[Year]

INTERNATIONAL MARKETING ASSIGNMENT

Executive Summary

This report is based on the XYZ Dairy Products Private Limited which is operating in the dairy industry of Sri Lanka. The selected international market for the analysis is Maldives. The company is looking for enter in an international market and it requires advises on how to achieve their intention. Therefore the purpose of this report is to highlight the important factors that are needed to be addressed by XYZ Dairy Products Private Limited in its "Go international" decision. It includes SWOT analysis for XYZ Company and an analysis of Maldivian market. A special attention has been paid for the geography and history of Maldives. In the third section of the report, alternative market entry strategies have been analyzed in order to select suitable methods for the company in order to go for international market.

XYZ Dairy Products Private Limited is looking for entering into foreign market for the first time. It can use either direct export strategy or franchising strategy to enter into international market. Direct export requires the company to keep own staff and it provides firm better control over its brand and operations. Franchising lower the control over brand and operations and however it reduces the overhead cost. XYZ Company can select franchising as its entry strategy.

Table of Contents

List of Tables & Figures

Introduction

XYZ Dairy Products Private Limited was established in 1995 at Kompitiya, Godakawela, Sri Lanka. It was started as a small scale ice lolly plant. The founder of the company is Mr. Kapila Bandare who is a very young entrepreneur. At the initial stage, this young man has to experience many difficulties. However the helping hand of his family members encourages him to bring the small enterprise to products outstripped manufacturing capacity.

The mission of the XYZ Company include strengthening the domestic dairy farmers by providing them with fair price, assuming modern technology to offer the best, motivating the employees through appropriate management, maintain quality control and develop a quality community through standardized production process. The vision of the company is to serve all the families with super quality dairy products. The products of the company include XYZ Kithulpeni Yoghyrt, XYZ Set Yogurt, XYZ Jelly Yogurt, XYZ Drinking Yogurt, XYZ Curd and XYZ Ice Packets.

01 Franchising

1.1 Internationalization

The process of planning and implementation of organizational operations in international markets is known as internationalization. In order to be succeeding in internationalization, organizations are required to have an understanding on international cultures and they should be able to think globally. (Carrigan, 2008)

International marketing is an important aspect in internationalization of an organization. That is use of marketing mix in international markets in order to take the advantage of opportunities in such markets with a view of achieving set objectives of the organization. Based on the level of involvement, there are three levels of international marketing: casual or accidental exporting, active exporting and committed international marketing.

In casual exporting, the organization approaches spontaneous foreign orders and it has no real commitment towards international marketing. In active exporting, the organization puts higher level of involvement and it has positive commitment towards international marketing. Also it applies marketing principles to exporting of a product which is already being sold in the local market. As a result, corporate strategy gives less importance for foreign market. However in committed international marketing, highest level of commitment and involvement for international marketing can be founded. Foreign market is given high consideration in marketing strategy.

1.2 Franchising

Franchising is a business strategy which is common in international business. There an organization provides right of using its business model, brand name and trademarks for a specified period of time and for an agreed upon payment to another organization. In this relationship, the party who owns the business is known as franchisor and the party who purchase the right is known as franchisee. The legal contract that takes place between the franchisor and franchisee is known as franchise agreement.

There are three main types of franchises, namely: Manufacturer franchise, Product franchise and Business format franchise. In manufacturing franchise, the franchisor gives permission to a manufacturer to use its brand name and trademark in manufacturing and selling products. In product franchise, a manufacturer gives permission to retailers use the name and trademark in distributing the products. In business format franchise, an established organization with the brand name and trademark is provided by the owner to another party to carry out it independently under an agreed upon contract.

There are certain risks associated with franchising. Running a franchise business requires new financial resources, material, new competences and great deal of commitment. It is like a running a new business that is separated from the current business. If the franchisor fails to recognize that, the franchised business would be failed due to lack of resources and leadership. Also in order to ensure no bad consequences from the franchisees and to ensure the cash flows are stable the franchisor is required extreme take care of each and every franchisee. At the same time if the franchisor fails to communicate some decisions made by him there is possibility of suing by the franchisees. Unique legal regulations of franchising in different countries make it difficult to maintain same rules and standards in all the countries where franchises operating. (Carrigan, 2008)

Advantages and disadvantages of franchising in comparison to other levels of international marketing are as follows.

