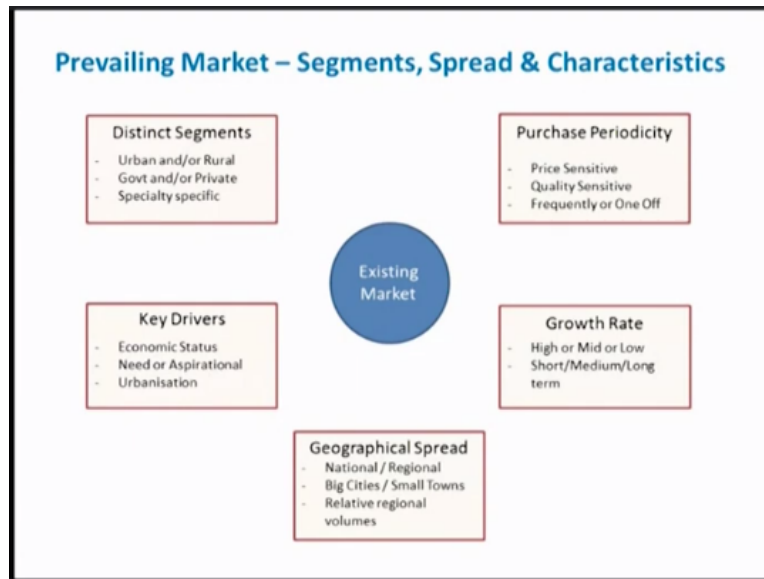


**International Marketing**  
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**Lecture – 36**  
**Interaction with Practicing Manager**

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Friends, we were on this slide. So let me again come back to the growth rate box that we were talking about. So, it is important to understand what is the average growth rate in that country and the only one generic indicator of growth is the GDP growth rate. But also you need to be more specific about your product segment because GDP may grow by let us say X percentage, but maybe some of the segments may be growing at twice the GDP rate and some may be growing at less than half the GDP rate or half the GDP rate.

So you need to make those choices very clearly. I think by now you would have understood that to be successful in any international market, you need to have a deep advanced information about that country, great knowledge about that country, both through web resources, also through interviews of people and maybe you may have to make kind of a reiki visit to that country to understand once shortlisted countries.

Once you have got the shortlist of countries, then you need to travel there at least one trip to understand on the ground reality of each and every market, talk to local people, talk to some of the business leaders and only then you will know what exactly is happening. I have done

that and believe me sometimes it, of course there is no huge mismatch between what you thought through your study and what you saw when you reach there, but you will find some very interesting insights when you actually land in that place.

And I have had that experience in multiple countries, what you hear from outside and what you actually see when you go there. It does not change your plan dramatically. It is not that the country may go out of the shortlist, but your final strategy is your distribution strategy, your spread, those kinds of things will actually change when you go down. All the operational things will change when you go down to that.

So very important to travel to that country to arrive at finally this is where I am going to set shop. Purchase periodicity is very important, right. Why purchase periodicity is important because if you are in a consumer goods market, you want that there should be repetitive purchases of your consumer item whether it could be FMCG. If it is FMCD, then of course they will not buy the same mixer grinder or the same television set or the same appliance frequently.

But if you have a range of such things like we had when I was in Philips. So we would say okay let us first sell the mixer grinder because that is the basic need, then let us say can we sell an air fryer. Then can we sell a large TV. So, this is how you keep addressing and you keep sort of the customer stuck to you, what we call in the marketing jargon, stickiness of a customer.

