HOW TO PENETRATE AND ESTABLISH A BUSINESS IN EASTERN EUROPEAN COUNTRIES

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Chapter I

Introduction

1.1 An overview

The nineties, so far, has been a decade of recession and sluggish growth for industrialized economies. Faced, with such dire circumstances, Western firms in general and Organizations for Economic Co-Operation and Development (OECD) in particular, have had no choice but to seek new markets, as a way of riding out the economic down-turn. Their eyes mostly turned to the emerging East Europe, the newly independent states of the old Soviet Union, the People's Republic of china, and a host of large and small, relatively stable countries elsewhere within the third world.

However, caution is the word, when dealing with developing countries. Western business skills and practices must be supplanted by a thorough grasping of the unique features and characteristics of developing societies, so as to minimize friction and possibly circumvent pitfalls. Marketing to developing countries embodies a risky, exciting and challenging endeavor; that nevertheless is worth the effort, if pursued in a systematic manner, by Western marketers of mass consumer goods.

1.2 Need of the study

In general, this project is useful for any businessman or manager to read, mainly the marketing oriented people. It will present a marketing simulation project where the manager or the marketer will witness many marketing techniques learned and experienced in daily life, put to practice in a foreign market.

Lebanese marketers will be able to compare their own business strategies like personnel, product promotion, marketing and some others, to the marketing of mass consumable goods in emerging markets. Thereby having an idea on how developed hometown markets are or could be.

Thus, all along this project, marketing techniques and practices will be tested in a totally unknown yet very promising market, that is the Eastern European one.

1.3 Purpose of the study

The purpose of the study is to present a brief, yet clear framework for businesses on how to penetrate and start up a trade in an unknown environment such as the emerging markets of East Europe, the independent States of the Soviet union and other developing economies, mainly Czechoslovakia.

1.4 Construction of the study

In the attempt to shed light on the topic of this thesis project , an important theoretical part will be elaborated through various marketing books, newspapers, and magazines introducing several marketing techniques that will facilitate the success of a marketer on foreign soil. One will also be relying on personal experience, in addition to various conversations with managers in Czechoslovakia, Lebanon, and Belgium.

Chapter II

Characteristics Of Developing Countries

Developing countries share certain common features. Such Characteristics span over a variety of environments: economical, social, demographics and political. A brief survey of the above would give marketers initial insight into where opportunities lie. Among the most significant shared common aspects are:

2.1 Low or moderate average incomes

Modest average allowances not only limit the citizen's purchasing power, they also significantly affect the bundle of goods and services purchased. Third world consumers are more likely to spend more on basic items, such as food and other necessities and less on more sophisticated purchasing packages, such as life insurance and similar investments, not counting luxury items.

Table 2-1 Shows per capita income of 127 countries grouped as follows:

Table 2-1
Per capita income (1992) [1]

	Number of countries	GDP (,000,000$)	Population (,000,000)	Income Per Capita ($)
1) < $600	43	916000	3058	350
2)$600-$2500	41	930000	629	1530
3)$2500-$7500	17	1520000	458	3410
4)>$7500	24	16316000	816	19590

Most of the developing countries are among the second category ($600-$2500) i.e.

the 41 countries having a per capita income of $1530. Examples are Poland, Romania, and Bulgaria. Hungary and Czechoslovakia are slightly better off, being among the first countries in the third category ($2500-$7500). Yet, with such an income, goods requiring high consumer income such as luxury goods, expensive goods, life insurance, large investment packages and financial services are not within the reach of most of the third world consumers and not at all to categories one and two of the above table.

2.2 Evident social stratification

A phenomena not so obvious in a modern advanced society, however, is clearly evident in developing countries. With perhaps very rare exceptions, most of the third world societies have at least two clear distinct classes. The first being a wealthy, influential, western oriented upper class. The second, the remaining middle to low class, much less liberal in taste, comprising the overwhelming majority of the population. Examples are numerous. For instance, take the case of Bulgaria:

Bulgaria is a country in south-eastern Europe in the eastern Balkans. It is bounded by Romania, Turkey, Greece, Yugoslavia, and Macedonia. Its capital is Sofia.

On a recent travel to the region, one can't help noticing the society being divided into a minority of very wealthy people and a vast majority of tired poor people. The wealthy people are the business owners who have opened their trade with rich neighboring countries such as Greece, and have sold them what was available including their country's wealth. Those businessmen are viewed to be a bunch of "Mafia" men holding influence and control. In Winter 1994, a water crisis threatened Sofia for several months (no tab water, no heating system, no hot water) to a point that the French Embassy was going to ask its citizens to leave the **capital.**[2] The crisis was caused by a businessman who sold most of the Bulgarian water reserves to the Greeks in return for high profits. The businessman went unpunished. Similar examples of fraud are repeated every day in developing countries.

Consequently, the social context of Bulgaria like several developing countries is the dominance of power holders over a poor majority of outdone people not knowing how to get rid of more than forty years under communist reign.

2.3 Conservative orientation

Aspiring Asian, African, Latino and East European societies exhibit conservatism in their lifestyles . As far as marketing is concerned, citizens of the afore- mentioned regions are less likely to try new untested products.[3] As Confucius said: " It is easier to move mountains than to change the minds of men". Furthermore, family and peer group influence is strong in nearly all product categories. Simply put, all marketers have to induce the group or family leader to try and adopt a certain product. Substantial and loyal following would surely follow suit. The matter is better clarified in the coming example.

Asian agricultural had an important problem. About three fourths of the fertilizer they used to put on the food crops get blown away by wind, dissolved by air, or washed away by rain, causing important losses in vital crops like rice. A

Norwegian firm invented a revolutionary super granules fertilizers that can be pushed into the wet earth at the same time of crop plantation. The bulky size of the granules makes it hard to be dislogged. The Norwegian company presented tested results to increase crop production by thirty to fifty percent with a cost only five percent higher than conventional fertilizers. Leading third world agricultural started to adopt the new product that became progressively a big successful innovation in third world agriculture.[4]

2.4 Political uncertainty

From Russia to South Africa, from Chile to Indonesia, political change and transition has always been rough. This can only mean that the risk factor of any undertaken project in the third world is high. That would probably explain why some or most of these countries are termed developing. Because if that was not the case, then there would not have been any obstacle to these countries development. Political risks increase thereby the threat to businesses making it imperative for all firms of all sizes to consider the international political implications of their business strategies. Consequently, multinational firms and consultants have developed a variety of approaches to international risk forecasting. Some of the most important risk indicators are:

Haner's business environmental risk index monitors fifteen economic and political variables in fourty two countries.