Advantages	Disadvantages
Involves minimal business costs. Can enter into some markets which may otherwise have been blocked by government policies. Brings in capital. Can earn higher return on investment Franchisees have higher motivation than the managers. Organization can keep leaner staff and overhead as franchisees employ their own staff.	Lose the ability to concentrate production in a single location. Revenues are significantly lower. Lack of control over production and marketing. Smaller central administration. Inconsistent service and quality may result in losing consumer confidence.

Table 1 - Advantages and disadvantages of franchising

"Go International Decision"

This decision is applicable for XYZ Dairy Products Pvt Ltd as it is going to market its products to foreign consumers for the first time. The ambition of the organization in its go international decision is to expand its business activities and capture the international market. The company has ability to do that as "XYZ" is a most trusted and respected dairy brand in Sri Lanka and it has reached to its peak offering more than 300 employment opportunities. The company has significant share in business sector of the country. Therefore it has ability to use all these things in order to be success in international market. It needs confidence to continue activities after deciding to go international. Especially the company should have more commitment as it's like running a new business.

Franchising can be the way forward for XYZ due to the following facts: dairy products have increasing demand; it is an established brand and has showed practical success, it is profitable business.

The company should have commitment to provide constant support and development in franchising as a separate business. Once the company has this confidence it can finalize "Go international decision".

02. Market Attractiveness

2.1 Market Attractiveness

The dairy market in Sri Lanka has considerable contribution to economic development of the country. It helps in improving nutritional poverty of people and provides many employment opportunities. At present, daily national milk requirement is about 1.7 million litres. Sri Lanka has been able to self-cover 15% to 20% with its milk products. The dairy market of the country currently shows 2% growth. XYZ has been able to capture 15% of the dairy market.

In order to decide whether the XYZ Company is in the correct situation to “Go international"; it is important to assess its internal factors.

Strengths	**Weaknesses**
CELLO is one of the most trusted and respected dairy product brands in Sri Lanka. The company has a young and enthusiastic leader. The products are manufactured with very hygienic quality. The company possesses mass production facility.	Raw milk supply in Sri Lanka is becoming poor. The quality of raw milk also getting poorer. The distribution of the company is less strong. The company is slow to adhere to modern trends.
Opportunities	**Threats**
Consumers pay more attention to consume healthy and natural products. Consumers’ knowledge on product quality is getting wider. Reputed international organizations promote the consumption of dairy products.	There are strong competitors in the market including Highland, Ambewela and Newdale. Economic issues in the country have bad impacts on the companies.

2.2 Foreign Market Attractiveness

When considering the foreign market for Sri Lankan dairy industry, Maldives is the major buyer of dairy products of Sri Lanka with more than 80% of dairy exports. Canada is the second buyer with 5% of dairy exports. XYZ Company can target Maldives as its foreign market as it is the main buyer of Sri Lankan dairy products.

Maldives is a collection of nearly 1,190 islands and the size of the country is about 90,000 square kilometres. As a country which is covered from sea, the agriculture industry in Maldives is very low. Therefore the dairy industry is also less in Maldives and they import most of agricultural products. Maldives is the major buyer of dairy products of Sri Lanka since 2008. It is the destination for more than 80% of Sri Lankan dairy products.

Currently Maldivians are brand conscious rather than price conscious. Therefore as a most trusted and respected brand in Sri Lanka, XYZ has the ability to be recognized in Maldives. The culture and traditions are somewhat similar in Sri Lanka and Maldives. Therefore the taste and preferences of the consumers can be identified as common in both countries. It enhances the company's ability to be succeeded in Maldives. Development of the lifestyle of Maldivians and the rapid development of its tourist industry bring the potential of Maldivian market.

2.3 Geography and History

Sri Lanka is the geographically closest neighbour of Maldives situated in Indian Ocean. The shrinking of the polar ice caps due to the global warming is a major threat for Maldives as Maldivian islands rise less than six feet above sea level. As a country which is covered by sea and in which the fish is the only natural resource, agriculture industry and dairy industry is in a very poor position. Therefore Maldivians has to depend on imported dairy products. As the closest neighbour, Sri Lanka has the potential for serve the Maldives. The Maldivians market is significantly small as there are about 390,000 populations is there. However, with compared to some other foreign markets, Sri Lankan products have high potential in Maldivian market.

