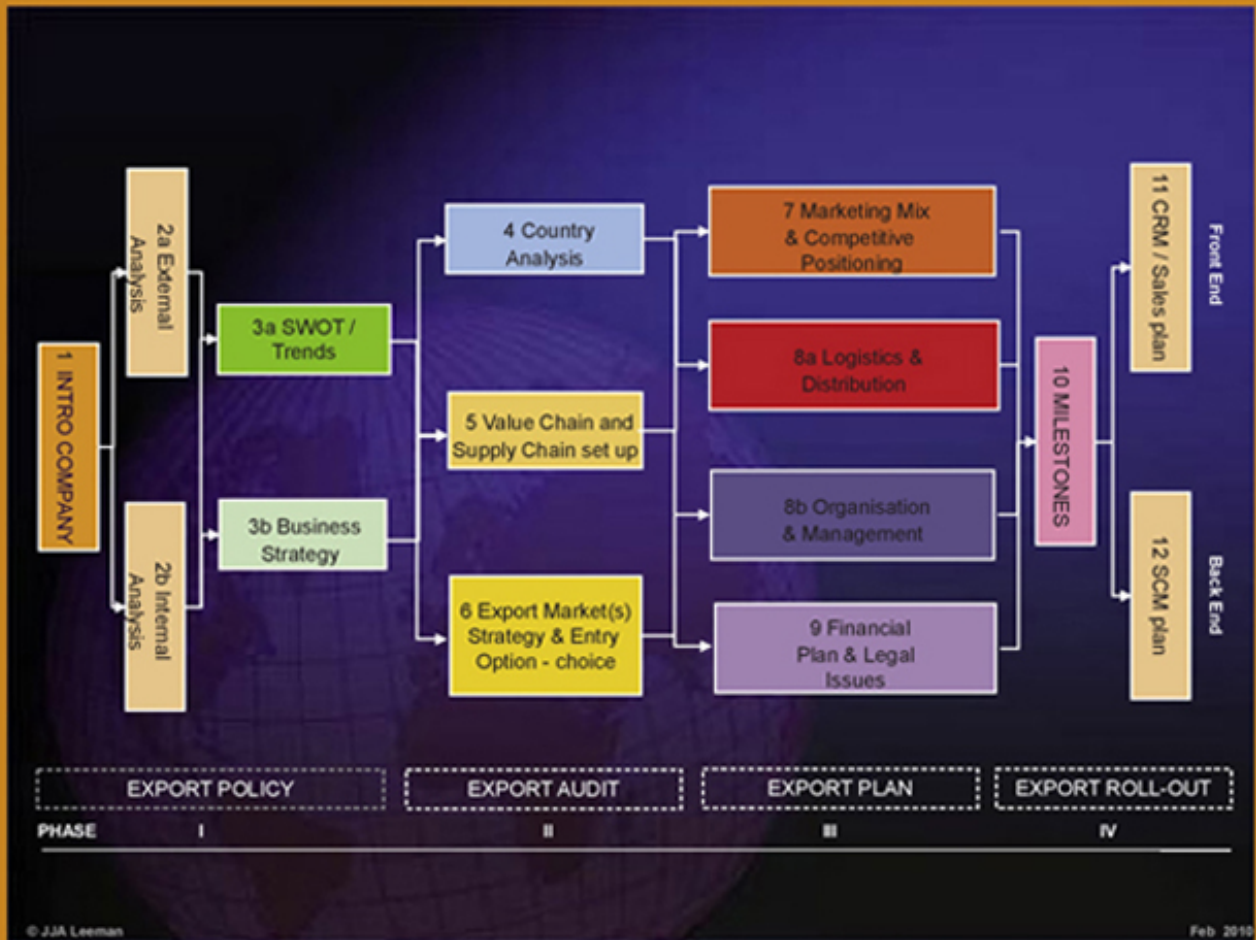


EXPORT PLANNING

a 10 – step approach



How to develop an international marketing plan

Joris J.A. Leeman MBA

Institute II BPM
Business Process Management

For
Mai Lan

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About the Author

Joris J.A. Leeman is founder of the Institute for Business Process Management. He has extensive experience in organising the back-end part of the business: organisation, supply chain management, IT - systems, e-Commerce and e-Business, logistics and sourcing operations. He is a consultant, lecturer and author. Prior to this he worked as a manager, director and executive for global operating companies like MEXX, Johnson & Johnson and Esprit.

