Creating International Business

Resources For Higher Education Business Courses

APEC Working Group on Trade Promotion

February 2009

Asia-Pacific Economic Cooperation

Australian Government

Australian Trade Commission

Creating International Business

Resources for Higher Education Business Courses

APEC Working Group on Trade Promotion

February 2009

Asia-Pacific Economic Cooperation

Australian Government
Australian Trade Commission

Prepared by Austrade Education Programs
Australian Trade Commission
GPO Box 2386
Canberra ACT 2601
Australia
Tel: +61 2 6201 7430 Fax: +61 2 6201 7304
Email: education@austrade.gov.au
Website: ***www.austrade.gov.au/studentcentre/***

Book editor:	Leigh Derigo
Book writers:	Leigh Derigo, Lauren Black, Kelly Wilson

Video producers:	Matthew Mulrine and John Hatfield
Video editor:	John Hatfield
Animation:	Matthew Mulrine
Voice over:	Lino Strangis
Video talent:	Sophie Babic and Jim Enright
Designer:	Bytes ‘n Colours

Produced for
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace Singapore 119616
Tel: +65-6891 9691 Fax +65-68919690
Email: ***info@apec.org*** Website: ***www.apec.org***

APEC #209-SM-03.1
ISBN 978-981-08-2400-06

Creating International Business

DVD contents

Creating International Business – Overview

An overview of stages commonly followed in international business. (8 minutes)

Creating International Business – Preparation

Processes and issues to consider when preparing to do business overseas including: analysis of capability and competitiveness; risk management; market research, selection and identification of market entry strategy; relationship building; marketing and legal issues (30 minutes).

Creating International Business – Market Entry Strategies

Case study examples of major international business market entry strategies including: initial market visit; indirect exporting; using an agent or distributor; manufacturing under licence; joint venture agreements; franchising and services. (30 minutes)

Businesses featured in case studies

- Aspen Medical - medical services
  www.aspenmedical.com.au
- CIC Secure - key security systems
  www.cicsecure.com.au
- Futuris Automotive Group - automotive components
  www.futuris.com.au
- Gloria Jeans Coffees - coffee franchise
  www.gloriajeanscoffees.com.au
- Slim Secrets - healthy snack products
  www.slimsecrets.com.au
- Splatter - artwork for children and families
  www.splatter.biz

Introduction

This book and accompanying DVD provide students with a practical approach to international business. They explore the planning processes and steps involved in expanding a business into overseas markets and common issues that businesses in the Asia-Pacific region face. Texts currently used in higher education courses focus mainly on issues relevant to multi national firms rather than small and medium sized businesses in the Asia-Pacific region.

International business

Local communities benefit when their businesses become involved in overseas markets. When businesses export goods and services they bring new money into the community (profits), employ staff and possibly expand over time. Other businesses import to provide goods and services, which are not available domestically or are different in some way, so local consumers have greater choice.

EXPORTING is the sale of goods and services that are produced domestically and consumed by customers from another country. GOODS are physical products, such as televisions, coal and wheat, while SERVICES are activities done by people that are not tangible such as entertainment, tourism, banking and education. INTERNATIONAL BUSINESS includes exporting goods and services and investment overseas.

Globalisation and the global consumer

There has been enormous growth in the value of world trade and investment since the 1980s. Improved technologies and communications have changed how people do business and the global media has encouraged similar consumer behaviour.

Improved standards of living in many countries also allow more people to buy luxuries or niche products to suit their personal tastes and interests. Over the past 10 years on-line shopping via the Internet has become a popular way for people to buy products from overseas, particularly niche products.

Global opportunities

Nations' economies and markets have stronger links today and this has created opportunities for businesses to expand their operations and production to other countries. In addition to large and multinational organisations, many small and medium businesses find opportunities to make profits in international business.

Exporting can be very profitable for a business but the journey to international business is a complex and demanding process, which can expose the business to risks not found in the domestic market. A well-researched export plan should guide the first steps into international business and later expansion into new markets.

Are you ready for international business?

- [ ] Business is strong and committed to global growth
- [ ] Have a competitive advantage over competitors
- [ ] Products are suitable for many markets with little adaptation
- [ ] Risk is managed - Intellectual property (IP) and brand protected, staff and finance available
- [ ] Researched possible markets in detail, including local conditions and laws
- [ ] Visited target markets, met partners, assessed competition, understand local needs
- [ ] Business relationships are developed
- [ ] Identified the best market entry strategy for each market
- [ ] Clarified the legal position – contracts, payment options, freight, insurance
- [ ] Completed a marketing plan

Chapter 1 – Getting Started

Some new businesses are BORN GLOBAL, started with the intention of exporting within a few years, but most test products/services and business processes in the domestic market before expanding overseas.

1.1 Growing a business

There are four key business growth strategies, including doing business in overseas markets and exporting. Some strategies are risky because they need high levels of commitment and they have different success rates. The strategies are

- MARKET PENETRATION (existing products/services, existing markets) – enter an existing market that has similar products and take part of that MARKET SHARE (attracting a competitor's clients through advertising, promotions or discounts)
- MARKET DEVELOPMENT (existing products/services, new markets) – geographical expansion into regional, national or international markets while attracting other MARKET SEGMENTS (finding different channels of distribution, advertising in different media or developing new uses for the product).
- PRODUCT DEVELOPMENT (new products/services, existing markets) – produce new features, variations or a completely new product/service (producing mobile phones with new features or in a range of colours)
- DIVERSIFICATION (new products/services, new markets) – create new products/services to enter new markets. This involves several risks and is the most difficult to implement. To succeed, this strategy should use existing skills and strengths.

	Existing market	**New market**
Existing products/ services	Market penetration (easiest option)	Market development
New products/services	Product development	Diversification (hardest option)

Increasing risk →

International business and exporting can improve profits and competitiveness for a business that is adaptable, well-organised and committed to growing internationally. Successful international growth requires understanding of overseas markets and ability to adapt to different environments.

1.2 International business strategy

International business strategy plan

Developing a new market, locally or overseas, needs investment in time and resources. An international business strategy plan helps to define a business's overseas aims and match its resources to those aims. This strategy plan can be a brief and simple statement of the objectives and competitive advantage that describes the

- business operations and growth aims
- product or service offerings
- international expertise in the business
- overseas market environment
- SWOT analysis
- needs assessment – financial resources, product modifications
- international business plan – sets the target, potential market entry methods, financial management, marketing strategies
- implementation and monitoring.

Business profile

A current business profile can help to clarify aims and act as an introduction to potential partners with business and marketing information such as

- business name
- street address
- telephone number
- email address
- business mission statement
- contact person
- postal address
- facsimile number
- website/URL address
- business history
- product or service description
- number of employees and their skills
- number and location of production facilities.

Marketing strategy

- current market selection criteria
- current market position and segments
- preferred distribution methods
- availability of samples
- percentage of local content
- quality
- product and service availability
- current logistics.

1.3 SWOT analysis

Before considering new markets a business should understand its success in the domestic market – its competitive profile. It should know its share of the market and that of its competitors.

A useful planning tool for business is a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

Strengths of business	→	How can the strengths be used?
Weaknesses of business	→	How can the weaknesses be overcome?
Opportunities open to business	→	How can the opportunities be seized?
Threats facing business	→	How can the threats be avoided?

In this SWOT analysis identify the strengths the business can transfer to a new market and its advantages in comparison to competitors, such as in

- [ ] technology – has an advanced technology or business system
- [ ] uniqueness – already has a niche in the domestic (home) market place
- [ ] production – produces a standardised product at reduced cost and sell in the volume to suit market needs, tastes and price point
- [ ] service – value-adds or differentiates products requiring customer contact
- [ ] adaptability – quickly responds to changes in the market, large orders or rushed requests.

A business will probably face more competitors in the target export market than in the domestic market. Any business weaknesses are likely to transfer into the target market, so the business should regularly compare itself to competitors. Business weaknesses may include

- limited experience
- limited marketing ability
- slow or inflexible production
- inadequate staff numbers
- need for improved or new technology
- no customer feedback
- limited finance for export
- inability to change product or packaging.

Exporters of services must look for some different strengths in their SWOT analysis, including

- unique type of service offering
- long-term commitment (local office, training, promotion)
- relationship and network building skills
- proven service offering in the domestic market
- patience for long-term growth
- entrepreneurial approach
- a strong, professional reputation
- high level of technical skills amongst staff – embedded in INTELLECTUAL PROPERTY (IP)
- prior international experience
- high level of partner support.

Opportunities and threats for business will vary with each target market so should be included in initial market research. (See Chapter 2 – International Market Research and Selection for more detailed information.)

1.4 Assessing international business capability

A business wanting to go off-shore must first assess its international business capability. It should assess

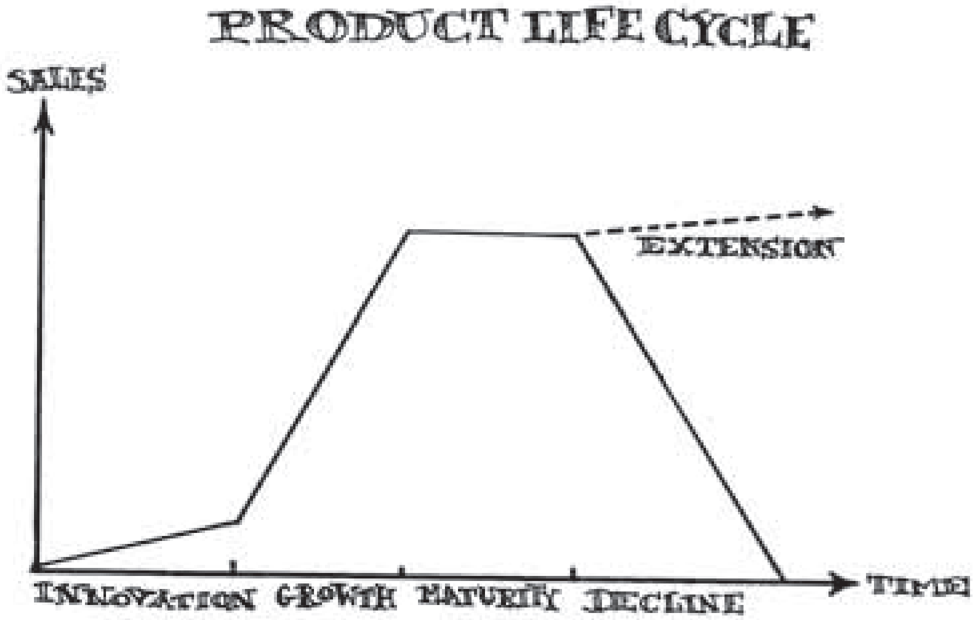
- its reasons for doing business overseas
- if the product or service is suitable for an overseas market.

A business must really want to export in order to succeed. International business can be time consuming and expensive, but the rewards can also be high, in the long term. Therefore, the motivation for expanding overseas can affect business's success. It is also important to research overseas markets because international business is not likely to be successful if it responds to guesses about overseas consumer tastes or tries to avoid a domestic market downturn. A business must also have the capabilities and resources to do business overseas.

Reasons to begin international business

- enhance competitiveness
- increase business knowledge by learning and developing best practice
- access new resources and technologies
- as part of a long-term expansion plan
- improve RETURN on investment and increase profitability
- balance seasonal or cyclical fluctuations
- access a wider sales base for new growth opportunities
- create ECONOMIES OF SCALE and continuing production
- use excess production capacity
- respond to perceived demand in overseas markets, such as niche markets
- reduce risk by selling a product or service in many markets
- find new markets for mature products or those facing MARKET SATURATION
- apply existing domestic market strategies to similar overseas markets.

