International Distribution?

Once you have zeroed in on target markets and selected the products to be marketed, you must determine how you will sell/distribute your products or services.

We live in a global village where technological innovations have made the life of the international marketers easier by providing multiple ready-to-use global distribution options. Global logistics options currently available include: service providers such as freight forwarders, air express outfits, ocean carriers and overland transportation companies. These entities offer extremely reliable and faster service including tracking of shipment and overnight delivery promises.

American based FedEx, DHL, UPS and Airborne freight services offer local pick-ups, transportation of packages to a single transportation point, sorting according to the addresses and then shipping them out to their destination all in a matter of a day or two, depending on the destination. Some of these companies such as FedEx and DHL also offer warehouse space for rent to global clients at their transshipment points.

Additionally, there are those internet-inspired e-commerce channels that can help you quickly and inexpensively create a “storefront” on the World Wide Web and start sales transactions online almost overnight. So why do you need to worry about distribution?

In the current technology environment and given receptivity to e-commerce, it is quite conceivable to brainstorm on a marketing idea today, develop the “storefront “on the web tonight, and be open for business tomorrow. It is perfectly fine to have global dreams achievable via the power of internet technology, but if you fail to factor in the need for effective communication and promotion, the importance of strategically locating the warehouses, developing appropriate inventory management, and order processing, your Web site might generate plenty of orders without any sales revenues.

Businesses with global dreams often realize that since understanding the target market, the culture, local regulations, and the like are prerequisites to effectively marketing, they seek out the intermediaries who are familiar with overseas markets. This article focuses on the fact that there is more to distribution than simply shipping goods to destination or having a glitzy website.

Developing Channel Partnerships

In every country and in every market—underdeveloped, emerging or advanced—consumer and organizational products and services eventually go through some form of distribution process. The distribution process involves the physical handling and distribution of products, the passage of ownership or title to the goods, and buyer and seller negotiation between the manufacturer and intermediaries and between intermediaries and end customers.

Your goals as a marketer are to meet the strategic marketing objectives including reaching the targeted segments with the desired product positioning and return on investment. To achieve these strategic objectives you must plan for more than simply identifying the shipping, airfreight carrier or ocean carriers. You must design channel strategy by:

1. laying out the functions that a channel network must perform,
2. identifying the channel intermediaries that will help in performing those functions,
3. negotiating terms and conditions for partnership, and
4. maintaining open communications with channel partners for the mutual benefit of both parties.

Developing policies to assist the channel partners in inventory control and management, merchandising and local advertising, and offering special price and other incentives are crucial to maintaining good relationships. While selecting the channel partners, some of the factors that must be considered are:

- Overall channel costs, which include initial costs of locating and negotiating with the channel partners, as well as the costs of maintaining relationships and controlling channel operations. In addition, logistical costs involving transportation, warehousing and storage, order processing and servicing the customers/clients should also be compared and evaluated.
- Capital requirements for different channel partners may vary based on the scope of their operations and their managerial capabilities. Capital costs typically include the costs of inventories, the cost of goods in transit, costs of accounts receivables, and inventories on consignment.
- As an international marketer you must take into consideration the degree of control desired while expanding internationally. For example, if your firm wishes to maintain strong control over its marketing mix, it might elect to set up a sales subsidiary to work with retail outlets available in the country markets you target. In this event you must take direct responsibility of warehousing and storage, order processing, local transportation and development and maintenance of relationships with the intermediaries at retail level.
- While selecting the channel partners, due diligence is critically important to determine the distributor or broker's market coverage including location of their offices, channel member's home base and historical (three to five years) sales contribution by geographic locations. Also important to understand is the level of commitment by the channel intermediary to the product and the market, their financial strength, marketing skills, their image and reputation. And seek market knowledge commensurate with the complexities of the selling process.
- International marketers must also seek channel partners complementary in skills, scope of geographic coverage, product lines currently carried, annual sales volume, managerial abilities, financial stability, reputation, strong relationships with participants in the supply chain, and local government agencies.

Additional Considerations

In the event your company does not find a channel partner with sufficient interest in your products, "piggybacking" may be the solution. Piggybacking is an arrangement with a competitor to market your product through its established distribution channels. This arrangement is commonly used when the products offered for distribution to an established company are complementary rather than competitive offerings.

Alternately, if you decide to adopt a direct distribution strategy via e-marketing, key issues of concern would include cultural adaptation, local contact, payment, delivery and promotion.

- Your web pages should be modified to be culturally sensitive in content and looks.
- You must create virtual offices for country markets by buying server space and create mirror sites with voice mail and fax contact points in key markets. Customers in your host country are more likely to visit sites in their own country and in the local language.
- Once your on-line store is “open for business,” it will still be necessary to let potential buyers be aware of its existence for their convenience. You could achieve this through traditional advertising media communications, direct communications, public relations and product placement and sponsorships.
- Even though you could use Federal Express, United Parcel Service and other private delivery services with worldwide delivery capabilities, these may not provide a long-term solution to storage, warehousing and the service related needs of the markets. It would be necessary to set up warehouses in country market in close proximity to the key markets to facilitate faster and affordable delivery of products. These warehouses may also be appropriate for providing such after sale services as delivery of spare parts, return of defective products, and supplies. Distribution centres may be constructed or leased in the country markets you plan to target. Alternatively, outside vendors (outsourced service providers) may be used to handle the fulfilment tasks including warehousing, inventory management, and order processing.

Final Words

In the final analysis, the channel structure and partnerships for your firm in a country market will depend on the nature of your product, the service requirements of your target customers, market size and scope, intensity of competition, your firm’s market position, and the availability of capable and knowledgeable distribution intermediaries. Critical success factors in creating a win-win situation for distributor and exporter, include: high level of commitment by both parties to the product and the market, financial strength, marketing skills and market knowledge commensurate with the complexities of selling process, image of marketing complementary products of comparable quality, reputation of each partner in their respective communities, and the willingness on part of both to develop an ethical relationship via open and honest communications.