

Navigate safely thru the



In this second in a series of articles, CAD Dealer US sales and marketing correspondent, Nick Vasilieff, President of Third Party International examines the key issues behind the successful marketing of your products or services in international waters.

In my last article I discussed the importance of thinking globally, of looking for suppliers and distributors outside your local markets and the benefits that doing business internationally can bring to your large or small business. But doing business internationally may seem daunting. If you have only operated in domestic markets, an international market may seem like a maze where you are faced with high costs, loss of control and complex laws and procedures that create a heavy administrative workload. With the correct research and planning, however, your move into uncharted waters can be a vastly rewarding experience — and one that reaps great rewards.

First let us review some of the reasons for moving into international markets.

1. **Diversification:** supply and distribution channels in other markets diversify your company and insulate against local supply-and-demand swings;
2. **Company experience:** as an organisation with experience in international business you gain the knowledge and experience to solve problems beyond your local market, enhancing your image and value to the customer;
3. Finally, the most compelling reason to move into international markets is **demand**.

Since I addressed the considerations of diversification and international experience in my last article, let us now consider demand.

There are several ways of measuring demand for product. One of the simplest is tracking your international enquiries. If you advertise in some of the larger technical magazines you are probably receiving enquiries from outside your domestic market. If you receive enough enquiries from a specific market, you probably want to consider distributing your products there.

Another form of demand can come from existing customers. You may be dealing with multinational companies that wish to pur-

chase products locally in other countries. If the demand is great enough you may want to consider setting up some form of local distribution to meet the existing clients needs.

Alternatively, you may simply sense that there is a demand for your product beyond your domestic market. If so, you have reason to look at international markets. In all cases, your first step to international business is market research.

Research

Although all markets have similarities, most companies are well advised to spend some time and money on basic market research. I am not talking about discovering every little detail about your market but, before you enter any market, you should know some basic information:

- ┆ Size of your real potential market (both by numbers of potential customers and potential units);
- ┆ Growth rate of your market;
- ┆ Specific demographic of your market by region;
- ┆ Competitors —
 - Names;
 - Products and pricing;
 - Aftersales support;
 - Distribution methods;
 - Names of distributors and dealers;
 - Percentage of market penetration;
 - Marketing methods;
 - Packaging.

Choosing a research company can be very important to your success. Many companies do not know the technical markets and try to apply basic research techniques to all markets — from bananas to CAD software. The best information comes from companies employing individuals who have experience with technical products and strong knowledge in your target marketplace.

The research company could be based in your country (or another) and have international experience; be located in the local market; or be part of an international network. Options include international marketing organisations, distrib-

utors or agents operating in your market sector. Above all, be sure you hire a company which has experience researching technical markets.

Assuming you have done the required market research and the results indicate that the target market is ready for your products, the next step is using your marketing strategy to build your part of the market.

Using the basic market demographic developed from your research, you should develop a business plan that will allow you to introduce your product in the most cost-effective manner. This must have specific goals and measurable milestones and move you towards capturing market share.

The plan should, at a minimum, include the following elements:

- ┆ Market demographic (research);
- ┆ Management structure;
- ┆ Marketing strategies and implementation;
- ┆ Product localisation;
- ┆ Distribution;
- ┆ Pricing;
- ┆ Budgets;
- ┆ Reporting.

Having decided that you wish to move into an international market and having completed your item list, you are now ready to develop the specific elements of the plan.

Three steps to successful marketing: Awareness, Need and Supply

Bringing a product into any market requires that you penetrate that market through a set of steps that achieve both psychological and logistical goals. In its simplest form those steps can be divided into three segments:

1. *Creating Awareness,*
2. *Creating Demand*
3. *Creating Supply.*

marketing maze

MARKETING ACTIVITY RESPONSE PROJECTIONS

ADVERTISING	TYPICAL COST	RESPONSE PER AD	COST PER RESPONSE
Magazine 1/2 pg ad	\$ 6,000	80	\$ 75.00
Magazine full pg ad	\$ 11,000	120	\$ 91.67
CARD DECKS	\$ 2,250	250	\$ 9.00
PRESS RELEASE	\$ 750	200	\$ 3.75
APPL. STORIES	\$ 1,050	100	\$ 10.50
PROD REVIEW	\$ 1,050	150	\$ 7.00
SHOWS	\$ 12,000	150	\$ 80.00
MAILINGS	\$ 4,500	125	\$ 36.00

Because management structure depends greatly on your type of distribution, let us leave that for a future discussion. For the remainder of this article we will look at the next most important item: marketing.

