



**Certificate in International Sales and Negotiations**

**MG 4043**

**International Marketing Environment**

**Assignment**

**Annie Learner**

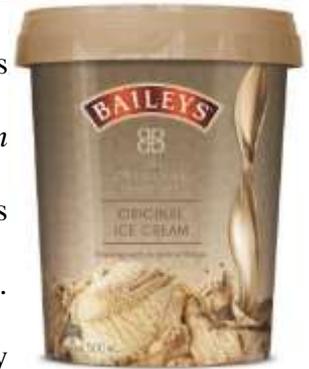
**115100000**

**University College Cork**

**Word Count: 3507**

## Introduction

Fire and ice – or maybe just some vanilla ice-cream flavoured with Irish cream liqueur! Many recipes exist for *Bailey's Irish Liqueur Ice-Cream* and it has even been manufactured and marketed in Australia. The management of *Den & Garry's Specialist Ice-Creams* are contemplating joining forces with Bailey's Liqueurs to establish whether there is a market for their products in Spain. Initially it was an idea from one of the company executives who was on holiday in the Canary Islands and thought demand may exist for a truly Irish frozen confection. Ireland is world-renowned for its dairy industry, especially for quality, taste and high standards in farming.



It is being considered that '*Bailey's Irish Ice-Cream*' could be the forerunner for a range of liqueur-flavoured ice-creams that could include whisky and other alcoholic flavourings. The product would be aimed at two main target markets – firstly, high-class restaurants whose clientèle might wish to try exotic desserts, and secondly, Irish and U.K. ex-pats who have retired or settled in Spain. The main geographical areas therefore would be major cities and coastal resorts, both of which would have population sectors that would include both target markets.

An extensive advertising campaign would be aimed at both these markets by television, press and billboard signs. It is anticipated that although this will be an expensive investment, the campaign would help to launch additional similar products in the future.

## **Economic Environment**

Along with many other European countries, Spain has suffered considerably from the economic downturn since the Banking Crisis of 2008. Although the consequences of austerity and high unemployment are crucial to know when entering a new market, it is expected these will be of minor concern because the product is aimed at the higher socio-economic groups either in the restaurant sector and amongst retired people and holidaymakers. Even with the less wealthy it should be considered that the occasional treat, such as liqueur flavoured ice-cream, is an acceptable purchase.

Exchange rates should also be considered but since Spain is in the Euro-zone this should not be a problem. Price comparisons with similar products will be investigated to ensure that the retail and restaurant prices are within appropriate limits.

Competition, in the form of other ice-cream manufacturers, would need to be assessed. Since the product in question is unique, only the marketing policies of competitors is an issue. Existing manufacturers may try to copy the recipe, or indeed may have attempted to market a similar product. Whether they were successful or not, the new entrant to the market must be aware of any results.

Trade barriers and tariffs are also important when importing goods from abroad, but in this case because of the European Free Trade Zone they are not applicable here. At present there appears no limitation to the import of produce to Spain containing alcohol, although this would be important in many other countries. Negotiations with the Spanish Board of Trade (*Comercio internacional*) would be necessary in case there were limits on such products.

Advertising is an essential element when launching a new and innovative product. This particular ice-cream could be advertised in newspapers and magazines, and on billboards in Spain. Television and radio advertising would have to adhere to guidelines laid down by the Spanish Advertising Standards Authority (*Asociación para la Autorregulación de la Comunicación Comercial*). Establishing relationships with reliable and reputable advertising agencies in Spain would be paramount.

It is intended that the ice-cream is manufactured in Ireland and then exported to Spain, as opposed to moving raw materials and packaging to the destination. If the product goes through the final manufacturing process in Spain it will fail to have the intended *'Irishness'*. Ingredients would contain Bailey's Irish Cream which by necessity would need to be made in Ireland, and milk products would ideally be from cattle on Kerry farms. The bulk product would be transported in refrigerated containers by air or sea transport. Whether it is better to have the carton packaging completed in Spain or in Ireland is a matter that would need to be investigated.