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He received his B.A. degree in Logistics & Economics from HAN University in The Netherlands. He received his M.A. degree in International Business and M.B.A. degree from Webster University, St. Louis, U.S.A.

Institute for Business Process Management

The goals of the Institute for Business Process Management are (1) to advise companies in improving their end-to-end business processes and organisation; (2) to train students, post graduate students, employees, managers and directors in the field of supply chain management, logistics, e-commerce and e-business, customer relationship management, retailing, export- and services management;

(3) to publish books which enhance the knowledge of managing end-to-end business processes.

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Foreword

When companies decide to start export development and internationalisation of their firm, it is essential to follow a systematic strategy formulation- and decision making process. Many companies start exporting products and services, not even considering putting together a program for export *development(!)*, which results often in an exporting landscape with non-priority countries together with a portfolio of unwanted agents and distributors. “Historically grown” is what managers of such companies say afterwards. Therefore, a decision to start selling products and services to international markets need to be well-founded and focused on those countries and markets with the best potential for a successful entry and growth.

How to execute such a systematic strategy formulation- and decision making process? There are many ways of doing this. This book shows you one approach: a methodology to systematically and continuously develop export markets: from international strategy definition to export implementation. The whole process is named: *export planning*. It consists of four phases: *export policy*, *export audit*, *export plan* and *export roll-out*. *Export Planning* describes these 4 phases and splits them into 10 steps how to put together an international marketing plan.

This book intends to be pragmatic. It provides a method, a framework and toolkit for Export Planning, a 10 - step approach. The book should inspire you to explore the 10 - steps and implement them within your company.

“The secret of successful international trade can be found in applying the 4C’s* of marketing and matching them with the 5P’s for export: *product, performance, partners, people* and *perseverance / PDCA.*”

*4C’s are focusing on customer, cost, convenience and communication.

Acknowledgment

This book reflects the contributions, labour, and insights of many persons. I would like to thank my students, colleagues and clients for sharing their insights and understanding of export management theory and practice with me. It is impossible to single out everyone who has contributed to this edition, but I would especially like to thank the reviewers Frank Hauwert (director Federation of the Dutch Export - FENEDEX -), Bert Vermeulen (Rotterdam Business School) and Mick Timmermans (Arnhem Business School) for providing feedback and the pleasant discussions which we have had during the last few years. I also would like to thank the publishers and staff of Pearson Education based in Amsterdam, The Netherlands. Special thanks to Neeltje de Kroon, Winny van Rijswijk, Inge van der Bijl, Elle Kanters and Saskia van de Brink.

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Finally, I wish to thank my partner, Mai Lan, who is a constant source of inspiration, support and happiness.

Düsseldorf,
February 11th, 2010

Joris Leeman

Preface

Aims and objectives

The purpose of this book is to show you how to plan and execute internationalisation within a firm. Export Planning explains a *method*, following a 10 - step approach, to create an international marketing plan.

The objectives of this *method* are to enable you to:

- *Systematically select and plan* the entry into new international markets;
- Enhance the chances of success through its *integrated review* of analysis and strategy with marketing, logistics, organisation and finance;
- Put together a sound *line of reasoning* from strategy to implementation.

This book provides you with an export planning - model: a *framework* to develop the international marketing plan; 4 phases presenting how to set up an *export policy*, *export audit*, *export plan* and *export roll-out*; 10 steps and 5P's for export which can be used as a *toolkit*; a *checklist* to review whether you are ready for export.

Target audience

Export Planning is written for bachelor and graduate students at business schools and universities. It describes export and international marketing at a strategic, tactical

and operational level and combines theoretic models with relevant practical experience.

A book which is useful not only for 'thinkers', but also for 'practitioners'. Besides for students this book is useful for everyone who wants to know more about export planning, international marketing and international market development. If you are an executive, manager, supervisor, entrepreneur, project leader, team leader, export employee or consultant, this book offers you many useful insights, experiences from practice and conclusions to be drawn from those insights and experiences.