Arthur D. Little's (ADL) developmental forecasts examines a country's progress from the stone age to computer age. ADL follows the progress of each country by looking at several criteria like social development, technological advancement, abundance of natural resources, level of domestic tranquillity and type of political system. Using ADL system, political turbulence was forecasted in Iran back in 1972.[5] Those forecasts and some more, assessing a country to its risk, can be found in different specialized libraries and agencies (U.N., Statistics Bureaus,..). The forecasts are vital in assessing the degree of risk involvement a company is willing to bear while entering into unknown markets.

2.5 Substantial resource potential

A nation's natural resources include it's actual and potential forms of wealth supplied by nature like minerals, waterpower, land area, topography, and climate. Attractive figures regarding a country's wealth are promising for marketers providing thereby raw materials for probable future local production. Whether it is raw material, manpower, acquired skills or others, developing countries have a rather untapped reservoir. No region can ever match Southeast's Asia skilled/ low-cost labor force, Saudi Arabia's oil wealth, or South Africa's precious minerals, and so on and so fourth...

For example in Czechoslovakia, the population was about sixteen million people in 1991. Most of the labor force is employed in agriculture (811,000 persons), Mining, Gas, and Electricity (2,954,000), Forestry (95,000) from a total labor force of 8,206,000 persons. One can also note the importance of the Agriculture sector by its size whereby Agriculture, Livestock and livestock products are estimated at 17,854,000 metric tons, Fishing with a total catch of 22,407 metric tons in the 1990, Mining with it's wide range of hard coal, brown coal, lignite, iron ore, crude petroleum, magnetite, salt, cooper, zinc, natural gas, and others..[6]

These have been a few, but rather important common characteristics of developing countries. They should serve marketers with a rough guide of what to expect when setting their sights on third world countries. The next step would be trying to identify which specific states to consider. It is basically like marketing research; gathering raw data, screening them later on for the desired ones.

Chapter III

Major Traits Of Promising Developing Countries For Marketers Of Mass Consumable Goods

3.1 Relatively large populations

It takes people to make a market and, other things being equal, the larger the population in a country, the better the market. The consumption of many products is therefore correlated with population figures which should be the first considerations in analyzing foreign economics.

In the **World's Most Populous Nations** table [7] developing countries and especially the ones selected like Poland has the 26 th. place with 38 million persons. Romania is 36 with 23 million, Peru 22 million in 37th. place, Czechoslovakia in 47th.place with 16 million people, representing thereby relatively large population and sizable profitable market.

Also important is the population projected growth or what is known as population trends affecting firms long-run evaluation of markets - In general, poor countries like third world ones and developing ones are bound to increase its already large population size.

Table 3.1 shows a strong correlation between the level of economic development and population growth. From this table one can note that rich countries have stable population growth, poor ones trend to grow rapidly.

Table 3.1 Population growth rates, 1980 - 90 [8]

Re Grouping	Pop. Growth rate %
Low Income countries (41)	2.6
China	2.4
India	2.1
Low Middle Income countries (41)	2.2
Upper Middle Income countries (17)	1.7
High Income countries (24)	0.6

3.2 Political stability

A rather important prerequisite as well. With the lack of a strong consistent regime, in a certain country, it would be unwise to commit a substantial investment there. As a general rule, the degree of risk involvement in a certain country is a trade off between risk and stability. If the risk is high, a company might chose to export to an unstable country, with the help of local businessmen, who are willing to take an important part of the risk and hence harvest part of the benefits. Yet, it is better to be safe than sorry. A clear example would be that of Lebanon in the eighties. Western multinationals would not even dare send their area managers over to Beirut. All business was conducted by local agents and distributors, who had quite comforting relations with all parties to the conflict. However, things have changed since 1990. Regional executives are now flocking to the country by doves, and interest is not confined merely to export, to some extent it goes one step beyond that to the establishing of either limited distribution agreements, or full-fledged marketing subsidiaries.

Another example is that of the Czech Republic. Before the Velvet Revolution , of November 17, 1989. all multinationals doing business with the now defunct Czechoslovakia, was done through an array of large state-owned enterprises. Now the situation has changed, famous consumer products multinationals are vying for a slice of the Czech Market pie, from Philip Morris to Procter and Gamble, to BAT of the United Kingdom and others.

Certain consultants estimate the promised direct investment in the country to range form \$3 to \$4 billion over the next two years.[9]

3.3. Attractive fiscal and liberal monetary policies

Tax breaks during the start-up years, and low or no tax rates later on would be sublime. No foreign exchange limitations and freedom of transfer of profit and capital is a prerequisite. The existence of an efficient banking system with the appropriate connections to Western financial institutions, and bank secrecy laws, is ideal. Free trade zones, is certainly an impressive luring device. One hundred percent foreign ownership, and probably guarantees against nationalization would be the ultimate bait, not forgetting the absence of any sort of import restrictions, whether it be laws or quite simply bureaucratic red tape.

At that stage one has to point out that a non monetary market known as "Counter trade" is one of the biggest markets today. Counter trade involves barter, compensation deals, counter purchase and product buy-back. Its basic principle is simple : " An exporter agrees to take products from the importer in full or partial payment for its exports. Instead of the convenience of money, the exporter accepts at least partially, the awkward form of payment in goods". Estimates of the counter trades market is 10% of world trade or more than US.$ 400 billion. More than 100 countries practice counter trade and over 90 government-mandated

counter trade. [10] It is most prominent in Eastern Europe and the developing countries because these countries have chronic balance of payments deficit and consequent shortage of foreign exchange. [11] For example, after the break up of the Soviet Union, Pepsi Co. made an agreement with the Ukraine. The soft drink Co. agreed to market commercial ships from 1992 to 2000. Some of the returns will build five bottling plants in the Ukraine as well as financing the opening of 100 Pizza Hut restaurants in the area .[12]

Consequently, to overcome the problems of trade barriers and facilitate trade and counter trade, some 50 nations among which third world ones and Eastern European ones, have established over 300 free trade zones, free ports, bonded warehouse, and other trade devices to overcome some of the governmental self created restrictions and / or problems. Free trade zones allow bringing merchandise in a country without paying duties. Some allow processing, assembly sorting, and repackaging even, in the zone. The advantages of such trade zones are important reducing duty fees, less costs and taxes to firms, more employment, reducing inventories costs, creative distribution centers, and other advantages that attracts potential companies to the free trade zones. [13] Example of Free trade zones could be found all over the world and in developing economies such as Brazil, Mexico, United Emirates, Czechoslovakia and others.

3.4 Stable economic environment

Low or moderate, inflation is certainly a priceless asset for a developing country. The Consumer Price Index, in itself, is a hefty consideration for consumable goods marketers. There would be no point in establishing a full fledged operational base in any developing country, if wages are not keeping up with prices all the time. Real economic growth is not sustainable with a high rate of inflation. A persistent towering rate of inflation causes business uncertainty and nervousness complicating cost control and pricing attitudes that might lead, later on to disinvestment, and consequently to economic decline. Any aware government is working towards establishing and preserving that stable economic environment, allowing thereby easier economic cooperation. The latest example in that field is the agreement between Lebanon and Argentina .

