

# Finding Partners for INDIRECT Exporting

World Trade Practices  
Chapter 8

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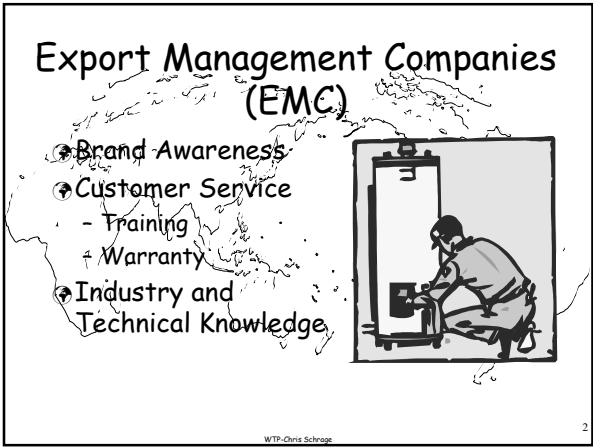
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## Export Management Companies (EMC)

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



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EMC vs. Piggyback		
Issue	EMC	Piggyback
Manufacturer involvement/int'l distribution	Generally high- depends on EMC	Lower than EMCs - depends on overseas distribution
Overseas brand awareness	Usually EMC has no high brand image, rely on brand image of companies representing	Probably no brand awareness developed- depends on manufacturer's brand strength
Future distribution	Very likely	Less likely without FDI
Customer service/training	Depends- usually push onto manufacturer	Most likely to have training capability, depends on contract
Customer service/repairs	Depends on EMC capabilities	Depends on infrastructure
Control over foreign pricing	Moderate control	Very low
Exclusivity	Likely to insist on exclusive territory and contract	Less likely/limited investment
Length of contracts	If exclusive- very long desired	Not usually worried
Profit margins	Depends on industry norms Average at about 15%	Higher the infrastructure overseas, higher the profit High investment could justify

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### Finding an EMC

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



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### Finding a Piggyback Partner

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



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### Contract Negotiations

- ◆ Pricing considerations
- ◆ Exclusive vs. nonexclusive contracts
- ◆ Territory covered
- ◆ Market and customer support
- ◆ Length
- ◆ Grandfather clauses
- ◆ Errors and omissions insurance



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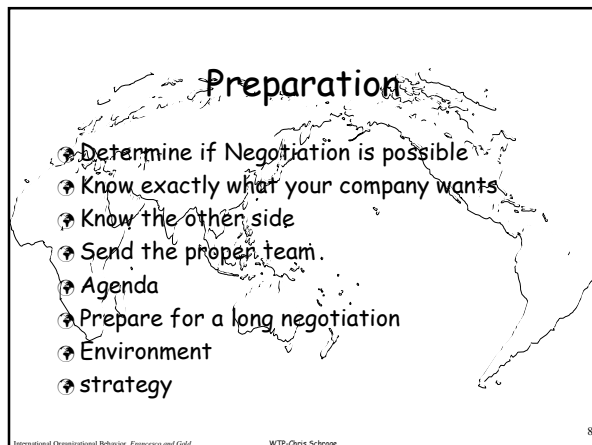
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### Exchanging Information

Nationality	Arabs	Japanese	Mexicans	Russians	U.S. Citizens
<b>Information Exchange</b>	Focus is on information about the relationship and less on technological details	Extensive requests for technical information	Focus is on information about the relationships and less on technical details	Great attention to detail	Information is given directly and briefly, often with a multi-media presentation
<b>First offer or counter offer</b>	20 to 50% off goal	10 to 20% off goal	Fair for both parties and close to goal	Extreme and purposely unfair	5 to 10% off goal

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### Persuasion

<b>Verbal &amp; Nonverbal tactics</b> <ul style="list-style-type: none"> <li>- Promise</li> <li>- Threat</li> <li>- Recommendation</li> <li>- Warning</li> <li>- Reward</li> <li>- Punishment</li> <li>- Normative appeal</li> <li>- Commitment</li> <li>- Self-disclosure</li> <li>- Question</li> <li>- Command</li> <li>- Refusal</li> <li>- Interruption</li> </ul>	<b>Dirty Tricks</b> <ul style="list-style-type: none"> <li>- Deliberate deception</li> <li>- Stalling</li> <li>- Escalating authority</li> <li>- Good-guy, bad-guy routine</li> <li>- You are wealthy and we are poor</li> <li>- Old friends</li> </ul>
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### Concessions

<b>Concession making</b> <ul style="list-style-type: none"> <li>- Process requiring each side to relax some of its demands to meet the other party's needs.</li> </ul>
<b>Sequential Approach</b> <ul style="list-style-type: none"> <li>- Each side reciprocates concessions made by the other side.</li> </ul>
<b>Holistic Approach</b> <ul style="list-style-type: none"> <li>- Each side makes very few, if any, concessions until the end of the negotiation.</li> </ul>

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## 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

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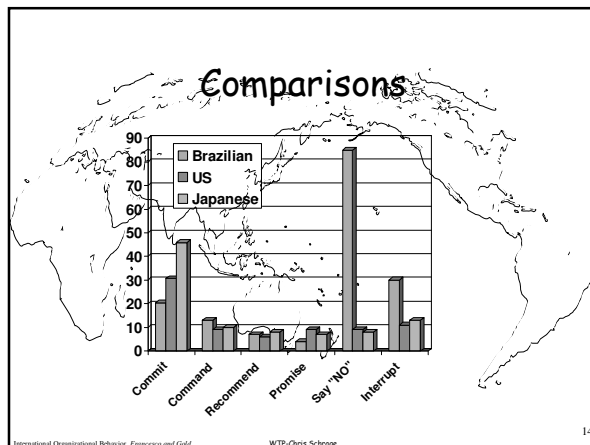
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## Negotiation Strategies

Stage of Negotiation	Competitive Strategy	Problem-solving Strategy
<b>Preparation</b>	Know the position to defend. Identify benefits the company needs from the deal.	Define the interests of the company. Prepare to overcome cross-cultural barriers to defining interests.
<b>Relationship Building</b>	Look for weaknesses of the other side. Find out about competition. Reveal as little as possible.	Separate the people in negotiation from the problem. Change negotiators if necessary. Adapt to the other side's culture.
<b>Information exchange</b>	Give as little as possible. Give only task-related information. Make your position explicit.	Give and demand objective information that clarifies interests. Accept differences in speed and type of information needs.
<b>First offer</b>		
<b>Persuasion</b>	Use dirty tricks and plays that you think will work. Use pressure tactics.	Search for and invent new options that benefit the interests of both sides.
<b>Concession</b>	Begin with high initial demands. Make concessions slowly and grudgingly.	Search for mutually acceptable criteria. Accept cultural differences in starting position and how and when concessions are made.
<b>Agreement</b>	Sign only if you win and get an iron-clad contract.	Sign when the interests of your company are met. Adapt to cultural differences in contracts.

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## Personal Characteristics

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

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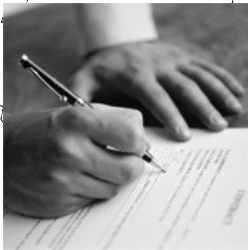
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## International Contract Law



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

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