

MARKETING, LOGISTICS & SUPPLY-CHAIN MANAGEMENT

Marketing

▣ A look at:-

Target Market
Selection

Marketing
Management

Identification and Screening

▣ **Preliminary Screening** – This process must rely chiefly on secondary data for country-specific factors as well as product and industry specific factors.

▣ **Estimating Market Potentials by Product Type**

- The international marketer needs to assess the size of existing markets and forecast the size of future markets.
- The marketer uses both quantitative and qualitative techniques for assessment.

Identification and Screening

- ▣ **Estimating Sales Potential for Company's Product** – Collect product and market specific data on:
 - Competition
 - Market
 - Consumers
 - Product
 - Channel structure

- ▣ **Identifying Segments in Target Market** – Individuals and organizations vary in their wants, resources, geographical locations, buying attitudes, and buying practices.

Concentration Versus Diversification

Major alternatives for choosing an expansion policy:

- ▣ Concentration on a small number of markets.

- ▣ Diversification is growth in a relatively large number of markets in early stages.

Factors Affecting the Choice Between Concentration & Diversification Strategies

Factor	Diversification	Concentration
Market growth rate	Low	High
Sales stability	Low	High
Need for product adaptation	Low	High
Need for communication adaptation	Low	High
Economies of scale in distribution	Low	High
Extent of constraints	Low	High
Program control requirements	Low	High
Competitive lead time	Short	Long
Sales response function	Concave	S curve
Spillover effects	High	Low

Marketing Management

- ▣ **Standardization** – The extent to which elements of the marketing mix should be standardized.

- ▣ **Adaptation** – Marketers may consider every situation independently, or rely on decision-support systems to aid in program adaptation.

Alternatives in approaching International Markets

- ▣ Identify potential markets and then choose products that can easily be marketed with little or no modification.
- ▣ Adapt to local conditions in each and every market (multi-domestic approach).
- ▣ Incorporate differences into the regional and global strategy (globalization approach).

Marketing Policy

Product Policy

- ▣ Studies of product adaptation show that majority of the products have to be modified for the international market place one way or another.
 - Changes: packaging, measurement units, labeling, product constituents, and features, usage instructions etc.
- ▣ Product decisions made by marketers of consumer products are especially affected by local behavior, tastes, attitudes and traditions.
- ▣ Often no concrete changes required; only a change in the product's **positioning**, which is the perception by the consumers of the firm's brand in relation to competitor's brands.
- ▣ Non-tariff barriers include product standards, testing or approval procedures, subsidies for local products and bureaucratic red tape.

Product Policy

- ▣ Management must take into account the stage of economic development of the overseas market.

- ▣ The country of origin of a product , typically communicated by the phrase 'made in (country)' has considerable influence on quality perceptions.

- ▣ Counterfeiting is a major challenge international markets. Actions that can be taken against counterfeiting:-
 - Legislative action
 - Bilateral and multilateral organizations
 - Joint private sector action
 - Measures taken by individual firms

Pricing Policy

- ▣ **Standard world pricing** – based on average units costs of fixed, variable and export-related costs.
 - Dual pricing, domestic and export prices are differentiated. The two approaches available:
 - a) **Cost-plus method** – involves a full allocation of domestic and foreign costs to the products
 - b) **Margin cost method** – considers the direct costs of producing and selling for export as the floor beneath which prices cannot be set.

- ▣ **Market differentiated pricing** – based on a demand-oriented strategy; it considers competitive forces in setting the export price.

- ▣ **Price escalation** is due to costs incurred in modifying goods for foreign markets, operational costs relating to exporting and costs incurred in entering foreign markets.

Pricing Policy

- ▣ **Foreign market pricing** – This is the pricing in individual markets in which the firm operates. It is determined by:-
 - Corporate Objectives.
 - Costs.
 - Consumer Behavior and Market Conditions.
 - Market Structure.
 - Environmental Constraints.

- ▣ **Gray market(s)/parallel importation** – refers to brand-name imports that enter a country legally but outside regular, authorized distribution channels. This happens as a result of significant price gaps in various country markets.

- ▣ **Transfer/ intra-company pricing** – this is the pricing of sales to members of the corporate family.
 - Transfer at direct cost
 - Transfer at direct cost + additional expenses
 - Transfer at price derived from end-market prices
 - Transfer at arm's length price (price that unrelated parties would have agreed on)

Distribution Policy

- ▣ Channels of distribution provide the essential links that connect producers and customers.

- ▣ Channel design – refers to the length and width of the channeled employed. It is determined by the following factors:-
 - Customer
 - Culture
 - Competition
 - Company
 - Character
 - Capital
 - Capital
 - Cost
 - Coverage
 - Control
 - Continuity
 - Communication

Promotional Policy

 Advertising

 Personal Selling

 Sales Promotion

 Publicity

Logistics



International Logistics

▣ **International logistics** is the design and management of a system that controls the forward and reverse flow of materials, services, and information into, through, and out of the international corporation.

International Logistics

- ▣ Through the implementation of international logistics, the firm can implement cost-saving programs such as just-in-time (JIT), electronic data interchange (EDI), and early supplier involvement (ESI).

- ▣ The two phases of the movement of materials include:
 - **materials management**, or the timely movement of materials, parts, and supplies.
 - **physical distribution**, or the movement of the firm's physical product to its customers.

Three Concepts of Business Logistics

- ▣ **Systems Concept** – based on the notion that materials- flow activities within and outside the firm are so extensive and complex that they can be considered only in the context of their interaction.
- ▣ **Total Cost Concept** – to evaluate and optimize logistical activities, cost is used as a basis for measurement.
- ▣ **Trade-off Concept** – it recognizes the links within logistic systems that result from their interaction of their components.