Strategic alliances could be formed with other ice-cream manufacturers and distributors to lower transportation and manufacturing costs. This may take time to develop and in the case of this product it is the timing of entry that determines profitability. Because the particular product is envisaged to be new to the Spanish market there are first mover disadvantages entailed such as costs that would be avoided if the product was already established. Obviously there are ice-cream manufacturers already established in Spain and these would have the benefits of knowing their market and lines of distribution. They would already have supply lines established with major distributors such as supermarket chains, restaurants and delicatessens.

Many economic factors will determine the success or failure of this particular product. The company producing the ice-cream have already envisaged a demand especially with English-

speaking clientèle from the U.K. and Ireland living or holidaying in Spain and its coastal resorts and islands. The company foresees a profit advantage in this endeavour and the uniqueness of the product will be its main selling point. Management are supportive of this opportunity to market an interesting idea especially when exporting abroad has been relatively untested until now. Knowledge should be gained from competitors and customers alike and all this will be helpful to enhance the home market in Ireland.

Opening up a new export market can improve economies of scale, in that increased demand from abroad may lower production costs at home. If sales in the domestic market are declining then it makes sense to look abroad for other potential target markets. Logistics of distribution are crucial in order to lower transportation costs and the proximity of sea and airports will determine how effective the channels of distribution can be utilised.

SWOT analysis must be considered – what are the strengths of the company to ensure successful direct entry into the Spanish market? The company needs to have undertaken market research to establish the potential for launching the product abroad. The limitations and weakness of the company must also be acknowledged. There may be problems with any aspect of the marketing mix, for example, difficulties in arranging distributors to certain target markets, and also the ability of key personnel within the company to negotiate with peers in Spain due to language problems.

Opportunities need to be clarified before investing vital economic resources in such a task as expanding market share. Again market research will be crucial in this regard. At first it may seem like a good idea to export abroad, but a lack of foresight by the company may result in failure. Threats to the company and product abroad will not be the same as the home market, and therefore suitable and reliable groundwork must be covered to guarantee that competitors and suppliers in Spain become strategic alliances as opposed to threats.

A screening process for the potential export market needs to be implemented. Firstly, the company must determine and identify basic appeal for the product. Initial market research will give a fairly reliable insight into how well the new product will develop in a foreign market. The second step involves assessing the national business environment. Many factors including disposable income, employment trends, government investment in new and existing companies and corporations, and the government itself are all important in this regard.

The third step of the screening process involves measuring the market or site potential. For this purpose representatives of the company should travel to important locations within the country to gain information about the target markets and potential competitors and suppliers. They need to discover important data regarding market size and growth rates. Merely because it is warm in Spain does not mean there is a huge demand for ice-cream, even if that would seem obvious. Communications with potential distributors and wholesalers need to be established face-to-face rather than over the telephone or web-conferencing. Ensuring that these representatives speak the language and are aware of national culture can only benefit negotiations.

Once important information has been garnered the fourth step comes into play, which is selecting the market or site. For example, the prices that competitors charge for similar products needs to be carefully analysed. Competitors might have strong control of distribution channels and may not appreciate an outsider attempting to break into the existing market. They might also have superior influence over production inputs such as raw materials and labour, thereby giving them a competitive advantage especially over prices and distribution costs. They are likely to have strong ongoing relationships with major retailers and therefore it may be difficult to acquire discounts and trade advantages.

In the case of Bailey's Ice Cream, a small scale entry strategy is best at first. This will help to reduce the risks associated with exporting to a new market. The company can decide within a relatively short time period whether expansion within the target markets and beyond is viable. However, it should be noted that small scale entry can have disadvantages especially in developing market share. It all depends on the level of commitment the company has to the new and emerging market in Spain.

## **Cultural Environment**

Spanish culture is particularly distinctive – most people think of men in sombreros, señoritas flamenco dancing, matadors and bullfighting, siestas and sun-soaked beaches. Perhaps these are stereotypical images nowadays because Spain is very much like most other European countries and there are many similarities to the Irish culture. Indeed, many Spanish cities and towns will have the same supermarkets, shops and facilities as any other city within Europe.

