



EXAMINER'S REPORT

AUGUST 2004

**INTERNATIONAL MARKETING
MANAGEMENT & STRATEGY**

Question 1

In view of the fact the topic has frequently come up in one shape or another in many previous examination papers, it was surprising that so many students were unable to spell out the basic differences between distributor and the agent. The major difference is explained in one sentence on the bottom of page 275 of the recommended text.

Even when students did understand the differences between the two channel members, there were quite a few problems in dealing with part two of the question which asked about how the differences affect the exporter's efforts to build good working relationships.

The essential text is not very clear on the issues and the examiner was prepared to give a good deal of leeway to students in their approach to this part of the question. Therefore, any student who made an effort to answer the question was given good marks – especially if the importance of selecting the appropriate channel member, of having a legal agreement in place, motivation and the difficulties of terminating agreements were mentioned. Students might like to note some of the points in the table below for future reference – the points are based on a situation where the exporter is not a major international or multinational operator likely to have a wholly or partly owned market distribution system or a heavily branded franchise operation in the overseas market.

Importer Distributor/Merchant Importer	Agent
The exporter usually has to work very hard to secure and retain the services of a good Importer/Distributor than is the case with an Agent. Importer/Distributors often choose the supplier rather than the reverse. During the appointment process, the power in the negotiations invariably lies more with the I/D than with the exporter. Negotiation skills of a very high order are called for on the part of the Exporter.	The exporter usually meets potential Agents at trade fairs and exhibitions or through the services of Chambers of Commerce or Trade Promotions Organizations. Usually there is a plethora of Agents available and the power in negotiations lies with the Exporter. Negotiations are almost like a job interview conducted by the Exporter, the Agent playing the role of the job applicant.
Distributors look for brands and products which compliment their existing brands and products and which play a strategic part in their business objectives especially market	Agents are interested in finding an exporter who is willing to appoint them on favourable terms to handle the promotion and sales of products which fit into their

<p>growth and sales stability. The distributor expects the supplier displays a high degree of honesty, probity and efficiency in the logistical operation and the exporter must be willing to work hard to display these qualities. At the same time, the distributor expects almost total freedom with market operations. Exporters may find this lack of control hard to accept – especially if they feel the distributor is not doing the best for him. Relationships depend on openness, honesty, understanding, communication and co-operation at a personal as well as at a business level.</p>	<p>areas of expertise and market experience.</p> <p>The Agent expects to be allowed to concentrate on sales and needs convincing to engage in other activities not directly related to generating sales commissions. The Agent expects the exporter to initiate, fund and control the marketing effort to the advantage of his sales volumes and will need motivation and encouragement to devote time and effort to these activities. The 80:20 rule applies – 80% of sales will come from 20% of Agents. The exporter must be a good motivator to handle a team of Agents effectively.</p>
<p>Once appointed, the distributor’s relationship with the exporter is dominated by immediate commercial reality: how well is the product selling, how profitable are sales, how good are the supplier support, logistics and operations. Distributors are mainly concerned with the terms of sale component of the distribution agreement (p.304 recommended text). If things do not go well immediately or almost immediately, the I/D is prepared to drop the supplier – regardless of any Agreements in place. The Exporter must spend much more time and be prepared to make very fast responses if the I/D is to be kept highly motivated.</p>	<p>A good Agent is generally more amenable to the prospect of improved sales over a given period of time – certainly a longer period of time than is the case with an I/D.</p> <p>Agents need a good deal of support and don’t often appreciate the realities of building a market through pull rather than push strategies.</p> <p>However, a good Agent appreciates the marketing effort put in by the Exporter especially if the effort is made as part of teamwork between both parties and if the effort results in even marginal success.</p> <p>Communication, teamwork and understanding are the vital components in the Exporter’s skills portfolio.</p>
<p>The legal agreement with an I/D is of little use other than to spell out the terms and conditions of sale.</p> <p>The reality is that it is probably unenforceable with an I/D who has money in the bank and a knowledge of local legislation – the Exporter is simply not in a position to take legal action.</p> <p>Therefore, the Exporter has to rely on motivation rather than threat to achieve channel objectives.</p> <p>However, the Exporter has to understand how powerful the I/D is if the I/D wishes to legally</p>	<p>The legal agreement with an Agent is of little use other than to spell out the terms and conditions of sale.</p> <p>The reality is that it is probably unenforceable with an Agent since he/she probably doesn’t have the money in the bank to make legal action worth while and, despite Arbitration Clauses, the Agent has a major advantage because any legal action has to be initiated in the overseas court and is likely to be biased – at least to some extent – in favour of the Agent.</p> <p>For obvious reasons, an Agent is unlikely to</p>

