Export Management
- An Overview -

The Italian way of doing business

… a module focused on the export manager role, competencies and skills.

EXPORT MANAGER ?

SKILLS AND KNOWLEDGE ?

Export Manager: a job description

1. Proposes the **commercial strategy** and the **sales policy**
2. Defines **pricing policies** and **promotional activities** supporting sales management
3. **Assign sales targets** to Area Manager continually **motivating sales people**
4. **Directly deals with major customers** and **strategic partners**
5. Organizes and manages **the meetings with the area manager** and participates in commercial meetings
6. It's **responsible for the export Budget**
7. **Check payments** from customers
8. **Check incoming** sales orders
9. **Manages complaints** by customers
10. Coordinates the activities of **the Export Office**

Export Sales Manager

Industry: Retail and Customer Services

Summary: An export sales manager sells a company’s services or products to overseas buyers.

Average salary: The figures below are only a guide. Actual pay rates may vary, depending on: where you work, the size of company or organisation, you work for the demand for the job. Pay rates vary. The information below is only a guide. As an export sales manager, with some experience in international sales, you might expect a salary between £21,000 and £35,000 a year. With more experience this may rise to £45,000 to £60,000 or more. Some of your salary may be based on commission (how much you sell). In addition to salary some companies offer benefits such as a company car and expenses account.

Skills
- communication skills
- IT skills
- organisational
- foreign languages
- confidence
- negotiating

Qualifications
- First Degree
- HNC
- HND

Subjects
- business studies
- Languages
- marketing

studying the market in the target country or countries
identifying new markets for exports and developing new business accounts
planning a sales campaign suited to that country and current consumer trends
planning and reviewing budgets for product ranges

YOU COULD BE

meeting with clients here or overseas
negotiating the sale terms and meeting sales targets
organising licences and other legal requirements for certain products, such as pharmaceuticals
managing administration, such as orders, contracts and export documents
troubleshooting to sort out any problems with the exports.

Conditions
* You will work long and irregular hours.
* You will work in an office here, but travel regularly abroad.
* You will spend long periods away from home.
* You will have to spend time developing and maintaining good contacts with clients, distributers and suppliers.

Getting in
You can enter export sales management in several ways.
With a degree in any subject, but preferably including business, marketing or languages. You need 3-5 Highers and 2 subjects at Standard grade or National 5 for entry.
With a Higher National Certificate or Diploma (HNC or HND) in international business with trade or business administration. You need 1 or 2 Highers and some subjects at Standard grade or National 5 for entry.
With Highers, get a job as an export assistant.
Get a job in sales and later move into the field of export sales.
You can get a job with a company with trade links abroad, or with an export agency which sells goods abroad on behalf of several companies.
Language skills are useful. For some jobs employers specify the language required.

What does it take
You need to be:
* self-confident and outgoing
* a good organiser
* good at networking
* persuasive and a good negotiator
* resilient
* decisive
* business minded, with IT and finance skills
* able to work under pressure to meet deadlines and targets
* good at communicating with people from all backgrounds.
It helps if you have the ability to speak and understand a foreign language.

Training
The Institute of Export offers the Certificate in International Trade (entry level), the Advanced Certificate in International Trade (ACIT), the Diploma and Foundation Degree. These are mainly studied via distance learning. See the Institute of Export website for entry requirements.

AS AN EXPORT MANAGER YOU COULD BE

- studying the market in the target country or countries
- identifying new markets for exports and developing new business accounts
- planning a sales campaign suited to that country and current consumer trends
- planning and reviewing budgets for product ranges
- meeting with clients here or overseas
- negotiating the sale terms and meeting sales targets
- organising licences and other legal requirements for certain products,
- managing administration, such as orders, contracts and export documents
- troubleshooting to sort out any problems with the exports.