Structure of the book

This book is composed of four parts: *export policy*, *export audit*, *export plan* and *export roll-out*. The first three parts exist of three chapters. The last part exists of one chapter. The ten chapters together form the 10 steps necessary to complete and execute the *export planning* process.

Export Policy: refers to the international strategy development of the company. Does the company want to start export development yes/no? What is the company's vision and mission? What are the drivers to go abroad? After analysing internally the strategic position and direction of the company, and externally the trends (DESTEP-analysis), opportunities and threats (SWOT-analysis) several strategic options become visible. An international strategy definition will be made based upon the different strategic alternatives (SWOT-matrix, GE portfolio - analysis). Then it passes the first review gate question: do we want to internationalise our company yes/no? The *export policy* - phase is described in [chapter 1](#) to [3](#).

Export Audit: refers to the market entry analysis of the company. Which potential countries and markets for which product lines and/or services can be selected? What are local trends, How is the DESTEP analysis looking for these potential markets? How to select and prioritise the potential countries for market entry? What options do we have for market entry? What criteria are needed for evaluation of these market entry options. What is the impact of each market entry option on the value chain set up (price set up, cost structure and supply chain flow)? Then it passes the second review gate question: do we want to focus on the selected countries or markets yes/no? The *export audit* - phase is described in [chapter 4](#) to [6](#).

Export Plan: refers to the international marketing plan. Who is our customer or consumer? How many customer profiles and target groups do we have? On which ones do we mainly want to focus? Do we have to adapt our products to these target groups? Are there any cultural differences? What brand positioning do we want to have? Via what distribution channels do we want to sell and distribute our products? What marketing mix (with the 4 marketing C's or P's) do we have to put together? What organisation structure and set up do we need to manage our overall business abroad? How are we going to organise the physical distribution, logistics and supply chain flow? What information technologies and systems do we need to set up to manage our customer-, sales-, marketing-, logistics- and financial-processes? What investments are needed based upon the chosen market entry strategy? What will be the sales plan? What will be the project profit & loss statement and cash flow statement? What returns on our investments will we have? If the export plan is finished the third review gate question will have to be answered: is this export plan a sound proposal go/no go? The *export plan* - phase is described in [chapter 7](#) to [9](#).

Export Roll out: refers to the implementation of the export plan. What are the 10 most important milestones which we have to take to realise our first delivery in the new market? What are critical success factors and do we have a fallback plan (best / worse case)? What implementation activities do we have to undertake in sales, customer relationship management (CRM) and marketing? What is the necessary sales- and account plan? What is our CRM-plan? What implementation activities do we have to undertake in logistics and supply chain management? What is the necessary logistics policy plan? After putting together the implementation plan and executing and delivering the first sales order, the fourth and final review gate question appears: has our first sales- and shipping order been successful yes/no?

The *export roll-out* - phase is described in [chapter 10](#).

The four phases of the export planning - process are continuously updated and improved. After the first foreign market has been successfully entered the next market of the priority list need to be 'taken'. And so on.

Didactical aspects

In order to support you when reading *Export Planning* each chapter contains:

- Learning topics at the beginning of each chapter;
- Tables, figures and other illustrations to easily pick up the most important aspects from the text;
- An opening case as a general introduction to the theme and a closing case with questions relevant to the learning topics;
- Summary questions to review the learning topics from the chapter;
- A summary of the chapter reviewing the learning topics;

- A list with terms and its explanations.

Competences

Young professionals and managers being active in export and international marketing must acquire knowledge, skills and experience how to acquire and develop trade- and customer relationships in foreign countries. According to the Dutch education system for bachelor students with an emphasis in marketing management the competence card with general competences to be acquired may look as follows:

The international Marketer / Entrepreneur	Work on the customer relationship (they)	1. Working with customers	1.1 Acquisition and development of customer relationships
	Work on the organisation (we)	2. Work from the organisation	2.1. Formulating a strategic policy based upon an internal – and external analysis
			2.2. Translating strategic policy into tactical and operational plans and activities
			2.3. Acting as an entrepreneur
	Work on the organisation (we)	3. Work in the organisation	3.1 Leadership
			3.2 Working together / Collaboration
			3.3 Managing projects
	Work on yourself (I)	4. Working on own professionalism	4.1 Development of your (educational) career
			4.2 Constructing knowledge

Source: Competence card cluster marketing and cluster retail/entrepreneurship, INHolland University of Applied Science, 2008.

