INTERNATIONAL BUSINESS

UNIT - I

Market Selection

One of the most important decisions in international business is market selection.

A company which wants to enter many market should do it systematically.

Market selection is based on a though evalution of the different market with reference to certain well defined criteria

It is also necessary of prepare a profile of the selected markets to help the company to formulate the marketing strategy.

Definition

The marketing process consists of analysis marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programs and organizing, implementing and controlling the marketing effort.

Marketing Scope – Process of activates

Process i) Process that uses a particular method of doing an activity.

ii) Market analysis, market planning, Implementation, and control.

Planning & Implementation i) Market segmentation, target market selection, positioning, and design of Marketing Mix.

ii) Implement these

Marketing Mix:

a) Product, Price, Promotion and Distribution

b) Marketing Materials to deliver valu to customers.

Exchange

a) Marketing does not succed unless the two parties exchange value of something.

b) Buyers can Exchange their time, money or servies, while the seller must exchange value of some thing to buyer.

Market selection Process

- Determine international marketing objectives
- Determine parameters for market selection
- Preliminary screening
- Detailed investigation and short listing

Evaluation and selection

International Marketing objectives

The first step in any management decision making process is to determine/ ascertain the objectives:

Various markets may have different degrees of attractiveness from the point of view of different objectives.

Parameters for selection

For proper evaluation and selection of the markets, it is exxential to clearly lay down the parameters and criteria for evaluation.

Preliminary screening

After determining the criteria for market selection, the next important step in market selection process is to conduct a preliminary screening of the market.

A parameters used for preliminary screening may vary from product to product. However, parameters like the size of population, per capita income, structure of the economy, infrastructure factors, political conditions etc.,

Short listing of Marketing

Preliminary screening enables to eliminate markets which obviously do not merit consideration at they very outset. There would be a large number of markets left even after the preliminary screening.

Evaluation and selection

A though evaluation of the short – listed markets is done with reference to the specific parameters and criteria and the markets are ranked on the basis of their overall attractiveness.

Determinants of Market Selection

The market selection is normally based on two sets of Factors:

1. The firm related Factors
2. The market related Factors

Firm Related Factors

Firm related refers to such factors as the objectives, resources, product mix, international orientation , etc.,

Market Related Factors

There are a number of market related factors which needed to be carefully evaluated for market selection. The market related factors may be broadly grouped into general factors and specific factors.

General Factors

Economic Factors

Include factors like economic stability, GDP growth trends, income distribution, per capital income, sectoral distribution of GDP and trends nature of and trends in foreign trade and BOP etc.,

Economic Policy

Includes industrial policy, foreing Investment policy, commercial policy, monetary policy, fiscal policy, other economic policy. Other economic policy.

Currency Stability

Stability of the national currency is another very important consideration in the market selection.

Political Factors

Characters of the political system including the nature and behaviour of the ruling Party / Parties and opposition Party / parties, the government system etc.,

Ethic Factors

Ethnic factors like ethnic characteristics, including ethnic difference and their implications for the business, ethics harmony etc.,

Infrastructure

Infrastructure facilities seriously affect business. For Ex power shortage could considerable production losses.

Bureaucracy and procedures

The nature and behaviour of the bureaucracy and the procedural system or styles are also important factors to be considered

Market Hubs

The ability of a market to act a hub, a base from where the company can operate in a contiguous regiou or countries, is a very important factor in the market selection of a company.

Specific Factors

Besides the general factors, there a number of factors specific to the industry which need to be analyed for evaluating the market. Important specific factors are:

1. Trends in domestic production and consumption and estimates for the future of the products concerned

2. Trends in imports and exports and estimates for the future.

3. Nature of competition

4. Government policy and regulations pertaining to the industry.

5. Infrastructure relevant to the industry

6. Supply conditions of raw materials and other inputs

7. Trade practices and customs

8. Culture factors and consumer characteristics

9. Market characteristics including the number and nature of market.

Evaluation Matrix

- An evaluation Matrix is often used for ranking the markets with reference ot their attractiveness for the company.