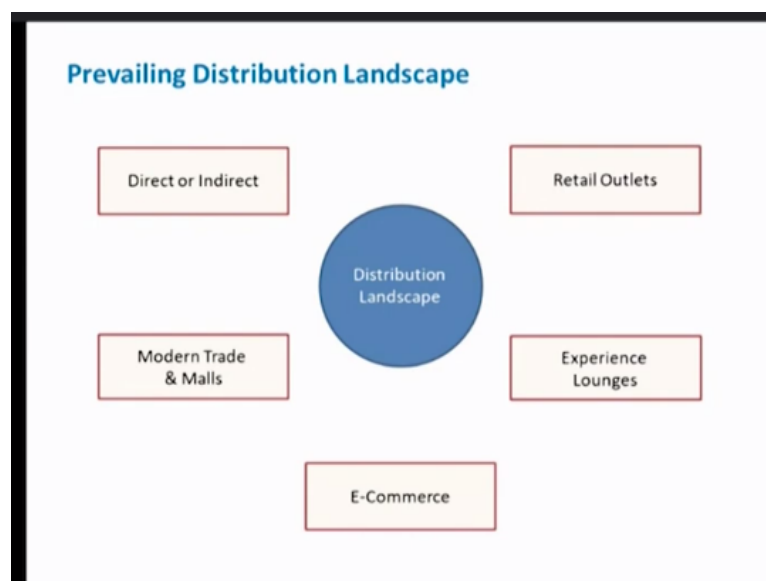
Generating new customers is always more difficult than trying to sell to an existing customer so that you build on that relationship and you also build on that brand in the minds and hearts of people. So, I think that is very important and that will decide your purchase periodicity. Of course, you have to be price competitive goes without saying and you have to be above a threshold quality. And then how good is the quality and are there people ready to pay for that quality is what you will finally decide.

And frequently or one of as I said will also decide as to at what rate can you grow there. So, these are very important things to understand the details of the market. Let us go to the next slide and absorb these, go through these again and again, read the data again and again to

understand what is happening inside. Let me give you an example here. We were trying to study one country and we realized that there is a decent online presence.

Not big but a decent online presence, e-commerce, but the most surprising part was that was a revelation for us. We never thought that could be possible, but that was a very interesting example. So you come to know many of these things and when you go there and actually find out how to carry that out it is even more fascinating.

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Distribution landscape, we already discussed that. This is very important what will work there. So you have to study many things. First of all, you have to study how are people operating in that country right now. Are they operating direct through their own sales force or their operating indirect, very important to understand because the cost, organization cost is very different. In one case, if you are going direct, you will have a huge establishment cost or a significant establishment cost even if you employ less number of people.

Because employing people in another country is a complex exercise because you have to go by the local rules and stuff like that and many other things. But of course, you have your own understanding of the market. So, if you are entering a market with a clear understanding that I have done all my study and I need to be here for the long term because this is a growing market, then you may want to go to that.

But do you always go just choose one direct or indirect? No, it is never the case, you may enter the market with indirect but eventually you will have to have your own people,

otherwise nobody will take you seriously and your own identity in that country will not be established brand, company, product, everything. Because indirect, when I say indirect these are distributors, channel partners. So your retail outlets, trade and malls, ecommerce are all indirect.

And I am presuming experience lounges comes under direct because you will create your own experience lounge because you want to provide an experience to your consumers and also get their feedback, so that happens through direct. But it is always a combination of direct or indirect. You can start with indirect so that you do not incur significant expenses right upfront and learn the market through the indirect channel partners.

But again, selection of indirect partners is a very critical exercise because how will you know? So again, you have to do a lot of study, go there and meet these indirect partners, talk to their consumers, unless you do a detailed study and again it depends how much study you need to do depends on what kind of a product or industry you belong to. If you are in the FMCG industry, you need to understand every household behaviour; literally in every nook and corner of the country.

Because one part of the country may consume and behave in a different way and another part of the country may consume and behave in a different way and you need to understand that. The products do not change, but their way of consumption changes. For example, if you are selling water purifiers, water quality is not the same across the country in most countries except for Western Europe, and I am not talking about at the moment here Western Europe as a market segment.

Those criteria may be quite different and depends again on what product you have. But barring leave aside 10, 15, 20 countries and the water quality in different parts of the country would be very different. So therefore, the usage of your water filter or water purifier would be different, you may encounter hard water in certain parts, you may encounter filthy water or water which is mixed with for some reason with the sewage and stuff like that.

