STEPS OF INTERNATIONALIZATION
AND
THE USE OF DIRECT EXPORT METHODS

Prepared by: Tirza Adorjan

Budapest, 2008
## TABLE OF CONTENTS

Acknowledgements ........................................................................................................2

Introduction .................................................................................................................. 3

Chapter I: Reasons for Internationalization ...............................................................5
  1.1 Characteristics of international markets ...............................................................5

Chapter II: Our environment: where to export? ........................................................7
  2.1 Cultural distance ......................................................................................................7
  2.2 Administrative distance .........................................................................................10
  2.3 Geographical distance ............................................................................................15
  2.4 Economic distance ..................................................................................................18
  2.5 Competition.............................................................................................................22

Chapter III: Marketing mix of international markets..............................................25

Chapter IV: Selecting a target country ......................................................................27
  4.1 Selection process and strategy...............................................................................27
  4.2 Country portfolio analysis .....................................................................................28

Chapter V: International channels ............................................................................32
  5.1 Entry decisions ........................................................................................................33
  5.2 Developing the channel ..........................................................................................34

Chapter VI: Export entry modes ...............................................................................36
  6.1 Direct export definition ..........................................................................................36
  6.2 Direct export modes ..............................................................................................37
  6.3 Marketing strategies ..............................................................................................46
  6.4 E-commerce - a threat and a help to agents.........................................................48

Chapter VII: Practical example: Taronja Spanish Language School ....................51
  7.1 Taronja Spanish language school..........................................................................51
  7.2 Competitive advantage of Valencia ......................................................................52
  7.3 Competitive advantage of the Taronja School ....................................................53
  7.4 Marketing mix and internationalization of the school .......................................56
  7.5 Selecting foreign markets.......................................................................................59

Summary and conclusions ..........................................................................................63

Bibliography..................................................................................................................65

Appendices ....................................................................................................................67
Acknowledgments

As a graduating student of the Budapest Business School and the Avans Hogeschool, Breda I have prepared the following thesis as my final school report. I have chosen a topic in which I have great interest in; therefore it has been an experience to complete these pages below.

As a great admirer of Spanish culture I chose to complete my internship assignment in the beautiful city of Valencia, Spain, at the Taronja Spanish Language School.
I would like to thank my company mentors Eva and Fernando Batalla Alonso and Maxi Villarroxa Estruch for giving me a chance to work in a creative and multicultural environment and for their professional support during my stay.
I would also like to thank Mr. Neil Thurston, my school mentor at Budapest Business School for his help and support during the creation of this report.
Finally I would like to thank my parents, Tass and Nelli Adorjan for providing me all the possibilities to complete my studies.
Introduction

Internationalization of companies is becoming a leading tendency and an important issue in present times. Companies are not only planning the expansion on the local market, but many are considering opening doors facing foreign markets as well. Internationalization is becoming easier and faster due to the economic integration of countries and nations. The world does not only consist of individual countries, but of trade unions, unions, associations and other forms of collaborations between nations. It is not enough to have a good market position on local market; international trade is creating more foreign competition every day which can instantly influence market characteristics. Managers are facing a rapidly changing international environment where companies have to gain the trust of national consumers and the trust of foreign governments, employees and customers as well.

This report provides a detailed overview on how companies can achieve their presence on a foreign market. In the beginning of this assignment you will find a small reasoning to why internationalization may result beneficial for a company. Following this “introduction” to the topic, you will familiarize with the most important factors influencing foreign market targeting. It is essential to analyze and interpret correctly the observations and information found on the overseas markets. The country characteristics mentioned here are a great help when international sales and marketing managers try to select target countries. Conducting a throughout analysis will lead managers to solid decisions and will reduce the chance of investing through risky and unstable conditions. In order to have a broader view on the selection of target countries, in chapter four you will find a country portfolio analysis, which provides additional ideas and strategies to foreign market selection. In order to be successful over the country borders, it is not only enough to conduct market research. It is also important to be absolutely aware of the strengths and weaknesses of the company itself, the product and the sales possibilities. These aspects are described in detail in chapter three.

Reading further you we will get to the point where companies have already decided on the foreign target country, and have selected the products which they wish to introduce to the overseas consumers. It must be stated though that these “steps” cannot be put in absolute and unchangeable order, since all of the factors are related to each other, each
of them changing may cause a change in every other factors, regardless of its ranking, therefore the order described here is more like a guideline to the actions. When companies are about to enter foreign markets, they mostly look for the approach which is considered the least risky. Obviously companies cannot predict the movement of the foreign market, especially without previous knowledge. Internationalization starts when international sales and marketing managers create a channel between foreign customers and their company. These channels can be more easily created with the help of international organizations. This is explained in chapter five.

Please be aware of the fact that other than the direct export entry modes there are indirect export entry modes as well, which are not included in this report. The numerous ways of exporting directly are provided in chapter six along with the benefits and drawbacks of each possibility. Due to the strongest market force of our times, the internet, the growing importance of the new e-commerce and e-market cannot be underestimated. Doing business without the use of internet and email is no longer a possibility on international grounds.

In order to place all the above mentioned theoretical analysis in a solid and real life case, in the last chapter of this report you will be able to familiarize with the internationalization of the Taronja Spanish Language School of Valencia, Spain. Issues such as the foreign market selection, the use of international channels, the strengths and weaknesses of the Taronja School’s services, competition analysis and the use of foreign based agents and e-commerce are provided to you in the seventh chapter of this report.
CHAPTER ONE

Reasons for internationalization

International markets differ from each other in an infinite number of aspects. Each and every one of them has a different legal, cultural, historical and economical background therefore entering these markets is not simple.

Enterprises may decide on internationalization for many reasons. Some seek to protect themselves in case home market accessibility would decrease, or if their market expansion on the domestic market should be limited. When companies cannot find other ways to increase their market share on the home market, some of them chose entering foreign markets. It is also common to go overseas when companies are not satisfied with domestic resources. Most companies seek cheaper labor forces and production costs as well as cheaper raw materials. Internationalization may also occur due to the product itself. If goods reach the late stages of their product life-cycles managers often do not wish to eliminate the once successful product from the market, therefore they try launching on different, maybe even less developed markets. By going international storage spaces can be diminished and new and foreign technologies may be acquired and implemented, therefore companies may become more professional. Also the idea of becoming international in a company usually has a very positive effect on employees and managers; it gives new motivation and excitement to people. This usually goes with several employees being appointed for new tasks, the change in management style and company structure. A general conception of a company ready to become international is also very attractive. Obviously only companies with stable home market position and significant financial reserves plan to enter new and different markets.

Characteristics of international markets

International markets are very specific and have many characteristics. First of all the background and the skills of the actors of international markets are different and unequal and therefore the market tends to have very exceptional characteristics, with many opportunities for exploitation. Also the entry and “exit” modes are restricted causing differences in present company structures. International companies must be able
to adapt to the country specific rules, regulations, restrictions, and the cultural differences of its inhabitants. Exchange rates and foreign currencies may also cause problems for companies entering a new market and dealing with currency fluctuations for the first time. For example if the country of export due to some political and economical changes suffers from inflation companies present on the market will be affected in a negative way as well. Considering prices, fluctuations in money value are not the only difficulties. Price rates differ from county to country due to different geographic location and economic situation. Alimentation goods are usually priced higher on islands, where resources are weak, vegetables and fruits are more expansive in the mountains or in the northern countries but minerals and special stones are cheaper, while other countries prices have different rates. Financial managers may face problems due to these types of price differences. They have to cope with different cost distributions, assumptions for costs are more difficult to make when a company has no future experience on foreign markets. Different taxing systems, tariffs and quotas have to be examined, and usually transportation costs tend to increase. There is an increasing importance of quality control especially in the medical departments. Often companies meeting domestic quality standards do not succeed on international markets. Also in the era of the environmental changes and the issues related to “global warming”, companies must develop themselves and change production facilities to meet the pollution restrictions of the home market but also of the different overseas markets as well. In the following chapter the different country and market specific characteristics will be described in more detail.
CHAPTER TWO

Our environment: Where to export?

For a company based in a centrally located European country it might seem less sophisticated to decide on where to export than for a company in the United States. But is it wise to only measure geographical distance? Exporting decisions are considered one of the most complicated decisions and careless assumptions may cause serious damages in the company life. To really investigate the target countries and its consumers, there are various aspects needed to be analyzed. The most important dimensions of distance are: cultural, administrative, geographic and economic.

CULTURAL DISTANCE

“Culture can be viewed as the homogeneity of characteristics that separates one human group from another”

Griffith

Looking at the all the nations of our World it is not difficult to state that each and every country has its own customs, habits, people from different countries cannot be approached the same way. Cultural distance affects consumers’ product preferences, their perception of the signs, logos, colors or brand names. Language is one of the most distinctive aspects of cultural differences. A word or phrase which sounds attractive in a country may have a negative meaning in other languages. Even between countries where officially the same language is spoken, word usage might cause confusion due to the cultural differences and the current speaking trends. Obviously a French word in France will be interpreted differently then on the island of Martinique. Therefore it is not only important to observe how people interact with each other, but it is also important to obtain knowledge on how they interact with companies and institutions. Religion, race, social norms can easily create distance between countries and nations. All these factors have huge impact on the economic and trading relations between countries. It is said, that countries sharing the same language will create trade relations intensely, however being able to communicate on someone’s mother tongue doesn’t always cause immediate understanding. Social norms and principles which guide individuals in their everyday choices and interactions are hardy recognizable even for
the fellow companions living together in the same society. Consumer durable products are especially sensitive to differences in consumer taste. Religion has a great affect on the food industry, Buddhists’ tend to diminish or even eliminate the consumption of meet, whereas Hindus only restrain themselves from eating beef, the Mohammedans from eating pork and Christians usually do not have problems eating whatever they are offered. TV and other mass media with linguistic content are specially affected by the differences in languages. Series, movies and TV shows that became international could only reach the audience who were similar to their original target audience. Every country has its own standards; electric devices for example have plugs in the United Stated which are not compatible with European sockets. Smart cars are sold in Europe where historic old town streets are narrower than common streets and in Japan where people are accustomed to having small devices, but who would by a Smart car in California? Colors have different meanings in different countries; therefore in the business life have an effect on the product’s packaging or on the promotion material. Signs such as a red star may symbolize the communist regime for Eastern-European countries, but may have positive meaning in the Americas. Additionally, other than coping with the culture of one country, one most have knowledge on the recent cultural changes as well. International marketing managers have to be updated with the market and cultural trends and sometimes also take part in the control of the change going by. The behavior of the buyers will strongly depend on their cultural heritage but also be influenced by modern market history and modern trends. Education and knowledge as well takes part in one’s decision making when choosing a product. In countries such as the Nordic countries health issues are becoming common topics, therefore food and beverages with unhealthy ingredients are less and less sold. The French government now enforces the greasy food products wearing a label stating: After the consumption of this product do exercises! Managers may try to seek similarities in the cultures in order to classify them in groups and as soon as countries are classified in one group the managers tend to regard them as solved problems. This attitude is rather dangerous since countries should be examined continuously. 20 years ago the Eastern European block was separated from the Western civilizations and capitalist ideas, therefore the attitude of the people had to form from one extremity to another. The common ideas in these countries are still in movement, they can be modified by market trends or by other forces as well. It is said, that one of the phenomenon of routine living is that even the people living and acting in the same society are hardly aware of the reasons for their
actions. This phenomenon is called the iceberg principle. Since the icebergs are known for showing only one eighth of their real structure, this principle states that the surface of one’s culture shows more obvious and even more international features such as clothes, movies, music, celebrations, food and beverages, but there are much more values that lie below the surface which, in fact, might even have a greater impact on one’s everyday actions. These are for example values and attitudes towards: time, achievement, work, wealth, change, scientific method, risk taking etc. There are many other issues which make it difficult for managers to familiarize with one’s culture, and that is due to the fact that in many nations there are subcultures present. Just take a look at the United States of America where you can find people of all nationalities living under one roof. Surely Mexicans living in the States cannot be approached the same way as Chinese Americans for example. In Europe, where there is a mix of cultures and people have long ago started to cross borders and find jobs in different countries shows how difficult it can get to create a common marketing plan compatible with all the people of a country.

One may also of course find similarities in different countries, based on habits, language etc. Table nr.1 in the Appendices shows eight cluster groups of countries of closer relations. The table does not include the Baltic countries or the African countries therefore it just gives a basic idea on the civilized and developed world. We also have to take into consideration, that for example in Spain and Switzerland, there are four official languages, and therefore we can differentiate between linguistically heterogeneous and homogeneous countries. International marketing managers when deciding on the packaging need to have a look at the official languages of one country and cannot restrain from providing information to customers in all official languages.