It is however important to recognise differences in culture when considering exporting any product, or service, from Ireland to Spain. The most obvious of these is language difference. The Spanish are much more likely to understand English than the Irish understand Spanish. For example, Spanish children are likely to learn English at school, and many people understand a good comprehension of the English language particularly from American and English/Irish pop music culture. The influence of the English language in the visual and performing arts is strong, and young people especially want to be able to converse and understand song lyrics and show-business celebrities.

When negotiating with Spanish companies it must not be assumed that all dealings will be

conducted in English, even if representatives of said companies speak it fluently. In order to be successful with communicating with Spanish counterparts it is necessary to initiate dealings in their native language instead of assuming they can speak our language. Written documentation whether in paper form or on the internet should allow for this, and it is important that the Irish company can provide information in both languages. Sometimes, verbal and written communication can be misunderstood if vocabulary or phrasing is not accurate enough. Slang or colloquialisms must also be made aware to negotiators in case something is misinterpreted. A word in English may mean something else entirely in Spanish. For example, *'Bailey's Ice Cream'* translated into Spanish is *'Helado de Baileys'* but it must be ascertained if the word *'Bailey'* might be a swearword in certain regions of Spain.

Religion is an important aspect of culture, and in this regard there are similarities in that Roman Catholicism is the predominant religion in Spain and Ireland, even if many do not adhere to that religious doctrine. In the case of liqueur ice-cream however this should not be an issue.

Education in Spain is similar to Ireland, except as mentioned English is more likely to be taught in Spanish schools than Spanish is in Irish schools. Levels of education in Spain are similar to Ireland, and this should not be a hindrance to the promotion of the product in question. In some other countries it might be of a concern, and so should always be considered.

Social structure is similar also, with the maternal parent being highly regarded in the typical family. In general, there is no difference between Ireland and Spain, but again it is always something that must be taken into when attempting to break into a foreign market. Men and women are treated equally in both Ireland and Spain, but it is not the case in many other countries of the world.

Although many aspects of culture are similar between both countries it is necessary to outline key

cultural factors because they should always be considered when trading with another country. Climate for example is very different in Spain. Ice-cream is more likely to sell in warmer climates than in temperate Ireland. Storage of the product is obviously important therefore. Although the product is refrigerated in both countries, it is crucial that the right temperature is maintained in both transportation and retail and restaurant locations. Melted ice-cream is a spoiled product.

Any company that wishes to export to another country must be aware of cross-cultural literacy, and therefore it requires that businesses are aware of value systems and norms of that culture. Spanish culture is probably more polychronic than Irish culture, meaning that people are more flexible with time especially in social contexts. It is important therefore to be aware of the siesta period in the afternoon, perhaps not so much with businesses, but certainly with consumers and smaller retailers. For this reason it should be expected that products of all types sell better in the morning and evening only. Perhaps this would not apply however to one of the ice-cream's target market, that is holiday-makers, when the afternoon might be the most popular time to consume.

History of a country is important for many reasons, although not with this product. It can certainly be of paramount value in other cultures however. Also the system of government should be considered when trading internationally. A democracy can be much easier to sell to than a totalitarian regime.

Political and legal systems vary across the world although because of the European Union there are many similarities across the continent. Labour relations and work practices are also important. Food safety regulations are determined from Brussels so what applies in Ireland also applies in Spain. Many other countries have different regulations regarding hygiene, raw materials, storage and distribution of products and services. Any business intent on exporting to another country outside of the E.U. needs to be aware of the importer's codes of practice, especially in the food

industry. For example, genetically-modified crops are acceptable in the United States, but not in the European Union.

Material culture should be investigated before embarking on trade with any other country since this can affect levels of demand and supply. This covers the way people use or consume products and services. One type of product may sell extremely well in one country but not in another purely because of material culture. Technological know-how is also important from one market to another. As mentioned, these factors would not apply in the sale of ice-cream between Ireland and Spain, but they should always be considered in international trade.

## **Other Aspects**

Geography is certainly an important aspect to be considered when distributing a product like ice-cream across an area the size of Spain. All major cities are linked with modern motorways (*autopistas*) but small towns are usually only accessible with minor roads, often through plains and orange groves. This is vital to understand for the distribution of the product across the country. Not only that, but the Canary Islands, Ibiza, Majorca and Minorca are important especially if the tourist market is to be accessed. The country of Portugal is adjoining Spain also, but this potential market would need to be separated particularly because of the language difference.