The book export planning provides input and knowledge on all four competences with an emphasis on 2.1, 2.2, 3.3 and 1.1.

Supplements

At the website of Pearson Education www.pearsoneducation.nl/leeman you can find a brief instructor's manual and power point slides which can be downloaded. Next, you can find the export checklist, the export spider plot - graph, the investment analysis spreadsheet and extra cases at this website. Additional information can be found at the website of the Institute for Business Process Management (www.institute-bpm.com). For specific questions you can send an e-mail: joris.leeman@institute-bpm.com.

Export Planning I

Chapter 1: Introduction

Chapter 2: Internal and external analysis

Chapter 3: Business strategy and internationalisation

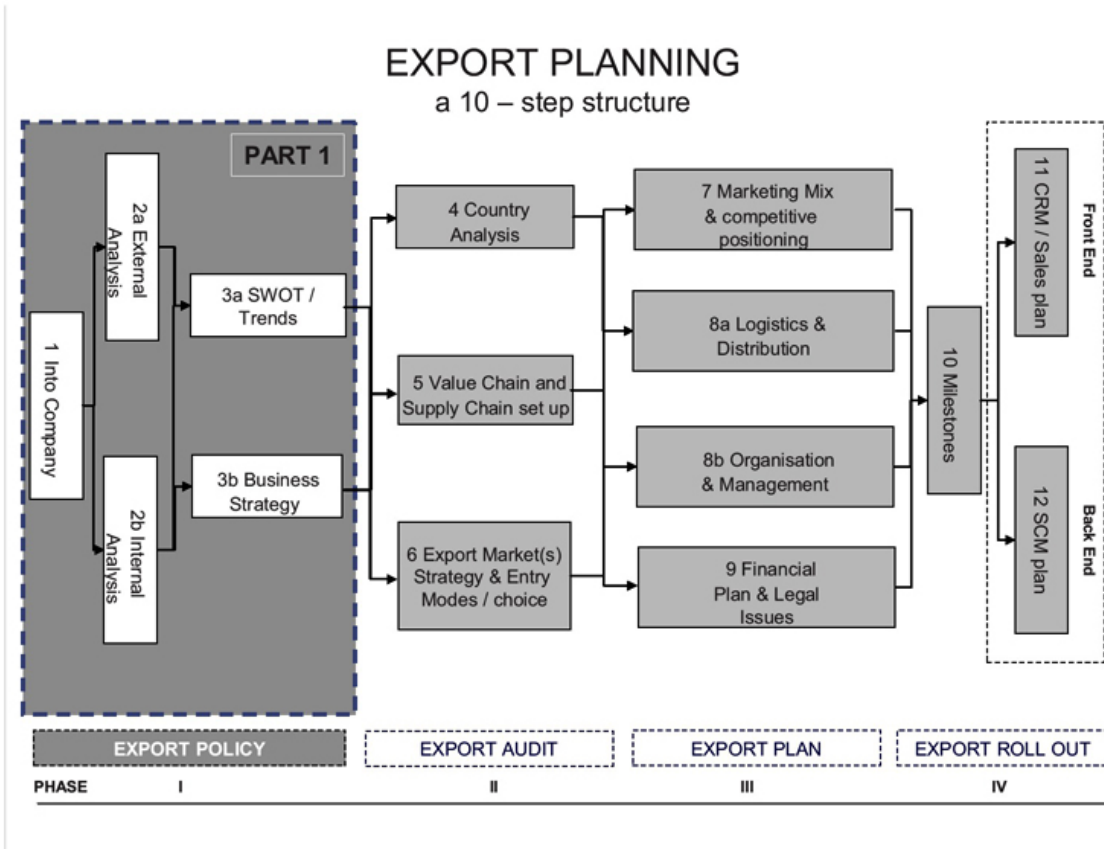
PART ONE OF EXPORT PLANNING examines the role of export management within the company and reviews the development of an export policy to enable systematic and successful internationalisation.

Chapter 1 introduces the role of export management within a firm. It shows the overall export planning process with its four phases: export policy, export audit, export plan and export roll out. Finally it presents the 10-step export plan structure which is used as a guideline throughout this book.