As Maldives is located on the major marine routes of the Indian Ocean, it has had a strategic importance historically. Since early times, Sri Lanka has become a strong influence to

Maldives. At the initial stage the Maldives was under the authority of Sri Lanka. According to Maldives's cultural and linguistic factors, it has been revealed that Sri Lankans and South Indians were the early settlers of Maldives. As a result, Sri Lanka and Maldives share common cultural, traditional and linguistic attribution. Trading between the two countries started in ancient time. (Donald, Brady, 2006)

Selecting Maldives as the target international market, it is easy to handle trade activities as it is a geographically closest neighbour and people share common cultural and traditional attributes. The company can use similar promotional strategies in both countries. As dairy production of the country is very poor due to the lack of natural resources and Sri Lankan products have high potential in Maldivian market, the company has ability to earn profits in the market. The Maldives has a stable economy with 4% of annual growth rate. Private sector handles most of its production and commercial units. In order to encourage the private sector, Maldivian government has created a conductive environment and micro economic policies for economic growth. These facts ensure the development of Maldivian economy and organizational success.

03. Market Entry Strategies

In order to enter into foreign market, the companies have many methods. The companies can select either direct market entry strategies or indirect market entry strategies. The market entry strategies include direct exporting, indirect exporting, and licensing, franchising, partnering, joint ventures, buying a company, strategic alliance, piggybacking, turnkey projects and Greenfield investments. (Carrigan, 2008)

The following is a detailed description of selected market entry strategies.

Market Entry Strategy	How it works	Why companies use this strategy	When this strategy is suitable
Direct Exporting	Company directly sells its products in a selected international market.	Company is free to decide the exporting country and it can develop better relationships with buyers.	When company established a sales program with foreign agents or distributors to represent it in the foreign market.

Franchising	Company provides right to use brand name, trademarks in business activities to another party.	It involves minimal business costs and company can enter into some markets which may otherwise have been blocked by government policies.	When company has unique business model or strong brand recognition.
Joint Venture	Two companies that agree to operate together in a foreign market establish a third company to undertake operations in foreign market.	Company can share the technology and risk and losses in foreign market and product development can be undertaken jointly.	When two companies have converged strategic goals and they have ability to develop mutually beneficial agreements.
Strategic Alliance	This is done through cooperative agreements between two or more companies	Companies can exchange technology and it provides small firms with the ability to face global competition.	When two or more companies want to jointly create new products or technologies and they have ability to develop mutually beneficial agreements.

Table 2 -Market entry strategies

The other key points of above market entry strategies can be shown as follows:

Direct Exporting	This strategy best works when the exporting volume is small. It provides better control of brand and operations in the foreign market. Some companies use internet for direct exporting. Amazon and eBay are the main examples.
Franchising	This strategy works best for the companies

	with repeatable business models such as food outlets. McDonald's Restaurants, Domino's Pizza and Coffee Republic are the main examples. This strategy reduces the control over brand name of the organization. The franchising agreements are longer and franchisor offers a broad package of rights to the franchisee.
Joint Venture	If any organization wishes to enter into Chinese market, it is required to source local Chinese partners. Some organizations use this strategy as a way of accessing core competencies, technology or management skills of the other. For example in 1980's Honda made a relationship with Rover. Some others use as a way of accessing distribution channels. It can be commonly seen in manufacturing and research and development sectors.
Strategic Alliance	Under this strategy, companies keep separate and operate independently. Sometimes competitors make alliances. For examples Toyota Ayago marketed as Citroen and Peugeot and in UK, O2 marketed iPhone at the initial stage.

Benefits & Challenges of Franchising as a Solo Strategy

Benefits	Challenges
Involves minimal cost. Provides the opportunity to enter into some markets which may otherwise have been blocked by government policies. Provides high financial returns for lower risk. Enhances the business activities and brand recognition.	Highly depend on the ability of the franchisee. Difficult to innovate as the franchisor has to negotiate with franchisee. No access for new technology for franchisor. Reduces the control over brand and operations.

Table 3 - Benefits & Challenges of Franchising as a Solo Strategy

Benefits & Challenges of Franchising as a Hybrid Strategy

Benefits	Challenges
Provides the ability to share risk and losses. Provides the access for technology and core competencies. Ability to develop new products in foreign markets jointly.	Consumes more time and cost to develop strategy. Complex to implement and maintain. Involves higher risk. Further reduces the control over brand and operations.

Table 4 - Benefits & Challenges of Franchising as a Hybrid Strategy

The foreign market entry strategies differ based on the required commitment and control of resources, degree of risk involving and return on investment generating. Even though there are different market entry strategies, there is no one market strategy that can be identified as suitable for all international markets. (Donald, Brady, 2006) One strategy that is appropriate for one market may not be suitable for another market. The entry strategy that is suitable for a particular market is based on some factors such as tariff rates, marketing cost, required adaption of products, transportation cost, etc.

