How to Succeed in Export Marketing: Some Guidelines

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THE STARTING POSITION FOR U.S. EXPORTS

The U.S. balance of payments has shown staggering deficits in recent years. There seems to be little question that something must be done to reach a balanced situation and eventually to return to a surplus. Without basic and drastic changes, the value of the U.S. dollar will decline even further. Little, however, is to be accomplished if the only reaction to this development is the attitude that "someone needs to do something." It should be noted that the situation was similar in Europe after World War II. Economic development had slowed down because of the lack of foreign currencies (by and large U.S. dollars); even the Marshall Plan -- though a major infusion of capital -- would not have remedied this situation if business had not made a major effort to correct this problem.

The argument that conditions during this time were substantially different from the U.S. situation today is not very convincing. To prove this point, let us examine the situation more closely. Here are some of the major issues:

1. European business had only a limited domestic market due to lack of purchasing power and small national markets; with inflation in the United States, this same situation may develop here, since purchasing power is eroding rapidly.

2. Europe had sufficient skills to produce competitive products and the wage level was lower than in the United States; with the decline of the U.S. dollar, this holds true today for the United States, particularly since labor overhead in the United States is much lower than in most European countries (which have developed greater job security, much higher pensions, and so on). This wage differential is one contributing reason

for European companies to establish U.S. subsidiaries at an ever increasing rate. Volkswagen operations in Ohio provide just one example (average total labor cost for this plant is presently U.S. $9.50 in the United States versus U.S. - $13.50 in Germany).

3. European business faced an uncertain situation domestically, since nobody could be sure about future domestic economic growth; this seems to hold true presently in the United States. European business, therefore, had to look for stable, relatively prosperous markets abroad. Today most European countries appear to be more prosperous than the United States and may therefore be regarded as such a stable market for U.S. companies.

4. European business had to compete in foreign markets with U.S. technology, which was much more highly developed at this time. Unfortunately, U.S. business may face a similar situation today; this is particularly true in certain markets, such as television, cars, radios, and chemicals, to name just a few. Nevertheless, a determined effort by European companies allowed them to compete successfully even under these circumstances. However, there were also certain differences, which shall not be overlooked.

1. European business has always had an export orientation, which was and is still missing in the United States.

2. European business uses the metric system, which even then and certainly today makes their products acceptable in a large number of countries; the slowness of conversion to metric measures in the United States has a negative effect on exports. Nevertheless, Europeans always have been willing to manufacture to the specifications of the importing country -- a solution which should be even more acceptable to U.S. producers, since the conversion will finally be made in the United States. Therefore, early investments for this purpose will not be lost (as they were to Europeans).

3. European business had established a worldwide reputation for quality merchandise between the two world wars. This reputation is partially missing for U.S. products, since exports in the past have been limited.

4. Most European businesses were willing to start exporting, because for them it meant survival; this attitude cannot yet be found among the U.S. business community, since in the past many companies have not considered foreign countries as an integral part of their total market.

5. European businesses had to deal with governments which were more willing to support the export efforts; this unfortunately is not the case in the United States. However, today this attitude is rapidly changing. In addition, Europeans were less confined by domestic legislation and regulations, which reduced their competitiveness, since no European government attempted to apply its regulations to export merchandise or export practices.

When examining all these factors, one must reach the conclusion that business must overcome several obstacles in developing export markets; these obstacles are aggravated by prevailing protectionistic attitudes in importing countries, which are partially due to economic problems in other industrialized nations. However, most of the obstacles to exports appear to be attitudinal -- at least in smaller companies. Such problems can only be overcome by one's own actions.

Changes in attitude, however, do not occur because someone proclaims that such changes are necessary. Consequently. the question must be raised as to whether exports will ultimately be profitable for U.S. firms. This question has already been answered affirmatively by large companies who have become multinationals in recent decades or years. The question, however, can also be answered affirmatively for smaller companies for the following reasons.

1. Existing production capacities can be utilized much better with a large market; since economic trends occur with a certain time lag in different countries, underutilization of capacity due to a decline in business activities in the United States can be partially offset by engagements in foreign markets.