In its last visit to Argentina, our prime minister cheikh Rafic Al Hariri opened the way for economic cooperation between the two countries.[14]

Hariri, talked about stable inflation rates, a developing economy headed towards reconstruction and mega projects mostly infrastructure ones. He elaborated with President Menhem of Argentina several business agreements encouraging investors to place their money in several projects mainly in central Beirut. He tempted the investors with several arguments such as low income tax on foreign firms investment services (free consulting), tax breaks, stable inflation, and a developing economy.

Another example is the velvet revolution in Czechoslovakia that triggered the events of July 92 leading to the peaceful division of the country in two dependent states Czech and Slovak. On 17 Dec. 92 a treaty of good neighborliness, friendly relations and co-operation was signed between the two states. The direct implication of such a division, is economic stability and enhanced economic growth and development. Money and investments started to pour progressively in both of the divided yet stabilized states .[15]

3.5 Abundance of National Resources

Raw materials and natural resources do not by themselves, make up a nation's wealth. An educated, foreign-language qualified workforce is certainly a plus, probably lessening the dependence on Western administrative and creative skills. Skilled labor, in all fields, would reduce the training cost and burden for multinationals. Abundant raw materials might make production cheaper and competitive, bountiful energy sources would free more foreign exchange reserves to be spent on discretionary imports from the West.

A further advantage of a natural resource flood, in a developing country, is the ability to use that wealth as a base of barter. An unmistakable model would be the Pepsi Cola deal with the former USSR. Pepsi agreed to provide its cola syrup, to the former communist superpower, in rubles, in exchange for the right to buy Stolichnaya Vodka at a certain fixed rate, to be marketed in the U.S .[16] Other cases of "counter trade" were discussed in section 3.3 of this chapter.

3.6 Potential countries to target

Based on the conditions described foregoing, a group of countries that meet the earlier terms, and some more specific ones (inflation rate <50%, gdp per capita <$ 5000). is listed below :

Table 3-2 **The World In Figures: Countries** [17]

Country	Population (millions)	GDP ($billions)	GDP growth rate 1993	forecasted inflation rate 1993
Czech Republic	10.40	26.60	0.90%	14.30%
Hungary	10.30	40.20	1.20%	15.00%
Poland	38.40	63.70	2.40%	39.10%
China	1190.00	475.90	7.00%	10.00%
India	878.00	236.00	6.00%	8.50%
Indonesia	189.00	140.00	7.20%	6.80%
Malaysia	18.17	66.00	8.30%	4.60%
Pakistan	122.80	53.00	5.50%	8.50%
Philippines	61.90	54.00	4.20%	11.00%
Thailand	59.00	117.00	7.80%	4.80%
Chile	13.80	43.00	7.00%	12.10%
Mexico	91.30	382.00	4.00%	10.20%
Venezuela	21.20	66.00	4.30%	26.90%
Zimbabwe	9.90	4.10	4.00%	20.00%
Egypt	56.90	42.70	4.00%	12.00%
Saudi Arabia	16.40	122.40	5.00%	2.50%

Moreover, this does not imply that any other country satisfying the previously prescribed conditions should not be of interest to Multinationals. It is firmly believed that each multinational should pursue efforts in every single country that lives up to the set standards. Nevertheless, the degree of resource-commitment would differ. As far as the countries, mentioned in Table 3-2 are concerned, it can be safely said that OECD companies could increase the level and depth of their involvement, vis a vis their commitment to other developing countries, in order to benefit from the array of means that these, the table countries, possess.

Chapter IV

Market Entry, Assuming No Direct Competition.

Following, the choosing process of the country, according to the prescribed conditions, a series of concrete successive actions should be executed, ensuring a successful market entry, that would later be the basis for establishing a reasonable consumption base in the chosen developing country.

4.1 Designating a market task force chief

Before embarking on any concrete market-intended steps, to name the person in charge of such a mission is necessary. The ideal candidate would be either a Western citizen with substantial working experience in developing countries, or a third world native , that has held various managerial posts within the company. No local language skills are necessary, at first, since that would require a substantial amount of time to develop, and it would be better to focus all of the task-force chief's attention on more pressing issues, such as actually setting up base in the chosen country. Additionally, it is important to relate the success of the market-entry effort to the task-force chief's compensation. In other words, the executive in charge of the expeditionary team, an income allocation that would cover all basic expenses (housing, vehicle, personal expenditure budget, etc...), tying bonuses, and other status-related gains, to the degree of success achieved in market entry.[18]

In that same field of human resource personnel, Rosabeth M. Kanter [19] has elaborated interesting concepts. As she puts it in her book " When Giants Learn to Dance", Kanter builds the compensation system on two components, worth and merit. Worth is the value of the employee in the labor market. It is based on factor such as education, experience, age and others. Merit is the other component based on individual achievement like in this case the success achieved in market entry. Merit is based on factors such as creativity, intelligence, skills and others. A good pay system must find a balance between merit and worth.

Under no circumstances, should this position, the task-force chief, be filled with outside resources. Such a post is by nature very sensitive, and loyalty to the company and what it represents is crucial. No matter how smart an outside recruit may be, it would rather take a substantial effort to develop a sense of company loyalty, and commitment to its objectives within the considered candidate. That concept is also known as a socialization process. It is viewed as a development program inside the organization, striving to install an efficient company structure to distribute power broadly so that each individual can be held accountable for his or her actions knowing the exact responsibilities and what is expected of him/ her with a deep sense of organization loyalty and commitment. [20]

4.2 Inaugurating the market entry effort

After the appointment of the appropriate person to carry on the job of market entry, this individual would embark on his/her first mission to the designated country trying to accomplish the company's objectives. His first job would be hiring an executive assistant (EA). This is especially important if the task force chief (thereafter will be referred to as country marketing manager, or CMM) does not speak the target country's mother tongue. The EA would have to excel in the oral and written requirements of the company's working language. His job would mainly center on facilitating the CMM's job of dealing with the pool of contacts necessary for the set-up of marketing operations. The EA, preferably would have to be young to have the energy required to put up with long working hours and hectic schedules.

The next step is to hire a permanent company advisor. Ideally, the advisor, would be someone with a rich background in the politics and government bureaucracy of the targeted country, one who, in layman's terms, knows his way around within the government. Some feel that independent consulting firms, (Arthur Andersen, or Coopers and Lybrand) can fulfill such a task. However, all the earlier concerns can do is to offer general formal advice on how to get things done, which might not be actually the better way in developing countries. Accordingly, full-time consultancy, to explore the necessary ways and means (friendly monetary gestures, favors,..) to ensure compatibility of the company's objectives with the target country's legislative system and taboos, is priceless.