- The Evaluation Matrix will include the relevant general and specific factors

Attributes		Country A	Country B	Country C

	Weighting Factors	Rs	WS	Rs	WS	Rs	Ws
General: Political Stability	10	10	100	07	70	10	100
Economic Stability	8	10	80	07	56	8	64
Currency Strength & Stability	8	09	72	07	56	8	64
Government Policy	8	08	64	08	64	8	64
Infrastructural Facilities	8	09	72	06	48	7	56
Ability to serve as Marketing Hub	10	08	80	05	50	6	60
Tax incentives	5	07	35	06	30	7	35
Ethnic Factors	4	07	28	04	16	7	28
Bureaucray and Procedure	7	08	56	06	42		
Sum of Weighted Scores			587		432	8	
Specific	08	04	32		56	8	
Completion	10	10	100	07	60	7	
Demand	07	07	49	06	56	8	
Labour Productivity	07	6	42	08	42	8	
Infrastructure	08	08	64	06	48	6	
Govt. Policy and regulation	08	09	72	06	56		
Incentives	05	06	30	07	25		
Sum of weighted Scored			389	05	347		407
Grand Total			976		775		920
Banking Countries			01		03		02

RS – Raw Score

WS – Weighted Score (Weight Factors XRs)

Market Profile

What is a market Profile?

A Market profile is a set of attributes relating to a target population, and in business, a target group of buyers

The market profile for a product should contain the following:

i) Trends in the domestic production, demand, import and export and the forecasts of the same for the future

ii) Competitive charactistics :

The competitors, their competitive strategies and strengths and weakness of the competitors.

iii) Market segment characteristics:

The number of segments and their size, the success factors in each segment, determinants of demand in each segment growth potentials of the segment etc.,

iv) Customer characteristics including tastes and preferences, attitudes, buying habits, usage characteristics etc.,

v) Channel characteristics including trade practices.

vi) Promotional characteristics

vii) Factors relevant to pricing.

viii) Laws related to product, price, promotion, distribution, imports etc.,

Market segment Selection

The are 4 segment market selection

Firm related factors

The size and resources of the firm, its product mix, marketing characteristics of the firm etc.,

Licensing and Franchising

International Market Entry Method

Franchising

Contracting

Manufacturing abord

Join Ventures

Indirect Export

Direct Export

Licensing

Difference Licensing and Franchising

Licensing	**Franchising**
Royalty	Management Fees
Products are major source of concern	Covers all aspects of business including goodwill, trade marks, IFR etc.,
15 – 20 Years	5/10 years renewable
Licensing tends to be self selecting	The franchisee is selected by the franchiser.

EXPORTING

The term export means sending of goods or service produced in one country to another country. The seller of such goods and services is referred to as an exporter, the importer. Export of goods oftern requires involvement of customs authorities. An exports counter part is an import

Definition

Exports are the foods and services produced in one country and purchased by citizens of another country

Advantages

- Increase sales, market shares and profit

- Lower per unit cost

- Diversification

- Expand life cylcle of the product

Disadvantages

- Extra cost

- Financial Risk

- Product adaptation

- Lack of Market information

Types of Exporting

There are two types of exporting

- Indirect Exporting

- Direct Exporting

Contract Manufacturing

Under contract Manufacturing, company doing international marketing contracts with firms in foreign countries to manufacture or assemble the products while retaining the responsibility of marketing the product this is a common practice in international business.

Contract Manufacturing has the following advantages:

- The company does not have to commit resource for setting up production facilities

- It frees the company from the risks of investing in foreign countries

- If idle production capacity is readily available in the foreign country, it enables the marketer to get started immediately.

- In many cases, the cost of the product obtained by contract manufacturing is lower than if it were manufactured by the international firm

- Moreover, contract manufacturing may enable the international firm to enlist national support

Contract Manufacturing has the following disadvantages:

i) In some cases, there will be the loss of potential profit from manufacturing.

ii) Less control over the manufacturing process

iii) Contract manufacturing also has the risk of developing potential competitos.

iv) It would not be suitable in case of high – tech products and cases which involve technical secrets etc.,

Management Contract

What is management contract

Agreement between investors or owners of project, and a management company hired for coordinating and overseeing a contract. Its spells out the conditions and duration of the agreement, and the method of computing management fees.