Introduction

1. What is internationalisation?

2. Where do firms go international?

3. How do firms go international?

4. What issues do international firms face?

5. What kind of institutions do support internationalisation?

1. What is internationalisation?

Internationalisation

is the process through which **a firm expands its business outside the national (domestic) market**

1. What is internationalisation?

Firms go international:

* to enter **new output markets**

* to **reduce costs** and **enhance competitiveness**

* to exploit **their own core competences in new markets**

* to **share risks** over **a larger market**

* to take advantage of **lower labour cost**, **lower taxation**, **cheaper natural resources**

* sometimes, because the domestic market is just too small for company growth

1. What is internationalisation?

Drivers to be present in the global markets (opportunities !)

1. Limited growth (competitive environment) in the domestic market
2. Country risk reduction
3. Risk diversification
4. Economies of scale,
5. Government incentives aimed at encouraging investments by foreign firms
6. Higher growth rates in emerging markets
7. Economic barriers/Abatement policies

1. What is internationalisation?

Motivations for Going International

Proactive Motivations	**Reactive Motivations**
* Profit advantage	* Competitive pressures
* Unique products	* Overproduction
* Technological advantage	* Declining domestic sales
* Exclusive information	* Excess capacity
* Tax benefit	* Saturated domestic markets
* Economies of scale	* Proximity to customers and ports

1. What is internationalisation?

The complexity of these processes is determined by the multiplicity of choices that management must take. In particular, the decision-making areas that companies need to consider in an internationalization process are listed below.

- **Business to internationalize:** not all business activity portfolio that the company manages are and/or should be the subject of internationalization strategies. **In that choice includes assessments of corporate portfolio balance.**

- **The geographic market in which to operate**: you must decide in which geographical markets being present, **considering current and future synergies with respect to markets where firm is already present.**

- **The presence in the foreign market:** Once you know what internationalize and where work, you need to decide **"how" to be present in a foreign market,** in ways that can have levels of involvement and different management complexity.

1. What is internationalisation?

The choice of business to internationalize

- **Strategic Goals**

  to growth

  to procure strategic inputs (raw materials)

  Strategic portfolio balancing

- **Competitive Drivers**

  To anticipate the moves of competitors

  Conquering markets still dominated by a leader

- **Business Drivers**

  Economies of scale

  R&D costs

  Life-cycle of products

  Innovation

  Learning

  First moving

1. What is internationalisation?

Firms generally go international:

1 - by **exporting** their products first,

2 - then by establishing **sale representatives** in the foreign countries,

3 - and then possibly **setting up production facilities**

1. What is internationalisation?

Eventually, international firms may develop into:

Multinational corporations (MNC): a firm that carries out **its value chains in more than one country.** It is generally headquartered in one home country while it also operates in one or more host countries.

Trans-national corporations (TNC): a MNC that does **not identify itself with any specific nation,** but acquires truly international (i.e., not country-dependent) features and high local responsiveness

Siemens, Berlin, est. 1847

Royal Dutch Shell, est. 1907

2. Where do firms go international? The “global shift”

Theories about **international trade** and localisation:

* **Absolute** cost advantage (Smith, 1776)

* **Comparative** cost advantage (Ricardo, 1817)

* **Size of economic activity and distance** (“gravity model of trade”)

* **Market imperfections to exploit** (e.g., proprietary technology, exclusive control of inputs, scale economies, control of distribution channels, etc.)

* **Higher returns to scale and network effects** that (possibly in conjunction with favorable government policies) **shield industries from international competition** (“new trade theory”)

2. Where do firms go international?

The choice of countries to internationalize

- Each country has its own special feature: is a carrier of a different culture and a particular political and economic situation**. The entry in a foreign country need a careful evaluation of the context**:
  - **Legal and regulatory conditions**, cultural and social conditions, political conditions, economic conditions
  - **Factors of competitive nature associated with entry into a country**: strategic orientation of the company, market characteristics, the structure of competition in the industry, competitors ' strategies
  - The choice should take better into account **the competitive synergies**.