2. The immediate growth potential of U.S. markets may be limited in the future; further growth for an individual company may, therefore, be dependent on access to foreign markets.

3. Small companies with highly specialized programs could exist in the United States due to the size of the market. This specialization, however, will also give them considerable advantages abroad, since often their competition could not afford to specialize to the same degree because their markets were too small in the first place.

4. Exports ultimately will provide higher employment stability; this will help many companies to preserve their skilled labor forces (thus avoiding problems which finally have cau ht up with the Chrysler Corporation).

5. Tax preferences for foreign income (DISC) will allow companies to retain more of their earnings than will be the ase from domestic sales only.

6. Requests for product adaptations from abroad and exposure to competitive foreign products will eventually upgrade products even for the U.S. market. In some cases, even cooperation with foreign firms may result, which will permit immediate adaptation of foreign products for U.S. markets.

These are just a few of the possible advantages. Even if only one or two apply to an individual company, they may be of sufficient importance to reconsider one's attitude toward exports. If that is the case, then the following considerations -- together with the material presented in this book -- may provide assistance in getting started. Therefore, the material discussed here is designed to direct attention to issues of major importance -- and to avoid the repetition of costly mistakes others have made before.

SPECIAL EXPORT RISKS

Export sales are frequently perceived by businessmen as being far more risky than domestic sales. This attitude is understandable because ways of doing business in other countries, dealing with another language, a different legal system, unknown banks, fluctuating currency values, different service demands, and so forth represent variables which appear to be difficult to assess. For smaller companies, this situation may even be worse, because engaging outside consultants or knowledgeable employees may involve high cost. However, the question of whether domestic sales are less risky is seldom asked. This may be the cause for an attitude often encountered: "If there is no risk involved, we will export -- otherwise, let us stay away from it."

Such attitudes are reinforced through the difficulties in obtaining advice on financial matters faced by businesses located in small U.S. cities. Contrary to the situation in other countries, small banks dominate the market -- and these banks are frequently neither interested nor qualified to provide necessary information concerning the security of payments from abroad. In view of this situation, it is imperative to work with a major international bank which is able to assess fully the situation and provide all necessary services. This approach will assist in minimizing financial risks. In addition, international banks are able to provide information concerning insurance for exports, marine insurance, and so on. Access to this information is usually gained through foreign correspondent banks and thus directly from the country to which exports are made. No small company will ever be able to match these services -- and should not even attempt such a step.

To further minimize risks, standard contracts containing arbitration agreements or a clear designation of venue must be used at all times. This does not eliminate risk but at least assures a clearly defined legal situation. It should be mentioned that caution does not eliminate all risks. Nevertheless, based on experience gained by other companies, it appears that risks caused by deliberately dishonest actions of foreign business partners are not greater than for domestic transactions.

The far greater risk in exports is the use of a false approach to foreign markets, which will either limit the future sales potential, create dependence on wrong partners or sales outlets, or even prevent the product from being introduced appropriately into the foreign market. These major risks can only be decreased by fully utilizing all information available and approaching the foreign market through channels, which will minimize this danger. These issues will be discussed in the remainder of this article.

EXPORT MARKETING INFORMATION

U.S. Information Sources

Undoubtedly, overseas marketing poses special problems depending on the individual product. However, today there is a certain degree of uniformity among highly industrialized countries when it comes to the use of established technology. However, whether there are technology and marketing similarities between domestic and foreign markets can only be determined by thorough analysis; this will also bring out existing differences. Therefore, the first step of market analysis should begin with the evaluation of easily accessible information, which usually is available at low cost from domestic government sources.[1] For example, the U.S. Department of Commerce collects and publishes information on foreign markets which provides a useful first step to assess market size, special demands, product specification, and so on for a wide range of countries and products.

Another excellent source of information -- frequently neglected by companies trying to get started in exports -- is the requests from foreign buyers who want to obtain specific U.S. products. Again, the Department of Commerce tabulates these requests and provides information through its Washington or regional offices. Although these requests may not be the best source for foreign contacts in the long run, it at least may permit a low cost start.