International business can be time consuming and expensive, but the rewards can also be high, in the long term.



A business should analyse why it is successful in the domestic market and whether it can repeat this success in an overseas market. Consider

- which current products/services can be marketed overseas
- if the product/service is selling successfully in different areas of the domestic market
- the domestic MARKET POSITION of the product/service
- if the product/service is competing successfully without the protection of import TARIFFS and regulations
- if the product/service would be unique in an overseas market
- the main uses of the product/service
- who buys the product/service now and why they buy it
- in which markets these types of buyers are common
- why overseas customers would buy the product/service instead of a competitor's product
- if the product/service is likely to need repackaging for the new market
- if the business should modify or redesign the product/service for export
- if it is cost effective to transport the product/service to an overseas market
- if it is cheaper to manufacture overseas under license or through a JOINT VENTURE partner
- if different seasons, cycles or TRENDS create new opportunities in other markets
- if there are warranties, guarantees or service contracts that go with the product/service
- if production can be increased to sustain a growing export business
- if current production and service delivery processes can be transferred to an overseas market.

1.5 Managing risk

Risk is anything that threatens reaching a project goal, such as

- political and economic risk – political stability and economic conditions in the target market can affect the business or personal security
- legal and regulatory risk – seek legal advice on target market requirements – customs, taxation, quarantine and employment conditions
- financial risk – seek financial and insurance advice to minimise payment risk, transfer risk and EXCHANGE RATE movement risk
- transportation risk – reduce risk of damage, loss, theft and exposure to the weather through effective packaging, labelling, storage and insurance.

RISK MANAGEMENT is a process of thinking systematically about all possible problems before they happen and setting up procedures that will avoid them, minimise or cope with their impact. Consider export and international business risk management

- what are the risks
- how likely are the risks
- what could happen with each risk
- how to limit these risks
- how to monitor and review the outcomes
- how to communicate and consult with the people involved?

Create a risk management matrix

Completing a simple matrix of potential risks is a good way of identifying the probability of risks occurring and the consequences if they did occur.

Likelihood	**Consequences**				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain					
Likely					
Possible					
Unlikely					
Rare					

The completed matrix will help the manager to prioritise important issues. Focus on the critical areas and deal with them before they become a crisis, for example, if all export business is with a single client in country X and that country has a military coup, then the political risk is high.

A risk management plan states clearly and simply what the business will do if a risk occurs and lists the contact details for responsible staff. A plan will also help the business to develop a broader business risk profile for the market.

1.6 Trade finance

Develop a realistic cash-flow model during the early stages of overseas market development...

Overseas sales are more expensive than domestic sales. They involve a longer time between product/service delivery and payment, additional shipping costs, overseas travel and perhaps warehousing in the overseas market.

The business may need additional finance to expand production, employ more staff, run marketing campaigns and meet other commitments. The international business strategy plan (see 1.2) should include the extra money needed to become export capable. Businesses should consider getting legal advice before borrowing money.

The most common sources of money to help a business grow are

- personal funds from family or friends
- loans from financial institutions (such as banks)
- loans or grants from government agencies
- EQUITY from other companies or venture capital organisations
- trade credit for short term transactions.

Most lenders will want to see the detailed international business strategy and marketing plans before entering into an agreement. Always seek legal advice early.

Use the international business strategy plan to prepare a financial resources statement that includes realistic costs for the export program. The financial checklist should include

- cash-flow analysis
- market development costs – travel, communications and sales literature
- costs to change existing products/services for export markets
- costs to increase plant capacity, if necessary
- freight and logistics charges
- pre-shipment and post-shipment costs
- costs of credit insurance, performance bonds and exchange rate management.

Develop a realistic cash-flow model during the early stages of overseas market development because international business revenue usually takes some time to grow. Plan for the best and worst case scenarios to ensure that the business is financially able to handle the early stages, before receiving many overseas orders and payment.

The length of time between providing products/services and final payment depends on the payment method agreed between the buyer and seller. Businesses with limited LIQUIDITY may need to ask for shorter terms of payment (see Chapter 4 – Export Administration).

1.7 Export sustainability

To be export capable a business must be able to keep exporting over time and meet buyer demand. It should check that

- management is committed to international business
- staff have the relevant skills
- it has a COMPETITIVE ADVANTAGE in areas like cost, technology or service
- it has the manufacturing capacity to meet increased demand
- the product/service has a NICHE in the target market
- competition exists in the target markets.

The team approach

A committed team should lead the international business program. Even small businesses can bring together a team of highly qualified people to represent production, management, technology development, administration and marketing.

When putting an international business team together a small business owner should include all necessary functions, such as

- the accountant
- technical/engineering and production staff
- marketing staff or consultant
- administrators and senior management.

To ensure that everyone is well informed and understands the international business strategy plan, it is important to involve all team members from an early stage and meet as a team at regular intervals.

1.8 Corporate and social responsibility

Triple bottom line policy

International businesses often have improved performance when they include their social, ethical and environmental responsibilities in business planning – TRIPLE BOTTOM LINE policy. According to recent research, businesses that plan for and implement a triple bottom line policy outperformed other businesses in the market.

Businesses with very ethical behaviour gain widespread community approval, but fraudulent or unethical businesses do not live up to community expectations. Unethical businesses will eventually be publicly criticised and may be penalised by government regulators in both their domestic and international markets. Businesses that adopt a triple bottom line exercise the following strategies

- treat environmental and social aspects of business as future growth opportunities
- respond to sustainability challenges with innovative solutions
- are responsive to changing community expectations
- integrate their environmental and social responsibilities into day-to-day business decision-making and regularly report on their sustainability performance.

Environmental responsibility

Global businesses are now expected to take greater responsibility to protect the environment and many that have ‘green’ practices or produce environmentally friendly products have increased their sales over time. Businesses need to consider recycling, waste management and environmental protection as polluters risk losing customers.

Ethical business behaviour

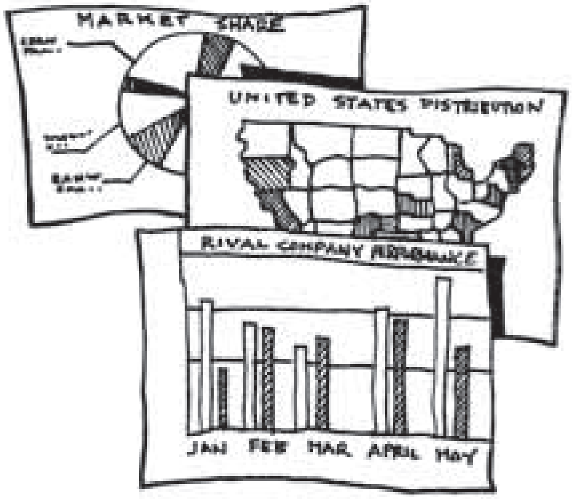
The global community expects business owners and their staff to carry out their business honestly and to treat people fairly, in both domestic and overseas markets. Business practices in some countries include bribery to ‘facilitate’ a deal, but this is considered unethical in most countries.

Responsibilities to consumers

In many countries customers have certain legal rights, especially protection from misleading and deceptive business behaviour, such as false advertising. Businesses must obey these laws. Businesses that respect and satisfy their customers have a much greater chance of success over time.

Chapter 2 – International Market Research and Selection

2.1 Overseas market selection criteria



Many businesses begin international business with a reactive export, such as making a sale after being approached by an overseas buyer who viewed their website.

For on-going overseas sales the business should take a more proactive approach by selecting the best market for successful sales growth over time. To select the ideal target market a business should firstly develop broad market selection criteria and then fully research conditions in each potential market.

Market selection research, which can take up to 70 per cent of the export preparation time, will avoid wasting time and money on inappropriate markets.

Initial entry into one overseas country helps a business to understand all international business processes and issues in that market before expanding into other markets. Eventually a business will choose whether to focus on a small number of markets (MARKET CONCENTRATION) or sell its product/service to as many markets as possible (MARKET SPREAD).

Market research should include the opportunities and risks in each market.

The easiest (low risk) overseas markets to enter

- are similar to the home market
- have the same language
- have similar culture or business practices
- are geographically close
- have a familiar banking system
- have trade agreements which offer opportunities to businesses
- have similar rules, regulations and laws.

Overseas market entry difficulties can result from

- large and complex markets
- highly regulated markets
- business practices which are very different to the domestic economy
- complex import requirements
- market distance
- relatively undeveloped market.

New international business people should be wary of entering complex markets too early. They should consider low risk markets at first or develop strategies to limit their risk in more complex markets.

Firstly consider broad market selection criteria such as

- population
- income
- demographic information
- the business environment
- competitors in that market
- government and institutional stability.

Secondly consider more specific criteria such as

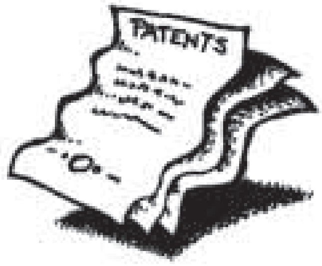
- potential for sales (size of the target market, MARKET SEGMENT and PRODUCT DIFFERENTIATION)
- potential GROSS MARGINS
- forecast MARKET DEVELOPMENT expenditure
- business risks and timing of RETURNS
- easy market access
- favourable competition and economic conditions
- signs of growth in the market (current sales significantly beneath SATURATION or strong recent growth in industry sales).

Short listed markets should match the business strengths, such as

- unique product performance
- access to protected intellectual property (IP) technology
- low cost position or high quality position
- ability to offer excellent service and support
- access to strong financial resources
- ability to form good relationships with export business partners.

Intellectual property protection

'Products of the mind' that have commercial value are called intellectual property (IP). These include circuit diagrams, software code, music, designs, business processes and trade secrets. IP can be legally protected by registering PATENTS, TRADEMARKS and COPYRIGHT but it is expensive and difficult to enforce these laws around the world. Unethical people can quickly copy a good idea and take business from the IP owner. Businesses should therefore ask for legal advice and thoroughly research IP protection, the legal system and business practices before expanding into target marketS.



Barriers to trade

Since the 1980s, many countries have begun a program of TRADE LIBERALISATION to reduce TRADE BARRIERS and lower the cost of goods and services for consumers. Businesses can have difficulty entering some overseas target markets that still use trade barriers such as TARIFFS, QUOTAS, regulations and government SUBSIDIES of local companies. Overseas governments may use trade barriers to protect their domestic markets, possibly to establish an industry in their country or protect an industry that is not competitive in the global market.

> High tariffs or regulations with expensive compliance costs will increase overall export costs and the price for the end user (consumer). A product or service may no longer be competitive in some overseas markets with cost-related barriers.

Non-tariff (invisible) barriers are more difficult to detect. They can range from laws for standards, local content, ingredients, registration, labelling, testing, customs clearance, quarantine and other means of preventing or delaying the import process. These restrictions can increase costs, lengthen delivery times or delay market entry to protect domestic businesses.

Businesses can have difficulty entering some overseas target markets that still use trade barriers...

Businesses should investigate the laws and regulations for their industry group in the overseas market. The business may need import licenses and permits or may be affected by taxation, employment, health and safety laws in the target market.

Cultural and business practices are different around the world and can become barriers to trade. Because countries have unique languages, religions, social structures and lifestyles, consumers can have different attitudes towards products and services from overseas.