2. Where do firms go international ?

On the basis of relations between enterprises:

- **the internationalization of markets** (decentralization of some downstream activities of the value chain of the enterprise on international markets)

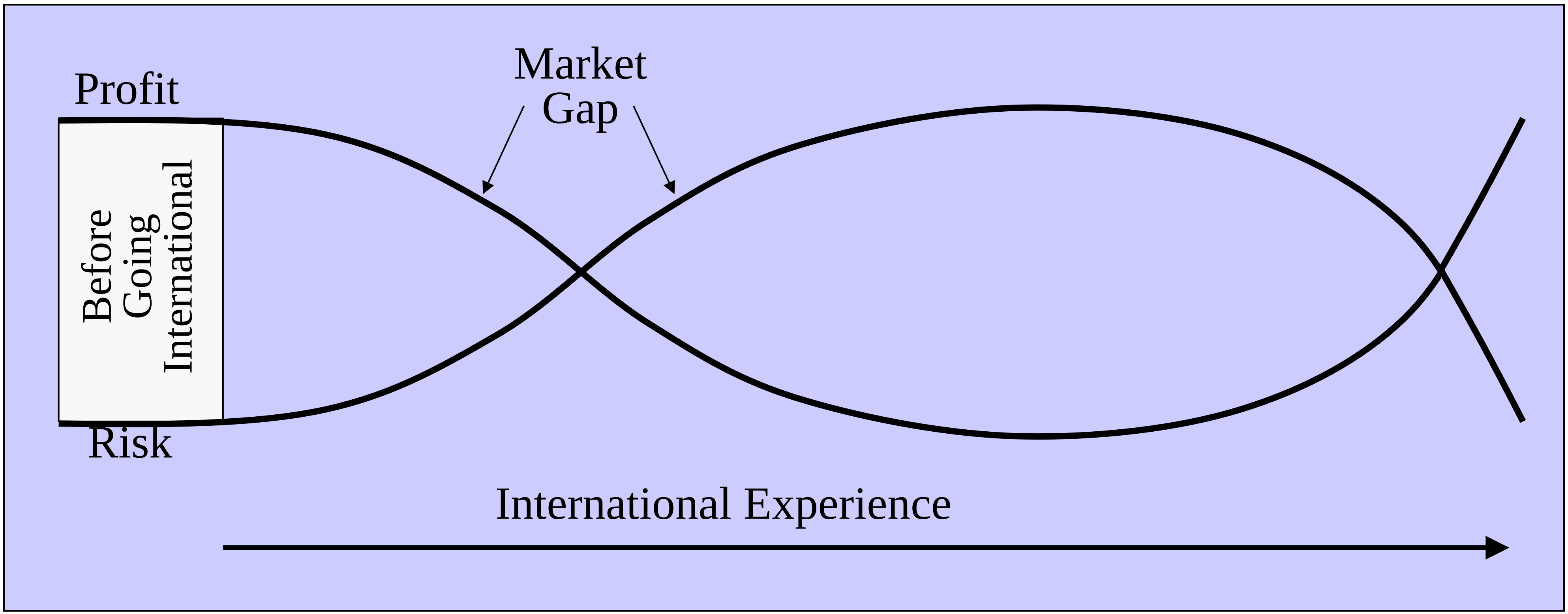
- **internationalization of supply markets** (national products presence of components manufactured abroad)

- **the internationalization of production** (decentralization of productive units abroad)

- **the internationalization of capital markets** (national market presence of foreign traders and foreign institutional operators investing in risk capital of national enterprises)

Profit Risk During Early Internationalization

In the short term, firms may experience increased risk and decreasing profits when going international.