FOREIGN INFORMATION SOURCES

Most industrialized countries have highly developed statistical departments which usually publish information about widely used general economic indicators, data on specific industries, and sometimes even product or market analyses. These data contribute a great deal to developing a general picture of the market the exporter is about to enter. However, these sources usually contain little or no information about competing products, prevailing prices, and so forth. This latter information can only be obtained by getting closer to a specific market. For this purpose, trade journals and similar publications should be obtained; these are also used as source of information by all prospective competitors in a foreign market. It is no problem to obtain individual issues or subscriptions of such publications; some of this material may even be available at the exporter's own trade association. Since such publications are filled with advertisements, they not only inform about existing and new products, but also about the prevalent type of advertising used and advertising approaches of major future competitors. Unfortunately, this analysis requires a good knowledge of the language used in the prospective market. Nevertheless, since language knowledge is a requirement that must be met eventually, prospective exporters should develop this capability as early as possible. This capability by one or more employees -- although expensive -- will prove to be a worthwhile investment.

Obtaining this basic foreign market information has been one of the strong points of European exporters, who were and still are willing to allocate sufficient money and time to this analysis, which will provide information not only about available products but also about gaps in the market which can be filled by products from the exporting company's own program. This step, however, results in expenses and therefore requires some commitment to exports. Frequently, it is claimed that foreign language capabilities are not available in the United States to the same extent to which these exist in Europe. However, the United States in reality probably has comparable -- if not greater -- resources in this respect. In most cases it can be shown that available resources (at the Department of Commerce, the State Department through its commercial attaches, at U.S. universities, and through the use of immigrants who have the required technological business skills) have never been fully explored by exporting companies.

DIRECT RESEARCH IN FOREIGN MARKETS

Undoubtedly, direct research in foreign markets is more costly and complex. It requires additional allocation of managerial and financial resources compared to cataloging information from published and secondary sources of information. Furthermore, numerous questions of cultural and linguistic comparability, sampling procedures, and methods of data collection arise in carrying out direct research in foreign markets. Despite all these problematic issues, direct research in foreign markets is often absolutely essential for the following reasons.

First, the secondary and published sources are often limited to issues of size of the markets, their demographic structure, and competitive strengths and weaknesses. They are, however, often lacking in providing understanding of the more behavioral and motivational aspects of customer behavior. In other words, the secondary sources can tell who the customers are but do not tell what they want in a product or service or why they have strong habits toward certain types of products and services.

Second, secondary sources are often too general and broad with respect to the foreign markets and product categories. For example, it is easy to obtain information about major foreign cities but very difficult to know much about rural markets. Similarly, it is easy to know something about the Asian market, but specifics by each country within Asia are often not available. Finally, it is easier to know about the total machine tools market and its competitive structure than to know the market structure about specific types of machine tools, such as lathes and milling machines, and who are the worldwide competitors for those types of machine tools.

Third, the exporting company also needs to know about the intermediaries such as wholesalers, retailers, importers, and other institutions for the distribution of the product. Similarly, it needs to know institutions of advertising and communication for the promotion of the product. Often the structure of distribution and communication institutions, and the legal rules and regulations imposed on them become critical in the export marketing decisions. Unfortunately, the secondary sources of information tend to be relatively inadequate in this area of research.

The cost and complexity inherent in direct research in foreign markets can be significantly reduced by relying on the following types of direct research.

Syndicated Research

In each country, there is often an ongoing syndicated research activity performed by market research companies or advertising agencies. These syndicated research activities consist of retail audit, audience research, corporate image research, and consumption research at micro levels of household, individual or retail, and communication units. The counterpart examples in the United States include the Nielsen Retail Audit, the Nielsen ratings, the MRCA household panel, the ORC business climate studies, and the more recent Yankelovich Value Monitor. Surprisingly, most foreign countries seem to have similar syndicated research activities.

Syndicated research is least costly per unit of information because the fixed costs of sampling, data collection, and data analysis are amortized over a number of subscribers. It also enables an exporter to buy information on a regional or metropolitan basis.

Omnibus Surveys

Omnibus surveys are periodical surveys (monthly, quarterly, and so on) of a predefined population (households, individuals, business establishments) conducted by a market research organization in which a company can buy space to insert research questions which are unique to its own information needs. Furthermore, the company can buy space only once or as many times as it needs. It is similar in concept to buying advertising space in a magazine or newspaper.