2.2 Sources of information

Market research should include many different resources. Not all information is reliable so use well-recognised, authoritative sources, such as: the World Bank, the United Nations, the World Trade Organization (WTO), the Asia Pacific Economic Co-operation (APEC), the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), official government sources, industry associations, educational institutions and publications that have been reviewed and edited.

Some useful information sources

Name	Information available	Website address
Asian Development Bank (ADB) – Key Indicators	Statistical profiles of the 44 member countries	***www.adb.org/Statistics/ki.asp***
European Union – Market Access Sectoral and Trade Barriers Database	Reports on trade regulations, intellectual property laws, tariff and non-tariff barriers for over 200 countries	***http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm***
CIA World Factbook	Over 200 country profiles – major economic, political and social aspects for each country	***www.cia.gov/cia/publications/factbook/index.html***
World Bank – Data Query	A segment of the World Development Indicators (WDI) database, including time series indicators	***www.worldbank.org*** Select ***Data and Research*** tab.
FAOSTAT	Statistical databases of the Food and Agriculture Organization of the UN – agricultural and fisheries production and trade data by country	***www.fao.org/waicent/portal/statistics_en.asp***
UN Comtrade database	Comprehensive, free trade statistics – import and export data for over 200 countries	***comtrade.un.org/***

UNCTAD TRAINS database	On-line tariff and imports database covering almost 140 markets	***www.unctad.org/trains/index.htm***
UNCTAD/WTO International Trade Centre: International Trade Statistics	Generate trade statistics reports quickly and easily for a specific country or product category	***www.intracen.org/tradstat/welcome.htm***
Salary Expert	Information on human resource costs by occupation and country	***www.salaryexpert.com***
Kompass	A worldwide business directory – a database of 2.3 million companies in 70 countries	***www.kompass.com***
Franchising	1. An interactive directory of franchising opportunities. 2. Franchise Council of Australia	***www.franchising.com*** ***www.franchise.org.au***

2.3 Assessment and ranking of potential markets

To find the most appropriate overseas market a business should look at specific trends and activities in each potential market, analyse competitor activity, potential customer demand and trade barriers (both visible and invisible). The criteria listed below can be used to help rank and study the target markets.

Market assessment criteria

	Rating 0 – 5 (poor to good)		
Market characteristics Growth of imports Seasonal /cyclic nature of imports Degree of market segmentation Degree of customer concentration Sensitivity to quality/performance Availability of close substitutes Sensitivity to imports	Market 1	Market 2	Market 3
Competitive conditions Concentration of domestic industry Concentration of exporters Complexity of distribution system Threat from domestic markets to foreign entrants			
Financial and economic conditions Industry pricing practices Industry payment terms Currency parity Trade tariffs and charges Need for concessional financing Foreign exchange (history of movements) Cost of doing business Barriers to entry not identified elsewhere			
Legal and socio-political conditions Political stability Trade laws Consumer and environmental laws Registration and licensing laws Cultural similarities Foreign investment laws Labour laws Intellectual property protection			
TOTAL			

Market selection also includes identifying the market segment in the short-listed target markets, such as

- a particular geographic region
- a certain SOCIO-ECONOMIC group
- an age group within the population
- individuals or organisations.

Successful market segmentation focuses on consumers' real needs and identifying groups with similar needs.

Export market segmentation

Segmentation parameters	Possible market segments – target customer group(s)
Age	Toddler, child, teenager, adult, under 25, 25-35, 35-65, 65+
Sex	Male, female
Occupation	Professional, farmer, trades person, student, receptionist, accountant, artist, home duties, doctor, manager
Family life cycle	Single, married, divorce, elderly, married – children under six, married – children over six, married – children left home
Income	Low, medium, high, very high
General industry type	Small, medium, large business; government, public and private sectors; industrial, consumer and service markets
Specific industry	Financial, professional services, trades (plumbing, mechanical, etc), computing, marine, electrical, engineering, railway, rubber, chemical, food and agriculture, liquor
Geographic	Europe, Asia, Africa, North America, South America, Australasia, the Pacific, Middle East, regions
Attitude towards life	Future concern – environment, politics, conscious of short term price, looks at long term advantages, concerned about image or prestige
Lifestyle	Health conscious, active, adventurous, cautious
Usage rates	High, medium, low; first time, existing users
Benefits desired	Technical performance, low price, quality, prestige, user friendliness, labour saving, durability, dependability.

2.4 Competitors

Businesses should assess existing and potential competitors in the target markets, including the number and quality of competitors in each segment. If a market is attractive then many other international business people (and domestic businesses) will also try to enter that market. Singapore, for example, is a very attractive market to exporters in a range of industries. However, because it is so attractive it is also very competitive and many international businesses will try to sell their good and services there.

Conduct a SWOT analysis of key competitors in the market to understand the competitive environment and to find potential opportunities for the business.

If a market is attractive then many other international business people (and domestic businesses) will also try to enter that market.

Competitive target market SWOT analysis

Complete this exercise for each market segment.

	Our business	Competitor 1	Competitor 2	Competitor 3
Competitive advantage				
Strengths				
Weaknesses				

Chapter 3 – Market Entry Strategies

3.1 Visiting the market

After completing market research, the next step is to visit the target market. The visit is an opportunity to meet potential market entry partners, assess the competition and get a better understanding of the market. Good business relationships and first hand, in-depth knowledge of the target market can increase international business success.

It is very important to understand the BUSINESS ETIQUETTE used in the target market. This can include using business cards, stages of negotiation, respect for seniority, punctuality and gift giving.

Cultural influences such religion, tastes and holidays also affect business practices. Personal presentation, behaviour, promotional materials and packaging should be adapted for each market to attract customers and not offend. Some markets may value older, higher ranking business people in negotiations or not have many women involved in business. A business is likely to lose sales if it is culturally insensitive.

Potential partners may be pleased if the business representative knows a few words in the local language, but use a translator for formal discussions, if possible. However, speak to the senior partner at the meeting, not the interpreter.

Research labelling laws in advance and bring a mock-up package for the market visit. The product name, branding, packaging and brochures may need to be translated.

Check that the product name translates well into the target market language.

For the first meeting with potential partners (customers, distributors, agents) prepare a short presentation which illustrates how the product/service will improve their business outcomes. Include in the presentation:

- a short MARKETING summary of the product/service
- how the partners will benefit from the relationship
- earning forecasts and costs to partners in local currency
- examples of research on market segment buying trends.

When visiting the target market

- buy flexible flights to allow for changes and refunds
- stay in first class hotels – partners can link the business with the hotel status
- use concierge services to arrange chauffeurs (necessary in some countries), car hire, venues for meetings and advice on local issues
- check locations of potenial business partners and meeting venues before booking accommodation

- check ground transport and travel time – traffic jams of several hours are common in some cities
- check health requirements, such as necessary vaccinations
- visas can take time so apply early and have a valid passport, photos, fees, sponsor letters and detailed itineraries
- check currency rules, buy some local currency before arrival and check local use of credit cards, travellers cheques or US dollars
- if samples will not fit in checked luggage arrange to ship as cargo on the flight
- if sending product samples ahead arrange for an agent or freight forwarder to hold them.

> Check if an international drivers licence is required and get car and personal insurance, if necessary. Check if the country has a rail pass scheme. Rail passes can save money for intercity travel, particularly in the UK, Europe, and Japan but can usually only be bought before arrival.

3.2 Indirect exporting

First time international business people may prefer to export indirectly by using a third party business, such as

- **overseas buyers** – large retailers or wholesalers search for new products and services, in industries such as tourism and fashion
- **consolidators** – trading houses that buy from many suppliers, for example seafood, vegetables, aquaculture, flowers and fruit
- **sub-contractors** – provide products/services for an off-shore project
- **piggy-back entry** – a manufacturer or service provider from the domestic market distributes another business's product/service overseas to provide a wider range to its own products.

Advantages	Disadvantages
• Initial investment is small	• Little control over product after sale
• Business can concentrate on its strengths	• 'Cost-plus' pricing does not allow for higher prices
• Exporting done by experts	• Increased distribution costs
• Increased sales	• Little control over business development
• Few exporting risks	

3.3 Direct international business

A business can represent itself by selling products or services directly to a customer overseas, but direct selling may need large orders and efficient supply chains to be economical. Direct sales can be from business-to-business (B2B), such as selling car parts to car manufacturers, or business-to-customer (B2C), such as Internet sales (see Chapter 5.7 E-commerce). With direct sales the exporter can build personal relationships with customers, important in some markets. They can also control the process and develop a detailed knowledge of the market. Direct control can also cost time and money.

Governments or large companies may prefer to buy directly from an overseas supplier in a B2B relationship. Dealing with governments can be slow and take time to reach the large potential success.

Trade shows can help businesses meet overseas buyers for direct B2B sales or partners for representative international business.

3.4 Representative international business

Most businesses export through partners who represent them overseas. They can provide market entry, detailed local market understanding or distribution networks.

Agent

An agent is a person or business that legally represents the exporter in the overseas market. This is an easy, moderate-risk pathway for new exporters. The agent has direct contact with customers, but the exporter has little control over the agent's sales efforts. The legal agreement should clearly state the agent's and exporter's responsibilities, such as who has responsibility for promotion.

Agents find potential customers and may promote the exporter's products in their markets but they do not legally own the goods. Agents may be paid a salary, a retainer, a commission or a combination of all three.

Advantages	Disadvantages
• Easy for new exporters	• Small order size
• Direct contact with all customers	• Need to control credit
• Control branding, marketing and pricing	• Needs marketing and management support
• Lower costs for exporter with commission payments	• Can't control agent's sales effort or mark-ups

Distributor

DISTRIBUTORS buy and stock products to sell to buyers in the target market. Distributors know their local market, local issues and business practices. They usually work hard to sell their stock, look for large orders and can be relatively cheap and effective.

A clear legal agreement with the distributor should allow the exporter to set prices and customer service levels. The exporter should also be able to cancel the agreement if the distributor is unsuitable. It is important to check potential distributors' reputations in their market to ensure they meet the exporter's needs.

Distributors pay the exporter and then legally own the goods. They usually have to carry stock and provide after sales service, where necessary.

Advantages	Disadvantages
• Can be relatively cheap and easy	• Difficult to cancel contract
• Know the market	• May not know the product well
• Performance in their hands	• May not promote products well
• Able to move with market changes	• Can have limited growth strategy
• Offer warranty and service	• Cultural problems are possible
• Usually seek large orders	• Exporter not involved in the market

Checklist for distributor selection

Rate each item from 1 (poor) to 5 (outstanding) to rate and compare distributors.

1. Financially sound	**Rate**	____
2. Marketing expertise		____
3. Good international business record		____
4. Good customer relations and contacts		____
5. Positive reputation and image		____
6. Good promotional skills		____
7. Product compatibility		____
8. Technical knowledge		____
9. Staff knowledge		____
10. Adequate technical and warehousing facilities		____
11. Adequate service support		____
12. Proven performance record		____
13. Long-term outlook in market		____
14. Understands growth and potential		____
15. Excellent government relations		____
16. Conflict with competitor’s products		____
17. Relevant clients (not just a ‘big’ client base)		____
	Total	____

Importer

Importers buy goods for resale to other companies in the distribution chain. They take legal possession of goods.

Fulfilment wholesaler

Fulfilment wholesalers offer the combined services of importer, WHOLESALER and distributor. Also called smart warehousing, this type of business is common in the USA.

