally responsible for all business transactions in the market.
 - (d) They are entrepreneurs and accept risks involved in the purchase and reselling of goods, such as local falls in demand and currency fluctuations.
 - (e) In some cases, they may provide an after-sales service.

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – DISTRIBUTORS

Challenges:

- Decide the final selling price to the customer
- Technical and sales assistance
- Control over marketing strategy

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – LICENSING

- Licensing is another alternative open to a firm contemplating an indirect venture into overseas markets.
- It assumes that the company has some unique product or process (preferably protected by patent) that an overseas company will want to manufacture.
- This is a good way of entering and remaining in more distant markets, or in a market where it is difficult or impossible to export finished goods.

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – LICENSING

Challenges:

- Fear of missing out on royalties not getting paid – political instability
- quality of the licensee's finished products

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – EXPORT HOUSES

- Export houses are usually home-based organisations that carry out some or all the overseas activities in place of the manufacturer, often using their own agents, distributors or other intermediary.
- They are a useful alternative for small companies whose overseas operations are limited, not warranting the expense of direct involvement.
- Export houses offer flexibility and a range of services:
 - 1 Export factoring – handling finance and credit arrangements on behalf of manufacturers.
 - 2 Factory representation – a sales supervisor supervising sales activities of distributors or dealers on behalf of the manufacturer.
 - 3 Market-intelligence gathering in overseas markets.
 - 4 Handling export procedures and documentation.
 - 5 Help in selecting agents, distributors and dealers.
 - 6 Confirming orders – paying the manufacturer on confirmation of an order from an overseas buyer and receiving commission

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – EXPORT HOUSES

Challenges:

- Lack of direct contact with the market.
- Difficulty in monitoring developments and changes in the overseas market and adapting to these changes in good time.

Challenges in International Selling

Organisation for international selling

Types of intermediary and their selection – DIRECT METHODS

- **Subsidiary companies** - The subsidiary may be a selling or manufacturing organisation, or both. A selling subsidiary usually replaces agents and distributors with the company's own permanent staff.
- **Joint ventures** - A joint venture is a business relationship where two, but sometimes more, agree to pool their resources in order to accomplish a specific task, generally characterized by shared ownership, risks and returns. Ex: **Sony™ and Ericsson**, which was founded as a joint venture in 2001 in order to share technology in the field of mobile communications
- **Direct selling** - Despite the strengths of using intermediaries, some companies find that selling direct from the home country to overseas markets offers more advantages. Direct selling requires a firm to take responsibility for establishing contact with potential customers.

Challenges in International Selling

Standardize or Adapt

- **Thomas Friedman's book 'The World Is Flat'** offers a compelling proposal that globalization is removing barriers between countries—including the impact of physical, technological, cultural, and political differences. Friedman's argument is that while these changes are happening at different rates, many management processes around the world are becoming more similar.
- One of the **dilemmas** in sales and marketing strategy is to decide whether to standardize globally or adapt to local market conditions.
- One important issue in understanding **global trends in sales management** (rather than simply selling) is whether real differences exist between different cultures and countries.
- In particular, this raises a crucial question—how important are country differences when we make multi-country salesforce decisions on things like the level of management behaviour-based control and incentive compensation.

Challenges in International Selling

Legal and regulatory compliance

- The most difficult part of international expansion is complying with the laws and regulations of the foreign land.
- This specific challenge comes under trading regulations, taxation, employee legislation, trading requirements, and several other aspects.
- One must review the overall trading scenario in the market before entering.

Challenges in International Selling

Consider cultural differences

- When it comes to global expansion, you must consider the rich cultural diversity around the world.
- While international expansion opens up new possibilities, the risk of miscommunication due to cultural differences is ever-present.
- For example, if you are a company in the US and plan an expansion to Japan. You must be aware of their cultures.
- Communicating with customers, greeting, beliefs, values, verbal and non-verbal cues of communication, etc. must be understood to ensure business success. Here, the main challenge of expansion to a foreign land would be learning a culture totally different from your own.

Challenges in International Selling

Understanding political risks

- Political landscapes are evolving now and then.
- Ensure that you are updated with the current political scenario.
- Understand the key issues such as complexity and corruption levels within the foreign market.