When doing business with people of different nationalities, one must respect not only the official language(s) used but the habits, customs, religion and other norms. Managers must study and familiarize with greeting habits, business making strategies, opening hours of foreign companies. In Germany for example being late for a meeting shows great disrespect while in Italy or Spain being 5 minutes late usually is somewhat acceptable. There are topics which have to be avoided during a business conversation in an Arabian country for example religion, family and salaries, but in Spain for example it is not considered impolite to talk about someone’s family. The common act of giving
presents to business partners in order to achieve a stronger net of relations is absolutely accepted in China (Guanxi) whereas the same habit in the Western world would be called bribing. Obviously the two are not the same. For all these reasons companies who do not investigate deeply in the culture, history and philosophy of a target country of export, marketing strategies may turn our ineffective, sales figures may not reach the expected amounts and business relations may turn out to be useless. It is wiser to take more time and effort to get to know more the people who you wish to sell you products to.

ADMINISTRATIVE OR POLITICAL DISTANCE

Unions and associations
Countries may be located geographically close to each other for example France and Switzerland, may even share the same languages but being part of different political organizations affects trade agreements between the countries. In the case of France and Switzerland, the latter not being part of the European Union causes numerous administrative issues.

At the moment countries around the world are in favor of entering associations or unions with other similar countries. Either they enter because they share the same geographical location, or because they share the same values and culture. Most of the time countries enter for financial and administrative reasons. Also, unions and associations increase the level of confidence between countries, and therefore at some point decrease the acts of war between member states. Countries seek protection and help from other members of the unions or associations and free trade areas. To name some of the above mentioned: European Union, Association of South-East Asian Nations (ASEAN), Mercosur, Central American Common Market (CACM), North American Free Trade Area (NAFTA), and Caribbean Community of Common Market (CARICOM). Taking a look at the trade relations between the member states of the European Union we can conclude the followings. First of all, the disappearance of boarders enables the free movement of goods, capital and people, therefore promotes the trade (export – import) between countries. Import duties such as tariffs were abolished as well. Already most of the countries share the same monetary system and have introduced the Euro as common currency. European rules and regulations are
superior to national ones; therefore member states operate together and seek solutions to improve areas which are lagging behind. This way we can state that belonging to an association or a union increases greatly a country’s export possibilities and facilitates an easier and faster channel of exchange.

**Government**

The role of the government in one country in relation with export and import activities cannot be emphasized. Certainly a country’s government will decide whether a country will welcome foreign products, taking into consideration the current economical stability of the home country and the country of export and the nature of the products. Governments that tend to restrain from foreign products may do so for numerous reasons. One is called *nationalism* when a country doesn’t open its gates to foreign products and wishes to protect and develop local market. It is also possible that due to political hostility countries forbid all sorts of trade across borders. Countries of the Soviet Union were inaccessible for the Western capitalists and vice versa. Due to the war and post war situation the movement of goods, capital and people was only possible within the borders of the Union and Western ideas, products and people were unwelcome. There are numerous existing regulations between countries similar to the above mentioned. On the other hand there are governments which promote international export transactions and facilitate the entry of the foreign products and services. There are existing government-authorized free trade zones, free ports and free perimeters. *Free trade zones* are usually located to big ports are known as the only zones where products may enter without the importer paying customs duties such as tariffs. These political areas are usually uninhabited and are closed off of the rest of the country. The difference between free trade zones and *free perimeters* is that free perimeters are usually located in underdeveloped regions. Other types of government actions promoting foreign export are government owned organizations searching and providing information to foreign based companies on export possibilities. One of these organizations is the Japan External Trade Organization (JETRO) which is government organization giving information on investment and business opportunities in Japan, market information and statistics and surveys.

But what do governments do to control the foreign exports? Governments use various types of restrictions such as tariffs and quotas. Some of them are used to diminish the
number of export-import actions by making business unprofitable for both exporters and importers. Governments usually protect national economies by prohibiting great amounts of foreign products; therefore promote the development of the national industry. For example if a developing country would let foreign companies import products which were manufactured in the home country as well, probably consumers would buy the products with more competitive prices. Usually big international companies can afford to have more competitive prices, so the developing country’s products couldn’t be sold and therefore the business would go bankrupt. If the government restricts foreign products in order to let the national industry develop, probably in the future when the national company can afford to have competitive prices, the government will allow international participation in the market, this way creating fair and “healthy” competition. Also governments restrict the import of products which are considered unsafe (weapons) or are a threat to national health (alcohol and tobacco). It is common that governments interfere with the advertisements used to promote certain products. For example tobacco imports are accepted, but advertisement of the tobacco products are prohibited.

**Barriers to international trade**

**License**
A common way to restrict exportations is allowing only licensed products in the market. If a government wishes to ban products from the local market, these licenses will not be granted or will only be granted for a very limited number of products.

**Tariffs**
Tariffs, also called as customs duties are taxes imposed on imported goods. Tariffs are used for various reasons. The most important reason for using tariffs is to protect locally produced goods by increasing the price of foreign products, and at the same time creating revenues for the government. The tariffs can be set by separate ways. One way is to measure the value of the product and set the tariff as a percentage of the value of the product being imported. This is called the *ad valorem tariff*. The problem which may derive from using the ad valorem tariffs is due to the increase or decrease of market prices, and therefore the increase and decrease of tariffs. Certainly the increase of prices does not concern the authorities as much as the decrease, whereas local product prices
might stay equal and prices of imported goods may become more competitive. Tariffs which are set regardless of the value of the imported products are called specific tariffs. These are usually set as an amount of money which has to be paid when importing the goods. When a government wished to gain from the imports revenue tariffs are used. The amount of these tariffs tends to be lower, since the government wants to encourage importations in order to maximize revenues originating from them. Protective tariffs are used to protect local industries and prohibitive tariffs serve a similar goal as the licenses. The latter is usually so high that exporters loose profits on their products and therefore restrain from exporting. A specific type of tariff used to prevent companies from selling their products on foreign markets for lower prices than on home markets is called the antidumping tariff. Governments in the modern times however have to decide together on tariffs, and members of unions usually set tariff amounts together to impose on products from outside the union’s borders.

**Quotas**

Quotas are another form of controlling imports to a certain country. Import quotas set a numerical limit to the amount of foreign products which can be imported into a country in a certain period of time. Generally we can speak about three types of quotas: absolute quotas, tariff quotas and voluntary quotas. Absolute quotas limit the number of goods which can be imported to a very strict limit. When the number of imported goods is zero, the products is banned from the market, we call that an embargo. Tariff quotas are less strict; they allow the entry of a limited number of goods, but importers must pay duties. If importers wish to increase the number of their imported goods, these duties tend to rise. Voluntary quotas or voluntary export restraints are used similarly as protective tariffs, therefore they are meant to protect national industry from foreign competition.

Additionally each country imposes extra taxes on certain products, depending on the country’s economic situation. It is also common that governments launch campaigns promoting local products, such as “Buy Local” slogans or simply indicating on the packaging that the product is domestic. However these intentions usually have less impact on the consumers’ preferences than price or quality.
National governments promoting national exports

For international marketing managers it can be of great help, when their own country promotes local industries in exporting activities. Since exporting to foreign countries is a very complex mission, many small and medium size companies restrain from spending the time and energy on the issue. Usually companies do not have enough resources to engage in activities such as market research, analysis of competitors, transportation methods, foreign retailers etc. The lack of information obviously makes it impossible to start business abroad. We have to include, that not only is the starting of exporting mechanism time and energy consuming, but usually is difficult to finance. Usually companies have to recreate their company structure in order to have a complete view on their actions in the foreign country.

Therefore some governments decided to help small companies in providing them with information on various foreign markets. The following list shows the types of information provided by governments:

1. “Economic, social and political data on individual countries, including the infrastructure
2. Individual reports on foreign firms
3. Specific export opportunities
4. List of potential overseas buyers, distributors, and agents for various products in different countries
5. Summary and detailed information on aggregate international marketing transactions
6. information on relevant government regulations both at home and abroad,
7. sources of various kinds of information not always available from the government, for example, foreign credit information
8. information that will help the company to manage its operation, for example, information on export procedures and techniques”

(1) International Marketing and Export Management Albaum, Gerald, Strandshov, Jesper, Duerr, Edwin, Dowd, Laurence.
The above mentioned types of information can result in being time and money saving for small enterprises but in most cases companies cannot only rely on the common information provided by their government. There are a few important factors which international marketing managers have to consider when using the common information provided by the government. First of all, the information might be old, and market conditions might have changed since the publication of these data. Second, international marketing managers should check the sources used to gather the information. Third, all the data provided by the government is accessible for all the companies interested in exporting activities. Therefore competitor enterprises who wish to develop their market entry strategies will come up with similar ideas on how to enter the foreign market. This will cause a decrease in their competitive advantages, unless they spend more time, money and energy in search of extra material.

Apart from providing market research data the government sometimes intervenes more in the export activities of companies. By the creation of embassies or consulates and other national offices governments can not only help companies in their trading activities but in a way monitor their actions. Trade fairs and exhibitions were foreign companies can meet and familiarize with each other are also perfect occasions when governments can be presents, or even be organizers of these events.

**Private organizations promoting national exports**

Due to the common tendency of globalization nowadays many problems have been solved regarding export activities, and crossing the borders developed from being an extreme expansion to an obligation for many companies. Naturally, when there is a growing tendency regarding foreign relations many other institutions form and take part in the further promotion of international exports. Organizations taking part in such activities include chambers of commerce, industry and trade associations, world trade centers, export service organizations such as banks, transport companies, freight forwarders, export merchants and trading companies.

**GEOGRAPHIC DISTANCE**

One of the most obvious aspects of trade relations between countries is based on geographical distance. It is often stated that the greater the distance between countries
the more difficult it will get to create business relations. This theory in the past might have been true, but in the modern life distances tend to disappear and countries once unreachable became accessible through various channels. By the common use of the World Wide Web and the highly developed telecommunications systems information flow increased and is at the moment increasing rapidly. Certainly there are a few aspects which have to be considered still when choosing between products and countries.

Coming back to the old theory of “the further the harder” we must state that countries sharing common boarders create trade faster. This usually doesn’t mean that companies will only export their goods to neighbor states, but they will most commonly start by exporting to them and later move on to exporting to further countries. This theory also applies to countries having common seas or rivers and developed ports for waterway transportation. If we have a look at for example Hungary, we can note that being a land locked country it has no chances in taking part in sea trade, but we cannot forget about the importance of the Danube river. Picture nr.1 in the Appendices shows how the Rhine-Main-Danube channel operates as the vein of Europe, offering waterway transportation possibilities all the way from the North Sea of the Netherlands, crossing Germany, Austria, Hungary, Serbia, and Romania ending finally in the Black Sea. Therefore countries may not share the same borders but engage in trading activities using waterway or sea transport.

Export activities greatly depend on other country profiles as well. The geographical location of a country might be appealing due to the short distances, but what about the geography of the county itself? Goods in Switzerland may be transported by different means of transportation due to the mountains which dominate the county. Obviously waterway transport will not be appropriate here. By contrast, in Hungary goods may be transferred rapidly due to the favorable landscapes. But mountains, rivers and seas doesn’t only affect the speed of goods transfers. Infrastructure is one of the biggest concerns of international marketing managers when considering target countries. One might profit from the neighboring county’s accessibility due to the lack of distance and favorable geography such as a flat and easily manageable landscape, but things may turn out unfortunate if the country itself has poor road conditions, limited railways or underdeveloped ports. Fragile products for example are most sensitive to road conditions; they usually cannot be transferred easily to distant locations by road.
transport methods. Goods such as wheat, cement and other heavy products which are not sensitive to road conditions may be affected by weather conditions. Also their weight surely affects financially the type of transportation chosen.

- **Products sensitive to distance and weather conditions:** fruits, vegetables, dairy products, live animals, fresh food

- **Products sensitive to road conditions:** fragile goods such as china, glass, paintings, furniture

- **Products sensitive to weight restrictions:** big electronic devices such as refrigerators, cars, motorcycles, wheat, stones (granite, limestone)

Another solution to overcome the barriers due to geographical distance is to set up company headquarters in the foreign country. This approach can usually be preformed by companies which are financially stable and have increasing sales figures and market share in the given foreign country. Most common way is by setting up a foreign direct investment by acquiring production plants and other facilities in order to have a greater control over the products have a wider view on market tendencies. This step is a great step compared to simple foreign exportations, and there are different types of market entry modes less demanding and more accessible for small and medium sized companies. These will be discussed in the following chapters of this report.

Last but not least, international marketing managers in modern time as well have to face other difficulties of transportation, such as for example piracy. Piracy usually occurs in areas uninhabited or with a very small population. Increasing number of pirate attacks happen at sea, where cargo ships are robbed by armed forces. Seas of Far East Asia and especially the Malacca strait where numerous Japanese shipments pass to reach India located between Singapore and Indonesia suffers from increasing number of attacks. An interesting idea to decrease these acts of piracy in the area is the long term plan of the construction of the Thai Channel. This plan obviously would not only serve against piracy but have great affect on Thailand’s economy and trade relations as well as would probably decrease the duration of the sea transports. However due to the current
economic situation of the country and the financial measures of the project this plan will remain a long term goal for the Thai Kingdom.