The omnibus surveys are rather inexpensive and at the same time generate information specific to the export company's research needs. It is probably the most cost effective method of generating large-scale unique information. Unfortunately, suppliers of omnibus surveys tend to vary a great deal in their professionalism and, therefore, only the well-known and reliable omnibus surveys should be used in conducting direct research in foreign markets.

Qualitative Research

Very often, the secondary sources provide the export marketer much factual information about customers, markets, and competitive structure. He needs to supplement this by knowing the psychology of customers. This can be achieved by conducting qualitative research on a small sample of customers or intermediaries. The best known qualitative research technique is focused group interviews in which a small number (eight to ten) of respondents are brought together to discuss their perceptions, motivations, and attitudes toward a specific research problem. The group discussion is highly unstructured, but it is moderated by a skilled professional, and it is focused on the research problem. The group discussion is taped and the resultant transcript is then content analyzed. The research report is then produced by summarizing and interpreting the content of the focused group interview.

Even though the sample is often too small, not fully representative of the population, and the summary is often based on the subjective judgements of the research professionals, the focused group interviews provide a very good supplement to the hard facts obtained from the secondary sources.

Customized Research

If none of these direct research methods is judged satisfactory by the export marketer, then the only option left is to commission a special research study. The customized research will be more costly, but it may also be more relevant and useful to the export marketer. The major decision is likely to be the hiring of a market research company. Unfortunately, research companies tend to be professional in their areas of expertise and specialization but not across all phases of customized research. The best option, therefore, is for the export marketer to retain a competent research consultant who will supervise, coordinate, and integrate services of one or more market research companies in a foreign market.

In general, companies tend to overspend in customized research. Often, it is possible to make significant trade offs between the precision of information and cost and time efficiency by choosing one of the other three methods of direct research in foreign markets.

APPROACHING A FOREIGN MARKET

After sufficient information has been gathered to determine whether it is worthwhile to introduce one or more products in a specific foreign market, additional steps need to be taken which will at the same time allow a company to gather additional information and display its products. This stage of preparation for exports can be accomplished only through personal presence in the prospective market; visits to the country (or countries) selected and participation in trade fairs are best for this purpose.

Visits to Foreign Markets

Exploratory visits to foreign markets should serve a triple purpose: (1) to obtain information on competitors and competitive products, (2) to make the company's product known, and (3) to take first steps in approaching prospective customers. To accomplish the first objective, visits to foreign trade fairs and exhibitions (particularly specialized fairs) are most successful because at these events, the full range of competitive products are displayed, catalogues and price lists are available, and differences in product appearance, function, and so forth, can be observed. In addition to manufacturers, dealers and even importers of similar products are represented; this will provide for initial contacts.

An initial visit to a foreign country will, however, be too expensive if it is not used to establish contacts with a selected group of major users or buyers of the product to be exported -- or of retailers, if the product can be sold directly to consumers. These first visits should serve the purpose to acquaint potential customers with the product, to generate some interest, and to improve conditions for future contacts by mail. It may be premature at this point, however, to establish long-term agreements. The group to be included in this visit should be carefully selected from previously developed information sources (trade directories and so on) to assure contacts with major foreign firms and thus gain access to a substantial segment of the foreign market.

An important group to be included in visits abroad are local importers (again from preselected sources) and companies or agents, whose names appeared on lists of inquiries from abroad[2]; these are of particular interest to smaller firms, because it may prove impossible to sell directly or find a suitable exclusive representative for your company if the initial business volume is rather small (by their standards). Again, initial contacts with importers should only be used to determine prevailing conditions and stimulate interest in prospective export products.

Participation in Trade Fairs and Exhibition

Another method for approaching a foreign market is through participation in exhibitions; this approach can be combined with visits and is usually more effective because the export merchandise can be put on display. The Industry and Trade Administration (ITA)[3] of the Department of Commerce (DOC) is able to provide assistance for participation in overseas trade fairs. However, relatively costly exhibitions should be chosen only after it has been determined that a potential export market exists and that the product selected for export can be modified to meet local specifications, regulations, and market demands. This approach is, therefore, advisable only after considerable initial investigations or even direct market research has been completed.