The Keys to Successful International Performance

Effectiveness

Efficiency

Competitive Strength

3. How do firms go international?

Entry strategies into foreign markets include:

Merely exporting a firm's products into a foreign market, possibly with the support of trade brokers

Licensing a firm's production and marketing process, or asking for royalties to be paid for the use of firm's assets and resources

Franchising a firm's business

Directly undertaking production and selling in a foreign country
a) through a 'multinational approach' by adapting to local markets
b) through a 'global approach' by mass-marketing the same product

Strategic alliances and joint ventures with foreign firms

3. How do firms go international?

Entry strategies into foreign markets include:

Merely exporting

Licensing or asking for royalties

Franchising a firm's business

“Multinational approach”

“Global approach”

Strategic alliances and joint ventures

3. How do firms go international?

Exporting and Importing

Firms can export and import using two methods:

Indirect involvement means that the firm participates in international business through **an intermediary and does not deal with foreign customers or markets.**

Direct involvement means that **the firm works with foreign customers or markets** with the opportunity to develop a relationship.

Firms decide on the desired method by implementing *transaction cost theory*.

3. How do firms go international?

Direct involvement: advantages and disadvantages

Disadvantages:

* high risk investments

* the need to develop specific skills

Advantages:

* More control on the market

* Chance of having a stable outlet on the foreign market

* Possibility to gain a portion of high added value,

* Eliminating some links in the distribution chain

International Intermediaries

Importers and exporters often use international intermediaries who provide assistance in:

- Documentation
- Financing
- Transportation
- Identification of foreign suppliers and trading companies
- Providing business contacts

Export Management Companies

Firms that specialize in performing international business services for other companies are known as *export management companies (EMCs)*

The two primary roles of EMCs are:

- Agents
- Distributors

Trading Companies

Trading companies help firms by importing, exporting, countertrading, investing, and manufacturing.

The *sogashosha* of Japan are the most powerful trading companies in the world for four reasons:

- They efficiently gather, evaluate, and translate market information into business opportunities.
- Economies of scale give them preferential treatment.
- They operate around the world, not just Japan.
- They have vast quantities of capital.

In the U.S., *export trading company* legislation is designed to improve the export performance of small and medium-sized firms.

Facilitators

Facilitators are entities outside the firm that assist in the process of going international by supplying knowledge and information.

Private sector facilitators include:

- Banks
- Accounting firms
- Consulting firms

Public sector facilitators include:

- Departments of commerce
- Export-Import Banks
- Educational Institutions

3. How do firms go international?

Indirect involvement: advantages and disadvantages

Disadvantages:

* low controllability of marketing mix levers

* subject to policies and business strategies of the intermediaries

Advantages:

* lower costs and greater operational flexibility

* easier initial penetration of the product

* access to various types of services carried out by the intermediary

3. How do firms go international?

Licensing

Under a *licensing agreement*, one firm permits another to use its intellectual property for compensation designated as *royalty.*

The property licensed may include:

- Patents
- Trademarks
- Copyrights
- Technology
- Technical know-how
- Specific business skills

Benefits and Costs of Licensing

Benefits	**Costs**
It requires neither capital investment nor detailed involvement with foreign customers.	It is a very limited form of foreign market participation.
It capitalizes on research and development already conducted.	It does not guarantee a basis for future expansion.
It helps avoid host country regulations applicable to equity ventures.	The licensor may create its own competitor.

3. How do firms go international?

Franchising

Franchising **is the granting of the right by a parent company to another independent entity to do business in a prescribed manner.**

The major forms of franchising are:

* Manufacturer-retailer systems such as car dealerships,

* Manufacturer-wholesaler systems such as soft drink, companies

* Service-firm retailer systems such as fast-food outlets.

To be successful, the firm must offer unique products or propositions, and a high degree of standardization.