ECONOMIC DISTANCE

The economic situation of the target countries brings up many questions for international marketing managers. Is it always worth it to do business with rich counties? Are wealthy people more eager to consume? Will the company profit from the similar economic situation of the target country as it did on the domestic market?

Therefore it is important to analyze the current economic situation of target countries. Other than looking at market tendencies, managers ought to have a look at the purchasing power of the inhabitants. One of the figures used to measure “wealth” is the annual GDP per capita. On picture nr.2 of the Appendices we can see how the nations of the world differ from each other by having higher or lower GDP per capita. We can easily note the wealthy states which are indicated with the dark blue color and have over $ 30 000 GDP per capita and also the poorest countries indicated by light blue which have only between $0 and $1000 GDP per capita. If we have a look at the European Union member states we can see how there is a difference between the Western states and the Eastern region and Portugal. International marketing managers therefore cannot expect the member states of the Union to react the same way to prices, promotion or marketing. The Union is not as homogenous as it might seem, taking into consideration even the common monetary policies and most of the nations being members of the European Monetary Union (EMU). Additionally, not only is the PPP (purchasing power parity) a considerable measure, but it is also important to consider the consumers reactions to price changes. Consumers may tend to switch to different brands when they see a price increase in their usual brand choices. Also it is common to buy substitute products, when prices rise, for example if the price of flour would raise significantly consumers may switch to buying rice products. There are products which are price inelastic, therefore no matter how high prices rise; consumers will still keep buying the same product. An example for a price in-elastic product is water. Vice versa, price elastic products are for example fruit juices. If prices raise consumers tend to switch to syrup to substitute the juices. Therefore it is important to look at the welfare of the target countries and also analyze their behaviors to price changes.
Usually companies in order to secure themselves will start export activities with countries which have similar economic profiles, or will tend to target rich countries. But doing business with poorer counties can result profitable for companies as well. For example by setting up production plants in under-developed countries enterprises help local governments by offering work to the local people but also profit from the low labor costs. In often occurs though that companies who set up foreign businesses take advantage of the low economies of the foreign countries and keep wages at the lowest possible level in order to profit the most from their labor. Unfortunately the workers are exposed to such unfair treatment.

International managers should also consider the price levels of countries, and therefore examine the nature of the local currencies. The strength of a currency usually reflects the economic stability of a country. Some currencies such as the Euro tend to increase and therefore countries sharing the Euro as a common currency might consider buying foreign products which even with the import duties tend to have more competitive prices. The opposite situation is occurs when a countries currency is weak and therefore imported products have much higher prices than locally produced ones. Managers of course have the opportunity to turn these fluctuations of currencies on their side, therefore profit from it. If for example a there is a decrease in a country’s currency value, firms should promote home production and profit from the low labor and material costs and export to countries with strong currencies. Whereas when the value of the home currency increases, production should be carried out in foreign states and products should be imported and sold on the domestic market.

Tax rates are to be considered before entering a foreign market. It is always important to make sure how the tax rates of different countries affect the international relations. For example if a company is located and registered in a high tax rate country, even if it produces goods in a country with low labor and material costs, tax rates will have to be paid according to the tax regulations of the country of registry. Whereas if the company is located in a low tax country and sells its products in countries with strong currencies, companies will benefit more of the lower tax rates of the home country. Some companies use a special method to avoid paying high taxes. This method, which is completely legal, is called the Re-invoicing center. The re-invoicing centers are set up strictly in low tax countries. They operate together with the mother company located
elsewhere in the world. When the mother company receives its revenues before tax it sends the amount as a payment to the re-invoicing center located in the low tax country. Therefore this center may and must include in its income statement the income received from the mother company and pay taxed on it. But of course taxes will be lower compared to the home country. One part of the revenues after tax then will be sent back to the home company, and the home company will put the amount in their income statement and pay local taxes on it. But since the amount will already be lower than the original amount companies may save on the tax differences between countries.

Besides looking at the GDP per capita of different nations, managers should also consider the economic integration of different countries. This topic was already discussed briefly in the previous chapters of the report, here there will be more detailed information given on the economic integrations of countries.

In table nr.2 of the Appendices we can have a look at the types of economic integrations, such as free trade areas, customs unions, common market, economic union and political union. We can also state that the level of integration differs from type to type, moving from only political integration to full integration of the harmonization of economic policies, free flow of capital and labor, common external tariffs and the removal of the internal tariffs. All these characteristics apply at the same time only at the political unions. Due to the extreme high level of integration at the moment there are no existing political unions. Naturally a union such as this would include almost 100% integration, including common military forces etc. The European Union is moving in the direction of the political union but is still quite far away from having integrated politics, and due to all the cultural and economical differences between member states we can assume that for a long time in the future it will not become a political union. In history probably the multi-country dictatorships or forced unions such as the Soviet Union had the most political integration.

The above mentioned European Union is more of an economic union especially with the development of the internal market and the harmonization of the economic policy such as for example the Common Agricultural Policy (CAP). There is a free flow of products, people and capital, common European law which is superior to national law. The common market is only inferior to the economic union in the level of integration,
since the common market does not include common economic policy. The European Union of course being an economic union as well includes having common market. But Mercosur for example is only a common market between the South American counties such as: Argentina, Brazil, Paraguay and Uruguay. There is another existing common market on the South American continent which is the Andean Common Market including Bolivia, Colombia, Ecuador, Peru and Venezuela. A customs union is somewhat loser than common market since it only includes the removal of internal tariffs and the creation of common external tariffs. The Benelux countries, Belgium, Netherlands and Luxembourg form a customs union. The least integrating of all is the free trade area, which only states the removal of internal tariffs. Such free trade areas are the:

- “European Free Trade Association (EFTA): Iceland, Liechtenstein, Norway, Switzerland
- Latin American Integration Association: Argentina, Bolivia, Brazil, Cuba, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela
- Association of South-East Asian Nations (ASEAN): Brunei, Burma (Myanmar), Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam
- North American Free Trade Area (NAFTA): United States, Canada, Mexico” (2)

(2) international Marketing and Export Management Albaum, Gerald, Strandshov, Jesper, Duerr, Edwin, Dowd, Laurence.

But how do all of these economic integrations affect the export activities? As discussed earlier, tariffs and restrictions such as licenses and quotas have a great impact in product pricings, import facilities etc. Apart from these, we have to mention a common theory present in the member states which is called the preference effect. It is due to this effect that governments promote products produced by member states of the same union and increase import duties on products originating from outside the union. This effect doesn’t only show in keeping the local product prices competitive, but in marketing strategies and promotions as well. This effect is related to the growth effect which is basically considering the growing market potentials inside the unions due to combined industries. At this point we can state that being members of unions often come with an increase in economic stability and we can therefore conclude that being in a union often
resembles the saying of 1+1=3 where value is created due to the integration of two parties.

On the other hand, as all things have dark sides, unions have disadvantages as well affecting foreign trade. The protection of the domestic goods of the unions often result in a sort of over-protection, which in economic term is called: *trade diversion*. It is the phenomenon when foreign goods cannot enter a common market due to trade barriers and therefore customers may only chose from the internal products. But what if those products are not as good quality as the ones from outside the union? How can governments find a balance between the protection of domestic industries and at the same time provide the highest possible quality goods to their people? It is a though question and governments often make mistakes in either letting too much or too little foreign products on the home market. After all, the main idea of trading and international export and import activities is to give the customers an opportunity to choose the products of which fulfill their needs the most.

**COMPETITION**

One of the driving forces of market activities is competition. Competition results in the development of higher quality products, the most competitive prices, therefore it is helping the fulfillment of the customer’s needs. International trade exists since the formation of countries; therefore international competition has always existed as well. The levels of competition change only from decade to decade depending on market tendencies. For example Japan held its gates closed for long, and only started to let foreign products enter in the last century. Japanese companies also kept their products on internal markets until the Japanese government gradually allowed the import export activities. Therefore we can note, that the degree of international competition grew, since from almost zero international competitors Japan had to face with numerous different products of companies from all over the world. The same occurred after the fall of the Soviet regime in Eastern-Europe. Countries of the union opened their borders and started to welcome overseas products, and at the same time became aware of the exporting possibilities. In Hungary for example there is a boom in foreign business opportunities; there is a significant growth in foreign direct investments. Due to
globalization becoming a trend there is much room for expansion even for small and medium sized companies on the international market.

Competition has to be examined closely. In order to familiarize with the existing competitors managers must gather as much information as they possibly can from many different sources. Market research has to be carried out, market surveys conducted. Consumer preferences have to be measured. But most importantly, international marketing managers must be able to deal with the information they find, and be able to use them correctly. Not only is it important to know who the competitors are, one should observe their actions. A company usually focuses at a certain target group; therefore focusing on the same consumers would be illogical since managers would have to face with existing competition. Companies must seek to differentiate themselves from one another. They should concentrate on offering something which no one else can offer, or if they can offer the same products, they should differentiate themselves by prices, promotion types, target groups etc.

Competitors have to follow market trends. Companies which are not newly formed cannot afford not to follow the changes of market structure, in order to survive they must be aware of their new competitors. An ancient historical example for this phenomenon follows: before the discovery of book printing, thoughts, events, moral teachings and all other information was distributes to people on the facades of buildings. Buildings were the only common “promotional space” reaching the common people. Therefore church walls were richly illustrated, law was carved in stone. The development of print turned the history around and information channels increased significantly. Books, magazines, newspaper let to new spaces for advertisement; it became the most common way of mass communication. The further inventions such as the radio, television made it possible to receive news from all over the world, leading us to the biggest history turning invention of the last century to the internet. In modern times companies cannot continue their advertisements and promotion on paper. The tendency shows, that internet is the biggest information communicating service present. Therefore a company may achieve nowadays competitive advantage by adapting its business and corporate structure to the strongest market force the e-commerce. This way it may differentiate itself from its competitors.
Difficulties occurring when trying to overcome competition may be a cause of the following phenomenon: *unfair competition*. Generally when we speak about competition we imagine all the companies trying their best to offer a good or service better than the others with equal chances and rights. In the practical life the term *fair competition* does not exist. Companies do not have equal chances due to governmental factors such as the protection of local market as discussed above. Another barrier to equal competition is the illegal and secret associations of big companies, who all together form a group and decide on prices together in order to eliminate unpleasant competitors from the market. One way to do this is by keeping their prices low for a certain time while the other companies cannot offer to decrease their prices and go bankrupt. These associations are called *cartels*. In most countries and unions carters are illegal and receive fines when their actions go public. Interestingly in Hong Kong and Singapore there are no laws restricting cartels.

**Conclusion of Chapter One**

In this chapter we discussed the importance of measuring the international environment. There are five aspects mentioned to measure a country’s attractiveness. The four measurable characteristics of a country are cultural, the administrative, the geographical and economic. Additionally foreign markets have to be analyzed by observing and understanding the structure and the actions of the competitors. Only after having a detailed look on all of these aspects can enterprises feel ready to chose and enter a new foreign market.
CHAPTER THREE

The role of marketing mix on international grounds

In the following paragraphs you will be able to find the basic approaches to change when adapting to international markets.

Product
A company is not obliged to launch all of its products on the foreign markets. It is common that companies make a selection of their products to export to different markets, taking into considerations all the characteristics of the countries mentioned in the chapter before. Some products even have to be modified, adapted to the local market needs. This adaptation for example is very common in international restaurant chains, where chefs have to change the ingredients of the dishes to match the local tastes. For example McDonald’s and Burger King might be successful in launching their Mexican spicy meals in Hungary, where local dishes are similarly spicy as the chili based Mexican specialty burgers. But the same burgers in the Netherlands or in Germany might not be so popular due to the more gentle flavors used in these countries. Therefore managers have to keep in mind that even if they decide on launching the same dishes they have to consider some changes in the receipts. The most extreme way of adapting to foreign market needs is when companies design and create completely new products for a specific market. This approach is the most time consuming and financially demanding as well meaning high R&D and new advertisement costs for the manufacturer. However firms might engage in such activities when they find the target market highly appealing and consider the new product launching a good investment.

Price
It is not difficult to see that monitoring and resetting the prices of the goods are highly advisable when entering new foreign markets. It is not always advisable, but sometimes companies decide on not changing the prices of their products at all, and offer them at the same price in local currency in on the foreign market. This decision is usually made, when the county of export is politically and economically very similar to the home country. For example a firm based in the United States might set the same prices of its products in Canada, which is similar to the United States both culturally and
economically as well. This approach however is not common, and usually firms set different prices for different countries taking into consideration the GDP per capita and purchasing power parity of the nations, and as well looking at the prices of the local competition.

**Promotion**
Consumers in foreign countries differ all around the world. Therefore it is advisable to carry out several researches in order to familiarize with the buying behavior of the customers. Advertisement channels have to be considered since it is possible that while Americans watch TV for several hours a day Italians listen to radio for the majority of their free time or working hours. These are only assumptions, but there can be and there will be differences in how to reach costumers. TV ads, magazine ads etc vary from country to country. Language differences affect the packaging, signs and symbols used affect the people’s perceptions of the products. Color usage must be considered, since the characteristics associated with specific colors are never the same in an international environment.