Advantages

- It si an alternative to foreign dirct investment

- It doesn’t involve high risk

- High yield return on investment

Disadvantages

- It has limitation of contract time periods

- There is restriction on entry arrangement

- Fee of 3.5% of total revenues and 6 – 10 % of gross operating profit should be paid to brand.

Turnkey contract

A turkey or a turnkey product is a types of project that is construction so that it can be sold to any buyer as a completed product.

Nuberg's Role :

Nuberg Engineering's Technical Group is engaged in providing a comprehensive range of services ranging from providing Know how, Chemical plant construction, Chemical process plant design and engineering to undertaking **turnkey projects** thereby managing all aspects of Project management .

Our technical group team consists of highly skilled professionals and experienced engineers who have undertaken and commissioned a number of projects successfully in India and South Asia. We offer **turnkey project services**.

Nuberg area of excellence include :-

» A full process design & development cell.
» Project Engineering Services carrying all phases of project management.
» Specialized fabrication team.
» Experienced electrical control & automation team.

At Nuberg we have a sound quality assurance management system. We use most modern software to provide world class services to our clients.

Fully Owned Manufacturing Facilities

A **wholly owned subsidiary** is a company that is completely owned by another company. The company that owns the subsidiary is called the **parent company** or **holding company**. The parent company will hold all of the subsidiary's common stock. Since the parent company owns all of the subsidiary's stock, it has the right to appoint the subsidiary's board of directors, which controls the subsidiary.

Wholly owned subsidiaries may be part of the same industry as the parent company or part of an entirely different industry. Sometimes, a company will spin off part of itself as a wholly owned subsidiary, such as a computer company spinning off its printer manufacturing division.

Advantages

Wholly owned subsidiaries offer some advantages to the parent company. Companies that must rely upon suppliers and service providers can take control of their supply chain by use of wholly owned subsidiaries. This is a means of **vertical integration** where companies in a supply chain are under the control of a common owner. For example, a car manufacturing company may have several wholly owned subsidiaries, including a tire company and several different auto parts companies.

Wholly owned subsidiaries also offer an opportunity for companies to diversify and manage risk. **Diversification** is a means for a company to reduce risk by developing different types of businesses so that if one business or industry isn't doing well, its other businesses may be able to pick up the slack and keep the company profitable. For example, a computer company may decide to get into the printer business, the television business, and the tablet business and either buy or form a wholly owned subsidiary for each new business. Damage from the failure of one subsidiary will not necessarily be fatal to the parent company.

Similarly, a company can reduce its risk in entering into a new market or industry by using subsidiaries which help minimize the parent company's exposure. For example, if your company wants to enter into an emerging market that hasn't been established, it can form a subsidiary to enter the market leaving much of the risk of loss on the subsidiary's shoulders.

A company may also create or purchase wholly owned subsidiaries when conducting business abroad. Sometimes, a parent company will create a subsidiary in a foreign country because it will receive favorable tax treatment from the foreign government. Alternatively, a parent company may be required to form a local subsidiary in order to conduct business in the country. The subsidiary may even have to be formed with a local business partner.

ASSEMBLY OPERATIONS

The assembly line was one of the key components of the Industrial Revolution. The principles of the assembly line allowed manufacturers to produce greatly increased amounts of products at lower cost and indirectly made for easier maintenance of products after their assembly. While the ideas behind assembly line manufacturing are a vital part of the way products are made and assembled today, it is also interesting to consider the disadvantages of These types of production systems.AdvantagesFor manufacturers, the benefits of assembly line production are enormous

Advantages

An inherent part of the idea of assembly lines is that each item produced from a certain product line is as close to identical as possible. This allows quick and easy assembly throughout the process, and it also means that maintenance and replacement of worn or broken parts is a much simpler task down the road.

Prior to assembly line production, items were often made one at a time by hand by a single crafter. This meant that there were often great variations between one crafter's work and the work of another crafter, and even among the products of a single crafter. If one part of a musket or tool were to break, it was no simple task to replace that part. Repairs and replacements had to be custom made to fit the specific item at hand.With standardized, interchangeable parts being a key part of the assembly line process.