challenge the Exporter. The Exporter has to behave according to the letter of the agreement in place.	take legal action against the Exporter. The end result is that the Exporter has to rely on motivation rather than threat to achieve channel objectives.
A case can be made for the idea which is gathering currency that International Marketing Management as set out in the various text books on the subject is very long on International Marketing and just a bit short on International Management – especially the skills required to manage channel members in overseas markets.	

Question 2

The answer materials for this question can be found on pages 345 to 347 of the essential text. An analysis of the papers showed that 55% of candidates who attempted the question achieved at least a pass mark while 45% failed.

An analysis of the reasons for failure showed that:

- 5% of candidates simply did not know enough to achieve a pass mark
- 5% wrote just one sentence and – presumably did not know enough to achieve a pass mark.
- 35% did not answer the question asked of whom just under 50% wrote very good material which – unfortunately – had no bearing on the actual question asked.

Students should realise by now the need to check their answers against the question: this point has been raised in almost every Examiner’s Report in recent times.

Question 3

This question proved quite popular – probably because it offered students a lot of leeway to use knowledge gleaned from previous years and other topics on the Third Year syllabus. Most answer papers drew the distinction between management personnel and other personnel in the organization and between the qualities required by the small as opposed to the large enterprise. Most candidates who attempted this question did very well in terms of obtaining marks. Students drew from Chapter 14 of the recommended text but mainly drew materials from the reading on Global Management. Most candidates combined the concept of the building blocks of competitiveness and planning, organization motivation and control to build good answers to the question.

Question 4

The answer materials for this question can be found on pages 18 to 20, Sections 3:3 and 3:4 Reading on Global Marketing Management. These sections deal with the tangled business of organization STRUCTURES which is actually the topic which the examiner thought was the topic of the question. However, account had to be taken of the fact that students interpreted the question as asking about how the enterprise should prepare a marketing plan or prepare to implement a marketing plan. The examiner was happy to make allowance for the fact that candidates seemed to concentrate more on the planning aspect of the question rather than the organization issues. Students should note for the future that, in organization and management theory, the word organization has a specific and clearly defined meaning. It refers to the allocation of tasks and responsibilities to functions, departments and individuals. At the end of the day, candidates who made any fair effort to answer the question in either the organization or planning dimension received good marks.

Question 5

Much of the material to answer this question can be found in Chapter 8 of the recommended text. Almost every candidate who attempted this question got at least a pass mark.

Question 6

This question proved as popular as ever and this type of question should be expected in future papers as it serves to bring marginal papers up to a pass mark and to generally improve grades.

The relevant answer materials can be found in the recommendations in brackets after each topic.

Centres of Excellence - (Page 394 of essential text)

Buy Back - (Page 504 of essential text)

Arbitration Clause - (Page 576 – performance of contract - in essential text).

Culturegram - (Pages 207/208 of essential text)

Export barriers - (Pages 21 to 23 of essential text)

Global Account Managers - (Section 3:11 Page 27 of reading on Global Marketing Management)

Question 7

The materials required to answer this question can be found in Section 11.5 pages 501 to 505 in the essential text. In international markets, export financing and methods of payment are becoming increasingly complex and students can expect questions on these areas to crop up in examinations. This question proved extremely popular and many of the answers were good enough to substantially improve grades achieved.

Question 8

The materials for answers to this question are provided in page 11 of the recommended readings on e-Business. The materials are straight forward enough and students – for the most part – answered this question very well. Some students wrote extensively on Intranets without actually answering the question asked which called for a comparison of Intranet usage between small and large enterprises. The e-Business topic will continue to feature prominently in examination papers and students should ensure that they have studied the relevant reading and the materials in the recommended text prior to examinations.