**Sales techniques**
Internationalization usually goes together with an extreme effort put into not only the marketing mix of the product, but also on the way the products are actually distributed and later sold to the consumers. Transportation methods and logistics tend to get more sophisticated when companies have to deliver their goods abroad. Naturally managers have to cope with cost changes and growths. Usually the number of intermediaries between the producers and the end users grows as well therefore prices of the goods usually increase. Making business with foreign retailers and wholesaler is more complicated since often no personal contacts can be made and therefore product managers have to use their instincts to decide whether or not someone is worthy of partner relations and if they can be trusted as well. Companies have to seek to control their products as much as possible from the end of the production cycle until the end user and receive as much feedback from the customers as possible to adjust the products to their needs. Keeping an information channel alive such as this across nations, borders and intermediary people is not simple, due to the distance mostly but also due to the country characteristics as well.
CHAPTER FOUR

Selecting a target country

In the previous chapters we had a look at the characters of countries influencing market entry and the company’s internationalization. We know now that the marketing mix of the products should be revised adopted to the needs of the target market’s consumers. On the following paragraphs you will find a brief description about what other aspects international marketing managers must keep in mind when selecting a target country.

Selection process and strategy

After considering the cultural, administrative, geographical, and economical characteristics of the countries of attention, plus additionally managers an overview of the competition existing in the target countries, they should consider the following aspects as well. (1) Consumer/user profile: this is basically the sum of all the cultural and behavioral findings which all influence the actions and the product selection of the consumers. (2) Direct estimates of market size: making a detailed research on the competitors, assumptions about their market shares, analyzing their actions, target groups, distribution methods, strengths and weaknesses and tendencies. (3) Market size indicators: information collected on the growth of the economy, purchasing power parity of its inhabitants, number of population, relevant number of the target groups, etc. After examining the above mentioned three aspects, managers can have a basic overview of the countries selected. Therefore according to the selected countries adequacies regarding these aspects, they can reject or accept some of the countries. But there are other aspects to be examined in these prospective target counties. Managers should now have a look at their own company’s profile. The most relevant in this case is the estimation of the company’s sales potential. (1) Top-down estimates, (2) Bottom-up estimates Having a look at these managers can now classify the target countries and accept and reject some of them. Probably the original number of selected countries by this time diminished. What we are left with after these selections are the high market potential countries. The following step is to examine and estimate company sales potentials. This can be done looking at the following aspects. (1) Entry conditions: managers have to go though and consider all the possible entry modes and the
government or/and union regulations of these countries regarding import and export activities and the perception of foreign products on the home market. (2) Competition: once again managers should have a look on the other competitors on the target market. (3) Distribution channels: it is important to analyze the possibilities of distribution in a target country. This is usually a product specific issue; therefore many options are possible in terms of distribution. Managers obviously should look at the conditions of the most favorable distribution channels regarding their products. Finally they should have a look at the (4) Consumer/User: once again make a brief analysis of the target group of the country with specifications as well. When managers reach this point, they can specify the real countries of interest, the target counties, those who offer the best conditions to the company and those who match the company’s competences the most. The rest of the countries which are not rejected after the final stage of the analysis form a group of the secondary target market. (Based on Figure 4.3 on page nr. 172 of International Marketing and Export Management. Albaum, Gerald, Strandshov, Jesper, Duerr, Edwin, Dowd, Laurence

**Country portfolio analysis**

The evaluation of foreign markets still causes difficulties for firms, even when all the relevant information of the countries of interest is gathered. There is need to adopt a worldwide perspective to determine the optimal combination of countries and market segments. With the use of portfolio analysis companies can evaluate the degree and the characteristics of their involvement in the foreign business and be aware of their strengths and weakness regarding the market. The most common approach to portfolio analysis was created by the Boston Consulting Group and therefore is called the BCG matrix. It is used to analyze the products of the company and show an overall view of the company’s financial situation. With the use of the BCG matrix we can differentiate the four main types of products (1) stars: creating reputation and short term high value to the company, (2) cash cows: products which bring financial stability to the company by constant sales. Might not be very known products, but on the long run are most important for the firm. (3) Question marks: products which are high cost but do not have high sales figures. They are called question marks since they either have to be further developed and tuned into stars or cash cows, or eliminated. (4) Dogs: products which give the less value to the company. The BCG matrix concentrates on two
specific aspects, one is the market share of the product and the other is the market growth rate.

In international sales managers should consider the following aspects as well (which are not indicated in the BCG matrix). Cost of entry, shared costs in international marketing and the risks arising from the foreign business operations. Political, financial and commercial risks are higher when companies create business abroad.

A possible and important tool to measure country attractiveness and competitive strengths is the matrix indicated below. It is considered useful since it combines the dimensions of the company’s internal strengths and weaknesses and the foreign market’s opportunities and threats. Additionally the portfolio analysis helps to determine the primary role of each specific export market in the international context. These roles may vary from generating cash to blocking competition. In order to place the countries of interest in one of the nine cells provided by the matrix, a type of weighting system has to be used. A list of contributing factors has to be created in order to analyze countries based on the same aspects. The following a list of factors which help in placing the target countries in the matrix:
“Country attractiveness factors:
Market size, market growth, market seasons and fluctuations, competitive conditions, market prohibitive conditions, economic and political stability

Competitive strengths factors:
Market share, marketing ability and capacity, product fit, contribution margin, image, technology position, product quality, market support, quality distribution and service” (3)

Invest/grow countries
These countries have high attractiveness and the company may profit from its high competitive strengths. A high country attractiveness might mean the lack of competition and the high competitive strengths of a company can be due to the invention and development of a high value new product. Such product for example can be something which is difficult to copy, therefore even international competition may face difficulties. Companies should therefore invest in the market entry and the further product development or adaptation. Foreign direct investments (FDI) should be considered in order to maintain a high level control of the foreign business activities. But be aware of the fact that other companies will try to “attack” these highly attractive countries.

Harvest/divest/combine/license countries
The countries of this group have low or medium attractiveness and the company’s competitive strength are also low or medium. In this case companies should harvest the remaining profits and/or sell the business. Usually strategies should be developed for short term actions. A possible approach is to increase prices and “milk” the business as much as it is possible and when there is no more room to profit abandon the business and move out of the country. Although this approach will bring some profits to the company, the overall perception of these actions is usually negative and gives little motivation to managers and employees.

Dominant/divest countries
In this situation country attractiveness is high, but the company’s competitive strengths are low. This may be due to the lack of new products or old fashioned management and company style. To improve the company competitiveness great amounts of cash should be put in R&D or new marketing strategies. Since the country itself is matching the company’s needs, it is worth it to invest.

Selectivity countries
Company competitive strengths are high, but country attractiveness is low or medium. This might be due to strong competition or simply the difficult market entry due to restrictions from governments etc. companies will have a hard time increasing market share in these countries. International marketing managers should only focus on the maintenance of their market share and profit from the stable and high cash flow.
CHAPTER FIVE

International channels

In the previous chapters we had a look on the country characteristics which influence international business relations, why managers should revise the marketing mix of their products and how portfolio analysis is useful when deciding on where to invest. In this chapter we will have a more detailed view on the important factors of market entry.

When companies decide to go international, they usually look for an advantageous market entry mode and create a detailed marketing plan on how to achieve goals. It is obviously not easy to transfer your products to another country, find storage place, sellers, and buyers and after all this transfer payments back to the home county. This process is very complex. Regardless if companies use intermediaries to create foreign trade or operate on their own, they need an international marketing channel to secure the flow of their goods, capital and cash (transactions). There are numerous organizations which engage themselves in the transport of good, provide storage room, take care of payments, prepare contracts or simply provide their expertise and know-how for firms etc. These organizations are called marketing organizations. Some examples to these are insurance companies, banks, publicity companies, advertisement agencies. With the help of these organizations, small or mediums size companies which do not have the experience and the resources to perform such activities can reach foreign markets more easily.

It is always difficult and time consuming to find the best international marketing channel. It is possible, that the manufacturer company – in order to maintain control over products – creates a specific organization to perform international marketing activities. This however is not common when companies and just about to start their foreign trade relations. It is more convenient to use the already existing channels to send their goods overseas and later use the domestic channels to transport their goods and transactions inside the target country until the end users.
Entry decisions

Entry modes will have affect on various issues, such as the price of the product, the nature of the distribution channel until the end users, the control over the goods etc. Basically it is very important to consider many options before making the final decision. Often managers who already have experience in entering a foreign market and have already used successfully a specific entry mode will prefer to chose the “safe way” and perform the same actions as they have done before. Probably they will not consider new entry modes. This phenomenon is known as management prejudice. It is also common, that their actions will be influenced by personal matters, such as personal preferences towards specific countries for example. Therefore decisions have to be overlooked and investigated. The prices of the goods usually change according to the types of distributors and margins fluctuate as well. It is clear that by not using intermediaries prices can be kept on a lower level. Managers first of all should decide on the list and nature of the products of export, later decide on keeping the manufacturing plant in the home country or creating a new production plant abroad. The latter is advisable when labor and material costs are lower in the foreign country. The nature of the products for example also has a great influence on the choice of entry modes. Since products vary in so many ways, each of them has to be treated differently. By having the goods manufactured in the target country, inventory and logistics can be more overlooked therefore supply fluctuations may be diminished. In this case managers should have an overall view on the quality and the quantity of the country’s already existing distribution channels. It is also wise to have a look on the intermediaries operating in the territory. On the other hand, by using specific marketing channels the control over advertisement and promotion can decrease. For example when companies use many intermediaries to transfer their goods often they will loose control over the public communication of their products. In these cases receiving feedback is also difficult, since the information has to reach through all the intermediaries of the marketing channel. Additionally, due to the difficulties in the informational flow and the nature of the different culture suggests that managers should keep to using as less intermediaries as possible.

In order to analyze the available entry modes, companies must be familiar with their own goals. Therefore in the marketing plan they should identify the following points:
• “The objectives and goals in the target market
• Needed policies and resource allocations
• The choice of entry modes to penetrate the market
• The control system to monitor performance in the market
• A time schedule” (4)

Additionally managers should make overall analysis of the foreign market and competition taking into consideration the aspects mentioned in chapter 2. To evaluate the decision and the future benefits of the projects, it is advisable to make financial assumptions including the investment costs and payback period.

Many of the questions arising when planning the internationalization of a company are about the competencies of the company itself. In order to measure the strengths and weaknesses of the firm managers should take into consideration the following aspects:

• “Marketing management capability and know-how
• Newness of the company to international marketing activities
• Size of the company and width of its product line
• Financial strength and ability to generate additional capital if needed
• Parent institutional norms” (5)


Developing the channel

Naturally international marketing managers are looking for the best and easiest way to transfer their products to the end consumers. This often involves a number of intermediary companies such as the marketing organizations mentioned earlier. There are a series of tasks which have to be treated with special care such as the inventory and distribution control, transfer payment etc. Managers seek to negotiate with people who they trust, therefore when selecting the members of the international channel they look for responsible organizations with good reputation and references. Unfortunately not all of the members can be chosen. Some organizations do not accept to transfer goods of
small and new companies, when they have the chance to make business by transferring the products of bigger firms. Therefore small companies are left with small organizations. Additionally, managers cannot choose all the levels of the organization from the beginning to the end. It is simply because certain companies work together with other companies, therefore after the manager selects an organization he or she will have to accept the partners of the organization. In this sense, a company which decides to use intermediaries for its foreign business activities takes big responsibilities and risks a lot.
CHAPTER SIX

Export Entry Modes

In the previous chapter we already got to the point when companies have to choose between ways to start their process of internationalization. Companies at this point are familiar with the characteristics of different countries and cultures; they know that often governments and other forms of organizations create barriers to international trade. International marketing managers have already selected the types of products or even product line which they would like to bring abroad, and they prepared a marketing plan to adapt to the local costumers’ needs taking into consideration all of the country specific characteristics of the products. They have a financial plan in mind and made assumptions on the sales figures and other alternatives. In the following section we will have a detailed look on the direct export entry modes, focusing on the use of the foreign based agents. This report will not give information on the indirect export entry modes or the non-export entry modes.