Marketing

It is important to recognise that, regardless of the type of distribution you choose, you will be required to manage your own marketing activities. If you distribute and sell your products directly, you will be required to manage your own campaigns to attract customers. If you build a dealer channel you will be required to manage your own campaigns to attract dealers and customers.

Even if you are fortunate enough to find a distributor willing to take the responsibility of managing the marketing activities for your products, you are well advised to stay in close touch with the marketing plan and implementation. It is true that a local representative or distributor will know the local market and its customs, but you know your product best and you will play an important role in developing a successful marketing campaign.

In my seminars and consulting work, the first element of marketing I discuss is the purpose of each activity. A successful marketing campaign usually has several steps and each step, if done properly, achieves a specific goal. In that context, let's look at the steps in a successful marketing campaign (see boxout below).

Creating product awareness

Creating product awareness is the initial function of all marketing efforts. In smaller markets or for products with narrow target mar-

kets, it may be possible to reach a significant portion of the potential market through activities like seminars, shows or direct mailings.

In larger markets or for products with wide market appeal, you may need to look to marketing activities that reach a broad number of potential customers. For technical products requiring large market exposure, magazine advertising and free press activity are still the best marketing tools for creating product awareness. Other activities, such as national and regional trade shows and direct mailings are possible options, but they are more costly and often do not expose you to a broad enough portion of the market.

The sample analysis in the box at the top of this page gives you some idea of the effectiveness of each marketing tool and their average costs. It is a sample analysis I perform when preparing marketing plans.

This particular analysis was done to compare the "cost per response" of different types of marketing tools. Although this is a single analysis from a collection of tables and projections and should not be used out of context, it does give us some idea of the range of costs per response. Also, be aware that the actual costs of each activity will vary depending on your specific plan and market.

Notice that the lowest-cost activity (per response) in this analysis is the press release. This is because press releases, application stories and other free press activities carry only the cost of production. The most expensive activity per response is full-page advertising. This is because advertising is a high-unit-cost item that does not necessarily produce large lead counts. In spite of this seemingly

undesirable cost, magazine advertising has one quality that makes it a requirement for product-introduction campaigns requiring exposure in large markets.

Magazine advertising reaches the largest segment of your market every month. For creating product awareness, this is exactly what you want. If used properly, magazine exposure will help establish your product in a market more quickly than any other marketing activity. But not alone.

A complete marketing campaign includes a combination of many marketing activities. The goal is to have each activity contribute to the effectiveness of all other activities. This compounding affect is what creates "momentum" in a campaign.

For example, if we run one full-page ad in a magazine, we might receive 100 quality leads. If we do a mailing to 1000 potential customers, we might also receive 100 responses. But if we run the ad and do the mailing, we would see a compounding affect that might result in an increase in our response rate by 5% to 10%. And, if we have both activities combined with others over twelve continuous months, we could reasonably expect to maximise our response rates at their highest possible percentages.

Although each individual activity is targeted for a specific purpose, you will ultimately measure the effectiveness of your marketing campaign by comparing the total cost of all activities to the total response rates generated from all activities.

This brings us back to using magazines to generate product awareness. If you have a very small market or your product appeals to a very narrow market niche, you may find that your marketing investment will be better spent on direct mailings or other activities. But, if you have a larger market or a product with broad appeal, you must look to activities that will expose your product to the largest number of potential users on a regular basis.

Remember, the primary purpose of including magazine activity in your marketing campaign is to

create product awareness. You will receive some leads and resulting sales from this activity but, as I have demonstrated, if you measure a magazine's effectiveness solely on lead counts, you will be disappointed.

Recognise that the goal of magazine advertising is creating awareness and make it a part of your overall marketing strategy for that purpose. Let other marketing activities produce leads.

