Finding Partners for INDIRECT Exporting

World Trade Practices
Chapter 8

Export Management Companies (EMC)

- Brand Awareness
- Customer Service
  - Training
  - Warranty
- Industry and Technical Knowledge

EMC vs. Piggyback

<table>
<thead>
<tr>
<th>Issue</th>
<th>EMC</th>
<th>Piggyback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer package/int distribution</td>
<td>Generally high: depends on EMC</td>
<td>&quot;Lower, if EMC depends on overseas distribution&quot;</td>
</tr>
<tr>
<td>Overseas brand awareness</td>
<td>Usually EMC has no high brand image, rely on brand image of overseas manufacturer</td>
<td>Probably no brand awareness developed depends on manufacturer's brand strength</td>
</tr>
<tr>
<td>Future distribution</td>
<td>Very likely</td>
<td>Less likely without FDI</td>
</tr>
<tr>
<td>Customer service/support</td>
<td>Depends on EMC capabilities</td>
<td>Depends on infrastructure</td>
</tr>
<tr>
<td>Control over foreign pricing</td>
<td>Moderate control</td>
<td>Very low</td>
</tr>
<tr>
<td>Exclusivity</td>
<td>Likely to insist on exclusive territory and contract</td>
<td>Less likely/limited agreement</td>
</tr>
<tr>
<td>Length of contracts</td>
<td>IT exclusive - very long desired</td>
<td>Not usually warranted</td>
</tr>
<tr>
<td>Profit margin</td>
<td>Depends on industry norms</td>
<td>Higher the infrastructure overseas, higher the profit; high investment could justify</td>
</tr>
</tbody>
</table>

Brand Awareness

Customer Service

Industry and Technical Knowledge
Finding an EMC

1. Like hiring an employee
2. Take your time
   - Networking
   - International trade centers/local contacts
   - Internet
   - Industry associations
   - Trade journals
   - Government listings

Finding a Piggyback Partner

1. Might include
   - Current customers
   - Current suppliers
   - Non-competing companies in your industry
   - Competing companies not producing your export product
2. Could locate
   - Networking
   - Trade shows
   - Industry press
   - Trade associations
   - Sales staff

Contract Negotiations

1. Pricing considerations
2. Exclusive vs. nonexclusive contracts
3. Territory covered
4. Market and customer support
5. Length
6. Grandfather clauses
7. Errors and omissions insurance
Steps in International Negotiation

- Preparation
  - Determine if Negotiation is possible
  - Know exactly what your company wants
  - Know the other side
  - Send the proper team
  - Agenda
  - Prepare for a long negotiation
  - Environment
  - Strategy

- Building the Relationship
  - Concentrate on the social and interpersonal matters
  - First step in Japan often occurs by drinking tea in a room outside the formal office.
  - In most countries, restaurants, bars and cultural tours often provide the context for relationship-building activities.
  - Sometimes a “protocol” may be signed to outline future business relations.
**Exchanging Information**

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Arabs</th>
<th>Japanese</th>
<th>Mexicans</th>
<th>Russians</th>
<th>U.S. Citizens</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information Exchange</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focus is on information about the relationship and less on technological details</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extensive explanations for technical information</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brief, attention to detail</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>First offer or counter offer</strong></td>
<td>20 to 50% off goal</td>
<td>30 to 70% off goal</td>
<td>Fair for both parties and close to goal</td>
<td>Extreme and purposely unfair</td>
<td>5 to 10% off goal</td>
</tr>
</tbody>
</table>

**Persuasion**

- **Verbal & Nonverbal tactics**
  - Promise
  - Threat
  - Recommendation
  - Warning
  - Reward
  - Punishment
  - Normative appeal
  - Commitment
  - Self-disclosure
  - Question
  - Command
  - Refusal
  - Interruption

- **Dirty Tricks**
  - Deliberate deception
  - Stalling
  - Escalating authority
  - Good guy, bad guy routine
  - You are wealthy and we are poor
  - Old friends

**Concessions**

- **Concession making**
  - Process requiring each side to relax some of its demands to meet the other party's needs.

- **Sequential Approach**
  - Each side reciprocates concessions made by the other side.

- **Holistic Approach**
  - Each side makes very few, if any, concessions until the end of the negotiation.
**Agreement**

- Signed contract, agreeable to all sides.
- Safest contracts are legally binding in the legal systems of all signers.
- Contract must be understood in principle by people from different national and business cultures, allowing for true commitment about the terms of the agreement.
- May be called:
  - MOU (Memorandum of Understanding)
  - Principles of Agreement

**Comparisons**

**Negotiation Strategies**

<table>
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<tr>
<th>Stage of Negotiation</th>
<th>Competitive Strategy</th>
<th>Problem-solving Strategy</th>
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<tbody>
<tr>
<td>Preparation</td>
<td>Define the interests of the company. Prepare a position statement.</td>
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<tr>
<td>Relationship Building</td>
<td>Separate the people in negotiation from the problem. Change negotiators if necessary. Adapt to the other side's culture.</td>
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</tr>
<tr>
<td>Information exchange</td>
<td>Persuasion</td>
<td>Persuasion</td>
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<tr>
<td>First offer</td>
<td>Use dirty tricks and plays that you think will work. Persuade the other side.</td>
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<td>Persuasion</td>
<td>Concession</td>
<td>Concession</td>
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<tr>
<td>Concession</td>
<td>Look for weaknesses in the other side. Find out about competition. Persuade the other side.</td>
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<td>Agreement</td>
<td>Search for mutually acceptable criteria. Accept cultural differences in starting position and how and when concessions are made.</td>
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Personal Characteristics

- Tolerance of ambiguity
- Flexibility and creativity
- Humor
- Stamina
- Empathy
- Curiosity
- Bilingualism

International Contract Law

- Most developed in the United States
- Some countries want agreements in general
- Need to verify which country has jurisdiction