Franchising

A FRANCHISE is an on-going business relationship in which the owner (franchisor) gives another business partner (franchisee) the right to distribute a product/service using the franchisor’s brand and business processes for an initial and annual fee. Franchising is an effective pathway for a small service firm, such as a business based on intellectual property, to package its systems and processes. These packaged systems can be replicated in many locations with franchisees providing capital and enthusiasm to expand quickly into a market. Franchisees may need considerable support and training to maintain the business’s reputation.

A franchisor can enter overseas markets by

- Direct entry – when the franchisor owns and operates all outlets
- Joint venture – when the franchisor and overseas business are partners in the specific market
- Master franchising – like domestic franchising, when the franchisor gives the franchisee rights to do business using the franchisor's brand and business system for payment. The master franchisee can open other outlets in the market or appoint other sub-franchisees.

Advantages	Disadvantages
• Wide and quick market coverage • Reasonably profitable • Protection from copying	• Expensive to study laws and regulations in different countries • Cost of frequent trips to support franchisees

Global supply chains

Many industries have globalised their production process by buying parts or pre-assembled systems from businesses around the world and assembling the finished product. GLOBAL SUPPLY CHAINS are common in large engineering and construction projects. An Australian manufacturer, for example, may produce brakes for a car assembled in China and a business in Singapore may supply logistics services to the Chinese manufacturer. Suppliers usually need to pre-qualify for a project by proving they can supply high quality parts. Pre-qualification does not guarantee sales so the business must develop relationships and promote its parts for specific projects.

Global supply chains are an efficient and cost effective way for small businesses to sell single parts or systems to global markets. Many global supply chains use on-line PROCUREMENT processes so, for this market entry strategy, businesses need modern information technology equipment and experience in e-business software and processes.

3.5 Investment overseas

Local office

A local office is a simple form of foreign direct investment. The exporter establishes a local presence through a representative or branch office, rents office space and hires staff. (This could be just one person).

Advantages	Disadvantages
• More control of marketing and distribution • Direct contact with customers • Improved credibility in market place • Access to local venture capital	• Costs to establish an office are higher than using an agent or distributor • No local partner expertise with contacts

Licensing

DVD

A business, which has developed a product/service with a trademark, patent or copyright can give a foreign business limited rights to produce and sell the product or deliver the service. This is called MANUFACTURING UNDER LICENCE (MUL). It can be a cheap way of expanding business revenue in new markets but depends on good intellectual property (IP) protection in the export market. PIRACY could reduce earnings and create new competitors.

Advantages	Disadvantages
• No investment needed • No market/political risk • Return on research & design (R&D) • Revenue from new markets • Some patent protection • Benefits for business and partner • Avoids tariffs	• May create competitors • Low return on sales • High taxes on royalties • Limits national expansion • Product development may not reach potential • Depends on licensee performance • Requires strong IP protection

Joint venture

A JOINT VENTURE is a legal business partnership with a foreign partner who shares responsibility, investment, management and profits. It is a pathway into a market blocked by tariffs or quotas. This is a high-risk market entry strategy and the business should very carefully choose a partner with similar business objectives. The business owner loses exclusive control over the business in return for a goal, such as market access or high volume sales. Joint venture success depends on partner trust, commitment and strength of the mutual relationship.

Advantages	Disadvantages
• Shared risk	• Loss of business control
• Reduced political risk	• Possible conflicting aims:
• Reduced discrimination	==> length of partnership
• Access to market knowledge	==> profits
• Access to technology products	==> R&D costs
• Access to trademarks	• Must protect core business:
• Access to marketing networks	==> IP
• Tax advantages	==> market access
• Access to experienced labour	==> business ethics
• Access to suppliers	• Legal protection not guaranteed
• Reduced investment cost	

The most important factors to look for when selecting an overseas partner are

- **C**omplementary skills
- **C**o-operative cultures
- **C**ompatible goals
- **C**omplementary (shared) risks.

Strategic alliances

Licensing, joint ventures (JV) and offshore operations involve strategic alliances. These market entry strategies have higher levels of partnership and shared responsibility than traditional exports. Manufacturing products under license or joint venture partnerships with overseas manufacturing firms are becoming popular tools to expand business operations. These alliances can help businesses enter markets that may have barriers, such as high transport costs or benefits, such as cheaper labour. Bankers, accountants, business consultants, industry associations and government contacts may identify strategic alliance partners.

Merger or acquisition

A MERGER occurs when an international business combines with a firm in the overseas market and creates a new business entity. In an acquisition, the international business takes over a firm in the overseas market. The domestic firm may still trade under its own name, but the international business owns it and controls its direction.

Advantages	Disadvantages
• Fast entry into target market – existing firm has products and a distribution networks • Limits competitors in the market • Reduces entry barriers such as skills, technology, materials supply and patents	• Increased risk – financial, political and market risks • Possible slow post-merger integration • Target business too large or too small • Business cultures and practices may clash

Greenfield site

Greenfield market entry involves establishing a new operation in an overseas market.

Advantages	Disadvantages
• Reduce or eliminate price increases from transport costs, customs, duties • Cut delays in product availability • Ensure more uniform quality • Adapt products for local requirements	• Political risks – REPATRIATION OF PROFITS • Risk increases with size of investment • Slower entry mode • Potential COUNTRY OF ORIGIN issues

Overseas investment still contributes to the export country's economy with

- increased demand for home-sourced capital equipment and services
- increased sales and profits for shareholders domestically
- increased taxation income for the government in the export country
- improved overseas profile and competitiveness for the export country.

3.6 Services

Services are activities that people do rather than producing physical products, or services, such as help desks, may be provided to support products. International business services earn income from activities such as franchising, licensing, consultancy and applying knowledge in

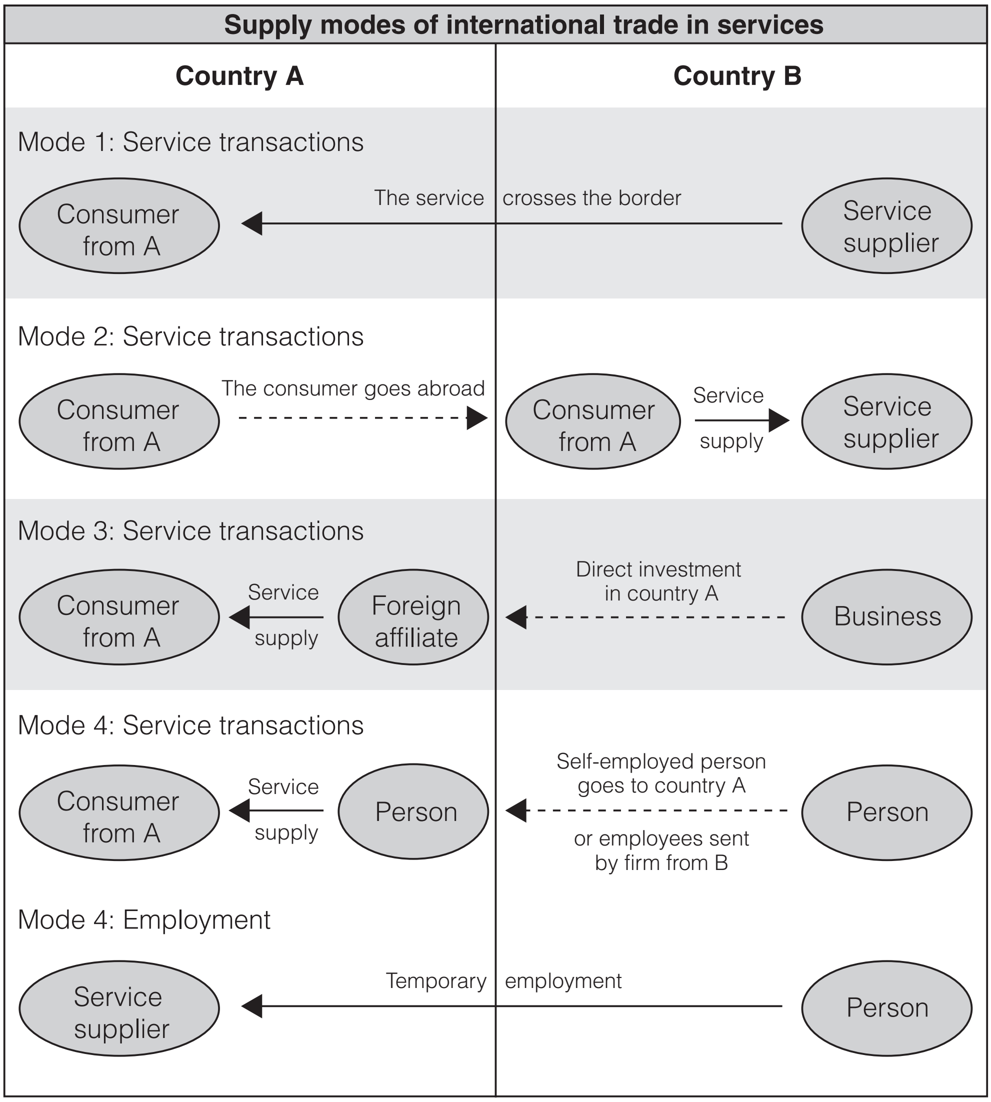
- education and training
- legal services
- management consulting
- financial and insurance services
- architecture and design
- technical services
- logistics
- culture and applied art
- tourism
- marketing and advertising services
- human resource management.

> International business services rose from 18 per cent to 23 per cent of world trade over the past 20 years and are expected to increase to more than 50 per cent by 2020.

Services modes of entry

Businesses deliver their services to international consumers using four main ways (modes). These modes reflect the different locations of the services supplier (exporter) and the consumer. Business examples of each mode include

Mode 1 service abroad –	architectural design or on-line medical consultation
Mode 2 consumer abroad –	tourists or students studying overseas or patient sent overseas for treatment
Mode 3 invest abroad –	hotels or overseas branches of banks or investment in overseas hospital
Mode 4 service transactions –	engineer or doctor sent overseas for a project
Mode 4 employment –	software engineer or teacher lives overseas to work.



(Source: General Agreement in Services Trade)

Exporting services – critical success factors

- long term commitment to the market
- relationship and network development
- business concept proven in the domestic market
- patience
- entrepreneurial spirit
- reputation
- high level of technical skills
- unique intellectual property of the business
- uniqueness of service offered
- quality of service and customer support
- ability to adapt service where necessary.

Common mistakes in exporting services

- partner selection
- short term focus
- intellectual property not protected
- local presence
- cultural understanding
- timing and resources needed.

Chapter 4 – International Business Administration

Accurate and timely administration is important when doing business in overseas markets. This process protects the rights of the business people involved and the consumers in both countries.

A clear documentation process can ensure accurate documentation to avoid delays in customs clearance at the port where goods are unloaded. Detailed documents are needed for documentary letters of credit, such as precise product descriptions, packing lists and certificates, including quarantine certificates and certificates of origin. Electronic documentation is now common and makes this complex process much easier, but mistakes can be costly.

> Laws vary considerably between countries and there is no one commercial law for overseas business transactions. Businesses should get advice from a legal professional who is familiar with the business ethics, customs and laws of the target country.

A clear documentation process can ensure accurate documentation to avoid delays in customs clearance at the port where goods are unloaded.

4.1 Contracts

Before entering into a contract

- check the buyer's commercial and credit standing
- check that the buyer's business is registered and they have the necessary export/import licences and exchange approvals
- decide which country's laws will govern the contract
- get legal help to write a contract.

