

International Marketing
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Lecture – 35
Interaction with Practicing Manager

Good morning students. Welcome back. Today I am very happy to introduce Mr. Sanjay Bafna from industry. He has worked more than 35 years in healthcare industry and he has a very illustrious career. So, it is my pleasure to introduce Mr. Sanjay Bafna to all of you and I am sure interaction with him you will learn a lot on international marketing. Sanjay had done his graduation in electrical engineering from NIT Kurukshetra.

After passing out from NIT Kurukshetra he joined Uniscans and Sonics from 1986 to 1988. Then he worked for HCL Corporation in 1988 to 1989 and then he joined Larsen and Toubro 1989 to 1994. Then he again joined back to HCL group 1994 to 1996 and then ECIL-Rapiscan 1996 to 97. Then he joined Hewlett Packard healthcare division in 1997 and Hewlett Packard healthcare division was acquired by Agilent.

So, he went to Agilent and then Agilent Healthcare division was acquired by Philips. So he has worked from 1997 to 2016 for all these large companies at a very senior level position. He started as a regional head of Western India from 1997 to 2002. Then he continued as regional head west for Philips Medical from 2002 to 2005, General Manager north and west 2006 to 2008, Director sales South Asia 2009 to 12, grown the business double the amount.

Business head cardiology and oncology 2012 to 13, market share and profitability both growth. General manager and head Asian 2013 and 14, growth through new initiatives. CEO of Philips Bangladesh and Sri Lanka 2014 to 2016. Establish a business and grown one and a half times. Currently he is working with InformDS Technologies from November 2016 to present. He is vice president and head an institutional business.

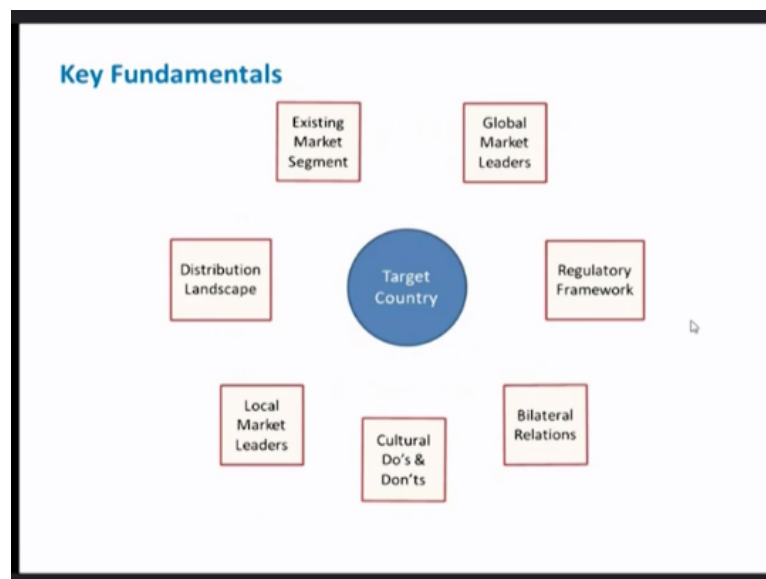
I am sure you all will learn from his long experience in domestic as well as international marketing. Sanjay, I would request you to take the session from here. Thanks a lot, Sanjay. Thank you and thanks for agreeing to this proposal. Thanks a lot. Thanks a lot Biswarup for

your very flattering kind of an introduction. I do not know if I deserve all that, but I will be more than happy to share my experience in marketing both domestic and international.

Because there is a common thread in marketing whether you are doing domestic or international. I will go ahead with my presentation. So thank you once again for the opportunity and real great time to interact with students and basically give them something that may be helpful in achieving their aspirations in life. So, let us hope the next couple of hours is beneficial to the students. So, I am going to switch to my slides now.

So, there it is international marketing, we will be discussing a whole lot of things in international marketing and this is very generic. We will take some examples of various industries that I am exposed to and also some that I may not have been involved with, but I was a keen observer of what is happening in international marketing. So, I will share those on the way.