So, you will need a different kind of water treatment. You may have four or five different water treatment options within your water purifier, but you may not need all at all the places or even if you have all your pitching to that those specific segments of the market or specific

geographies of the market will have to appeal to their biggest problem in that market, so that is very important to understand when you are talking about distribution.

Modern trade and malls, we all know what it is. So if you have let us say watches, garments, appliances, small electronics, then obviously you will want to be in the malls because there is visibility, there is footfall and also to modern trade if you have a basket of products. When you have a basket of products within electronics, within appliances or within FMCG or FMCD, then you can choose modern trade, it is always a combination.

It is not that you will choose just one, again as I said it is all a function of what. If you are into capital equipment, obviously these are not your channels. What will be your channels for capital market? It is either direct or with a partner. You may have a very dedicated capital equipment partner. So for example, if you are in the business of selling trucks or buses or motor cars for example, can you have them in the mall?

Maybe you may have a display of a car in the mall like you see that in India it will also happen in the other countries. But you will need a solid distribution network to be able to sell your car. This is not an FMCG or an FMCD, it may be an aspirational purchase in that country or it could be a need purchase depending on which country you are going to. So, those are important things. Now, E-commerce is important when you want quick visibility.

And let us say less cost of distribution, E-commerce could be very helpful or you could start with a combination of indirect and E-commerce and then you have to have the right pricing strategy because one thing that you need to very clearly remember when you cater to multiple channels of distribution is what is going to be your pricing strategy because you cannot have within the same country, the same product selling at different prices in different channels, especially when you are entering new.

Even mature market like India, yeah for example if you buy a TV from a showroom, you will get in x price, if you buy online you will probably get it an  $x - 10$  or  $x - 20\%$  and you take that call. There may be risk in doing it, there may not be risk of doing it. I mean mobile phones are bought online today in India, but does that mean that retail outlets do not sell mobile? They still do.

And in Indian market, people do not care whether it is 100 rupees there or 100 rupees there because they would not even know, many people just go to a retail outlet and buy. But when you are entering a new country, you cannot afford people to even have one instance where a person has bought let us say your product from a retail outlet at x price and a friend of his has bought the same product from an E-commerce outlet and  $x - 5\%$  that will be a credibility loss for you because you are being tested in that market.

So you have to be careful about that. And to what degree people will react also depends on what product it is, sometimes they may not even care because they get a better experience let us say in a retail outlet and therefore they pay for it. So, it is a function of multiple things and you will have to play your cards based on what is your deep understanding of what works in that country. We are taking individual pieces.

At the end of the day when you go out into that market, you have to connect those dots and have a nice, seamless, palatable, good respectable story to sell to people in that country. Experience lounges are very important, especially for aspirational products or rather not completely aspirational, but relatively aspirational. For example, a 100 inch TV in India may not be aspirational, but it may be aspirational in another country or a curved TV with 4 K and 4 D may be aspirational in India, but may not be aspirational in some other markets.

So, these are all relative aspirations. So, for such products and products which has a lot of features and benefits, experience lounges become important? So, you could have dedicated experience lounges depending on what kind of a market you see in that place or you could create an experience lounge within a mall or within an outlet also. Many times you go to let us say a modern trade outlet in India, so for example you go to Croma you will see that that somebody is giving a demo of some device over there.

A special show is happening there, this happens in many other countries in the neighbourhood, in Southeast Asia, it does happen. It even happens in the US. So, people create those small temporary experience lounges, those are less expensive and the message is still conveyed. But if you are catering to a large market, you have a very niche product and you think that you need to carve out an identity for your product then you need to create maybe dedicated experience lounges.

So this is all will you do it on day one? Probably not, but you may do one on day one or and then build on that because experience lounges will also help your direct and indirect channel to sell because experience lounges you do not make sales, you only show what you have to your clients and you take the feedback and once they experience that then they buy through the direct or indirect channel or maybe through retail outlets or maybe through modern trade.

Because you have shown the experience now and now you can sell it through modern trade and as you spend some time in that country, you may even go to E-commerce for that. So, this is very important understanding the distribution landscape and how effectively to utilize that. Can you choose any one? No, it will always be a combination and that combination will change as you spend more and more time in the market as you keep growing in the market.