Insurance will take care of problems, such as

- accidents
- goods that are damaged, destroyed or stolen
- goods that fail to arrive
- goods that arrive intact but are not accepted by the buyer
- goods that are accepted by the buyer but not paid for.

In an international dispute businesses should firstly try to settle through informal discussions. This means that future business could continue. If discussions are not successful they have three possible ways to settle the dispute:

- CONCILIATION – involves a third person who helps each side clarify their issues, clears up misunderstandings and acts as a 'go-between'
- ARBITRATION – involves formal dispute settlement by a panel of respected people, such as the International Chamber of Commerce. Contracts should contain an arbitration clause, such as

  "All disputes arising in connection with the present contract shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules."
- LITIGATION – involves taking the business to court to recover property or money, can be very expensive and time consuming. It also means the end of future business between the businesses.

Contract tips

- avoid words and phrases that are not clear – in a dispute someone else will have to decide the meaning and intention of the words
- use INCOTERMS 2000 (see 4.4 Shipping terms) to state exactly when the possession of goods passes from the seller to the buyer and the responsibilities of all people involved when handling the goods
- be fully insured – use Incoterms 2000 to explain who is responsible for paying the shipping insurance
- get legal advice from a legal person familiar with the target country
- no contract provides complete security or replaces thorough investigation of the potential partner beforehand.

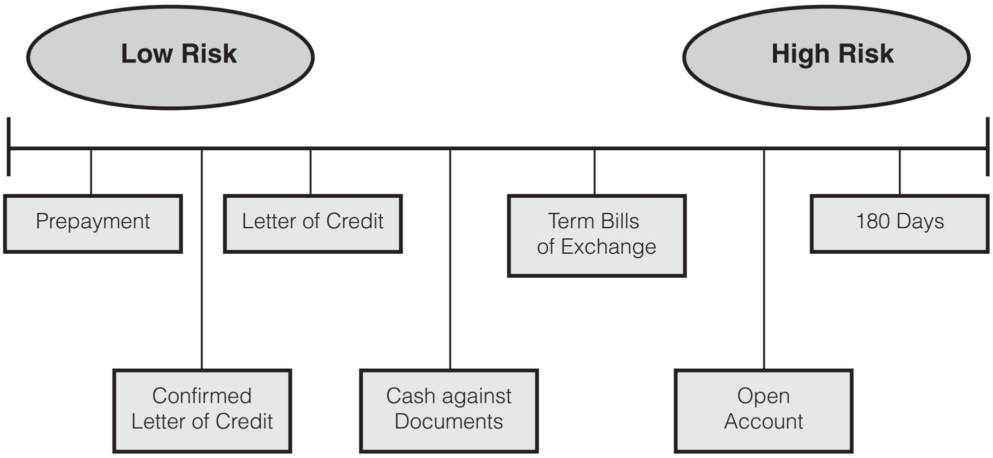
> Both exporters and importers face risks. The importer risks not receiving goods they have paid for or the goods being unsuitable for sale. Both people need to negotiate who will take on each of the risks involved. A good relationship minimises the risks of trade for both people.

4.2 Payment

There are payment risks in international business. The seller can reduce this risk by keeping control of the products until payment is finalised. Payment options, listed in order of risk to the exporter, include

- **Pre-payment** – direct payment into the seller's bank account. This is sometimes used in e-commerce transactions where the seller's bank will handle the on-line transaction then transfer the funds in the local currency. Check if the bank allows for on-line payment in foreign currencies and there are bank charges. This is not a common payment method for large amounts of money because the buyer takes all of the risk.
- **Letter of credit (L/C)** – payment made by the overseas buyer's bank to the seller, usually when the buyer receives the goods or services. Prepared by the buyer's bank, a L/C is also known as documentary credit and is the most widely used form of payment. Three kinds of letters of credit are possible
  - revocable letters of credit can be changed or cancelled without the seller's consent
  - irrevocable letters of credit cannot be changed unless the buyer and seller agree
  - a confirmed letter of credit means a third bank will pay if the buyer's bank defaults.
- **Documentary collections** – after producing and sending the goods, the seller gives its bank the necessary documents and a BILL OF EXCHANGE for the buyer. This is also called 'cash against documents'.
- **Bills of exchange** – the buyer's bank agrees to make payment to the seller's bank when the documents (bill of exchange, bill of loading, invoice, packing list) are presented. This is flexible and can provide credit for up to 180 days after sighting the documents.
- **Open account** – the buyer sends payment through a bank when they receive the goods or at a certain time after. Businesses use this method once they have a trusting relationship as it favours the buyer.
- **Consignment** – the seller is not paid until the overseas buyer sells the goods to their customers. Payment can be very slow.
- **Factoring** (the sale of a seller's accounts receivable) and FORFAITING (the purchase of a seller's receivables) can be useful to help new international business people manage cash flow pressures
- **Performance bond** – an agreement that the business will complete the required work and comply with the contract. A bank can establish a performance BOND for 10–15 per cent of the contract value. The US market is unusual as it often requires suppliers to post bonds for up to 100 per cent of the contract value for performance obligations.

Payment risk spectrum



Currency exchange movement

A business can manage its risk against EXCHANGE RATE movements with a range of solutions that minimise costs and maximise returns. Banks may offer a number of solutions, such as a FORWARD EXCHANGE CONTRACT. This is an agreement with the bank to receive a foreign currency at a 'set' rate for a future date. FLEXIBLE FORWARDS protect businesses against exchange rate falls, but they benefit when rates are good.

4.3 Freight and logistics

Shipping and service delivery

Some products may be suited only for ocean shipping (such as large quantities of heavy items) or for air freight (perishable food). It is important to understand the basic principles of both sea and air cargo. Rates can vary and shipping firms can offer new services on trade routes or service new markets. The most efficient way to ship goods is through a good customs broker and freight forwarder. These companies have expertise in documentation, freight rate negotiations and finding the most economical way to transport products to buyers.

Freight forwarders can provide a range of options to find the most cost-efficient freight rate, but exporters should be familiar with freight markets to find the most competitive rate.

Overseas buyers often specify their preferred freight option and this could depend on ease of customs clearance at the port of discharge or the departure frequency and reliability.

'Hub' ports such as Singapore, Dubai and Hong Kong, China distribute containerised cargo to other ports by 'feeder' vessels. Exporters should check that the trans-shipment hub is efficient so their cargo is not delayed.

Most freight forwarders have space and freight rate deals negotiated with sea and air carriers. It is important is to locate a forwarder who caters for the exporter's business profile, such as a small business doing international business in a number of countries.

4.4 Shipping terms

Exporters should understand sea and air freight conventions. A set of international business terms (Incoterms 2000) are widely used throughout the world that state buyer's and seller's costs and responsibilities.

Based on the United Nations Convention on Contracts for the International Sale of Goods, the International Chamber of Commerce (ICC) established Incoterms in 1953 and updated them in 2000 to clarify who is responsible for what in international trade.

Exporters who use freight forwarding companies do not need to understand all the Incoterms, but must know and understand those relevant to their business. The ICC publishes Incoterms and exporters can buy them from their national committee.

The Incoterms are in four groups to show the seller's different levels of responsibility. The terms starting with

- **E** – the buyer takes responsibility at the seller's business premises
- **F** – the buyer takes responsibility at the carrier
- **C** – the seller takes responsibility for carriage
- **D** – the seller takes all shipping responsibility to the buyer's country.

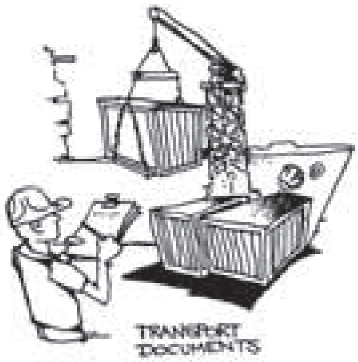
Some Incoterms are for use with sea freight only, for example FAS, FOB, CFR and CIF. For air freight exporters use the terms FCA, CPT and CIP.

Common shipping and Incoterms

CFR	Cost and freight. The seller pays for freight to the port of destination. CFR price = FOB + freight costs
CIF	Cost, insurance and freight. CIF price = cost of freight + marine insurance
CIP	Carriage and insurance paid to destination
CPT	Carriage paid to destination
DDP	Delivered duty paid. The seller takes all the risk and cost involved in delivering the goods to the buyer's premises including customs clearance, duties and taxes
EXW	Ex works – the price of goods at their point of origin. The buyer pays to bring goods from the seller's factory to their overseas destination
FAS	Free alongside ship. The seller pays to deliver the goods alongside the ship at the export port. The buyer pays for export clearance, loading and shipping
FCA	Free carrier
FCL	Full container load
FIS	Free in store. The buyer pays for all costs to their store
FOB	Free on board. The buyer takes ownership when the product is loaded on the ship (actually when the product 'crosses the ship's rail'). FOB price = FAS + outward wharfage and loading costs
LCL	Less than a container load

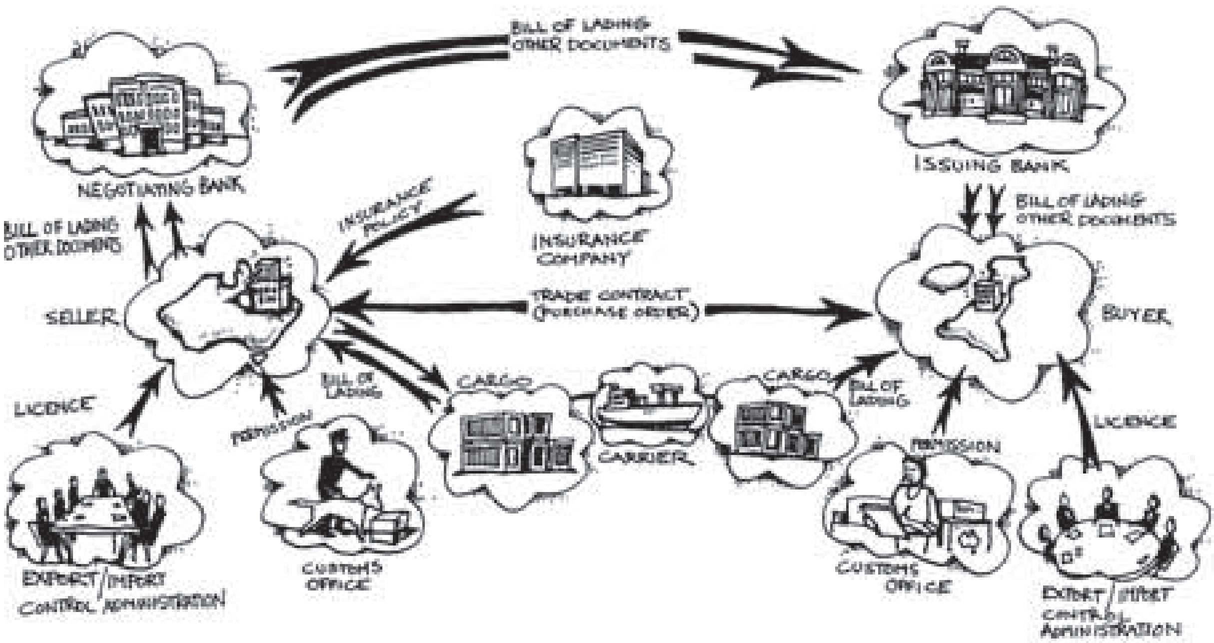
4.5 Documentation for exporting

Exporters and their freight forwarders need to complete documentation accurately to meet the standards and laws of both the exporting and importing countries. The most common forms of exporting documentation are



- **COMMERCIAL INVOICE** – describes the goods. Customs officials and insurers usually need this to check that the correct goods have been shipped.
- **PACKING LIST/WEIGHT LIST** – lists the precise contents for shipment, which helps customs officials to check authenticity and helps the shipping business to load the goods most effectively.
- **BILL OF LADING** – shipping companies issue these as evidence of a freight contract. It sets out the conditions of carriage and acts both as a receipt for goods and a document of title. This is the exporter's receipt of goods on board the ship.
- **AIR WAYBILL** – similar to a bill of lading the airline business issues this as a receipt of goods for despatch by air.
- **CERTIFICATE OF ORIGIN AND VALUE** – import controllers need to know the origin of goods and the 'value' of goods. This allows customs to calculate duty in the importing country.