XYZ Dairy Products Private Limited is looking for entering into foreign market for the first time. It can use either direct export strategy or franchising strategy to enter into international market. Direct export requires the company to keep own staff and it provides firm better control over its brand and operations. Franchising lower the control over brand and operations and however it reduces the overhead cost. XYZ Company can select franchising as its entry strategy.

04. Country Attractiveness

4.1 Country Comparative Analysis

Country	Maldives	Canada
Barriers for entry	Import tariffs, import quotas, import licensing are the main barriers. In addition to that, import requirements and documentation and requirement of standards are also appearing as barriers.	Import tariffs are the main barrier for entry. In addition to that, standards, certifications, licenses and significant advance planning and approval of importer are also act as barriers for entry.
Competitiveness	Maldivian has an open economy. Therefore there is a crucial international competitiveness in the country.	Canadian market has certain free market excesses. However there is oligopolistic market structures appear in the market and lower competition can be seen.
Cultural assessment	Sri Lanka and Maldives share common cultural attributes. Dhivehi is the main language of Maldives which is related to Sinhala, the main language of Sri Lanka.	Shop on the internet is common. Canadian English is the main language.
Tastes and preferences	Maldivians are brand conscious and preference for	Canadians prefer to buy luxury items and they prefer

	products are similar to Sri Lankans.	to consume customized products.

Table 5 - Country Comparative Analysis

4.2 Barriers to Entry

Tariff Barriers

In Maldives imports are charged tariffs. Import tariffs are a main part of the revenue of the government of the country. The levy the tariffs on the summation of cost, insurance and freight value of the products. It charges 200% duty on plastic products the cause environmental pollution. For vehicle parts, tires, large motorcycles and motor vehicles they charge 100% duty. The duty on other items ranges from 5% to 35%. However the following items are exempted from duty: items brought by passengers for personal use, imports used in export oriented industries, imports used in the tourism industry.

Canada classifies imported goods in order to decide the import tariffs. The classification is as follows:

- Prohibition
- Quotas
- Anti-dumping or countervailing duties
- NAFTA provisions
- Other preferential tariff treatments

In order to assign the correct tariff classification, importers are required to provide a complete description of the products they are importing. Most imported goods are charged custom duties and the GST. They levy on the landed value of the products. All these tariffs are collected at the time of importation by customs. (Carrigan, 2008)

Non-Tariff Barriers

Non-Tariff Barrier	Maldives	Canada
Import quotas	Apply only on sugar, flour and rice. These items are controlled by the retail price to ensure they are affordable.	No
Import licensing	Licenses are issued only for branded name shops, jewellery shops and international chain stores.	No
Import permits	Alcoholic beverage products require an official permit.	The following goods require import permits: Animal and animal products, dairy products, Textile and textile products, clothing and accessories and some miscellaneous items including carbon steel, prohibited weapons, etc.
Prohibited and restricted imports	Import prohibitions include drugs, religious materials offensive to Islam, weapons, and pork products and other animal products, pornographic material, explosives, ammunition and idols of worship.	Import prohibitions include certain types of weapons, meat for human consumption, specified classes of second hand aircraft and second hand automobiles which are produced in proceeding year for the year in which the importation is sought.

Table 6 - Non-Tariff Barriers

Canada requires import permit for dairy products. However in Maldives no barriers are appeared for dairy products.

Issues of Non-Tariff Barriers

Non-tariff barriers mostly affect the exports of developing countries like Sri Lanka. Developed countries restrict 28% value of imports from developing countries and 11% from the rest of the world. Therefore these barriers lower the exports of developing countries causing many economic problems.

On the other hand non-tariff barriers provide unfair competitive advantage for products of the country that is imposing barriers and products of other countries from which they import. Another issue is that these barriers increase the cost for the exporting firm as it has to make expenses for fulfill legal requirement. It affects their profitability in that country.

Resolutions for the Issues

1. Incorporating international standards

This option is important especially in dealing with standardization of import products. Then the company can produce products not only according to the national standards but also it can incorporate international standards for their production process. Then it is easy for it to meet the foreign country standards. The company should strengthen its quality management, technical laboratories, testing process and inspection bodies when it is going to enter into foreign market. (Donald, Brady, 2006)

2. Taking the technical support of regional institutions and organizations.

These institutions report, monitor and implement elimination mechanisms of non-tariff barriers. The organization can submit the issues to such institutions.

3. Setting up a mutual recognition framework.

As a country Sri Lanka can submit bilateral framework agreement to other countries to which the domestic enterprises are targeting to enter.