Appointing a legal firm to represent the company's legal interests, on a permanent basis is advisable. It's function such as taking care of all legal requirements affecting the setting up of a business entity, and looking after the company's legal rights, interests and conflicts are necessary. [21]

4.3 Hiring the nucleus marketing staff

It is vital to note that the core marketing staff's role is crucial. It is this group of people who will serve as the role model, for the future company's enlarged staff, in the targeted country. The number hired has to be minimal, so as to permit the effectiveness of intense and precise training. The candidates (from now on will be referred to as MR's or, Marketing Representatives) must have a working knowledge of the company's business language. They will all undergo training in: Consumer Marketing, Large Account and Territory Sales Management, Trade and Consumer Promotions, Merchandising and other fields related to the firm's needs.[22]

Naturally, it would be better if the MR's can attend their skill development seminars abroad, and not in their home country. The logic behind this , is basically to try to implant within these candidates the overall set of company values, practices and policies, in an isolated environment, as far as possible from their own surroundings and from external influences.[23]

The MR recruitment process would start by seeking the help of recruitment specialists, if any, or nurtured contacts, even possibly considering going on a fresh graduate hunt, in college campuses. The ideal MR candidate would be : in his/her late twenties to early thirties, a college graduate (business or economics majors would be better), male (only in restricted societies), with modest or no working experience.

The candidate screening process, that follows, would have to be conducted by company human resources specialists, as they are the experts when it comes to precisely selecting the company/job needed material. Maximum care should be taken to avoid any foul-ups in the screening, and the later selection processes. Any choice of an unsuitable candidate may have negative consequences for the company's efforts as a whole. [24]

During training, a careful survey should be conducted of each candidate's technical progress, and special qualities exhibited. The most performing trainee, in both mentioned fields, would be chosen as the assistant marketing manager, or AMM. More specifically, the AMM would be no more, in the short term, than the direct superior of his peers, and the person responsible and accountable, about their actions, to the CMM. In line with his new assigned responsibilities, the AMM would be trained further, mainly in : Marketing Management, Consumer Behavior, Business Administration, and Organizational Behavior. If the AMM proves his/her worth, then it might not be ruled out that he/she will be the most likely aspirant to succeed the CMM.

Salary and fringe benefits would have to be substantially higher than the average, for a similar job, in the target country: basic benefits such as medical care (if not provided for by the state), company car and possibly uniforms, all serve to give an air of job-pride to the MR. [25] The reason behind this, converges on the idea that an educated trained workforce in a developing country is a very valuable asset. Likewise, in a growing state, status is more closely related with income earned, and hence serves as a powerful motivator in getting the job done effectively, and because of the cost and time involved in finding and training a suitable employee (in the target country).

4.4 Launching the Promotion Blitz

The main objective of the promotional efforts is to educate consumers. The product may or may not be known still, the promotional efforts ought to inscribe a long-lasting positive image in the minds of consumers. Before, actually considering which promotional tools to implement, a careful and thorough analysis of the promotion instruments must be conducted; all the culturally offensive ones must be weeded out, and the media-associated ones need to be adapted to the target country's needs. For example : Pepsi asked it's agency to design an advertising for the local Israeli market. The ad showed a progression of figures from an ape to a modern boy on a skateboard drinking Pepsi. The Orthodox Jewish council of Jerusalem was outraged and threatened to withdraw its kosher certification from Pepsi. Being an influential group. The orthodox Jews made Pepsi change its ad., before going again on national TV. [26]

Bluntly speaking, media promotion must be flexible enough to accommodate the media situational factor in the targeted country. It would make little sense to solely concentrate product advertising on television, for example, when 90% of the population don't have TV sets. The other main objective of the promotional campaign, besides creating a positive product image, is to ensure maximum exposure for the product. Whenever possible, advertising public visibility must be stressed. Public exposure could take the form of : building paintings, communal transportation vehicle decoration , billboards, media advertising (in the most popular form), etc..[27].

The chief aim, behind these efforts, is to create awareness, which might later be translated into hard-core loyalty on the part of the consumer, in relation to the product. At the early stages, the promotion effort should not wholly focus on advertising. Rather, it should be part of a total package featuring, besides advertising: trade promotions (bulk discounts and introductory offers to wholesalers/retailers), consumer promotions (gifts with every purchase, lottery draw on major durable goods such as cars or refrigerators), company public relations (granting scholarships, building schools and housing, sponsoring public events, and attending exhibitions), outlet merchandising (providing retailers that sell the product with displays, decoration sets and light boxes, giveaway gifts such as pens baseball caps, plastic bags), and last but not least, product testing (setting permanent stands in public places, or large retail outlets, and offering passers-by a chance to try the product if the product's utility is totally unknown. [28] One clear example showing the importance of product testing is the Nestle case of " Dying Babies". [29] Nestle introduced in the third world countries it's famous milk powder. Amazingly, Nestle was accused of killing young babies in countries where the product was launched, the product being defamatory. In court, the judge ruled out that the product were not good. The real cause behind the injuries and death was not Nestle's products rather it was the unhygienic ways they were prepared by the end-users . Nestle's responsibility remained untouched except in its promotional methods. Nestle did promote the new product but not in a way to make the users learn correctly how to use it. Making people familiar with the new product and how to use it is certainly a very important form of product promotion.

Therefore, the basic aim of a promotional bundle is to reinforce the positive image of the company's product in the consumer's mind serving later on as a very effective shield from any competitor's entry to the market. The main theme is to mark the developing consumer's conservatism, using it to the company's advantage.

Moreover, the timing of the promotional blitz is crucial for the campaign's success. When the promotional blitz is about to be launched, it would have to be executed in successive stages, with a negligible time span between each. This is necessary so as to create the maximum consumer positive impact. However, this statement does not contradict the earlier one, that the whole promotional efforts constitute a single bundle. To some extent, the concept of the whole is not violated, it is merely separated into sequential steps, that if seen by the naked eye would still appear to constitute an aggregate. One would suggest the following evolution in the promotion campaign:

1. Advertising campaign,
2. Product trial,
3. Trade promotions.
4. Consumer promotions, company public relations and outlet merchandising (all endeavors in section 4 to be executed simultaneously).

After deciding on the "how" of the promotional effort, i.e., in successive stages. Attention now turns to the "where" should the promotion campaign encompass all the territory of the targeted country, or part of it, the countryside or cities?. The answer really is tied to the type of promotional effort, and to the situational factors. Since the product is still in its introductory stage, advertising, company public relations and outlet merchandising would be limited to important cities, where the largest population concentration is, and Western cultural influence the greatest. As far as consumer promotions, trade promotions and product trials, are concerned, they will take place wherever there is anticipated substantial selling, in other words, wholesalers in the countryside and rural towns, retailers in the major cities. [30]

With the promotional venture well underway, in its earlier stages, and the necessary staff trained and ready, the time is ripe to discuss the last of the four

Marketing "P'S", or price and place .

