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7Ps of International Marketing

by Udaya Tejwani

Designing a marketing mix is an important stage in a business's overall marketing strategy. Conventional marketing efforts involve combining the '4P' marketing decision areas, namely product, price, placement, and promotion. International marketing, however, requires consideration of an additional set of 'Ps': portability, politics, and people. For a business operating in the global marketplace, consideration of the 7Ps of international marketing must be considered.

The product or service which a business wants to sell, should have a ready market demand. It can be a new or modified product or service. If there is a demand which existing businesses have not been able to fulfill, it could be a promising market to enter.

Price levels and pricing policies are two of the major factors that affect the revenue of a business enterprise. Determining price levels and pricing policies is a difficult task, and businesses often come up with erroneous price levels and pricing policies. The factors to be considered in deciding suitable pricing levels are:

- Demand for the product or service
- Customer elasticity or responsiveness to price changes
- Market price
- Convenient location
- Degree or extent of personalized service.

Placement strongly influences the price at which the product is sold to the ultimate customer. The size and character of retail stores vary from country to country, while some countries are characterized by large stores, other countries are characterized by the presence of medium to small shops. The size of the retail store is strongly influenced by the volume in which the customers buy the products. In developing countries, customers buy products individually and not in bulk.

Customers are motivated to buy product or use services through advertisement and promotion which can be done through:

- Print media, such as the yellow pages, newspapers, press releases, flyers, direct mail, billboards, and posters
- Electronic media such as television, radio, telemarketing
- Advertising and promotion over the

Internet involves the use of banners at affiliated web sites

- Public events
- Special offers such as 2 for 1 offers, coupons, special sale prices, rebates, and sweepstakes

The business enterprise should begin with products or services that have a market demand and which do not need to be redeveloped, re-engineered, repackaged, or run through rigorous market or safety certification tests. The product or service should be in harmony with the needs, expectations, desires, and supply of the target markets. The business enterprise should validate its choice of the candidate product or service, which it wants to introduce into the target international market. It may be argued for valid reasons that the portability 'P' can be incorporated in the product 'P'.

In international business, the sale of products and services is strongly influenced by local as well as international regulations, logistics, and practices. Laws that regulate how a product works or how a service is performed, how it is sold, the

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Marketing Internationally Makes Sense

by Joseph Zodi

While visiting Paris, I stopped in a local grocery store to buy the bottle of wine I was to bring home. Next to the wide array of French wines there was an assortment from California. U.S. wine exported to France! If the store is stocking it, someone must be buying it. In

Mexico City, I prefer to dine at the indigenous restaurants, but my other choices include McDonald's, Subway, and even Taco Bell!

The United States exports more than one trillion dollars per year of goods and services, which doesn't include the

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Success is in the Details

Notes from the Executive Director, Dr. Donald Burton

Achieving a successful international business is the result of being good at the details. It isn't enough that a foreign customer needs your product or service and is willing to pay to receive it. The pieces that make up the transaction must be done right if international sales are to be profitable. There are many stories about companies who sold to a foreign customer and ended up not getting paid, or lost money on a sale because of unexpected costs, or had their shipment impounded or seized because of improper paperwork. The success of the transaction is in the details.

Unfortunately the details are constantly changing as governments change policies, and as economic and social pressures impact trade. The challenge is to stay current with regulations, which requires constant surveillance of the regulatory issues of the markets. Not knowing these details can be costly.

Another equally important set of details is in knowing how to sell into different markets. Understanding local customs on to how to negotiate terms, and how to structure your sale in accordance with local traditions goes a long way toward avoiding potential problems. Even though "understanding local customs" does not show up on your invoice as a line item, understanding such traditions can add or subtract from the profit of a sale. Again, details can make or break your international sales effort.

For success, do your homework. Go into the international sales arena prepared. Take classes if you want. Pay attention to the details and make your international business effort a worthwhile and profitable venture.