Challenges in International Selling

Managing organizational communication

- The way you handle your international expansion determines the success of a business in a new market.
- You must ensure that your team communication is well-planned. The way you interact, report and monitor your team efforts impacts the success of a business in a foreign market.
- So, setting a few leadership rules, protocols, and an effective system can help you overcome this challenge of international expansion.

Challenges in International Selling

Understanding the marketing strategy

- How well do you know the buying process in the market where you wish to expand?
- Learning about your new consumers is the only way to sell your products or services in the new market successfully. Once you know what works for the new market, you will know how you can position and promote your brand.

Challenges in International Selling

Managing HR operations

- Taking your business to a global level requires an adequate workforce. One challenge of expansion to a foreign land involves recruiting and managing your human resources.
- You might need to hire a new team and make decisions about sending existing employees and employing new ones. If you decide on hiring local talent (which is beneficial), you must assess and attract the global talent pool.

Challenges in International Selling

Local competition

- Research on local competition is a must before entering new markets.
- You have to be aware of what your competitors are selling, their marketing strategy, position in the industry, etc.
- You must accordingly develop your competitive advantage to counteract the local competition.
- To overcome this challenge is to establish working relationships with local businesses.

Challenges in International Selling

Supply chain related risks

- A separate department in large companies generally manages shipping, storage, logistics, imports, and exports. This is because it involves a lot of work.
- Managing the supply chain across boundaries can be a real challenge. If you are shipping goods from the US to the APAC region, you will have to consider;
 - Geographical distance
 - Cost and time involved in shipping
 - Taxation rules
 - Trading laws
 - Customs issues, etc.

Challenges in International Selling

Setting a pricing strategy

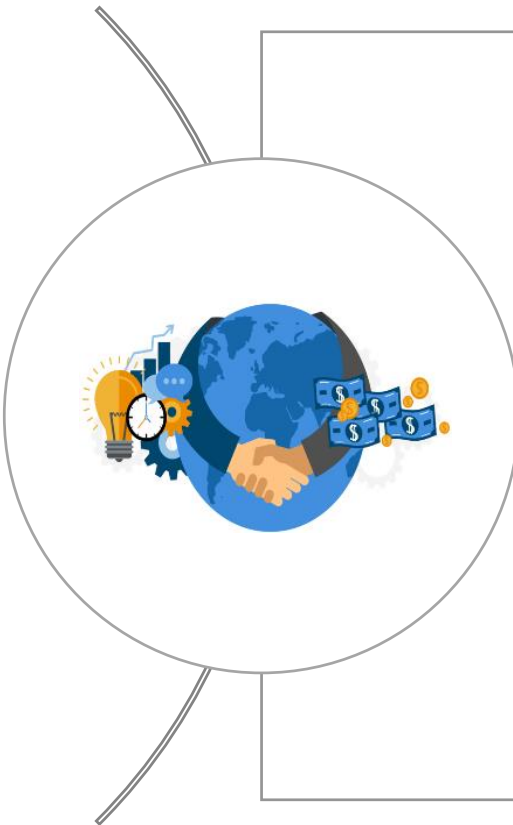
- What will be the price of your product in the new market? Will it be equivalent to the price in the domestic market? How can you ensure both competitive pricing and profits?
- Several questions need to be answered when setting the price of your products in a foreign land. To remain competitive in the new market and still ensure profits, you must consider the costs.
- To overcome this challenge of international expansion, **research the prices** in the local market. The local competition can give you an idea of the standard prices. Hence, you can set a benchmark for your pricing strategy.

Challenges in International Selling

Currency rates

- Currency rates fluctuation is another challenging aspect of international expansion.
- Overcoming this challenge of international expansion needs monitoring of exchange rates and mitigating the risk of unpredictable fluctuation.
- Since significant fluctuations can impact your expenses and profit, paying suppliers and production costs in the same currency is better.

Despite Challenges...



International selling results in;

- Increased revenue
- Decreased competition
- Longer product lifespan
- Easy cash flow management
- Better risk management
- Benefits of currency exchange
- Disposal of surplus goods
- Enhanced reputation