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Regulatory framework, most people I would not say they overlook it but starting companies, small companies tend to overlook this, never do, that. Never do that, it is very important to understand. People also try to find shortcuts. Shortcuts are not long term. So, I think if you ask me you should understand the regulatory framework of that country very well. What is the import policy? Are there any entry barriers for certain category of products?

What is the licensing procedure? Many countries even if you are not manufacturing there you need a license to sell, which means it has to be approved by the local authority, again depends on the product. So, for example if you sell healthcare product made in India in any of the neighbouring countries or Southeast Asian countries, it has to be approved by their local authority whatever their authority is called.

They will get a sample of your product, it will have to be installed somewhere, they will have a testing procedure. There are certain criteria, a list of criteria clearly laid out that you will have to follow and then they will issue you a license to sell that could take 6 months, that could take 1 year, in some countries 2 years. So any international product to be sold in China, the licensing procedure or the technical approval takes 18 months to 2 years.

In Singapore, it takes about a year, sometimes 6 months for certain products, Malaysia same time, every country in the neighbourhood even in Bangladesh you cannot just go and sell something like that, you need a local approval. So, that is very important to understand if you are in some kind of capital equipment. If you are in food products, there will again be some licensing authority to be able to sell so that you are able to push your food products into that country, so you need to understand that.

What is the taxation structure? And the important part of taxation structure is, is there a variable taxation structure for locally manufactured items versus imported items, then you are at a disadvantage. And you may have to factor that tax when you are deciding your final price and when you decide your final price, you also have to see whether you will be competitive at that price. So, this is again very important to understand.

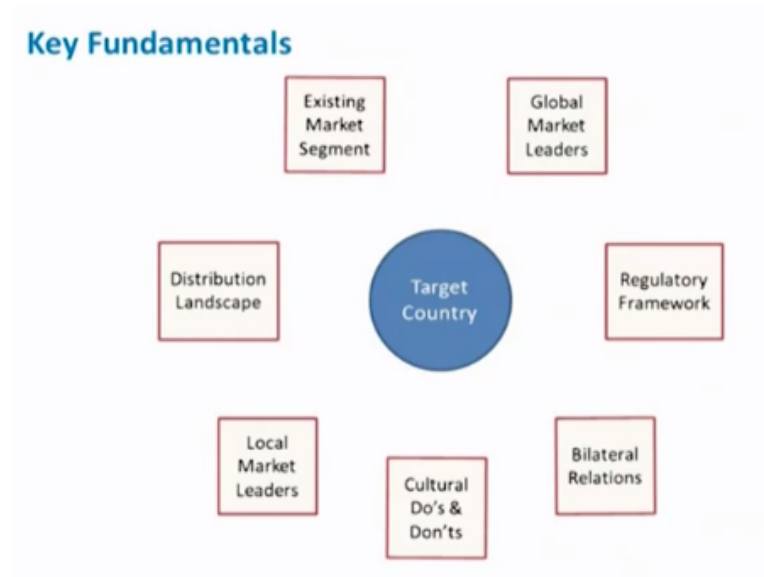
So the more clarity of understanding you have of everything that we spoke till now including the slide in front of you is extremely important. Time to approval, I already spoke about. In many countries if you have a large market size, if the size of the cake is big and there are maybe only 2 or 3 local companies, then local manufacturing may be a preferred way of going there. When to do that? Whether to do it in the beginning?

Probably, not because you will need a more clear and granular understanding of that business in that country after you being there yourself. So many companies, so again I can share the Philips experience. When Philips went into Bangladesh to sell lighting first appointed a distributor and then partnered with another business house there and set up a manufacturing unit there because Philips bulbs had a great pull and it was a mass consumption item, so manufacturing made a lot of sense.



Also, you get into manufacturing when you get a tax advantage. So, the moment you become a local manufacturer in the eyes of the country, you are a partner in the progress of that country. So the optics is very wonderful there, so you may want to do that. Again, as I said it depends on which country you are going, what is the market size, what is the product, multiple things that depends on. But regulatory framework is an extremely important aspect cannot be overlooked.