3. How do firms go international?

Key Reasons for Franchising

3. How do firms go international?

Interfirm Cooperation

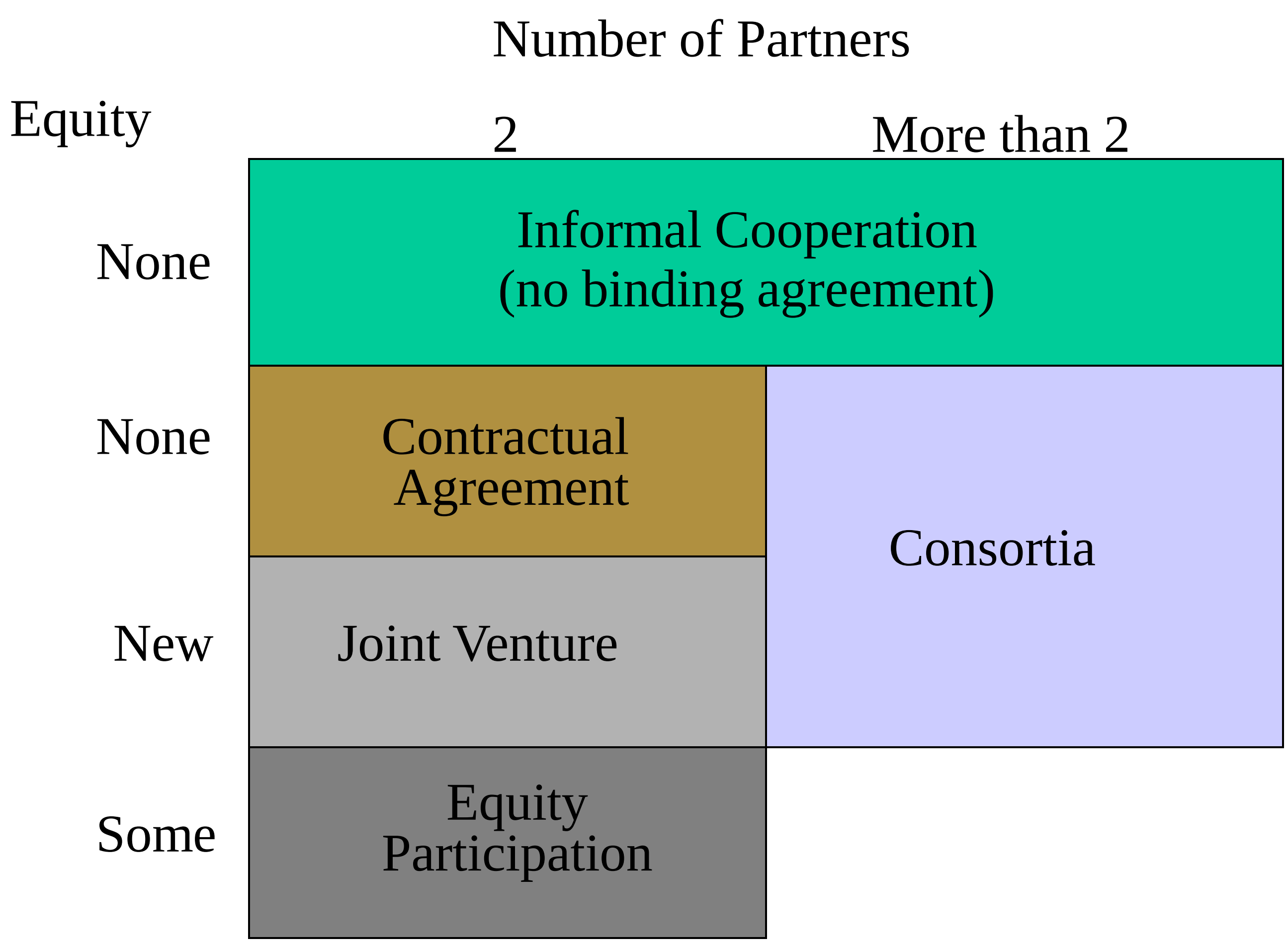
A *strategic alliance* is an arrangement between two or more companies with a common business objective.

To better compete, many companies form strategic alliances with suppliers, customers, competitors, and companies in other industries to achieve goals.

Reasons for interfirm cooperation include:

- Market development
- To share risk or resources
- To block and co-opt competitors

Types of Interfirm Cooperation



Contractual Agreements

Strategic alliance partners may join forces for R&D, marketing, production, licensing, cross-licensing, *cross-market activities*, or outsourcing.