Generation of manufacturing did not suffer as much from those issues of difficult repairs. If part of a product breaks, it can easily be replaced with an identical part matching the item.Generally speaking, assembly line production requires each person involved to only perform a small number of simple and specific operations, meaning training requirements are not very demanding, and nearly anybody can fill a spot on the production line in many cases. This allows companies to keep expenses low and easily replace employees who leave. The work is also pretty easy: chain, roller, or belt conveyors move products through the process, meaning no heavy lifting or moving is generally required of workers. In fact, specialized conveyors from companies likeCambeltoften play a vital role in production facilities. Finding or creating the right conveyor for the job makes the whole process possible,

Disadvantages

The disadvantages of the assembly line style of production are the same qualities described above but looked at from another angle. While several workers using interchangeable, standardized parts makes for easy repairs and replacements, it also means each item loses that individualistic flare of unique artisanship. For some products,especially Decorative or luxurious items, it can be very desirable to know that a single skilled and experienced artisan uniquely crafted the piece.

This individual put a lot of heart and soul into the creation. This is the opposite to a production line, which is a bunch of disinterested people slapping parts together with no personal investment in the quality of the finished product.Other disadvantages of assembly line production are based on the worker's point of view. Because little training is generally required, wages may not be very competitive.

The work itself can also be extremely repetitive and monotonous, offering little in the way of mental stimulation and creative critical thinking. The assembly line can also take away jobs from people. Many jobs preformed on an assembly line have been replaced by robots or can be skipped altogether.

JOINT VENTURE

In a business arrangement in which two or more parties agree to pool their resources to accomplish a specific task. It is not like a partnership agreement because this has a definite end to it as it focuses on a single project or undertaking. It does pose a great sense of benefit for both companies, but it also comes with its share of side effects as well. That is what we are hoping to bring to light in this article.

Advantages of a Joint Venture

1 – New insights and expertise

Starting a joint venture provides the opportunity to gain new insights and expertise. Think about it; the market is now way easier for you to understand given the short-term partnership that you have forged.

2 – Better resources

Forming a joint venture will give you access to better resources, such as specialized staff and technology. All the equipment and capital that you needed for your project can now be used.

3 – It is only temporary

A joint venture is only a temporary arrangement between your company and another. By definition, you won't be committing to it long term.

4 – Both parties share the risks and costs

In case the joint-group project fails, you are not alone when bearing the costs of its failure. Because you two had volunteered to share the expenses, you both will also support the losses.

5 – Joint ventures can be flexible

According to assignment writing service writers, an example of this is that a joint venture can have a limited lifespan and can only cover only a fraction of what you do, thereby limiting your commitment as well as your business's exposure.

6 – There are ways to exit a joint venture

In the timeline of divestiture and consolidation, a joint venture offers a creative way for companies to escape non-core businesses.

7 – You will know what's yours and will be able to sell it

Gradually, firms can separate their business from the rest of the organization, and then later, sell it to the other parent company. Approximately 80% of all joint ventures end in a sale, from one partner to the other.

8 – You are more likely to succeed

Your chances of success will become higher as you are already riding with a renowned brand. As a result of this, your credibility will also vastly improve.

9 – You will build relationships and networks

Even though your partnership is only for a specific goal, this move will enable you to create long-lasting business relationships.

10 – Your potential will virtually be limitless

Despite having little to no money at your disposal, you can create more venture deals in the process. You will create momentum and have partners with you. Take advantage of it!

11 – You get to save money by sharing advertising and marketing costs

And that works for a lot of other types of costs. Starting a joint venture is a great way to save money and/or split costs.

12- International joint venture eradicates the risk of discrimination.

International joint ventures are very common nowadays. This is a great opportunity to cooperate with people from different countries and combine our strengths!

Disadvantages of a Joint Venture

1 – Vague objectives

The objectives of a joint venture are not 100 percent clear and rarely communicated clearly to all people involved.

2 – Flexibility can be restricted

There are times when flexibility is restricted in a joint venture. When that happens, participants have to focus on the joint venture, and their individual businesses suffer in the process.

3 – There is no such thing as an equal involvement.

An equal pay may be possible, but it is extremely unlikely for all the companies working together to share the same involvement and responsibilities.