4.5 The introductory pricing strategy

Pricing a product in foreign market is a very delicate strategy that could easily lead to the product's failure or success.

Several considerations should be kept in mind. Consequently the determinants of foreign Market pricing evolve around : company goals, company costs (manufacturing, transportation, marketing), supply and demand, government, taxes and tariffs, inflation, distribution channels, and marketing mix.[31]

To explore all those subjects and their relation to pricing strategy is beyond the scope of this thesis project. However, all considerations while pricing a product in foreign markets lead to elaborate a flexible pricing strategy, the ultimate goal of a marketer.

This flexible strategy would take into account first of all the demand of the local market i.e. the customer's ability and willingness to buy the product. An important relation between product quality and price must also be considered for example if the product is of high quality, the marketer will be justified to sell at prices higher than market one's if he/ she sees this strategy to be appropriate. Moreover, regarding competition, the firm must determine the appropriate relation between its own price and the competitors. Marketers price should be in the line with competitors. In the case when one assumes no competition in a new developing market, greater flexibility and control over the pricing strategy is given to the marketer.

Last but not least, the pricing strategy should be connected to the rest of the marketing program i.e. the marketing mix to gain greater flexibility. For example, " back in the 60's major oil companies in Great Britain (GB) saw discounters take 10% of the market by lowering their prices. ESSO, a leading oil company started to counterattack . ESSO cut prices by 6 1/2 cents/Gallon. The price cut (pricing flexibility) was made possible by those following steps :[32]

1) Reducing the number of gasoline grades from 4 to 3

2) Shuffling octane ratings

3) Pulling out of marginal stations

4) Reducing dealer margins by 1/2 cent a gallon

5) Dredging to allow super tankers to reach the ESSO refinery at Frawley (GB)

6) Building Britain's longest pipeline

7) Bargaining hard for new, lower freight rates.

Step 5 through 7 served to decrease distribution costs . Steps 3 and 4 were changes in distribution strategy. All were necessary to permit a price flexibility to face the offense , that would not mean at all an equivalent loss of profits.

Moreover, developing countries are not that price-conscious when it comes to affordable consumer products. Rather, they tend to prefer high-quality products. Any pricing strategy, to be developed, must take into account that preserving consumer loyalty is much more important than sucking out profits. This is precisely, what Philip Morris failed to do in the Lebanese Market, back in 1985. In that same year, and in those that followed, the Lebanese pound took a frightening plunge against the U.S. Dollar, Philip Morris' Brand, Marlboro, was the number one selling cigarette on the Lebanese Market. The Lebanese consumer practically swore by Marlboro. However, as the decrease in value ate away the real disposable income of the larger segment of Lebanese smokers, Marlboro suddenly became a luxury. Taking advantage of Philip Morris's plight, other tobacco companies entered the market, with cheaper brands, by force. Brown and Williamson, a division of BAT, reintroduced its Viceroy brand on the market. SEITA, the French tobacco monopoly, with the help of one of the largest foodstuff distributors in Lebanon, presented Gauloises Blondes, an American Blend cigarette that was in line with the market's cigarette tastes. In a very short period of time Viceroy overtook Marlboro, in terms of sales volume, and Gauloises established itself as a leading respectable brand, Marlboro tried to fend off the attack by increasing its advertising budget substantially, but maintaining its pre-crisis pricing. The unsuccessful strategy left Marlboro with a diminished market share, although it still enjoyed its wide popularity on the consumer-brand preference hierarchy. [33] In order to avoid Marlboro's mishaps , the pricing strategy to be implemented must be flexible. When competition is not around, prices must be high, enough to cover the costs of market-entry investment and product introduction plus providing a reasonable return on equity. Yet, the product price should not, in any way clash with the goods' quality, both quality and price ought to be adequately balanced.

Additionally, the pricing strategy has to take into account the relative purchasing power of the targeted consumer group, in this case the majority of the population. In simpler terms, and no matter what the conditions are, the product price must still be user-majority friendly.

4.6 Introductory Distribution strategies

Now that the public is quite aware of the "product to be launched", and the nucleus marketing staff has been trained. The company's major efforts converge on having the product where the consumer wants it to be. At first, a territorial division plan would have to be devised. This plan must take into account : the size of the MR force, the targeted country's vastness, and the number of large cities, in the country itself. An appropriate system tested in Czechoslovakia by Phoenicia Trading Co. (Important Lebanese trading group) would be to measure the distance, supposedly, between two cities of 50,000 - 100,000 inhabitants or more, divide the stretch by two, the resulting figure would constitute the radius of a sales territory, having one of the two cities as the confine's center, and home base for the assigned regional MR. The capital, or the largest city, of course would constitute a separate sales zone. Each MR. would assume responsibility for a sales- designated zone, and hence would proceed with supervising and executing a zone-specific distribution strategy. On the other hand, the capital, and cities of more than 500,000 inhabitants, will have their own sales force consisting entirely, of the company's own MR's who would ensure a retail-level distribution.[34]

In the big cities, as mentioned before, a retail-level distribution would take place. The first step to take is finding out the number of earlier-prescribed outlets that sell a similar product, or range of products. The best place to start would be the yellow pages, if such a document is not available, help should be sought from the basic telephone directory, or a specialized governmental department. In the worst of all cases , when no outlet-documentation is available, a field survey must be conducted, as expensive as it can be. The purpose for that kind of an enterprise, is mainly to know the market potential, a useful tool in drafting plans of market coverage priorities and actions. A second impetus, also quite important, is to provide a scale, whereby degree of success can be measurable.

Once retail outlet mapping is over, the sales efforts should be launched. By this time, the advertising offensive would be at its peak, and the time is right for the MR's to go into action. The initial product-offer approach is supplanted by a full merchandising proposal. This is very important in developing countries. A great number of outlets, there, have poor, or at least inadequate shelving units, and outlet owners would love to get display elements, even if it entails the offering of a certain product for sale, as a prerequisite . The same reasoning would apply for other merchandising material, such as hanging light boxes, window decoration sets and exterior product t-signs. The importance of merchandising to the marketer is, mainly providing a medium or environment, whereby a sought product can be easily found and purchased. [35]

One should not also forget the effect of providing giveaways to the outlets. Pens, Plastic bags, bottle openers, and other tokens, in most cases please the outlet owner thereby also stimulating him/her to stock the product. However, in these cases, MR's should not be overly generous, because this may lead to situations of giveaway exploitation (selling the gifts or misusing them), on the part of the recipients. So, with consumer awareness at a reasonable level, and with positive results obtained in product trials, plus well spread merchandising; consumers will seek the product eagerly and easily. Therefore, there should be no anticipated trouble in getting the product off the shelves, provided the price is right. For example, Hazel Bishop (HB) Cosmetic Co. invaded the Russian market with its mid-priced, good quality cosmetics (Relation Quality/ Price)

HB formed a joint venture with a Ukranian cosmetics manufacturer "Effect". HB will ship the cosmetics to Effect which would distribute them in Russia and Ukraine (Distribution Network). HB tested the market to determine the effective mix of products to ship (Marketing testing for demand). Multiple distribution outlets were used including special shops (payment in hard currency), department stores, drug stores, and new shops opening in cities. The cosmetics were displayed on open racks allowing customers to help themselves (to stimulate impulse buying).