Export documentation flows



Chapter 5 – Marketing

Marketing is the total process in which a business plans, positions, produces, prices, promotes and distributes a product or service for consumers in a particular country. The key elements of marketing are

- deep understanding of each separate market (buyers, competitors, regulations, culture, regional differences, etc)
- creative SEGMENTATION and selection based on similar customers
- powerful product DIFFERENTIATION, POSITIONING and BRANDING.

Standard marketing theory is based on large or multinational companies but small and medium sized businesses (SMEs) often take a more flexible approach to marketing. SMEs use personal networks, building relationships and knowledge to overcome their small size in international markets.

International business has changed – national borders have been replaced by ethnic boundaries within or across countries. China and the USA, for example, have ten regional markets each. Businesses need to adapt quickly and analyse their competitive advantage in each overseas market.

> An international business is likely to need a different marketing strategy for each overseas market.

5.1 The marketing plan

A marketing plan explains the business marketing strategy and should be adapted to each market. The four traditional elements – the four 'Ps' or 'marketing mix' – are

- product
- pricing
- promotion
- place (distribution).

5.2 Product

Product refers to all product features –positioning, quality, brand, reputation, features, size, packaging, labelling.

Product positioning is an important first step when entering a new market. The business decides which group of consumers it will target, from the mass market through to an exclusive group. This position may depend on features such as quality, price or brand appeal. Note that price is not always the main reason why customers choose a particular product or service.

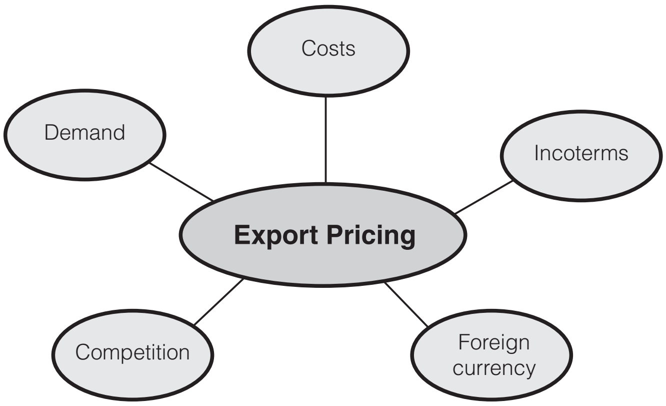
Product contents may need to be adapted for each market, for example to suit the food and drug laws or cultural tastes.

Packaging should reinforce positioning, but it is more than an attractive container. It must follow regulations – particularly labelling regulations – that are different in each market.

Businesses may differentiate existing products or services to create a NICHE. Product differentiation focuses on things the business can do uniquely or noticeably better than competitors in specific markets, such as service delivery or product features.

5.3 Pricing for overseas markets

Pricing is the retail cost of a product or service in the market. International business pricing is different from domestic pricing because the costs, demand and competition vary from market to market. It will also depend on the reason to export – to generate cash flow, achieve economies of scale or increase sales volume.



It is important to calculate the total cost of international business and allow a MARGIN for unexpected expenses. The COST PLUS method is the traditional approach to pricing in any market. Cost plus pricing takes all the costs of getting the product/service to the customer and then adds a profit margin.

Cost plus pricing method

Cost items	($)
+ Raw materials	
+ Manufacturing costs	
+ Export packaging	
+ Overheads	
+ Variable costs	
– Duty drawback on imported components	
+ Finance costs	
+ Sales and marketing costs	
= Ex-works (EXW) price (place name)	
+ EXW price	
+ Transport to carrier	
+ Customs clearance (ECN)	
+ Additional packing and labour for transport	
+ Agent's commission (such as 10%)	

= Free on board (FOB) price (place name)	
+ FOB price	
+ Sea or air freight to wharf or airport	
+ Sea/air freight document fees (airway bill)	
+ BAF (Bunker adjustment factor – fuel surcharge)	
+ Transport contingency (suggest 5% transport costs)	
= Cost and freight (CFR) price, or = Carriage paid to (CPT) price	
+ CFR or CPT	
+ Marine insurance	
= Cost, insurance & freight (CIF) price (place name)	
+ CIF	
+ Import duty/tax (calculated as % of CIF price)	
+ Customs clearance fees	
+ Delivery charge from airport to customer	
= Delivery duty paid (DDP) price (customer place name)	
+ Profit margin	
= Cost price	

The pricing plan should show the optimum price for each market and the pricing calculation. For many products, such as wine, it is important to match the market price to gain a share of the market. A pricing plan should include

- how the selling price is quoted (FOB, CIF)
- production costs
- international business costs – market research, marketing materials, packing, transport, documentation, administration, insurance, freight, financing, customs duties and distribution
- competitors' prices for equivalent products and services
- the value of the product/service to the customers
- assumptions made for cost build-up, such as changes in overheads
- gross and net margins planned and the sales volume needed to break-even.

The optimum product price lies between the price floor (the cost of production and international business) and the price ceiling (the maximum price consumers in the market will pay). If the customers in the market will not pay the price floor, no level of promotion will attract sales and cover the costs, so the product will fail in the market.

Pricing strategy considerations:

- ensure the pricing strategy is right before approaching contacts in the target market
- determine cash flow needs
- include the extra costs involved in international business such as changes to packaging and labelling, handling, breakage, service and travel costs
- negotiate with distributors and customers about credit terms and prices
- use Incoterms to reduce the chance of miscommunication
- minimise foreign exchange rate movement risk by
    - o adding a ‘buffer’ to cover any changes
    - o hedging (get advice from a bank)
    - o quoting in local currency.

5.4 Promotion

Promotion can include traditional advertising, international trade fairs, show room displays, overseas buyer visits, personal selling, direct marketing, sales promotions, branding, public relations and guerrilla marketing.

The promotional mix varies from market to market as it depends on finance, personnel and technology available as well as media access and cultural norms in the target market. Note that

- radio may be more effective than Internet-based promotions
- local newspapers may reach many customers quickly
- customers may respond to emails rather than direct mail letters
- government and industry sponsored trade fairs, shows or missions introduce many potential customers and help a business compare its product/service quality, pricing and business practice to the competition.

Businesses with small promotional budgets commonly use GUERRILLA MARKETING (entrepreneurial marketing) as a strategy to market their product/service with minimal costs.

Promotional action plan

A promotional action plan includes activities for the target market, their cost, budget available and proposed evaluation.

Promotional activities could include

Trade fairs, shows or missions	Direct mail or email
Personal selling	Public relations, media publicity
Give-aways, samples or discounting	In-store promotions or demonstrations
Celebrity endorsement	Stories and photographs in the media
Reference selling – mention influential users	Membership of relevant associations
Advertising: newspapers, TV, radio, trade press, Internet	Internet strategies: quality web site, viral campaign

Promotional cost estimates include the

- promotional budget recommended to achieve the target sales
- estimated cost and benefit of each promotional method
- source of promotional funding
- local agent/representative contribution.

Promotional evaluation includes

- measurable objectives of the promotional program
- who will assess the promotional program effectiveness and when.

(See 5.7 E-business for information about the role of web sites for information, brand awareness, e-business and as a reference point.)

5.5 Packaging and labelling

Packaging provides an attractive look, but it must also follow packaging and labelling laws, which can differ between countries and even between states or regions of countries. Laws often specify the language, warnings, contents list and place of origin, for example, the Food and Drug Administration (FDA) controls packaging and labelling laws in the USA. Consumer tastes also vary between countries and regions, so overseas markets may prefer different colours, designs, images or portion sizes than the domestic market.

Consider the following packaging and labelling issues

- languages legally required on packaging or service brochures
- information to be included – ingredients, specific safety and disposal instructions, 'use by' date
- business contact details
- appropriate colours for the target market – consumers may prefer some colours and reserve others for traditional uses
- portion sizes commonly used in the target market
- weights and measures – imperial or metric systems.

The same issues apply when producing promotional brochures, instruction manuals and websites for services.

5.6 Place (distribution)

Distribution involves the total supply chain.

Export costs can be affected by the

- type of transport – sea or air – can directly affect the condition of the product when it reaches the consumer
- on-time delivery – Imagination Entertainment was fined US$350,00 by Wal-Mart for a delivery that was 19 days late
- stock levels required – very large orders tie up stock for some time before payment and some retailers ask for small orders of niche products air mailed at short notice, for example fashion items
- type of warehousing and agents used in distribution channels
- quarantine inspection laws of the export and import countries
- warranty and returns policy

Each market is quite different because of historical circumstances, the level of infrastructure and development in the market.

5.7 E-business

An on-line presence can reach a global market place to raise brand and product awareness, give details about the products/services and provide extra relevant information about the business. This presence could be a website, email address or E-MARKET membership, such as eBay. E-markets act as virtual B2B trading platforms to bring buyers and sellers together.

A business website is the best way to create an on-line presence. The business will need to register a domain name – the website address. Domain names usually end with the letters showing the country of residence, such as .sg for Singapore and .vn in Viet Nam. Potential importers or direct customers can access information on-line and even buy the product/service directly. E-business is most effective when it extends a business reach, not replace it. Different language versions of the site can be effective if customers have access to the Internet and are Internet savvy.

The website is often the first contact with potential customers so it needs a business-like image of capability and reliability. It should provide clear information about the business's purpose, its products or services and main contacts. Clear privacy and security statements can make people feel comfortable enough to contact the business by email or complete an on-line transaction.

Well-designed sites provide product or service information, allow visitors to place an order or purchase a product. Businesses can encourage visitors to revisit the site by offering free information, updating information often and giving special offers for fixed periods.

To promote the business website use on-line marketing techniques, such as search engines, email messages and links to other websites. Links from important related sites to the business's website can improve search engine ranking and help the business to become a reference site. A popular free-inclusion directory for search engines is ***www.dmoz.org***, which is used by major search engines. Visit ***www.searchenginewatch.com*** for useful information about search engines.

The business can direct Internet users to the website with 'pay-per-click' on-line advertising offered by major search engines. The provider only charges the business when a user clicks on the advertisement.

Email marketing campaigns can also be an effective and cheap way to raise awareness and reach targeted customers. Links to the business's website can direct potential customers to a particular page.

The website is often the first contact with potential customers so it needs a business-like image of capability and reliability.

The business must have secure payment methods for on-line orders and payment. It should also deliver the goods or services promptly. The business can accept payment through a merchant account from a bank. It will need shopping cart software, a site host and a secure payment gateway. A cheaper payment method is to use a third-party on-line payment processor. Both payment methods have risks, including fraud. Some buyers prefer off-line payment systems such as telegraphic transfer, money order or cheque.