As an individual company the best strategic option available for XYZ Dairy Products Pvt Ltd is to incorporating international standards for their production process. They are already producing dairy products according to the national standards and with high quality. Once they incorporate international standards the risk of meeting the foreign country standards can be eliminated. At the same time as quality management is under the control of the organization, it can strengthen its quality management, technical laboratories, testing processes and inspection bodies. The company should have high level of commitment in order to achieve that end.

05. PLC Effect

Product Life Cycle (PLC) refers to the sequence in which a new product progress from introduction to growth, maturity and decline. The PLC has impact on marketing mix and marketing strategy of the organisation. It consists of four stages: Introduction, Growth, Maturity and Decline. The following figure illustrate the product life cycle.

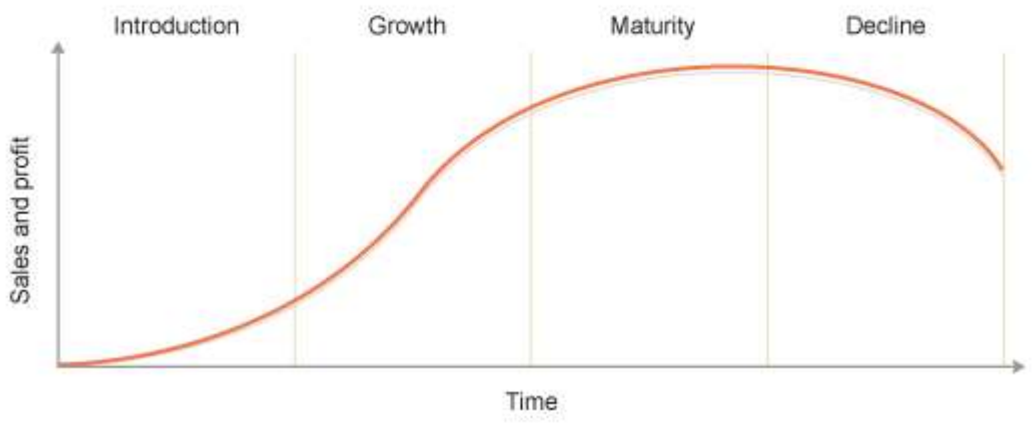

Figure 1 - The product life cycle.

At the introduction stage, the organization tries to create product awareness and build the market for the product. Sales are growing slowly and little or no competition can be found at this stage. In the growth stage the organization tries to develop brand preference and enhance its market share. In this stage sales are increasing rapidly and competition begins to rise. In the maturity stage, the organization tries to protect its market share as lot of competitors are entering into the market. At this stage, sales volume is at peak. At the decline stage, the company can either maintain the product by adding new features or harvest the product by reducing costs or discontinue the product. At this stage, sales are declining and costs are increasing. (Donald, Brady, 2006)

According to PLC, XYZ is now at its maturity stage with peak sales volume and mass scale production.

5.1 International Product Life Cycle

International Product Life Cycle (IPLC) refers to the sequence in which a new product evolves across national boundaries. The following figure illustrates the International Product Life Cycle.