Supply-Chain Management

- ▣ **Supply-chain management** is the integration of business processes from end user through original suppliers, that provide products, services, and information that add value for customers.
 - Supply-chain management connects a company's supply side with its demand side.
 - It opens up supplier relationships for companies outside of the buyer's domestic market.

International Transportation Issues

- ▣ A firm's logistics platform is determined by a location's ease and convenience of market reach under favorable cost circumstances.
- ▣ The public sector's investment priorities, safety regulations, tax incentives, and transport policies can have major effects on the logistics decisions of firms.
- ▣ The logistics manager must learn about existing and planned infrastructures abroad and at home and factor them into the firm's strategy.

Considerations for Selecting a Mode of Transport

- ▣ Transit time
- ▣ Cost
- ▣ Predictability
- ▣ Non-economic factors

Export Documentation

- ▣ A **bill of lading** is a contract between the exporter and the carrier indicating that the carrier has accepted responsibility for the goods and will provide transportation in return for payment.
- ▣ A **commercial invoice** is a bill for the goods stating basic information about the transaction, including a description of the merchandise, total cost of the goods sold, addresses of the shipper and seller, and delivery and payment terms.
- ▣ A **freight forwarder** specializes in handling export documentation.

International Inventory Issues

- ▣ Inventories tie up a major portion of corporate funds, therefore proper inventory policies should be a major concern to the international logistician.
- ▣ Just-in-time inventory policies minimize the volume of inventory by making it available only when needed.
- ▣ The purpose of establishing inventory systems are:
 - to maintain product movement in the delivery pipeline
 - to have a cushion to absorb demand fluctuations

Factors that Decide the Level of Inventory

- ▣ Order cycle time – this is the total time that passes between placement of an order and the receipt of the merchandise.
- ▣ Desired customer service levels
- ▣ Use of inventories as a strategic tool

International Packaging Issues

- ▣ Packaging is instrumental in getting the merchandise to the destination in a safe, presentable condition.
- ▣ Because of the added stress of international shipping, packaging that is adequate for domestic shipping may be inadequate for international shipping.
- ▣ Packaging considerations that should be taken into account are environmental conditions and weight.
- ▣ One solution to the packaging problem has been the development of inter-modal containers.
- ▣ Cost attention must be paid to international packaging.

International Storage Issues

- ▣ A stationary period is involved when merchandise becomes inventory stored in warehouses.
- ▣ The **location decision** addresses how many distribution centers to have and where to locate them.
- ▣ Storage facilities abroad can differ in availability and quality.
- ▣ The logistician should analyze international product sales and then rank order products according to warehousing needs.

Special Trade Zones

- ▣ **Foreign trade zones** are areas where foreign goods may be held or processed and then re-exported without incurring duties.
- ▣ Trade zones can be useful as transshipment points to reduce logistics cost and redesign marketing approaches.
- ▣ Governments and firms benefit from foreign trade zones.

Export Processing Zones and Economic Zones

- ▣ **Export processing zones** – specific and limited areas into which imported components may be brought for further processing; the finished product must be re-exported to avoid payment of import duties.
- ▣ These zones usually provide tax-free and duty-free treatment for production facilities whose output is destined abroad.
- ▣ The **maquiladoras** of Mexico are one example of a program that permits firms to take advantage of sharp differentials in labor costs.

Export Processing Zones and Economic Zones

- ▣ **Maquiladoras** – production facilities in Mexico that temporarily import raw materials, components, or parts duty-free to be manufactured, processed or assembled with less expensive labor; the finished or semi-finished product is then exported.
- ▣ Through the creation of special economic zones, the Chinese government has attracted many foreign investors bringing in millions of dollars.

Centralized Logistics Management

- ▣ In international logistics, the existence of a headquarters staff that retains decision-making power over logistics is important.
- ▣ To avoid internal problems, both headquarters staff and local management should report to one person.
- ▣ This individual can contribute an objective view when inevitable conflicts arise in international logistics coordination.

Decentralized Logistics Management

- ▣ When a firm serves many diverse international markets, total centralization might leave the firm unresponsive to local adaptation needs.
- ▣ If each subsidiary is made a profit center in itself, each one carries the full responsibility for its performance.
- ▣ Once products are within a specific market, increased input from local logistics operations should be expected and encouraged.

Outsourcing Logistics Services

- ▣ The systematic outsourcing of logistics capabilities is a third option.
- ▣ By collaborating with transportation firms, private warehouses, or other specialists, corporate resources can be concentrated on the firm's core product.
- ▣ One-stop logistics allows shippers to buy all the transportation modes and functional services from a single carrier.

The Supply Chain and the Internet

- ▣ Because of the internet, firms are able to conduct many more global comparisons among suppliers and select from a wider variety of choices.
- ▣ When customers have the ability to access a company through the internet, the company must be prepared for 24-hour order-taking and customer service.
- ▣ For all countries, but particularly in developing nations, the issue of universal access to the internet is crucial.

Logistics and Security

- ▣ After the terrorist attacks of 2001, companies have to deal with the fact that the pace of international transactions has slowed down and that formerly routine steps will now take longer.
- ▣ Logistics systems and modern transportation systems are often the targets of attacks.
- ▣ The need to institute new safeguards for international shipments will affect the ability of firms to efficiently plan their international shipments.

Logistics and the Environment

- ▣ Since environmental laws and regulations differ across the globe, the firm's efforts need to be responsive to a wide variety of requirements.
- ▣ Reverse distribution systems are instrumental in ensuring that the firm not only delivers the product to the market, but also can retrieve it from the market for subsequent use, recycling, or disposal.
- ▣ Companies need to learn how to simultaneously achieve environmental and economic goals.