***Contract manufacturing* allows the corporation to separate the physical production of goods from the R&D and marketing stages.**

***Management contracts* involve selling one's expertise in running a company while avoiding the risk or benefit of ownership.**

A *turnkey operation* is a contractual agreement that permits a client to acquire a complete system following its completion.

Equity Participation

Some companies have acquired minority ownerships in companies that have strategic importance for them.

Reasons for engaging in equity participation include:

- It ensures supplier ability
- It builds working relationships
- It creates market entry and support of global operations

3. How do firms go international?

Joint Ventures

A joint venture involves the participation of two or more companies in an enterprise in which each party contributes assets, has some equity, and shares risk.

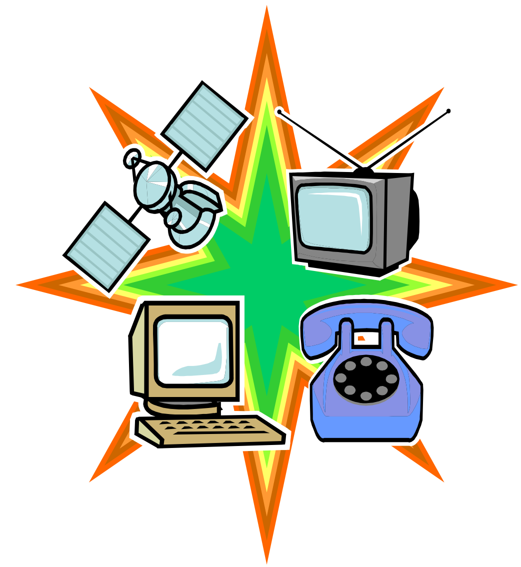
The 3 reasons for establishing a joint venture are:

- Government policy or legislation.
- One partner's needs for another partner's skills.
- One partner's needs for another partner's attributes or assets.

The key to a joint venture is the sharing of a common business objective.

3. How do firms go international?

Consortia



To combat the high costs and risks of research and development, research consortia have emerged in the United States, Japan, and Europe.

The *Joint Research and Development Act* of 1984 allows domestic and foreign firms to participate in joint basic research efforts without the fear of antitrust action.

Since this act passed, over 100 consortia have been registered in the United States.

Managerial Considerations

Issues to address before the formation of a venture include:

1. clear definition of the venture and its duration,
2. ownership, control, and management,
3. financial structure and policies,
4. taxation and fiscal obligation,
5. employment and training,
6. production,
7. government assistance,
8. transfer of technology,
9. marketing arrangements,
10. environmental protection,
11. record keeping and inspection,
12. settlement of disputes