(continued from front page)

tariffs, taxes, and privacy laws should be thoroughly studied before entering a target international market. There are excellent sources of information on the above topics on the Internet. Some of the sites are the U.S. Department of Commerce (<http://www.doc.gov>), and the International Import Export Institute (<http://www.expandglobal.com>). Since the goods or services are sold to international customers, the business enterprise should carefully study the international logistics involved, such as post-sales service including physical product returns. Another political factor that strongly influences international business are the local business practices.

The last 'P' in the marketing mix is people. Net access, buyer demographics, and means of payment are the parameters, which must be considered to study the people 'P' in the marketing mix. Some of the questions that must be answered while studying the people 'P' are:

- Is there a large enough population online?
- Do customers online have enough disposable income to buy?
- Is there good credit card penetration in the target market?
- Are there other payment mechanisms such as cash, smart cards, personal checks, certified checks, installment, and invoicing.

Business enterprises operating in the global environment should design their marketing effort very meticulously and special attention should be paid to designing the appropriate marketing mix. A global business enterprise is affected not only by the product, price, placement and promotion of the product but also by portability, politics and people.

Udaya Tejwani holds an MBA in Global Management from the University of Phoenix, speaks Hindi, Urdu and English, and is completing a year-long Global Internship with IIEI.

Screening International Distributors

by Roger Marks

Roger Marks, President of the International Division for H2OPlus, has over 25 years of experience in law including international business and trade issues. Through his oversight of strategic planning and the formulating of business and legal models, he has grown the international sales of the cosmetic company to constitute 75% of its net profits. From his extensive experience, Marks offers the following guidelines in identifying and hiring international distributors.

1st – Find out about prior history, ask: What other businesses have you been in or are currently in, including any management experience? What has been the success of those businesses? Have you distributed products within your country before? Have you been responsible for product supply forecasting before? Do you have experience with local sales through the Internet?

2nd – Find out about prior international experience, ask: Have you had any business relationships with other foreign manufacturers? Have you imported products from other countries before? What are your local customs and import duties for this product? Are you aware of any requirements for import documents that must be prepared by the manufacturer? Is there a need to get certain documents validated by the distributor's embassy, consulate or trade office? How about compliance regulations? Are you aware of any product registration approvals or compliance regulations that are required in your territory?

3rd – Find out the distributor's plans for business development, ask: What specifically attracted you to this business? How actively involved will you be in the business? Do you plan on being the point of contact for day-to-day operations? If not, do you have an operational manager in mind who speaks the necessary languages and has the relevant business background? What are your long-term plans for the business? Do you have warehousing facilities for stocking product inventory?

4th – Find out about the financial viability, ask: How much do you plan to invest to establish the business in the territory and in what ways? What do you expect to be your return on investment over a 5-year period? What is the sales volume that you expect? What do you estimate to be your percentage of labor costs to sales? Do you anticipate currency fluctuations to be a problem in terms of purchase of product? Do you have financial experience in dealing with overseas companies? Distributor should also provide banking and credit references.

5th – Find out about plans for brand development, ask: What resources would you plan to dedicate to brand development? Who would be the major brand competitor in your market? Have you developed a brand before? Have you developed and implemented marketing, advertising, and promotional programs before? Which wholesale distribution outlets would you consider and why? What percentage of your annual revenues will be committed to brand development?

According to Marks, the difference between success and failure of a product often hinges on the brand development efforts when introducing a product into a new territory.

Famous Global Marketing **Mistakes**

In international marketing efforts, just how important is attention to the local language and customs?

Judging from the following global marketing mistakes, perhaps we can summarize the importance in one word—VERY!

Consider the following...

When Pepsi advertised its soft drink in China with a translated version of its slogan, "**Come alive with the Pepsi generation**", little did they know that locals understood it to mean "**Pepsi brings your ancestors back from the grave**". Needless to say, sales were slow. After all, who needs that many relatives hanging around.