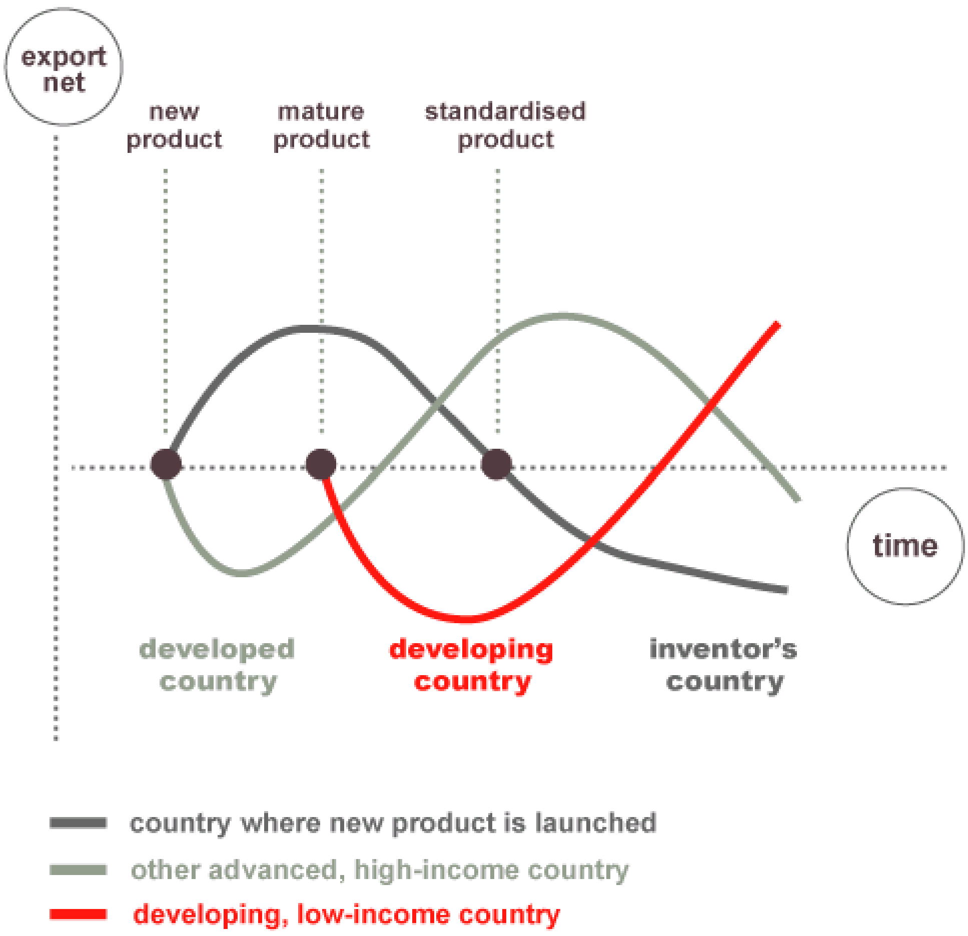

Figure 2 - International Product Life Cycle

Source: Product Life Cycle Software, International Product Life Cycle Software (Strategic Analysis, Management)

IPLC has only three stages: New, Mature and Standardisation. At the new product stage, the organization produces only for home market. (Donald, Brady, 2006) At this stage it can experience a low competition rapid growth in sales and high initial cost. At the mature product stage, the product is introduced into developed markets where it has to compete with competitors from developed markets, slow growth in sales in home market and increasing sales in developed market and decline in costs due to economies of scale. In the standardisation stage, the products are sold in developing markets. In this stage, the sales in developed markets begin to decline and home market goes for imports. However in developing markets sales are increasing. At this stage the organization has to compete with competitors from developing markets and it has to incur higher cost due to the lower economies of scale. (Donald, Brady, 2006)

5.2 IPLC as a strategic tool in international markets

IPLC provide guidance for the organization to adjust its marketing mix in international markets. The requirements for each marketing element in each stage of IPLC can be shown as follows:

Marketing Element	New Product	Maturity Product	Standardization
Product	High quality	Maintain the quality and adding new features	Maintain the quality and finding new uses
Price	Higher price to cover costs and due to lower competition	Lower price due to increasing competition and economies of scale	Maintain the price
Place	Selective	Intensive distribution	Intensive distribution
Promotion	Develop product awareness and educate consumers	Emphasize product differentiation	Emphasize new uses

Table 7 -Marketing element

5.3 IPLC in reference to franchising

As the product that is going to franchise is already introduced in the home market, only two stages of IPLC are applicable for franchising. According to the IPLC at the mature product stage the product is marketed into developed market. Therefore the franchisor can find and negotiate with partners from developed markets in order to franchise the product. And after that in the standardization stage, the franchisor can find and negotiate with partners from developing markets in order to enhance its franchise chain for developing markets.

In the considered case of XYZ Dairy Products the application of IPLC is somewhat difficult. The XYZ products are in their maturity stage and they are not yet introduced into the foreign markets. On the other hand it is difficult for the company to enter into developed markets due to the trade barriers and it is easy for it to enter into a developing market (Maldives) where it is easy to serve consumers.

Dairy industry in Sri Lanka is now at its maturity stage. New entrants are appearing and they are capturing the market share. Therefore it is better for the company to go for new market in order to ensure the sustainability of the company. In that case paying going out of the IPLC will not badly affect the company as capturing new markets is more important for the company.

Conclusion

The purpose of this report is to highlight the important factors that are needed to be addressed by XYZ Dairy Products Private Limited in its “Go international” decision. In order to be succeeding in internationalization, the organization should be able to think globally. International marketing is an important aspect in internationalization of an organization. That is use of marketing mix in international markets in order to take the advantage of opportunities in such markets with a view of achieving set objectives of the organization. Based on the level of involvement, there are three levels of international marketing: casual or accidental exporting, active exporting and committed international marketing.

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