



ASSIGNMENT MEMORANDUM

SUBJECT : INTERNATIONAL MARKETING I (IM1)

ASSIGNMENT : 1st SEMESTER 2010

TASK 1 [30]

Market entry and distribution channels

- 1.1 There are a number of ways to enter a market:
- a) Indirect exporting, which involves selling to local intermediaries, e.g. trading houses.
 - b) Direct exporting, which involves selling abroad either to the end user (which often happens in the case of industrial goods) or to one or more intermediaries who perform a set of marketing functions.
 - c) Licensing, franchising and contracting, which involve the sale of knowledge or skills to overseas buyers.
 - d) Manufacturing abroad, which can be done on a joint-venture basis involving the exporting company and a local company in the foreign market. Alternatively, the exporting company may set up a wholly owned subsidiary abroad.
- 1.2 It is hardly practical for Jane to consider licensing, franchising and contracting or manufacturing abroad. She might, however, carefully consider the direct and indirect route, especially as they are not mutually exclusive.
- a) Indirect exporting and distribution options are:
- i) To or through a trading house. A trading house normally buys and sells for its own account, but can also act as an agent. When acting in a trading capacity it will buy the product from Jane and sell it abroad. As a 'principal' (i.e. a person for whom and by whose authority another acts), the trading house conducts its own marketing activities, carries the credit risk, completes all the documentation and oversees the physical distribution of goods to their final destination.

Jane therefore has none of the risk attached to exporting, but she will not be in direct contact with her market and will not control export activities.
 - ii) Through a local agent. When exporting through a local agent, Jane would retain the role of principal and would be responsible for the

documentation, the credit risk and transportation arrangements and would receive direct payment. Her agent would be responsible for developing the export market and soliciting orders. His remuneration is in the form of commission for orders received. In addition, he may be paid a certain amount towards expenses incurred for market research he carries out for Jane. Using a local agent would give Jane greater control over her export activities, but she still would not have her own 'presence' in the export market.

- b) Direct exporting and distribution options. If she decides to export directly, Jane must consider a new set of distribution channels.
- i) Selling directly to the customer. Appointing a representative in the foreign market is the most common route to take. However, there are a number of customers to whom Jane may sell directly, e.g. import houses, retail stores and industrial buyers (i.e., property developers, architects, interior designers). This could be satisfying for Jane, especially if she does not intend to develop many customers and wants to develop a close relationship with a few.
 - ii) Selling through a representative in the foreign market. It has been estimated that more than half the world's foreign trade is handled by representatives. There are three main types of representative:
 - Representative acting for the exporter (i.e. Jane) who remains the principal, e.g. agent on commission, salaried salesman, agent/distributor. This would probably be the type of representative Jane should choose, if she decides to use one at all.
 - Representative purchasing for himself as principal, e.g. export merchant, stockist, distributor.
 - Representative acting for buyers who are the principals, e.g. buying house, buying office, buying agent.
- c) Whichever type of representative Jane chooses as an intermediary, it is necessary for her to enter into some sort of legal agreement protecting the rights of both parties.

Textbook reference: Cateora, P.R., Gilly, M.C., and Graham, J.L. 2009. *International Marketing*. 14th edn. New York: McGraw Hill. Chapter 14.

TASK 2

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Market selection criteria

These have to be based entirely on the product, which requires:

- a) High income market segment.
- b) Market with interior decoration tastes compatible with those in that segment of the South African market.
- c) An accessible market – in other words, foreign products, and especially those from South Africa, are acceptable.
- d) A market that Jane can approach gradually so that initial demand does not

overwhelm hers and Jake's capacity to supply.

- e) Note that in view of the first criterion, it is assumed that the country will have foreign currency to pay for imports, and the necessary infrastructure to handle foreign trade.

Textbook reference: Cateora, P.R., Gilly, M.C., and Graham, J.L. 2009. *International Marketing*. 14th edn. New York: McGraw Hill. Chapter 8.

TASK 3 [25]

Specific foreign market information

- a) Some demographics, such as where the high-income segment of the population lives. It is probably not necessary to even know the size of this segment, as Jane would be targeting a very small section of this market segment.
- b) Lifestyle information, in general, to indicate whether her innovative products would be acceptable.
- c) General information on trade relations between the target countries and South Africa – trade agreement, double taxation agreement, SA trade representative stationed in the country concerned, bilateral trade chambers, and so forth.
- d) General import requirements – whether import permits needed, documentation, import duties, and so forth.
- e) Any product standards for bathroom fittings, as well as the technical specifications (e.g. sizes to fit local plumbing, etc.).
- f) Product marking and labelling requirements, if any. Type of packaging required by retail outlets.
- g) Purchasing patterns and distribution channels; potential buyers Jane could approach; potential order size and lead times.
- h) Competitors and design trends in the market.

Students may suggest additional information, but the above is the essential information at this stage.

Textbook reference: Cateora, P.R., Gilly, M.C., and Graham, J.L. 2009. *International Marketing*. 14th edn. New York: McGraw Hill. Chapter 8.

TASK 4 [20]

Suitable promotional activities

Students are free to propose whatever promotional activity they feel is suitable, but they should motivate their choice. Furthermore, they should show some understanding of the range of *practical* (from Jane's point of view) activities available.

- a) Personal selling is often the most effective means of communication. It is also the best way of getting sales orders from direct customers. If Jane wants to sell to retail outlets, or to interior decorators, architects, and the like, then this would be ideal for her. Personal selling does not create a demand at

consumer level.

- b) Direct advertising refers to promotion aimed at specific customers. Different forms of direct advertising include direct mail, brochures and pamphlets, samples and gifts. Jane would certainly need to have promotional material in the form of brochures/pamphlets, both in printed and electronic form. A product catalogue would also be essential for this type of product.
- c) Trade fairs, where both local and foreign products are exhibited, can be either consumer fairs or can fall into specialised categories. These specialised trade fairs are usually preferred by suppliers/producers because they attract buyers from all over the world; examples are international trade fairs, like the Hannover and Anuga Fairs in Germany. Therefore, exporters should not limit their choice of trade fairs to those organised within their specific target markets. If Jane can afford it, participation in a trade fair would be an excellent promotional tool, especially as she has visited such fairs and knows what they entail.
- d) Indirect advertising is conducted mainly through the mass media and the specialised press. It also includes point-of-sale promotions and permanent exhibitions. Jane might very well consider selective advertising in relevant trade publications.

Students might give more detail on this subject. Originality will be taken into account.

Textbook and Study Notes references:

1. Cateora, P.R., Gilly, M.C., and Graham, J.L. 2009. *International Marketing*. 14th edn. New York: McGraw Hill. Chapter 16.
2. *International Marketing I Additional Notes 2009, Module 7.*

PRESENTATION

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