Chapter 2 starts to explain how to create the basics for the export policy plan. It explains the elements how to put together an internal analysis: mission, objectives, business definition, organisation and capabilities. It then looks at the external analysis: DESTEP and trend analysis, and finalises with the SWOT analysis and TOWS matrix.

Chapter 3 completes the development of the export policy plan. Firstly, the general business strategy is being defined together with its (international) growth directions.

Secondly, the positioning of the different product lines, brands and regions is determined together with the individual value propositions to gain a competitive edge. The chapter finalises with the 1st review gate: “Does our company want to go for internationalisation yes/no?”



CHAPTER 1: Introduction Export Planning

At the end of the chapter you are able to:

1. understand the market position of countries from an international perspective and know the export development of the leading export nations;
2. name the drivers within an organisation for export development;
3. describe the elements which influence the international strategy definition;
4. explain the export planning - process and its 4 phases: export policy, export audit, export plan and export roll-out.
5. explain the 10 step export plan - model.

MATTEL: “Barbie: growing pains as the American girl goes global”

In 1976, a time capsule was buried to commemorate the U.S. bicentennial. The capsule contained items that captured the essence of America and included a Barbie doll, described as the “quintessential American”. Thirty years later, Barbie has become much more cosmopolitan. Although Mattel generates about 60 percent of its annual revenue in the U.S. market, millions of girls around the world have adopted Barbie as a favorite toy; Barbie is sold in more than 150 countries. Overall, Barbie is the best-selling toy brand in the world, and Mattel is the world’s largest toy maker. However, as Barbie approaches her fiftieth birthday, the fashion doll’s popularity is declining at home and abroad. For example, Bratz, a competing doll line featuring racing fashions, has exploded in popularity. By contrast, in the Middle East, the hottest-selling doll

line, Fulla, is associated with Islamic values such as modesty and respect. Also, young girls are gravitating towards electronics devices such as digital music players. These and other trends spell trouble for Mattel, which depends on Barbie for about 20 percent of its annual sales.

What was the secret to Barbie's first several decades of success? Ruth Handler, Barbie's creator, believed that all children needed to play with mature dolls to effectively project their fantasies of growing up (Handler's children were named Barbie and Ken). Though Mattel's executives initially believed that a doll with a womanly bosom was improper and would never sell, Barbie became an instant success with American children.

Over time, Barbie's look has changed to reflect changing fashion and cultural trends. In 1968, for example, the first black Barbie was introduced to cater to the growing African-American market. Hispanic and Asian American Barbies have also been created in response to the growth of America's other ethnic markets. It was a natural step for Mattel to target untapped groups of children in other parts of the world. A strategy dubbed "Mattel 2000" focused on the company's direction during the decade of the 1990s. As former CEO John Amerman noted, "There are twice as many children in Europe as in the U.S....three times as many in South America and fifteen times as many in Asia....the potential market for products like Barbie....is mind boggling." However, although Barbie has been successfully adapted to cultural differences in the United States, the opportunities for international growth come with formidable challenges. Even so, according to current CEO Robert Eckert, Mattel is "dedicated to becoming a truly global company."



Europe

Mattel adopted a pan-European, regiocentric approach to the Western European market. Barbie is a huge success in Europe; in Italy, France, and Germany average five Barbie dolls in their toy collections. In the early 1990s, Mattel developed a new “Friendship Barbie” to sell in Central and Eastern Europe. The new doll was less elaborate than its Western European counterpart, with sports designer clothes and accessories. By contrast, Friendship Barbie reflects the more basic lifestyle children had experienced under communism. However, although Mattel has experimented with multi-cultural dolls, the company discovered that little girls in Europe prefer the well-known American Barbie to the local versions.

The Middle East

Since being introduced in the Middle East, Barbie has faced opposition on political, religious, and social grounds. Parents and religious leaders alike object to the cultural

values that Barbie and Ken portray. Writing in the *Cairo Journal*, Douglas Jehl noted, "To put it plainly, the plastic icon of Western girlhood is seen in the Middle East, where modesty matters, as something of a tramp."