Goods or services can be delivered on-line if they are digital, for example, software, or they can be assisted with on-line dispatch and order tracking systems.

A business should decide if the

- site will show only information or will have an e-commerce facility
- business can reply quickly to on-line enquiries
- business can handle different currencies, time zones and systems of weights and measures
- product/service prices include shipping, insurance and taxes – important to build trust and confidence of on-line customers
- business will have shipping, returns and customer service policies for overseas customers.

The Internet offers a great pathway for international business people to expand quickly but it also needs careful research and sometimes an open mind about the business's future.

E-commerce refers to online transactions – buying and selling of goods and/ or services over the Internet.

E-business refers to online transactions as well as all Internet based interactions with business partners, suppliers and customers such as, selling direct to consumers, manufacturers and suppliers; monitoring and exchanging information; auctioning surplus inventory; and collaborative product design. The aim of these online interactions is to improve or transform business processes and efficiency.

Appendix 1 – Glossary

These terms may be useful to teachers and students unfamiliar with some economic terms. For a broader web-based glossary see ***www.econterms.com*** or ***www.amosweb.com***.

24/7	Always open 24 hours a day, 7 days a week.
Accidental exporters	Businesses that export because of an order or opportunity, but did not plan to become an exporter.
Agent	An agent finds customers on behalf of the exporter. They usually receive a commission (a fixed percentage of sales they make) or a regular retainer (payment).
Air waybill	Issued by the airline company acknowledging receipt of gods for dispatch by air in the same way as a bill of lading.
Annual report	Contains information about what the company has been doing in the past year and what it expects to do in the future.
APEC	Asia-Pacific Economic Co-operation. Established in 1989 in order to promote open trade and economic cooperation among Asia-Pacific economies.
Appreciation	An upward movement of the Australian dollar (or any other currency) against another currency.
Arbitration	A process in which a disagreement between two or more parties is resolved by impartial individuals, called arbitrators, in order to avoid costly and lengthy legal action.
Assets	Items of value owned by a business.
B2B trade	Transactions between two businesses.
B2C trade	Transactions between a business and a customer, often over the Internet.
Balance of trade	The difference between the money received by a country when exporting goods/services and the money paid to other countries when importing goods/services. If more is imported than exported, there is a deficit balance of trade.
Barter	The exchange of one good for another.
Bilateral agreements	Trade agreements between two countries.
Bills of exchange	The buyer's bank agrees to make payment to the exporter's bank when the documents (bill of exchange, bill of lading or air waybill, invoice, packing list) are presented. This is flexible and can provide credit for up to 180 days after sighting the documents.
Bill of lading	Issued by shipping companies, this acts as evidence of a freight contract and is the firm's receipt of goods on board the ship.
Bond	A written agreement to pay a specified amount if a contract condition is not completed.

Born global	Business designs its product or service from the outset with the intention of international business within a few years.
Branding	The process of raising awareness of a brand, its features and position in a market.
Break-even analysis	An analysis of costs and pricing to achieve no financial loss.
Business etiquette	The social rules observed in each country when doing business.
Business plan	A written statement of the business's goals and objectives, and the steps taken to achieve them.
Capital	Money required to begin and operate a business.
Capital goods	Plant and machinery (ETMs) used to help producers make other goods and services.
Cash flow	Payment received by a business for a sale of goods and services.
Cash payment	Payment received as an order is placed with a business.
Code of conduct	A statement of the principles used by a business in its operations. It generally refers to practices that are seen as ethical or socially responsible.
Commodity	Items traded – usually raw materials, such as coal.
Company	See corporation. Companies can be either private (proprietary) or public.
Competitive advantage	When a business can produce a good or service more efficiently, using fewer resources than other businesses.
Composition of trade	The 'type' of goods and services exported and imported.
Conciliation	Resolving a dispute between two parties with a third party helping to clear up misunderstandings.
Consumer	Someone who purchases goods and services.
Consumer goods	Goods intended for general consumption, such as food and clothing.
Consumption	The use of consumer goods and services in order to satisfy our needs and wants.
Convertible Notes	A loan made to a company at a fixed rate of interest with the right to be either redeemed (repaid by the company) for cash or converted into ordinary shares at a predetermined date or within a certain period.
Copyright	This legally protects artistic and literary works, paintings, drawing, music, and computer programs from plagiarism (copying).
Corporate culture	The way management and employees act within the business, in their community and in their environment.
Corporation	A corporation is a business type that operates independently of its owners or shareholders and can be sued in its own right. The owners have limited liability.

Cost benefit analysis	An analysis of the benefits to a business of buying particular equipment or services.
Cost plus pricing method	A method of calculating the export price of an export product or service, taking the total cost and adding a margin in the agreement with the distributor to include all transport, insurance and finance costs.
Country of origin	The country where goods were manufactured. Many trade agreements require the percentage of components sourced from other countries.
Credit terms	Time the buyer is give between the time the seller dispatches the goods to the time they receive payment. See also terms of payment.
Debentures	Companies raise funds through loans made to them by members of the public for a fixed term at a fixed interest rate. These must be issued through an offer made in a prospectus.
Debt finance	See external finance.
Demand	The quantity of a product consumers are prepared to purchase.
Depreciation	A downward movement of the Australian dollar (or any other currency) against another currency.
Desk research	Analysis of information published by official bodies and trade associations, to find out about the best market for a product.
Differentiation	See product differentiation.
Distributor	A foreign individual or company that buys products from a domestic business in order to resell them to their customers in the foreign market. They also provide warranty and after sales service.
Diversification	Create new products/services to enter new markets. This involves several risks and is the most difficult to implement. To succeed, this strategy should use existing competences and strengths.
Dividend	Money paid to shareholders of a company out of earnings.
E-business	Refers to online transactions as well as all Internet based interactions with business partners, suppliers and customers.
E-commerce	The buying and selling of goods and services via the Internet.
Economic growth	An increase in the quantity of goods and services within an economy as measured by Gross Domestic Product (GDP).
Economic resources	Inputs used in production, including natural resources, labour, capital and enterprise.
Economies of scale	The reduction in costs of production caused by increasing the size or scale of the production facility and spreading overhead (fixed) costs over a larger output.

Efficient	Being able to produce the most goods and services with the least amount of resources.
Elaborately transformed manufactures (ETMs)	Goods that involve high levels of processing. Much value has been added to them.
E-marketplace	An electronic exchange where businesses register as sellers or buyers to conduct business over the Internet.
Embargo	Preventing certain items entering a country.
Entrepreneur	Someone who starts, operates and takes on the risk of a business venture in the hope of making a profit.
Entrepreneurial marketing	See guerrilla marketing.
Equities (shares)	Ownership entitlements in a company.
Equity finance	See internal finance.
Exchange rate	The price at which a currency can be traded with other currencies.
Expenses	The costs incurred in running a business.
Export agent	A foreign individual or company legally authorised to act for the Australian business but does not purchase its goods outright.
Exporting	When a business manufactures its products in its home country and then sells them in foreign markets.
Export capability	Business has the production, competitive and financial capability as well as staffing and export skills to begin international business.
Export clearance number (ECN)	A number issued by Customs to identify an export entry for each individual consignment of goods intended for export.
Exports	Goods and services sold to foreign consumers, regardless of where the transaction takes place. These sales earn foreign exchange.
External finance	Finance provided by bodies external to the business, such as banks.
Extranet	An organisation's computer network to allow employees remote (off-site) access to company programs and information.
Feasibility analysis	Analysis of whether a business idea could be successful.
Financial reporting	Three financial reports companies must produce in some countries are statements of financial performance, financial position and cash flows.
Flexible Forwards	Foreign exchange solution protects business against foreign exchange movements that hurt but benefit when rates are good.
Foreign debt	The amount of money a country has borrowed from overseas banks, etc.

Foreign direct investment (FDI)	This occurs when a business from one country owns property, assets or business interests in another country.
Foreign exchange earnings	Funds from other countries that come into Australia as a result of selling Australian goods and services to overseas countries.
Foreign exchange (forex or fx) market	This market determines the price of one currency relative to another.
Foreign exchange rate	The ratio of one currency to another.
Forfaiting	The purchase of an exporter's receivables.
Forward exchange contract	A bank sets the exchange rate for the customer to buy or sell a stated amount in a foreign currency at a future date.
Franchise	The rights from a franchisor (owner) to operate under its name and business model.
Franchisee	An individual or organisation that buys a grant to operate a franchise in a defined area under the franchise name and business model.
Franchisor	An individual or organisation that grants a franchise.
Free trade	The unrestricted movement of exports and imports.
Free trade agreement	An agreement between two or more countries that sees reductions in barriers to trade such as tariffs, import quotas and government restrictions on foreign ownership.
Freight forwarder	A person who manages the logistics of trade between buyer and seller, including export documentation and transport.
Fulfilment wholesaler	Offers combined services of importer, wholesaler and distributor.
Futures contract	A legally binding agreement to buy or sell a security, commodity or financial instrument at a fixed price on a specified date in the future.
Global economy	The world economy and refers to the economic activity going on in the world.
Global supply chains	Networks of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product.
Global trade	The buying and selling (exchange) of goods and services across national boundaries, generally using some form of acceptable international currency as payment.
Globalisation	A trend that sees people, goods, money and ideas moving around the world faster and more cheaply than before.
Global outsourcing	Businesses manufacture many of their products overseas.
Goodwill	A business asset that includes the residual value of the asset's market value and the asset's original cost.
Goods	Products for sale.
Gross Domestic Product (GDP)	The total monetary value of all goods and services produced in the economy in any given year.
Gross margins	See margin.

Gross profit/loss	A business's profit/loss that represents the value of sales less the cost of goods sold.
Guerrilla marketing	Marketing a product or service without payment, using editorial comment, networks, membership of organisations, etc.
Hedge funds	Hedge funds (also known as Absolute Return Funds) aim to deliver returns in both rising and falling markets. The investment techniques adopted may be different to methods employed by traditional fund managers as the funds have greater scope to use derivatives, short positions, and exotic securities.
Hedge market	A hedge market enables companies that are exposed to the risk of future price movements of a particular commodity to reduce that risk to zero.
Hedging	Investing in hedge funds.
Imports	Goods or services bought from another country.
Incorporation	When a company has become a separate legal entity from its owners (shareholders).
Incoterms	International business terms that state who is responsible for what in international trade, including the buyer's and seller's responsibilities.
Intellectual property	Property that is created by an individual's intellect.
Interdependence	The reliance on others to produce the goods and services.
Internet	A loose global network of computers linked electronically.
Intermediate goods	Raw materials (primary products and STMs) used to help producers make other goods and services.
Internal finance	Finance earned by the business or provided by business partners.
International business	A generic term which includes export of physical goods, the provision of global services and overseas investments.
Intranet	A computer network within an organisation that allows multiple users to access the same programs and information.
Knowledge economy	Economy based on businesses applying innovation and know-how.
Joint venture	Two or more people or businesses agreeing to work together for mutual profit and form a jointly owned separate business.
Lead users	Clusters of influential customers who can help to identify opportunities and evaluate emerging trends. They reflect the needs of the market, but often much earlier than most in the marketplace. They are positioned to benefit from taking up the product or service early in the life cycle.
Leases	'Hires' for a set period and price where ownership transfers to the lessee on completion of repayments over the term of the lease. Often used for larger capital items.

