

## Quality Products and Exclusivity

### Quality Products

If a product is defective after it is sold, the distributor incurs both a monetary cost and an opportunity cost. The inconvenience goes beyond the time involved to ameliorate return and replacement factors. Regardless of the fact that you will replace the product at no cost, handling defective parts can be very costly in foreign trade due to shipping and duty fees.

Your quality products should be:

1. Trouble free and carry warranties.
2. Unique to the intended target market.
  - Modify when necessary and stay ahead of competitors within the target market.
3. Delivered with appropriate, quality packaging.
  - Use proper language, colors, symbols and designs that are suitable and inoffensive in your market.
4. Supplied with high quality advertising and sales promotion techniques.
  - For example, catalogs, brochures, display cases, banners, window cards, illuminated signs and fliers can be provided in lieu of advertising dollars.
5. Accompanied by easy to understand user manuals, information or instructions.
6. Patent or trademark protected.
  - It is your responsibility to take legal action against counterfeit merchandise brought into the target market and ensure your product will not be illegally imitated.

### Exclusivity

Your distributor will want exclusive rights to your product with full control over his or her geographic territory. However, you cannot guarantee that sales to third or fourth parties in the United States will not find their way into foreign markets. You cannot terminate an agreement with a U.S. customer simply because they resold your product in a foreign market.

One way to counter the inability to guarantee absolute exclusivity is to offer lower, preferential prices. You can also make a commitment to work with the foreign distributor to resolve problems of interference from competitors while discussing exclusivity of your product in advance.

### Sales, Prices and Profit Potential

A good distributor will have business expansion plans. Focus on the distributor's sales, not his purchases from you. Increasing sales and profit growth are essential to business expansion. Accurate sales records signal market trends and slumps that help you stay ahead of the rest of the competitors in the marketplace. Compare sales growth records to other market indicators such as inflation, GNP, and data on consumer purchases.

Motivate your distributor with reasonable payment terms that include periodic requests for payment delays. Temporary payment terms during an economic slump or natural disaster is an effective way to build good will and establish loyalty.

Managing advertising and sales promotions is also a critical factor of basic planning and forecasting. With your assistance, your distributors should develop periodic marketing plans. A marketing plan is necessary from your distributor so you can properly plan for advertising, sales promotions, and seasonal buying patterns. You can help your distributor plan for special sales and new product introductions as well as competitive trade-in programs.

## **Pricing**

Sales and profit potential are the responsibility of the distributor. It is his responsibility to know the unique characteristics of his territory and be able to sell your product profitably within the existing system and methods of his market. In return, the distributor expects you will offer him the lowest price possible because:

1. The best competitive advantage in the market place is the lowest price.
2. He will have to take on some of your normal selling costs.
3. Your product accumulates additional price increases as a direct result of overseas transportation, duty and distribution fees.
4. Price discounts can be based upon the annual sales volume by the distributor, a single, large purchase order, cash payments, or large contract/sales opportunities.

## **Effective Communications**

Effective communication techniques can build strong overseas relationships. Two important communication factors to consider when managing and motivating your international distributor are:

- Your personal relationship with the distributor. Establish a rapport with the top person of the distributorship. That person has the power to make major decisions and effect change.
- The cultural differences between countries. This includes socially acceptable practices, work ethics, language, religion, business ethics, attitudes, and values. Successfully working in an environment with cultural differences requires patience and a willingness to understand different cultures.

## **Periodic Visits**

Overseas travel is very important, in fact, the only way to fully understand your foreign target market and foreign distributor is to visit them regularly. Relying on electronic or written communication can negate the factual evidence provided by on-site visits, research and interviews.

Every distributor expects you to visit their market, he or she may also expect your technical experts, developers, and managers to visit as well. Spend several days learning about the problems and opportunities in that particular market. Utilize direct sources of information, attend trade shows, visit with top management, and be sure to include some contact with the end customer.

## **Updates**

Establish a communication plan that:

- Keeps your distributor informed.
- Provides periodic new information about your product, company or industry.
- Follows the 24 or 48 hour rule of responding. Always get back to inquiries and complaints within two days.
- Avoids miscommunication by providing frequent information regarding invoicing, commissions, competitive updates and market analysis.
- Informs your distributor of primary sources of help and information for opportunities with specific products.