For example, Company A is working on the production process, whereas Company B is responsible for the production, and Company C is in charge of planning and implementing market strategies. Since Company A is not directly involved in the production and promotion process, the pressure is on the latter companies. It will also affect individual businesses.

4 – Great imbalance

Because different companies are working together, there is a great imbalance of expertise, assets, and investment. This can have a negative impact on the effectiveness of the joint venture.

5 – Clash of cultures

A clash of cultures and management styles may result in poor co-operation and integration. People with different beliefs, tastes, and preferences can get in the way big time if left unchecked.

THIRD COUNTRY LOCATION

Third Country National (**TCN**) is a term often used in the context of migration, referring to individuals who are in transit and/or applying for visas in countries that are not their country of origin (i.e. country of transit), in order to go to destination countries that is likewise not their country of origin. In the European Union, the term is often used, together with "foreign national" and "non-EU foreign national", to refer to individuals who are neither from the EU country in which they are currently living or staying, nor from other member states of the European Union.[1]

In terms of employment, the term is often used to designate "an employee working temporarily in an assignment country, who is neither a national of the assignment country nor of the country in which the corporate headquarters is located."[2]

In the US, it is often used to describe individuals of other nationalities hired by a government or government sanctioned contractor who represent neither the contracting government nor the host country or area of operations. This is most often those performing on government contracts in the role of a private military contractor. The term can also be used to describe foreign workers employed by private industry and citizens in a country such as Kuwait in which it is common to outsource work to non-citizens.

Generally speaking, the US government classifies contract personnel under one of three headings:

- Ex-pat - those personnel who are of the same nationality as the contracting government. (In Iraq, foreign nationals working as a member of a US contractor are regarded as Ex-pats)

- TCN or Third Country National – those personnel of a separate nationality to both the contracting government and the AO or "Area of operations".
- HCN's (Host country nationals), LN's (Local Nationals), Indigs (Indigenous Personnel) – those personnel who are indigenous to the area of operations.

Mergers and Acquisitions

Mergers and acquisitions are two of the most misunderstood words in the business world. Both terms are used in reference to the joining of two companies, but there are key differences involved in when to use them.

A merger occurs when two separate entities combine forces to create a new, joint organization. Meanwhile, an acquisition refers to the takeover of one entity by another. Mergers and acquisitions may be completed to expand a company's reach or gain market share in an attempt to create shareholder value.

Mergers Vs. Acquisitions

In an acquisition, a new company does not emerge. Instead, the smaller company is often consumed and ceases to exist with its assets becoming part of the larger company. Acquisitions – sometimes called takeovers – generally carry a more negative connotation than mergers. Due to this reason, many acquiring companies refer to an acquisition as a merger even when it is clearly not.

Legally speaking, a merger requires two companies to consolidate into a new entity with a new ownership and management structure (ostensibly with members of each firm). An acquisition takes place when one company takes over all of the operational management decisions of another. The more common distinction to differentiating a deal is whether the purchase is friendly (merger) or hostile (acquisition).

In practice, friendly mergers of equals do not take place very frequently. It's uncommon that two companies would benefit from combining forces with two different CEOs agreeing to give up some authority to realize those benefits. When this does happen, the stocks of both companies are surrendered and new stocks are issued under the name of the new business identity.

Both mergers and acquisitions have pros and cons. Mergers require no cash to complete but dilute each company's individual power. Acquisitions require large amounts of cash, but the buyer's power is absolute.

Since mergers are so uncommon and takeovers are viewed in a negative light, the two terms have become increasingly blended and used in conjunction with one another. Contemporary corporate restructurings are usually referred to as merger and acquisition (M&A) transactions rather than simply a merger or acquisition. The practical differences between the two terms are slowly being eroded by the new definition of M&A deals.

STRATEGIC ALLIANCES

Some analysts may say that strategic alliances are a recent phenomena in our time, in fact collaborations between enterprises are as old as the existence of such enterprises. Examples would be early credit institutions or trade associations like the early Dutch guilds. There have always been strategic alliances, but in the last couple of decades the focus and reasons for strategic alliances has evolved very quickly

In the 1970s, the focus of strategic alliances was the performance of the product. The partners wanted to attain raw material at the best quality at the lowest price possible, the best technology and improved market penetration, while the focus was always on the product.