When American Airlines wanted to advertise new leather first class seats in the Mexico market, it translated its "**Fly in Leather**" campaign literally into Spanish with "**Vuela en Cuero**", which meant "**Fly Naked**". Unfortunately, we have no data on this slogan's effect on sales.

Colgate introduced a toothpaste in France called **Cue**, only to learn that the name was already in use by a notorious pornography magazine.

Clairol's introduction of its "**Mist Stick**" curling iron into Germany was a bit of a stink. "Mist" in German is slang for manure. Not too many people had use for the "**Manure Stick**".

Focus On: Latin America

Hispanic Exporters Consider Currency in Marketing Mix

All exporters will tell you that currency fluctuations play a substantial role in their ability to sell products abroad. For U.S. exporters, a weaker US dollar generates greater sales because foreign buyers get more for their money.

A recent survey revealed that the CEOs of the top US-Hispanic Exporters take a more pragmatic approach. Recognizing that a weaker dollar would pump up sales to their Latin America markets, they accept the fact that currency rates are beyond their control, and instead focus on marketing strategies.

Most important, they say, is the ability to react quickly to swings in currency and to use a range of strategies to limit their currency risks such as letters of credit payable in US dollars. Long-term strategy should consider the method of payment – including currency- as part of the product they are selling. According to John Mathis, professor of international finance at

the American Graduate School of International Management, international competition is increasingly combining cost and technique of financing with marketing strategy. “The more effective the financial strategies a company uses, the better it is to compete”.

But for the small exporter, small variations in the dollar should not be the focus of attention according to Mathis, “more important is the greater economic activity. What is the income of the people in that country? And is that income growing? What is inflation and real income?”

Some economists feel that currency plays a relatively minor role in trade stimulation or international balance of payments. In fact, a strong dollar provides an incentive for foreign investors to put their money in the United States, thereby benefiting US exporters through cheaper credit services and low inflation.

“Since the 1930s, it’s never been a good idea to cheapen US currency, although we momentarily gain the upper hand in exports, says Boris Kozolchik, president of the National Law Center for the Inter-American Free Trade, a group that works to harmonize trade laws and regulations in the western hemisphere. “We get a lot more total value in exports by facilitating credits and service than by artificially lowering the value of the dollar”.

For Hispanic exporters to Latin America, creative strategies will certainly be needed. Trade with Mexico, which had grown at a steady 22% for the four years since NAFTA, is expected to flatten this year.

Argentina’s financial crisis and debt default on \$128 billion will be felt throughout the neighboring Mercosur countries, particularly Brazil, the continent’s largest economy.

Source: “Dollars in the Deals” by Jonathan Higuera, Hispanic Business Magazine-Nov01

The Culture Corner

Habla Español?

Body Language in Latin America

A ‘hearty handshake’ is the description often given to greetings throughout Latin America, but does not necessarily mean a strong, firm grip. Latins tend toward a gentler grip than practiced by North Americans and some Europeans. Close male friends will also greet with an abrazo or hug accompanied by patting the back. Women will hug lightly and brush cheeks as if kissing.

Most Latins tend to stand closer to-

gether when conversing, often prompting North Americans and Europeans to unintentionally perform what has been called the ‘conversational tango’. The visitor backs off to regain space, the Latin follows, and the visitor retreats again. Visitors should work to avoid this lest you silently signal your dislike or disinterest.

Hand gestures across Latin America tend to become more nationally unique. For example, standing with the hands on the hips suggests anger or challenge to most Argentines. A Brazilian may snap the fingers while whipping the hand down and out to add emphasis. In the

Brazilian marketplace, if a vendor holds his hand out, fingers extended and flips the thumb back and forth it merely means, ‘there isn’t any left; all gone’.