Developing Product Information for Foreign Markets

Since many of the steps discussed must be initiated with considerable lead time, another very important issue should be addressed whenever some market potential seems to emerge. The potential of a foreign market can only be fully exploited when prospective foreign buyers are able to understand and assess the functions and usefulness of the product. The first and most important requirement is therefore to make all product information available in the prevailing language of the foreign market. Although this appears to be trivial and obvious, the problem is one of the most frequently neglected issues. Most prospective exporters have had a good laugh about so-called "Japanese instructions on tissue paper" or have been baffled by labels of foreign products. Unfortunately, this experience does not seem to prevent companies from using domestic "talent" for translation. A randomly selected export product will usually produce a reaction by natives of the receiving country which is strikingly similar to the one experienced by the exporter himself when reading foreign instructions. Aside from being easily avoidable, this type of information about the product might be misleading and turn out to be one of the best tools to prevent rather than to stimulate sales. It should be a rule, therefore, to have all labels and instructions checked in the receiving country to assure maximum effectiveness. This should be done by a product expert -- not only by a native speaker.

The second requirement is also obvious: product information must be extended to all details ordinarily expected by the user in the foreign country; if these are not included, sales will be negatively affected. With widely varying regulations and expectation, these requirements are bound to include more details than used for the domestic markets. This should, however, not lead to omissions of information previously included, since the convergence of user information demands in many countries will eventually result in restating items dropped earlier.

The product name, which domestically conveys additional information to the user, may not be relevant in foreign markets. It often implies ideas of product usefulness and quality in one language but tends to be totally meaningless in others.

The exporter, therefore, must make the difficult choice between retaining the original (often well-established) name of his product (which seems preferable, if it does not carry a negative or awkward connotation in a foreign language) or adapt it to the new market. Name adaptation is used less and less these days, because if distribution in additional countries is planned or may occur, new names may have to be invented again and the identity of a product may get lost completely. Therefore, an attempt should be made to feature the company's name more prominently -- which will serve as a basis for the reputation of products in the long run -- even if these products change. However, under these circumstances, even more emphasis must be placed on clear product descriptions.

TREATMENT OF FOREIGN CUSTOMERS AND BUSINESS PARTNERS

Another point often overlooked by prospective U.S. exporters is the fact that their business partners abroad have similar apprehensions about dealing with foreigners. The often repeated assumption that everybody speaks English, is willing to deal in a language foreign to him, and has just been waiting for the opportunity to accept a new or different product is absolutely false. Whenever such attitude was perceived by importers, it usually resulted in rejection of business contracts, which might have been profitable for both parties concerned. It can also be shown that the export success of countries such as the Netherlands, Germany, Japan, and others are very closely linked to their conscientious effort to use the language of the importing party and accord importers at least the same -- if not initially better -- treatment than they do domestic customers. From this, the *first rule* emerges: foreign customers should be approached in their business language; only if they agree to use English (which turns out to be the case very often), then a mutual understanding can be reached about the language basis for future communications. This often turns out to be easy, after the national pride of both sides has been satisfied.

The *second rule* to be observed arises from the fact that new products require additional attention and additional service during introduction into foreign markets. This translates into prompt service to foreign customers and immediate attention to their requests. Telephone and Telex service is essential for this approach because postal services have been proven to cause increasing delays and often do not function at all. For example, Northern Italy uses individual carriers to post mail in Switzerland. Since some delays in shipping are often unavoidable due to distance, this disadvantage should at least be compensated in communications, which can easily be speeded up.

The *third rule* requires close adherence to delivery dates specified in contracts. This is frequently expected by foreign customers, who may reside in a country with very reliable public transportation and business customs, and who place considerable emphasis on punctuality and scrupulous adherence to contractual details. One example is that European and Japanese exporters are known to send shipments air freight at their own expense to major U.S. customers; this policy has contributed to establishing them in the U.S. market. This approach may even be the only method to overcome the disadvantage of being regarded as a supplier "from far away"; this willingness to accept extra expenses becomes even more important in guaranteeing availability of spare parts.