In the 1980s, strategic alliances aimed at building economies of scale and scope. The involved enterprises tried to consolidate their positions in their respective sectors. During this time the number of strategic alliances increased dramatically. Some of these partnerships lead to great product successes like photocopiers by Canon sold under the brand of Kodak, or the partnership of Toshiba and Motorola whose joining of resources and technology lead to great success with microprocessors.

In the 1990s, geographical borders between markets collapsed and new markets were enterable. Higher requirements for the companies lead to the need for constant innovation for competitive advantage. The focus of strategic alliances relocated on the development of capabilities and competencies.

- **Shared risk**: The partnerships allow the involved companies to offset their market exposure. Strategic Alliances probably work best if the companies´ portfolio complement each other, but do not directly compete.
- **Shared knowledge**: Sharing skills (distribution, marketing, management), brands, market knowledge, technical know-how and assets leads to synergistic effects, which result in pool of resources which is more valuable than the separated single resources in the particular company.
- **Opportunities for growth**: Using the partner´s distribution networks in combination with taking advantage of a good brand image can help a company to grow faster than it would on

its own. The organic growth of a company might often not be sufficient enough to satisfy the strategic requirements of a company, that means that a firm often cannot grow and extend itself fast enough without expertise and support from partners

- **Speed to market**: Speed to market is an essential success factor In nowadays competitive markets and the right partner can help to distinctly improve this.
- **Complexity**: As complexity increases, it is more and more difficult to manage all requirements and challenges a company has to face, so pooling of expertise and knowledge can help to best serve customers.
- **Innovation**: The parties in an alliance can jointly determine their mutual desired outcomes and craft a collaborative contract that features incentives designed to spur investments in innovation.
- **Costs**: Partnerships can help to lower costs, especially in non-profit areas like research & development.
- **Access to resources**: Partners in a Strategic Alliance can help each other by giving access to resources, (personnel, finances, technology) which enable the partner to produce its products in a higher quality or more cost efficient way.
- **Access to target markets**: Sometimes, collaboration with a local partner is the only way to enter a specific market. Especially developing countries want to avoid that their resources are exploited, which makes it hard for foreign companies to enter these markets alone.
- **Economies of scale**: When companies pool their resources and enable each other to access manufacturing capabilities, economies of scale can be achieved. Cooperating with appropriate strategies also allows smaller enterprises to work together and to compete against large competitors.

Further advantages of strategic alliances

- Access to new technology, intellectual property rights
- Create critical mass, common standards, new businesses
- Diversification
- Improve agility, R&D, material flow, speed to market
- Reduce administrative costs, R&D costs, and cycle time
- Allowing each partner to concentrate on their competitive advantage
- Learning from partners and developing competencies that may be more widely exploited elsewhere
- To reduce political risk while entering into a new market
- An alliance plan will provide the opportunity to manage and achieve defined results from a corporate ecosystems

COUNTERTRADE

There are several types of countertrade, including barter, counter purchase, compensation trade, switch trading, offsets and clearing agreements.

1. **Barter- Barter**, possibly the simplest of the many types of counter trade, is a onetime direct and simultaneous exchange of products of equal value (i.e., one product for another). By

removing money as a medium of exchange barter makes it possible for cash-tight countries to buy and sell. Although price must be considered in any counter trade, price is only implicit at best in the case of barter. For example, Chinese coal was exchanged for the construction of a seaport by the Dutch, and Polish coal was exchanged for concerts given by a Swedish band in Poland. In these cases. the agreement dealt with how many tons of coal was to be given by China and Poland rather than the actual monetary value of the construction project or concerts. It is estimated that about half of the U.S. corporations engage in some form of barter primarily within the local markets of the United States.