In Chile, holding the palm upward and then spreading the fingers signals that someone is “stupid”. In Colombia, tapping the underside of the elbow with the fingers of the other hand suggests that someone is ‘stingy’. If a Honduran takes one index finger, places it near the corner of his eye and seems to tug downward gently, this is a signal that is saying ‘Be careful. Watch out’. If a Paraguayan brushes his fingers under his chin, outward, he is saying ‘I don’t know’.

Source: Web of Culture

Coffee Break: Latin America's Export Crisis

by Russell Oberholtzer, IIEI Intern

Latin America accounts for 60% of global coffee output, and as a major export earner, has been the backbone of many rural economies. But poor harvests and Vietnam's surging production has created two years of sliding prices, bringing hardship on growers on a scale unseen for three decades.

In Mexico and Brazil, tens of thousands of laid off rural laborers have flocked to cities in search of work. In Peru many farmers are turning to growing drug crops in search of cash. In 2000, the Association of Coffee Producing Countries tried to reverse the slump with a plan to hold back 20% of exports. The problem was that member nations did not have the money to fund this retention scheme.

A better approach may be to boost demand and improve marketing. If coffee consumption were to double to 3% annually, matching soft drinks, it would keep pace with the rising production. A marketing campaign was launched in Brazil in the early 90's which doubled consumption. Today, on average, Brazilians consume twice as much coffee as Colombians and five times as much as Mexicans.

Would consumers pay more for quality? The Coffee Growers Federation of Colombia attained a 10 cents per pound price over other arabica coffees by investing in technical advice, quality control and branding. Some Colombian producers are even marketing "single estate" coffee, following the example of fine wines.

Source: The Economist (09/01)

IIEI Selects Affiliates for Portugal and Israel

Companhia Propria has been selected by IIEI to be the Institute's certification representative in Portugal. Companhia Propria, established in 1996, provides highly specialized, value-added training in several areas of business education. With offices in Lisbon, Oporto, and Vila Real, Companhia Propria focuses primarily on small to medium size enterprises. IIEI's on-line courses in international trade will provide a strong compliment to their current offerings.

Morey Manor International Marketing and Management, based in Tel-Aviv, has been selected to represent IIEI in Israel. Morey Manor provides international business consulting and marketing services throughout Israel, and will include IIEI's online courses in international trade training and certifications as part of it services.

MARKETING INTERNATIONALLY (continued from front page)

profits earned by U.S. companies in foreign direct investment (FDI), franchising, and other business ventures.

As U.S. consumers, we see many foreign-made products in the stores. Until we travel, it's hard to grasp how many U.S. products compete in foreign markets. In some cases, it's hard for us to notice the U.S. products because our international sales include products not as easily visible, such as medical technology and computer software.

U.S. industry has a potential market worldwide with certain built-in advantages. The primary language of international business is English, even if it is often the other party's second language. The U.S. dollar is an accepted currency for both sales and purchases. We in the U.S. often need not become involved in currency conversions and fluctuations. U.S. products are generally seen as quality products. In the 21st century, people want affordable quality.

At the same time, U.S. sellers must be aware of cultural and other national differences. Yes, there are Taco Bell restaurants in Mexico, but they have Spanish menus and accept pesos, not dollars.

The rest of the world is on metric. Some goods, such as liquids sold in quarts, may need to be modified. We can expect that a foreign distributor may ask us to pack in tens instead of using dozens. Language differences occur within regions. Mexican Spanish is different from Central American Spanish. Instruction booklets and advertising need to reflect this. Technical differences are important too, and can range from electrical voltages to the actual configuration of electrical plugs.

So, if we have a viable market internationally, but have some obstacles to overcome, who is the best source of assistance? In the long run, the best advisor is your foreign buyer or partner. A Canadian distributor based in Quebec will be able to translate the instruction booklet into Quebecois rather than French as spoken in Paris. Local personnel will be knowledgeable in details ranging from electrical specifications to the competitors' existing market shares.

Your new buyer can examine English materials and test U.S.-compatible samples, then become the key resource in specifying the modifications to be made for success in your new marketplace.