## **Correspondence**

Frequent communication is essential between you and your foreign distributor. A vital component of communication is quick response. The worst action you can take in international trade is no action. Timely and accurate administration of correspondence is expected not only with you but also your co-workers and managers. It can be in the form of:

- Personal visits
- Phone
- Facsimile machine (fax)
- Mail
- Electronic communications (Internet via e-mail)
- Telecommunications

The most widely accepted language is English, however for most of your distributors English will be a second language. This makes effective communication a requirement to overcome language differences.

## **Training**

Training support and materials will be expected by your distributor for the operation and sales features of your product. These materials can take many forms. Pamphlets, fliers, manuals, videos, onsite training visits, and slide presentations can be especially useful. Sales force training should include product and application knowledge, sales skills, and basic market research elements that identify customer profiles and product competition.

The same support expectations apply towards after-sales service and repair methods. Technical training to support after-sales service in the exporting country should include:

- Troubleshooting
- Repair and Testing Procedures
- Repair and Complaint Reporting
- Warranty Program

## **After-Sale Service**

When considering service options, there are three basic options for providing after-sales support:

1. Train and assist your distributor to provide service.
2. Train an independent agency to provide service.
3. Relocate your own staff to service the foreign market.

These after-sales service departments can be structured to be profitable depending on market factors. However, a fast and efficient service operation will reduce additional costs to the end user while keeping a competitive advantage in the foreign market.

It is to your benefit to have a flexible and swift repair system. Plan for spare parts and replacement items which may cost your distributor in the form of additional freight and/or duty fees.

### **Collaborative Work Effort**

Motivating and managing your distributor should generate a two-way relationship. There are certain services and responsibilities you expect from your distributor and the distributor in turn expects certain services and responsibilities from you. Working together or "partnering" can be beneficial from both sides. Use the following managing and motivating themes to build a collaborative relationship.

- Work with the distributor on a regular basis. Avoid surprises, review sales figures and inventory data on a regular basis.
- Develop a marketing plan every year with your distributor. Jointly work on periodic reviews and revisions of the marketing plan.
- Schedule international sales meetings when necessary for new product launching or other special events.
- Ask for new product ideas from your distributor. Modify your product accordingly to stay competitive within the market.
- Try to work out differences. Changing distributors can be costly and lead to the end of product representation in that market.
- Be flexible, blend your management style with your distributor's when necessary.
- Be honest and sincere when interacting with your distributor.

### **Recognition and Sales Conferences**

#### **Recognition**

Methods of motivating and encouraging your sales staff require special consideration for your overseas distributor. Rewards, incentives and recognition may take many forms, but consistent periodic recognition is essential for a positive overseas sales environment.

Depending on the nature of your foreign market, some methods of recognition might include:

- Print based recognition in the form of a prestigious plaque or certificate, announcement in the company newsletter, or recognition in the annual report or company profile. Use first names and business titles in the recognition.

- Trips could include vacations with spouse or family, a visit to the company headquarters, or to trade shows, conferences and/or sales meetings. Some distributors may respond well to travel awards like golf or skiing.
- Bonuses might include a cash award for personal recognition or an annual increase based on performance.
- Entertainment, inclusion of spouses, and gifts of value might be an appropriate recognition in some countries. Records kept regarding preferred entertainment, favored restaurants or popular sports are useful. Keep a record of gifts presented in the past to avoid future duplication.

Notes on proper protocol will serve as the basis of your personal recognition program for your distributor. You must be very careful to set up rewards that are acceptable to the culture, customs and preferences of the foreign market your distributor represents. Sensitivity to the unique cultural attitudes towards a reward system will help build a sincere relationship of trust and friendship.

### **Sales Conferences**

Sales conferences are an excellent source of motivation. They serve to inform, recognize sales efforts, and create new energy and enthusiasm. Your distributor will want to learn market updates, current product information, competitive sales programs, and new sales techniques. It also allows the distributor to meet with other sales staff or distributors of your product and exchange ideas and useful tips.

### **Pursuing International Bid Opportunities**

One area that is frequently overlooked by U.S. businesses, except for our multinational giants, is the opportunity for bidding on international projects. As these become more prevalent and technology oriented, the aware manufacturer and service provider will find the arena quite profitable. The contacts and sources used here are also useful for finding trade leads, locating potential purchasers and partners, and obtaining market information. Therefore, they should not be overlooked by anyone seeking to enter the export market.