2. **Counter purchase (Parallel Barter)** – Counter purchase occurs when there are two contracts or a set of parallel cash sales agreements, each paid in cash. Unlike barter which is a single transaction with an exchange price only implied. A counter purchase involves two separate transactions-each with its own cash value. A supplier sells a facility or product at a set price and orders unrelated or non-resultant products to offset the cost to the initial buyer. Thus, the buyer pays with hard currency, whereas the supplier agrees to buy certain products within a specified period. Therefore money does not need to change hands. In effect, the practice allows the original buyer to earn back the currency. GE won a contract worth $300'million to build aircraft engines for Sweden's JAS fighters for cash only after agreeing to buy Swedish industrial products over a period of time in the same amount through a counter purchase deal. Brazil exports vehicles, steel, and farm products to oil-producing countries from which it buys oil in return.
3. **Compensation Trade (Buyback)** – A compensation trade requires a company to provide machinery, factories, or technology and to buy products made from this machinery over an agreed-on period. Unlike counter purchase, which involves two unrelated products, the two contracts in a compensation trade are highly related. Under a separate agreement to the sale of plant or equipment, a supplier agrees to buy part of the plant's output for a number of years. For example, a Japanese company sold sewing machines to China and received payment in the form of 300,000 pairs of pajamas. Russia welcomes buyback.
4. **Switch Trading** – Switch trading involves a triangular rather than bilateral trade agreement. When goods, all or part, from the buying country are not easily usable or salable; it may be necessary to bring in a third party to dispose of the merchandise. The third party pays hard currency for the unwanted merchandise at a considerable discount. A hypothetical example could involve Italy having a credit of $4 million for Austria's hams, which Italy cannot use, A third-party company may decide to sell Italy some desired merchandise worth $3 million for a claim on the Austrian hams. The price differential or margin is accepted as being necessary to cover the costs of doing business this way. The company can 'then sell the acquired hams to Switzerland for Swiss francs, which are freely convertible to dollars.
5. **Offset** – In an offset, a foreign supplier is required to manufacture/assemble the product locally and/or purchase local components as an exchange for the right to sell its products locally. In effect, the supplier has to manufacture at a location that may not be optimal from an economic standpoint. Offsets are often found in purchases of aircraft and military equipment. One study found that more than half of the companies counter trading with the Middle East were in the defense industry and that the most common type of counter trade was offset. These companies felt that counter trade was a required element in order to enter these markets.
6. **Clearing Agreement** – A clearing agreement is clearing account barter with no currency transaction required. With a line of credit being established in the central banks of the two countries, the trade in this case is continuous, and the exchange of products between two

governments is designed to achieve an agreed-on value or volume of trade tabulated or calculated in nonconvertible “clearing account units.” For example, the former Soviet Union’s rationing of hard currency limited imports and payment of copiers. Rank Xerox decided to circumvent the problem by making copiers in India for sale to the Soviets under the country’s “clearing” agreement with India. The contract set forth goods, ratio of exchange, and time length for completion. Any imbalances after the end of the year were settled by credit into the next year, acceptance of unwanted goods, payment of penalty, or hard currency payment. Although nonconvertible in theory, clearing units in practice can be sold at a discount to trading specialists who use them to buy saleable products

7. **FRANCHISING:**
8. Franchising is a form of licensing wherein the franchiser exercises more control over franchisee. The franchiser supplies the main part of
9. the product, and provides the following services to the franchisee:
10. 1. TRADEMARKS
11. 2. OPERATING SYSTEMS
12. 3. PRODUCT, &
13. 4. BRAND NAME
14. Company support systems like advertising, training of employees, quality assurance are also involved in franchising. McDonald, Dairy
15. Queen, Domino’s Pizza and KFC are the known
16. franchise brands. NIIT & Aptech have appointed franchisees in Africa, south East Asia, Gulf countries and China. Hotels like The Hilton
17. and Marriott are well known operators in hotel sector. Jatia’s in India are the national franchisees of McDonalds. All the investments on
18. premises, HR, operations and promotions are totally borne by the franchisees. In practice the franchiser is determined to maintain a
19. standard throughout the world in terms of quality brand logo and symbol. But the product is adaptable depending on the socio-cultural
20. background of the country.
21. McDonalds sells BEEF BURGERS in Russia & VEG BURGERS in India.
22. Sometimes the franchisers initiate the process where the economy is on boom. In many developing nations, franchisees initiate the process
23. and they are forced to bear all the expenses.