The key to success in your new marketplaces is a mutually profitable, effective, and long term relationship with your new business partner.

Joseph Zodl is an instructor with IIEI and is the author of Export-Import: Everything You and Your Company Need to Know to Compete in World Markets (Cincinnati: Betterway Books, 1999).

IIEI's Classes Designed for Busy Schedules

In today's fast paced world getting additional education is becoming more and more difficult. Work and family life typically prevent most people from achieving their desired level of education. IIEI wanted to combat this problem with a class structure that allows people the opportunity to reengage their education without up-heaving the rest of their lives. Sequential start dates, accelerated curriculum and online interactive learning are the building blocks for IIEI's educational format.

Sequential start dates mean that each of the classes follow the path of the highest level of certification, *Certified International Trade Manager (CITM)*, one class after another. This feature allows every student the opportunity to finish the highest level of certification in the shortest amount of time. Any student aspiring for a different certification will simply stop along the path at the appropriate point. Because students don't have to wait a whole semester to take the next class any of the certifications can be completed within a year and a half without ever doubling up on classes.

IIEI's accelerated curriculum has many advantages for busy students. Most classes are taught on a six-week time frame. Each week the student is presented with all assignments and assigned readings for the entire week allowing them to plan their work according to their schedule. Each class week starts on a Thursday allowing students to finish most of their assignments over the weekend leaving only the discussion for the remaining week. The six-week format gives students the opportunity to learn at a comfortable pace without sacrificing a whole semester.

Online interactive learning is an innovative format for education. IIEI's

online classrooms combine the convenience of the Internet and the interaction of a regular classroom. With an Internet class the students have the ability to enter the classroom and view the material twenty-four hours a day seven days a week, almost anywhere in the world. IIEI's classrooms also contain a "post it board" discussion area where students are required to answer questions, give responses and discuss problems with all of the other students and the instructor without ever having to be in the classroom at a designated time.

The International Import Export Institute's innovative educational format gives everyone the opportunity to get the education and expertise recognition they have been longing for without drastically disturbing their normal pattern of life.

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IIEI is pleased to announce its newest corporate member, APL Direct Logistics. APL is a multichannel, direct-to-consumer service provider that combines leading-edge technology with more than 25 years of global retail logistics experience. With flexible, web-enabled customized fulfillment solutions, APL reaches beyond the warehouse to help multichannel retailers and manufacturers increase speed to market, eliminate inefficiency, improve customer relationships, and enhance brand equity. Their flagship warehouse is located in Hebron, Kentucky, and, along with multiple transportation modes and cutting edge IT tools, equips them to process more than seven million orders annually. Located in Jacksonville, Florida, APL Direct Logistics is a subsidiary of Neptune Orient Lines, Limited, a global transportation and logistics company based in Singapore. In January 2001, APL Logistics, a division of NOL, acquired GATX to form APL Direct Logistics.

For Members Only

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<http://www.expandglobal.com>

South Carolina's Trade Institute to Offer IIEI Courses

The World Trade Institute, launched in 1994 by the



South Carolina World Trade Center, has made it official. It will offer IIEI's online trade courses to its more than 500 member companies.

Originally developed to assist displaced shipyard workers with exporting and trade logistics training, the Charleston-based World Trade Institute has grown to be an award-winning organization, including the prestigious "President's E-Award for Exporting".

According to John Garcia, managing director of the World Trade Institute, "we strive to offer world-class education through innovative training programs. IIEI's online courses were exactly what we were looking for to compliment our on-ground program."

IIEI INTERNSHIP PROGRAM

IIEI Internship Program is a valuable opportunity to gain experience and insight into international trade. Interns are receiving their assignments in a wide variety of areas. If you are currently an IIEI member, you are eligible to become a part of this exciting program. In many instances you can perform your internship duties online from your home or business and in your local community. For more information and an application go online at www.expandglobal.com and select "Membership".

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