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Before we go to bilateral relationship, let us just quickly recap fundamentals very important. You cannot miss any of these fundamentals and add five more if you want, but study before you choose your 5 countries or 3 countries, very important, in depth local study. Once based on your in depth remote study that you have done which is through web, through maybe phone calls, talking to other people who might have done business in that country you need to find out all that and you find the shortlist. Once you have done that, then you actually travel to that country and do some more an authenticate your remote findings, very important.

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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

As I said, target country selection, so many criteria, each and every criteria is important and they are interrelated. Sometimes it is not that you have to go to a middle income or high income, I have not written high income country here because high income countries are the Western world the 20 countries. Barring those 20 countries, the world falls in middle to low income countries and sometimes very poor countries like you may find some in the African continent or at some other places.

Mostly in the African continent you will find countries which are in a very low economic status. So, some middle or low, so, it is a combination and as I told you low income plus 4 G could be a good combination and a mass market, high population. So those are some of the examples. So, it is a combination that you have to choose, banking system all very important. Market segment, once you have decided on the country, then you need to understand what is the market condition.

The different segments, what is the spread and what are the characteristics. We have spoken in detail, but very important, do not miss a single part. And if you find something else that you need to monitor, please do that. Politics box is not here, it should be there when you select the country as to how politically stable that country is. Prevailing distribution landscape, one interesting example of a political stability when in the in your criteria, Italy at some point or even today is considered very politically unstable.

The government used to change every 12 months, every 16 months there was a time, but its economy was continuously growing. It was one of the top 7-8 economies of the world. Why?

Because politics and economics were kind of; economics had taken its own course, it was on an irreversible path and nobody tinkered with that because no government would want the economy to get disturbed unnecessarily. So, they would not tinker with it much barring a few things here and there.

So, there can be some exceptions to the rule, but generally speaking, political stability is important. Then we spoke about the distribution landscape, very important on what combination you choose, how do you start and depending on the product whether you create experience lounges or not, whether you go into E-commerce or not because these are modern concepts. Retail outlets is the oldest concept that you can have.

Modern trade and malls have been in the offing, have been in wow for a long time now, probably more than a decade in most countries. Regulatory framework as I said often neglected area, never do that if you are in for long term. If you are just talking about opportunistic sales, maybe do not bother about it, somebody else will bother about it. But if you are in it for the long term, if you are in it even for the medium term, you need to understand the regulatory framework of that country.

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### Bilateral Relationships

- Countries with strong trade relations in that market
  - Top 3 countries in \$\$ terms
  - No. 1 country in \$\$ terms
  - Nature of relationship
- General Preference for Indian Goods
- Import concessions for India
- Vibrant Cross-border trade already existing with India

Now, this is the software aspect, again many people miss that. Now India has let us say if you have a choice of doing business and I am just taking two names of let us say between Pakistan and Bangladesh. Why am I taking these two countries example? Population fairly similar, Bangladesh is about 180 million Pakistan, maybe about 200 million and both have large number of consumers.

What is the bilateral relationship when you compare with Bangladesh and Pakistan? You would obviously go to Bangladesh to do your business, I do not think you will risk your business in Pakistan because everything is uncertain, the bilateral relationship is extremely poor, so that is how bilateral relationship becomes important. And what is the trade relationship between the two? Yeah, India does trade with Pakistan.

I am not saying India does not do trade with Pakistan, but that is government to government. There is very little private to private business, only those who have been doing it for decades continue to do that and they have discovered channels. Many of the business that happens between India and Bangladesh happens through Dubai, through Qatar and those kinds of things. Now, for a mature business all that is possible.

But for somebody who is starting new, he will not choose a country with which India does not have a good bilateral relationship so that is very important. And I am presuming here for all of you the host country is India. Now, general preference for Indian goods is important to import concessions for India. So, there are countries on which India made goods get a special concession, so if in that country and Bangladesh is another example, but even China enjoys that concession.