Letters of credit	Payment made by the overseas buyer's bank to the seller, usually on receipt of the goods or services.
Liabilities	The debts owed by a business to others.
Licensing	Licensing gives permission for a business overseas to make and sell the product or deliver the service.
Liquidity	A business has cash or assets that can be quickly converted into cash.
Litigation	Dispute a legal point in a court of law.
Manufacturing under license (MUL)	See licensing.
Margin	The difference between the cost to produce a product or service and its selling price.
Market	A place where buyers and sellers exchange goods and services.
Market analysis	An analysis of a particular economy (or segment).
Market concentration	Business focus on a small number of markets.
Market capitalisation	The amount that a company is worth: the total number of shares on issue multiplied by their market price. This can be applied to work out the market value of one company or of the value of all companies listed on the exchange.
Market development	Geographical expansion into regional, national or international markets while attracting other market segments (finding different channels of distribution, advertising in different media or developing new uses for the product)
Market entry strategy	The method a business uses to manage their products or services in each overseas country, eg, distributor, joint venture, manufacture under licence or direct sales via the Internet.
Marketing	Any activity designed to plan, price, promote and distribute (place) goods and services to the marketplace.
Marketing mix	The combination of the four elements of marketing, the four P's – product, price, promotion and place – that make up the marketing strategy.
Market penetration	Enter an existing market that has similar products and take part of that market share (attracting a competitor's clients through advertising, promotions or discounts)
Market position	Position in the market for price or quality – ranging from mass to exclusive position.
Market research	Involves collecting and analysing information about customers, their buying trends and business opportunities available.
Market saturation	A product or service well distributed in the existing market.
Market segment	The total market subdivided into groups of people who share one or more common characteristics.

Market share	A firm's share of the total revenue they and their competitors have generated in the market, such as the dog food market in Australia.
Market spread	Business sells product/service in as many markets as possible.
Mass production	The manufacture of goods in very large quantities usually with the assistance of machinery.
Mass market	Appealing to a wide range of people, often price conscious.
Master franchisee	The main franchisee in a country or region who than recruits other franchisees.
Merchandise	Physical goods such as raw materials, semi-manufactures and finished manufactures.
Merchandise trade	The buying and selling of items that can be seen and touched.
Merger	An exporter combines with a domestic company in the target market and creates a new business entity.
Micro business	A business which employs fewer than five people (including the owner).
Micro market	A small section of a particular market, such as pampered pets.
Minimum labour standards	Legislated minimum employment conditions intended to protect workers from exploitation.
Mission statement	States what the company does and how it works, providing direction for owners and managers in their decision making process.
Multilateral agreements	Trade agreements that are signed by many nations.
Net profit/loss	The difference between the gross profit and expenses.
Niche	A specialised or unique segment in the total market.
Niche product	A product that appeals to a specialised market, eg. Long Tall Clothing is designed for women over 6 feet tall (183cm).
Non-profit organisations	The primary motive for these is to provide a focus and services for people with a common interest.
Open account	The buyer sends payment through a bank when they receive the goods or at a certain time after. This is used once a trusting relationship is established as it favours the buyer.
Operational marketing plan	An expansion of the strategic marketing plan. Identifies selected markets, the market analysis, the marketing mix, financial issues and implementation strategy.
Organisational objectives	Objectives give a clear indication of where the business is going.
Owner's equity	Represents the value of the business to the owner(s).
Partnership	A business owned and operated by between two and 20 people.

Perpetual succession	The business will continue to exist when the owners change.
Patents	This protects inventions (new or improved product or process) by creating a certificate of registration, which prevents other companies copying the idea. The company pays for this registration and protection, which is enforceable by law.
PEST analysis	The political, economic, social, technological and legal environment analysis of a market.
Phishing	A type of identity theft sent by spam email. Phishing scams try to trick users into disclosing valuable personal data like credit card numbers, passwords and account data by mimicking genuine financial institutions through the use of logos and phoney websites.
Piracy	Unauthorized use or reproduction of copyrighted or patented material.
Positioning	The development of a product image in buyers' minds relative to the images they have of competing products, such as exclusive. Also called product positioning.
Price ceiling	A maximum price in a given market.
Price floor	A minimum price in a given market.
Price points	The top price (ceiling) consumers will pay and the lowest price (floor) a firm can profitably sell a product or service.
Pricing method	Method used to calculate wholesale and retail prices.
Procurement	Business and government purchasing processes.
Product development	Produce new features, variations or a completely new product/service (producing mobile phones with new features or in a range of colours)
Product differentiation	The process of developing and promoting differences between the business's products and those of its competitors.
Productivity	Income generated by measurable input, such as work hours and equipment.
Product life cycle	The progress of a product through its life from conception, growth, maturity, decline and end.
Productivity	The amount of goods and services produced and the amount of economic resources used in their production.
Proprietary or private company	A business owned by fewer than 50 private owners called shareholders.
Protection	Any government action which protects local producers from the competition of overseas producers, such as tariffs.
Public company	A business owned and operated by an unlimited number of people called shareholders. It has limited liability, and the shares may be bought and sold on the stock exchange.

Qualitative information	People's attitudes and responses such as in market research, customer and sales staff feedback.
Quantitative research	Research collecting numerical responses, such as financial statements and market share analysis.
Quotas	Limits on the quantity of imports.
Recession	A downturn in a country's level of economic activity.
Repatriation of profits	Return of profits to the country of origin.
Retailer	A person or business that sells products directly to the consumer.
Returns	Financial gains from doing business – profit.
Revenue	The income earned by a business.
Risk management	The process of identifying the risks to which a business is likely to be exposed and deciding the best way to deal with them.
Saturation	Reached almost full market share. The product has been distributed through the market so that further sales will come from replacement purchases or changes such as in consumer buying power, technologies and competition.
Secure Socket Layer (SSL)	A standard for e-commerce security – a security protocol in which personal information such as the name or credit-card number is encrypted (coded or scrambled) so that other people cannot read it and potentially misuse the information.
Segmentation	The process of finding the best market segment for a product or service.
Services	Activities done by people rather than production of physical goods. They are generally any activities except agriculture, mining and manufacturing.
Shares	Equal, fractional parts into which capital stock of a limited company is divided.
Simply transformed manufactures (STMs)	Goods that involve low levels of processing. Little value has been added to them.
Situational analysis	An analysis of the situation in a market – political, competition, market size, buyer trends, etc.
SMEs	Small to medium-sized enterprises. Their classification is based on turnover, number of employees (under 5 for micro, 5–19 for small and 20–200 for medium sized businesses) and asset value.
Socio-economic group	A group of people with the same social or economic status.
Sole proprietor (trader)	A business owned and operated by one person.
Specialisation	When people perform one specific job.
Spreadsheet	Program that allows large amounts of numerical data to be organised into tables for rapid calculations with changing variables, for such things as accounts and stock records.

Staff turnover	Employees leaving the business and having to be replaced.
Standard of living	The general level of material well-being of a nation's people.
Start-ups	New businesses.
Statement of financial performance	A summary of a business's revenues and expenses incurred during a set period of time (previously called a revenue statement).
Statement of financial position	A statement showing the assets, liabilities and owner's equity of a business at a particular time (previously called a balance sheet).
Strategic marketing plan	A statement summarising the potential market for the proposed product or service including the target customer demographic, buying trends, survey results, competitors, competitive advantage, information gaps, risks.
Subsidies	Payments made (usually by a government from tax revenue) to help the producer keep prices low or stay in business.
Subsistence/ self-sufficient	When people provide for their own needs.
Sustainable development (sustainability)	Development that meets the needs of the present population without endangering the ability of future generations to meet their own needs.
SWOT analysis	An analysis of the strengths, weaknesses, opportunities and threats in relation to a business.
Target market	The market where a business would like to sell its products or services.
Tariff	A tax levied on imports, raising the price of the imported item.
Terms of payment	The time between dispatching goods to a buyer and receiving payment as stated in the contract. Letters of credit are the most widely used form of payment.
Trade	Buying and selling (or bartering) goods and services and making investments in foreign countries.
Trade barriers	Refers to tariffs, subsidies, quotas – and less visible ways, such as quarantine restrictions – that create barriers to trade between nations.
Trade liberalisation	Reduction in controls over trade that are occurring worldwide.
Trademarks	Marks (name, symbol, style, etc) registered to differentiate a business from others.
Transnational corporation (TNC)	A large business organisation that has a home base in one country, and operates partially owned or wholly owned businesses in other countries.
Trends	The general direction of movement in prices or buying patterns.
Triple bottom line	The economic, environmental and social performance of a business.

Underwriting	Agreeing, for a fee, to take up a certain number of shares if they are not applied for by the public as a subscription in a new company or new issue – usually undertaken by a financial institution.
Unlimited liability	An obligation by a business owner to be personally responsible for all the debts of the business if it fails.
Video conferencing	Communication between locations transmitting voice and picture.
Viral Internet campaigns	A marketing offer sent to potential buyers by email, often offering a product or service at a reduced rate for a short period of time. The offer or conditions encourage recipients to forward the email to others.
Vision statement	A statement outlining the broad direction for a business's future.
Wholesaler	A person who buys goods in large quantities from the producer.
Winding up	The process of closing down a business entity.
Work hours	The number of hours the average person works in a week.
Working conditions	This is usually a separate agreement to the contract of employment and covers employment conditions like sick leave and holidays.
World Trade Organization (WTO)	International body dealing with the rules of trade between nations. Began in 1995 replacing the General Agreement on Tariffs and Trade (GATT).

Appendix 2 – References

Asian Development Bank
www.adb.org
Use search facility to go to ‘Business Opportunities’

Australian Trade Commission (Austrade)
www.austrade.gov.au

Corporate Information
www.corporateinformation.com/
This web site provides a good starting point for researching markets, industries and companies worldwide.

Food and Agricultural Organisation of the United Nations (FAOSTAT)
www.fao.org/waicent/portal/statistics_en.asp

International Chamber of Commerce (ICC)
www.iccwbo.org
For INCO terms, use the search facility.

International maps – by nation
www.mapquest.com
maps.google.com.au

International Trade Centre – Aggregated Trade Statistics
www.intracen.org/tradstat/
Database provides UN import and export data by country and commodity group.

Japan External Trade Organisation
www.jetro.go.jp

TRADENZ (New Zealand)
www.tradenz.govt.nz

TradePort
www.tradeport.org/countries/index.html
Detailed research reports on a number of different products, services and industries in countries around the world. For market research reports on countries, follow market research link and then country library

US Commercial Service - Country Commercial Guides
www.usatradeonline.gov
Written from a USA perspective, these country guides contain useful information on economic conditions, trade REGULATIONS, sales and DISTRIBUTION CHANNELS and business travel.

World Bank Projects
www.worldbank.org/
Follow the links to 'Projects'

World Trade Organization – International Trade Statistics
www.wto.org/english/res_e/statis_e/statis_e.htm
Overview of world trade, including statistics by sector and region.

SEARCH ENGINES
www.google.com
www.altavista.com
Search key words include export, TRADE, a particular country or a product/service.

Prepared by Austrade Education Programs
Australian Trade Commission
GPO Box 2386
Canberra ACT 2601
Australia
Tel: +61 2 6201 7430 Fax: +61 2 6201 7304
Email: education@austrade.gov.au
Website: ***www.austrade.gov.au/studentcentre/***

Produced for
Asia-Pacific Economic Cooperation Secretariat
35 Heng Mui Keng Terrace Singapore 119616
Tel: +65-6891 9691 Fax +65-68919690
Email: ***info@apec.org*** Website: ***www.apec.org***

APEC #209-SM-03.1
ISBN 978-981-08-2400-06