Direct export definition

Direct export means that the company decides on not using any intermediaries to export its products, therefore handles all the foreign business related processes on its own, and sells directly to the foreign buyer or importer. This approach is considered the most difficult and time consuming since the company has to engage in various types of activities, which are usually done by organizations specialized in these. However it is said, that using direct export managers can keep control of their products and maintain a stronger relation with the consumers, therefore results highly advantageous for the company development. Customer feedback, which is most important in foreign trade, is also positively influenced, since the channels are not so long and complicated and therefore the information can get back easier and quicker to the manufacturer company, this way managers can adapt their products to local needs. Direct export usually goes with the reorganization of the company structure. It is obvious that when a company enters a new market, some people at the company should take care of the issues arising from the foreign activities. Therefore companies must put extra amounts of time and energy in the setting up of a new department. The financing of a significant initial
investment is not always easy for small companies. Additionally there is a great risk to be managed, since products may fail on foreign markets. Also companies should make long term plans and accept that the entry in a new and foreign market may take a long time and significant results may only show in three to five years’ time. According to some analysis, even though direct export is sophisticated and takes up plenty of energy, it is considered the most efficient way of maximizing profits and long-term growth. Companies obviously do not wish to share profits with other companies, therefore if they do not depend on the expertise of the independent organizations they will chose direct export. Especially when fixed costs are high it is considerable to drop the marketing organizations’ participation in sales in order to spread the costs and eliminate the proportion which has to be paid to the other organizations. When companies work together with other marketing organizations, it is difficult to secure themselves from the market and competitor tendencies. Marketing organizations for example may switch from the promotion of one company’s products to the promotion of the competitors products. It is advisable to enter new markets directly without the participation of other independent organizations when companies already realized stable sales figures in the home market and the product is competitive on the international market as well. Some companies try entering the foreign market with the cooperation of an independent organization in the beginning and later eliminate them when sales figures show a growing tendency and the company already has a broad knowledge of the market.

**Direct export modes**

**Home country based department**

How can a company make the first steps to direct export? The easiest way of managing foreign export is to assign some managers to the task. This in the company life means that a new department has to be set up, and managers should control the foreign business activities. The department can be based in the home country or even located at the company headquarters. This is the earliest stage of internationalization and therefore a company can only manage limited amounts of sales using this technique. Usually when a company decides on foreign exports they are not sure whether it will work out well or not. Therefore the managers appointed often have different tasks as well, and they cannot concentrate fully on the issue. When decisions have to be made in marketing types or financial issues often they have to contact a top manager and
therefore decision making is slowed down. As already mentioned this may work out at the earliest stages, when the sales haven’t reached a certain amount, or when management hasn’t yet decided on really engaging in export activities. It is also important to have extra marketing resources and available personnel for the task.

Separate sales department
When companies wish to take the next step, either because they find exporting profitable and interesting, they may choose between setting up a separate export department, or even if their intentions are stronger, an export sales subsidiary. First we will discuss the role of a separate export department. Basically their role is similar to the built-in department’s role discussed above, but due to the separate structure manager can fully focus on the export activities. Being an individual department managers have more freedom in the decision making, they are authorized to plan the marketing and the financial issues as well, therefore the decision making process and the information flow is much faster. It is a much more professional way to achieve business and usually has a more organized operational structure. These departments may be kept at the company headquarters or moved closer to the place where other similar partner businesses are located, for example closer to the borders, near a port, etc.

Export sales subsidiary
An export sales subsidiary is a much more complex and almost completely independent organization. It manages the same issues as the separate sales department however financially and organizationally it differs significantly. The most important difference between the two is that a subsidiary has to purchase the goods from the mother company in order to sell them abroad and therefore a transfer pricing system has to be used. Financially however the mother company may even benefit from the sales subsidiary if it is located for example in a low tax area, this way companies may save some of their revenues. The benefits of this sort of organizations include the total and independent control of their activities. Even if sales increase, being a separate organization it will remain structured and more transparent. Banks and other financial institutions will more likely support a competent and professional organization such as this.
Storage or warehousing facilities overseas

The action of setting up storage or warehousing facility in a foreign country is not necessarily the next step in the process of internationalization. It may also a complementary action to the set up of the export sales subsidiary or it may happen when management decides on investing in the foreign country. The reasons for setting up a facility such as this is quite simple: it enables a faster and more secure flow of goods, creates consumer trust and satisfaction, facilitates easier trading with wholesalers and retailers, and works as a “quality stamp” for the company. This way buyers may have a view on the products before buying, may replace bits and parts in case of damage, and also may complain if they are not satisfied with the products. The availability of such actions gives customers a sensation of being protected and not loosing contact with the manufacturer. Unfortunately the setting up of these facilities is quite costly and sometimes governments interfere in the process by prolonging the work permit or other necessary permits to start the construction, they might oblige the company to use local material and work force to build the plant etc. Usually these warehouses have to be placed at a strategic position, in order to provide goods to as many regions as possible. If possible, they should be located in a free trade area where goods may enter without import duties and trade can be accomplished.

Foreign sales branch

Probably the next step in internationalization is when a company not only sets up a separate export sales subsidiary or sales branch but locates it in a the environment of the target county. This action is already a serious involvement in international exports and in the economy of the foreign country. What happens usually when companies set up a foreign sales branch? Governments in most cases will interfere in the action. Either they will have some restrictions such as the employment of local workers and special tax rates, or they will try to make the whole process difficult for the company. As already mentioned before, governments have numerous ways in which they can make an investment like this difficult for the mother company. If the local government is generally welcoming and has only a few restrictions, for example states that 50% of the company’s employees must be locals etc, the company may be well off with working with locals for the following reasons: locals have a greater view on the existing competition therefore may advise mother company managers on how to differentiate the products and how to make them more competitive. They are familiar with the buying
habits of their fellow citizens and therefore may develop marketing strategies adjusted to the local people, taking into consideration their habits, culture etc. Finally it is very common, that people show more trust towards others who are similar to them. Therefore local managers will be more trusted than foreign managers.

A foreign sales branch is usually the first in the marketing chain. They are the first to choose between other marketing organizations and to make business with other wholesales or retailers. For the same reasons as already mentioned in the storage and warehousing facilities, having a local “show room” and a service center creates trust amongst consumers. Knowing that they have a place to go back to when they have problems with the product may be an important factor influencing buying decisions. Naturally a foreign sales branch realizes high levels of trade and is capable of supplying a high number of wholesalers, retailers. It is common that a foreign sales branch is created only after the market has been penetrated by other means, such as traveling salespeople or local agents. During the creation of a foreign sales subsidiary, just like at any other interference with a foreign country, local governments can act restrictive but it is also possible, that foreign investments will be welcomed. This all depends on the current economic situation of the country, therefore managers have to be up to date with the local political and economic situation.

Foreign sales subsidiary
A foreign sales subsidiary is relatively similar to the home country based export sales subsidiary with the characteristics of the foreign sales branch. By being an autonomous company – a subsidiary – it enjoys more freedom in decision making and at operational level than the foreign sales branch. It has its own organizational structure, separate financial accounts and marketing division. Foreign sales subsidiaries might be located in a low tax country and this way save some money to the company by paying lower taxes of profits. They can also in a way work as the already mentioned re-invoicing centers, which operate by receiving cash from the mother company, paying taxes on it and then sending the after-tax profits back to the mother company. Some other financial issues of the foreign sales subsidiary include that they have to purchase the goods which they are selling from the mother company therefore for the inter-company transactions they have to use transfer pricing. Being located in a foreign country just like the foreign sales branch management has to consider working together with the local people. This
does not only include selling to foreign retailers of wholesalers, but employing local people and working together with them. Therefore managers have to be familiar with the cultural, historical, political differences and have to tolerate the local working habits and local business making strategies. When managers look for a new foreign country to export to they also have to be aware of the local administrative conditions, for example the availability of banks or other financial institutes, the transportation and insurance companies, the marketing possibilities mass media etc.

**Traveling salesperson**

The use of a traveling salesperson is usually common in the first phases of internationalization. A person like this will travel to foreign countries and perform all the export activities alone, keep contact with customers, act as a chain between the end users and the company. They can reside in their home country and realize business trips, or even accept to move to the target country and be local resident there. The latter are called expats. Companies who already set up a foreign sales branch or even a subsidiary will probably restrain from using a salesperson but companies who are smaller in size and are not aiming to have high amount of sales right away will probably consider the advantages of this type of exportation. First of all a traveling salesperson is not as big investment, it is not as costly as setting up a sales branch or subsidiary. Such salesperson can be trained easily and quickly to perform the job and will only have traveling expenses. The company is not exposed to high risk since there is no big investment involved and if the products fail in the foreign market they can just try to enter another market with the same salesperson. The major tasks of such person include the actual selling of the product, this can be done by him/her taking the orders from the foreign consumers and arranging the delivery of the products. A salesperson’s biggest advantage is that he makes observations on the consumers and has detailed and accurate information on their buying habits and needs. He can keep continuous contact with them and earn their trust more easily. Customer relation is probably the most important issue, since the traveling salesperson’s personality and manner will greatly influence the perception of the product itself. A good salesperson also keeps an eye open on the actions of the competitors and gathers as much information as possible. There are salespersons that operate by providing their knowledge and expertise on a certain product. For example if a company develops a completely new medical device unknown to doctors, the company usually assigns salespeople to assist the product distributors.
and demonstrate the usage of the new devices for the doctors. This way companies offer extra services with their products and consumers are usually more satisfied by receiving the extra attention. It is also important to achieve a good relationship with the distributors as well. Naturally one traveling salesperson can be responsible for a limited amount of sales and regions. In case sales figures increase companies might have to find other ways of communicating their products to consumers. The growing usage of internet however influences the need of salespeople. There are products for example which are easy to use and already known by consumers, therefore e-commerce is more economical for the company, than the use of a salesperson. It is also possible that salespeople turn out to be disloyal to the company and for a higher salary accept to work with a competitor. This way company “secrets” may get public which is quite risky for companies.

Agents and distributors

Agents are usually foreign based individuals who offer their knowledge on the foreign market and their international business services to international companies for a certain percentage on their realized sales. They do not purchase and stock the goods which they sell; they only promote the goods to wholesalers, retailers or even end users, this way creating a net of consumers, take orders from them and provide after sale services. Distributors on the other hand take greater risks and make big investments by purchasing the goods from the mother company, store them and sell them on a higher price. Their profit is therefore not a percentage of their sales but a margin between the buying price and the selling price. Obviously distributors have other fixed costs, such as the storage and transportation costs; therefore their selling prices might be higher as well.

But why are agents and distributors important for companies? Basically they perform similar tasks as the above mentioned traveling salesperson, but the agents and distributors are individuals (not company employees) only working with the company, but not being members of the company. Also agents and distributors reside in the target country and are most commonly natives of the country. Since they are geographically based in the target market, their own travel expenses will be lower. An international company will consider using a foreign based distributor or agent when the following facts apply:
• Companies have little knowledge of the foreign market
• Companies do not wish to make great investments in the beginning, not knowing whether the products will be successful or not
• Companies do not have personnel capable of being a traveling salesperson
• Products are specialized therefore their usage has to be explained to customers
• Products are not great in volume or size, they do not demand extra storage care
• Companies do not aim for a high level of sales on the short run

Most importantly, using an agent or distributor results in less risk and less costs for the company. But how can companies find the suitable agent or distributor? Nowadays due to the growing tendency of internationalization many people control the usage of two or three different languages, have knowledge of foreign cultures and are not afraid to travel and do business abroad. Therefore the number of agents increased in the last decade, but companies still have difficulties finding the suitable ones. Some of the reasons for this phenomenon can be of financial nature. Agents obviously do not have a fixed salary; therefore their income depends on the number of sales and this depends on many factors. First factor is the agent’s own ability regarding business making, the skills s/he has to target the right potential customers and to earn their trust. This also depends on the personality and the knowledge of the agents. The second factor is the product itself which s/he is promoting, whether the product has enough competitive strengths and whether it adjusts to the needs of local customers regarding both quality and price. Third, the market conditions of the target country and the present economic situation of its inhabitants. For all these reasons, agents are exposed to many risks and it is difficult to find a suitable person who accepts to take all this risk in order to achieve business, for a salary that is not fixed. Other than the instable financial conditions, the job of an agent may also be influenced by the company itself. If for example an agent is achieving great sales figures during a long period of time, companies will see that the product is successful on the foreign market as well. Since the agent already made the “first steps” to introduce the product to the customers, created a net of consumers and a brand image, it will become very easy for the company to eliminate the agent and possibly set up a foreign sales department. When this happens, the companies will not have to pay commissions for the work of the agent, and have full control of the
products. Additionally agents can be eliminated by consumers as well. When a consumer decides to purchase greater amounts of the products which the agent is promoting, the consumer might possibly turn to the manufacturer mother company and ask for a better price. It is of course not wise of the company to eliminate the agent, but naturally it happens from time to time. For all these reasons the job of an agent is not easy and sometimes not respected enough, it is financially instable and their success depends on many variables. With these conditions finding a suitable agent is not simple.

When a company wishes to use agents, it is always better to interview as many candidates as possible. In the previous paragraph we could have a look at why finding a good agent is difficult, now we will have a look at what characteristics a good agent should have. First of all companies should not restrain from spending a long time to select the best agent or agents. This process – as all selections – may be very time consuming, but later on companies will benefit more from the work of the right agent and lose great opportunities if their agent does not succeed in the promotion and sales of their products. An irresponsible and inadequate agent can do even in a short time great damage to the company and the brand image. Once consumer trust is lost, companies must put great effort in the regaining of their trust and achieving a good perception once again. It is of course of most importance that the agent does not work for a competing company. It is usually not possible to monitor all the actions of the agents, usually these issues have to be managed on the basis of mutual trust. Maintaining a good relationship between the company and the agent can help greatly in achieving this. A company should have a close look at the profile of the candidate agents and make a detailed analysis of many factors. Most importantly the agent’s reputation amongst the other companies, clients, banks has to be measured. Agent obviously will carry reference letters but companies should monitor all the business relations of the agents. Naturally it is very important whether the agent has already worked with similar products and whether s/he has a great knowledge of the product and its consumers. Companies should investigate the market knowledge of the agents, his/her ability of languages and experiences. Additionally the line of products the agent is currently selling and promoting may also influence the sales of the company’s goods. Above you will find a list of factors which have to be investigated when choosing the right agent:
The reputation of the agent (regarding clients, other companies who s/he has business relations with, insurance, transportation and financial institutes (banks).