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So let us start with slide number one, which talks about key fundamentals. Now, here I have taken an assumption that you are starting afresh and whatever company or organization that you are working for has never done any international marketing because that is the most challenging part. If you join an organization which already has some business overseas, then you already have some best practices within the organizations and you can learn from that.

But the biggest challenge is when you are stepping on to a completely unknown territory and I thought that would be a good starting point. There are seven different pillars or bricks which

are important in understanding the fundamentals of international market. At the centre is the target country. Now, if you are in a blue ocean kind of an environment, which means you have not gone international and now you have decided to go international.

How would you choose your first country or maybe first set of countries? You need a shortlist of countries. So, there are multiple things that you start with. First of all what is the existing market segment? You take a sample of let us say 5 to 7 countries that you want to target because you cannot just pick one and go there. It is never too easy. Depending on your market segment you can or the product segment or the industry that you cater to you could be from FMCG, FMCD, you could be from capital equipment, you could be from garment anything.

So, you first choose 5 or 7 countries where you think after doing some research going through the web and finding out these may be the 4-5 countries to give you an example. If I am doing let us say a consumer product marketing, any consumer product, what do I look for? Few things, right. I look for whether there is a large population to consume those products because it is a consumer product. Is the economic condition more or less okay to be able to buy imported goods in that country?

And we will talk more about it, this is just to give an example. So first of all, you have to find out what is the existing market segment in that country? When I say market segment, there are different market segments in each country and let us look at India for example, just to understand what could be the market segments in any country because more or less those market segments will remain the same, the way they operate may be different.

So for example you will have government, you will have private and we will talk about it in detail as we go through the presentation. Who are the market leaders in your industry in that country that is very important to understand because if somebody has already done that and being successful, it is important to understand their strategy of how did they succeed in that country. So, you need to know the market leaders there.

Now, the market leaders could be both domestic in that country or global and you need to understand both, maybe a global company and a domestic company are competing with each other or maybe a number of them. Then another very important thing when you go to another

country is what is the regulatory framework? First of all in your industry segment does that country allow imports? Because if that country does not allow imports, then you cannot shortlist that country.

Fine, let us say they allow imports, but if they allow the imports then what are the other regulatory requirements of that country? So, I think it is very important to deeply understand the regulatory framework. You can employ consultants to help you with doing that because if you enter without this data, then you will end up into trouble because you may not know where you are getting into, your customs duties and import duties may be very high on imported goods and you may land in a completely noncomparative situation.

Another very important thing, especially when you are doing international marketing is bilateral relations between your host country and your target country. Why are bilateral relations important? Bilateral relations are important because when there is a government to government relationship, the atmosphere is jointly being created to support each other's **trade** and that becomes very important.

And I will give you some examples of how bilateral relationships can actually give you a favourable tax environment in the local country. It can give you many other things benefits that we will talk about. Again, it needs to be understood you need to go to the Ministry of External Affairs website and understand the bilateral relationship with your shortlisted country that you are trying to study.

As is the case in any market cultural do's and did nots are extremely important. If you do things in India and if that practice in another country is a strict no-no because of cultural things, then you will be in trouble. You may have the best product in the world, you may have the best price in the world. but if the people and the buyers there and the customers there do not culturally identify with you or if they do not see you as respecting their culture, then you will have serious challenges there and this happens many times.

And also in many countries products from certain countries have a very stiff resistance, so you have to be mindful of that. Then what is the distribution landscape in that country? How does one reach out to the nooks and corners of that country? Do they employ their own direct

sales force or can you do with let us say indirect sales force or channel partners and so on and so forth, so there are multiple things.

Before I move on to the next slide, let me summarize shortly. The more deep data you acquire about your target countries and the more study you do on each and every aspect that I mentioned and maybe a few more that I may not have covered here, so you need to understand everything about that country before you embark on setting up your marketing organization or deciding to market in that country.

So study, study, study data, data, data; very important. **Do** not go half hearted or do not go unprepared, you will face flat, you will face huge resistance and you will not be successful and your resources can go waste. So, these fundamentals are extremely important and you need to make sure that you focus on them and you work on them and have a clear landscape of what is there in that country.