The *fourth rule* to acquire or retain foreign customers concerns contract conditions such as periods of payment, discounts, commissions, and so on. Prevailing conditions and trade usage vary a great deal from country to country, and foreign business partners can hardly be expected to accept merchandise on conditions less favorable than those obtainable for domestic products. Therefore, commercial conditions should be investigated carefully and attempts to enter foreign markets should be made only if the U.S. exporter is willing to meet these conditions. If this is not the case, then only the uniqueness of the product can compensate for unfavorable conditions, and that would limit exports to very few products.

In summary, these rules do suggest very strongly that initial exports should concentrate on a well-defined market which by necessity must be limited to one or two countries or parts thereof; otherwise too many requirements will be violated, thus curtailing success unnecessarily.

ADJUSTING PRODUCTS TO FOREIGN MARKETS

Most products developed for a domestic market may not be fully adequate for foreign markets. The obvious problem with metric measurement systems has already been mentioned. However, there are usually a large number of restrictions to be considered before a specific product can be selected and adapted to a new market. The most obvious ones are: (1) health requirements (food and drug regulations); (2) product safety regulations; (3) brand name registration; (4) customs regulations, tariff, border taxes (such as value added taxes), excise taxes; (5) labeling regulations; (6) import restrictions; (7) existing trade agreements; and (8) prevailing standards for certain products (electrical, metric, and so forth, even if not required). Conforming to these regulations is unavoidable; however, not only regulations but also consumer habits, taste, or expectations of industrial users are of importance. Regarding European markets, the situation has allegedly eased considerably in recent years because the standardization of requirements in European Community (EC) countries has simplified matters, and exposure of customers to a large number of foreign products has raised the acceptance level for imports.

Unfortunately, appearances are very deceptive. In Europe, complaints are presently growing that domestic requirements for product safety, quality standards, and so on are being developed much faster -- often as a protectionistic tool -- than uniformity is established by supranational bodies. For example, capacity ratings for washing machines (based on cleaning results) require lower capacity ratings in the Netherlands than in all other European countries; emergency brakes on elevators required in Belgium are strictly illegal in Britain; accepted rules of technology used for product certification are loosely interpreted in various countries and differ from each other; "Normes Francaise" are not accepted in Germany; German DIN's (Deutsche Industrie Norm) are disregarded in other countries, to name just a few.[4] Therefore, many products require new classification by domestic organizations; this is expensive and time consuming, because national organizations work slowly (six to eight months). However, it is indispensable to obtain this certification, because otherwise the product must be taken off the shelves and has to be removed immediately from display at trade fairs (Germany charges fines up to $25,000 for noncompliance if the item is not removed immediately). Particularly aggravating is the fact that most European countries have 40,000 to 50,000 standards in effect which are continuously revised.[5] Although this has not prevented imports, it does extend the lead time for introducing a new product in a foreign market. It is, therefore, imperative to have every product checked for compliance with all regulations in each foreign country. Such compliance checks should be conducted by specialists in the foreign country to assure accuracy.

It must be stressed, however, that in today's worldwide markets, imported products may have an appeal which is not always matched by domestic merchandise. This may be one of the reasons for the success of coffee in Japan (see Melitta Case), Levis, Coca-Cola, and other products.

If product adaptations are to be made, much more emphasis has to be placed on initial market research, because only a major market will allow recovery of such expenses, if these go beyond relabeling and repackaging.

SELECTING THE ADEQUATE SALES ORGANIZATION

The first choice to be made by an exporting firm is the selection of the appropriate representation in a foreign country from which the standing sales organization will develop eventually. The first decision is the choice between indirect or direct exports.

Indirect export seems to be the obvious solution for more tentative ventures into exporting. For this approach, an export merchant should be used or, for lack of this type of business in the United States, a foreign importer. These businesses specialize, at least to some degree, in areas or products. However, frequently the degree of specialization or permanent commitment to develop a new market for a specific product is rather limited. Therefore, this choice is not open to all exporters and may also have long-run disadvantages. Very few successful export ventures have been developed in this way.