Because the ice-cream would need to be transported in refrigerated containers, it is vital that distribution methods are capable of covering the desired target market areas. Spanish commercial transport would need to be evaluated so that the product can arrive at its destination in prime condition. A large container lorry would need insurance cover in case of breakdown and product spoilage.

Product marketing and labelling also needs to be considered carefully. Use of symbols, images and logos all need to be perfectly designed. Patents and trademarks should be unique to the product and not similar to other manufactured goods. This helps protect against counterfeit products. Ingredients need to be included on packaging, and the alcohol content clearly displayed. The product might not be suitable for children, although there is not enough alcohol to apply age-restrictions, although advertising needs to be ethical in this regard. The packaging should include a clear image of the contents inside. This would apply mainly to retail sales, but not so much to larger packs supplied to restaurants as these would be in tray format as opposed to bucket-cartons.

If the product is to be packaged in Spain instead of Ireland it would first be transported by liquid container or in catering-sized trays. The former method is less desirable for public relation reasons since it may deflect from the notion of Irish product quality. Even if the container was unmarked, a competitor might regard this form of transport as unsuitable and they could damage the reputation of the Irish company. The product needs to have a delicate and 'hand-made' appeal. Even drums the size of petroleum barrels do not give a positive image.

The problem remains therefore of transporting the ice-cream in bulk to be processed for packaging in one-litre cartons for retail sale, and 25-litre trays for the restaurant trade. Much would depend on the difference in cost from packaging the product in Ireland as opposed to sending it to Spain and completing the process there.

## Marketing Research

Before *'Helado de Baileys'* can be considered for export to Spain it is essential that marketing research is conducted. Pilot surveys should be instigated to establish that there is a demand for such a product. One possibility is that sales representatives visit restaurants and tourist hotspots with free samples and they ask each person to complete a short questionnaire on how they like the taste of the new ice-cream and how much they would be prepared to pay for a carton. Restaurants can also be surveyed by regular contact with the owners to determine the demand for the ice-cream from patrons. It may be necessary in both sectors to initially offer the product at a discounted price.

It is not just the popularity of the product that needs to be evaluated, but also market conditions, competitors, and the social and political climate. Categories of information include product specific data, marketing data, and market infrastructure. Primary data specific to the product is essential, and a database should be created to correlate information gathered. Secondary data, that is, external to the company, is also important because it can relate directly to the company's future plans.

Marketing research also helps in defining the stage of the product life cycle, once a market has been established. Close attention to where the product is selling effectively helps in future promotion and advertising. Research can be quantitative or qualitative; the former being structured questions which can be converted easily to numerical data, and the latter being open-ended questioning, which can often be useful to ascertain people's opinions on the product. All data is useful, and any company will look closely at facts and figures relating to their product lines.

## Conclusion

On first consideration, the idea of a specialised Irish ice-cream being successfully exported to Spain may seem an innovative idea and could prove popular with the target markets, careful analysis is required before the first free sample is offered. Enthusiasm for the product might only be temporary and therefore all investment the company provides may be futile.

If the product was the main pilot of a varied range of Irish ice-creams to be launched concurrently or in the near future, it could be successful. It may be necessary to launch this flavour as a loss-leader in order to help promote the complete range. Initial marketing research would be crucial in determining whether or not to export to Spain.

Logistics would be important, as would strategic alliances with potential competitors. Distribution channels have to be thoroughly investigated. Relationships with wholesalers, restaurants, and supermarket chains need to be carefully established and nurtured. Sales personnel will be crucial in promoting the product, especially in the target markets. Advertising campaigns need to be planned carefully.

Language barriers need to be overcome. Negotiations must at least start in Spanish and fluent speakers are necessary for the smooth running of operations. It cannot be assumed that all communication will be in English. The Spanish economy must be monitored closely especially in these times of austerity and financial uncertainty. Most economic environment aspects need to be considered, as well as some cultural differences.