In Egypt and Iran, Barbie faces competition from several new doll brands aimed at providing an Islamic alternative to Barbie. As one Arab toy seller noted, "I think that Barbie is more harmful than an American missile." Barbie's challengers include demure-looking dolls such as Laila, who was designed according to recommendations of participants at the Arab League children's celebrations in 1998. Laila wears simple contemporary clothes such as a short-sleeve blouse and skirt and traditional Arab costumes. Abala Ibrahim, director of the Arab League's Department of Childhood, believes "there is a cultural gap when an Arab girl plays with a doll like Barbie...the average Arab's reality is different from Barbie's with her swimming pool, Cadillac, blond hair and boyfriend Ken." [case shortened for redactional purpose]

Asia/Japan

Mattel has learned that, to be successful within a foreign culture, Barbie does not need a total overhaul but instead can be very profitable with minor cosmetic changes. For example, Barbie was successfully launched in India in 1995 and, while the core product remains unchanged, Indian dolls are painted with a head spot and dressed in sari.

Mattel has had more difficulty conquering the world's second-largest toy market, Japan. The Japanese toy market is worth \$8 billion in annual sales and is vital if Mattel is to achieve its goal of becoming more global. The Japanese market is notoriously difficult to penetrate as Mattel has found during 20 years of doing business in the country. Companies entering Japan must contend with complex distribution systems and intense competition

from Japanese brands. Furthermore, dolls have a strong tradition in the Japanese culture with a heritage of over 800 years and ceremonial importance.

Mattel's initial attempts to market Barbie in Japan met with limited success. Management presumed that Barbie's success in other markets would be replicated in Japan. As John Amerman, CEO of Mattel in the mid-1990s, noted, "They didn't know what that product was, and it didn't work." To boost sales, Mattel enlisted the services of Takara, a Japanese toy specialist. Through focus groups, Mattel learned that Barbie's legs were too long and her chest too large - in short, Japanese girls did not relate to Barbie's physical attributes. Also, Barbie's eyes were changed from blue to brown, and the doll ultimately took on a look that was appealing to the Japanese children's sense of aesthetics. The Takara Barbie was born.

Although sales improved, a licensing disagreement prompted Mattel to terminate the relationship with Takara and search for a new partner in Japan. Takara continued selling the doll as Jenny, which, ironically became a competitor to the new Japanese Barbie. In 1986, Mattel joined forces with Bandai, Japan's largest toy company. Bandai produced Maba Barbies ("Ma" for Mattel and "ba" for Bandai) with wide brown eyes. Due to its similarities to the Jenny doll, however, Maba Barbie was withdrawn from the market before it achieved success. [...]. Once again, market success eluded Mattel. Mattel was committed to neither Japanese style nor an American style and competed poorly against dolls whose identity was well defined. However, Mattel realized that its competitive advantage lay with its American culture. Though Mattel had attempted to adopt to the Japanese culture, Mattel discovered once again that girls prefer the well-known Barbie to the local versions. In 1991, Mattel ended its relationship with Bandai and opened its own marketing and sales office in Tokyo. Mattel introduced its American

Barbie to Japan and experienced success with “Long Hair Star Barbie”, which became one of the top-selling dolls in Japan. Although financial losses mounted until 1993, in 1994 Barbie made a profit in Japan with sales almost doubling since its reintroduction. [...]

Writing in Mattel’s 1999 *Annual Report*, acting CEO Ronald Loeb promised that the company “will proactively adapt its products to local tastes, economic conditions, and pricing, rather than viewing the rest of the world as an extension of our U.S. strategy.” At the same time, Richard Dickson, senior vice president of Mattel’s girl’s consumer products worldwide, believed Barbie’s global strategy must originate from a perspective of worldwide cohesion. He noted, “If I go on a plane from France to Japan to the United States and there’s a Barbie billboard, you’re going to sense that it’s the same Barbie [in all three countries].” To facilitate its global approach, Mattel has given the U.S. President of Barbie the full responsibility for the brand around the world. [case shortened for redactional purpose]

Source: revised and updated originally written by Alexandra Kennedy-Scott, David Henderson, and Michel Phan, ESSEC Business School. Warren Keegan, Mark C. Green, *Global Marketing*, 5th edition, page 143-145, Pearson Education. 2008. Picture from Mattel Analyst Meeting, Feb. 19th, 2009.