As a promotion, products were sold without adaptation, even keeping the text on the packages in English to underline the US. origins of the product. HB launched also a T.V campaign, beauty contests, free prizes and giveaways. HB entry into Russia was quite successful.

In the future HB plans eventually to produce the cosmetics locally when the economy will become more stabilized and less chaotic (less inflation, less unemployment, less risking...). [36]

Besides merchandising and giveaways, certain trade promotions could be offered to retailers. A certain discount based on volume turnover is quite attractive. Each retail outlet could be visited monthly, by the MR, and a report on product sales obtained from the outlet owner or operator. Any market improvement in product sales ought to be rewarded. For example, the following system can be suggested, as a way of stimulating more effort, on the part of retailers, to push sales:

RETAIL OUTLET : X

PRODUCT : A

PLAN : For every extra 50 units sold of A, per month , a discount of $ .01, on the invoiced price, will be granted.

INITIAL ASSUMPTIONS

starting invoiced price of A = $ 4.00

contribution margin of A = 10% on invoiced price

OUTLET X SALES REPORT ITEM A :

Month	**(A) Sales-units**	**Invoiced price**
January	43	$ 4.00
February	52	$ 3.99
March	75	$ 3.99
April	120	$ 3.98
May	150	$ 3.97
June	31	$ 4.00
July	200	$ 3.96

etc..., up to a certain limit, whereby discounts, later on, will take the form of free goods.

In the rural areas, the product would have to be distributed with the help of wholesalers. Establishing a full-fledged country-wide sales force, at the product introductory level, could be quite expensive and time-consuming, especially if the target country is sizable. Ultimately, then, already-established wholesalers are to be contacted, and a special package must be devised, to arouse their interest in the product, making them quite eager to sell it. Such a package would consist of : giveaways and personal gift items, supplying goods a "sell-pay for" basis, granting discounts on invoiced prices (once sales volume exceeds a certain limit, same system as assigned to retailers, but with different requirements regarding price discounts and quantities sold), organizing competitions among wholesalers and awarding prizes to the most performing one, in terms of sales volume. Anyhow, a reasonable contribution margin must be made secure for the wholesalers.

After amply describing the distribution policies at both levels, retail and wholesale, questions arise, especially concerning the "sell-pay for" policy. One must admit, that such a method is risky by nature. Nevertheless, it is quite essential, when considering the market-product life cycle stage. In the introductory era, of a product's life, emphasis is on spreading the product, both within the consumer's minds and logistically. Financial commitment, on the part of customers, might hamper the product spread aim. Therefore, it could be better to take on the risk of fraud, theft and unethical behavior, on the part of customers, and stretch out the product as much as possible.

4.7 Exploring further strategies

Of course, there are other strategies, related to supplying the product on a larger scale to the market. A possibility is the buying- up of an existing manufacturing/ distributing base, in the target country, that is capable of locally producing and directly providing the product. Phillip Morris took a similar step, when it acquired a share in the Czech cigarette monopoly, Tabak A..S. of Kutna Hora, by pledging an investment of $ 430 million, in the company. A reminder is

in order here, the Czech. market had only been liberalized in 1990, and Philip Morris officially set up a marketing base in the country a year and a half later. Once, the factories of Tabak were rehabilitated, Philip Morris started producing and distributing, a Czech made version of its best selling cigarette brand:
Marlboro [37]

As far as early local manufacturing is concerned, the idea itself is rather unsuitable. Consumers in developing countries, as was earlier said, and will be stressed later, are quality-conscious when it comes to products they can afford. In my opinion, Philip Morris committed a serious mistake, when it started manufacturing Marlboro in the Czech Republic. The immediate deduction, of Czech Marlboro smokers, would be that the local version is of an inferior quality than the imported one. At the early stages of a country's development, locally-produced goods generally are considered poor, in terms of quality. Therefore, if affordable, imports are preferred. Consequently, it is advisable to keep importing a product, provided there are no import restrictions, until the attainment of a respectable profitable market share, and until consumer loyalty is quite high, in relation to competing brands. Then and only after a successful marketing-entry, there should be a serious consideration of local manufacturing. If investment in manufacturing is deemed necessary to keep competitors at bay, then it should be undertaken. However, the intended product must not be manufactured locally, in the short term. Further production, within the purchased concern, must center around an existing local (concern-produced) product-line, or else, particular plans, ought to be laid down, to upgrade the enterprise's manufacturing capability, for future use in the engendering of the marketed product.

Chapter V

Market Entry Assuming Entrenched Direct Competition.

5.0 An Overview

After, evaluating the target country, and its attractiveness, a more specific assessment is appropriate; that of the direct competitors. Direct competition implies, any company selling a very similar product, in shape, size, price, distribution channel, and that also satisfies the same needs. McDonald's and Burger King are direct competitors, not Mc Donald's and Pizza Hut. The former concentrates on hamburger and similar sandwiches, the latter more on pizzas and some pasta dishes.

The talked-about evaluation is to be conducted on the field. Outlets selling the competing product are to be visited, advertisements examined etc... One has to find out, as much as possible about the competition and its competitive environment. An appropriate market-intelligence operation has a high chance of revealing and exposing a competitor's weakness, thereby giving the competing company a competitive edge, if exploited properly . Many modern models can help in finding about the firm's environment. To be more specific, every aspect of the competitor's marketing mix must be examined. Each of the 4 P's (product, price, place and promotion) must be scrutinized, up to the minute details.

A very good model helping firms to find out about their direct competitive environment is Swot analysis.

Swot stands for strength, weakness, opportunity, and threat. This analysis may help to provide information enabling a firm to identify key opportunities and threats in its environment as follow:

- Strength: is a distinctive competence that gives the firm a competitive advantage in the market place. Financial resources, image, leadership, buyer/supplier relations, and others are examples of strength.

- Weakness: is a limitation or deficiency in resources, skills and capabilities.

-Opportunity: is a major favorable situation in the firm's environment. Examples are overlooked market segments, technological changes, changes in competition or regulatory circumstances, and others.