The commercial experience he/she has obtained

Knowledge of similar products, actions of the competitors

Working atmosphere and methods

The list of product s/he has already worked with and/or is working with at the moment

The annual sales figures realized and the monthly costs and the annual expansion of the product due to his/her services

The geographical territory s/he worked at in the past and the present

The after sales service s/he provides when the consumers need assistance with a specific product, or when the product needs servicing

The knowledge of the target country or territory’s geography, history, culture, language, purchasing habits, environment and economy

Taking into consideration all the above mentioned issues, companies may find it easier to choose the right agent or agents. There are however other things to be considered when working together with a foreign agent. Most importantly to avoid misunderstandings a clear contract has to be signed by both parties. It is also important that agents and the international marketing managers keep each other informed about all the business issues such as the future possible price changes or the launching of new products. In the cooperation contract between agents and companies the following topics has to be decided on:

- The exact territory where agent is assigned to work
- The commission on sales and methods and time of payment
- The duration of the contract and a trial period of the agent
- The law applied (this can cause confusion in international business)
- The right of the company to sell directly to the government of the target country or to other organizations and clients.
- In the above mentioned case the amount of commission
- The line of product which the agent is responsible for
- The cases when agents can reject an offer
- The right of price reduction by the agent
The use of currencies at payment

The cover of the traveling and other administrative expenses of the agent

These are just basic topics of the business contract which have to be discussed and agreed upon in order to have a successful cooperation. Additionally agents are sometimes also obliged to achieve a monthly or yearly minimum sales quota in order to keep the right of being an agent for the company. Depending on the company agents have to hand in market research data from time to time in order to keep the company informed about the market tendencies, the actions of the existing competitors and the newcomers on the market. These reports are of significant importance to the international marketing managers. Having the right information and interpreting them correctly can enable the company with new ideas to realize innovation in the products and/or growth in sales. Agents are also asked to inform the company about their business meetings with clients, the overall satisfaction level of their consumers and their perception of the brand. These reports should also include the description of the after sales services provided by the agent, whether or not s/he could solve the problem or further assistance will be needed. Companies usually also ask information on the newest government restrictions – if any – on foreign products and political news which may affect the county’s economy. Agents usually are to attend furthermore on international ferias and expositions, where they represent, together with the other international marketing managers the mother company. Finally agents should always, under all circumstances respect the intellectual property rights of the company s/he is working for, and should always consider the patents, copyrights, brand names of the mother company and avoid creating competition in a direct or indirect way

Marketing strategies

One might wonder how companies can communicate with their clients when they are not even using their own company employees to approach foreign clients. There are several possible ways to manage the attention of the target consumer group and in the following paragraph we will discuss a few of these.
Gravity policy
This approach is the most simple of all of the approaches discussed in this report. International marketing managers cannot always assist to the marketing actions of the international marketing organization which provide the channel enabling the products to reach end users. Therefore sometimes the gravity policy applies, meaning that companies and managers do not interfere in the marketing used to promote their products no matter how long or short the distribution channel is and how many intermediaries are involved. International marketing managers might use this approach when companies do not have enough resources to finance marketing costs; therefore products are let on their own to find their way to the consumers. This approach cannot be preformed if there is an intense competition and there is no consumer awareness of the company’s products. It may be enforced when goods are already known to consumers and there is a strong base of customer loyalty towards the product which causes an automatic repetition in the consumption of the product. It is though obvious, that this policy is quite risky and should only be exercised in case of emergency or the extreme case of monopoly on the foreign market.

Push policy
Using the push policy international marketing managers try to control until the last minuet the marketing and promotion of their products. It is exactly the opposite as the above mentioned gravity policy. By “pushing” all the members of the marketing channel they exceed their power over their products and try to communicate with the end users through the channel of marketing organizations. It is extremely difficult and time and energy consuming to achieve this goal. International marketing managers can enforce the push policy if the company agrees on financing an intense marketing plan which involves all the members of the channel aggressively promoting their products. The members of the channel – the marketing organizations – are obliged to sell the products by achieving tasks which the company assigned them. However difficult this policy might seem, due to the emerging and intense international competition companies have to consider this an option.

Pull policy
While the above mentioned push policy starts an “avalanche” of selling and promotional instructions originating from the mother company, going though all the
members of the international channel and finally reaches the end consumers, the pull policy starts from the very bottom of the chain. By using the pull policy international marketing managers create an intense demand for their product and therefore the products are pulled down by the end consumers through all the members of the channel. This intense demand can be accomplished by a major mass promotion of the products, when companies do not mind spending a great percentage of the annual budget on mass advertisements and promotion. Just as the push policy, this approach is also considered not only costly but time consuming as well. Products which could be promoted by the pull policy are ones that are already well known to many consumers, and other nations also feel the need of consuming the product. For example there is an intense demand for the Coca Cola products all around the world. Consumers would feel betrayed if the company decided to exit the local market. A demand as great as this would enable the flow of goods through a long channel of international marketing organizations. The only problem arising from this policy is that in order to achieve a successful mass promotion plan companies have to be completely aware of the consumer behaviors of the target market and additionally with all the other county characteristics influencing consumption. The advertisements have to be very attractive and absolutely adjusting to the needs of the consumers. Creating such powerful marketing can only be achieved by well informed and very creative managers and with lots of luck.

**E-commerce - a threat and a help to agents**

Returning to the idea of working with foreign based agents in international trade we have to think of the growing importance of last century’s most important inventions, the internet. E-commerce, the phenomenon of trading through internet has opened many doors for companies and closed some for others. Internet is one of the fastest growing forces of our present and international marketing managers, agents and all other businesses must adapt to the new e-market opening, this is their only way of survival.

The internet in general makes information collection much easier for every individual. Therefore nowadays companies may gather information faster and in a much more comfortable way, without moving out of the office or traveling abroad. The information on the internet however must be examined and cannot always be trusted. Basic market research for example may be done by the use of search engines, common portals of
international organizations and by looking through websites of other competitors. There are an almost infinite number of sources which may be analyzed and interpreted, ready to be used. Managers may have the access to most of the information, but the quality of the information is not always adequate. Plus, these information are available for everyone, therefore companies using the same sources may end up creating the same solutions therefore will not create competitive advantage. The internet is also used quite successfully to promote the products. Almost every webpage has a certain percentage which is kept for advertisements. Again, firms may benefit from the new advertisement surfaces. Internet enables a quick and low cost information flow therefore enables an easy and continuous connection between the company and the consumers.

In many ways the common tasks performed by agents can be substituted by the use of internet. As mentioned before, the information collection does not involve as much energy as before. Sales can be achieved through internet banking, customers purchase products without being able to touch them or see them in real life. The use of internet is relatively cheap therefore international marketing managers are able to cut costs. Small and medium sized companies ready to start their exporting activities prefer to create a website rather than selecting a suitable agent. Having a website has many financial advantages compared to using a foreign based agent. First of all, it involves having smaller costs. The website of each company regardless if the company is small or big can be attractive and stylish due to the low costs of creating and running a web page. Therefore on the World Wide Web, companies are not differentiated by size. Customers may find one website more attractive and the other easier to use, but it will take a long time until they realize the difference between the companies. Also due to the digital information displayed on the websites, companies may update their company profile quicker.

Although internet may seem absolutely “free” regarding its contents, it is most common that governments interfere with the websites and the e-commerce of the companies. Just as international trade has its own rules and regulations, selling on the internet does not mean having no company or product restrictions at all. Internet sites are monitored and controlled by governments, some sites cannot be accessed by people under the age of 18, and others need membership and registration fees to log in. Therefore we can state that selling on the internet is probably easier and cheaper in ways, but there are rules to
be kept to. Exportation of illegal products through internet for example is highly forbidden as well as the promotion of morally dangerous products such as drugs, weapons, sexual product or services.

Foreign based agents can adapt to the new era of the e-commerce as well. Just because the selling and the advertisement costs may be reduced it doesn’t mean that all the products can be sold only through the use of internet. There are specialized products which will always need assistance and we can state that for now, there is no way to physically meet with customers without traveling. Trust and customer loyalty often can only be achieved through face-to-face meetings. Therefore agents can also use the internet to gather more information, to advertise and to promote, but the real connection with the customers should be kept by continuous visits and travels. It is also true, that internet is not accessible from all the countries of the world. There are countries where only a small percentage of the population has ever heard of using the internet. The statistics on internet and PC usage are very important figures which have to be measured before entering a foreign market. The number of people owning or having access to a PC might be lower in a developing country while in the United States almost every family owns one.

We can now conclude that e-commerce can be of great help to both international marketing managers and foreign based agents, but the quality of the information gathered always has to be checked, international rules and regulations have to be kept to and finally we have to keep in mind that the use of internet and e-commerce is not a solution to all the export problems an international company might have to face with.
CHAPTER SEVEN

The Marketing Mix and Internationalization of the Taronja Spanish Language School

In this chapter we will have a close and more detailed look at the Taronja Spanish language school located in Valencia, Spain. The following paragraphs will provide information on the company’s way to internationalization, the selection of target countries and consumer groups and the system used to approach them including the use of e-commerce and foreign based agents. We will have a look at the international marketing and promotion techniques used and also the competitive advantages of the Spanish school.

Taronja Spanish language school

The Taronja School is a Spanish language school designed for foreigners who wish to learn the Spanish language and travel and enjoy Spanish culture at the same time. The company owning the Spanish school, Villa-Herba S.L., does not only provide language classes for foreigners, but also offers a whole package of services together with the language studies. Studying at the Taronja School does not only mean going to classes and preparing homework at home. The school provides various types of accommodation, after school activities, week-end excursions, therefore in a way operates as tourist agency as well.

Together with the Taronja language school there are eight similar language schools operating in the city of Valencia, therefore we can assume that the competition is intense, and either one of these language schools try to differentiate themselves in every possible way. The importance of the Spanish language cannot be underestimated and the growing popularity of the language causes and increase in demand. Spanish is official language in 21 countries of the world (Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Equatorial Guinea, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Spain, Uruguay, Venezuela) and there is a significant number of Spanish speakers in countries such as the United States as well. According to the statistics it is spoken by circa 400
million people and is ranked as the third most spoken language of the world. International business students find Spanish language highly important for their studies and their further possibilities in order to create business with Spanish speaking countries.

Competitive advantage of Valencia

The geographic location of Valencia is one of the main reasons why student chose to study in the city. Valencia is the third biggest population in Spain after Barcelona and Madrid and is located on the southern coast of the country. Although potential customers are more attracted to Barcelona, due to its rich culture and beautiful coastline beaches, the city of Valencia has its competitive advantages as well. Probably the most important of these is the spoken language of the city which is the classical Castellan, which we call “Spanish”. There is however a local dialect, the “Valencian”, but generally the inhabitants of Valencia are not only willing to speak but mostly communicate in Castellan amongst each other. Catalan being one of the official languages in Spain encourages most of the inhabitants of Barcelona city to speak Catalan and they often restrain from speaking the Castellan. This of course makes it difficult for students to practice their communication skills even in the local environment. Spanish schools in Valencia face competition also in the other southern coastline language schools, such as schools of Alicante, Marbella, Nerja, Cadiz etc. as well as in Andalusian schools of Seville, Granada or Cordoba located further away from the coastline, but offering an intense cultural environment. The city of Valencia in a way offers the advantages of a big city, such as the culture, nightlife, international environment plus offers the comfort of having a beautiful sandy beach just 20 minutes from the city center. There are other important factors influencing the students when choosing the location of their Spanish language school. Spain, in general is considered amongst Western European students relatively cheap in terms of student lodging, entertainment and other costs. Valencia offers less expensive student apartments than Madrid or Barcelona for example. The city itself has circa 1 million inhabitants which provide a friendly but not too routine atmosphere. City transportation is comfortable with the use of the buses, metro and tram lines. There are also continuous bicycle ways which enable bike lovers to enjoy the city on wheels. One of the most attractive sights of Valencia is the 8km long Turia river park which stretches in the middle of the city.
Valencia was originally built around the Turia river which separated the two parts of the city. In the 1960’s however the river was “put” outside the city and since than the remaining river band has been turned into a long and beautiful park providing Valencia citizens fresh air and long walking routes right inside the city. This river park also contains football fields and other sports facilities, and a wonderful 8km long garden area filled with flowers and fountains. A healthy and creative city attraction such as the Turia river park is only available in the city of Valencia.