Direct exporting offers many more opportunities but also higher risks. There are basically two approaches available, namely (1) approaching potential foreign customers directly and ultimately developing a foreign sales organization, or (2) establishing a bridgehead in a foreign country via a foreign representative who acts on behalf of the exporting company. The latter choice is preferred by smaller, new-to-export companies. Success depends chiefly on the choice of a cooperative and active representative.

Before arriving at such a decision, the exporting company must review the advantages and disadvantages of both alternatives. These major advantages and disadvantages are listed here.[6]

Agents (representatives who also deal in other products)	Own sales organizations
Advantages	**Advantages**
1. Knowledge of local markets	1. Direct control over marketing approach, policy, and cost
2. Have established contracts	2. Close cooperation with home office
3. May provide information quickly	3. No conflict of interest
4. Lower marketing cost	4. Usually better service for product
5. Simplified paperwork	
Problems	**Problems**
1. Are not exclusively interested in your product	1. Expensive information getting process
2. Lack of control over sales	2. Investment required to develop organization
3. Diverse interest of agent may limit sales	3. Developing advertising approach
4. Territory allocation disputes	4. Developing contracts
5. Dependence on (sometimes unknown) reputation	
6. Duration of contract	
7. Minimum commission guarantee	

From this listing it is obvious that for short-term decisions, an agent appears to be the better solution. However, if exports really develop, this alternative may create problems which can only be overcome partially if termination dates and conditions are initially clearly delineated, which unfortunately has the tendency to make the agent less interested. For a long-term venture, company-owned sales offices (with local employees) seems to be preferable. Such a decision can be made only after it has been determined that the market has sufficient potential and that the exporting company is willing to make a major commitment in terms of time and start-up cost.

PRICING CONSIDERATIONS

This area is one of the most crucial for export decisions. Exports involve additional cost which must be computed carefully. However, due to the decline of dollar values in recent years, it is much easier today for U.S. companies to compete than it was in past decades.

It should be stated that it is usually very difficult -- though not impossible -- to penetrate a foreign market when prices have to be charged which are substantially higher than those of the competitors. Nevertheless, there are some products which prove that even this can be done. Sometimes this is based on the uniqueness of the product but even that is not necessary. The success of Perrier mineral water in penetrating the U.S. market is an example. In spite of high prices and the possibility of ample mineral water in the United States, Perrier undertook this effort and succeeded. This is partially attributable to snob appeal and partially to the lack of action by U.S. industries. Therefore, this case demonstrates that such opportunities always exist. However, it is easier to enter markets on a competitive price basis.

Starting with the factory price in the United States (minus nonapplicable domestic marketing cost), the following costs must be added: agent's commission, export and/or import levies, payment of countervailing border taxes, special labeling, special packaging for transshipment and local markets, transportation to seaports, loading charges, agent's fees, handling of foreign terminals forwarding agent's fees, export financing charges, marine insurance, export credit insurance, and so forth, minus the savings or rebates. Prices are usually quoted at C.I.F. or F.O.B.; C.I.F. is preferable because it establishes the pricing basis for the foreign country.[7] A long-standing argument, whether cost ex factory should be based on full absorption costing or direct cost, cannot be resolved here, because in many countries prices based on direct costs are illegal (anti-dumping legislation); this, however, has not resulted in using full-cost prices uniformly. Quite a few foreign exporters still operate on a direct cost-plus basis. However, setting prices too low, in order to enter the foreign markets may prove to be self-defeating since permanent major orders cannot be filled profitably at such a basis. Nevertheless, often a price below domestic quotations should at least be considered and is regarded as legal if it is based on economies of scale (improved long-term capacity usage). This difference may provide the price advantage needed for a specialized company which is able to sell much larger quantities if it serves both the U.S. market and some export markets; particularly U.S. companies are able to produce larger quantities than their foreign competitors (with a smaller market). Consequently, export pricing decisions should definitely be made with long-term expectations in mind, which will result in overall lower price quotations.

In trying to enter a new market, the total expected sales potential should be estimated before a price commitment is made, since future price changes are undesirable except reduction for quantity sales. Foreign buyers expect a relatively high degree of price stability, and many look for other suppliers if the U.S. exporters adopt the same inflationary adjustment patterns which are presently prevailing in the United States.