- Threat: is a major unfavorable situation in the firm's environment. For instance, the entrance of a new competitor, slow market growth, changing technology and regulations, are threats to a company.[38]

Consequently, by carefully analyzing the SWOT model and the information it offers, a firm can maximize its potential market position by overcoming its weaknesses while maximizing its opportunities and strength.

5.1 Product

With the lack of proper marketing research capabilities (no statistics, databases), in developing countries, finding out if a competitor's product really satisfies the consumer is quite difficult. The only feasible manner, would be to interview a sample of channel members (retailers and wholesalers), make them talk about the competitor's product, in terms of profitability, turnover etc... Here, certain incentives to encourage retailers / wholesalers to open-up must be used, gifts and monetary rewards are not to be ruled out. Another method of exploring a product's effectiveness, is the monitoring of the media. Any articles, stories, or reports about competing products should be analyzed, in the hope of discovering loopholes. [39]

If not carried out earlier, the competitor's product, itself ought to be examined. Reverse Engineering, the process of disassembling a product and analyzing its contents could be used. In order to reduce bias, an outside expert help could be called in, to conduct the analytical process, thereby ending up with an independent, more or less true appraisal.

In the event where, the previously described methods, fail to provide conclusive results, a market research project is to be undertaken, if the cost is completely justifiable, in terms of market size and attractiveness. Supposing there are no specialized agencies, the company has little choice, but to design a questionnaire, to be used in interviewing competing product users in the major cities, that could mainly center on the following themes : why they use that specific product, any complaints they might have about it, suggestions for improvements, and willingness to switch brands (if available); hiring its own (the company) temporary staff to conclude the research. [40] The process of blind tests is also useful in this case. Samples of the company's products, and those of the competitor's could be given to loyal consumers of the competitor's product, to compare and judge for themselves. Pepsi tried the preceding method on hard-core Coca Cola drinkers in the U.S. and got encouraging results. It remains to be seen whether, such a technique might work in developing countries.

A possibility of introducing a different size and features of the already established competitor's product, might be the ticket for a successful market penetration effort. A new market segment would have then been created, and the competitor's consumer loyalty weakened. Coca Cola dominated the Czech soft drink industry, since the days of socialist rule, through local and imported variants, of its most popular brands. Early in 1992, the Royal Crown Company bought a beverage factory in the Czech Republic, and started marketing its own brands. In the diet Cola segment, of the market, the 33 centiliters (cl) Diet Coke can be reigned supreme, since it had all the market-portion to itself. Realizing an attractive breakthrough, Royal Crown's marketing staff, launched their diet cola, RC, in two container sizes: 33cl cans, and 1.5 litter bottles. The Diet RC bottle was about 45 Krunas (KC) (retail price KC: 27) cheaper , than the relative price of 4.5 cans of Diet Coke, that provide the same volume, (retail price of one can KC: 16), Healthy , and economy, conscious consumers realized the price plus space and weight difference, and switched to RC from Coca Cola. Additionally, the competing Diet RC can retailed at 9 kc, 5 cheaper than Diet Coke. Up, till now Coca Cola has not yet introduced its own 1.5 litter diet cola bottle .[41] Royal Crown, with its double-flanked assault, severely undermined an already well established competitor, with probably an extremely high brand awareness and following (Coca Cola was the sole producer/supplier of soft-drinks for a long time). Royal Crown created a new segment, and even carved out a part of an existing one. Short sightedness almost never pays.

In a market, where a competitor is entrenched, a company contemplating entry ought to do so when : its product is of a superior quality, it has a utility advantage (place, form, time and possession), or if it can offer a visible justifiable modification or version of the competitor's product. Head to head competition, by offering "me too" merchandise, as an alternative to the competing good, is not advisable in conditions of high brand loyalty, and in periods of economic prosperity. To break the brand loyalty barrier, of a competitor's product, logical assaults should be made, in an attempt to discredit the product, in the eyes of its loyal following. If the competitor's product in itself is infallible, then competitive advantage-seeking should focus on the other parts of the marketing mix.

5.2 Place

With respect to developing countries, one can say that these countries are more likely to have fragmented distribution channels and wholesaling. Industrialized nations have large scale wholesale organizations serving a large number of retailers. Finland, for instance, has one of the most concentrated wholesaling operations in the world where 4 groups control the wholesale market over about 11,000 retailers. [42]

Developing countries on the other hand have thousands of wholesalers selling to retailers. However, having a fragmented wholesaling network doesn't mean that the network is not successful. Japan, for instance, is notorious for its fragmented distribution system whereby wholesalers sell to other wholesalers. Wholesaler sales are 5 times retailers sales in Japan, 4 times the US ratio. [43] Consequently, to be competitive regarding a distribution channel in a fragmented system entails either superior working relationships with the channel members, or initiating an in-house company distribution network. If the competitor does not already have one. A superior working relationship with wholesalers can be translated into offering much more favorable terms of : credit, payment conditions, faster order processing and delivery, monetary and other incentives. The wider the number of good wholesalers the better it would be in a fragmented channel to ensure maximum product spread and area coverage. Still, the power of a wholesaler to arouse interest and generate demand, for a certain product, is not to be underestimated, if the wholesaler is adequately motivated.

With retailers, the story is more or less the same. The only perceivable possibility is conducting in-store sales and promotion. In other terms, letting company staff promote and sell the product directly in retail outlets, with the permission of store owners. Another possible way of obtaining an advantage is convincing the retailer to allocate the eye-catching spaces, within the shop to the product, and move the competing product out of the immediate consumer eye-sight range .[44] Personal, or door to door sale, could also be tried, if profitable and untested before.

Another possibility, would be setting up proper retailing outlets. This might be profitable, in the case of conglomerates with numerous related product lines, such as : Unilever, Procter and Gamble, and Grand Metropolitan. In the detergent market sector, Procter and Gamble has the product-line breadth, and financial capability, to launch, operate and supply specialized outlets with a multiple range of different, application and brand, detergents. Therefore, in order to water down a competitor's market dominance, seeking better relationships with the existing distribution channel components is necessary, or, having the financial and product range scope to engage in direct dispersal.

5.3 Price

Trying to compete only on a price basis is not rational except in the case where product differentiation is rock-bottom (commodities) , or when brand loyalty is quite low (paper towels, trash bags, and facial tissues) and finally in the event where the targeted consumer has negligible disposable income. [45] As was previously stated in section 4-5 of this work the issue of pricing is very important . It is inevitable to have a flexible pricing strategy. This flexibility is greater if no competition exists and is restricted in times of fierce competition. Consequently, pricing strategies combined with the rest of the marketing mix (Refer back to Esso example) provides an efficient weapon for a firm to fight with in an ever growing competitive market.

5.4 Promotion

Besides, the product itself, promotion may be the only other part of the marketing mix, that may provide room for effectively competing with an already established product.