We can conclude that the competitive advantages of Valencia include the use of the “real” Spanish language (Castellan), the cultural richness of a big city plus a relaxing summer environment with white sandy beach.

**Competitive advantage of the Taronja School**

In order to have a complete view on the situation of the Taronja School in Valencia, we have to take a look and make an analysis of the competition, therefore the other language schools in the city. We have to be familiar with the structure of the competition: the number and types of competitors, and the action of the competitors, therefore their intentions regarding their products, prices and promotion methods. In this analysis only the schools which have the same qualifications were included: the privately owned institutions offering Spanish classes to foreigners including after school activities and accommodation to their students. The analysis was made taking into consideration the following aspects: type of Spanish courses, location, teacher profile, short term and long term prices, size and design, after school activities, accommodation offered and accreditations achieved by other Spanish institutes.

Language schools in Valencia which meet the requirements of the analysis:

1. AIP languages
2. Babylon Idiomas
3. Costa de Valencia
4. Don Quixote
5. Enforex
6. Espanole
7. Intereuropa
8. Taronja
Similarities between the language schools

All of the language schools have similarities in a few aspects. One of the most common aspects is the types of Spanish language courses which they offer. The most commonly chosen language course is the Intensive 20 hours/week course and the Super intensive or DELE preparatory course 25 hours/week. Other than these courses most of them offer individual courses and extra courses specialized in business, art, culture, flamenco etc. The maximum number of students in these schools never exceeds 10 students per class. The teachers in the language schools are strictly native speakers and have a university degree in Spanish philology or/and have completed a course of teaching Spanish as a second language and/or have a minimum experience of 2 years in a similar environment.

In terms of accommodation all of the schools offer the same options: host families (bed and breakfast, half board, full board), shared apartments with other students of the language school and rooms in the university residences in Valencia. Most of the schools concentrate on the socio-cultural integration of their students, meaning that they all offer various kinds of after school activities such as: welcome parties, cultural visits, Spanish movie watching, week-end excursions, and school dinners and parties with the teachers.

Differences between language schools

The greatest difference in language schools lies in their location, their school size and design, their short term and long term prices and accreditations. Enforex being the biggest school regarding the number of classrooms (24) has a more professional atmosphere, it can welcome even up to 600 students. Enforex is amongst others accredited by the most important institute of Spanish teaching, the Cervantes Institute. The school is located outside the city center, near the university campuses of Valencia. AIP languages being the second biggest school having 12 classrooms is located close to Enforex but still not in the city center. It is also accredited by the Cervantes Institute but the school building is especially unfriendly. Espanole being the third biggest school with 10 classrooms has a much better location than Enforex and AIP languages, being located in the historic city center of Valencia, in a calm and friendly street. Espanole’s classrooms are rather modern and well-equipped; the building is friendly and professional at the same time. Intereuropa and Babylon Idiomas are also located in the
city center, but they are much smaller schools both in classroom number and student capacity. Out of the schools only Intereuropa is accredited by the Cervantes Institute. Costa de Valencia and Don Quixote are similar in size and atmosphere; however both of them are located outside the city center. The location of Costa de Valencia is especially unfriendly due to the school being on the side of one of Valencia’s biggest streets. The students of Don Quixote however may benefit from the facilities of the University of Polytechnic of Valencia, having classrooms on the ground floor of the biggest and most elegant university residence, Galileo Galilei and being right next to the sports complexes of the university. Both of them are accredited by the Cervantes Institute and many other as well.

The Taronja School is most proud of its central and exquisite location: being right next to the main square of Valencia. The school is easily accessible by bus or metro since there are various stops around the school. Also the Taronja School is on the first floor of an elegant building, the Austrian consulate is just above the school, therefore students may enter on a red carpet. The school building is on a trendy pedestrian shopping street therefore the classes are never disturbed by the noise of the traffic. The area itself hosts numerous fashion boutiques cafes and restaurants. Not only is the location important, but the overall atmosphere of the school plays a great role in the student’s perception of the school. The Taronja school have been decorated by local artists all of the classrooms have different color themes creating a really creative, special and welcoming atmosphere. The school is equipped with a small café and two vending machines, as well as a magnificent room for relaxation with comfortable chairs, daily press and background music. The Taronja School may be small in size during the year, having only 5 classrooms but opening 4 more for the high season in the summer. Having room for a maximum of 120 students using morning and afternoon class schedules enables a friendly and personal contact with the students, where every one can get enough attention. The direction of the Taronja School puts great effort in the after school “entertainment” of the students. There are various free and low cost activities during the week, such as the free welcome paella dinner every Monday of the year, the free cooking and cultural classes and sightseeing tours every week, and the school parties at least twice a week, with the assistance of the teachers and the staff. Finally the Taronja School has achieved the accreditation of the Cervantes Institute most importantly, furthermore belongs to the Association of Mediterranean Spanish Schools (Ameele) and
to the National Confederation of Spanish schools (Fedele). The Taronja School is member of one of the most prestigious and oldest networks of Spanish language teaching worldwide: Tandem International.

**Marketing mix and internationalization of the school**

**The product**
First of all, we have to specify the product which the Taronja School is “selling”. The product or better defined the service which the school offers is the various types of language classes (20hours/week, 25hours/week, etc.) together with the after school activities and the option of accommodation in various types of residences. Students may of course choose additional services provided by the school, such as the airport pick up, the extra sports classes, weekend excursions provided by the school for extra costs. Taronja does not only sell language education. It sells a vacation stay in a welcoming environment with numerous leisure activities together with Spanish teaching. The quality of the language courses offered is considered high and can be judged by the numerous academic accreditations of the school. Almost all students agree on the fact that the Taronja School is a happy and friendly school with a pleasant atmosphere. Student flats are considered clean and most of them have a good location being situated near the city center therefore near the school as well. Students often complain about the host family stays, which might be due to cultural differences between the nationalities or due to the high number of people living under the same roof.

**The price**
(See Tables nr.3 to nr.10 of the Appendices)

The prices of the Taronja school’s services (language studies, accommodation) compared to the other language schools in Valencia are not low. According to the analysis, the Taronja School’s course fees are amongst the most expensive course fees charged in the city. Even thought the inscription fee is in the average zone the accommodation fees of the school are again quite high considering both options, the single room in a shared flat or half board at a Spanish host family. Therefore the total school fees including accommodation, courses (20 or 25 hours/week) and the
registration fees added together often reach the highest or the second highest amount on the scale.

Taronja’s course prices are especially not competitive on the long run (8 weeks). While other language schools offer discounts Taronja’s discounts are not economical. This phenomenon shows in the accommodation fees as well. Taronja charges the highest or almost the highest fares for the student apartments and the host families. All added together again, we can see that the accommodation fees, the course fees (20 or 25 hours/week) and the registration fees added together reach the highest or the second highest amount in the analysis.

The above mentioned prices are for individuals and the prices do not change in high and low season. Taronja has different prices for groups for the high and the low seasons, both of them are offered at discount prices.

Place (Distribution decisions)

The Taronja Spanish language school uses several types of distribution channels to reach its customers. Most importantly it functions by providing information on its home page where students can familiarize with the school and the courses and accommodation offered. Later they have to get in contact with the school administrator, who reserves the preferred course, accommodation and other services. Payments are done in advance by money transfer, or later on upon arrival. On-line payment is not possible at the Taronja School; therefore we can not state that Taronja operates using e-commerce. At least not directly.

The Taronja School also uses foreign based agents or agencies do distribute its services. Language travel agencies promoting language schools world wide became very popular and now there are hundreds of agencies cooperating with language schools. These agencies have headquarters in specific countries, but usually operate using e-commerce; therefore the country position of the agency does not necessarily play a great role in its business relations. An agency located in the United States may sell the services of a Spanish language school to a student based in Italy for example. Naturally agencies do not work voluntarily with the Taronja School. The school offers a certain percentage of
the tuition fees, a commission, to the agencies after each language course “sold”. Taronja in general does not interfere with the pricing of the language travel agencies. Sometimes agencies offer the language courses at a higher price than Taronja itself or they form a certain package with other complementary services provided by the agency and therefore prices have to be adapted to the new “product”. However in most cases agencies prefer keeping to the original prices set by the school in order to offer more competitive prices.

Apart from foreign based agencies, Taronja School distributes its services through foreign universities or even high schools. Through this approach university and high school Spanish teachers promote the school to their students and organize groups who travel to Valencia to study Spanish. This case is the most specific, since teachers are not always permitted to accept commissions from the Taronja School. Instead of receiving a percentage of sales, the teachers are often offered free accommodation during their stay or in some other cases the high school or university finances the travel and other expenses of the teachers.

Promotion
The Taronja School’s main promoting area is the internet. The school does not advertise on separate website but uses its own home page to attract the customers. Taronja management takes care of the constant updating of the actual offers and school news. Furthermore the school has brochures and flyers containing detailed information on the school, the courses and the prices, which are sent abroad to different points of interest. Additional school advertisements are placed in the Vulture magazine, which is the most important university and cultural magazine of the Spanish national panorama, distributed in seven Spanish cities (Barcelona, Castellon, Valencia, Alicante, Elche, Murcia, Granada) in 60 000 copies monthly completely free of charge.

Obviously the organizations co-operating the Taronja School use various kinds of promoting tools as well. Language travel agencies give flyers and brochures to their clients; they advertise the school on their own home page as well. Often language travel agencies create their own flyers and brochures where they include all their contacts including the Taronja School as well. Unfortunately it is common, that language travel agencies promote competing language schools around the world, located even in the
same city. This action can not be legally prohibited. Universities and high schools use the above mentioned brochures, as well as send newsletters our put announcements in school newspaper or on campus website.

In this sense we could conclude that the Taronja Spanish language school uses the gravity policy mentioned in chapter six. The marketing managers of the language school do not assist to the marketing actions of the foreign based agents or university and high school teachers.

**Selecting foreign markets**

First of all we have to mention the target group of the Taronja School. Basically this includes people of all age and off all nationality without any discrimination who wish to study Spanish, either being completely beginner or having basic or even good knowledge of the language. Knowing this, the panorama of target countries remains to have a significant size.

The managers of the Taronja School keep in mind the four important aspects of overseas countries when deciding on entering new markets. These four aspects, explained in detail in chapter two are the cultural, the administrative or political, the geographic and the economic characteristics of a country.

**Cultural characteristics**

When deciding on target countries, Taronja management keeps in mind the cultural aspects of the foreign countries. Obviously they will not consider entering countries where Spanish is already a spoken language. Due to the open philosophy of Taronja people from all nations, religions, and race are welcome in the school as long as they wish to study the language. Therefore the cultural characteristics of the target countries only play an important role when doing business with the nation’s language travel agencies, universities or schools. Obviously Taronja management will respect the cultural differences of the students.
Administrative (Political) characteristics

The services of the Taronja School are naturally accepted throughout the world, therefore there are no restrictions in “selling” language courses and holiday travels in foreign countries. Therefore Taronja is “free” to promote the language education on line and co-operate with language travel agencies, universities or schools around the world. Spain being part of the European Union facilitates the business relations with other member states. For example students may travel; work and study in different universities of member states with the use of the Erasmus or the Leonardo programs. The new trend of studying abroad in Europe for one or two years facilitates the accessibility of the Taronja School in Spain. European Union students who come to Valencia for one or two semesters with the Erasmus scholarship are potential customers of the language school. The European Union provides other scholarship programs promoting language studies and improving member state relations. The Comenius program, just to mention one provides financial help to language teachers who wish to improve their language teaching skills by attending teaching workshops abroad. Therefore the Taronja School focuses greatly on the European Union market and targets mostly member states of the union. This is also important, since students from the United States or China might need a visa to travel to Europe causing more difficulties in organizing their trip. Student from the United States will only receive a tourist visa valid for three months and will have difficulties in extending it without traveling back to their home country. Government interference in the international promotion of a language school is not very common. In some European countries though, such as Sweden and Germany government promotes studies in general on the national panorama and abroad as well. The CSN for example is a Swedish study aid providing financial support for national and international studies for Swedish students. These studies can be completed in universities or in language schools as well, students may request a study loan to cover their expenses and pay back the received amount later when they start working. Knowing this Taronja management puts great effort in creating Swedish contacts, such as language travel agencies based in Sweden, Swedish universities and high schools. Another important government aid originates from Germany, it is called the Buidingurlaub. It is different from the above mentioned CSN since this aid is designed for German workers. The basic idea is to provide a number of days yearly to German workers when day can travel and attend language courses abroad on the government’s account. This governmental aid also enforces Taronja managers to concentrate on the
German market for language studies. Just as in Sweden, Taronja management is looking for language travel agencies to co-operate with.