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Full Ownership

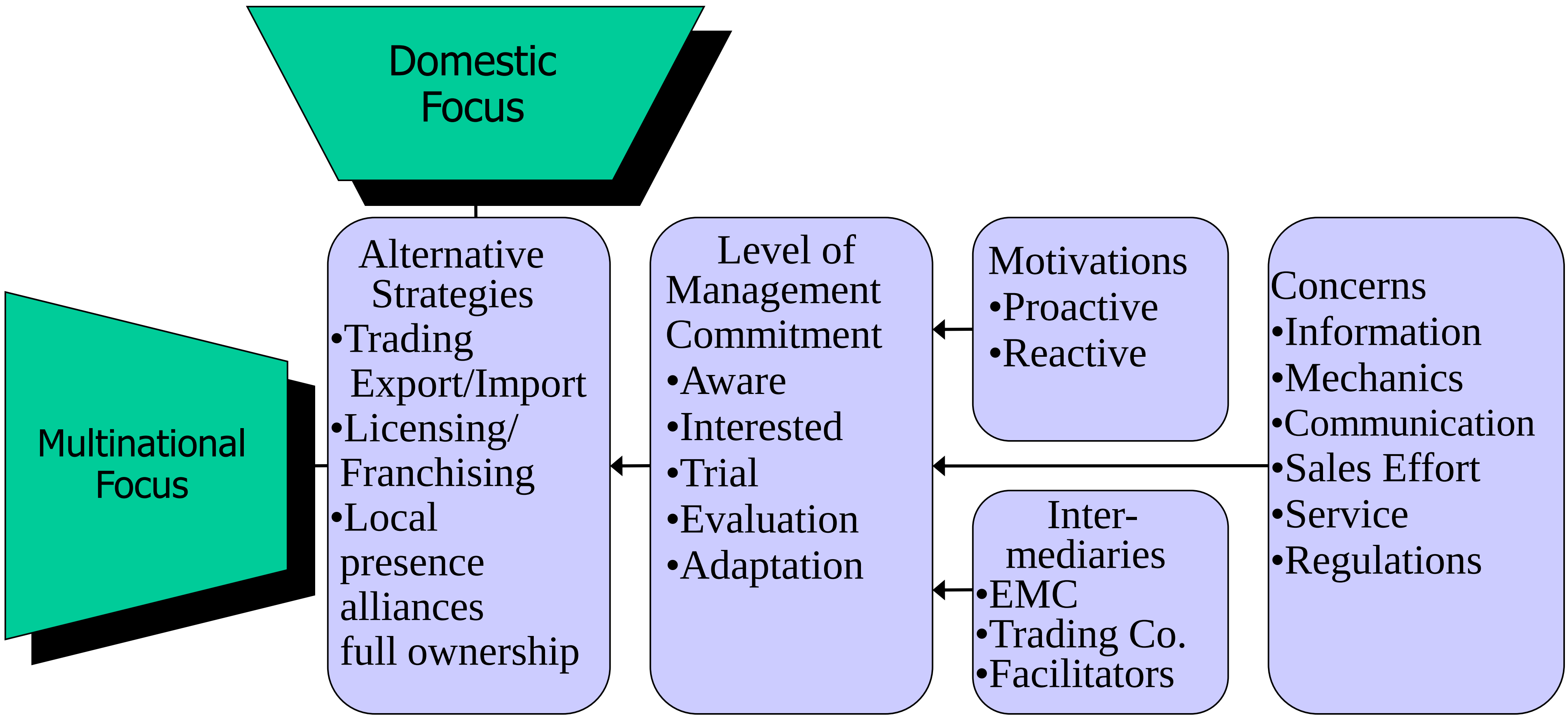
For some firms, foreign direct investment requires full ownership. Reasons include:

- An ethnocentric approach
- Financial concerns

In order to make a rational decision about the extent of ownership, management must evaluate the extent to which total control is important to the success of its international marketing activities.

Increasingly, the international environment is hostile to full ownership by multinational firms.

International Market Entry and Development Model



4. What issues do international firms face?

Internationalisation strategy brings about **some issues**, for example:

Managing cultural differences

Facing risk of exchange rate fluctuation (e.g., €/US$)

Coping with unwelcoming host government policies

4. What issues do international firms face?

Main difficulties of operating in foreign markets

1. Tariff barriers
2. Socio-cultural barriers
3. Foreign Exchange Differences
4. Changes in tax laws
5. Lack of information
6. Risks:
    1. economic risk (recession, foreign exchange fluctuations, countertrade spread)
    2. political risk
    3. business risk (risk of counterfeiting, piracy, trademarks laws that change quickly)

4. What issues do international firms face?

International Management

Successful international managers tend to:

- Be active
- Be aggressive
- Display a high degree of international orientation

Managerial commitment **is critical because foreign market penetration requires a vast amount of market development activity, sensitivity toward foreign environments, research, and innovation.**

4. What issues do international firms face?

The Steps to Developing International Commitment

- **Become aware of international business opportunities.**
- **Determine the degree of the firm's internationalization.**
- **Decide the timing of when to start the internationalization process and how quickly it should progress.**