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Target Countries

Criteria for selection

- Product/Service – Niche or Mass Consumption
- Economic Status - Middle or Low Income
- Purchasing Behaviour – Need based, Aspirational
- Telecom Gen & Penetration – 4G or 5G
- Key business indicators – Industry Specific maturity & longevity
- Banking system & stability – Public or Private, Global
- Business opportunity & Growth Potential – Short, Medium & Long Term
- Local Distribution Network – Malls, Modern Trade, Retail Outlets
- Investment needed – Resources, Licenses, Marketing

The slide also features several icons: a green cube, a red lightbulb, a grey magnifying glass, a bar chart comparing 'POOR' and 'RICH' figures, a market stall, a 'GROWTH' graph, a shopping mall, and a 4G antenna tower.

Let us start with the first one how do you select a target country? First of all, you know what is your product and service, right? So, whether it is a niche product or a mass consumption product and whether there is a market for those products in that country is very important. So let us say for example you are manufacturing defence equipment, right, and let's say you have chosen Sri Lanka, probably a bad choice because Sri Lanka does not fight a war with anyone.

They are a small country who probably fought only a civil war for reasons that are known to all of us. So, may not be the right market for defence equipment because they are not a big

defence buyer at all. They are just a maintenance buyer. They have an army but that only for maintenance. Then what is the economic status? Because to sell any product in any market people should have the purchase power or they should have money in their pocket, so whether that country is a middle income country or a low income country.

I am not saying that you cannot sell to low income country, but it depends on what your product is. If it is a mass consumption product maybe low income country you can go to because mass consumption consumer products everybody has to consume, FMCG for example, food, clothing these are all basic necessities and in a low income country if you go by the Maslow's hierarchy of needs, you are actually addressing the fundamental need.

So it may be a good market, but then you have to counterbalance it with many other things. For example, what is the population of that country? If it is a low income and low population, then you know you neither have the mass over there to buy or and it is low income so you will not even get economies of scale, so therefore may not be the right choice. So, you have to make those choices. These are all interrelated purchasing behaviour.

Now, depending on whether it is a niche or mass, whether it is a low income or middle income country, you will also get some idea whether people buy only need based or there are aspirational purchases. So, what are aspirational purchases? For example, fancy car, an expensive wrist watch, global branded clothing, Calvin Klein's of the world or Tommy Hilfiger of the world that is aspirational buy, that is not need, need can be fulfilled by any inexpensive product in the same category, right.

So that is important to understand and whether that matches with your product and service that you have. So, if you are a manufacturer of let us say expensive high quality clothing, then a low income country may not be the right choice for you because while in every country even if it is low income, there will be a small percentage of population which may be able to afford but can you really go into that country and think of a sustainable growth model over there unless it is a very fast growing country and quickly moving.

So, all those factors you will have to bring into your play to decide which country to go to. Another very important indicator of where the country is in the hierarchy of growth or development is the telecom generation and penetration. When I say generation, whether they

are in 2 G or 3 G or 4 G or 5 G that is a major indicator of how people communicate with each other, what are they exposed to.

So, if a country has a deep penetration of 4 G, so let us say the country is in low income moving towards middle income but has a tremendous 4 G penetration, and there are many examples of that, then you know that people are now talking to each other, they are getting exposed to what is happening globally and they may, their need base will increase and therefore they will buy more things and they will buy better quality things.

So, you have to choose the right combination. If we have a low income country which buys only need based and is only a 2 G may not be the market for you if you are in a niche product, maybe in a mass consumption product yes. Also, you may have tremendous competition from local manufacturers. So, each of these bullets that I mentioned here and of course I have covered only half, but important thing to remember is these are not in isolation.

They are all interrelated to each other and sometimes you have to look at the combination as I just explained a couple of them to you and we will talk more about it. Then what are the key business indicators, in the sense the industry that you belong to is it mature over there, can you see long term growth over there in that industry that is very important to understand. Let us say you are into communication equipment and that country has decided to make major investments in communication.

It is still low to middle and somewhere in between, but many countries have chosen the path to growth and development through investments in telecom, why because telecom helps people to connect with each other. Telecom helps people rather helps a country to connect demand with supply. Telecom helps in understanding what is happening in the rest of the world. So, if a country has decided to invest in telecom infrastructure and if you are into telecom equipment that is the right country too just another example.