1.1 Internationalisation of the organisation

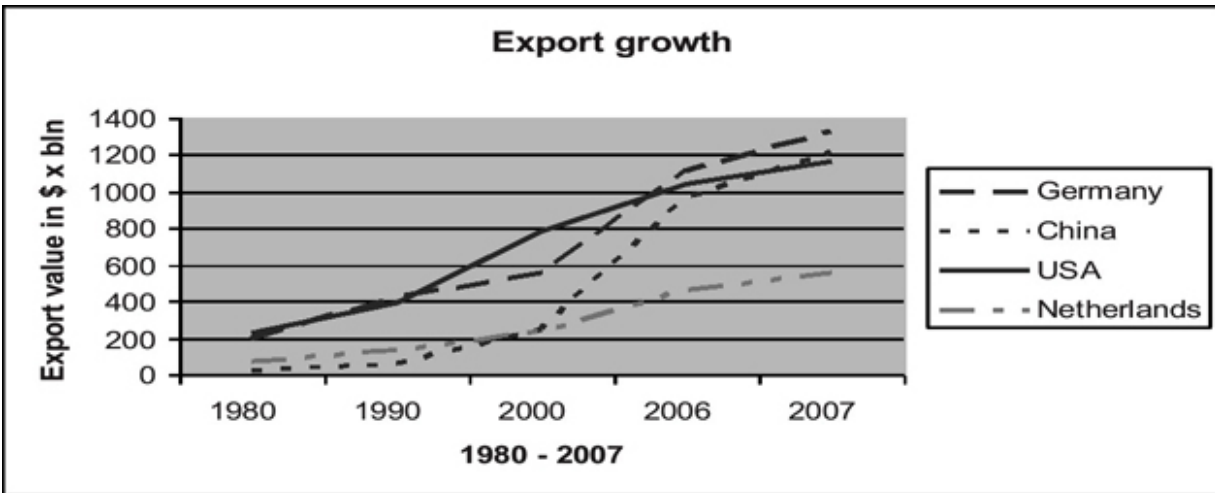
The struggle for success of Mattel’s Barbie in foreign markets is a typical example for many companies going abroad. Adaptations to specific customer target groups in the home market are no guarantee for successful internationalisation. Even Mattel with its enormous

marketing skills and brand positioning power of the brand “Barbie” faced difficulties in finding the right mix of global versus local adaptation.

This book on *Export Planning* is taking you on a journey how to have your organisation go international, set up international marketing and execute its first sales and order deliveries. In brief, how to plan and implement *international market development*.

[Chapter 1](#) provides an overview of the content of this book. Internationalisation of the organisation requires a clear strategic commitment and vision/mission of the firm. Next, the process of planning and organising the internationalisation, the ‘*export planning proces*’ means a systematic approach in entering and developing the international business. This chapter introduces the role of export for countries and role of export management within a firm. It shows the overall export planning process with its four phases: export policy, export audit, export plan and export roll out. Finally it presents the 10-step export plan structure which is used as a guideline throughout this book.

Many companies start internationalisation of their business during and after a successful growth phase. Most of the time, opportunities are spotted or customers put requests forward to deliver the products and / or services abroad. [Figure 1](#) shows an overview of the export development of the largest export nations in the world between 1980 up to 2007.



Source: WTO

Figure 1: Export development of largest export nations

Historically the United States of America and Germany are the two largest export nations in the world. However, as can be seen from the graph, China has been climbing up to a 2nd position, leaving the U.S. behind. The statement “China is the factory of and for the world” is very much true in this respect. The Netherlands is a relatively large export nation, compared to its small geographic size and population; maintaining a 6th position on the world ranking. The high ranking of The Netherlands is may be not so surprising as Dutch people always have been traders for many centuries and founded many cities far away. For example, Nieuw Amsterdam = New York, Batavia = Jakarta. [Figure 2](#) provides an overview of the top 15 largest export nations in the world. Surprisingly the United Kingdom and Russia are not so high on the list, which is a little bit strange if you look to the history of both nations; especially for the U.K.. The United Kingdom (=Great Britain) had a lot of colonies all over the world in the past. They were the center of the industrialisation age in the 19th century. However, they somehow lost track the last 100 years and do not play a major role in exporting anymore, especially in industrial products.