Overwhelming promotion is an effective weapon. A product might gain the upper hand, vis a vis, competition if it is advertised effectively, promoted to both channel members and consumers, intensively. However, sometimes an advertising campaign may succeed in generating record levels of awareness, but may fail to boost sales. This is a situation Pepsi experienced , a few years ago. Pepsi hired some well known celebrities (Michael Jackson, Lionel Ritchie, Michael J.Fox) to star in its advertising commercials. Although the advertisements were superb, and scored highest on consumer recall ratings, yet they failed to hoist sales. Pepsi's US market share only bulged half a percentage point [46]

Advertising can be effective when attempting to discredit a competing product, based on a justified claim, or in shedding light on a certain advantage a product might enjoy over its competitors. On the other hand, if the competitor's product is well entrenched, and faultless, in that case, the only available weapon would be a coherent intensive promotional campaign ; extreme advertising, irresistible incentives to distribution channel members, fierce product trials, concentrated merchandising, and over generous gift and giveaway policy, and finally innovative and worthwhile lottery campaigns. The ultimate aim, behind all of these efforts, is to breach the brand-loyalty bond, between the consumer and the competitor's product. [47]

In the event, where the preceding strategies, which are called frontal and direct attacks [48], are doomed, other alternatives remain for the company. For instance, introducing a product aimed at a different target market, or satisfying an altered need: Seven-up successfully accomplished a winning strategy, when it marketed itself as the "unCola" soft drink. A typical scenario could be , if the competitor, for example, dominates the market with a full flavor cigarette, then the company would market a low tar brand, appealing to consumers who can't kick the habit, but want to lessen the tar and nicotine intake. This is called a bypass attack.[49] Another alternative, provided the company's financial resources are substantial, is to "dump" (introduce the product at a prices way below the actual cost) a very similar product on the market, and hope that developing country consumers conclude that, so far they have been cheated by another Western firm (the competitor), and hence switch to the company's offering. It is essential to note that dumping could backfire. Consumers might infer that the company's product is cheaper, as a result of poor quality, than the competitor's , and therefore decide against changing brands. For example, in 1963 Hunt's a manufacturer of ketchup tried to take out Heinz's brand from the market. Hunt's triggered a series of marketing attacks simultaneously. It introduced new flavors' at lower price (dumping). It raised it advertising budget to twice that of Heinz and it offered trade allowance to retailers. The purpose of Hunt was to attract brand switchers. Hunt's strategy is called an entrenchment one, and is quite offensive yet it failed to work because of Heinz strong quality image and consumer loyalty. As a result, not enough Heinz users tried the Hunt's brand and those who did returned again to Heinz. The strategy was very costly and backfired on Hunt's .[50]

Chapter VI

Long Term Strategies Of Developing Country Marketing

The company should behave as it ordinarily does in its home country. Good corporate citizenship is the key phrase. Marketing to a developing country has to be an evolutionary process. It is rather foolish to exploit a country, and then take-off, as attractive it may seem. The company should work towards becoming an important contributor to the host country's economy, simultaneously satisfying its profitability and growth objectives. Discrete behavior is to be stressed , due to the general level of mistrust , that a large part of developing nations exhibit, in relation to, Western Companies, due to their historic exploitation and irresponsible behavior . However, further involvement of the company is directly influenced by the general political, social, and economical climates. Needless to say, that a stable, growing, progressing society is what OECD multinationals are looking for, within the developing world. The degree of further involvement by the company will be elaborated further, taking into account the situational factors, of the target country, described earlier. To clarify the above points, the example of Nynex Corporation and the way it started penetrating the European Market, will be used.

Nynex corporation is, a leader in American telecommunications market, decided to move to Europe. The problem was moving a known technology and product into an unknown market with changing governmental regulations.

Nynex intended strategy as the general manager puts are simple and based on a progressive market share a "step-by-step" strategy, concentrated on the following :[51]

1. Selling a service "quickly" at low cost, offering product and service quality, at flexible prices, to build customer loyalty.
2. Recruiting country nationals. Job employment will be used as a bargain tool with the government to facilitate the way for market penetration by receiving official concessions in return for a decrease in unemployment.
3. More employment means more customers because the perception will be that the firm is doing good for the country, thus more people will become loyal.
4. Become socially accepted by the people because the image of American Companies moving into Europe is an invaders' image and is not well seen in many areas where one finds a conservative culture (Belgium, Holland, Luxembourg, France,...). Nynex intended to increase it visibility by increasing advertising on different medias.

What is important in the Nynex case is that the general manager interviewed was opening an office in Belgium and starting the market penetration process . He had no intention whatsoever to penetrate the market in an offensive way rather grab portions of market shares progressively. His basic aim for the near future was to be in Europe and work on the Human side of his plan (employment, better acceptance, visibility) while waiting for a solid unified European market . The above was an example of a leading U.S. telecommunication firm moving slowly but surely on unknown grounds.

Likewise , if the company is an industrialized one, and the level of development and raw material acquisition, in the target country is such, then undertaking a manufacturing project is feasible. In that case, the company would thoroughly consider the benefits of the local production lower manufacturing costs and overhead, better national relations with society and government provided its market share can absorb the output, in a manner that would enhance profits.

On the other hand, if the company opts out from the local production option, and wishes to continue its involvement in the target country the attention could be focused on, for instance, expanding the distribution base, augmenting the product offering, and even considering investing in totally different industries, within the market . It goes without saying that the company, would be better off contributing, a certain fixed part of its profits, to the development of the target country. Contributions could take many forms, some even profitable : granting scholarships, training more local for collar jobs, furnishing funds to infrastructure projects, setting up join-ventures to help export local goods and services, providing advice in its own area of expertise, etc... Such undertakings, may lead to rewards for the company, in terms of greater business opportunities.

Chapter VII
Conclusion

The ultimate aim of a company's involvement in a developing country, is reaching a situation whereby its existing operations in the target country can help it compete globally. This work offered hints on how to penetrate developing countries and gain market share in unknown yet potential markets. The size of those markets and the potential they involve present a real opportunity for multinationals not to be overlooked or underestimated.

On the contrary, those opportunities should be concretized and turned into positive points making multinationals enjoy stronger worldwide positions, financial ability, new product lines, better and stronger overall image and other qualities making it possible to survive in a global economy, while fighting competition on a global scale.

Consequently, the future of international marketing is a global one, in a global economy and a global market The aim of a global marketing system is to be present in a multitude of markets so as to take advantage of their differences . Not forgetting a global brand presence and strong distribution channels. Consequently, extended product lines and product families will be displayed across countries to gain economies of scope and greater competitive strength and allow opportunities of cross-subsidization across businesses and across national markets.[52]

However, while working their ways toward a global trade system, most firms must balance their market positions in the most important three trading blocks rising today that is Japan, Europe, US and Canada. One thing remains certain, the way to the future is a global trading scene where the fittest will only survive.

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