So, the combinations are important sometimes. Business opportunity and growth potential, so as I discussed these are again all interrelated. If there is money, if there is good telecom penetration, then the country is obviously looking for growth, but you need to go a little deeper into what is the growth potential, is it a short term growth potential or is it a long term

growth potential that you need to understand, very important because based on that you will make your investment.

Let us say there is a short term growth potential, but huge chunk like a big bust of growth and then low growth for whatever reason, maybe in telecom infrastructure because that will not happen every day, let us say people invest in towers or people invest in fibreoptic network and so on and so forth or some then it is maybe first couple of years good potential, then there will be a lull for a long period of time and then maybe there is good potential.

So, you need to be both in infrastructure and services to be going to that country. I missed a point in between which is on the banking system, extremely important. When you are doing business in another country, you need to know how robust is the banking system because if the banking system is not robust how will you get credit, how will you give credit to people, who will guarantee your credits to your big b 2 b clients and whether those banks are public or private or global.

So, for example there could be government owned banks in a country or there could be private banks or there could be the global banks like the City Bank and the Hong Kong and HSBC of the world that may have an office or American Express they may have branches and a big presence in that country. So that also gives you an indicator that probably yes this is a good place to get into because without a good robust banking system, how will you do the transactions with that country, secure transactions, so banking is extremely important.

And local distribution network, now of course here in this example malls, modern trade and retail outlets I am assuming the products in the category of FMCG, FMCD and certain aspirational products and appliances and small devices. So, it covers actually a big range, it does not cover capital equipment, but it covers everything other than capital and infrastructure equipment and construction.

Construction is part of infrastructure because as you go to a mall or you go to a modern trade outlet, what is modern trade outlet? These are some jargons which are used in the consumer industry. So modern trade outlet is typically like a hyper mall, hyper city or a supermarket or let us say if you are in India you know the Shopper's Stop chain of stores or you know the

Westside chain of stores and similar ones, this is all modern trade, these are non small retail outlets only.

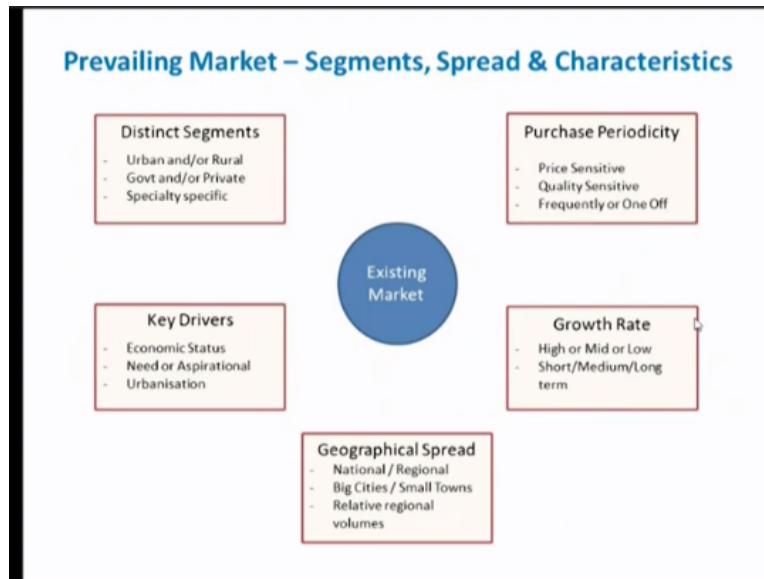
Typically, a country will present you a mix of all, there will be big malls, there will be modern trade like you see the Croma showroom in India or VJ sales and you will have retail outlets. So, depending on what product you are in, again the decision on how the understanding of the local distribution network or local sales channels as they call them is very important to understand.

And then besides this there will be of course distribution companies, there will be large distribution companies, so most of these modern trade and retail outlets are backed by large distribution companies and they will be into multiple things. So maybe you need to partner with one of those to sell. First of all, you need to evaluate the presence and the penetration of this kind of a network and then you need to identify the partners and then investment needed.