**Geographic characteristics**

The geographic characteristics of a target country are probably one of the most important characteristics regarding Taronja’s decisions on creating business with the foreign country. The geographic distance between Spain, Valencia and the foreign country plays a great role in the students travel costs; therefore it has a great influence on their decisions. For example a student from the United States will probably consider Mexico more convenient for language studies Mexico being one of their neighboring countries. Brazilians will prefer to attend Spanish classes in the South American continent. Europeans however have Spain as their closest option to study Spanish, therefore again it is important for Taronja managers to concentrate more on the European market. Having a great number of low cost airlines facilitates travel between European member states. Taronja faces an intense competition due to the numerous language schools located in different Spanish cities. Students from European countries will prefer to study in a Spanish city which is easily accessible for them, meaning that there are direct flights from their home town to the Spanish city. Budapest citizens for example will prefer Barcelona language schools due to the direct low cost flights connecting Budapest and Barcelona. Therefore Taronja managers above all consider promoting the language school in cities which are directly linked to Valencia by low cost flights. Such cities include: Amsterdam, Cluj-Napoca, Basel, Billund, Bologna, Bristol, Bruxelles, Bucharest, Dublin, Dusseldorf, East-Midlands, Eindhoven, Stockholm, Frankfurt, Karlsruhe-baden, Liverpool, London, Maastricht, Malta, Milan, Porto, Paris, Pisa, Roma and Sofia. Naturally out of all the above mentioned cities, the ones with higher population are most interesting for business relations. Country density is also an important factor. While Finland is a country with great surface it only hosts circa 5 million people. Switzerland on the other hand, which is a similar welfare country regardless of its small size, hosts 7.5 million inhabitants. Therefore Switzerland is a more interesting market for language studies than Finland.
Economic characteristics

Traveling and language studies are unfortunately luxuries which are not affordable for everyone. Even if citizens of European Union member states have the opportunity to travel, work and study in other member states often they do not have enough financial resources to participate in language courses abroad. Travel costs, accommodation expenses and the course fees form a significant amount of investment. Therefore Taronja managers mostly concentrate on the promotion in welfare countries such as in the Nordic Countries, Germany, Benelux countries, Switzerland, Austria, England, France, and Italy the United States, Japan etc. The citizens of the above mentioned countries have higher purchasing power parity therefore it is more common to receive students from economically stable countries. For Hungarian students for example the living expenses in Spain (price of food and accommodation) are more favorable than the living expenses in Germany or Holland, therefore Hungarian students will tend to study languages in countries which are generally “cheaper”, such as Spain or Portugal.
Summary and conclusions

As the final chapter of this report I would like to give a brief summary of the previous topics discussed above. Probably the most important messages of this assignment is related to management perception towards international trade. We are living in an era when countries are becoming more and more similar, they are taking part in common economic agreements, foreign trade relations are growing, the flow of goods, people and capital has less barriers than ever before. Due to these common factors international sales and marketing managers tend to believe that the consumers of different nations are becoming similar in taste and consumer behavior as well. The continuous and increasing use of internet creates a cluster of consumers who are sensitive to online advertisement and promotion, and do not consider the origin of the goods an important factor. There are many reasons to think country specific factors do not play a significant role in international marketing. In contrast with all the common market tendencies, consumers of different nations still have to be analyzed separately and market entry approaches should be adapted to local market conditions.

In the previous chapters we discussed the specific elements of internationalization starting from the benefits of exporting and reaching the point of realizing actual exports. There are multiple steps which have to be taken in between those two stations of becoming international. The foreign target market selection, the product adaptation using the four P’s of marketing and the export entry modes are discussed in detail in the main part of the thesis. In order to understand more the reasons for product and marketing strategy adaptation, the seventh chapter of the report gives a detailed example of the market entry strategies of the Taronja language school.

International sales and marketing managers should always consider the value creation of foreign exports as the first step of their overseas expansion plan. A stable company structure, a growth in home market sales and financial resources are inevitable conditions which the company must obtain. Managers must be familiar with the company’s abilities, and the amount of risk which they can afford to take. Target market research is probably one of the most important steps of internationalization. Regardless of the amount of information collected, the sources have to be adequate to provide useful and reliable information. Management should obtain data on the cultural,
administrative, geographic and economic characteristics of foreign target countries and additional data on existing competition. Only a good interpretation of the information available will lead to success on the foreign market. Taking into consideration all the above mentioned aspects companies will be familiar with the target countries and the selection can be carried out. Market entry modes, out of which the direct export entry modes are discussed in this report, create other questions of great significance. The adequate entry mode depends on company characteristics, management orientation, the availability of company resources and foreign market conditions as well. Due to the multiple possibilities available we cannot state one approach as the best of all, decisions and situations differ from time to time causing continuous questions and discussions for managers. It is however the best to diminish the risk factors by obtaining the most knowledge of the foreign markets with or without the help of individual organizations and always keeping a door open to receive currently updated information. Managers have to be flexible when market tendency creates a need for changes.

As a conclusion I would like to state that international trading is a complex and an ever changing activity, due to the movement of market “players” it requires much attention and continuous creativity. Working in an international environment furthermore provides extraordinary knowledge for international sales and marketing managers, cultural diversity and the ability to perform on foreign grounds facing unexpected situations. Internationalization of companies includes taking higher risks but at the same time enables higher returns and higher value creation to members of the company.
Bibliography


- www.taronjaschool.com
- www.espanole.es
- www.intereuropa.es
- http://www.costadevalencia.com/index2.htm
- http://www.enforex.es/
- http://www.dq-valencia.com/
- http://www.babylon-idiomas.com/
- http://www.pierobon.org/export/outline.htm
- http://www.businesslink.gov.uk/bdotg/action/detail?r.l1=1073858805&r.l3=1074026849&type=RESOURCES&itemId=1073792492&r.l2=1073859152&r.s=sc
- http://www.cid.harvard.edu/cidtrade/issues/competition.html
- http://findarticles.com/p/articles/mi_qa3981/is_200403/ai_n9399257/pg_1
- http://www.thai-canal.org/
- http://www.schiffahrtsverein.de/waterw.htm
APPENDICES


| Cluster 1 – Anglo:          | Canada, Australia, New Zealand, United Kingdom, United States |
| Clusters 2 – Germanic:      | Austria, Germany, Switzerland |
| Clusters 3 – Latin European:| Belgium, France, Italy, Portugal, Spain |
| Clusters 4 – Nordic:        | Denmark, Finland, Norway, Sweden |
| Clusters 5 – Latin America: | Argentina, Chile, Colombia, México, Peru, Venezuela |
| Clusters 6 – Near Eastern:  | Greece, Iran, Turkey |
| Clusters 7 – Far Eastern:   | Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Vietnam, Taiwan |
| Clusters 8 – Arab:          | Bahrain, Kuwait, Saudi Arabia, United Arab Emirates |

Independent (not closely related to other countries)
Japan, India, Israel

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Free trade area</th>
<th>Customs union</th>
<th>Common market</th>
<th>Economic union</th>
<th>Political union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Removal of internal tariffs</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Common external tariffs</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free flow of capital and labor</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Harmonization of economic policy</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Political integration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
Table nr.3 with corresponding graph
Short term prices 2 weeks

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>20/week Intensive course</th>
<th>single room shared apartment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>265</td>
<td>240</td>
<td>555</td>
</tr>
<tr>
<td>Babylon</td>
<td>0</td>
<td>280</td>
<td>210</td>
<td>490</td>
</tr>
<tr>
<td>Idiomas</td>
<td>65</td>
<td>310</td>
<td>210</td>
<td>585</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>280</td>
<td>N/A</td>
<td>490</td>
</tr>
<tr>
<td>Don quijote</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>270</td>
<td>200</td>
<td>495</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>280</td>
<td>230</td>
<td>575</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>270</td>
<td>200</td>
<td>520</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>295</td>
<td>224</td>
<td>564</td>
</tr>
</tbody>
</table>

Table nr.4 with corresponding graph
Short term prices 2 weeks

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>20/week Intensive course</th>
<th>single room host family half board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>265</td>
<td>310</td>
<td>625</td>
</tr>
<tr>
<td>Babylon</td>
<td>0</td>
<td>280</td>
<td>320</td>
<td>600</td>
</tr>
<tr>
<td>Idiomas</td>
<td>65</td>
<td>310</td>
<td>340</td>
<td>715</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>280</td>
<td>320</td>
<td>600</td>
</tr>
<tr>
<td>Don quijote</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>270</td>
<td>380</td>
<td>675</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>280</td>
<td>290</td>
<td>635</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>270</td>
<td>310</td>
<td>630</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>295</td>
<td>364</td>
<td>704</td>
</tr>
</tbody>
</table>
### Table nr.5 with corresponding graph
**Short term prices 2 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>25/week Super intensive course</th>
<th>single room shared apartment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Babylon</td>
<td>50</td>
<td>350</td>
<td>240</td>
<td>640</td>
</tr>
<tr>
<td>Idiomas</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>440</td>
<td>210</td>
<td>650</td>
</tr>
<tr>
<td>Don quijote</td>
<td>95</td>
<td>354</td>
<td>230</td>
<td>679</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>375</td>
<td>200</td>
<td>600</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>300</td>
<td>230</td>
<td>595</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>300</td>
<td>200</td>
<td>550</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>415</td>
<td>224</td>
<td>684</td>
</tr>
</tbody>
</table>

### Table nr.6 with corresponding graph
**Short term prices 2 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>25/week Super intensive course</th>
<th>single room host family half board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Babylon</td>
<td>50</td>
<td>350</td>
<td>310</td>
<td>710</td>
</tr>
<tr>
<td>Idiomas</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>440</td>
<td>320</td>
<td>760</td>
</tr>
<tr>
<td>Don quijote</td>
<td>95</td>
<td>354</td>
<td>300</td>
<td>749</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>375</td>
<td>380</td>
<td>780</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>300</td>
<td>290</td>
<td>655</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>300</td>
<td>310</td>
<td>660</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>415</td>
<td>364</td>
<td>824</td>
</tr>
</tbody>
</table>
### Table nr.7 with corresponding graph

**Long term prices 8 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>20/week Intensive course</th>
<th>single room shared apartment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>968</td>
<td>800</td>
<td>1818</td>
</tr>
<tr>
<td>Babylon</td>
<td>65</td>
<td>1240</td>
<td>790</td>
<td>2095</td>
</tr>
<tr>
<td>Idiomas</td>
<td>0</td>
<td>1035</td>
<td>840</td>
<td>1875</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Don quijote</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>1035</td>
<td>800</td>
<td>1860</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>1120</td>
<td>800</td>
<td>1985</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>1080</td>
<td>800</td>
<td>1930</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>1075</td>
<td>896</td>
<td>2016</td>
</tr>
</tbody>
</table>

![Graph](image)

### Table nr.8 with corresponding graph

**Long term prices 8 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>20/week Intensive course</th>
<th>single room host family half board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>968</td>
<td>1240</td>
<td>2258</td>
</tr>
<tr>
<td>Babylon</td>
<td>65</td>
<td>1240</td>
<td>1270</td>
<td>2575</td>
</tr>
<tr>
<td>Idiomas</td>
<td>0</td>
<td>1035</td>
<td>1280</td>
<td>2315</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Don quijote</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>1035</td>
<td>1280</td>
<td>2340</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>1120</td>
<td>1160</td>
<td>2345</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>1080</td>
<td>1240</td>
<td>2370</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>1075</td>
<td>1456</td>
<td>2576</td>
</tr>
</tbody>
</table>

![Graph](image)
### Table nr.9 with corresponding graph

**Long term prices 8 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>25/week Super intensive course</th>
<th>single room shared apartment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>1296</td>
<td>800</td>
<td>2146</td>
</tr>
<tr>
<td>Babylon Idiomas</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>1675</td>
<td>840</td>
<td>2515</td>
</tr>
<tr>
<td>Don quijote</td>
<td>95</td>
<td>1320</td>
<td>920</td>
<td>2335</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>1450</td>
<td>800</td>
<td>2275</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>1200</td>
<td>800</td>
<td>2065</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>1200</td>
<td>800</td>
<td>2050</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>1515</td>
<td>896</td>
<td>2456</td>
</tr>
</tbody>
</table>

### Table nr.10 with corresponding graph

**Long term prices 8 weeks**

<table>
<thead>
<tr>
<th></th>
<th>Inscription Fee</th>
<th>25/week Super intensive course</th>
<th>single room host family half board</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIP languages</td>
<td>50</td>
<td>1296</td>
<td>1240</td>
<td>2586</td>
</tr>
<tr>
<td>Babylon Idiomas</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Costa de Valencia</td>
<td>0</td>
<td>1675</td>
<td>1280</td>
<td>2955</td>
</tr>
<tr>
<td>Don quijote</td>
<td>95</td>
<td>1320</td>
<td>1360</td>
<td>2775</td>
</tr>
<tr>
<td>Intereuropa</td>
<td>25</td>
<td>1450</td>
<td>1280</td>
<td>2755</td>
</tr>
<tr>
<td>Enforex</td>
<td>65</td>
<td>1200</td>
<td>1160</td>
<td>2425</td>
</tr>
<tr>
<td>Espanole</td>
<td>50</td>
<td>1200</td>
<td>1240</td>
<td>2490</td>
</tr>
<tr>
<td>Taronja</td>
<td>45</td>
<td>1515</td>
<td>1456</td>
<td>3016</td>
</tr>
</tbody>
</table>