

Teacher's notes Unit 8 International trade

Level: Intermediate

This slide presentation focuses on **researching new markets** for existing products. It takes as a **case study** a Vancouver-based Canadian company looking to start selling its solar energy panels in India, one of the fastest growing economies in the world, and asks these three questions:

- how attractive is this market?
- how easy is it to sell there?
- what are the risks?

In asking these questions it covers the issues of distribution arrangements, methods of payment and working across cultures. This mirrors the themes of the different sections in the unit in the *Student's Book* and exemplifies the concepts described in the *Subject background* section on page 102 of the *Teacher's Book*.

Of course, in reality such a research exercise is a very major undertaking for a company and this material is only intended to give a taster of the issues involved. Being online while you go through the case study is a huge advantage as there is an extraordinary amount of high quality information available at your fingertips. However, if you can't be online during class time and if your programme allows, you could ask individual students to research out of class for specific pieces of information about doing business in India along the lines described below.

Slide 1: The objective

Slide 1 focuses on methods of distribution in a new market, which is covered in the *Subject background* section. Students could in pairs take one of the four options and then report back on the pros and cons of the option to the class.

Commentary

Sell direct to customers: given this means setting up your own sales, marketing, warehousing and distribution arrangements, this option would require the biggest investment. With potentially the highest returns. You may not have the expertise to do this successfully in a new market or want to take such a risk at first.

*Use an export firm in your country, which operates in India, to sell the products: this is a **low risk option** but one which means you lose control. Also, the export firm may be selling lots of other products into India. In other words, your product line may be just one of many, and not get the attention it deserves. The export firm buys your products **wholesale**.*

Find an Indian distributor (exclusive) or distributors (non-exclusive) to sell your products: *this option is similar to using an export firm in your country. The distributor buys wholesale. An **exclusive distributor** is more likely to be well motivated to sell your products. Taking this approach might help you learn about the market in the short term before making a fuller commitment like setting up a company there.*

Find an Indian partner for a joint venture: *this means you will **share the benefits and the costs**, and it is less risky than starting up on your own.*

Other options include:

- **licensing**, which probably will give a low return and means sharing technological expertise
- **using an agent**, who receives a commission on your sales.

Franchising, which is a form of licensing, is not really an option for this kind of product.

[15 minutes]

Slide 2: What do you know about India as a market?

Slide 2 gives your students the opportunity to share their knowledge of India as a potential market. As was suggested at the beginning of this case study, you could set this as a research assignment prior to the class meeting, and divide up the responsibilities along these lines: economic, social, financial, geographical, political situation. Or students could quiz each other on what they know already.

Note: of course, if you happen to be teaching in India, you will probably want to choose another country as your subject for discussion and research!

Commentary

What students say depends on their general knowledge but hopefully they will be able to say things like this:

India is one of the fastest growing economies in the world.

It has a very large population so is a good potential market.

*Many of the people use an internationally used language i.e. English as a **lingua franca**.*

The capital is New Delhi.

Its currency is the rupee.

As part of their research, they need to find out about:

- the economic situation
- the level of political stability
- financial controls

- the existing market for solar panels and competition
- legal requirements for setting up a company

[10 minutes]

Slide 3: Facts and figures about India

Slide 3 gives some basic information about the country, which your students can comment on and interpret in the light of their observations for **Slide 2**. Note that GDP stands for Gross Domestic Product and GNI Gross National Income.

Commentary

These figures show that while the growth rate is phenomenal and the size of the potential market huge, average income per head is very low.

The fact that English is the language of commerce is an advantage to a Vancouver-based company.

The large number of engineering and technology graduates indicates it is probably relatively easy to hire the right people. There is a good **skills base**.

The climatic range shows there is potential for solar energy in a wide variety of environments, e.g. heating in alpine areas and power in the deserts.

There is a huge amount of information available on the Internet about India to supplement the brief statistics in **Slide 2**.

Website addresses you might find useful for further research include:

<http://www.doingbusiness.org/ExploreEconomies/?economyid=89>

This is from the World Bank and contains a plethora of economic indicators and statistics to analyze and interpret. **Slide 4** shows one of the tables from this source.

<http://www.ey.com/GLOBAL/content.nsf/India/Home>

from Ernst and Young contains a long report called *Doing Business in India*.

Slide 4: Trading across borders

Slide 4 contains statistics from the World Bank about doing business in India, which your students can analyze and comment on in their own words. There are lots more statistics given on the World Bank website to study, if you have the time and inclination to explore more. OECD stands for Organization for Economic Co-operation and Development. The information given could form the basis for mini-presentations by pairs of students.

Commentary

If one is to take these statistics at face value, they reveal some interesting information, which might give a potential importer some cause for concern. Basically the statistics show it is more difficult and expensive to import to India than it is to export from there!

There is more paperwork (documents) to complete than is the average for the region and the OECD. However, the cost of importation and the time it takes to import are slightly/marginally lower than the regional average.

[5 to 10 minutes]

Slide 5: Business practice in India

Slide 5 gets students to consider the **intercultural aspect of doing business** in India by asking them to guess if the statements are true or false. If your students have done 8.4 *Speaking Negotiations – diplomacy* on page 102 in the *Student's Book*, tell them as a general clue that India is a **high-context culture**. This is a task they could do in pairs before you reveal the answers.

Commentary

Indians like to get straight down to business in a meeting. *False – conversation starts with small talk as a means of establishing trust.*

When there is disagreement, Indians express it directly. *False – indeed, Indians will try to find ways of avoiding saying no.*

In meetings it is important to build trust and establish relations before starting a negotiation. *True.*

Use titles like Mr, Doctor or Professor wherever possible. *True.*

If you take a gift, make sure it is a big one and present it in both hands. *False. Gifts should be small to avoid embarrassment but do give with both hands.*

It is polite to refuse food and drink during meetings. *False. You should accept.*

Source: <http://www.communicaid.com/indian-business-culture.asp> if you want to learn more. Of course, talking about intercultural aspects of doing business can easily slip into dangerous stereotyping, which is very counter-productive. But your students may have interesting and helpful observations to make on the difficulties of communicating across cultures based on their own work and travel experiences.

[5 to 10 minutes]

Slide 6: STEEP analysis

Slide 6 concludes the case study by getting students to do a STEEP analysis of India as a potential market for their product. It allows you to summarize what has been learnt about India and, perhaps, to bring in topical information, for example the results of a recent election or some other news, and further information from Internet research.

Commentary

This will depend on how much research your students have been able to do. But here is the basic information from the previous slides summarized.

Social: this is a country with a very large population and many languages. However, English is widely spoken.

Technological: given the number of engineers, India is clearly technologically advanced.

Economic: the growth rate is incredible. But doing business there may be more expensive than the norm.

Environmental: this is a huge country with different climates.

Political: this is an area for research.

Finally, ask your students whether what course of action they would recommend for doing business in India. It is likely that they will say they need to do more research!

Slides 7, 8 and 9: Emails

The six emails on page 105 of the *Student's Book* are offered here over three slides to enable you to check answers and deal with any queries more efficiently.

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