So once you have made your assessment that these are the five countries based on this criteria for selection I am going to go, then you need to make the final selection based on what will be the resources needed. How is the license regime in that country? What kind of marketing I will have to do? I mean is it a conservative country or is it open to new marketing ideas? Because many countries are very conservative to marketing, you cannot use fancy audio visual ads which can sometimes border on cultural conflict.

So, those kinds of where can you use them? I mean, in India of course you get those kinds of ads all the time, in the US even more, but in the new market that you are getting into would you be able to do that. So, I think you need to assess all that. Marketing comes next. Once if you have decided these are the five countries on which I am going to go, your resources and your license regime are two very important things, what resources would you need to be successful in that country? I hope you got a fair idea of how to select the country.

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Next, what are the prevailing market segments? So, basically what we are doing is we are picking each one of this brick and then going. So right now, we have covered the target country how to select that. Now, we are going to the prevailing market. What are the segments? What is the spread? And what are the characteristics? Very important. You may find some overlap that is very natural within the five boxes that you see here.

So, first of all you need to understand what are the distinct segments? **Do** you have urban and the rural segment completely separate? Because to take again example of India and why bring back India because when you are trying to understand some other country, obviously you use the knowledge of your own country to be able to try and see. All countries more or less structurally they will be very similar.

Yes, economies would vary, consumption patterns would vary, but there will be an urban, there will be a rural, may be India rural may not compare with the US rural, but they will be two distinct markets and you will need different strategies for that and your product may sell in one or both, we do not know. It depends on what your product is. Then is it more government or it is a mix of government and private?

And then is there a speciality specific market? What is the speciality specific market? Defence, crude oil, edible oils these are single-single specialities. Healthcare for example. when you identify the market segments, the market segments are cut in a matrix. It is not just two market segments. You have urban and rural, within urban and rural you will have government and private and within this you will have speciality specific.

And you may have more layers depending on the complexity of segmentation in that particular country. So very important to understand market segment. Of course, this you will do after you have shortlisted the countries from this slide. You are still not zero down onto your final country, you have shortlisted five countries based on these criteria and then you're going digging deeper to finally come down to maybe 1, 2, or 3 depending on what is your plan in your organization.

Then, what are the key drivers in that market? Is it the economic status of that country? Is it the need or aspirational behaviour or is it rapid urbanization? All these three leads to expansion of various products and goods and therefore the market. So you need to understand the key drivers in that country. How will you do that? It is again part of your research. How has the country grown in terms of GDP over the last five years very important to know that.

Whether you are going into a growing market or you are going into a market which is dipping? So for example, if I may take an extreme case would anybody go to Afghanistan today who is into a private business? Probably not because there are no good relationships right now that is suspect. There is no clear governance over there. So, all those things are important. Yeah, one important thing which I missed mentioning is the political stability also in that country that is very important.

Political stability means stable policies, stable import rules and so on and so forth. So, it is very important that the country you choose should be politically stable. The next what is the geographical spread of the market? I mean, are there pockets of good consumption like the metro cities or the large cities or there are even regional consumption hubs in that country? Because that will then help you what kind of resources you would need or what kind of a distribution network you will need to be able to cater to that geographical spread.

Then mentioned big cities or small towns or is it, it may be regional but again confined to big cities or is it also in the small towns? Is there a relative regional mismatch in consumption pattern? So let us take for India for example. Today if you take India, north and south are the biggest consumers of most markets, most market biggest size will be north and south, then you will have west and then you will have east.

And that is I am not saying by my impression, this is all statistics and data. If you take any company's turnover today in India that is how you will see the distribution, north and south would be like 30% each, the west maybe about 20-25% and the balance would be the eastern region. So, you need to understand that regional gaps in potential. Why that is important? So let us say you decided to go to that country, but you may not want to spread nationally initially.

You may only want to go to those areas where there is a good potential at the moment and wait for the potential to improve in the other markets that by then you will also have a better understanding of that market and then you can decide, very important geographical spread, your resources will depend on that. You can just have a large team of people without understanding the geographical variability of potential and consumption potential.