All business dealings carry an element of risk, especially those involving international trade, and failing to plan can ultimately be a financial disaster for the company. Provided the right environment exists however, *'Helado de Baileys'* might be worth it, and introduce a wide range of specialist ice-creams to the Spanish market.

## Bibliography

Argandoña, A.. (1999). Business Ethics in Spain. *Journal of Business Ethics*, 22(3), 155–173.

Asociación para la Autorregulación de la Comunicación Comercial. <http://www.autocontrol.es/>

Baena, Verónica. "Insights On International Franchising: Entry Mode Decision." *Latin American Business Review* 14.1 (2013): 1-27.

Benito, Gabriel R. G., and Lawrence S. Welch. "Foreign Market Servicing: Beyond Choice Of Entry Mode." *Journal Of International Marketing* 2.2 (1994): 7-27.

Bojnec, Š., and I. Fertő. "Export Competitiveness Of Dairy Products On Global Markets: The Case Of The European Union Countries." *Journal Of Dairy Science* 97.10 (2014): 6151-6163.

Bulla and Baileys join to create liqueur ice creams:

<http://ausfoodnews.com.au/2015/09/07/bulla-and-baileys-join-to-create-liqueur-ice-creams.html>

Chapman, M., The Spanish retail market: What do retailers need to know? *Retail Week*, April 2014.

Charles W. L. Hill, Peter Hwang, and W. Chan Kim. "An Eclectic Theory of the Choice of International Entry Mode". *Strategic Management Journal* 11.2 (1990): 117–128.

Comercio internacional, <http://www.iccspain.org/>

"Dairy Drives Irish Exports, Says Bord Bia Report." *Dairy Industries International* 79.2 (2014).

Ferreira, Marco, Vasco Eiriz, and Ana Maria Soares. "The Impact Of Market-Related Factors On The Entry Mode Of Small And Medium Enterprises." *Journal Of Transnational Management* 18.4 (2013): 273-291.

Food and Agriculture Organisation of the United Nations.

<http://www.fao.org/docrep/w5973e/w5973e0b.htm>

'Food Retail Industry Profile: Spain' 2015, *Food Retail Industry Profile: Spain*, pp. 1-32

Gallego, M. Angeles, et al. "The Relationship Between Timing Of Entry Into A Foreign Market, Entry Mode Decision And Market Selection." *Time & Society* 18.2/3 (2009): 306-331.

Hagen, James M. "Educator Insights: Ben & Jerry's--Japan: Strategic Decision By An Emergent Global Marketer." *Journal Of International Marketing* 8.2 (2000): 98-110.

"Ice Cream in Spain" *Ice Cream Industry Profile: Spain* (2004).

Ice Cream in Spain – Euromonitor.com, <http://www.euromonitor.com/ice-cream-in-spain/report>

"Irish Dairy Looks Past 2015." *Dairy Industries International* 76.9 (2011).

José Paulo Esperança, Manuela Magalhães Hill, Ana Cláudia Valente, "Entry mode and HRM strategies of emerging multinationals: An empirical analysis of Portuguese firms entering the Spanish market", *International Journal of Organizational Analysis*, Vol. 14. (2006)

Kogut, Bruce, and Harbir Singh. "The Effect of National Culture on the Choice of Entry Mode". *Journal of International Business Studies* 19.3 (1988): 411–432.

Lee, Hoon, Glen Biglaiser, and Joseph L. Staats. "The Effects Of Political Risk On Different Entry Modes Of Foreign Direct Investment." *International Interactions* 40.5 (2014): 683-710.

Li, Bo, Shuqin Cai, and Biao Liu. "Application Of Grey Target Theory To Foreign Market Entry Mode Selection." *Journal Of Grey System* 16.4 (2004): 397-400.

OECD – Spain, <http://www.oecd.org/spain/>

O'Mahony, Oonagh. "Approach With Caution." *Irish Farmers Monthly* (2014): 6-7.

Ulhøi, John P. "Modes And Orders Of Market Entry: Revisiting Innovation And Imitation Strategies." *Technology Analysis & Strategic Management* 24.1 (2012): 37-50.