Creating product demand

As we focus attention on creating product awareness, we can also begin to look at creating demand for our product. Although I list these two functions sequentially, they may in fact occur simultaneously.

Creating product awareness is primarily a function of repetition; creating product need is fundamentally an educational process. Product awareness can arise by customers subconsciously registering the sight of a company logo or image but, in order for them to recognise a need for a product, they must read an ad or a letter and consciously register the information you are communicating.

Because of this, you must communicate the utility of a product, educate the prospective customer on the need for such a product, and then tell them how your product will solve their problem. If this sounds like a daunting task, it is. But remember that you have a long time to achieve this. Good marketing requires persistent, consistent effort to be effective.

Let's look at Softdesk, Inc as an example.

David Arnold began his company (originally DCA Engineering) as a single-focus (civil engineering) company. As he evaluated the AutoCAD market he identified a need for a single source of third-party AutoCAD products: products that would work together, not just with AutoCAD.

Using a long-term strategy of acquiring new products to expand its range of offerings, building a national dealer distribution channel and using multifaceted marketing to create product awareness and demand, Softdesk built a



Implementing the right international marketing strategy will enable your business to take off when you expand abroad.

sub-market for its products within the AutoCAD market.

As I see it, magazine advertising was used by Softdesk specifically to create a broad awareness of the company and its products and to create credibility for the startup company.

Within five years, Softdesk had established itself as the premier supplier of third-party AutoCAD products. It established itself so well, in fact, that Autodesk bought it last year: a happy ending to a great success story.

Creating product supply

Once customers become aware of the product and recognise their need for it, they will seek a supply. Supply includes all aspects of getting the product to market, including creating the level of comfort required in the mind of the customer to make the purchase and providing the means by which the customer can make the purchase.

Moving potential customers from recognition of their need for your product to an actual purchase may take several educational steps. These might include additional mailings, phone calls or, if the product price supports it, a personal visit. Each step in this sales process is designed to inform, build confidence and reinforce the perceived need for your product.

Actual delivery of your product can be done in several different ways and is largely dependent on the availability of effective distribution. Some options include:

- Supplying the customer direct from your local base;
- Working with international partners to support customers either directly or through a dealer channel;
- Appointing local distributors to support customers;
- Opening a new office and appointing staff to work in the new territory.

In most markets there are many established channels that reach almost any market segment. In some countries direct sales are very effective (North America for example); in others (such as Japan), a dealer channel is a necessity. A major plus when selling direct is the retention of customer contact (as well as avoidance of dealer discounts). The downside is the logistics of maintaining a direct operation, with the huge overheads this can incur — not everyone can be like Dell.

A major upside to using a dealer channel is

good management of the sales process, while the downside comes in the dealer commissions and the management of the channel itself.

The Internet is rapidly becoming a delivery mechanism for many products and a future article will focus on the pros and cons of e-commerce.

Exactly which channel or channels you use will depend on your market demographic, your product and the requirements of your customers. Again, an analysis must be done for you to select the proper distribution vehicle for your products (I will specifically discuss distributor, dealer and direct-distribution channels in the next issue of CAD Dealer).

Regardless of the distribution channel you choose, successful marketing requires that all three basic steps be achieved (creating awareness, demand and supply). Though there can be some overlap, each step represents a specific, sequential milestone that must be achieved before the next milestone can also be fully achieved. It is not good enough to achieve only one or two of the steps, because you will never reach your ultimate goal of closing the sale and generating revenue.

Achieving the three steps in the mind of the customer may take only a few minutes for an individual in a retail store, for example. On the other hand, it may take months or years for individuals seeing product advertising in the media. Your goal is to reduce the total amount of time required to achieve these three steps by providing complete, accurate and concise information in each marketing piece you create.

In this article I have touched on doing proper research and several different marketing concepts that will help you start building an international marketing strategy. To build a fully successful marketing strategy there are many more elements that must be considered. In my next article I will continue piece with a discussion of other marketing activities and a closer look at managing distribution channels.

Until then, I invite you to contact me through CAD Dealer with comments on these articles, suggestions for future articles, questions about your own particular problems or with solutions to distribution/supply problems that you have found successful in your own business. *CD*

MORE INFO:
www.caddealer.com/info.htm