EXPORT PERSONNEL

Finally, the question of export personnel must be addressed. Since this is a marketing function, all requirements for marketing managers/personnel have to be met. However, that is not enough because individuals, regardless of rank must be able to deal with foreign customers or foreign representatives of the exporting firm.

In case a foreign representative has been appointed or a foreign sales office exists, the domestic function emphasizes more administrative aspects such as planning for shipments, contacts with freight forwarders, air cargo agents, and so on. Special skills are needed only when foreign customers are visiting or if occasional visits abroad must be made. However, it should be stressed that experience shows that exporting assigned as an incidental task to the domestic sales personnel does not provide a workable solution, because this frequently leads to neglect of export orders. Under these circumstances, increases in export sales will be lagging behind the true foreign market potential.

Requirements for abilities and skills increase considerably for personnel engaged in direct exports. A list of desirable skills include the following:

1. An excellent knowledge of products and production processes to be able to assess which customer demands for product modifications are feasible and economical;
2. Although English is the worldwide commercial language, some foreign language knowledge is required to improve communications with customers;
3. A high degree of adaptability to adjust to foreign customs, ways of doing business, and even foreign food;
4. An ability to deal with people -- which must be superior to that of domestic sales personnel, because export employees must be able to act properly in unexpected situations -- under foreign circumstances, where they themselves are not able to assess fully the situation;
5. The ability to learn continuously about new developments in markets assigned to them; since the situations to be dealt with are rather hard, a great deal of reading and learning of emerging trends and developments is indispensable; and
6. A great deal of enthusiasm and persistence is also indispensable, since breaking into new markets will inevitably bring setbacks and disappointments which individuals must be able to overcome.[6] **Since personnel** with all these additional qualifications are not easily found, it is the task of the exporting company to provide the organizational assistance and safeguards required to allow export personnel to develop on the job. This will require at least an extended time frame for evaluation, particularly during start-up periods which are likely to bring about success after longer delays than domestic efforts, and a higher degree of decision-making power (particularly during trips abroad) or at

least immediate access to top management for confirmation of tentative agreements. Without these supports, results can hardly be expected.

These are just a few of the personnel problems which an export company should be prepared to deal with during start-up periods. Without being willing to make these commitments, results will be delayed or never achieved. It will also be almost possible to build an effective export staff without strong support from the top because export personnel are likely to be subject to the company's internal criticism, because these are the people who are regarded as "going on foreign junkets;" often their fellow employees do not realize that selling abroad is much more difficult than working in the domestic market.

SUMMARY

In spite of the long list of problems, rules, and caveats presented here, the present situation is encouraging for prospective exporters. The price advantage of U.S. products provides a unique opportunity to enter foreign markets. However, if the decision to start exporting is to be made, it should be after a careful and detailed analysis, and the company should be neither overly optimistic nor too pessimistic. Such a decision requires a basic understanding of all major implications, of necessary efforts, commitments, advantages, and disadvantages. It, however, also created potential for major growth of the company, which may not exist in the domestic market. It may even increase the success potential in the United States because product changes, adaption of some foreign marketing strategies, and changes in the company's attitude may provide additional management know-how, which can be used domestically. This, at least, is the experience of many exporters who have been in this business for extended time periods. Typically, in Europe the most export-oriented manufacturers are also the ones dominating the domestic market, and such a pervasive pattern cannot be dismissed as just a coincidence.

NOTES

1. See Exhibits 1-4, pp. 68-75.
2. Ibid.
3. Ibid.
4. *Spiegel* (German Newsmagazine), no. 30 (1979), pp. 50-54.
5. Ibid.
6. For a detailed discussion of the practical problems of

this decision process, see International Trade Centre UNCTAD/GATT, *Getting Started in Export Trade* (Geneva: UNCTAD/GATD, 1970). Other publications of this organization consist of export promotion handbooks, directories, bibliographies, and market surveys for countries and/or products.

7. For definition of these terms, see *Incoterms 1953* (Paris: International Chamber of Commerce, 1953).

8. For a detailed discussion of personnel qualifications in practical terms, see Henry Deschampsneuf, *Marketing Overseas* (London/New York: Pergamon Press, 1967), pp. 182–202.

PART

Statistical Appendices

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